



NICNAS Cost Recovery Impact Statement

Stakeholder Feedback Session



What

Outcomes

Stakeholders' ideas and perspectives on the following-

- Current Cost Recovery Arrangements
 - Equity of arrangement
 - Cross subsidisation
- How NICNAS Activities have changed since the CRIS of 2004-2005
 - NICNAS input
 - Stakeholder Input
- Accelerated Assessment of Existing Industrial Chemicals
 - Overview
 - Cost recovery scenarios



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Stakeholder Engagement

- Fairer arrangements
- Greater ownership
- Find out impacts from different perspectives

Why



How

Communication

- Audience – diverse
- Acronyms or jargon – yellow card
- Consider – right forum?
- Fair go for everyone
- For clarity – quick example
- Park Chart
- Anything to add??

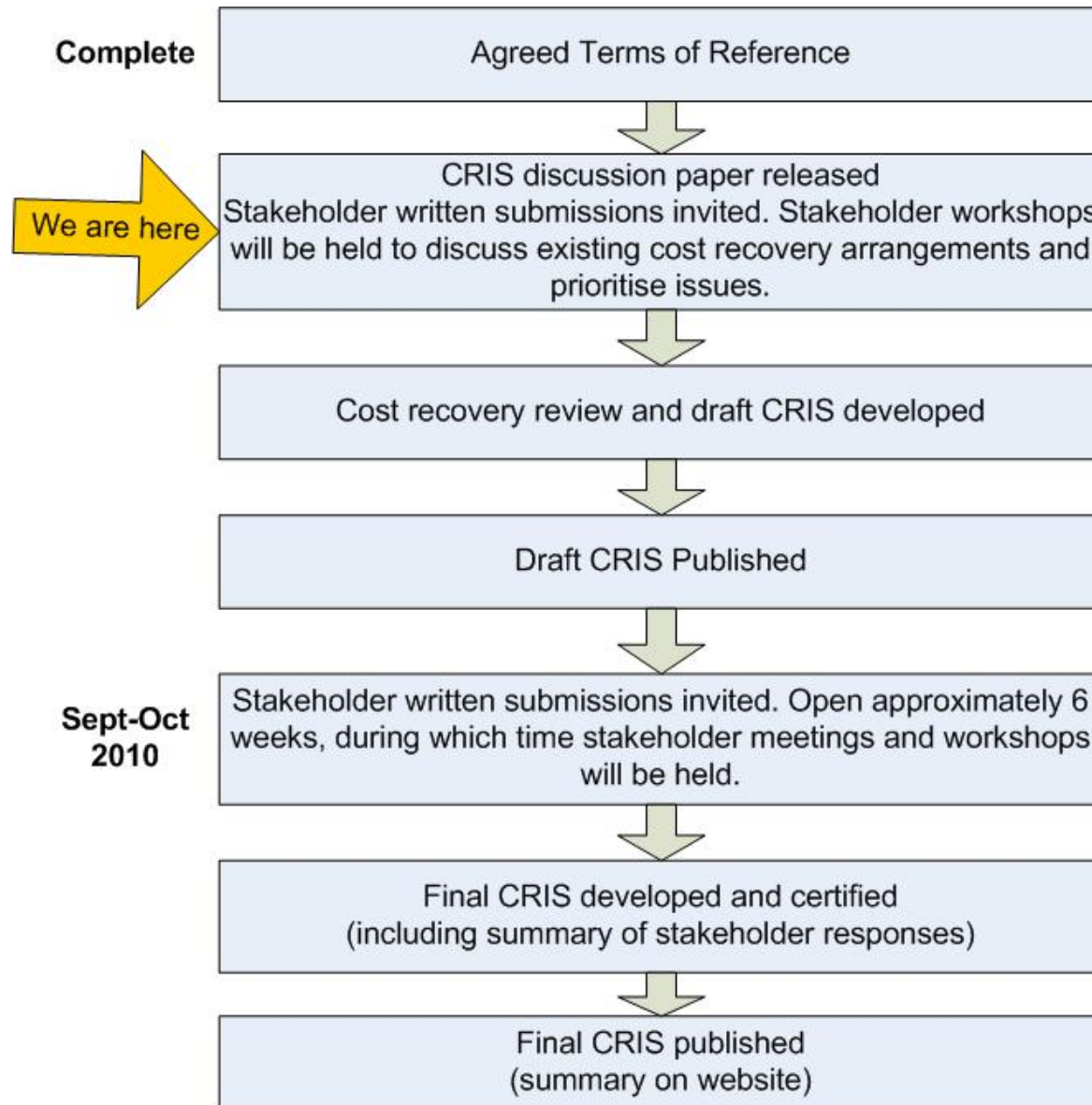


Introductions

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National Industrial Chemical Notification and Assessment Scheme Cost Recovery Guidelines July 2010



Background

- Cost recovery guidelines were implemented by Federal Government in 2002.
- To improve consistency, transparency and accountability of its cost recovery arrangements and promote the efficient allocation of resources.
- The underlying principles of the policy is that entities should set charges to:
 - recover all costs of products or services where it is efficient and effective to do so
 - where the beneficiaries are a narrow and identifiable group
 - where charging is consistent with Australian Government policy objectives.
 - arrangements must have clear legal authority
- Cost recovery policy is administered by the Department of Finance and Deregulation (DoFD) and outlined in the Australian Government Cost Recovery Guidelines (Cost Recovery Guidelines) and associated documents.



What is cost recovery?

- Cost recovery is the recovery of some or all the costs of a particular activity. Australian Government cost recovery charges fall into two broad categories:
 - fees for goods and services; and
 - ‘cost recovery’ taxes (primarily levies, but also some excises and customs duties).
- Differs from general taxation due to the direct link between revenue and the funding of specific activities.
- There is a preference for fee-for-service, although this doesn’t always reflect the most efficient manner.



Why have cost recovery?

- Used appropriately, cost recovery can provide an important means of improving the efficiency with which Australian Government products and services are produced and consumed.
- Charges for goods and services can give an important message to users or their customers about the cost of resources involved.
- It may also improve equity by ensuring that those who use Australian Government products and services or who create the need for regulation bear the costs.
- However, cost recovery may not be warranted where:
 - it is not cost effective; or
 - it would be inconsistent with government policy objectives; or
 - it would unduly stifle competition and industry innovation.



‘Significant’ cost recovery arrangements

- NICNAS are considered to have significant cost recovery arrangements as its total cost recovery receipts exceed \$5m per annum. This results in a number of requirements:
 - Undertake appropriate stakeholder consultation
 - Preparation of a Cost Recovery Impact Statement
 - Periodic review of cost recovery arrangements, no less frequently than every five years.



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Questions?

The cost recovery guidelines are available on the DoFD website.

Simply search for “cost recovery guidelines” on the finance.gov.au website.



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THE COST RECOVERY MODEL IN NICNAS



COST RECOVERY CHARGES

- **Fee for service**
 - clearly identify the user of the service
 - primarily assessment services
 - Eg introduction of new chemicals
- **Levy**
 - from only those that use the products or services or create the need for regulation
 - companies introducing industrial chemicals
 - Manufacture or import
 - companies registered with NICNAS



HISTORY - NICNAS

Year introduced	% costs recovered	Functions
1989	50	New chemical assessments Existing chemical assessments
1997	97	New chemicals assessment – fee for service Existing chemicals assessment – registration levy Compliance costs 50% - registration levy
2004	100	Fee for service:New chemicals assessment Registration levy:Existing chemicals assessment Compliance and audit; Collection of statistics; Maintenance of national inventory;Registration of companies; regulatory reform



FEE FOR SERVICE

New Chemicals Assessments

- Various categories
 - eg certificates, permits, permit renewals etc
- Variations to standard process

Listing on National Inventory

- Various categories for listing
 - Eg confidential listing



REGISTRATION LEVIES IN 2009-10 (2010-11)

Tier	Value of Introduced Chemical	Admin Fee	Charge	Total Payable
1	\$1-\$499,999	\$381 (\$395)	0	\$381 (\$395)
2	\$500,000-\$4,999,999	\$381 (\$395)	\$1141 (\$1182)	\$1522 (\$1577)
3	\$5,000,000 or more	\$381 (\$395)	\$8500 (\$8806)	\$8881 (\$9201)



ESTABLISHING COST RECOVERY CHARGES

- Reviewed annually
 - Cost of providing service/activity
 - Projected work program and initiatives
- Consult with industry and government stakeholders
- If charges increase:
 - Based on previously agreed model
 - 75% Wage Price Index/25% Consumer Price Index
 - December rates



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Current Cost Recovery Arrangements

- Equity of arrangement – views from each tier
- Cross subsidisation – Registration Fees currently subsidise New Chemical Area



Table 3: Summary of amount payable and proportion of introduction value
(page 10 of Discussion Paper)

Introduction value	Amount Payable 2009-10	Percentage of introduction value		Introduction value	Amount payable 2009-10	Percentage of Introduction value
\$1,000	\$381	38.1		3,000,000	\$1,522	0.05
\$10,000	\$381	3.81		\$4,000,000	\$1,522	0.04
\$100,000	\$381	0.38		\$5,000,000	\$8,881	0.18
\$500,000	\$1,522	0.30		\$10,000,000	\$8,881	0.09
\$1,000,000	\$1,522	0.15		\$50,000,000	\$8,881	0.02
\$2,000,000	\$1,522	0.08		\$100,000,000	\$8,881	0.01



Cross subsidisation

.....there was some cross subsidisation between new chemical assessments and registration income in an effort to limit the introduction cost of new innovative chemicals onto the market. Stakeholder comments at the time indicated that the level of cross subsidisation was acceptable.....



Cross Subsidisation

Table Discussion

- Issues to be considered in relation to appropriateness of cross subsidisation?
- What approaches could be taken to manage these?



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NICNAS ACTIVITIES 2004-2010



CHANGED ACTIVITIES 2004-2010

- Registered companies
 - Increased from approx. 1,000 to approx. 5,000
- Industry outreach
 - Increased training, information, advisory services
- Community engagement in decision making processes
 - Establishment of Community Engagement Forum
 - Enhanced consultation – quality and quantity
- Compliance activities
 - Increased compliance and auditing of registered companies/additional new chemical notification requirements/shift to post market monitoring



CHANGED ACTIVITIES 2004-2010 cont'd

- New chemical assessments
 - Greater diversity of assessment pathways and products – faster time to market
 - Methodological changes eg non animal testing/quantitative assessments/predictive modelling
 - Use of international assessments – increased efficiency
 - Inclusion of criteria for persistence, bioaccumulation and toxic chemicals
- Existing chemicals
 - Independent review of existing chemicals program
 - Major change in approach to identifying of chemicals of concern – inventory screening approaches
 - Chemicals in additional products classes considered industrial chemicals



CHANGED ACTIVITIES 2004-2010

- Regulatory reform
 - Emerging issues - management of nanomaterials,
 - Resolution of some regulatory interface eg cosmetics
 - Enhanced international cooperation – reduced duplication of assessment effort, increased harmonisation of requirements
 - Increased requirements for regulatory impact
- Australia's regulatory framework
 - Strengthened linkages with states and territories and national bodies
 - Strengthened governance arrangements
 - Changed/changing risk management for industrial chemicals



Missed Opportunities 2004-10

- Pace of regulatory reform too slow
 - Eg finalisation of low regulatory concern chemicals initiative, Resolution of regulatory interfaces
- Pace of strengthening community engagement too slow
- Implementation of recommendations of Existing Chemicals Review too slow
 - Slow changes to types of assessments under the Act and prescribed procedures
- Delayed introduction of predictive modelling technique
- International harmonisation work moved at slow pace
- Further round of reforms for new chemical notification framework not started
- Review of Act not undertaken



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Missed Opportunities 2004-10

- Classes of novel chemicals not examined as a group
 - eg bioplastics
- Limited number of existing chemicals assessed and subsequently managed
- Low level of activity in collecting statistics
 - Main focus on high production volume chemicals
- Level of compliance and enforcement action too low



NICNAS Activities that have changed since CRIS of 2004-2005

Table Discussion

1. What activities have changed?
2. Impact on Stakeholders?



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Accelerated Assessment of Existing Industrial Chemicals

- Overview
- Equitable cost recovery scenarios



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ACCELERATED ASSESSMENT OF EXISTING INDUSTRIAL CHEMICALS



Existing chemicals.....

- Chemicals listed on the national inventory
- How are chemicals listed?
 - “grandfathered” onto inventory (38,000)
 - assessment of new industrial chemicals
- Implications of listing on inventory
- Assessment of existing chemicals (150 completed to date)
- Concern about the vast number of unassessed chemicals potentially in commerce



Reviews of the NICNAS existing chemicals program.....

- Review **initiated by NICNAS** in 2006 - implementation is underway
- The **Productivity Commission** investigated the current system of regulation of chemicals and plastics in Australia in 2008
- One PC recommendation related to the assessment of existing chemicals (rec 4.6)
- The commonwealth responded to the PC recommendation and COAG noted the response
- The government has decided to implement this recommendation using a cost recovery model.



Accelerated assessment.....

- Several models – REACH, Canada, USA, Japan, Taiwan
- Objectives:
 - to identify chemicals in commerce
 - Ensure safety of chemicals in use
 - prioritise chemicals for assessment based on level of concern
 - to keep pace with comparable regulatory regimes
 - use a pragmatic and justifiable approach to prioritisation
 - avoid duplication of regulatory effort



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Your input is sought on the following...

- The benefits of addressing the regulatory gap through prioritisation and undertaking this project within a reasonable period of time.
- What is the most equitable manner to raise funds to support prioritisation of chemicals on the inventory?



Accelerated Assessment of Existing Industrial Chemicals

Some logical options for discussion

1. Everyone pays the same amount
2. Scaled same as registrations
3. Pay based on chemical usage

a. View of your tier and

b. Consider the extreme examples

- 1 chemical large coy and*
- many chemicals small coy*

IMPACT?



Next Steps

- Summary from meeting
 - send to attendees
 - incorporate in issues
- Written submissions
 - closing date 5 pm Wednesday 4th August 2010
- Draft CRIS
 - Oct/Nov 2010



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