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Dr Kate Liddell
Project Manager – Cost Recovery Review
NICNAS
GPO Box 58, Sydney 2001

October 20, 2011

Cost Recovery Review comments

Dear Kate,

Some time ago I attended a very interesting and informative information session held in Melbourne by NICNAS. The subject matter was largely a summary of the work NICNAS does, and the processes that might be involved for organisations interested in introducing new chemicals. A small part of the discussion was about the fee structure, and that there was an intent to make this fee structure more equitable.

You have sent me two emails in the last two days asking for comments on the draft CRIS. In the second email you state that one of the proposed changes is to make the fee scale more equitable. For many reasons the proposed fee structure is in fact even less equitable, and I will go through those reasons below.

I will consider our case first. We are a company with a turnover of just of \$10M, so we are twice the size of the minimum level to be on the top scale. The current annual fee is a significant expense, particularly given that we are commodity chemical manufacturers and traders operating with margins typical of the commodity end of the industry – lower than more “high tech” manufacturers. The fee at the proposed 2012-2013 level is about 0.14% of annual revenue. The Australian chemical industry, according to PACIA’s annual report has a turnover of \$33.6B. Your estimated total registration fees for the 2012-2013 year will be about \$8.55M which is about 0.024%. The fee you propose charging us is therefore nearly four times higher than the average for the industry. For a company just over the \$500k threshold the fee is even more regressive.

For a company roughly in the middle of the middle bracket - \$2.5M turnover for example – the fee of \$1857 would represent 0.075%, again significantly higher than the industry average. Even for a very small company turning over \$99 000 per year the proposed fee is 0.13%, again much higher than the industry average.

If you look at the fee structure relative to number of employees then again it is also not very equitable. For our 13 staff the proposed fee is \$1100 per person. According to the PACIA annual report the chemical industry directly employs 83 000 people, so the industry average is \$103 person – we will be paying ten times the industry average.

The fee you collect is a bit like a tax. We receive no benefit from the work that NICNAS does because we do not introduce new chemicals, so it is hard to see that this is much different from a tax – payment to a government body that is used for services not directly connected to the payee. You should note that a fundamental premise of the Henry Tax Review was that taxes should not be regressive - your registration fee structure is very regressive. The registration fee as it stands is heavily weighted towards the smaller end of the industry, companies that are less likely to be introducers of new chemicals anyway.

I also note that in your proposed summary of revenue 73% of your revenue will be from the registration fee and only 27% from fees for service. Why is it fair to obtain most of your revenue from registration when this might not be relevant? It is no fairer to levy the registration fee on a company such as us, as it would be to levy the fee on all businesses that use chemicals. By this I mean all businesses that use any chemical substances such as a farmer that grows wheat, an office that buys paper or a machining shop that buys steel.

If you have a desire to make the revenue structure more equitable then I propose the following:

- Increase the fees for services so that it becomes close to a user pays system.
- Decrease the fees for registration in line with the increase in the fees for services.
- With the registration fee structure charge an amount that is directly proportional to revenue so that companies like Orica are paying at a similar rate to us.

I hope you have the time to read this and assimilate the points. I intend to attend one of the public information sessions to get my points across.

Regards,



Greg Weston
Managing Director

PLASTICS AND CHEMICALS INDUSTRIES ASSOCIATION

The Plastics and Chemicals Industries Association is the pre-eminent national body representing Australia's chemistry industry. We promote our strategically important industry's activities and solutions to Federal and State Governments, the media and the community both locally and internationally through detailed dialogue and engagement.

PACIA's core activities focus on the three pillars of Industry Advocacy, Sustainability Leadership, and Member Services supported by our Strategic Partnerships.

Our members include chemicals manufacturers, importers and distributors, logistics and supply chain partners, raw material suppliers, plastics fabricators and compounders, plastics and chemicals recyclers and service providers to the sector.

Our range of services help our members to manage the issues that affect their company's bottom line, leaving them the time to grow their business. We like to work closely with our members to manage issues before they become problems and help avoid costs and impediments to their business.

We develop cooperative relationships with leading ministers, shadow ministers, other key politicians, government agencies, regulatory bodies, and stakeholders to ensure the best possible outcomes for our members, our industry, and Australia.

Our industry

The chemistry industry is the third largest manufacturing industry in Australia:

- Turnover in the sector is approximately \$33.6 billion
- Industry value added is \$11.5 billion
- Wages and salaries are \$4.9 billion
- The sector directly employs approximately 83,000 people
- The sector represents between 9 and 10 per cent of total Australian manufacturing activity

The chemistry industry is arguably the most diverse and broad in its reach across Australian society, environment and industry. It can be broadly categorised as follows:

- **Basic Chemicals**
(organic and inorganic industrial chemicals, fertilisers, industrial gases, and synthetic resins)
- **Specialty Chemicals**
(explosives, paints, rubber products, plastics, other polymers and inks)
- **Consumer Chemicals**
(pesticides, soaps and detergents, cosmetics, personal care, medicinal and pharmaceutical)

The domestic chemistry industry is not only important in its own right, it has a multiplier effect on productivity and cost saving benefits to the broader economy that would be foregone if sections of the industry moved offshore.

It provides essential materials to many other sectors, including automotive, aerospace, defence, healthcare and pharmaceuticals, consumer products and cosmetics, agriculture, water industry and treatment, food industry, mining and resources, building and infrastructure, education and information technology, packaging, construction and consumer appliances.

The industry's product and process innovations make a substantial and continuing contribution to the quality of life enjoyed by all Australians.

Our vision

Our vision is to be the leading organisation representing the business of chemistry in Australia.

Our mission

Our mission is to create business value by servicing our members and promoting their interests through the delivery of the PACIA model.



PACIA model

