

Industrial Chemicals (Notification and Assessment) Amendment Regulations 2003 (No. 2) 2003 No. 150

EXPLANATORY STATEMENT

STATUTORY RULES 2003 No. 150

Issued by the authority of the Parliamentary Secretary to the Minister for Health and Ageing

Industrial Chemicals (Notification and Assessment) Act 1989

Industrial Chemicals (Notification and Assessment) Amendment Regulations 2003 (No. 2)

The object of the *Industrial Chemicals (Notification and Assessment) Act 1989* (the Act) is to provide for a national system of notification and assessment of industrial chemicals for the purposes of aiding in the protection of the Australian people and the environment, providing information and making recommendations about industrial chemicals to Commonwealth, State and Territory bodies, giving effect to Australia's obligations under international agreements and collecting statistics in relation to these chemicals.

Section 111 of the Act provides that the Governor-General may make regulations not inconsistent with the Act, prescribing matters required or permitted by the Act to be prescribed or necessary or convenient to be prescribed for carrying out or giving effect to the Act. Section 110 of the Act provides that the regulations may prescribe fees, or a method of calculating fees, to be paid to the Commonwealth in respect of the making of certain applications under the Act as they relate to the assessment and notification of industrial chemicals. Section 15 of the Act provides that the Director must ensure that copies of the non-confidential section are available for sale to the public or for inspection by the public at the prescribed times and on payment of the prescribed fee (if any).

The purpose of the regulations is to increase the fees prescribed in accordance with section 110 of the Act and to introduce a new fee in the amount of \$35.00 for the provision of a search result on the Australian Inventory of Chemical Substances (AICS). These measures are necessary to enable the National Industrial Chemicals Notification and Assessment Scheme (NICNAS) to continue to meet the Government's requirement that NICNAS operate on a full cost-recovery basis.

The increase in fees consists of the following:

- a **4.9 per cent** increase in new industrial chemical assessment fees;
- a **7.9 per cent** increase in company registration and new industrial chemical administrative fees; and
- a one off additional **4.0 per cent** increase in company registration fees and new industrial chemical assessment and administrative fees.

A total **8.9 per cent** increase applies to fees for each of the following:

- an application for the assessment of industrial chemicals such as an application for an assessment certificate prior to the introduction of a new industrial chemical under section 23 or 44 of the Act;

- an application for a low volume industrial chemical permit under section 21R of the Act,
- an application for a commercial evaluation permit under 21B of the Act;
- an application for a permit under section 30 or 30A of the Act to allow the introduction of chemicals prior to assessment;
- an application for extension of original assessment certificate under section 40A of the Act;
- an application by a manufacturer under paragraph 41(3)(d) of the Act; and
- an application for a secondary notification under section 65 of the Act after assessment and introduction of the chemicals.

A total **11.9 per cent** increase applies to fees for each of the following:

- an application for inclusion of a chemical in the confidential section of the AICS under subsection 14(3) of the Act;
- an application under subsection 17(3) of the Act to be a holder of confidence;
- an application under subsection 18A(1) of the Act for the transfer of an industrial chemical from the non-confidential section to the confidential section of the AICS;
- an application under subsection 19(4) of the Act for the retention of a chemical in the confidential section of the AICS;
- an application under section 21P, 21ZB, 25, 29, 30A, 40D, 42, 45, 50, 60, 66 or 89 of the Act that information be treated as exempt information;
- an application under section 24 of the Act to vary the data requirements under section 23;
- an application under section 43(3) of the Act to nominate a foreign scheme;
- an application for a variation of a report under section 37 and 40 of the Act;
- an application for registration under section 80F of the Act; and
- an application for renewal of registration under subsection 80K(2) of the Act.

These increases will appropriately reflect the cost of services provided to industry and at the same time will enable NICNAS to fully recover its administrative costs. The fee increases will also allow NICNAS to maintain ongoing reforms to ensure industry competitiveness.

The new \$35 fee for providing search results on the AICS will allow NICNAS to recover some of its administrative costs associated with this service. Paragraph 15(b) of the Act authorises the prescribing of such fee. Small companies under the registration threshold and the public will be exempt from the fee.

The Act specifies no conditions that need to be met before the power to make the regulations may be exercised.

Details of the regulations are set out in the Attachment.

The regulations will commence on 1 July 2003.

ATTACHMENT

Details of the Industrial Chemicals (Notification and Assessment) Amendment Regulations 2003 (No. 2)

Regulation 1 states that the title of these Regulations will be the *Industrial Chemicals (Notification and Assessment) Amendment Regulations 2003 (No. 2)*.

Regulation 2 provides for these Regulations to commence on 1 July 2003.

Regulation 3 provides that Schedule 1 amends the *Industrial Chemicals (Notification and Assessment) Regulations 1990 (the Principal Regulations)*.

SCHEDULE 1

Items 1 and 2

Items 1 and 2 introduce a fee of \$35 for providing search results from the non-confidential section of the AICS.

Item 3

Item 3 increases by 8.9 per cent the fees for:

- an application under section 23 of the Act for an assessment certificate for the introduction of new industrial chemicals, not being an application to which paragraph 41(3)(d) and subsection 44(1) apply;
- an application under subsection 44(1) of the Act for an assessment certificate for the introduction of new industrial chemicals that have been notified and assessed under a foreign scheme; and
- an application under section 65 of the Act for a secondary notification of an industrial chemical after the assessment and introduction of the chemical.

Item 4

Item 4 increases the fees listed under Schedule 2 of the Principal Regulations, except those for items 3 and 17. The fee in column 3 of an item in Schedule 2 is the fee applicable for the purposes of the relevant provisions specified under section 110 of the Act. Fee items 5, 8, 9 12, 13 and 18 have been increased by 8.9 per cent. These items relate to the following:

- Item 5- an application under section 21B of the Act for a commercial evaluation permit;
- Item 8 - an application under section 30 of the Act for an early introduction permit;
- Item 9 - an application under section 30A of the Act for an early introduction permit of non-hazardous chemicals;
- Item 12- an application under section 40A of the Act for an extension of an original assessment certificate;

- Item 13- an application for an assessment certificate to which subparagraph 41(3)(d) of the Act applies; and
- Item 18 - an application under section 21R of the Act for a low volume industrial chemical permit.

The rest of the fees have been increased by 11.9 per cent, except for items 3 and 17.

No increase was proposed in the fee at Item 13 as this fee is no longer relevant. This item relates to an application to transfer chemicals from the non-confidential section of the AICS to the confidential section of the AICS. The transfer was only available for a period of 56 days, which commenced on 7 August 1997.

No increase was proposed in the fee at Item 17. Amendments to the Act are currently proposed which would make the payment of urgent handling fee under section 80F of the Act irrelevant.

National Industrial Chemicals Notification and Assessment Scheme (NICNAS) Regulatory Impact Statement

Proposed increase in fees and charges for 2003-04

Background

NICNAS aids in the protection of workers, the public and the environment from harmful effects of industrial chemicals. NICNAS operates under Commonwealth legislation known as the *Industrial Chemicals (Notification and Assessment) Act 1989* (the Act). The Scheme aims to ensure the safe use of chemicals by making risk assessment and safety information on chemicals and their potential occupational health and safety (OHS), public health and environmental risk widely available to workers, the public, industry and other state, territory and federal government agencies.

NICNAS operates on a cost recovery basis. Cost recovery is achieved in two ways: assessment and administrative charges for new chemical assessments; and company registration charges. Company registration monies fund the assessment of existing chemicals, client awareness and education activities, 50 per cent of the costs of compliance activities and the administration of the company registration itself. The remaining 50 per cent of compliance activities is funded by an appropriation from the Government. NICNAS recovers on an annual basis approximately \$4 million (0.018%) from the industrial chemical sector which has an annual turnover of approximately \$22 billion.

The overall aim in setting the fee structure for NICNAS is to meet stakeholders' needs, as per the operations of the Act, by appropriately reflecting the cost of service provision to industry users, in accordance with Commonwealth policies for cost recovered services.

In July 1997 NICNAS moved from 50% cost recovery to full cost recovery and increased fees and charges. In the most part, fees and charges did not increase the full 100%. From 1 July 1997 to 30 June 2002 NICNAS has incurred Consumer Price Index (CPI) increases of 14.5%, Public Sector Wage Cost Index (WCI) of 17.2% and an increase to the Super Guarantee Charge of 3%. NICNAS has absorbed these costs through improved efficiencies, increasing the company registration revenue base through compliance activities and running down reserves primarily to fund its reform activities.

During this period industry has benefited from decreased assessment times, introduction of a 40% rebate of fees for some categories, improved reporting within time frames achieved without any increase in fees or charges. This reflects a policy of passing efficiency gains directly to industry. Under the current regulatory framework, no additional avenues for further efficiencies remain and costs continue to increase.

The cost structure design of NICNAS is such that New Chemical activities should be 100% cost recovered. The funding is sourced directly from the users of the Scheme through fees and charges for assessment of new chemicals introduced to Australia. Funding from Company Registration charges enables general activities such as communication, enforcement and assessment of existing chemicals. Funding for these activities are sourced from a broad industry base, being businesses that introduce over \$500,000 worth of industrial chemicals into Australia in a year. Most small businesses are generally exempt from the company registration charges. It is the intention of NICNAS that no cross subsidisation between new chemical activities and other activities occurs.

In the five years to 30 June 2002, NICNAS generated reserves to the value of \$470,000 to be used to fund industry requested reform work. It is estimated that cash reserves will decrease

from \$1.189m to \$0.599m (including \$0.227m of employee entitlements) during the 2002-03 financial year. Accrual based reserves will decrease from \$0.470m to \$0.059m over the same period.

It is proposed that NICNAS adopt a policy of maintaining sufficient reserves to enable adequate discharge of responsibilities under the Act during times of low New Chemical activity. In addition, if sufficient reserves are built up, they could be used to fund reform work and where possible, reduce fees in certain circumstances. It is anticipated that \$400,000 of reserves (approx. 9% of 2002-03 budget revenue) will need to be accumulated for adequate operational purposes prior to allocating funding to further reform activities.

With the transfer to the Department of Health and Ageing (DoHA) and consequential establishment of NICNAS as a separate entity for financial purposes, a balance sheet has been generated. Analysis of the forecast position indicates that at June 2003, NICNAS will not be a viable entity for the following year, with negative working capital and inadequate reserves for provisions such as employee entitlements.

On 4 December 2002, the Minister for Finance and Administration, Senator Nick Minchin released the Government response to the Productivity Commission's Report on cost recovery. The new policy requires that fees and charges set by Government agencies reflect the costs of providing the product or service.

Problem

The 2002-03 budget and forecasts indicate that NICNAS will generate insufficient funding to cover costs incurred in the discharge of its obligations under the Act. This is inconsistent with cost recovery policy.

It is estimated that cash reserves will decrease from \$1.189m to \$0.599m (including \$0.227m of employee entitlements) during the 2002-03 financial year. Accrual based reserves will decrease from \$0.470m to \$0.059m over the same period.

An activity based costing (ABC) model commissioned by NICNAS in 2000 and using 2001-02 data, indicated that New Chemical activities were 4.9% under-recovered, there is cross subsidisation of New Chemical activities and that there are significant costs incurred performing searches of the Australian Inventory of Chemical Substances (AICS) database that are not recovered.

Objective

To generate sufficient funding to satisfactorily discharge mandatory obligations under the Act, whilst minimising market distortions through limiting cost increases to industry and limiting cross subsidisation of activities undertaken by NICNAS. It is the view of NICNAS that legislative and regulatory reform to maximise the efficiency of the scheme is valuable to the long-term efficiency and competitiveness of the industrial chemicals industry. Further, undertaking reform work now, will decrease the regulatory and compliance burden in the longer term. For instance, it can be shown that reforms to regulations relating to the introduction of low volume chemicals have provided savings to industry in the order of between \$2.4m and \$9.1m since 1997. Thus a secondary objective is to generate sufficient funds over time to maintain ongoing reform to ensure industry competitiveness and, if sufficient funds accrue, to consider fee reductions or adjustments.

Options

There are five streams of income available to NICNAS:

1. **Company Registration charges:** All companies that introduce into Australia more than \$500,000 worth of industrial chemicals per year must be registered.
2. **New Chemical Assessment fees:** The introduction of a new industrial chemical into Australia requires some level of assessment by NICNAS. The ABC model identified that activities were under recovered by 4.9% with a range from 195% under recovered to 30% over recovered. Cost recovery policy suggests that the fee should reflect the cost of providing the service.
3. **New Chemical Assessment charges:** These are administrative charges associated with new chemical assessment fees.
4. **Government Appropriation:** NICNAS receives an appropriation to cover 50% of the cost of compliance activities undertaken. This is indexed to inflation.
5. **Charging for searching of the publicly available section of the AICS database:** This activity was not costed into the original determination of the company registration revenue targets and has been provided as a free service. Partly due to the compliance program and the promotion of the need for due diligence, the number of requests for searches have increased significantly placing an unacceptably high cost burden on NICNAS, see Table 1. It is proposed to recover the cost of searching the database via a \$35 charge per search with a \$15 administrative charge per industry enquiry to be paid via credit card. This is anticipated as the most equitable and efficient means of recovering the cost of the service. The cost of maintaining the AICS database would continue to be funded by company registration charges.

Table 1. AICS enquiries and searches conducted by NICNAS.

	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03 ¹
<i>Enquiries</i>	451	550	393	411	595	650
Searches	1319	1792	1819	1757	2682	3214

Note 1) Annualised data based on the first six months of 2002-03.

Three options, combining alternatives of income generation for NICNAS are presented below, Table 2. Table 2. Alternative funding scenarios for NICNAS based on a 3%¹ rise to the 2002-03 budget expenditure and share of Government appropriation. (Excludes any reform activities)

	Option 1 No Increase Est Budget 03/04		Option 2 Budget Neutral Est Budget 03/04		Option 3 Limited Surplus Est Budget 03/04	
Revenue	Increase	Price	Increase	Price	Increase	Price
Company Registration Charges ³	0.0%	2,157,800	7.9%	2,327,680	12.0%	2,417,110
New Chemicals Fees ³	0.0%	1,744,760	4.9%	1,830,275	9.0%	1,901,165
New Chemicals Charges ³	0.0%	166,750	8.0%	180,050	11.8%	186,450
AICS Charges (\$35/search)		0		93,870		93,870

Share of Govt appropriation ¹	3.0%	221,720	3.0%	221,720	3.0%	221,720
Other	0.0%	69,123	0.0%	69,123	0.0%	69,123
Total Revenue		4,360,153		4,722,718		4,891,748
Expenses (excluding reform)						
Salaries	3.0%	2,629,468		2,629,468		2,629,468
Admin Expenses	3.0%	2,045,134		2,045,134		2,045,134
Total Expenses		4,674,602		4,674,602		4,674,602
Surplus/(Deficit)		(314,448)		48,117		217,147
	Increase	Current	Increase	New Price	Increase	New Price

Price

New Chemicals Fees

Standard Assessment ²	0.0%	11,700	7.1%	12,525	8.9%	12,741
Limited Assessment	0.0%	9,800	4.6%	10,250	8.9%	10,672
Polymer of Low Concern	0.0%	3,300	4.5%	3,450	8.9%	3,594
Commercial Evaluation ²	0.0%	2,600	0.0%	2,600	8.9%	2,831
Low Volume Chemical ²	0.0%	2,600	0.0%	2,600	8.9%	2,831
Early Introduction Permit	0.0%	500	5.0%	525	8.9%	545
Section 30 Permit	0.0%	5,670	4.1%	5,900	8.9%	6,175
Application for Extension	0.0%	2,100	4.8%	2,200	8.9%	2,287
2nd notifi other than PLC	0.0%	6,480	4.9%	6,800	8.9%	7,057
2nd notifi is a synthetic PLC	0.0%	2,800	5.4%	2,950	8.9%	3,049
Foreign Scheme - Std	0.0%	6,480	4.9%	6,800	8.9%	7,057
Foreign Scheme - Ltd	0.0%	5,220	5.4%	5,500	8.9%	5,685
Alternate State Law	0.0%	7,000	4.3%	7,300	8.9%	7,623

New Chemicals Charges

Confidential Listing	0.0%	1,000	7.5%	1,075	11.9%	1,119
Retain Confidential Listing	0.0%	1,350	7.4%	1,450	11.9%	1,511
Holder of a Confidence	0.0%	450	5.6%	475	11.9%	504
Variation of Data Requirements	0.0%	900	8.3%	975	11.9%	1,007
Foreign Scheme	0.0%	4,680	6.8%	5,000	11.9%	5,237
Exempt Information	0.0%	500	8.0%	540	11.9%	560
Application to Vary Report	0.0%	500	8.0%	540	11.9%	560

Company Registration

Lower Tier Registration	0.0%	1,200	7.9%	1,295	11.9%	1,343
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Upper Tier Registration	0.0%7,000	7.9%7,550	11.9% 7,833
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Notes:

- 1) The Government appropriation is indexed to the inflation rate estimated at 3.0% for the 2002-03 year.
- 2) Rather than apply a flat 4.9% increase to all new chemical assessment fees it is more appropriate to increase the under recovered Standard Assessment category to a greater degree than the over recovered Commercial Evaluation and Low Volume Chemical categories (see Attachment 1).
- 3) Prices have been rounded as necessary.

To secure the ongoing viability of the organisation it is proposed that an annual review of the cost environment of NICNAS is undertaken. Unless there is a significant change to the cost structure the maximum annual increase will be limited to a 50/50 composite index based on the December year on year WCI and CPI. NICNAS will continue to consult with industry representatives to identify opportunities for increased efficiency as an alternative to applying full indexation.

Impact analysis

Parties affected

Parties likely to be affected by the proposed changes are industry and government.

Option 1 - No Change

This assumes that no changes to fee and charges are made and is not realistic, as it would result in a significant loss. Though there are limited short-term benefits to industry, the long-term consequences in respect to public health and safety, competitiveness of the chemical industry and fiscal responsibility are unacceptable.

Option 2 - Budget Neutral

This option increases all fees and charges and introduces charges for searches of the AICS database. It is estimated to cost the \$22 billion industry in the vicinity of \$350,000 (0.0016%) in 2003-04.

The following changes are proposed.

- Increase New Chemical assessment fees by 4.9% and administrative charges by 7.9%, to cover the cost of performing the work. The 7.9% increase is equivalent to 50% of the cumulative CPI/WCI index to from June 1997 to June 2002 on the basis that efficiencies made by NICNAS are handed back to industry
- Charge for searches of the publicly available section of the AICS database. The 2001-02 ABC model suggested the price be set at \$35 per search plus \$15 per enquiry. AICS will be placed on the web if there are no legal impediments and sufficient reserves have been generated, until then a CD Rom is available at a cost of \$220 +GST.

- Increase Company Registration charges by 7.9%.

This option may result in fewer new chemicals being introduced to the marketplace, though it is questionable whether an increase of 4.9% for an assessment would be sufficient to discourage industry research and development, and innovation. A trend analysis, Figure 1, shows that the 1996/97 year had a rise in activity followed by a decline the following year. Activity has been relatively constant at pre 1996/97 levels since 1998/99. This probably reflects behavioural response to the increase in fees. It is important to note that the price for standard and limited assessments increased by 75% at the time, far greater than the current proposals. Industry has been unable to provide data regarding the impact of the proposed increases.

Figure 1. Trend analysis for completed certificate and permit applications

The 4.9% increase in New Chemical fees can be achieved by either a flat 4.9% increase or a discriminatory approach where by a higher increase in the price of standard assessments offsets a nil change in price of the under recovered commercial evaluation and low volume chemical permits (as presented in Table 2).

There may be changes in customer behaviour when charging for AICS searches is implemented. There is the potential for non-compliance but a more intensive compliance program should limit this risk. NICNAS aims to minimise impact on industry by minimising administration costs through limiting payment to credit cards, which will allow searches to be conducted immediately, rather than waiting on payments to be received and cleared. Currently registered companies can request a CD Rom version of the database for free. In addition the CD Rom can be purchased by companies which do not pay company registration for \$220 +GST. It is planned that over time the AICS database will be freely available on the NICNAS web site. Thus searching costs can be avoided to industry through using the CD Rom.

Option 2 was requested by industry as a phased approach to the increase in fees and charges and is rejected on the basis that the surplus generated will not build up sufficient operational reserves within a reasonable timeframe.

Option 3 - Surplus Generated

This is similar to option 2 with a one off additional 4% rise in Company Registration charges and New Chemical fees and charges. The 4% rise is designed to generate sufficient reserves to enable the long-term sustainability of the scheme and allow reform work to be undertaken to improve program efficiencies. The total cost to industry will be in the vicinity of \$525,000 (0.0023% of the value of the industry sector). The additional cost is expected to have minimal impact on industry but will be sufficient to enable the replenishment of reserves and allow the undertaking of legislative and regulatory reform work after a two-year period.

Due to the tiered scale of company registration charges larger companies will meet the bulk of the increase as shown in Table 3.

Table 3. Estimated cost to industry of increased company registration charges

Registration Level	Number of businesses	Increase in charges	Total Increase
Lower	474	140	66,360
Upper	227	850	192,950

Total	701	259,310
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If demand for advisory services with industry consultants increases then, in line with government policy for charging for all services, NICNAS will consider recovering this cost in future years.

The surplus will accumulate in an Operation Reserve up to a level of \$400,000 to ensure the Scheme's sustainability. Accumulation of further reserves up to \$300,000 will be allocated to an Industry Incentive Reserve to be spent on projects perceived by industry and NICNAS as being worthwhile, such as regulatory reform. Any reserves in addition to these will be allocated to a Fee Adjustment Reserve to be returned to industry via lower fees and charges.

Consultation

NICNAS's Industry Government Consultative Committee (IGCC) is a key mechanism for consultation with industry. The IGCC was established to provide industry with the opportunity to participate in the NICNAS budgetary process and review the utilisation of resources against NICNAS objectives. The prospect of increases in fees and charges was first raised in this forum in April 2000 when it was decided to prepare an ABC model. A paper detailing proposals for fee increases was presented at the 17th IGCC meeting on 19 November 2002. At that time members requested an out of session meeting to enable consultation with industry and analysis of the proposal. This proposal was rejected at the 17 December 2002 meeting with industry requesting further proposals including consideration of phased approaches. The out of session meeting agreed on a time frame for provision of more information and a decision by 14 February 2003.

Industry views reported to NICNAS apart from IGCC indicated support for fee increase in other sectors. In general, industry considers NICNAS to be a well-operated, cost effective regulatory scheme.

Industry members of IGCC responded to the Draft RIS paper on 5 February agreeing to a modified Option 3 where a higher AICS search fee would be used to offset a smaller increase in Company Registration charges. They also requested limiting any future fee increases and removing requirement that operation reserves be generated and maintained prior to additional spending on reform activities. After further consultation, industry agreed to the NICNAS proposal providing Company Registration charges were reviewed once AICS searching is available on the web and greater examination of current and proposed reform projects was provided to them.

AICS Search Fees

NICNAS rejects the initial increase industry proposal of a \$96 AICS fee for searches for the following reasons.

- It would impose a significant burden on small companies which may discourage them from conducting AICS searches there by potentially increasing the risk to workers, the public and environment associated with exposure to harmful industrial chemicals;
- The proposed charge of \$96 per search would most likely result in an estimated decrease in the number of searches from 2,682 to 1,000. This would not enable any significant change to the proposed fee increases for company registration.

It is the preferred approach of NICNAS is to charge registered companies and consultancy firms \$35 per search, allow free searches to small companies until the information is available on the web at which time all searches will cost \$96.

Capping Fee Increases

Under normal business circumstances the maximum increase in fees will be limited to the movement in CPI/WCI. On this basis limiting any increase to 5% will only lead to decreased service in times of high inflation/ wage pressure. Hence, we can not see any need to have this additional complexity.

Reserve Targets

The proposal not to set targets for reserves is not consistent principals of sound financial management. If NICNAS was to follow this approach it could lead to critical shortages of cash in the first months of the financial year as well as inadequate funding of employee entitlements.

Conclusion and Recommendation

Option 1 provides for no increase to fees or charges and is rejected on the grounds that it is fiscally irresponsible and does not represent sustainable financial management.

Option 2 provides for a 4.9% increase in New Chemical fees, a 7.9% (this represents only about 50% of the aggregate CPI/WCI increase from June 1997 to June 2002) increase in company registration charges and new chemical charges and charging for searches of the AICS database. This option provides a minimal surplus that is insufficient to build reasonable operational reserves and is rejected on this basis.

Option 3 generates an estimated \$200,000 surplus via an additional one off 4% increase to all fees and charges (additional to option 2 estimates). This will allow a reserve of \$400,000 to be generated in approximately two years and reform projects to be funded from additional reserves subsequently. It is the recommended option as a financially sustainable approach that is consistent with the Commonwealth Government's cost recovery policies.

Future years fees and charges will be indexed to the CPI/WCI as discussed in the options section, in consultation with IGCC.

Implementation and review

Currently any increase in Company Registration charges requires legislative amendment of the Act. Over the 2000 year the consulting group, Allen Consulting, evaluated the company registration program and recommended that the fee structure should be moved to regulation to streamline the administration of the scheme. Once these charges are part of the regulations any changes to charges will require due consultation and Ministerial approval.

New Chemicals fees and charges form part of the regulations of the scheme and can be changed with Ministerial approval.

The legislation mentions that copies of the non-confidential section be available for sale to the public or inspection by the public at the prescribed times and on payment of the prescribed fee (if any). As such there is no impediment to charging for AICS searches.

NICNAS' cost recovery arrangements are scheduled for review in 2004-05. This will provide an opportunity to ensure that NICNAS' arrangements comply with Government policy and are appropriately transparent and accountable.

ATTACHMENT 1 - NICNAS activity based costing model.

At IGCC 12 (April 2001) NICNAS advised of the need to review fees and charges as cross subsidisation between new chemicals and company registration monies was apparent. The ABC model required the development of a time worked database, collection of assessment specific information and detailed external data from service providers Environment Australia and the Department of Health and Ageing.

Results from the ABC model, using 2001-02 data show few new chemical assessment activities are appropriately priced according to the Governments newly adopted cost recovery policy, Table 3.

Table 3. Key outcomes of the ABC model for 2001-02.

Notification Category	Total CostTotal RevenueOver/ (Under) Recovered			
	\$	\$	\$	%
Standard notification	14,630	12,542	(2,088)	(16.6%)
Limited notification	10,016	10,312	296	2.9%
Synthetic PLC	8,159	3,607	(4,551)	(126.2%)
Extension	7,128	2,407	(4,721)	(196.1%)
CEC	2,040	2,907	868	29.9%
LVC	2,215	2,907	693	23.8%
Section 30A EIP	537	500	(37)	(7.4%)
AICS				
Searches (total)	92,852	0	(92,852)	
Search (individual)	35	0	(35)	
Database Maintenance	161,820	0	(161,820)	

With the exceptions of Synthetic PLC notifications, which are likely to be effected by the current low regulatory concern chemical (LRCC) reform project and Extension assessments for which data is very limited NICNAS should aim to recover costs in line with Government policy.