
F Funding mechanisms for chemicals and plastics regulatory agencies

This appendix outlines the methods that have been used to fund a number of the agencies involved in assessing the hazards and risks of chemicals, or in establishing regulatory standards for chemicals and plastics use, consumption and disposal (table F.1). Some agencies are focussed solely on chemicals and plastics — for example, the National Industrial Chemicals Notification and Assessment Scheme (NICNAS) and the Australian Pesticides and Veterinary Medicines Authority (APVMA) — while others have a much broader regulatory ambit, of which chemicals and plastics is only a relatively small part — for example, the Australian Safety and Compensation Council (ASCC) and the National Transport Commission (NTC).

A variety of funding mechanisms have been adopted, ranging from total budget funding to full cost recovery. The methods of cost recovery also vary and include output-based levies across the regulated sector, compulsory charges to individual firms reflecting the cost of regulating or providing services to them, and charges more closely akin to prices in that they reflect the regulator's costs but also offer firms the opportunities to reduce charges by varying the services or method of service delivery they use.

The Commission (PC 2001) has previously identified a number of benefits of cost recovery, including:

- improving economic efficiency by charging the costs of regulation to activities that generate the need for regulation or to those who benefit from regulation. The more closely charges can be linked to the costs of the activities or products involved — for example, by using fee-for-service charges — the more efficient cost recovery becomes
- improving the operation of regulatory agencies by creating incentives for regulated entities to monitor their efficiency
- avoiding the adverse efficiency impacts of raising general taxation
- improving equity by imposing regulatory costs on those being regulated.

The Commission noted that in some circumstances — such as where there are high transaction costs of collecting fees or inconsistency with other policy objectives — cost recovery may not be appropriate.

In general, for chemicals and plastics regulators, where the costs of a regulatory activity or service can be linked to individual enterprises, specific charges are usually made. Industry levies are used where whole groups of enterprises create the need for regulatory activity. Budget funding is used where cost recovery would be impractical (for example, due to high transaction costs).

F.1 National Industrial Chemicals Notification and Assessment Scheme

NICNAS is the Australian Government's regulatory body for industrial chemicals. It is a statutory body with the primary role of undertaking scientific assessments of the human health and environmental impacts of all new (to Australia) industrial chemicals and of those existing industrial chemicals where concerns exist about their health and/or environmental impacts (chapter 4). It is also responsible for administering a cosmetics standard that regulates cosmetics and toiletries claims.

NICNAS operates on a full cost recovery basis. Since 2005, NICNAS activities, which include chemical assessment, compliance, and information and education awareness programs, have been fully cost recovered.¹ Revenue is raised mainly from compulsory registration fees, fees and administrative charges for new chemicals assessments and charges and fees for the provision of technical services to other government agencies.

The Commission has recommended (chapter 4) that the review program for existing chemicals be greatly accelerated and that the cost of conducting initial screening be met from Australian Government budget funding. Costs of any resulting full assessments of existing chemicals would still be recovered from the industry.

¹ Before July 1997, NICNAS operated on a 50 per cent cost recovery basis. Up to 2005-06 there was a small government subsidy to assist with the compliance program — in 2004-05 this was \$120 000 or 1.7 per cent of NICNAS revenue (22 per cent of compliance and registration costs).

Table F.1 Funding methods for bodies regulating chemicals and plastics

<i>Organisation</i>	<i>Fully cost recovered</i>	<i>Partially cost recovered</i>	<i>Fully budget funded</i>	<i>Comment</i>
NICNAS	✓			Tiered firm registration fees (70 per cent) Cost-based chemical assessment fees (24 per cent)
APVMA	✓			Tiered levy (70 per cent) Product registration fees (12 per cent) Assessment fees (11 per cent)
OCS		✓		Full cost recovery for APVMA assessments
National Residue Survey		✓		Small government CSO contribution
NDPSC			✓	
FSANZ		✓		Predominantly budget funded
ASCC/OASCC			✓	
NTC		✓		Receives revenue from profits on the sale of the ADG Code
AMSA	✓			Cost recovered for regulatory activities.
CASA	✓			Cost recovered for regulatory activities
ACCC			✓	

^a Acronyms in this table are defined in the list of abbreviations at the front of the report.

It is compulsory for all importers and/or manufacturers of relevant industrial chemicals for commercial purposes to register with NICNAS and pay registration fees and charges based on the value of industrial chemicals manufactured and imported.²

In 2007-08, the annual registration fees for firms importing or manufacturing relevant industrial chemicals involved a \$381 administration fee, plus a further three tiered fee based on the total value of industrial chemicals imported or manufactured each year:

- Tier 1: less than \$500 000 imported or manufactured, \$381 (equivalent to the administration fee for tiers 2 and 3)
- Tier 2: \$500 000 to under \$5 million, \$1141

² As well as raising revenue, a key objective of compulsory registration is to improve industry knowledge of chemicals regulation and establish partnerships between the regulator and industry. NICNAS also provides information services (for example, chemical safety information) free of charge to registered entities.

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- Tier 3: over \$5 million, \$8500.

Hence for a firm importing and/or manufacturing \$1 million worth of relevant industrial chemicals, the registration fee in 2007-08 would have been \$1522, or 0.15 per cent of the value of the relevant chemicals. Of the more than 5000 firms registered with NICNAS, about 80 per cent are in Tier one. Registration fees provided around 70 per cent (\$5.9 million) of NICNAS total revenue (\$8.6 million) in 2006-07.³

Newly introduced industrial chemicals must be assessed by NICNAS and a certificate (for chemicals to be used for an extended period) or permit (for chemicals to be used for a short period and in restricted quantities) is issued, containing recommendations/permit conditions for safe use. Some exemptions from assessment apply for low risk chemicals. There are a number of categories of certificates and permits, with assessment fees varying depending on the category of certificate or permit sought and the method of lodgement and assessment.

New chemical assessment fees cover the estimated costs involved and raised \$2.1 million in 2006-07. These fees are much like cost-based prices as they are only charged if a specific (legislated) regulatory function is provided and charges vary according to the costs of undertaking that function. There are several means by which applicants can influence the charges they pay. For example, applicants may undertake an audited self-assessment of non-hazardous chemicals and polymers, and polymers of low concern. Further, utilising electronic template lodgement of applications is estimated to have saved over \$100 000 in fees in 2006-07. Fee rebates are available when assessment reports from comparable OECD countries are provided. Permits allow conditional entry into Australia of low risk chemicals without a full assessment, with commensurately reduced assessment fees.

F.2 Australian Pesticides and Veterinary Medicines Authority

APVMA is an Australian Government statutory authority within the Agriculture, Fisheries and Forestry portfolio. It assesses and registers pesticides and veterinary medicines for their safety to human health and the environment, their efficacy and to determine that they will not jeopardise Australia's international trade, before they can be supplied or used (chapter 8). It also manages a number of programs that monitor the ongoing safety and performance of registered products.

³ In 2006-07, NICNAS revenue also included \$521 000 in interest and \$74 000 in publication sales, industry education and research projects (fees for technical services).

APVMA is fully funded by the agricultural and veterinary (agvet) chemicals industry. Of total revenue in 2006-07 of \$25.3 million, \$24.4 million came from charges on industry — interest earnings making up most of the remainder. A tiered levy imposed on the sale of registered agvet products provided \$17.7 million (70 per cent of total revenue). From July 2006, the levy has been 0.8 per cent for the first \$1 million in sales of a product, 0.45 per cent for the next \$4 million and 0.3 per cent for sales over \$5 million. APVMA monitors sales forecasts and adjusts the levy rates if necessary to cover anticipated expenditure and to meet its target for retained surpluses. The levy payable on a product with \$3 million in sales is \$17 000 (0.57 per cent) while sales of \$10 million attract a levy of \$42 000 (0.42 per cent).

Application fees for assessment of locally produced and imported agvet products for registration raised \$2.9 million in 2006-07. In addition, annual fees of \$390 per product are payable in order to maintain a product's registration. In 2006-07 these fees amounted to \$3.1 million. A number of participants (for example, Horticulture Australia sub. DR81) have indicated that the expense of generating data for APVMA assessments, rather than APVMA fees, is the main cost of the approval process, particularly for products used on minor crops.

Australian based veterinary chemicals manufacturers (at all stages of the manufacturing process) are required to be licensed by APVMA and the fee for issuing a manufacturers' licence is \$6000, payable over a number of years. DAFF (2005) indicated that the majority of APVMA's costs of operating this scheme would be met from the product levy. Manufacturers are subject to periodic audits to retain registration and manufacturers are required to arrange and meet the costs of these audits.

Overseas manufacturers are not licensed by APVMA. However, for veterinary chemical products manufactured overseas, the registrant must demonstrate that the product is manufactured to quality standards comparable to those applied to Australian registered manufacturers.

APVMA also issues a variety of permits — for example, permits for minor use, research and export — for which small fees are charged, but which are cross subsidised from the product levy. APVMA also obtains expert advice to assist in chemical assessments from the Office of Chemical Safety (OCS) (human health risk assessments), the Chemical Assessment Section of the Department of Environment, Water, Heritage and the Arts (environmental risks) and state and territory

government departments (efficacy and safety).⁴ APVMA pays fees for these assessments under service level agreements.

F.3 Jurisdictional control of use of agvet chemicals

The use of agvet chemicals is controlled by relevant agencies in the states and territories. These authorities charge an array of relatively minor fees, particularly for licences such as for aerial spraying and commercial application of pesticides. The type and size of charges varies between jurisdictions. However, these fees would cover only a small part of the total cost of regulating agvet chemical use, with the remainder financed by consolidated revenue. For example, in Victoria, fees for licences for ground and aerial application of agvet chemicals is likely to have exceeded \$200 000 in 2006-07 (chapter 8). This compares to estimates of Victorian Government annual costs to regulate agvet chemicals of \$2.9 million (Victorian Department of Premier and Cabinet, pers. comm., 15 January 2008).

In addition to costs to government, regulation of chemical use imposes various costs on the users, such as training and record keeping. These requirements vary between jurisdictions. In some cases, training courses and codes of practice developed by industry are deemed as adequate to meet regulatory requirements.

The Commission has recommended (chapter 8) that responsibility for regulating the control of use of agvet chemicals be transferred to APVMA, with the costs of this activity to be recovered from the industry through a mix of charges and levies. Based on information provided by several states, it is likely that the current Australia-wide cost of regulating control of use is in excess of \$10 million (chapter 8).

F.4 Office of Chemical Safety

The OCS is part of the Office of Health Protection in the Department of Health and Ageing (DOHA). Its main functions are:

- providing human health risk assessments for new and existing pesticides and veterinary medicines for APVMA
- providing advice on potential human health risks of chemicals and setting public health based standards for pesticides and veterinary medicines, including

⁴ In 2004-05 APVMA spent \$4.4 million (over 20 per cent of its annual expenditure) on obtaining scientific advice from government agencies and consultants.

acceptable daily intake values, acute reference dose values, poisons schedules and first aid instructions and safety direction

- provide secretariat support for the National Drugs and Poisons Schedule Committee (NDPSC)
- undertaking the import and export and national monitoring for prohibited and controlled substances under the National Drug Strategy
- providing policy direction on environmental health and support for the enHealth and related activities
- providing technical expertise and advice on counter terrorism.

The OCS operates under full cost recovery for services provided to APVMA and is budget funded for its remaining activities. These fees are effectively passed on to the chemicals industry through APVMA charges.

F.5 National Drugs and Poisons Schedule Committee

The National Drugs and Poisons Schedule Committee (NDPSC) is a statutory committee established under the *Therapeutic Goods Act 1989* (Cwlth), which makes recommendations on national scheduling (categorisation) of medicines (not covered by this study), agricultural and veterinary chemicals, and household chemicals. NDPSC decisions are purely advisory. State and territory authorities are responsible for making enforceable decisions regarding drugs and poisons. The NDPSC is budget funded.

Scheduling and rescheduling decisions are often made on the basis of recommendations from NICNAS or the OCS (often as part of its assessments of agvet products for APVMA, for which it charges fees). The cost of these recommendations and assessments are already met by industry through NICNAS and APVMA fees.

F.6 Food Standards Australia New Zealand

Food Standards Australia New Zealand (FSANZ) is an independent statutory agency that develops food standards, including labelling and maximum residue limits (chapters 5 and 8).

In 2006-07, \$16.8 million (90 per cent) of FSANZ's \$18.8 million revenue came from the Australian and New Zealand Governments. In addition, FSANZ charges fees for certain applications for changes to the Australia New Zealand Food

Standards Code. Fees are charged where an applicant has an exclusive, capturable commercial benefit or where applicants want assessment to commence immediately, rather than under the anticipated time frame established by FSANZ. FSANZ fully cost recovers assessments for such applicants through charges. In 2006-07, cost recovery fees amounted to \$382 000 or 2 per cent of total revenue.

There are other costs of the food safety system which are not related to FSANZ, which are budget funded — for example, the activities undertaken by Australia and New Zealand Food Regulation Ministerial Council, the Food Regulation Standing Committee and its various working groups, and jurisdictional authorities implementing and enforcing standards.

F.7 National Residue Survey

The National Residue Survey — which is conducted by a unit in the Department of Agriculture, Fisheries and Forestry (DAFF) — monitors residues of agvet chemicals and environmental contaminants in selected Australian raw food (animal and plant) and fibre commodities. Participation is not compulsory, however, for several commodities, surveying is necessary in order to meet international trade requirements.

Products tested are meat, eggs, honey, fish, grain, oilseed and horticulture. The cost is largely industry funded through levies on producers of each of the commodities tested. In 2006-07 there were nearly 30 different products tested, with a further 13 new grains joining the programme in 2007-08. These levies vary between commodities depending on the costs of monitoring. Some industry groups fund the NRS directly under contract.

There is also an Australian Government Community Service Obligation (CSO) appropriation reflecting use of the testing to provide residues information to Government and to assist participation in national and international food regulation committees.

In 2006-07, the National Residue Survey cost \$9.4 million, of which \$8.9 million came from a wide range of industries and \$0.5 million from the Australian Government. Economies in levy collection costs are achieved by using DAFF's Levies Revenue Service which coordinates all levies across the Department.

F.8 Australian Safety and Compensation Council

The ASCC is an advisory body which develops national standards and codes of practice for occupational health and safety and workers' compensation, including standards and codes related to the use of chemicals in the workplace. It also undertakes research and analysis of workers' compensation data, and provides policy advice. It receives secretariat support from the Office of the Australian Safety and Compensation Council (OASCC),

The ASCC was established by administrative decision by the Australian Government, while the OASCC is part of the Department of Education, Employment and Workplace Relations (DEEWR). Both bodies are Australian Government budget funded — in 2005 DEEWR was directly appropriated the resources and budget of the former National Occupational Health and Safety Commission.

COAG (2008c) has announced that a new statutory body is to be established to replace the ASCC. This body will be jointly funded by the Commonwealth (50 per cent) and the states and territories (50 per cent allocated according to population) with an initial budget of \$17 million for 2008-09.

Decisions on the standards to be applied to workplace use of chemicals rest with individual jurisdictions. These standards, often in the form of regulations under the relevant Act, will usually be developed by compensation and work safety authorities (for example, Worksafe Victoria) and/or employment and industrial relations departments. The authorities are largely funded by workers' compensation premiums (and investment earnings on those premiums), while the departments are taxpayer funded.

F.9 National Transport Commission

The NTC leads the development and maintenance of agreed (by jurisdictions) national land transport reforms. This includes setting standards in areas such as road and rail safety. As part of this role it develops model legislation and regulations and the Australian Dangerous Goods (ADG) Code (all for approval by the Australian Transport Council) for the transport of dangerous goods by road and rail (chapter 7).

The NTC has been largely funded by Commonwealth, State and Territory Governments. It has also obtained revenue from other agencies which have contracted it to undertake certain tasks. The NTC also sometimes uses jurisdictional departments or authorities as lead agencies to develop reform packages in certain

areas and these costs will be met by the jurisdiction concerned either from general revenue or from revenue sources used to fund the department concerned.

For chemicals regulation, the NTC has received small amounts of income from the sale of the ADG Code — in the five years to 2006-07 it received around \$215 000 for the sale of ADG6. The NTC (2006, p. 50) had planned to set charges for ADG7 to ‘loosely’ cover the cost of developing the Code:

The time and resources required, in this instance, to update the Code and model legislation has dictated that the 7th Edition of the Code is made available on a cost recovery basis since NTC funding is limited. The 7th Edition will be made available at an affordable cost equivalent with other model codes of a similar nature. Since the same amount of effort should not be required for future editions the NTC may consider making these available free of charge.

The NTC (sub. DR90) estimated that it would likely forego over \$300 000 if it does not receive revenue from sales of the new ADG Code. As recommended in the Commission’s draft report, COAG (2008d) has announced that ADG7 will be available free on the internet. The Commission has recommended that copies on other mediums be made available at avoidable cost (chapter 7).

F.10 Australian Maritime Safety Authority

The Australian Maritime Safety Authority (AMSA) is an Australian Government statutory authority with the objectives of minimising the risk of shipping incidents and pollution in Australian waters and to effectively respond to those incidents that do occur. Part of this role involves participating in development and implementation of international and national safety standards under which the transport of dangerous goods by sea in Australian waters is regulated (chapter 7).

AMSA’s expenditure is largely cost recovered from the maritime industry. Around half of its 2006-07 operating revenue of \$97 million came from three levies on shipping.⁵ The regulatory functions levy (\$25.5 million) funds AMSA’s ship regulatory and standards compliance monitoring functions, including involvement in international regulatory forums. The levy rate is 17 cents per net registered ton for the first 50 000 tons and 15.5 cents per ton thereafter.

⁵ The bulk of the remaining revenue was an Australian Government appropriation to cover CSOs such as search and rescue functions.

F.11 Civil Aviation Safety Authority

The Civil Aviation Safety Authority (CASA) is an Australian Government statutory authority which conducts the safety regulation of civil air operations in Australia and of the operation of Australian aircraft overseas. Part of this function is the regulation of the transport of dangerous goods by air and provision of comprehensive safety education and training programmes (chapter 7). In 2006-07, it received 55 per cent of its revenue from aviation fuel excise, 32 per cent from government appropriations and 11 per cent from cost based regulatory service fees.

F.12 Australian Competition and Consumer Commission

The Australian Competition and Consumer Commission (ACCC) is responsible for enforcing the *Trade Practices Act 1974* (Cwlth), which contains consumer protection provisions. In particular, the generic product safety regulatory system is administered by the ACCC and jurisdictional consumer protection agencies and allows for product warning notices, product bans, safety and information standards and product recalls. In addition, the ACCC administers an information standard on labelling requirements for cosmetics and toiletries.

In 2006-07, the ACCC received nearly all of its \$108 million in revenue from the Australian Government.

