



**SUBMISSION TO THE PRODUCTIVITY
COMMISSION INQUIRY INTO COST
RECOVERY ARRANGEMENTS FOR
COMMONWEALTH AGENCIES**

About NICNAS

The National Industrial Chemicals Notification and Assessment Scheme (NICNAS) is the Commonwealth regulatory authority for industrial chemicals. Established in 1990, NICNAS ensures that new industrial chemicals are assessed for their health and environmental effects before they are introduced to Australia by import or manufacture. Those chemicals that have been in use for a longer time are assessed on a priority basis in response to specific concerns about their effects on people's health or the environment or both.

NICNAS administers the *Industrial Chemicals (Notification and Assessment) Act 1989* (the Act).

Organisational Structure

NICNAS is a statutory scheme administered corporately by the National Occupational Health and Safety Commission (NOHSC), a statutory authority within the portfolio of the Minister for Employment, Workplace Relations and Small Business. The Director of NICNAS is a statutory office holder and has specific functions and powers under the Act. In the exercise of these functions, the Director is directly responsible to the Minister, via the Parliamentary Secretary.

Under Section 99 of the Act, the CEO of NOHSC makes Commission staff available to NICNAS. These staff work under the direction of the Director NICNAS. In addition to functions conferred on her by the Act, the Director manages the day to day administration of the Act under the direction of the CEO of NOHSC.

The policy responsibility for NICNAS resides with the Department of Employment, Workplace Relations and Small Business.

NICNAS and Cost Recovery

NICNAS commenced operations in 1990 on a 50% cost recovery basis. Costs were recovered from the industrial chemicals industry through assessment fees and administrative charges, for both new and existing chemical assessments.

In the context of the 1994/95 Budget, it was decided to move NICNAS to full cost recovery in 1996/97 to align NICNAS' cost recovery arrangements with other chemical regulatory agencies, such as the National Registration Authority for Agricultural and Veterinary Chemicals.

The Gwynne Report (Moving to Full Cost Recovery: Improving the Effectiveness of NICNAS) was commissioned in October 1994 to assess and report on the implications for

both industry and NICNAS of implementing full cost recovery. A subsequent study by Access Economics investigated mechanisms to achieve full cost recovery. This study found that a simple doubling of the existing fees (from 50% cost recovery) to achieve full cost recovery under current arrangements would undermine the goals of NICNAS by presenting a significant disincentive to companies to continue to import those chemicals which had been declared for assessment under the existing chemicals program. This would in turn seriously impede the ongoing assessment program.

In order to overcome this potential problem, a broad based industry levy was introduced in 1997 (NICNAS actually moved to full cost recovery at the beginning of the 1997/98 financial year). Known as company registration, this broad based levy funds NICNAS' existing chemicals assessment program, 50% of compliance program costs, and the costs of our education/awareness raising activities. Assessment fees and administrative charges are used to separately recover the costs of the new chemicals assessment program.

Under the company registration system, all persons/companies importing or manufacturing industrial chemicals above \$500,000 must register annually with NICNAS and pay a registration charge. An evaluation of the company registration system has recently been completed following three years of operation. The evaluation found that the company registration system provides a stable and predictable funding base, and that the administrative costs of the program compare favourably with alternative funding mechanisms such as funding from consolidated revenue.

The following table summarises NICNAS' cost recovery arrangements as at November 2000.

Activity/Service Cost Recovered	Cost Recovery Mechanism	Fees/Charges (\$)	1999/2000 Revenue \$000	1999/2000 Expenditure \$000
New chemical assessments	Fee for service (assessment fees and related administrative charges)	Assessment fees range from \$2100 to \$11,700 Administrative charges range from \$450 to \$1500	1,575	1,599
Existing chemical assessments, education and awareness raising, compliance program	Broad based industry levy – known as company registration	Annual charge of \$1200 or \$7000 depending on value of chemicals imported/ manufactured.	2,065*	2,104
Publications	Fee for purchase. Applicable to two items only (majority of publications are available free of charge)	\$103 charge for Handbook. \$195 annual subscription for chemical inventory CD-Rom	38	Included in expenditure figures above

Seminars	Registration fee	No fixed charge. Determined on a case by case basis to cover venue hire and catering. Information symposiums are usually free. Average charge is \$32.50.		Included in expenditure figures above
----------	------------------	---	--	---------------------------------------

* a further \$113,000 was appropriated by government to contribute 50% of compliance costs.

In recognition of the public benefit in ensuring the integrity of the regulatory program, 50% of the costs of compliance activities are funded by government. The cost of government policy activities are not cost recovered from industry. NICNAS receives an appropriation (through NOHSC) of \$400,000 annually to cover the cost of these activities, as well as technical chemical policy work carried out for NOHSC and DEWRSB. This appropriation is acquitted to NOHSC under KRA 3 of its strategic plan and reported in the NOHSC Annual Report.

Underlying Principles for Cost Recovery

An overriding concern in the introduction of full cost recovery in 1997 was to minimise the regulatory burden on industry whilst ensuring adequate standards of protection for human health and the environment are maintained. The threshold for company registration was specifically set at \$500,000 to avoid unnecessary regulatory burden for small businesses, and particularly for those businesses that are only peripherally involved in industrial chemicals. At the same time a number of initiatives aimed at reducing the regulatory burden on low volume chemical introducers were also implemented. These included exemptions from notification and assessment (and hence fees) for chemicals introduced in quantities less than 10kg per annum. These reforms added to existing assessment categories for low volume users.

Minimising the regulatory burden on industry through effective and efficient resource utilisation and ongoing reform of the regulatory processes within the Scheme remains an ongoing key policy principle for NICNAS.

Accountability Mechanisms

Under legislation, NICNAS is accountable for its operations and use of resources via an Annual Report to Parliament.

NICNAS is accountable to a ministerial appointed Industry Government Consultative Committee (IGCC) which was established in 1997 following the move to full cost recovery to:

- review the utilisation of resources against NICNAS objectives;
- review performance against agreed performance indicators (including those in the NICNAS Service Charter and Business Plan);
- develop strategies for improving the efficiency and effectiveness of NICNAS operations in the context of established goals and objectives and developing and emerging issues; and
- develop compliance strategies and monitor the effectiveness of these strategies in promoting compliance with the Scheme.

The IGCC meets at least three times per year and inputs into NICNAS' budgetary and business planning processes. The IGCC receives regular (quarterly) financial and operational performance reports to enable it to review the utilisation of resources and progress against agreed targets.

The Director provides performance reports on the effective and efficient operation of the Scheme to the Parliamentary Secretary on a quarterly basis.

Efficiency Issues

Cost recovery has led the regulatory system to high levels of accountability and efficiency. Since the introduction of full cost recovery in 1997, NICNAS has increased its outputs, access to products and services, and the quality and useability of its assessments, whilst containing costs to 1997 levels. Some 23 separate reforms and streamlining activities were agreed to ensure full cost recovery kept costs to a minimum (refer Attachment 1).

To maximise efficiencies, NICNAS outsources 36% of its operational costs to NOHSC (corporate services), Environment Australia (environmental risk assessments) and the Department of Health and Aged Care (public health risk assessments). These arrangements are reviewed by the IGCC and are governed through service level agreements which detail performance measures and outcomes linked to payment.

Technology Issues

NICNAS introduced a range of reforms as a result of the move to full cost recovery specifically aimed at encouraging new less hazardous technology and the introduction of less hazardous chemicals. These include an early introduction permit allowing industry immediate access to market low hazard chemicals, exemptions from notification and assessment for chemicals introduced in quantities less than 10kg, including cosmetics, and new criteria for polymers of low concern allowing a wider range of chemicals to be accessed under reduced data and regulatory requirements and at a lower cost.

Further Information

For further information contact:

Dr Margaret Hartley
Director
Chemicals Notification and Assessment, NICNAS
GPO Box 58
SYDNEY NSW 2001

Ph: 02 9577 9458
Fax: 02 9577 9465
Email: hartleym@nohsc.gov.au

10 November 2000

Attachment 1

NICNAS LEGISLATIVE AND STREAMLINING ACTIVITIES 1997/98 - IMPLEMENTATION RECORD

AMENDMENT/ STREAMLINING ACTIVITY	STATUS OF REGULATIONS (IF REQUIRED)	IMPLEMENTATION STATUS
New Chemical Fees	Completed	Completed July 1997.
“submit once - review once” screening of standard and limited notifications	Completed	Fully operational August 1997.
15% Rebate (Standard, Limited and Polymer of Low Concern applications)	Completed	Operational September 1997. Notice published in September 1997 Chemical Gazette.
Re-listing of chemicals on the confidential section of the AICS (18A1)	Completed	Operational August 1997.
Transfer of chemicals from confidential section to non- confidential section (19)	Not required	Discretionary. Implementation ongoing. Applies to chemicals assessed 5 years ago.
Chemicals wrongly included in the AICS (20AA)	Not required	Discretionary. Project plan developed December 1997.
Site Limited R&D Exemption (21,3,A)	Not required	Completed July 1997. Notice published in September 1997 Chemical Gazette.
Changes to CEC and LVC requirements (21D,2,aa & 21H,1) (21SA, 21U)	Not required	Completed July 1997. Notice published in September 1997 Chemical Gazette.
Changes to s30 permit requirements	Not required	Completed August 1997.
Summary report (35(2))	Not required	Changes implemented August 1997.
Extension of Original Assessment Certificates (40A)	Completed	Operational July 1997. Notice published in September 1997 Chemical Gazette.
Information about use of chemicals (48)	Not required	Completed (discretionary).
Summary of Information provided under s48 (50A)	Not required	Completed July 1997.
Company Registration (80)	Completed	Full implementation completed September 1997.
Delegation by Director (104)	Not required	Completed July 1997.
Trade Name Products section of AICS (20AB)	Not required	Discretionary.
<10kg Exemption (21,4)	Completed	Completed August 1997. Notice published in September 1997 Chemical Gazette.
Early Introduction (30A,B,C)	Completed	Completed December 1997. Notice published in July 1998 Chemical Gazette.
Enhanced compliance program	Not required	Completed October 1997.
Establishment of IGCC	Not required	Completed September 1997.
Recommendation for approval of foreign schemes	To be made as required	Pilot agreed by UK (December 1997) and Germany (November 1997). Interim arrangements in place allowing access to up to 40% rebate. Notices published in April 1998 and June 1998 Chemical Gazettes.
Revised criteria for polymers of low concern	To be made as required	Criteria in the final stages of being finalised by the PLC Expert Focus Group. Expected to be operational early in 1998/99.
Examination of possible new assessment category: ‘chemicals of low concern’	To be made as required	IGCC workplan. Industry initiative. Ongoing.

NICNAS REFORMS AT A GLANCE

SCIENTIFIC ASSESSMENT PROGRAM

Australian Inventory of Chemical Substances
CD Rom AICS released (industry can now do own searching)
Free NICNAS search facilities
Plan to have AICS on web by 2001

New Chemicals

Certificates assessments up by 50%
New criteria for Polymers - (less data, increased access at lower cost)

Prescreening introduced
Consultancy service - to assist in best/ cheapest option
15% Rebate for data report f guidance under development

Foreign Scheme- 40% rebate for overseas assessment
Flexible use of permits pending CEC reforms

99 Early introduction permits for non hazardous chemicals-
346 chemicals introduced (<10 kg) at no cost

Expansion of CEC permit under consideration

Low regulatory concern categories to be developed as priority

- Removed all fees & charges
- expand program- target 40-50 over 3 years (cf total of 6 over past 7 y)
- 6 PEC completed 1998/99
- 11 under assessment 99/00; 20 assessments planned 00/01.
- introduced "partnership" assessment with full industry participation throughout
- priority setting of reviews via broader consultation with end users including State/ Territories
- 4 PECs accepted as OECD assessments unchanged

Existing Chemicals

PUBLICATIONS/INFORMATION DISSEMINATION

Chemical Gazette

- reduced cost - summary reports only

Assessment Reports

- now freely available, costs absorbed through reduced publication costs and efficiency gains
- Improved distribution network into States and Territories, industry and green NGOs.

NICNAS Website established

Workshops/Seminar program

- Free industry seminars and special interest workshops to assist companies in notification and assessment processes.

Handbook

- New user friendly handbook developed with step by step guides to industry

Information Sheets/Guidance Notes

- Targeted industry by industry sector guidance to assist companies in streamlining their dealings with NICNAS

Hotline and 1800 Number established

Service Charter

- Transparent service standards

COMPLIANCE

- Compliance strategy implemented 1998
- 145 case investigations to date (cf 2 for previous 7 years)
- partnership approach in resolving compliance, ensures industry maintains access to chemicals
- Education and awareness raising through site visit program
- Cooperative arrangements for inspections- TGA/NRA and S&Ts
- Prosecution/Fines as last resort
- NICNAS joins ACS Cargo Management System- reduced red tape to importers
- Targeted guidance material to industry sectors based on compliance statistics

COMPANY REGISTRATION

- Go softly approach start up year
- Industry specific guidance in consultation with industry associations
- Simplified forms and provide preprinted details reducing time and effort to customers
- Audit program introduced to ensure compliance and fairness across industry
- E-commerce planned for 2001
- Reduced red tape- eg final statement
- Review underway- NICNAS highlights issues for reform