



**Australian Government**

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**Department of Health**

Australian Industrial Chemicals Introduction Scheme

# Cost Recovery Implementation Statement 2021-2022

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**Date: June 2021**

**Australian Industrial Chemicals Introduction Scheme (AICIS)**

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# 1. Introduction

Cost recovery involves government entities charging individuals or non-government organisations some or all of the efficient costs of undertaking specific government activities. This may include the delivery of goods, services or regulation, or a combination of them. The Australian Government Charging Framework (AGCF), which incorporates the Australian Government Cost Recovery Guidelines (AGCRGs), sets out the framework under which government entities design, implement and review regulatory charging activities, consistent with the *Public Governance, Performance and Accountability Act 2013*.

## Purpose of the Cost Recovery Implementation Statement (CRIS)

This CRIS provides information on how the Australian Industrial Chemicals Introduction Scheme (AICIS) will implement cost recovery for its regulatory activities in 2021-22. The purpose of this document is to transparently demonstrate how regulatory charging has been developed to comply with the AGCF and AGCRGs and to clearly outline the regulatory fees and charges to be applied from 1 July 2021. The CRIS also reports financial and non-financial performance information for these charging activities and contains financial forecasts for Financial Years (FY) 2021-22 through to 2024-25.

## Description of regulatory charging activity

The *Industrial Chemicals Act 2019* establishes AICIS as the regulatory scheme for the importation and manufacture (introduction) of industrial chemicals in Australia. The scheme is administered by the Office of Chemical Safety (OCS) within the Australian Government Department of Health. The Department of Agriculture, Water and the Environment (DAWE) undertakes the environmental component of assessments under a service level agreement with OCS.

The main purpose of AICIS is to aid in the protection of human health and the environment by assessing the introduction and use of industrial chemicals and providing information and recommendations about managing any identified risks. AICIS is designed to make regulatory effort proportionate to the risks posed by industrial chemical introductions and to promote innovation and encourage the introduction of lower-risk chemicals.

The information from AICIS assessments is made available to state and territory and other Commonwealth agencies to assist in regulating the use, release and disposal of industrial chemicals and to support the wide range of chemicals management legislation for the protection of human health and the environment.

Key AICIS regulatory activities are summarised below and described in more detail in [Section 3](#).

- Scientific assessment of industrial chemicals
- Compliance monitoring and enforcement of statutory obligations under the *Industrial Chemicals Act 2019*
- Maintenance of the Australian Inventory of Industrial Chemicals (the Inventory)

- Strategy, planning and organisational support activities
- Implementing Australia’s obligations under international agreements (relevant to industrial chemicals).

The full cost of administering the scheme is recovered from the regulated industry through fees for services and registration charges (levies). Fees for services apply to regulatory activities attributable to a service provided to a specific introducer. The registration charge relates to the regulation of the market as a whole and funds regulatory activities that are not attributable to a service provided to a specific introducer.

AICIS fees for services apply to activities such as pre-market assessments and authorisations of unlisted chemicals, listing chemicals on the Inventory or amending Inventory listings, applications to protect confidential business information and authorisations to import/export industrial chemicals subject to international agreements. All registrants pay an annual application fee to be listed (or re-listed) on the Register of Industrial Chemical Introducers.

Most of AICIS’s operational costs are met from the annual registration charge levied on importers and manufacturers (introducers) of relevant industrial chemicals. Where an introducer imports and/or manufactures relevant industrial chemicals above a certain threshold, an annual registration charge is also payable. The applicable levy depends on the introduction value of relevant industrial chemicals introduced in the previous financial year and is calculated based on a statutory formula.

Activities supported by the annual registration charge include; evaluation of chemicals (including those listed on the Inventory), post-market compliance monitoring and enforcement, provision of information and recommendations about managing risks arising from the introduction and use of industrial chemicals, and collection and publication of information and statistics.

### **Appropriateness of cost recovery and who pays**

It is Government policy that the full cost of AICIS regulatory activities be recovered from regulated entities (introducers of industrial chemicals). Refer to [Section 2](#) for details on the policy authority that supports AICIS charging arrangements and [Section 3](#) on the design of those charges.

Consistent with the Government’s policy position, full cost recovery is considered appropriate because:

- introducers create the need for the regulatory activity to be undertaken by Government by placing industrial chemicals in the market;
- to effectively regulate the introduction of industrial chemicals under the *Industrial Chemicals Act 2019*, Government requires skilled staff and sufficient technical resources to undertake a number of essential activities; and

- charging provides transparency about the cost of resources involved in regulating the introduction of industrial chemicals. It also promotes equity by ensuring that those who use or create the need for Australian Government regulatory services continue to bear the costs.

## 2. Policy and statutory authority to cost recover the regulatory activity

### Government policy authority to cost recover the regulatory activity

The policy authority to fully cost recover the activities of industrial chemical regulation was provided for in the 1994-95 Budget under the measure “Implementing full cost recovery in 1996–97 for National Industrial Chemicals Notification and Assessment Scheme”.

On 26 May 2015, the Australian Government announced its decision to implement a range of reforms to the regulation of industrial chemicals<sup>1</sup>. These reforms were implemented through the establishment of AICIS, which replaced the National Industrial Chemicals Notification and Assessment Scheme (NICNAS) on 1 July 2020.

The establishment of AICIS did not change the Government’s policy position that the full cost of regulatory activities continue to be recovered through fees and charges paid by regulated entities (introducers of industrial chemicals). Full cost recovery continues to be applied and is considered appropriate because introducers continue to create the need for industrial chemicals in the marketplace to be regulated.

Refer to [Section 3](#) for further details.

### Statutory authority to charge

Fees for services are specified in Ministerial rules made under the:

- [Industrial Chemicals Act 2019](#)

Charges are specified in regulations made under the:

- [Industrial Chemicals Charges \(Customs\) Act 2019](#)
- [Industrial Chemicals Charges \(Excise\) Act 2019](#)
- [Industrial Chemicals Charges \(General\) Act 2019](#)

The three charges Acts provide the statutory basis for the registration charge to continue to be based on annual introduction value. As AICIS regulates both the importation and manufacture of industrial chemicals, the registration charge could be legally characterised not only as a tax but also as a duty of customs or a duty of excise requiring three separate acts.

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<sup>1</sup> MEDIA RELEASE Tuesday, 26 May 2015 – Industrial chemical assessments simplified  
<[https://parlinfo.aph.gov.au/parlInfo/download/media/pressrel/3856085/upload\\_binary/3856085.pdf;fileType=application%2Fpdf#search=%22media/pressrel/3856085%22](https://parlinfo.aph.gov.au/parlInfo/download/media/pressrel/3856085/upload_binary/3856085.pdf;fileType=application%2Fpdf#search=%22media/pressrel/3856085%22)>

Transitional arrangements established in legislative instruments at the time AICIS commenced ensure fees and charges for activities commenced under the (former) NICNAS can be completed under AICIS.

## 3. Cost recovery model

### Overview of the regulatory activities

Under AICIS, regulatory activities are grouped within the OCS organisational structure as follows:

#### **Scientific assessment and evaluation of industrial chemicals**

Pre- and post-market human health risk assessments/evaluations are conducted by staff employed by the Department of Health, while staff employed by DAWE undertake environmental risk assessments/evaluations for AICIS.

Assessments/evaluations identify potential risks to human health and/or the environment that may be associated with the manufacture, formulation, use, storage and disposal of industrial chemical(s) in Australia. AICIS makes recommendations to relevant risk management agencies, where required, to ensure appropriate controls are in place for the protection of human health and/or the environment from their use. These sections also monitor reported and exempted chemical introductions and maintain the Inventory.

Assessment/evaluation statements are published on the AICIS website for use by all stakeholders, including other Australian Government and state and territory regulatory agencies such as public health, worker health and safety, environmental, transport and consumer product safety agencies.

#### **Capability-building, Scientific Integrity and International engagement**

This section implements the OCS Science Strategy through delivery of technical outputs such as technical training and guidelines, gathers chemical intelligence to inform assessment and evaluation activities, coordinates international harmonisation activities and provides library services to the organisation.

#### **Compliance monitoring and enforcement**

This section undertakes activities such as compliance monitoring of introducers of industrial chemicals under the *Industrial Chemicals Act 2019*, compliance audits, managing compliance cases, liaising with other Australian enforcement agencies and administering Australia's obligations relating to industrial chemicals under the Rotterdam Convention.

#### **Strategy, planning and corporate activities**

Activities undertaken by this section relate to the organisation as a whole. These include: managing the Industrial Chemicals Special Account and cost recovery arrangements, registration of introducers and maintenance of the Register of Industrial Chemical Introducers, strategic communication and website management, stakeholder education and engagement,

coordinating privacy and public interest disclosure activities, compliance with regulatory and business reporting requirements and maintaining regulatory instruments.

## Regulatory outputs and design of regulatory charges

The cost base for AICIS is comprised of several activities which, when taken together, are necessary to efficiently and effectively regulate the introduction of industrial chemicals under the *Industrial Chemicals Act 2019*. These activities can be aggregated and grouped into two broad categories: regulatory outputs and support activities.

Regulatory outputs are activities provided to an individual or organisation or those provided to a broader group of individuals and organisations. In 2021-22, AICIS will continue to recover the costs of undertaking regulatory activities using a combination of fees and charges (levies) based on the demand for a government activity or intervention.

AICIS will continue to charge **fees for services** where a direct relationship exists between the regulatory activity and the individual or organisation requesting that specific activity. All regulated entities are charged the same fee for the same activity. Under these circumstances, the activities performed and their associated costs are driven by a specific need and demand created by the applicant. The fees have been derived using an activity-based costing model (discussed below) and thus have a discernible relationship to the cost of the service.

Each fee for service item can be broken down into a number of business processes. For all applications, the business processes are:

- receive application
- check application
- assess application
- decide application
- notify applicant

When the cost of the AICIS activity can be reasonably attributed to a broader group of organisations (or individuals) rather than a single entity, the activity will continue to be funded through a **cost recovery levy**. In these instances, the level of demand for Government activity or intervention is collectively driven by the industry as a whole rather than a single entity within it.

Table 1 outlines regulatory outputs and support activities classified as direct costs and support activities that are classified as indirect costs (refer below for details).

**Table 1 – Examples of AICIS outputs as direct and indirect costs**

Regulatory outputs: Direct costs (fees for services)	Regulatory outputs: Direct costs (cost recovery levies)	Support activities: Indirect costs
Registration of introducers	Compliance monitoring and enforcement	Management of Special Account
Certificate applications	Post-market evaluation of chemicals	Human resources management
Authorisation applications	Pre-introduction reports and post-introduction declarations	Corporate governance
Inventory listing applications	Maintenance of Inventory	Facilities and building
Confidential business information (CBI) protection applications	Stakeholder engagement/education	IT support
Applications for import / export of industrial chemicals into or out of Australia	Enquiries and complaints management	Regulatory and business reporting

## Costs of the regulatory charging activity

The key cost drivers in estimating the cost base for AICIS are:

- the **resources** needed to conduct each business activity, and
- the **annual volume** of each business activity performed.

For the first year of operation of AICIS (2020-21), where available, historical effort data (resources required and frequency or annual volume) from comparable activities under NICNAS were used as a proxy to estimate the effort and corresponding cost of undertaking similar activities under AICIS. However, due to the fundamental differences between the two schemes, comparable activities under NICNAS could not be identified for some activities under AICIS. In these cases, assumptions based on management estimates were used to estimate the resourcing requirements and, in some instances, the frequency for some new and changed activities.

These estimates have been reviewed against evidence and experience collected in the first year of the schemes operation to inform the cost base for 2021-22 (see 'Review of fees and charges' below).

The cost of the environmental component of risk assessments undertaken by DAWE are included within the AICIS cost base.

Table 2 details the estimated cost base for the 2021-22 financial year and forward estimates for the following three years.



**Table 2 - AICIS estimated cost base, 2021-22 to 2024-25 (\$'000)**

Expenses	2021-22	2022-23	2023-24	2024-25
<b>Employee and contractor expenditure</b>	<b>12,949</b>	<b>13,175</b>	<b>13,406</b>	<b>13,640</b>
<b>Non-employee expenses</b>	<b>10,904</b>	<b>10,963</b>	<b>11,023</b>	<b>11,083</b>
Supplier (including DAWE)	8,644	8,702	8,762	8,822
Depreciation <sup>2</sup>	2,260	2,260	2,260	2,260
<b>Allocation to operating reserve<sup>3</sup></b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>300</b>
<b>Total<sup>4</sup></b>	<b>24,153</b>	<b>24,438</b>	<b>24,729</b>	<b>25,023</b>

The cost base in its entirety is comprised of the estimated costs of facilitating the effective delivery of regulatory functions. Costs such as those incurred for policy functions by areas within the Department of Health other than OCS are specifically excluded from the cost base, as these are funded by Government.

AICIS uses an activity based costing (ABC) methodology to allocate all direct and indirect costs incurred by OCS and DAWE to each activity and subsequently each charge point.

The cost base is comprised of:

- **Direct costs** such as labour costs and some supplier costs that can be directly linked to a specific activity.
- **Indirect costs**, including corporate costs such as finance, human resources and property, which will be driven to activities using relevant activity drivers that will reflect the link between the cost of the services and the likely amount of those services absorbed to the amount allocated.
- **Capital costs** including depreciation and capital investment where appropriate.

Figure 1 below presents a schematic of the activity based cost model. An example of how a fee for service item is calculated is included at [Attachment A](#).

<sup>2</sup> Depreciation expenses is based on the existing asset profile, which may change in the future if additional assets are acquired.

<sup>3</sup> An operating reserve is maintained with 3 months operating expense to manage fluctuations in revenue and expense relating to regulatory activity.

<sup>4</sup> The total estimated cost base includes the cost of activities considered non-recoverable under the AGCF. These costs will not be recovered through the proposed fees and charges as indicated in table 3.

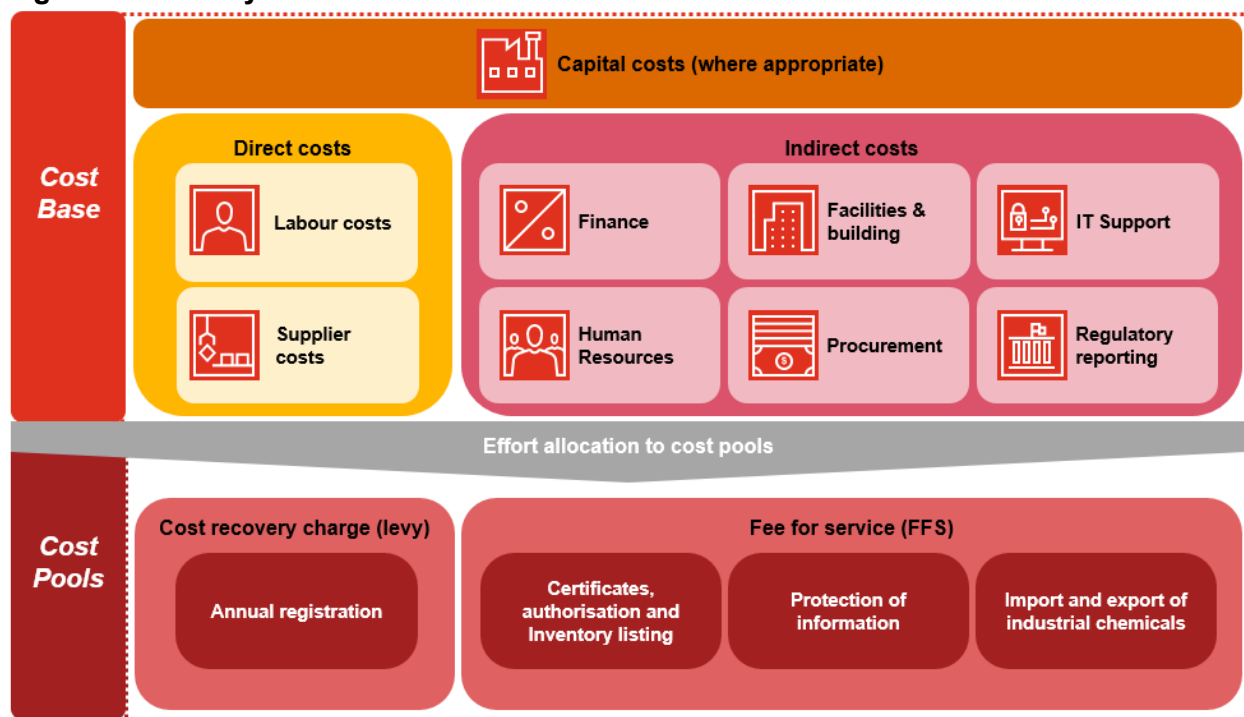
**Figure 1 – Activity Based Cost Model**

Table 3 shows the estimated total cost of regulatory activities inclusive of support function costs using the ABC methodology.

**Table 3 - Estimated cost by regulatory output for 2021-22 (\$'000)**

Regulatory activities	Fee or Levy	Cost (\$'000)
Registration applications	Fees for service	529
Certificate applications	Fees for service	1,983
Authorisation applications	Fees for service	77
Inventory Listing applications	Fees for service	540
Confidential business information (CBI) protection applications	Fees for service	44
Import / export of industrial chemicals into or out of Australia applications	Fees for service	72
Compliance monitoring and enforcement	Levy	4,400
Post-market evaluation of chemicals	Levy	14,175

Regulatory activities	Fee or Levy	Cost (\$'000)
Pre-introduction reports	Levy	158
Specific Information Requirements	Levy	394
Post-introduction declarations	Levy	264
Maintenance of Inventory	Levy	864
Stakeholder engagement/education	Levy	309
Enquiries and complaints management	Levy	274
<b>Total<sup>5</sup></b>		<b>24,082</b>

Figures include direct and indirect costs. Figures may not total due to rounding.

## Review of fees and charges

When AICIS cost recovery arrangements were established prior to the commencement of the scheme on 1 July 2020, estimates of effort and cost were based on a range of assumptions. Consistent with the commitment made in the 2020-21 AICIS CRIS to maintain transparency and the ongoing accuracy of cost calculations, a review of charging arrangements (the Review) was undertaken in the first year of operation of the scheme.

The Review, undertaken in consultation with the Department of Finance, aimed to validate the appropriateness of charging arrangements by:

- monitoring and recalibrating regulatory effort and cost;
- considering the 8-tier registration charging model to confirm the relevance of the thresholds; and
- considering whether introduction value remains the most appropriate proxy for regulatory effort and therefore, charging.

Data collected since the commencement of the scheme, although limited, has informed analysis of the cost base and cost drivers, including volumes of various business processes and the effort expended to undertake regulatory activities.

### Aligning regulatory effort to fees for services

Fees for services have been adjusted for 2021-22 to align with the efficient cost of providing each service (See [Section 8](#)). In addition, some activities for which the costs were recovered through the levy charge in 2020-21 have been identified as being appropriately charged as fees

<sup>5</sup> Total estimated cost by regulatory output for 2021-22 excludes the non-cost recoverable amount of approximately \$70k

for services payable by individuals that create the demand for these services consistent with the AGCF (see [Table 9 in Section 8](#)).

### **Aligning regulatory effort to the regulatory charge (levy)**

The AGCRGs state that the levy payable should bear a reasonable relationship to the driver of regulatory activities in a manner that approximates the level of resources required to provide the activity across the regulated group.

As demonstrated in Table 3 above, the evaluations program and compliance program are the two biggest regulatory outputs intended to be recovered through the cost recovery levy. The information provided below demonstrates the link between risk and regulatory effort for these key regulatory outputs.

#### Post-market evaluation of chemicals

The evaluations program evaluates risks from industrial chemicals already in use in Australia, predominantly chemicals already listed on the AICIS Inventory. The Inventory includes a large number of chemicals that can be introduced in Australia by businesses registered under AICIS that are yet to be evaluated. The risk of harm to people and the environment from a chemical is influenced by its intrinsic hazards and the degree of exposure from its use. The likely exposure level is a key factor for prioritising chemicals for evaluation.

Available data demonstrates that as annual introduction value increases, businesses introduce:

- larger numbers of different chemicals, and in larger volumes, which increase exposure and the likelihood of greater risks to humans and the environment, and
- more complex chemicals, which require greater regulatory effort to evaluate risk and correspondingly more complex risk management considerations.

#### Compliance monitoring and enforcement

The compliance program maintains the integrity of the regulatory system for protecting the Australian people and environment from risks associated with industrial chemicals through compliance monitoring and enforcement activities across the regulated industry. It is not possible to ascertain every introducer's degree of compliance in advance of undertaking compliance monitoring or to base the funding model on the degree of risk of the chemicals introduced.

In monitoring compliance, when there are no other risk indicators – for example, among a group of industrial chemical introducers with no prior compliance history – regulatory effort is prioritised using introduction value as a proxy for exposure (and therefore risk). This is because, in a group of introducers introducing similar products, those introducing a greater value will be importing/manufacturing a greater volume, which will result in greater risk and therefore, proportionately, greater regulatory effort.

Effort data collected since the commencement of the scheme informed the Review. The Review acknowledged the inadequacy of representative data gathered over the short period of operation of the scheme (less than a full year). It identified the need for further evidence to inform a meaningful analysis of the cost drivers of levy funded activities in the context of the thresholds of the 8-tier registration charging model. Further regulatory effort data will be

collected during 2020-21 and 2021-22 to inform a further review of the 8-tier registration charging model and the relevance of the thresholds (registration levels) to determine levy charges in 2022-23. The additional data will also inform an assessment of whether introduction value continues to remain the most appropriate proxy for regulatory effort and, therefore, charging.

Eight new fees for services were identified for 2021-22 that were previously incorporated into the levy charge. Due to the low anticipated volumes of those activities, their removal from the overall levy funding pool did not have a material impact on charges.

Informed by the outcomes of the Review, it is proposed that the levy charges (registration charges) remain unchanged in 2021-22.

### **Use of Introduction Value as a proxy for regulatory effort**

To develop a charging regime that aligns with the AGCRGs, the most appropriate method for funding regulatory activities through the registration levy must be determined. The central principle of the AGCRGs is that charging be aligned with the drivers of regulatory effort.

The risk posed by a chemical is a function of hazard and exposure; exposure is a function of use pattern and volume. As the hazard of a chemical cannot be changed, risk management involves minimising exposure, where required. The risk-based approach for funding regulatory activities that are not provided to identifiable recipients is also primarily based on levels of exposure of humans and the environment.

It is a long established international practice for the annual volume of introduced chemicals to function as a proxy for exposure, as a larger volume generally translates into more workers exposed, or more consumer products on the shelves (risking public exposure), or more of the chemical flowing down drains and into waterways (risking environmental exposure).

However, the OCS does not hold or have legal authority to obtain data on the volumes of all industrial chemicals introduced into Australia. Furthermore, obtaining such data would involve substantial additional regulatory burden on industry, which is contrary to the policy aims of the recent reforms.

The value of introductions is readily available to Government, at the least burden to industry. As established above, introduction value is closely correlated with introduction volume and an increase in the number and complexity of chemicals introduced, which is indicative of risk that requires proportionate regulatory effort. It is on this basis that introduction value has been the legislative basis on which the levy was established under the former NICNAS for over 25 years and continues to apply under AICIS.

In saying this, at this stage, there are insufficient data to fully determine whether introduction value is the most appropriate proxy for regulatory effort. Contemporary effort data proposed to be collected during 2020-21 and 2021-22 will enable further examination of the appropriateness of introduction value as an appropriate proxy for regulatory effort.

### **Continuation of lower and upper threshold for calculation of charge payable**

The introduction value thresholds for charging the registration levy are aligned with the risk-based approach to determining regulatory effort outlined above. Lower value introducers

generally introduce lower volumes of chemicals resulting in lower human and environmental exposure than higher value introducers. However, at the higher value of introductions, the regulatory effort required does reach a plateau at a point, so it would not be risk-proportionate to charge a higher registration levy once the plateau has been reached.

### **Ongoing review of charging arrangements**

The OCS will continue to review the cost model and recalibrate regulatory effort and cost in subsequent annual reviews as contemporary data become available, to ensure that fees and charges continue to reflect the efficient cost of delivering regulatory activities and services.

Stakeholder feedback will be sought on each review and all comments taken into account when finalising advice to Government on proposed AICIS fees and charges.

## 4. Financial estimates

The table below outlines the financial estimates and underlying assumptions for the 2021-22 budget and forward years and is prepared on an accrual basis.<sup>6</sup>

**Table 4 - Financial estimates for budget year and forward estimates (\$'000)**

	2021-22 budget	2022-23 forward estimate	2023-24 forward estimate	2024-25 forward estimate
Operational Expenses (A)	24,153	24,438	24,728	25,023
Cost Recovered Revenue – includes fees for services and levies (B) <sup>7</sup>	23,898	23,898	23,898	23,898
Government appropriation - interest equivalency payment (C)	58	200	200	200
<b>Balance = (B+C)-(A)</b>	<b>(197)</b>	<b>(340)</b>	<b>(630)</b>	<b>(925)</b>
June 21 forward and cumulative balance *	TBA	TBA	TBA	TBA

\* The June 21 forward and cumulative balance will be updated annually in November in accordance with [Section 9](#).

**Material variance commentary:** The financial estimates are based on predicted levels of fees for services applications and the number of expected registrants at each level. Revenue forecast for 2021-22 are subject to fluctuations in:

- budgeted numbers of fees for services applications
- budgeted number of companies per level listed on the Register of Industrial Chemical Introducers

Additionally, historical information used to calculate the revenue relating to the introduction value of industrial chemicals are likely to be overstated as the actual introduction value was not required to be declared under the previous scheme, only the tier within which the total value of relevant industrial chemicals by each introducer.

The annual rolling CRIS and future pricing reviews will ensure transparency and ongoing accuracy of revenue and expenditure and detect any upward or downward variations.

**Balance Management Strategy:** A reserve is used as a risk mitigation measure to allow established charging arrangements to balance and lessen the impact of varying demand on the ongoing delivery of regulatory activities. Reserves established within the Special Account will continue to facilitate business continuity requirements and help fund the ongoing resourcing requirements of AICIS to allow the scheme to operate in a sustainable manner. The operating reserve projected for June 2021 represents 22% of the operating budget. AICIS proposes to grow the current contingency fund incrementally each year until an equivalent of three months' operating expenses (25%) is achieved.

<sup>6</sup> Figures reported in the Portfolio Budget Statements may differ as they are reported on a cash basis in accordance with the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*.

<sup>7</sup> Projected revenue does not reflect any adjustment made to recover CPI and wage growth currently included within the projected cost base. AICIS will continue to consult with industry on how the indexed costs should be recovered across the forward years as part of future annual CRIS updates in accordance with the AGCF and AGCRGs.

Where funding for replacement or enhancement to a capital asset has been provided by government, these costs will be recovered in regulatory charges through depreciation of the life of the asset. This revenue will accumulate within the Special Account and be earmarked to support future replacement or enhancements to capital assets. Projections for June 2021 indicate 23% of the Special Account reserves will be committed for this purpose.

Consistent with best practice, the Special Account reserve retains employee entitlements such as leave provisions. Projections for June 2021 indicate 36% of the Special Account reserve will be committed for this purpose.

The Industrial Chemicals Special Account is fully committed to the operating reserves, capital reserve and employee entitlements.

## 5. Financial performance

AICIS provided financial estimates for the 2020-21 budget year in the [CRIS 2020-2021](#). A review of estimated actual financial performance for the year indicates that cost recovered revenue is tracking to budget. While employee and contractor expenditure is tracking to budget, targets for non-employee expenses may not be achieved for the full year. This CRIS will be updated to reflect the actual 2020-21 financial performance in November 2021 in accordance with [Section 9](#).

A review of actual financial performance is undertaken annually and, material variances (that is, greater than 5%) will be identified and used to determine AICIS's balance management strategy.

## 6. Non-financial performance

AICIS will report non-financial performance against criteria included in the Health Portfolio Budget Statement in the Department of Health Annual Report, including a performance report from the Executive Director as required under section 146 of the *Industrial Chemicals Act 2019*.

## 7. Stakeholder engagement and risk assessment

### Stakeholder engagement

In accordance with the AGCRGs, stakeholder feedback was sought on a draft 2021-22 Cost Recovery Implementation Statement (CRIS), which provided information on:

- Government cost recovery policy
- how AICIS regulatory charging has been developed
- proposed AICIS fees and charges to be applied from 1 July 2021
- the outcome of the review of AICIS charging arrangements

A total of three (3) submissions were received during the consultation period. A summary of the main stakeholder views is provided in [Attachment B](#) alongside corresponding responses.



## Charging risk assessment

In accordance with the AGCRGs, a Charging Risk Assessment (CRA) has been undertaken that considered the future operating environment, including its:

- complexity: structure, processes and implementation of cost recovery activities;
- materiality: financial value of the cost recovery activities; and
- sensitivity: level of interest from key stakeholders in the cost recovery activities.

While some criteria were rated as low or medium, the overall cost recovery risk rating for 2021-22 was determined to be high due to the inherent risk of AICIS being a relatively new scheme and the range of fees and charges involved.

These key risks identified and their mitigation strategies are documented in Table 5 below.

**Table 5 – Risks and risk mitigation strategies**

Risk	Mitigation Strategy
Assumptions made for the new scheme are not reflective of actual regulatory effort or costs.	Regulatory effort and costs will continue to be tracked and monitored. Assumptions informing the cost model will continue to be replaced with the data as they are collected.
Under or over-recovery through the levy due to change in the introduction value of industrial chemicals per introducer.	Introduction value will continue to be monitored, and levy charges will be reviewed through the annual CRIS process.
Under or over-recovery of fee for service activities due to variances in the number of applications made under the IC Act 2019.	Volumes of applications will be monitored, and charges will be reviewed through the annual CRIS process.
The reliability of the evidence to support introduction value as the most appropriate proxy for the cost recovery levy	The OCS will reassess whether introduction value continues to be the most appropriate proxy for regulatory charging, informed by more contemporary data collected over 2020-21 and 2021-22

## 8. Fees and annual charges – 2021-22

The schedule of fees and charges was developed to align with the AGCRGs and recover the costs of AICIS activities for 2021-22. The proposed fees and charges will apply to introducers of industrial chemicals.

The charge points for AICIS can broadly be grouped by relevant activities:

- Registration – levy and fee for service
- Certificates and authorisations – fee for service

- Protection of confidential business information (CBI) – fee for service
- Import and export of certain industrial chemicals subject to international agreements – fee for service

Further detail on the design of regulatory charges is provided in [Section 3](#).

## Annual registration fee

Registrants will be subject to a registration fee and levy (where relevant). As discussed in [Section 3](#), the registration fee recovers the costs of registering individuals and maintaining the Register of Industrial Chemical Introducers, which are activities provided to the individual or organisation.

**Table 6 – Registration fee 2021-22**

AICIS Fee for service	Fee per application (\$)
	2021-22
Application for registration	75

### Annual registration charge (levy)

The registration levy recovers the costs of activities provided to a broader group of individuals and organisations. The registration level and charge payable is determined for each registrant based on the annual introduction value using prior financial year introductions (as defined in Section 6 of the *Industrial Chemicals Charges (General) Regulations 2020*, *Industrial Chemicals Charges (Customs) Regulations 2020* and *Industrial Chemicals Charges (Excise) Regulations 2020*). Further information on the use of introduction value to calculate the levy payable is available in [Section 3](#).

An eight-tiered model is currently used to determine the annual registration charge payable. An exemption (from paying the levy) for introduction values less than \$50,000 in the previous financial year, and a cap of \$40,000 on levy payable by an introducer apply.

The levy charging structure remain unchanged from 2020-21 and is presented in Table 7 below.

**Table 7 - AICIS Registration levy 2021-22**

Registration level (prior year introduction value)	Charge per registration (\$)
	2021-22
Registration – level 1 (\$1 - \$49,999)	NIL
Registration – level 2 (\$50,000 - \$74,999)	75
Registration – level 3 (\$75,000 - \$99,999)	100
Registration – level 4 (\$100,000 - \$249,999)	250
Registration – level 5 (\$250,000 - \$499,999)	500
Registration – level 6 (\$500,000 - \$2,999,999)	3,000
Registration – level 7 (\$3,000,000 - \$4,999,999)	5,000
Registration – level 8 (\$5,000,000+)	40,000

## Certificates and authorisation fees

**Table 8 – Certificate and authorisation fees 2021-22**

AICIS Fees for services	Charge per application (\$) 2021-22
<b>Certificate Applications</b>	
Application for a certificate – very low to low risk	7,435
Application for a certificate – health focus or environment focus	23,375
Application for a certificate – health and environment focus	34,965
Application for a certificate - comparable hazard assessment	17,515
Consolidated application	7,015
Application to vary the terms of an existing Assessment Certificate	4,735
<b>Authorisation Applications</b>	
Application for a Commercial Evaluation Authorisation	6,490
Application to vary the terms of an authorisation	2,525
<b>Listing Applications</b>	
Application for listing on the Inventory before 5 years	1,490
Application for variation of listing	4,735

## New fee for service activities 2021-22

**Table 9 – New fee for service activities 2021-22**

AICIS Fees for services	Charge per application (\$) 2021-22
Application to add a certificate holder	1,490
Application to remove a certificate holder	805
Application to add a person covered by a certificate	1,490
Application to remove a person covered by a certificate	805
Application to add an authorisation holder	1,490
Application to remove an authorisation holder	805
Application to be a confidence holder of CBI for a protected inventory listing	4,100
Multicomponent Application	2,650

## Protection of confidential business information (CBI)

**Table 10 - Protection of confidential business information (CBI) 2021-22**

AICIS Fees for services	Charge per application (\$) 2021-22
Application for protection of proper name	1,730
Application for protection of end use	605
Application for continued protection	4,565
Application for protection of confidential business information (CBI) other	1,150

## Import and export of certain industrial chemicals subject to international agreements

**Table 11 - Import and export of certain industrial chemicals subject to international agreements 2021-22**

AICIS Fees for services	Charge per application (\$) 2021-22
Application for Category A export of industrial chemicals out of Australia	2,395
Application for Category B export or import of industrial chemicals into or out of Australia	4,780

## 9. Key dates and events

The key forward dates and events are documented in Table 12.

**Table 12 – Key forward dates and events**

Key forward events schedule	Next scheduled update
Update 2020-21 financial performance	November 2021
Update CRIS for 2022-23	June 2022
Portfolio Charging Review	2022

The history of changes made to the CRIS and approvals are documented in Table 13.

**Table 13 - CRIS approval and change register**

Date of change	CRIS change	Approver	Basis for change
26/06/2020	Certification of the CRIS	Acting Secretary, Department of Health	New cost recovered activity
29/06/2020	Approval of the CRIS	Responsible Minister	New cost recovered activity
30/06/2020	Agreement to CRIS release	Minister for Finance	High-risk rating for the activity
30/06/2020	Publication of the CRIS	AICIS Executive Director	-
9/06/2021	Certification of the CRIS	Secretary, Department of Health	New cost recovered activity
23/06/2021	Approval of the CRIS	Minister for Regional Health, Regional Communications and Local Government	New cost recovered activity
30/06/2021	Agreement to CRIS release	Minister for Finance	High-risk rating for the activity
30/06/2021	Publication of the CRIS	AICIS Executive Director	-

## 10. Attachment A – Example fee calculation

The charge for any specific regulatory output should recover the full efficient cost of delivering that specific service. This section outlines the methodology used to cost one such regulatory output: “*Registration of industrial chemical introducers*”, broken down into business processes and activities.

**Table 14 - Cost calculation: processing an ‘Application for registration’**

Regulatory output	Business process	Effort required (hrs)	Average cost per hour (\$)	Cost per delivery of regulatory output (\$)	Volume delivered annually	Total cost of regulatory output (\$)
Registration of industrial chemical introducers	Maintaining register of industrial chemical introducers	0.54	\$132.58	71.46	7,500	\$535,953

Table 15 breaks down the component tasks of the business process, showing the role that performs each task, the effort required to complete each task, and the cost of each task.

**Table 15 - Cost calculation breakdown of the business processes for ‘Maintaining register of industrial chemical introducers’**

Business process	Activities involved	Role performing task	Hours of effort	Cost per role (\$)
Maintaining register of industrial chemical introducers	<ul style="list-style-type: none"> <li>Responding to enquiries from registrants</li> <li>Manual processing of hard copy registration forms submitted by some registrants</li> <li>Payment processing</li> <li>Assessment and processing of write-offs/refund</li> <li>Maintaining integrity of register</li> </ul>	Registration Support Officer	0.35	\$46.67
	<ul style="list-style-type: none"> <li>Supervision of registration and administration processes</li> <li>Development and maintenance of outreach and communication products</li> <li>Responding to enquiries regarding legislative obligations to register a business</li> </ul>	Registration Officer	0.09	\$11.67
	<ul style="list-style-type: none"> <li>Management of registration related correspondence</li> <li>Management of registration related campaigns (e.g. renewal, reassessment, unregistered introducers)</li> <li>Maintenance of registration related components of IT system</li> </ul>	Assistant Director of Corporate	0.09	\$11.67
	<ul style="list-style-type: none"> <li>Refund/write-off approvals</li> <li>Overall responsibility for registration processes and systems</li> </ul>	Director of Corporate	0.01	\$1.46
	<b>Total hours of effort per application</b>			<b>0.54</b>



Table 16 breaks down the component tasks performed by the Registration Support Officer showing the hours of effort required to complete the tasks, the cost per hour of the role, which produces the cost of the task.

**Table 16 - Cost calculation breakdown of 'Registration Support Officer'**

Activities	Role performing task	Role cost per hour (\$)	Hours of effort per task	Cost per task (\$) [Role cost per hour] x [Hours of effort per task]
Responding to enquiries from registrants				
Manual processing of hard copy registration forms submitted by some registrants	Registration Support Officer	\$132.58	0.35	\$46.67
Payment processing				
Assessment and processing of write-offs/refund				
Maintaining integrity of register				

Table 17 breaks down the cost per hour of the role Compliance Support Officer.

**Table 17 - Cost calculation breakdown of Registration Support Officer by direct and indirect cost**

Role	Direct cost per hour (\$)	Indirect cost per hour (\$)	Total cost per hour (\$)
Registration Support Officer	\$78.01	\$54.57	\$132.58

## 11. Attachment B - Summary of main stakeholder views and OCS responses

A total of three (3) submissions were received. The main stakeholder views are summarised below alongside corresponding responses.

Stakeholder Comment	Response
<i>Financial reporting</i>	
Transparency of AICIS finances and lack of a single source of public information	<p>In accordance with the <i>Public Governance, Performance and Accountability Act 2013</i>, AICIS publicly reports on its financial position through three mechanisms:</p> <ul style="list-style-type: none"> <li>• The Health Portfolio Budget Statements</li> <li>• The Executive Director’s report on the operation of the <i>Industrial Chemicals Act 2019</i> (IC Act) in the Department of Health Annual Report</li> <li>• A cost recovery implementation statement (CRIS) that outlines key information on how cost recovery is implemented consistent with the Australian Government Charging Framework (AGCF).</li> </ul> <p>All of the above are updated annually.</p>
Lack of alignment of budget figures and projected forward estimates between the Health department’s 2021-22 Portfolio Budget Statements and the 2021-22 CRIS	<p>As per the <i>Public Governance, Performance and Accountability (Financial Reporting) Rule 2015</i>, Division 6-Special accounts (6), AICIS is required to report on the Special Account in the Portfolio Budget Statements on a cash basis.</p> <p>The figures and projected forward estimates included in the AICIS CRIS are prepared on an accruals basis and are identified in Tables 2 and 4.</p>

<p>Lack of transparency of AICIS reserves</p>	<p>The current reserves of the Industrial Chemicals Special Account are fully committed as determined by Government and may not be used for purposes outside their directed intent.</p> <p>The <i>Industrial Chemicals Act 2019</i> outlines the Special Account is to pay "...any remuneration and allowances payable to any person engaged under this Act" (157 (b)). On current projections, at 30 June 2021, 36% of the reserves held in the Special Account will be committed to fulfilling these remuneration and allowance obligations.</p> <p>As per Government direction, any new capital assets for regulatory charging arrangements initially funded by Government are recovered by depreciation over the useful life of the asset through AICIS's regulatory (cost recovery) charging arrangements. The proportion of the reserves committed to capital asset depreciation will grow over the useful life of the asset, lower in early years and nearing the initial funded amount towards the end of the useful life of the asset. On current projections, 23% of the reserves held in the Special Account will be committed for Government's future asset investment decisions.</p> <p>The remaining reserves in the Special Account are allocated to facilitate business continuity requirements for AICIS. This enables AICIS to manage ongoing resourcing requirements of the scheme and support operating in a sustainable manner. These reserves operate as a risk mitigation measure which allows established charging arrangements to balance and lessen the impact of varying demand on the ongoing delivery of regulatory activities. As indicated in the Balance Management Strategy in Section 4 of the CRIS, the committed reserves of the Special Account are projected to represent 22% of operating expenses by June 2021. AICIS will seek to incrementally grow the current contingency fund for operational purposes until an equivalent of three months' operating expenses (25%) is achieved.</p>
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<i>Review of AICIS cost recovery arrangements</i>	
<p>Lack of transparency and meaningful engagement of the regulated sector in the development of the draft CRIS.</p> <p>Lack of uptake of the industry suggestion that an independent review process be undertaken, for example, through the establishment of a steering committee with an independent chair to oversight the review. This would provide confidence to the regulated sector that the review was conducted appropriately with the necessary checks and balances.</p>	<p>The recent review of AICIS cost recovery arrangements to inform the 2021-22 CRIS was to monitor, review and recalibrate regulatory effort and cost in the first year of operation of the scheme.</p> <p>The objective of this review was different to the fundamental review of cost recovery undertaken over two years (2018-19 and 2019-20) to inform the regulatory charging arrangements when transitioning from the National Industrial Chemicals Notification and Assessment Scheme (NICNAS) to AICIS.</p> <p>The review was undertaken as directed by the responsible Minister (<a href="#">see Statement of Expectations</a>) in consultation with the Department of Finance in a manner that is consistent with the charging principles of transparency, efficiency, performance, equity, simplicity and policy consistency, outlined in the Australian Government Charging Framework (AGCF).</p> <p>All stakeholder views received through public consultation on the draft CRIS have been considered in recommending charging arrangement to government.</p> <p>In accordance with the AGCF, appropriate checks and balances are in place to ensure adequate departmental and ministerial oversight to the process of finalising changing arrangements for AICIS. The final CRIS will be certified by the Accountable Authority (the Secretary, Department of Health), approved by the responsible Minister and agreed for release by the Minister for Finance.</p>
<p>Aligning regulatory effort with registration charge</p>	<p>Stakeholder views are noted.</p>

<ul style="list-style-type: none"> <li>• Use of introduction value as a proxy for exposure, and hence, risk is counterintuitive to the risk proportionate nature of the scheme.</li> <li>• Fluctuations in labour and material costs may change the introduction value while volume introduced and hence risk remain constant.</li> <li>• The registration charge based on introduction value should be augmented to include an additional levy on introducers of hazardous industrial chemicals.</li> </ul>	<p>AICIS is designed to align regulatory effort with the risks posed by industrial chemical introductions and to promote innovation, and encourage the introduction of lower-risk chemicals.</p> <p>As noted in the CRIS (Section 3), the available data demonstrates that as annual introduction value increases, businesses generally introduce:</p> <ul style="list-style-type: none"> <li>• larger numbers of different chemicals, and in larger volumes, which increase exposure and the likelihood of greater risks to humans and the environment, and</li> <li>• more complex chemicals, which require greater regulatory effort to evaluate risk and correspondingly more complex risk management considerations.</li> </ul> <p>In keeping with the AGCF principles for the efficient implementation of cost recovery arrangements, information required to determine introduction value is readily available to introducers and does not impose an additional burden. It is for this reason that introduction value is currently considered to be the most appropriate proxies for regulatory effort expended on levy funded activities.</p> <p>The CRIS commits to the collection of further regulatory effort data during 2020-21 and 2021-22 to inform further analysis of whether introduction value continues to remain an appropriate proxy for regulatory effort and, therefore, charging (see Section 3).</p>
<p>The financial impact of moving between registration levels, particularly from level 7 to level 8 is excessive.</p>	<p>AICIS fees and charges are developed in accordance with the Australian Government Cost Recovery Guidelines (AGCRGs). The factors considered are:</p> <ul style="list-style-type: none"> <li>• alignment with the principles underpinning the AGCRGs: transparency, efficiency, performance, equity, simplicity and policy consistency</li> <li>• consistency with the policy authority for AICIS cost recovery</li> </ul>

	<ul style="list-style-type: none"> <li>• consistency with the principles outlined in the Consultation Paper; <i>Principles for cost recovery of the Australian Industrial Chemicals Introduction Scheme</i><sup>8</sup></li> <li>• stakeholder feedback and understanding</li> <li>• stakeholder impact - a significant proportion of registrants pay less under AICIS than they were required to pay under NICNAS for the same introduction value</li> </ul> <p>As noted in the CRIS, the review which has informed charging arrangements for 2021-22 acknowledged the inadequacy of representative data gathered over the short period of operation of the scheme (less than a full year). It identified the need for further evidence to inform a meaningful analysis of the cost drivers of levy funded activities in the context of the thresholds of the 8-tier registration charging model (section 3).</p> <p>The CRIS commits to the collection of further regulatory effort data during 2020-21 and 2021-22 to inform further analysis of the appropriateness of the 8-tier registration charging model.</p>
<p>The introduction of new fees for services has not reduced the annual registration (levy) charge.</p>	<p>The Review identified that a few activities were services delivered to an identifiable user and fees for services were established for these activities. Due to the low anticipated volumes of these activities, their removal from the levy funding pool did not materially impact levy charges.</p>
<p>Funding public good activities from cost recovered revenue (cross-subsidisation)</p>	<p>A review of all AICIS activities was undertaken as part of the review of cost recovery arrangements to ensure that charging of the new scheme remained consistent with the Australian Government Charging Framework.</p>

<sup>8</sup>*Principles for cost recovery of the Australian Industrial Chemicals Introduction Scheme:*  
<https://web.archive.org/au/awa/20200629141424mp> /[https://www.nicnas.gov.au/ data/assets/word\\_doc/0010/89623/AICIS-cost-recovery-principles-paper-Final-16-Sep-2019.docx](https://www.nicnas.gov.au/data/assets/word_doc/0010/89623/AICIS-cost-recovery-principles-paper-Final-16-Sep-2019.docx)

	<p>The Australian Government Charging Framework sets out that due to the difficulty in identifying pure public goods, this is not considered to be a criterion in determining whether cost recovery is appropriate. A range of other relevant considerations inform the final decision by the Australian Government about cost recovery for a specific activity. This includes that there is an identifiable user that is causing the need for the regulatory activity. AICIS’s regulatory (cost recovery) charging arrangements recovers only the regulatory effort caused by identifiable regulated industry and users of the scheme (see Table 3).</p> <p>Costs included are limited to the direct regulatory effort undertaken by AICIS and are not inclusive of costs such as those caused by <i>Freedom of Information</i> requests.</p>
Funding AICIS through the business tax system.	<p>Stakeholder feedback is noted.</p> <p>It was a decision of the Australian Government that the full cost of administering AICIS is recovered from the regulated industry, in accordance with the AGCF.</p> <p>The policy authority to fully cost recover the activities of NICNAS was provided for in the 1994-95 Budget under the measure “Implementing full cost recovery in 1996–97 for National Industrial Chemicals Notification and Assessment Scheme”. On 26 May 2015, the Australian Government announced its decision to implement a range of reforms to the regulation of industrial chemicals, which lead to the commencement of AICIS from 1 July 2020. Policy authority to recover the costs of implementing the AICIS was given in the <a href="#">2015–16 Budget</a> under the measure “<a href="#">Reducing the Burden of Industrial Chemicals Regulatory Framework to Industry</a>”.</p> <p>The establishment of AICIS did not change the Government policy position that the full cost of regulatory activities be recovered through fees and charges paid by regulated entities (predominantly introducers of industrial chemicals). Consequently, full cost recovery</p>

	continues to be applied and is considered appropriate because introducers will continue to create the need for industrial chemicals to be regulated in the marketplace.
<i>General comments</i>	
Charges (levies) based on introduction value without recognition of other regulatory mechanisms to manage risk potentially duplicates regulatory charges levied by states, territories and other Commonwealth entities.	<p>AICIS are directed by <i>Industrial Chemicals Act 2019</i> to undertake a range of regulatory activities, identified by the objectives of the Act which are; “to aid in the protection of human health and the environment including through the provision of information and recommendations about managing the risks arising from the introduction and use of industrial chemicals”.</p> <p>The activity-based costing methodology used in determining costs for 2021-22 was limited to activities required for AICIS to deliver these statutory functions.</p> <p>Further, the Act directs the role AICIS has in undertaking assessments and evaluations of industrial chemicals and to make this available this information, including risk management recommendations, to state, territory and other Commonwealth risk managers to assist in the administration of a wide range of chemicals management legislation that regulates the use, release and disposal of industrial chemicals within these jurisdictions.</p> <p>Consistent with the policy of the Australian Government for charging the non-government sector, the AGCF, AICIS’s regulatory (cost recovery) charging arrangements recovers only the regulatory effort undertaken by AICIS on the identifiable regulated industry.</p>



<p>The value of applicable penalties for non-compliance appears to be low when compared to Level 8 registration charges.</p>	<p>Stakeholder views are noted.</p> <p>The <i>Industrial Chemicals Act 2019</i> specifies the maximum number of penalty units that apply to each specific offence. The value of the penalty unit amount is determined under section 4AA of the <i>Crimes Act 1914</i>.</p> <p>This issue is unrelated to the AICIS cost recovery arrangements and was not considered in the review.</p>
<p>The cost of assessment certificates for very low to low risk certificates are prohibitive for small business.</p>	<p>Chemical introductions categorised as very low to low risk can be introduced under exempted or reported introduction categories. These introduction categories do not attract fees.</p> <p>Obtaining an assessment certificate for a very low to low risk industrial chemical that meets the criteria for exempted or reported introductions is optional and at the discretion of the introducer.</p>