



Australian Government

Department of Health

Australian Industrial Chemicals Introduction Scheme

Draft Cost Recovery Implementation Statement 2022-2023

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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 2022-23. 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 charges to be applied from 1 September 2022. The CRIS also reports financial and non-financial performance information for these charging activities and contains financial forecasts for Financial Years (FY) 2022-23 through to 2025-26.

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 and Aged Care. The Department of Climate Change, Energy, Environment and Water (DCCEEW) undertakes the environmental component of AICIS assessments and evaluations 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 and evaluations 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 and evaluations of industrial chemicals
- Compliance monitoring and enforcement of statutory obligations on industrial chemical introducers 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 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 formula¹.

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

¹ *Industrial Chemicals Charges (Customs; Excise; General) Regulations 2020*, subsection 6(1).
[Establishes the method to work out the value of relevant industrial chemicals introduced in a financial year]

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 recover the cost of regulatory activity

The policy authority to fully recover the cost of 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 chemicals². 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 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 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.

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.

² 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>

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 and Aged Care, while staff employed by DCCEEW 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 and Minamata Conventions.

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 comprises 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 2022-23, 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 charges **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.

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

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

Since the establishment of AICIS in 2020-21, regulatory charging has been based on historical effort data (resources required and frequency or annual volume data) from comparable NICNAS activities. These activities were used as a proxy to estimate the effort and corresponding cost of undertaking similar activities under AICIS. It has since been identified that, due to some of the fundamental differences between the schemes, the historical data at times are limited in their use as a wholly reliable proxy to determine true effort and associated costs for all regulatory activities. Further, while an estimation of volumes was undertaken based on historical volume trends, this estimation has also shifted due to the differences between schemes and the impacts of the COVID-19 pandemic across global supply chains and domestic markets.

To improve effort and associated cost estimates, historical data have been used to establish a resource baseline that is adjusted where actual scheme to date data are available. This has allowed OCS to better understand the efficient resourcing requirements for administering the scheme (see ['Ongoing Review of fees and charges'](#) below).

Additionally, an in-depth time capture exercise was initiated to provide insights and validate resourcing requirements to administer the scheme and support any data-informed changes to future charging arrangements. The exercise was conducted over 11 weeks between October and December 2021 with OCS and relevant DCCEEW staff participating. The outcomes of the data capture process inform and improve the robustness of the Activity Based Cost model, and ensure charging options remain compliant and appropriate under the AGCRGs.

OCS has ensured that time capture data has been collected at the business process level, which will enhance the organisation's ability to better understand resourcing requirements and corresponding cost implications at the regulatory output level and will gradually replace use of historical effort data from comparable NICNAS activities. Additional data will continue to be collected over 2022-23 to inform the Activity Based Costing model with a view to replacing existing effort estimates. Any revised effort estimates will help recalibrate resourcing requirements and could potentially result in structural changes to current charging arrangements. The results of the analysis and any proposed structural changes will be communicated to industry stakeholders once completed and is expected to inform the outcomes of the 2023-24 CRIS.

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

Table 2 details the estimated cost base for the 2022-23 financial year and forward estimates for the following three years.

Table 2 - AICIS estimated cost base, 2022-23 to 2025-26 (\$'000)

Expenses	2022-23	2023-24	2024-25	2025-26
Employee and contractor expenditure	12,940	13,184	13,432	13,685
Non-employee expenses	9,548	9,662	9,779	9,900
Supplier (including DCCEEW)	8,428	8,542	8,659	8,780
Depreciation ³	1,120	1,120	1,120	1,120
Allocation to operating reserve⁴	-	-	-	-
Total⁵	22,488	22,846	23,211	23,585

The cost base in its entirety comprises the estimated costs of efficiently and effectively delivering regulatory functions. Costs such as those incurred for policy functions by areas within the Department of Health and Aged Care 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 DCCEEW to each activity and subsequently each charge point.

The cost base comprises:

- 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](#).

³ Depreciation expenses is based on the existing asset profile, which may change in the future if additional assets are acquired or fully depreciated.

⁴ An operating reserve is maintained in accordance with the Balance Management Strategy outlined in [Section 4](#).

⁵ 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

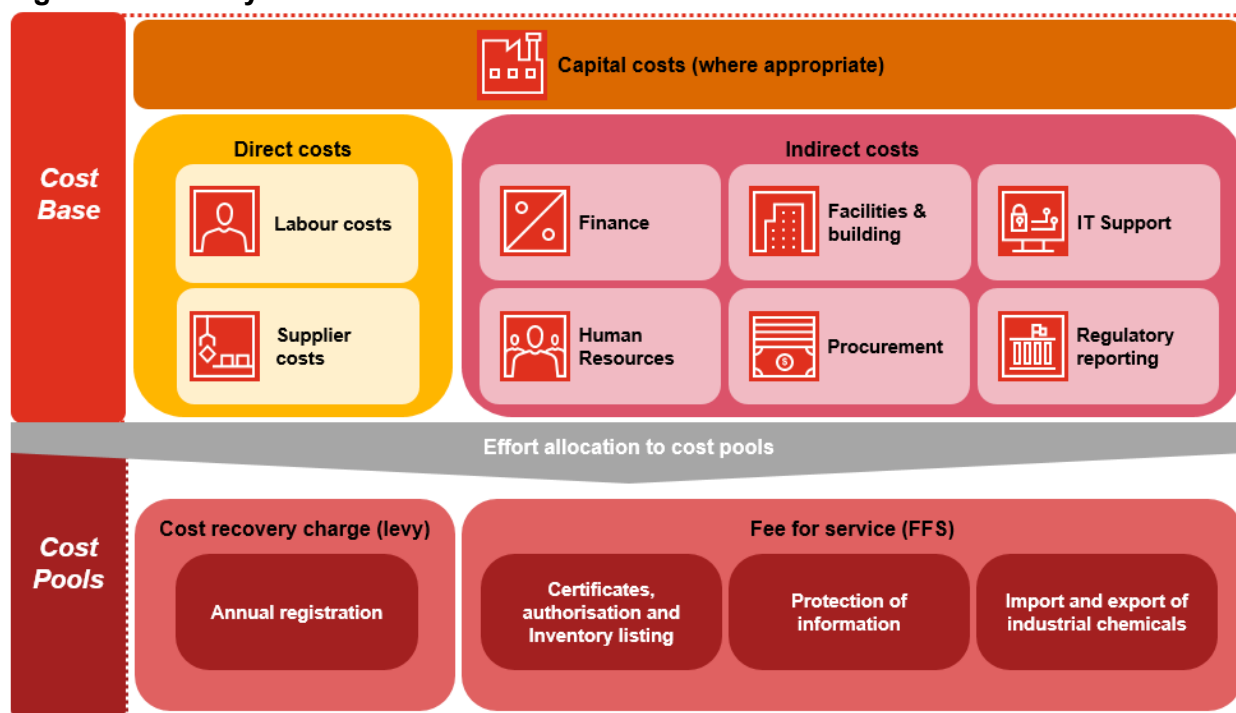


Table 3 shows the estimated total cost of regulatory activities inclusive of support function costs using the ABC methodology.

Table 3 - Estimated cost by regulatory output for 2022-23 (\$'000)

Regulatory activities	Fee or Levy	Cost (\$'000)
Registration applications	Fees for service	591
Certificate applications	Fees for service	1,085
Authorisation applications	Fees for service	66
Inventory Listing applications	Fees for service	286
Confidential business information (CBI) protection applications	Fees for service	24
Import / export of industrial chemicals into or out of Australia applications	Fees for service	0
Compliance monitoring and enforcement	Levy	4,650
Post-market evaluation of chemicals	Levy	13,418
Pre-introduction reports	Levy	175
Specific Information Requirements	Levy	436
Post-introduction declarations	Levy	261

Regulatory activities	Fee or Levy	Cost (\$'000)
Maintenance of Inventory	Levy	956
Stakeholder engagement/education	Levy	215
Enquiries and complaints management	Levy	271
Total⁶		22,435

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

Aligning regulatory effort to fees for services

The limited effort data currently available suggest that some assessment fees potentially may not recover the full effort expended on assessing these chemicals. However, fees for services have been maintained at 2021-22 rates while further data are collected and a more robust data set used to confirm the true efficient cost of providing each service. Refer to [Section 8](#) for further detail on the rationale for this decision.

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 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 demonstrate that as annual introduction value increases, businesses generally 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 characterise risk and correspondingly more complex risk management considerations.

⁶ Total estimated cost by regulatory output for 2022-23 excludes the non-cost recoverable amount of approximately \$53k

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.

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 (public exposure), or more of the chemical flowing down drains and into waterways (environmental exposure).

However, AICIS does not hold nor 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.

At this stage, there are insufficient data to fully determine whether introduction value is the most appropriate proxy for regulatory effort. Through the effort data capture process undertaken between October and December 2021, and proposed to continue in 2022-23, analysis will be undertaken to determine whether alternative charging approaches are available to better align costs with charges. Any proposed changes will be included in the 2023-24 CRIS. Stakeholder consultation will occur before any proposed charging approaches are implemented.

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 exposures 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 AICIS charging arrangements to better understand effort drivers for both levy funded and fee for service activities to ensure that fees and charges continue to reflect the efficient cost of delivering regulatory activities and services. This will occur in two stages:

1. revise and update the 2022-23 CRIS by recalibrating fees and charges and maintaining the existing eight-level charging model, informed by recently collected effort data and updated assumptions which underpin the charging model (based on experience to date); and
2. utilise the opportunity presented by AICIS's participation in the Best Practice Regulator Cost Recovery Project⁷, and more contemporary data (gathered through a longer-term effort data capture process), to undertake a more fundamental examination of the charging model through the 2023-24 CRIS.

⁷ <https://deregulation.pmc.gov.au/priorities/regulator-best-practice-and-performance/cost-recovery-reviews-improve-regulator>

4. Financial estimates

The table below outlines the financial estimates and underlying assumptions for the 2022-23 budget and forward years and is prepared on an accrual basis.⁸

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

	2022-23 budget	2023-24 forward estimate	2024-25 forward estimate	2025-26 forward estimate
Operational Expenses (A)	22,488	22,846	23,211	23,585
Cost Recovered Revenue – includes fees for services and levies (B) ⁹	22,016	22,016	22,016	22,016
Government appropriation - interest equivalency payment (C)	34	75	75	75
Balance = (B+C)-(A)	-438	-755	-1,120	-1,494
Cumulative balance	17,798	17,043	15,923	14,429

Material variance commentary: The financial estimates are based on predicted levels of fee for service applications and the number of expected registrants at each level. Revenue forecast for 2022-23 are subject to fluctuations in:

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

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 variable demand on the ongoing delivery of regulatory activities. The AICIS Reserve is fully committed to the following three components, which are maintained to facilitate business continuity requirements, to help fund the ongoing resourcing requirements of AICIS and to allow the scheme to operate in a sustainable manner:

- Capital investment (47%): Includes costs recovered in regulatory charges where funding for replacement or enhancement to a capital asset has been provided by government. This revenue will be maintained in reserves earmarked to support future replacement or enhancements to capital assets;
- Three months operating reserves (30%); and

⁸ 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*.

⁹ 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.

- Employee entitlements (23%): consistent with best practice, the reserve retains employee entitlements such as leave provisions’.

Note: Higher than anticipated number of registrants at the higher registration levels has resulted in an accumulation of prior year revenue. The reduction in levy charges is anticipated to prevent further accumulation. Refer to [Section 8](#) for further detail on the rationale for this decision.

5. Financial performance

AICIS provided financial estimates for the 2021-22 budget year in the CRIS 2021-22. These estimates will be updated to reflect the actual financial performance in November 2022 in accordance with [Section 9](#).

A review of financial performance is undertaken annually, and detailed performance information is discussed with industry representative bodies. AICIS uses this information to determine its balance management strategy and aims to maintain reserves in accordance with this strategy.

Depreciation equivalence is accumulated in cash reserves for the replacement of assets. The Government expects AICIS to manage within its cost recovery resources and therefore investment in new, or replacement of existing IT assets must come from the responsible management of cash reserves.

6. Non-financial performance

AICIS will report its non-financial performance for 2021-22 against criteria included in the Health Portfolio Budget Statement¹⁰ 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*.

¹⁰ Budget 2021-22: Health Portfolio Budget Statements, page 83, <https://www.health.gov.au/resources/publications/budget-2021-22-portfolio-budget-statements>

7. Stakeholder engagement and risk assessment

Stakeholder engagement

In accordance with the AGCRGs, stakeholder feedback will be sought on this draft 2022-23 AICIS CRIS.

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.

The overall cost recovery risk rating for 2022-23 is determined to be medium.

These identified key risks 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 contemporary data as collected. OCS has undertaken and continues to gather internal effort data capture. It is expected that the results will be documented in 2023-24 CRIS.
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 the low number of applications made under the IC Act 2019. This is especially relevant given AICIS's transition from NICNAS, from a pre to post introduction regulatory scheme.	Volumes of applications and associate effort will be monitored, and charges will be reviewed through the annual CRIS process. Prices will not be revised in the 2022-23 CRIS due to insufficient data being available to substantiate significant year on year volume variation.
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 effort data and outcomes of the Best Practice Regulator Cost Recovery Project ¹¹
AICIS cost base exceeds budgeted position depleting the reserve balance beyond targeted levels.	The impact of any reduced charging on the reserve balance will be closely monitored to ensure financial sustainability.

¹¹ <https://deregulation.pmc.gov.au/priorities/regulator-best-practice-and-performance/cost-recovery-reviews-improve-regulator>

8. Fees and annual charges – 2022-23

The schedule of fees and charges was developed to align with the AGCRGs and recover the costs of AICIS activities for 2022-23. 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 – levy¹² 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](#).

It is acknowledged that due to AICIS operating as a relatively new scheme with limited available effort data compounded by the disruption that the COVID-19 pandemic has placed on the industry, forecast volumes and effort estimates are limited in their overall accuracy. A significant decline in fee for service application volumes is predicted for 2022-23 compared to prior year forecasts. In addition, higher than estimated effort to process certain application categories has been observed over the first two years of the scheme, due to some applications containing more supporting data than expected.

Given the uncertainty outlined above and the need to gather more effort data, and to avoid undue price volatility for industry, fees for services in 2022-23 will be maintained at their 2021-22 rates. Further effort data will be collected in 2022-23 and fees recalibrated in 2023-24. This decision results in a deficit of \$0.44m being forecast for 2022-23.

Conversely, levy prices have been reduced across all registration levels by approximately 8%. This reduction is enabled by an increase in the number of AICIS registrants and a reduction in the overall cost of regulatory activities funded by levies. This determination is in line with the balance management strategy aligning revenue and expense.

Annual registration fee

The *Industrial Chemicals Act 2019* imposes an annual registration fee and levy (where relevant) on all introducers of industrial chemicals. 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 2022-23

	Fee per application (\$)
AICIS Fee for service	2022-23

Application for registration

75

¹² Levies fund AICIS compliance and evaluations programs

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 used to determine the annual registration charge payable and the levy charging structure will remain unchanged from 2021-22. An exemption from paying the levy for introduction values less than \$50,000 in the previous financial year, and a reduced cap of \$36,700 on the levy payable by an introducer apply.

Levy prices have been reduced across all registration levels by approximately 8%. The resulting charges are presented in Table 7 below.

Table 7 - AICIS Registration levy 2022-23

Registration level (prior year introduction value)	Charge per registration (\$) 2022-23
Registration – level 1 (\$1 - \$49,999)	NIL
Registration – level 2 (\$50,000 - \$74,999)	70
Registration – level 3 (\$75,000 - \$99,999)	90
Registration – level 4 (\$100,000 - \$249,999)	230
Registration – level 5 (\$250,000 - \$499,999)	450
Registration – level 6 (\$500,000 - \$2,999,999)	2,750
Registration – level 7 (\$3,000,000 - \$4,999,999)	4,600
Registration – level 8 (\$5,000,000+)	36,700

Certificates and authorisation fees

Table 8 – Certificate and authorisation fees 2022-23

AICIS Fees for services	Charge per application (\$) 2022-23
Certificate Applications	
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
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
Multicomponent Application	2,650
Authorisation Applications	
Application for a Commercial Evaluation Authorisation	6,490
Application to vary the terms of an authorisation	2,525
Application to add an authorisation holder	1,490
Application to remove an authorisation holder	805
Listing Applications	
Application for listing on the Inventory before 5 years	1,490
Application for variation of listing	4,735

Protection of confidential business information (CBI)

Table 9 - Protection of confidential business information (CBI) 2022-23

AICIS Fees for services	Charge per application (\$) 2022-23
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
Application to be a confidence holder of CBI for a protected inventory listing	4,100

Import and export of certain industrial chemicals subject to international agreements

Table 10 - Import and export of certain industrial chemicals subject to international agreements 2022-23

AICIS Fees for services	Charge per application (\$) 2022-23
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 11.

Table 11 – Key forward dates and events

Key forward events schedule	Next scheduled update
Portfolio Charging Review	In progress (2022)
Update 2021-22 financial performance	November 2022
Update CRIS for 2023-24	June 2023

The history of changes made to the CRIS and approvals are documented in Table 12.

Table 12 - 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
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
1/12/2021	Update on 2020-21 financial performance	AICIS Executive Director	Reporting on financial performance

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 13 - 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	0.52	\$146.12	75.59	7,818	\$590,952

Table 14 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 14 - 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"> Responding to enquiries from registrants Manual processing of hard copy registration forms submitted by some registrants Payment processing Assessment and processing of write-offs/refund Maintaining integrity of register 	Registration Support Officer	0.34	48.99
	<ul style="list-style-type: none"> Supervision of registration and administration processes Development and maintenance of outreach and communication products Responding to enquiries regarding legislative obligations to register a business 	Registration Officer	0.09	12.60
	<ul style="list-style-type: none"> Management of registration related correspondence Management of registration related campaigns (e.g. renewal, reassessment, unregistered introducers) Maintenance of registration related components of IT system 	Assistant Director of Corporate	0.09	12.60
	<ul style="list-style-type: none"> Refund/write-off approvals Overall responsibility for registration processes and systems 	Director of Corporate	0.01	1.40
	Total hours of effort per application			0.52

Table 15 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 15 - 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	\$146.12	0.34	\$48.99
Payment processing				
Assessment and processing of write-offs/refund				
Maintaining integrity of register				

Table 16 breaks down the cost per hour of the role Compliance Support Officer.

Table 16 - 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	\$81.55	\$64.57	\$146.12