



Australian Government

Department of Health and Aged Care

Australian Industrial Chemicals Introduction Scheme

Cost Recovery Implementation Statement

Cost recovery for regulatory activities 2024-25

26 November 2024

Charging for regulatory activity involves government entities charging individuals or organisations in the non-government sector some or all of the minimum efficient costs of a specific government activity. The Cost Recovery Policy and the Australian Government Charging Framework set out the policy under which government entities design, implement and review charging for regulatory activities. The Cost Recovery Implementation Statement (CRIS) is a public document that ensures transparency and accountability for the level of the charging. It also demonstrates that the purpose of charging, as decided by Government, is being achieved.



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1. Introduction

1.1 Purpose of the CRIS

The Cost Recovery Implementation Statement (CRIS) provides information on how the Australian Industrial Chemicals Introduction Scheme (AICIS) implements cost-recovery charging for its regulatory activities. This document demonstrates how AICIS's regulatory charges have been developed in compliance with the Australian Government Charging Framework (AGCF) and Australian Government Cost Recovery Policy (AGCRP). It also clearly outlines the regulatory charges to be applied from 1 September 2024. It reports actual financial and non-financial performance information for regulatory charging and contains financial and demand forecasts for Financial Years (FY) 2024-25 through to 2027-28. The November Update reports the actual financial and non-financial results for 2023-24 with variance commentary.

1.2 AICIS's role and functions

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 Executive Director supported by staff within the Australian Government Department of Health and Aged Care. The Department of Climate Change, Energy, Environment and Water (DCCEEW) completes the environmental component of AICIS assessments and evaluations under a service-level agreement with AICIS.

The information from AICIS assessments and evaluations is made available to state, territory and other Commonwealth agencies to assist in regulating the use, release and disposal of industrial chemicals. The information also supports chemicals management legislation designed to protect human health and the environment.

Key AICIS regulatory activities are summarised below and described in more detail in Section 3:

- scientific assessment and evaluation of industrial chemicals
- maintain the Australian Inventory of Industrial Chemicals
- provide information and recommendations about the risks and uses of industrial chemicals
- fit-for-purpose regulation;
- meet obligations under international agreements for import and export of restricted Industrial chemicals
- enhance scientific expertise and harmonise international best practice
- monitor compliance and investigate breaches of the IC Act
- corporate and regulatory support activities

1.3 AICIS's purpose

The main purpose of AICIS is to help protect 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. It also promotes innovation and encourage the introduction of lower-risk chemicals.

1.4 How fees and charges recover costs

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 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.

Consistent with being a post-market scheme, most of AICIS' operational costs are funded through the annual registration charge levied on importers and manufacturers (introducers) of relevant industrial chemicals above a certain threshold. Where an introducer imports and/or manufactures relevant industrial chemicals above this threshold (\$49,999), an annual registration charge is payable. The applicable levy rate 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:

- post-market evaluation of industrial chemicals
- post-market compliance monitoring and enforcement
- providing information and recommendations about managing risks from the introduction and use of industrial chemicals
- maintaining best practice and fit-for-purpose regulation
- promoting the international harmonisation of regulatory controls or standards for industrial chemicals
- maintaining the Inventory
- enhancing scientific expertise
- collection and publication of information and statistics
- corporate activities to support the efficient and effective operation of the Scheme.

1.5 AICIS's regulated entities and appropriateness of cost recovery

AICIS's regulated entities include manufacturers and importers of industrial chemicals. These range from large national and international businesses; research companies and universities; and medium to small businesses to individuals and small-scale soap makers. AICIS's regulated entities seeking to import, export or manufacture chemicals with an industrial use pay AICIS a fee to register their business on the Register of Industrial Chemical Introducers, plus a levy (for introductions above a certain threshold) that varies according to the value of industrial chemicals introduced.

Chemical introductions where the beneficiary is clearly identifiable attract fees. These include:

- assessed introductions
- commercial evaluation authorisations
- early listing of chemicals on the inventory
- protection of CBI

Regulated entities introducing under 'Listed introductions' utilise the Australian Inventory of Industrial Chemicals, and regulatory costs cannot be attributed to a specific introducer. Introductions under Exempted and Reported categories, although directly attributable to specific introducers, do not currently attract a fee, specifically to promote innovation and encourage the introduction of lower-risk chemicals. They are subjected to pre-screening to flag further analysis by AICIS staff, as needed for compliance monitoring and case management. All compliance monitoring, case management and functions that support the Scheme are covered by levies.

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 demand for AICIS’ regulatory activities, driven by the introduction of chemicals into Australia creating a risk ‘to the ongoing protection of human and environmental health;
- In response, AICIS undertakes a number of specific and technical regulatory activities in accordance with the *Industry Chemicals Act 2019*; and
- Equity is maintained through industry charges, with specific industry groups incurring varying fees and charges based on their impost on AICIS resources.

2. Policy and statutory authority to charge (cost recover)

2.1 Government policy approval to charge for this 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”.

Reforms to the regulation of industrial chemicals 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 maintained 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.

2.2 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.

3. Charging (cost recovery) model

3.1 Outputs and business processes of regulatory activities

To aid in the protection of human health and the environment, AICIS undertakes regulatory and support activities across several areas. In accordance with the AGCRP, activities are underpinned by their regulatory outputs, which are achieved by undertaking respective business processes. The breakdown of an activity into outputs and processes is demonstrated in **Table 1** below and are representative, not exhaustive.

Table 1 – Activity, outputs and processes concept

Activity	Outputs – aligns to charge point	Processes
Activities are made up of outputs, which together form regulatory and supporting activities to control or influence behaviour, manage risk and/or protect the community and the environment.	A regulatory output is the aggregated total of its associated business processes, which are transformed into cost recovered outputs.	Business processes encompass a series of tasks that are performed by people or systems to produce an output.

Key AICIS activities include:

- scientific assessment and evaluation of industrial chemicals
- maintaining the Australian Inventory of Industrial Chemicals
- providing information and recommendations about the risks and uses of industrial chemicals
- best practice, fit-for-purpose regulation
- meeting obligations under international agreements for import and export of restricted industrial chemicals
- enhancing scientific expertise and harmonising international best practice;
- monitoring compliance with and investigating breaches of the IC Act
- corporate and regulatory support activities

Table 2 – Scientific assessment and evaluation of industrial chemicals

Activity	Outputs	Key Business Processes	Charging mechanism
<p>AICIS undertakes pre- and post-market assessments/evaluations to identify potential risks to human health and/or the environment that may be associated with the introduction (import or manufacture) and use of industrial chemical(s) in Australia.</p> <p>AICIS makes recommendations to relevant risk management agencies, where required, to ensure appropriate controls are in place.</p>	<p>Assessment certificate and assessment statement</p>	<p>Consider application by:</p> <ul style="list-style-type: none"> • obtaining general requirements for application • assessing risks to human health and environment • consult and consider advice from prescribed bodies • draft assessment statement • consider any submissions on draft statement <p>Decision on application:</p> <ul style="list-style-type: none"> • issue or not issue an assessment certificate and provide written notice 	<p>Fee for service</p>
<p>AICIS issues assessment certificates and commercial evaluation authorisations for the introduction of unlisted industrial chemicals into Australia following a pre-market assessment. AICIS also monitors reported and exempted chemical introductions and maintains the Inventory.</p>	<p>Commercial evaluation authorisation</p>	<p>Consider application by:</p> <ul style="list-style-type: none"> • obtaining general requirements for application • consider risks to human health and environment • consult and consider advice from prescribed bodies <p>Decision on application:</p> <ul style="list-style-type: none"> • issue or not issue commercial evaluation authorisation and provide written notice 	<p>Fee for service</p>
	<p>Evaluation Statement</p>	<p>Initiate evaluation by:</p> <ul style="list-style-type: none"> • prioritisation and ESA processes • provide written notice and reason if chemical is under certificate <p>Evaluation of chemicals:</p> <ul style="list-style-type: none"> • request of information either voluntary or mandatory • consider risks to human health and/or environment 	<p>Levy</p>

Table 3 – Maintain the Australian Inventory of Industrial Chemicals

Activity	Outputs	Key Business Processes	Charging mechanism
<p>AICIS maintains the Australian Inventory of Industrial Chemicals (Inventory) database of chemicals available for industrial use in Australia, containing chemical identity details, regulatory obligations or conditions relating to the importation and manufacture of industrial chemicals.</p> <p>Chemicals listed on the Inventory are authorised for introduction, so long as those introductions meet the relevant associated regulatory obligations.</p>	<p>Listing on Inventory before 5 Years from certificate issue date</p>	<p>Consider application by:</p> <ul style="list-style-type: none"> • obtaining general requirements for applications • review and verify information • provide written notice to confidence holders and/or other certificate holders • list chemical 	<p>Fee for service</p>
	<p>Listing on Inventory at 5 years from the certificate issue date</p>	<p>List chemical</p>	<p>Levy</p>
	<p>Variation of Inventory listing</p>	<p>Consider application by:</p> <ul style="list-style-type: none"> • obtaining general requirements for application • assessing risks to human health and environment • consult and consider advice from prescribed bodies <p>Decision on application:</p> <ul style="list-style-type: none"> • vary or not vary the term of the Inventory listing and provide written notice <p>Vary the term of the Inventory listing</p>	<p>Fee for service</p>
	<p>Continued protection of confidential information (CBI)</p>	<p>Provide written notice of CBI review:</p> <ul style="list-style-type: none"> • provide written notice to each confidence holder <p>Consider application by:</p> <ul style="list-style-type: none"> • requests for further information • assess prejudice of commercial vs public interest (statutory test) • consult and consider advice from prescribed bodies <p>Decision on application:</p> <ul style="list-style-type: none"> • approve or not approve application • provide written notice of decision to applicant 	<p>Fee for service</p>

Activity	Outputs	Key Business Processes	Charging mechanism
	Confidential Inventory searches	Complete confidential search of the Inventory and response to requestor.	Levy
	Applying to be a confidence holder in relation to confidential listings (transitional chemicals)	<p>Consider application by:</p> <ul style="list-style-type: none"> obtaining general requirements for application review and verify information assessing prejudice of commercial interest <p>Decision on application:</p> <ul style="list-style-type: none"> approve or not approve application provide written notice of decision to applicant 	Fee for service

Table 4 – Provide information and recommendations about the risks and uses of industrial chemicals

Activity	Outputs	Key Business Processes	Charging mechanism
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.	Publish industrial chemical notices	<p>Publish notices on the AICIS website with potential terms and reasons for:</p> <ul style="list-style-type: none"> Authorisations Certificate Evaluations Inventory updates Regulatory notices 	Levy
	Risk Management Recommendations Register	Publish statements and provide timely access to the status of risk-management recommendations for assessed and evaluated industrial chemicals, that are referred to relevant prescribed bodies.	Levy

Table 5 – Fit-for-purpose regulation

Activity	Outputs	Key Business Processes	Charging mechanism
The Industrial Chemicals (General) Rules 2020 and the Industrial Chemicals Categorisation Guidelines are regularly reviewed and updated to ensure AICIS regulation remains contemporary and fit for purpose, within existing policy settings.	Set and maintain the Industrial Chemicals Rules, Categorisation Guidelines, and guidance	<ul style="list-style-type: none"> • Technical input into policy and policy development • Maintaining legislative instruments • Maintain, develop and implement changes to the General Rules • Maintain, develop and implement changes to the Categorisation guidelines • Pre-implementation planning 	Levy

Table 6 – Meet obligations under international agreements for import and export of restricted Industrial chemicals

Activity	Outputs	Key Business Processes	Charging mechanism
AICIS can approve, restrict or prohibit the introductions or export of industrial chemicals listed in international conventions and assists Australia to meet its obligations by undertaking compliance monitoring and enforcement activities relating to industrial chemicals under the Rotterdam and Minamata Conventions.	Approved / Not Approved import or export of restricted industrial chemicals subject to international agreements	Process applications, decide and provide response to: <ul style="list-style-type: none"> • Import chemicals under the Rotterdam Convention • Export chemicals under the Rotterdam (Category A, B or C) 	Fee for service
		Compliance monitoring of restricted industrial chemicals under the Minamata or Rotterdam Convention agreements	Levy

Table 7 – Enhance scientific expertise and harmonise international best practice

Activity	Outputs	Key Business Processes	Charging mechanism
<p>AICIS assessments and evaluation statements incorporate the best available scientific evidence, use modern risk assessment tools and approaches, and risks and means for managing risks are clearly described.</p> <p>AICIS works with other countries to harmonise and adopt (where applicable in the Australian context) international standards and risk assessments methods.</p>	Chemical intelligence	Develop chemical data intelligence with computational science, for risk proportionate chemical introduction.	Levy
	Strengthened international arrangements and active participation in international activities	Harmonise, develop and adopt international standards and methods through international activities, horizon scanning and scientific development.	Levy
	High-quality scientific risk assessments	Implementation of the AICIS science strategy	Levy

Table 8 – Compliance monitoring and investigate breaches of the Industrial Chemicals Act 2019

Activity	Outputs	Key Business Processes	Charging mechanism
<p>AICIS undertakes activities such as compliance monitoring of introducers of industrial chemicals under the <i>Industrial Chemicals Act 2019</i>, managing compliance cases, liaising with other Australian enforcement agencies.</p>	Introducers are registered	<p>Compliance monitoring of:</p> <ul style="list-style-type: none"> • unregistered introducers • registration level • Risk profiling • Utilisation of Customs data • Education and awareness raising • Case management 	Levy
	Reported introductions are authorised	<ul style="list-style-type: none"> • Compliance monitoring • Requests for data • Education and awareness raising • Case management 	Levy
	Exempted introductions are authorised	<ul style="list-style-type: none"> • Compliance monitoring • Requests for data • Education and awareness raising • Case management 	Levy
	Listed introductions are authorised	<ul style="list-style-type: none"> • Risk profiling • Compliance monitoring • Requests for data • Education and awareness raising • Case management 	Levy
	Compliance of annual	<ul style="list-style-type: none"> • Submissions management and reminder campaign related activities 	Levy

Activity	Outputs	Key Business Processes	Charging mechanism
	declarations for all introduction categories	<ul style="list-style-type: none"> • Compliance monitoring • Education and awareness raising • Case management 	

Table 9 - Corporate and regulatory support activities

Activity	Outputs	Key Business Processes	Charging mechanism
Corporate and regulatory support activities support the efficient and effective administration of the Scheme.	Register of Industrial Chemical Introducers	See Table 13 for detailed process	Fee for service
	Industrial Chemicals Special Account	<ul style="list-style-type: none"> • Management of operational and capital budget • Cash management • Management of accounts payable and receivable • Preparing financial statements 	Levy
	AICIS website and Communication	<ul style="list-style-type: none"> • Manage and maintain the AICIS website. • Publish various regulatory notices related to the Inventory, assessments and evaluations. • Prepare and publish guidance material and online tools to help introducers understand their obligations under the <i>Industrial Chemicals Act</i>. 	Levy
	Stakeholder Engagement Committee	<ul style="list-style-type: none"> • Providing secretariat support to the Stakeholder Engagement Committee • Meeting with the Stakeholder Engagement Committee at least two times per year. 	Levy
	Business planning and Regulatory reporting	<ul style="list-style-type: none"> • Undertake planning activities incorporated into the Department of Health and Aged Care's Corporate Plan and Portfolio Budget Statements. • Reporting AICIS's regulatory performance in the Department of Health and Aged Care's annual report. 	Levy
	AICIS Business Services	Supporting users of the AICIS Business Services portal to transact online with the Scheme.	Levy

3.2 Costs of the regulatory activity

3.2.1 Cost drivers

The key cost drivers that inform the estimate for AICIS's cost base are:

- the **effort** required to deliver each business process and activity,
- the **resource cost** to conduct each business process and activity, and
- the **annual volume** of each activity performed.

On this basis, AICIS's cost base can be summarised as, total effort (hours) to undertake required business processes and activities, multiplied by the applicable hourly rate, multiplied by the annual volumes of business processes completed. The methodology and approach for estimating each driver is detailed below. This calculation is demonstrated in Cost Calculation Methodology section.

AICIS remains committed to delivering legislative and regulatory functions efficiently and effectively at the minimum efficient cost. AICIS has broadly identified the efficient cost across organisational key business processes, outputs and activities through the ongoing completion of effort and time capture activities. Effort capture data is reviewed on an ongoing basis, to ensure that any shifts in effort requirements are understood and business practices may be reviewed to ensure continued service delivery.

Effort

When AICIS was established in 2020-21, regulatory charging was based on historical effort data from comparable NICNAS activities (where available) in combination with estimates for new [activities]. Through ongoing monitoring of effort and data analysis, fundamental differences between the two Schemes have been identified that limit the utility of historical data as a wholly reliable proxy of true effort and associated costs for all regulatory activities.

To refine effort and cost estimates, historical data have been adjusted or replaced with actual AICIS data collected through detailed effort and time capture activities as it becomes available. AICIS continues to undertake in-depth time capture across all functions to validate the accuracy of estimated business process / activity effort contributing to charging outcomes.

Resources

AICIS employs a diverse resourcing mix to efficiently carry out its business activities, drawing on the technical expertise and experience necessary for effective delivery. AICIS' primary resourcing utilises ongoing Australian Public Service (APS) employees responsible for delivering the majority of its business outcomes. In some instances, modest supplier resources such as consultants and contractors are engaged to complement AICIS' internal capabilities. This includes costs associated with the environmental component of risk assessments undertaken by DCCEEW which are included in the cost base.

This flexible arrangement allows AICIS to adapt to changing demands and scale its resources accordingly while delivering activities at the minimum viable cost while ensuring service delivery standards. By leveraging external support as necessary, AICIS achieves cost-effective delivery without compromising regulatory outcomes.

AICIS' forward year cost base is indexed to recognise inflationary factors and ensure that budgets and forecasts are reflective of likely future costs. The applied indexation rate is weighted to reflect the relevant proportion of employee costs, recognised through the Wage Price Index (WPI), and supplier costs, recognised through the Consumer Price Index (CPI) or equivalent rate.

Volumes

AICIS forecasts volumes by applying prior year actual volumes as a baseline, then conducting data analysis and modelling to estimate volumes based on market trends. Outcomes of the technical analysis are overlaid with business knowledge to quantify the forecast volumes for each charge point. The depth of technical analysis continues to increase as the Scheme matures and greater annual sample sizes are available and the regulated entities continue to gain a stronger understanding of their regulatory obligations and relationship with AICIS.

In addition to the above, further analysis was undertaken for levy forecast volumes to estimate what proportion of registrants would 'upgrade' into a higher registrant tier due to an increase in chemical introduction value.

3.2.2 Cost base

The cost base in its entirety comprises the estimated costs of efficiently and effectively delivering AICIS' regulatory functions. Costs such as those incurred for policy functions by areas within the Department of Health and Aged Care, are specifically excluded from the cost base, as these are funded by Government or other mechanisms.

Table 10 – AICIS estimated cost base, 2024-25 to 2027-28 (\$'000)

Expenses	2024-25	2025-26	2026-27	2027-28
Employee and contractor expenditure	14,513	15,059	15,626	16,214
Non-employee expenses				
Supplier (including DCCEEW)	6,888	7,015	7,146	7,281
Depreciation ¹	1,314	3,000	3,000	500
Total²	22,716	25,074	25,772	23,996

The cost base for AICIS comprises multiple 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 2024-25, 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. Outputs can comprise both direct and indirect costs, where direct costs can easily be traced to an output with a high degree of accuracy. Indirect costs are those that cannot be easily linked to an output and are usually related to overhead costs such as staff salaries and technical support or property and are therefore apportioned across outputs using appropriate cost drivers.

Table 11 outlines regulatory outputs and support activities classified as direct costs and support activities that are classified as indirect costs.

¹ Depreciation expenses are based on the existing asset profile, subject to change if assets are acquired or fully depreciated.

² 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 121.

Table 11 – 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
Assessment Certificate applications	Post-market evaluation of chemicals	Enhancing Scientific Expertise
Commercial Evaluation Authorisation applications	Pre-introduction reports and post-introduction declarations	Corporate governance
Inventory applications	Maintenance of Inventory	Fit for purpose Legislation
Confidential business information (CBI) protection applications	Stakeholder engagement/education	Managing the Industrial Chemicals Special Account
Applications for import / export of restricted industrial chemicals into or out of Australia	Enquiries and complaints management	Regulatory and business reporting

AICIS uses an activity-based costing (ABC) methodology to allocate all direct and indirect costs incurred by AICIS 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 3.2.3 Example of cost calculation methodology.

Figure 1 – Activity-based cost model

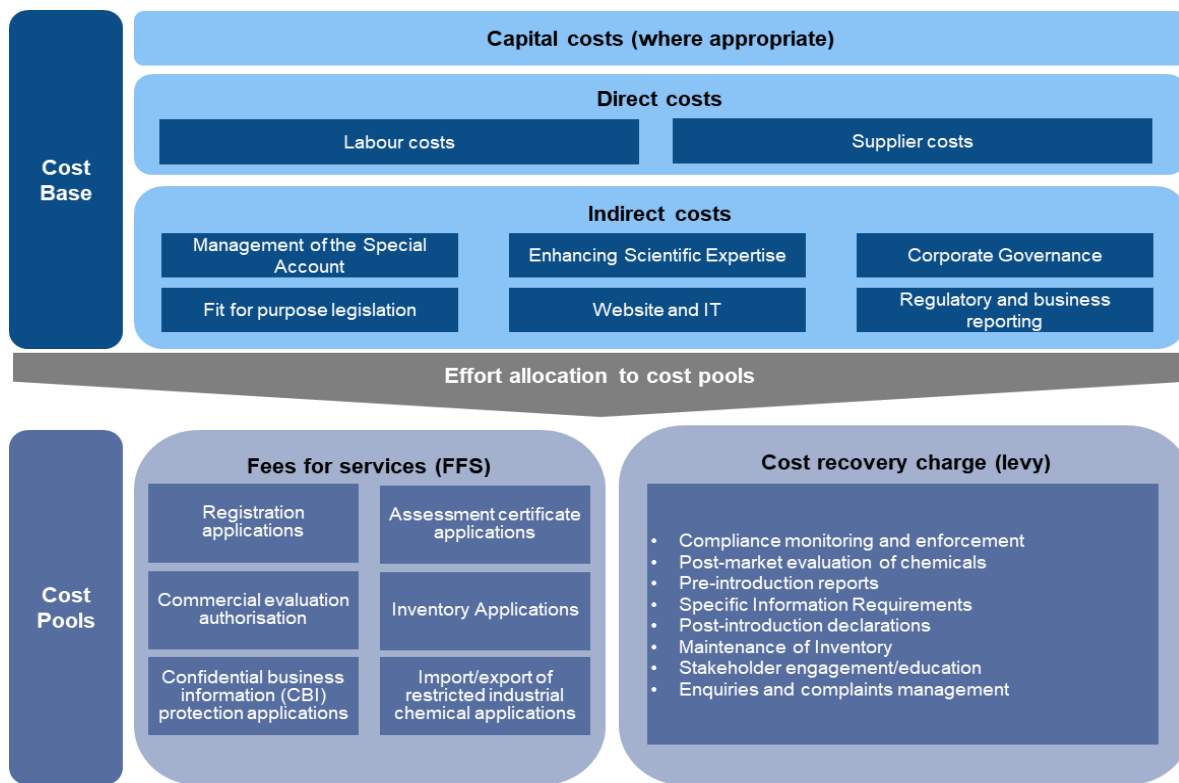


Table 12 shows the estimated total cost of regulatory activities inclusive of support function costs using the ABC methodology.

Table 12- Estimated cost by regulatory output for 2024-25 (\$'000)

Regulatory outputs	Fee or Levy	Direct Costs	Indirect Costs	Total Costs ³
Registration applications	Fees for services	294	276	570
Assessment certificate applications	Fees for services	538	334	872
Commercial evaluation authorisation	Fees for services	59	35	94
Inventory applications	Fees for services	19	16	35
Confidential business information (CBI) protection applications	Fees for services	48	38	85
Import / export of restricted industrial chemicals into or out of Australia applications	Fees for services	0	0	0
Compliance monitoring and enforcement	Levy	3,212	2,604	5,816
Post-market evaluation of chemicals	Levy	7,535	4,758	12,293
Pre-introduction reports	Levy	115	99	214
Specific Information Requirements	Levy	287	246	533
Post-introduction declarations	Levy	188	161	349
Maintenance of Inventory	Levy	630	538	1,168
Stakeholder engagement/education	Levy	142	121	263
Enquiries and complaints management	Levy	195	167	361
Total⁴		13,261	9,392	22,653

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

3.2.3 Example of cost calculation methodology

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 as an example to demonstrate the approach for determining the cost of the regulatory output: “*Registration of industrial chemical introducers*”, broken down into business processes and activities.

Table 13 – Total cost calculation of ‘Registration of industrial chemical introducers to inform legal obligations’

³ Total costs includes regulatory activities where forecast volumes equal zero, resulting in nil estimated total costs.

⁴ Total estimated cost by regulatory output for 2024-25 excludes the FOI/non-cost recoverable amount of approximately \$63k

Activity	Regulatory output	Effort required (hrs)	Average cost per hour (\$)	Cost per delivery of regulatory output (\$)	Volume delivered annually	Total cost of regulatory output (\$)
Corporate and regulatory support activities support the efficient and effective administration of the Scheme.	Register of Industrial Chemical Introducers	0.56	141.79	79.24	7,197	570,256.97

Table breaks down the component tasks of the business process undertaken to achieve that regulatory output. It shows the role that performs each task, the effort required to complete each task, and the cost of each task.

Table 14 – Detailed cost calculation breakdown of the business processes for ‘Registration of industrial chemical introducers to inform legal obligations’

Regulatory output	Business processes	Role performing task	Hours of effort	Cost per role (\$)
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	0.36	50.53
	<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	0.10	13.65
	<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	0.10	13.68
	<ul style="list-style-type: none"> Refund/write-off approvals Overall responsibility for registration processes and systems 	Director of Corporate	0.01	1.38
Total hours of effort per application			0.56	79.24

Table 15 breaks down the component tasks for each of the five activities performed by the Registration Support Officer that contributes to the ‘Maintaining register of industrial chemical introducers’ business

process. The table shows 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 – Total cost calculation of ‘Registration Support Officer’

Business processes	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]
<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	141.79	0.36	50.53

Table 16 breaks down the cost per hour of the role Registration Support Officer to show the proportion of costs that are direct and indirect.

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	73.16	68.62	141.79

3.3 Aligning regulatory effort to regulatory charge

3.3.1 Aligning regulatory effort to fees for services

AICIS’s approach to activity-based costing seeks to confirm the level of effort expended against a regulatory activity is proportionate to the risk and ensure outputs are delivered at the minimum efficient costs. As detailed in Table 11, certificate applications and registration applications are the two largest regulatory outputs recovered through cost recovery fees, followed by Inventory Listing applications and CEA applications.

Registration applications

The *Industrial Chemicals Act 2019* imposes an annual registration fee and levy (where relevant) on all introducers of industrial chemicals. The annual fee recovers the registration application costs of registering individuals and maintaining the Register of Industrial Chemical Introducers, which are activities provided to the individual or organisation by the Corporate Services function of AICIS. These activities include the management of registration refunds and enquiries, as well as the provision of Business Services portal helpdesk.

A high level of regulatory effort is required to meet the volume of registration applications. Further information for the cost calculation methodology for registration applications, including the detailed breakdown of the associated activities is provided in section 3.2.3 Example of cost calculation methodology.

Assessment certificate applications, CEA applications and Inventory Listing applications

AICIS' assessment function is responsible for conducting pre-market assessments for a range of applications including Assessment certificates, CEA and Inventory Listing applications.

The cost of the regulatory output for assessment certificate applications is largely driven by the high regulatory effort required to assess the risks of the introduction and recommend management of the identified risks for the different types of 'application for an assessment certificate'.

3.3.2 Aligning regulatory effort to levies

The AGCRP states 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 1211 above, the evaluations program and compliance program are the two biggest regulatory outputs whose costs are recovered through the cost recovery levy. The information provided below demonstrates the link between risk and regulatory effort for these key regulatory outputs. This reflects the post-market nature of the Scheme's design.

Post-market evaluation of chemicals

AICIS evaluates risks from industrial chemicals already authorised for introduction and use in Australia, predominantly chemicals already listed on the Inventory that do not have a current risk assessment. AICIS can also evaluate chemicals that are introduced under an assessment certificate or the reported or exempted categories, in response to emerging concerns and/or new information. In consultation with community and industry stakeholders, AICIS has committed to identify and prioritise industrial chemicals currently in use for evaluation that do not have a current risk assessment. (see Table 2 for further detail) .

Available data suggests 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.

Compliance monitoring and enforcement

AICIS uses a risk-based approach to promote awareness of obligations, check record-keeping requirements and identify and manage cases of non-compliance. By monitoring activities in response to emerging risks, AICIS focuses on introducers at higher risk of non-compliance and introductions that pose a higher risk to human health and the environment. 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 introduction value will most likely 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 AGCRP, the most appropriate method for funding regulatory activities through the registration levy must be determined. The central principle of the AGCRP 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 services 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 to 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).

AICIS does not hold nor have legal authority to obtain data on the volumes of all industrial chemicals introduced into Australia. Obtaining such data would involve additional regulatory burden on industry, which is contrary to the policy aims of the recent reforms.

In contrast, the value of introductions is readily available to Government, at the least burden to industry. As established above, there is correlation between introduction value and introduction volume including 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, based on the data collected to date, introduction value is considered the most appropriate proxy for regulatory effort. Through the effort data capture process undertaken by AICIS and DCCEE, the data set will be more robust and analysis of a more robust data set will determine whether alternative charging approaches are more suitable to better align costs with charges. As part of the annual CRIS, the effort data has been reviewed resulting in revisions applied to the levy tier structure which are detailed in Section 3.4.3 Changes to regulatory charges. Any further changes will be included in the 2025-26 CRIS. Stakeholder consultation will occur before any additional charging approaches are implemented.

3.4 Design of the regulatory charge

3.4.1 Design of fees for services

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 (an application).

Each fee for service item can be broken down into a number of functional processes as set out by the IC Act. For example, certificate applications:

- Certificate (s32) consider application
- Certificate (s33) request further information
- Certificate (s34) consult with prescribed bodies
- Certificate (s35) consult with Gene Technology Regulator
- Certificate (s36) Submissions of draft statement
- Certificate (s37) Issue certificate and statement

3.4.2 Design of levies

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. 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).

AICIS will continue to apply an eight-tiered model to determine the annual registration charge payable, which continues to be informed by the effort required to undertake relevant leviable activities. In line with AICIS' commitment to continuous improvement and an ongoing alignment of charges to effort (and cost), the registration level thresholds have been adjusted in 2024-25. These adjustments have been implemented to ensure that AICIS' practices remain in line with the charging principles identified in the Cost Recovery Policy and that charging remains efficient, effective and transparent.

An exemption is applied from paying the levy for introduction values less than \$50,000 in the previous financial year, with a maximum charge of \$35,000 payable by a Level 8 introducer. The full breakdown of the revised registration level structure and corresponding prices are provided in Table 22.

3.4.3 Changes to regulatory charges

Fees for services structure and outcomes

AICIS monitors the Scheme to ensure the ongoing appropriate alignment of fees and charges to relevant costs informed by the best available information at the time. Where there is systemic deviation of cost and revenue, AICIS will seek to realign its charges to maintain a break-even position.

The charging structure for all fees for services will be continued from previous years while further effort data is collected to determine the true and minimum efficient cost of providing each service. As the scheme continues to mature and a greater sample size of fee for service volumes are delivered, it is expected that overall data confidence will increase and charging outcomes will become more robust. To ensure ongoing Scheme recovery all fees for services will be uplifted by 3.1% in 2024-25. This rate represents a weighted average rate applied to the relevant components of AICIS' cost base that are subject to inflationary impacts relating to employee wages and supplier costs. AICIS' costs to deliver its regulatory functions are subject to inflationary pressures and, therefore, it is appropriate to consider applying the relevant indexation factor to its fees for services to recognise and account for these impacts.

Other indexation approaches were considered including application of historical Consumer Price Index (CPI). However, this was not considered appropriate to apply to the forecast given historically high inflation. As such, AICIS has applied a more conservative approach to indexation.

No other changes are being proposed to fees for services for 2024-25.

Levy structure and outcomes

Historically, AICIS has observed higher than forecast levy charge revenue contributing to a surplus budget result in prior years resulting from a higher than anticipated number of registrants at the higher registration values, and a higher than anticipated number of upgrades as a result of declarations of introduction values being lower than actual introduction values. In response, AICIS reduced levy price in 2022-23 and 2023-24 by 8% and 11.7%, respectively.

The existing eight-tiered registration model, applied to determine the annual registration charge, is broadly informed by the effort required to undertake relevant leviable activities (e.g. compliance and enforcement, maintenance of the inventory, post-market evaluation of chemicals, and regulatory support activities). In line with AICIS' commitment to continuous improvement and ongoing alignment of charges to effort and therefore cost, AICIS has adjusted the registration level thresholds effective from 2024-25.

These adjustments have been developed applying a set of five design principles established in line with the CRP to ensure charging practices remain efficient, effective and transparent. These are:

1. **Aligning Revenue with cost** – Informed by regulatory effort capture data, seeking to allocate attributable costs to registrant cohorts who have created the demand for AICIS regulation.

2. **Promoting equity and market competition** – Establishing a charging structure which does not act as a barrier to entry for new players into the market, while ensuring that no single user cohort bears a disproportionate level of regulatory burden.
3. **Promoting operational efficiency** – Reducing AICIS’ administrative costs through the streamlining of charged prices for low value and low risk introducers.
4. **Reducing regulatory impost** – Streamlining introducer administrative burden by maintaining the known, simple and well understood tier-based levy structure, thereby minimising the impact of proposed changes.
5. **Assuring sustainable recoverability** – Restructuring the introduction tiers aims to reduce annual revenue volatility by broadening AICIS’ levy recovery base across additional tiers, while retaining charging equity and fairness

The practical application of these principles when deriving the proposed revised thresholds has been informed by the time-capture exercise undertaken by AICIS applying a data-driven approach. As further data are collected as the Scheme continues to mature, AICIS will continuously refine the charging approach and associated pricing outcomes to improve alignment between revenue and cost.

A summary of the proposed revised thresholds is outlined in Table 17.

Table 17 – Summary of proposed revised thresholds

Current registration level (prior year introduction value) 2023-24	New registration level (prior year introduction value) 2024-25
Registration – level 1 (\$0 - \$49,999)	Registration – level 1 (\$0 - \$49,999)
Registration – level 2 (\$50,000 - \$74,999)	Registration – level 2 (\$50,000 - \$99,999)
Registration – level 3 (\$75,000 - \$99,999)	Registration – level 3 (\$100,000 - \$249,999)
Registration – level 4 (\$100,000 - \$249,999)	Registration – level 4 (\$250,000 - \$499,999)
Registration – level 5 (\$250,000 - \$499,999)	Registration – level 5 (\$500,000 - \$2,999,999)
Registration – level 6 (\$500,000 - \$2,999,999)	Registration – level 6 (\$3,000,000 - \$4,999,999)
Registration – level 7 (\$3,000,000 - \$4,999,999)	Registration – level 7 (\$5,000,000 - \$14,999,999)
Registration – level 8 (\$5,000,000+)	Registration – level 8 (\$15,000,000+)

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. This outcome is supported by AICIS effort capture activities.

Ongoing commitment to appropriate charging arrangements

AICIS will continue to monitor the maturation of the Scheme to a steady state given it is still a maturing Scheme. This will help AICIS to refine effort drivers for both levy funded and fee for service activities and thus ensure that fees and charges reflect the efficient cost of delivering regulatory activities and services. AICIS will also consider how to appropriately address the accumulation of prior year revenue held in the Industrial Chemicals Special Account. These issues will be further considered in consultation with Industry.

3.4.4 Annual fees and charges for 2024-25

The schedule of fees and charges was developed to align with the AGCRP and to recover the costs of AICIS activities for 2024-25. The fees and charges 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 CEA – fee for service
- Protection of CBI – fee for service
- Import and export of certain industrial chemicals subject to international agreements – fee for service.

Annual registration

Table 18 – Registration fee 2024-25

	Fee per application (\$) 2024-25	Forecast volume	Forecast revenue (\$)
AICIS Fee for service			
Application for registration	80	7,197	575,730

Certificate and authorisation

Table 19 – Certificate and authorisation fees 2024-25

AICIS Fees for services	Charge per application (\$) 2024-25	Forecast volume	Forecast revenue (\$)
Certificate Applications			
Application for a certificate – very low to low risk	7,670	20	153,400
Application for a certificate – health focus or environment focus	24,100	17	409,700
Application for a certificate – health and environment focus	36,050	10	360,500
Application for a certificate - comparable hazard assessment	18,060	-	-
Consolidated application	7,235	-	-
Application to vary the terms of an existing Assessment Certificate	4,885	1	4,885
Application to add a certificate holder	1,540	3	4,620
Application to remove a certificate holder	830	-	-
Application to add a person covered by a certificate	1,540	4	6,160
Application to remove a person covered by a certificate	830	-	-
Multicomponent Application	2,735	-	-
Authorisation Applications			
Application for a Commercial Evaluation Authorisation	6,695	14	93,730
Application to vary the terms of an authorisation	2,605	3	7,815
Application to add an authorisation holder	1,540	-	-
Application to remove an authorisation holder	830	-	-
Inventory Applications			
Application for listing on the Inventory before 5 years	1,540	17	26,180
Application for variation of listing	4,885	2	9,770

Protection of confidential business information (CBI)

Table 20 – Protection of confidential business information (CBI) 2024-25

AICIS Fees for services	Charge per application (\$) 2024-25	Forecast volume	Forecast revenue (\$)
Application for protection of proper name	1,785	22	39,270
Application for protection of end use	625	12	7,500
Application for continued protection	4,710	9	42,390
Application for protection of confidential business information (CBI) other	1,190	-	-
Application to be a confidence holder of CBI for a protected inventory listing	4,230	-	-

Import and export of restricted industrial chemicals subject to international agreements

Table 21 – Import and export of restricted industrial chemicals subject to international agreements 2024-25

AICIS Fees for services	Charge per application (\$) 2024-25	Forecast volume	Forecast revenue (\$)
Application for Category A export of restricted industrial chemicals out of Australia, subject to international agreements	2,470	-	-
Application for Category B export of restricted industrial chemicals out of Australia, subject to international agreements	4,930	-	-
Application for Category C export of restricted industrial chemicals out of Australia, subject to international agreements	2,470	-	-
Application for import of restricted industrial chemicals into Australia, subject to international agreements	4,930	-	-

AICIS registration levy

Table 22 –AICIS Registration levy 2024-25

Registration level (prior year introduction value)	Charge per registration (\$) 2024-25	Forecast volume	Forecast revenue (\$)
Registration – level 1 (\$1 - \$49,999)	NIL	2,823	-
Level 2 (\$50,000 - \$99,999)	65	778	50,601
Level 3 (\$100,000 - \$249,999)	180	1,011	181,982
Level 4 (\$250,000 - \$499,999)	350	702	245,604
Level 5 (\$500,000 - \$2,999,999)	2,100	1,180	2,477,143
Level 6 (\$3,000,000 - \$4,999,999)	3,750	183	684,477
Level 7 (\$5,000,000 - \$14,999,999)	24,500	261	6,394,500
Level 8 (\$15,000,000+)	35,000	259	9,065,000

4. Risk assessment

In accordance with the AGCRPs, 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 2024-25 is determined to be medium.

These identified key risks and their mitigation strategies are documented in Table 23 below.

Table 23– 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 monitored. Assumptions informing the cost model will continue to be replaced by contemporary data as collected. AICIS continues to gather and improve the quality of internal effort data to inform future pricing.

Risk	Mitigation Strategy
Under- or over-recovery through levies due to change in introduction value of industrial chemicals per introducer.	Introduction value monitoring will continue considering the pricing of each level and the appropriateness of the level structure 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 the post introduction regulatory focus of the Scheme.	Prices have been revised in the 2024-25 CRIS to meet the inflationary impacts relating to employee wages and supplier costs. Volumes of applications and associate effort will be monitored, and charges will be reviewed through the annual CRIS process. There are currently no further price revisions due to insufficient data being available to substantiate significant year on year volume variation.
Reserve balance significantly increases or depletes beyond targeted levels	The impact of the charging structure on the reserve balance will continue to be monitored with consideration given to forecast future costs and revenue predictions.

5. Stakeholder engagement

In accordance with the AGCRPs, stakeholder feedback was sought in the Fees and Charges 2024-25, 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 Sept 2024
- the ongoing review of AICIS charging arrangements.

5.1 Industry engagement

5.1.1 Industry association engagement for AICIS's proposed charging arrangements for 2024-25

AICIS engaged with peak industry associations in December 2023 on the changes to the AICIS charging arrangements for 2024-25. The engagement session was intended to seek input and recommendations from industry representatives as well as communicating the rationale for the charging outcomes proposed by AICIS.

Industry associations were generally supportive of AICIS revising the levy introduction value thresholds for each registration level but raised concerns around potential increases to charges for top tier. It was understood that AICIS is continuing to mature its data availability and charges will continue to be monitored in future years. This feedback was carefully considered by AICIS through the refinement and validation phase of the 2024-25 CRIS development.

5.1.2 Public Consultation for AICIS's proposed charging arrangements for 2024-25

AICIS published a public consultation paper on its website April 2024 for a period of 6 weeks as part of an open invitation for stakeholders to provide feedback on the proposed fees and charges for 2024-25. The public consultation was intended to obtain broader input from individuals and / or groups, on both how fee and levy charging was intended to occur in 2024-25 and the resultant pricing outcomes. Responses have informed the final proposal to Government for consideration and decision.

A total of four (4) submissions were received from one (1) introducer and three (3) Industry Associations. All submissions broadly supported the proposed fees and charges with the exception of one submission, which did not support an increase to the levy for level 8 introducers (those with an introduction value of \$15M or greater). A detailed summary of the feedback received, along with the response provided by AICIS is summarised in Appendix A.

6. Financial performance

The financial results for 2021-22 through to 2023-24, along with the estimates and underlying assumptions for the 2024-25 budget and forward years are set out in Table 24 (below), prepared on an accrual basis.⁵

Table 24 – AICIS financial performance (\$'000)

	2021-22 actual	2022-23 actual	2023-24 actual	2024-25 budget	2025-26 forward estimate	2026-27 forward estimate	2027-28 forward estimate
Operational Expenses (A) ⁶	19,197	21,650	24,069	22,716	25,074	25,772	23,996
Cost Recovered Revenue – includes fees for services and levies (B) ⁶	24,394	24,323	23,091	20,841	21,487	22,153	22,840
Government appropriation - interest equivalency payment (C) ⁷	58	34	760	1,800	1,800	1,800	1,800
Balance = (B+C)-(A)	5,255	2,707	-219	-75	-1,787	-1,819	644
Cumulative balance	24,418	27,125	26,907	26,832	25,045	23,226	23,870

6.1 Financial Estimates

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. The estimates also include a substantial increase to appropriation funding in the form of an interest equivalency payment from interest earned on funds held in the Industrial Chemicals Special Account. Revenue forecast for 2024-25 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

⁵ 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*.

⁶ Actuals for 2021-22 and 2022-23 have been corrected and 23-24 forecast has been replaced with Actuals.

⁷ IEP for the Forward Estimates is dependent on interest rates and cash balance in each year and hence AICIS has used the 24-25 IEP.

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 (49%): Includes costs recovered from 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 (28%); and
- Employee entitlements (22%): Consistent with best practice, the reserve retains employee entitlements such as leave provisions.

Higher than the anticipated number of registrants at the higher registration levels, and revenue from prior year registration level upgrades, due to initial under declarations of introduction value of some registrants, has resulted in an accumulation of prior year revenue.

AICIS notes the increasing reserve balance and has considered the cost base estimates relative to the projected revenue across the CRIS annual review process. The proposed adjustment in registration level thresholds and associated charges, in addition to the reduction in charges in 2022-23 & 2023-24, is anticipated to address this issue by reducing unbudgeted revenue to deliver a balanced budget preventing further accumulation.

AICIS remains committed to its defined Balance Management Strategy which is applied as a risk mitigation measure to manage the impact of variable demand on the ongoing delivery of regulatory activities while minimising any revenue over and above its cost base. This has been demonstrated over consecutive years through significant price reductions across the levy charge (2022-23: 8% and 2023-24: 11.7%). The proposed levy pricing approach for 2024-25 also seeks to maintain this ongoing commitment through the application of a data-driven approach to regulatory charging. No specific charge reduction has been applied in 2024-25 due to the reprofiling of the charging structure.

Existing reserve balances will continue to be maintained for their defined purposes enabling AICIS to continue operating in a sustainable manner including future capital investments, employee entitlements and a 3-month operating reserve. Any supplementary balances accumulated (typically through increased program demand) will be actively monitored, with any impact on pricing outcomes to be communicated through future CRIS publications.

6.2 Financial Outcomes

The financial results for the 2020-21, 2021-22, 2022-23 and 2023-24 years are shown in Table 25 (below).

Table 25 – Financial performance (\$'000)

Financial Item	2020-21	2021-22	2022-23	2023-24
Estimates				
Revenue = W	22,920	23,898	22,016	20,880
Government appropriation – interest equivalency payment = X	200	58	34	753
Expenses = Y	21,837	24,153	22,488	21,628
Balance = (W+X) – Y	1,283	-197	-438	5

Actuals				
Revenue = W	23,233	24,394	24,323	23,091
Government appropriation - interest equivalency payment = X	965	58	34	760
Expenses = Y	19,369	19,197	21,650	24,069
Balance = (W+X) – Y	4,828	5,255	2,707	-219

The costs of AICIS's activities are recovered from industry except for appropriation funding in the form of an interest equivalency payment from interest earned on funds held in the Industrial Chemicals Special Account.

The net operating result for 2023-24 is a deficit of \$219k, a variance of -\$224k against the budget.

The 11% increase in total cost recovered revenue over budget stems from higher than forecasted top tier introducers (over > \$5m introduction value) and contribution from prior year registration level upgrades. Upgrades occur when registrants are identified through compliance monitoring, or self-reporting as having under-declared their introduction value and fall within a higher registration level requiring them to pay a higher registration charge.

Target for operational expenses exceeded the budget for the full year and represented a variance of 11%. This was due AICIS's contribution of \$2.7 million towards the department's New Ways of Working (NWOW) program to replace the Surry Hills office fit-out, which has reached the end of its useful life.

In response to the budget surplus experienced over the first 3 years of the scheme, registration levies were reduced in 2022-23 and 2023-24 by 8% and 11.7% respectively.

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.

7. Non-financial performance

AICIS has reported its non-financial performance for 2023-24 against criteria included in the 2023-24 Health Portfolio Budget Statements 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 ([Appendix 4: Report on the operation of the Australian Industrial Chemicals Introduction Scheme for 2023-24](#), pg 178-195).

In accordance with the Public Governance, Performance and Accountability Act 2013, the Department of Health and Aged Care's Corporate Plan sets out the performance measures that our Scheme uses to determine whether it is achieving its purpose. AICIS' measure is aligned to the outcomes, program and key activity presented in our Portfolio Budget Statements.

The department ensured assessment quality was maintained through internal peer review processes and seeking feedback from applicants, introducers and other stakeholders prior to finalising each report. Publication of completed assessments and evaluations on the Australian Industrial Chemicals Introduction Scheme website assists Commonwealth, state, and territory governments to implement risk management controls, and facilitates the safe use of chemicals by workers and the public.

Table 26 – Non-Financial Performance

Performance measure	Total output volume	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Industrial chemical risk assessments and evaluations completed within statutory timeframes	Actuals	98.2%	96.8%	100%	100%	TBC	TBC
	Estimated	≥ 95%	≥ 95%	≥ 95%	≥ 95%	≥ 95%	≥ 95%

8. Key forward dates and events

The key forward dates and events are documented Table 27.

Table 27 – Key forward dates and events

Key forward events schedule	Next scheduled update
Update CRIS for 2025-26	July 2025

9. CRIS approval and change register

The history of changes made to the CRIS and approvals are documented in Table 28.

Table 28 – 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 and Aged Care	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
1/08/2022	Certification of the CRIS	Secretary, Department of Health and Aged Care	Reduced registration charge amounts
2/08/2022	Approval of the CRIS	Assistant Minister for Health and Aged Care	Reduced registration charge amounts
30/11/2022	Update on 2021-22 financial performance	AICIS Executive Director	Reporting on financial performance
24/07/2023	Certification of the CRIS	Secretary, Department of Health and Aged Care	Reduced registration charge amounts
1/08/2023	Approval of the CRIS	Assistant Minister for Health and Aged Care	Reduced registration charge amounts
30/11/2023	Updated on 2022-23 financial performance	AICIS Executive Director	Reporting on financial performance
11/06/2024	Certification of the CRIS	Secretary, Department of Health and Aged Care	Indexed fees for service, revised registration level thresholds and charge amounts
24/06/2024	Approval of the CRIS	Assistant Minister for Health and Aged Care	Indexed fees for service, revised registration level thresholds and charge amounts
26/11/2024	Update on 2023-24 financial performance	AICIS Executive Director	Reporting on financial performance

Appendices

Appendix A

Table 29 – Feedback from public Consultation for AICIS proposed charging arrangements for 2024-25

Industry feedback	AICIS response
<i>Proposed registration levies for 2024-25</i>	
<p>Proposed charges to registration levies for 2024-25 are supported.</p> <p>The new tiered approach to annual registrations, which brings a better and proportionate fee structure relevant to chemical introductions is welcomed.</p> <p>The proposal to modify registration tier 7 to reduce the registration fee for businesses under \$15 million and also reduce the financial impact of the transition from \$4,999,999 to \$5 million is welcomed.</p> <p>Generally supportive of reducing registration levies</p>	<p>Stakeholder views noted.</p>
<p>Do not support the 8% increase for level 8 (\$15M+), an increase from \$32,405 to \$35,000 which is significantly higher than the 3.1% index for fees for services. Changes to registration levels and levies appear to be ‘tweaking’ previous levels and levies and rational is absent.</p>	<p>Stakeholder views noted.</p> <p>The eight-tiered registration model, applied to determine the annual registration charge, is broadly informed by the effort required to undertake relevant leviable activities (e.g. compliance and enforcement, maintenance of the inventory, post-market evaluation and monitoring of chemicals, and regulatory support activities).</p> <p>Almost half of the 495 introducers previously register at level 8 (those with an introduction value from \$5M to below \$15M) will benefit from a levy reduction of approximately 24.5% (\$32,405 to \$24,500) a saving of \$7,905.</p>
<i>Proposed fees for services for 2024-25</i>	
<p>Proposed increase of 3.1% to all existing fees for services for 2024-25 is supported.</p>	<p>Stakeholder views noted.</p>
<p>Concerned by the proposed significant fee increase (above 3.1%) for applications to add a new certificate holder</p>	<p>AICIS acknowledges that the \$6,695 fee for adding a new certificate holder, as stated in the consultation paper, was an error. The correct fee is</p>

Industry feedback	AICIS response
	\$1,540, reflecting a 3.1% indexation increase for all fees for services.
<i>General</i>	
This Consultation is an adjustment of existing fees and charges, and not a full review.	The CRIS is a rolling document that is updated annually to deliver AICIS' ongoing commitment to appropriate charging of fees and levies consistent with the Australian Governments Cost Recovery Policy. AICIS has, and will continue, to monitor the maturation of the scheme and utilise new available data to refine effort drivers for both levy funded and fee for service activities and thus ensure that charging reflects the efficient cost of delivering regulatory activities and services.
<p>Transparency of AICIS reserves</p> <p>Requesting continued transparency of AICIS' financial position, including disclosure of reserves which was provided in previous consultations but not this discussion paper.</p>	The cumulative balance of the Industrial Chemical Special account and the components for which the reserves are committed are provided in Table 24 and the balance management strategy respectively, under Section 6 Financial performance.

