

Cost Recovery Impact Statement

Revised charges under the Hazardous Substances and New Organisms Act 1996 and proposed new annual fees

Agency Disclosure Statement

1. This Cost Recovery Impact Statement (CRIS) has been prepared by the Environmental Protection Authority (EPA) to assist understanding of its proposals to revise the fees it fixes under the Hazardous Substances and New Organisms Act 1996 (HSNO Act). The HSNO Act fees recover 11 percent of the costs of providing the services they relate to, and the general taxpayer is helping to fund services considerably in excess of what they benefit from.
2. The EPA has undertaken a major review of its third party funding. The review's main driver was that the EPA's current funding levels are not sustainable, including that sixteen percent of its annual Crown funding is at risk. (For the last three years it has been for a fixed term and not ongoing.) As part of the work to support obtaining sufficient ongoing funding, the EPA reviewed its third party revenue to consider whether this is at an appropriate level for the cost to provide services to third parties for which fees are payable. As well, the last review of hazardous substances and new organisms' third party fees was undertaken in 2009, and it was timely for a further review of these fees.
3. The review included activity-based costing of EPA's services (undertaken in December 2016), modelling using this data to test different fee scenarios, and an analysis of public, club (industry), and private benefits for different application types.
4. The activity-based costing provided a snapshot analysis to better understand the true cost to deliver decision-making and enforcement and monitoring services. It was based on best available data. The EPA has some time-recording data but not comprehensive time-recording data with all services and activities captured. This then required gaps to be filled from other data sources. The data shows that 30 percent of the costs of processing applications are direct costs, and 70 percent are indirect costs. This data was tested against three years of EPA expenditure data which substantiated this ratio. The EPA, accordingly, considers the data underpinning the fees review is reliable.
5. There is no data on the impact that fees increases could have on levels of demand. If fee levels were in line with processing costs, and taking into account the benefits to the applicant and the public, this would mean very high fee increases. For example, a Category C hazardous substances approval application fee would need to rise from \$15,000 to \$45,000, GST exclusive, and other fees greater than ten times the current fee level. We consider with this level of fees increase, an assumption would need to be made that application levels would reduce by one third (and that non-compliance would increase).

6. Australian Department of Environment and Energy anecdotal data indicates that an increase in fees along the lines that are proposed, will result in a surge of demand prior to the fees increase, followed by lower initial demand. Feedback from consultation on the fees proposals should provide some indication of how the fees may affect application levels.
7. For many of the applications services, the volumes of applications are very small, which also affects data analysis. The low application volumes and non-availability of elasticity of demand data means the EPA considers there needs to be a conservative initial increase to the fees. A second fees increase will be considered taking into account the impact of the first fees increase.
8. Noting the limits of the above data that has been used to undertake the analysis, the review has identified that in many cases the fees an applicant pays are significantly less than the cost of processing an application, taking into account who benefits from the application. For example, for a complex hazardous substances application, the applicant is paying about 14 percent of the costs. In this case, the EPA estimates the applicant derives 40 percent benefit from the application, and the public and industry each benefit by 30 percent. There is a large gap between the percentage of costs covered by the fee and the benefit the applicant derives. Effectively, this gap means the taxpayer is funding services in excess of what they can benefit from and access.
9. The fees last changed in 2010, when GST changed from 12.5 percent to 15 percent. Prior to this change, the fees were reviewed in 2009, and there was a reduction in the fee for new organisms approval to release into the environment applications. Other proposed changes to approval applications, that were made from this review, did not proceed. Accordingly, some fees have been at the same level since 2003 (14 years), and others since 2005. Whilst there have been some process efficiency gains since then, overall, as would be expected with such long time frames, the EPA's costs have risen.
10. When the principles to guide the EPA's fee setting were agreed by Cabinet in 2003, the estimate was that fees income would cover overall 17 percent of the costs associated with processing applications, with Crown funding covering the remainder. The current fees income, of just 11 percent of costs, is at the lower end of government cost recovery. The low fee levels mean that more Crown funding than desirable is being used to fund application processing, meaning less is available for other priority work such as reassessments and reviews of existing approvals and group standards, and monitoring and enforcement.
11. The EPA is not obliged to prepare a CRIS but has chosen to do so as a good regulatory practice. This CRIS will be published in conjunction with the EPA's consultation document "Our Fees are Changing" (the consultation document).

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Status Quo

Description of activity and why it is undertaken; What policy outcomes will the activity achieve; statutory authority to charge

12. The HSNO Act, and regulations under the Act, set out the law applying to the availability and restrictions on hazardous substances (for example, chemicals) and new organisms (for example, new biocontrol insects). The purpose of the Act is to protect the environment and health and safety of people and communities, by preventing or managing the adverse effects of hazardous substances and new organisms.
13. An approval or group standard must be in place to import and manufacture hazardous substances. The EPA receives and processes approval applications which predominantly relate to new pesticides or new formulations of pesticides.
14. Approval is required to import or release new organisms. The EPA receives and determines applications for approval which range from new biocontrol organisms, to new vaccines that contain a live new organism.
15. The EPA also receives and determines applications including: determinations if a substance is hazardous or an organism is a new organism, import certificates for explosives, fireworks and novelty fireworks, and reassessments of approvals (typically to modify a control).
16. The EPA has fixed a range of charges for applications under the HSNO Act, as provided for under section 21 of the Act. The fees are payable by applicants, who obtain private benefit from the approval of an application. The fees were last set in 2003.
17. The objective of the fees is to recover a proportion of the EPA's costs.
18. When an approval or a group standard is in place allowing a hazardous substance to be imported or manufactured, then any person may use it. An approval is not uniquely held by the person who applied for the approval. There is no fee for accessing the use of a group standard or approval, or any fee for importers and manufacturers who benefit from the hazardous substances' approvals regime.
19. This proposal relates to amending the existing charges that the EPA sets, and a proposed new annual fee for importers and manufacturers of hazardous substances.

What is the reason for the review

20. In the 2016/17 financial year, the income from HSNO Act fees was \$0.575 million. This compares with the cost to provide services related to applications, reassessments, and certificates for which fees are paid of about \$5.2 million (hazardous \$3.9 million; new organisms about \$1.3 million).
21. In 2003, the government agreed that the fees did not have to cover the full costs associated with considering applications, and that cost recovery would cover about 17 percent of costs related to processing applications. However, the current fees are meeting just 11 percent of costs. As well as being below the 17 percent estimate, 11 percent is at the lower end of government cost recovery.

Effectively, the general taxpayer is helping to fund services considerably in excess of what they benefit from.

22. Additionally, there are importers and manufacturers who are not contributing to the costs of maintaining the HSNO Act regime from which they are directly benefitting, other than through their general taxes. This is contributing to a disproportionate share of the cost of the regime falling on the general taxpayer and those who make approval applications. This is not consistent with the Treasury Equity principle of cost recovery. Equity is defined by the Treasury as fairness or justice, and in considering equity the following considerations are key: have the impacts of the proposed or existing cost recovery regime been identified? Will stakeholders be treated equitably? Have impacts over time been identified?

Current fees

23. The HSNO Act fees are set by the EPA Board and published on the EPA website <http://www.epa.govt.nz/about-us/fees/Pages/default.aspx>. The most common application types, and the associated existing fee, are specified in Appendix 1, alongside the preferred option proposed fee.

Problem with the status quo

24. If the status quo fee levels continue alongside the EPA's current Crown funding levels, the EPA will not be able to undertake more than one or two reassessments and reviews of existing approved hazardous substances and group standards each year. This places New Zealand at risk of allowing hazardous substances with out-of-date controls remaining available for sale. Less robust controls means that we are not protecting the environment and the health of New Zealanders in line with the levels set by other countries, including Australia and other OECD countries.

25. The EPA will also not be able to expand its hazardous substances compliance programme as intended under the health and safety reforms put in place over the last three years. This will undermine an aspect of the objectives of the reforms.

Cost Recovery Principles and Objectives

Underlying principles

26. The following are the underlying principles that apply to, and have guided, the cost recovery proposals:

Authority	Section 21 HSNO Act. This section provides that the EPA may from time to time fix a scale of charges for exercising or performing any function, power, or duty under the Act, so as to recover the actual and reasonable costs incurred in the exercise of that function, power, or duty, and specify the persons laible to pay the charge.
Effectiveness	The EPA has established practices for processing applications. These are set out in the consultation document, and are considered appropriate for the delivery of robust

	decisions under the HSNO Act.
Efficiency	The low level of cost recovery has driven efficiency of processes in order to have funding available for other priority work. The proposed fees take into account further efficiencies with respect to processing that the EPA would like to realise, if it is cost effective to invest in technology.
Transparency	The processes for considering applications and the cost to process specific application types are detailed in the consultation document.
Equity	A key issue with the current fees is that stakeholders are not being treated equitably. Non-applicant industry are benefitting from approvals without contributing to the cost of the HSNO Act regime. General taxpayers are contributing an unfair proportion of the processing costs of applications.
Simplicity	A range of fixed application fees and a proposed annual fee have been chosen, as they are straightforward and understandable.
Accountability	The EPA's third party fees collected are reported in the Annual Report of the EPA, which is audited and tabled in Parliament.

Objectives of the cost recovery proposals

27. The following are the objectives of the cost recovery proposal:

The basis of the fees charged is transparent, clear, predictable and easy to understand.	The consultation paper sets out the processes for considering specific application types, including the estimated public, industry, and private benefits associated with each application type. The consultation paper outlines the range of fees considered and the preferred new fee, with an explanation for why this is preferred. The intent is that those affected by the fees can understand the level of the fee proposed. Fixed fees are proposed as they are simple, and predictable.
The fees take into account the EPA's commitment to efficiency and process improvements	The consultation paper notes those application types where process improvements and efficiencies are being investigated.
The application fees do not discourage applications and recognise public benefits.	The fees proposals outlined are an initial fees increase, recognising that the proposals are for significant fees increases. The fees will still provide for a substantial proportion of the costs to be covered by taxpayer funding in order not to discourage applications, and to recognise public benefits where appropriate. The public, industry, and private benefits of all main application types have been

	estimated and taken into account in the proposed fees.
There is recognition that, in many cases, an approval can be used by both the applicant and others.	This is reflected in the estimate of industry benefits in respect of specific applications. The proposed annual fee has the objective to provide for more equitable cost recovery that takes into account, and provides for contributions, from all those who benefit from the HSNO Act regime.
The fees take into account actual costs, as well as other fees payable to the government as well as to the EPA.	Other fees payable to government agencies are noted in the consultation paper.
The fees align with, and are not a barrier to, other outcomes desired by government, for example, economic growth, innovation, and protection.	In considering the public benefits of applications, other outcomes desired by government are reflected in the public benefits analysis. For example, in line with the Government's environmental policy, there is commitment to encouraging softer/greener chemistry (for example, substances with a lower hazard classification either with respect to the potential impact of the substance on people using or exposed to it, or to the life-supporting capacity of air, water, soil, and ecosystems). New hazardous substances category C applications are most likely to be for softer/greener chemistry. Thus the public benefit of these applications is estimated at 30 percent.
Applicants see fees and charges as fair and reasonable.	A key driver for why the consultation paper sets out in detail the processes involved in processing an application, the costs, and the estimated public, industry, and private benefit of an application is so that applicants and other interested parties can see that the fees proposed are fair and reasonable. The proposed fees would result in fairer payment of fees by applicants and industry who directly benefit from applications. The proposed fees will reduce the amount of Crown funding needed to process applications, allowing more funding to be available for hazardous substances reassessment and review work and monitoring and enforcement work.

Policy Rationale: Why a user charge? And what type is most appropriate

Why is cost recovery appropriate for HSNO Act applications?

28. The EPA undertakes a number of activities under the HSNO Act that support New Zealanders day to day lives. For example:

- Promoting awareness about keeping people and the environment safe when using, storing and disposing of chemicals
- Engagement with Māori on the environmental impacts of hazardous substances and new organisms, in recognition of the Crown's responsibilities under the Treaty of Waitangi
- Participating in international negotiations that contribute to international chemicals safety standards and bans, and to international biodiversity and biosafety agreements
- Ensuring controls on, or access to, hazardous substances reflect up to date practices regarding the effects of the substances on people and the environment
- Undertaking hazardous substances' monitoring and enforcement, including checking that chemical product labelling and safety information requirements are being met
- Providing input from the EPA's operational perspective to policy development.

29. It is appropriate that these public interest activities are Crown funded, fully or in part, as they are for the benefit of New Zealanders generally.

30. A large part of the EPA's work, however, is driven by those wanting access to new organisms and hazardous substances. This work includes receiving and determining applications for approvals and determinations, reassessment of approvals, and import certificates for explosives. It also includes work related to maintaining group standards and approvals so that they are up to date. The beneficiaries of this work are hazardous substances' importers and manufacturers, and private sector companies, researchers and others wanting to import and develop new organisms. These parties also benefit from a social licence in having a hazardous substances and new organisms' regime that the public and government can trust, and that supports New Zealand's international reputation.

31. It is appropriate that a portion of the costs incurred related to this work are recovered from those who benefit from the work.

What is the nature of output from hazardous substances and new organisms applications, reassessments and reviews?

32. The primary beneficiary of an application for an approval, determination, reassessment, or import certificate, is the applicant.

33. The applicant obtains a private benefit from a successful application. For example, a hazardous substances approval may allow the person to import or manufacture a new hazardous substance that will be commercially sold. An explosives import certificate is unique to the applicant and for their private benefit.

34. One exception to the applicant as the primary beneficiary, is when a research organisation that receives government funding related to the Government's strategies around science, innovation, and economic growth, applies for an approval to import or develop a new organism. The results of the application are to achieve a public good outcome, not a commercial gain.

35. With respect to hazardous substances applications that are approved, as noted, the approval is not uniquely held by the applicant. There is no fee for accessing the use of the approval (although other intellectual property protections may apply). Accordingly, there is also a club or industry benefit from approved applications.
36. Many of the hazardous substances activities the EPA does, such as reassessment and review work, promotion of the safe use of chemicals, and monitoring of compliance with approvals and group standards, are not able to be attributed to a particular customer. These are club or industry benefits.
37. With respect to most applications, there is also a public benefit. For example, there is public benefit from encouraging new hazardous substances applications that are softer/greener chemistry. There is a benefit from providing New Zealanders with access to new developments in chemistry and chemical products.
38. For all of the fee proposals, there has been an assessment of public, industry, and private benefits. This is discussed in the consultation paper and has been taken into account in the proposed fees.

Partial Cost recovery proposed

39. For many of the applications services, the volumes of applications are very small. This combined with the non-availability of elasticity of demand data, means the EPA considers there needs to be an initial increase to the fees.
40. The proposed revised application fees still provide for a substantial proportion of the costs to be covered by taxpayer funding in order not to discourage applications, and to recognise public benefits where appropriate.
41. The proposal is also to consult on a possible amendment to the HSNO Act to provide for the charging of annual fees to all importers and manufacturers of hazardous substances who benefit from: approvals and group standards and their ongoing maintenance through respectively reassessments and reviews; work associated with promoting the safe use of hazardous substances; and monitoring and enforcement of controls on hazardous substances.
42. The intention is that there will be a further review of the fees in three years time, which may consider further fees increases. A three-year review is in line with the recommended practice from the Office of the Auditor General and the Treasury guidelines. The further review will consider the impact of this current review, and particular fees increases that result from it. Any further fees increases would not be considered without full consultation.

Type of charge proposed

43. Fixed fees are proposed as they are simple, and predictable.

Who will pay the cost recovery charges?

44. Companies, organisations and individuals who apply for permissions under the HSNO Act, and importers and manufacturers of hazardous substances.

45. Hazardous substances applications are from companies across a wide range of industries including animal health, agrichemicals, pharmaceuticals and horticulture. Applicants for import certificates for explosives range from the mining and petroleum industry, to marine safety specialists (flares), to Kiwi Rail (signal tracts), to ammunition retailers. Retailers and pyrotechnic experts are the main importers seeking certificates for fireworks and novelty fireworks. There are two main types of applicants for new organisms' approvals: public good researchers and those wanting to release new organisms for public good purposes; and those importing or developing new organisms who are wanting a financial return on their investment. Applicants include Crown Research Institutes, universities, other research organisations, territorial authorities, industry associations, private sector companies, zoos, and horticultural specialists such as orchid growers.

The level of the proposed fees and cost components

Design of the cost recovery charges

46. The EPA has used data obtained from the activity-based costing to consider:

- The existing application fees against the total costs of providing the service. The percentage of the total costs paid by the applicant as compared to the percentage paid from Crown funding has been calculated
- The direct staff costs (excluding any overheads) of producing the services
- The estimated benefit to the applicant of the service (expressed as a percentage).

47. In all cases, the existing application fees are significantly less than the costs to process an application, and the benefit to the applicant from the application. None of the current fees even cover just the direct staff costs to process an application.

48. The proposed revised application fees aim to reduce the cost to the general taxpayer (through Crown funding) of processing applications. The fees increases range from 1.6 times the current fee to eight times the current fee. However, the proposed revised fees are still below the benefit cost to applicants of the processing costs. The proposed revised fees also take into account the relativity between application types.

49. To have fees set at the benefit cost to applicants from the service would mean, in most cases, would require very large fee increases. Although there is no elasticity of demand data, the EPA has made the assumption that fees at the level of the cost to process applications, even taking into account benefit costs, would reduce application levels by one third. Very high fees increases could mean that New Zealand misses out on access to new, softer/green chemistry and new organisms' innovations.

Outputs and processes of the activity

50.Examples of the main cost drivers for the processing of applications are:

Approval applications

- a. Assessment of what category an application meets, and whether the information provided is likely to be sufficient to assess the application.
- b. Formal receipt, including notification of application to other agencies, and in some cases, public notification of the application.
- c. Technical assessment (hazardous substances - preparation of science memo analysing the application, cultural assessment, proposed controls; new organisms – review of application, proposed controls).
- d. If a notified application, receipt and consideration of submissions, hearing, advice to decision-making committee.
- e. Consideration of the application.
- f. Notification of applicant.

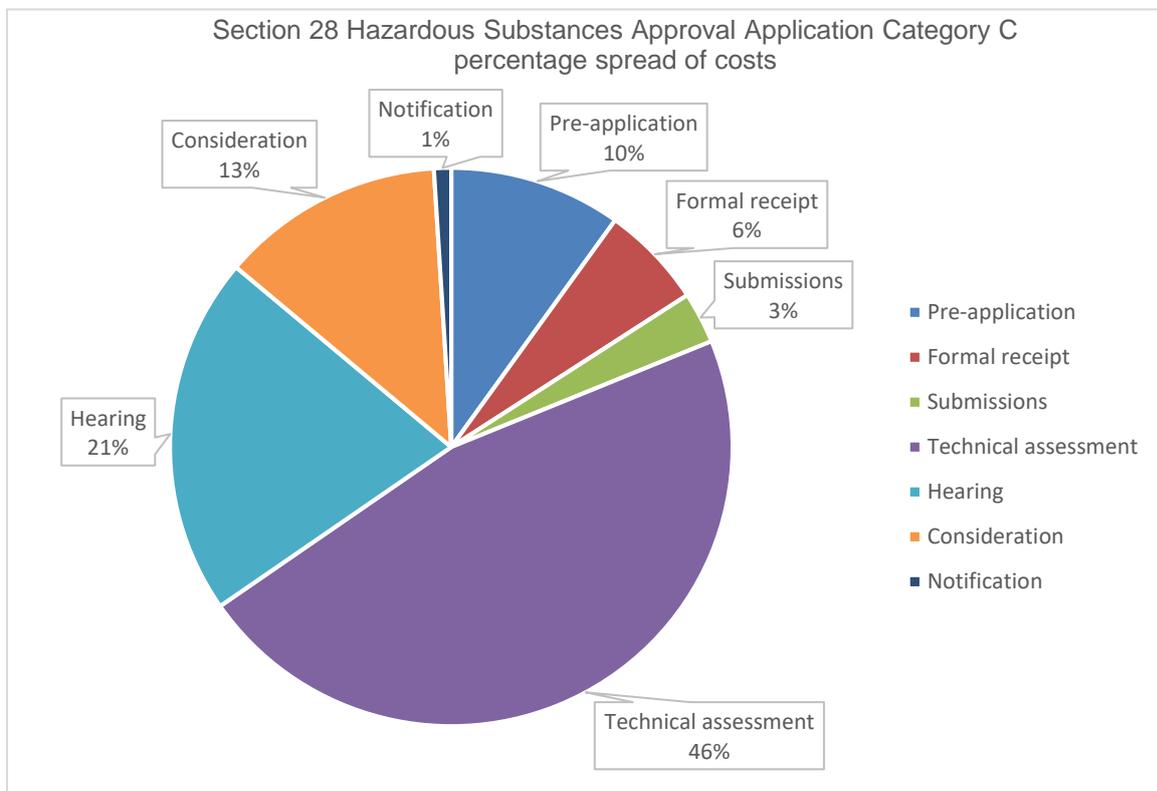
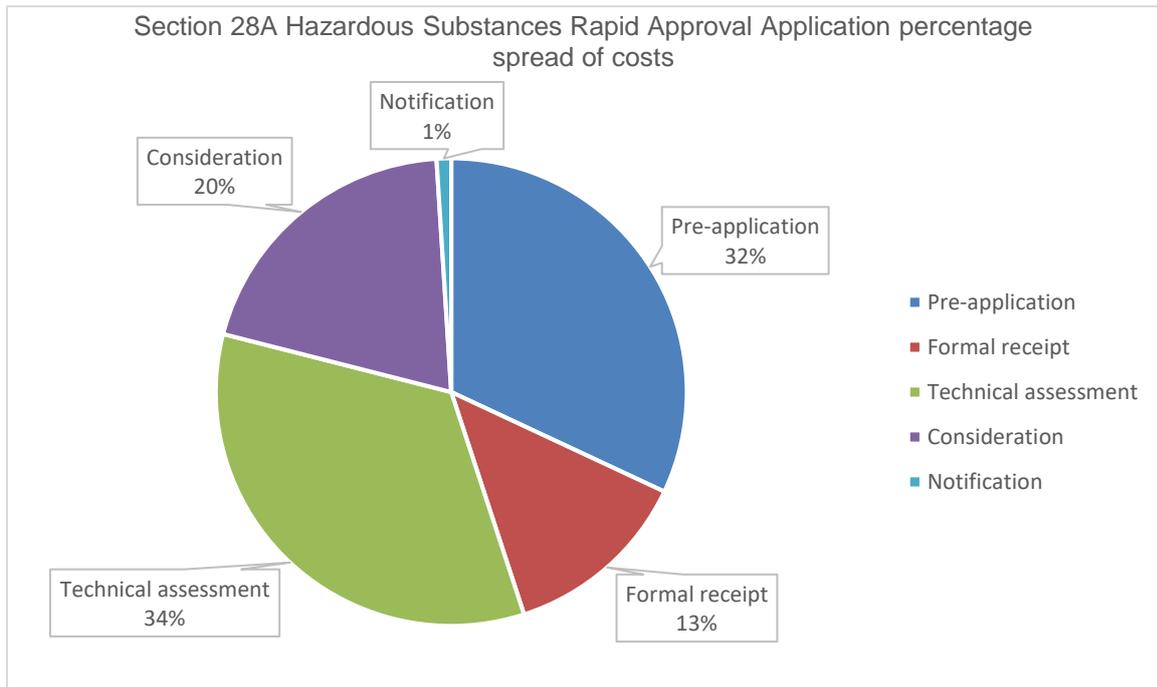
Determination applications

- a. Assessment of whether the information provided is likely to be sufficient to assess the application.
- b. Technical assessment (for example, whether the substance is hazardous, classification of substance by hazardous properties, assessment against existing substance approval, whether the organism is new or not).
- c. Consideration of the application.
- d. Notification of applicant.

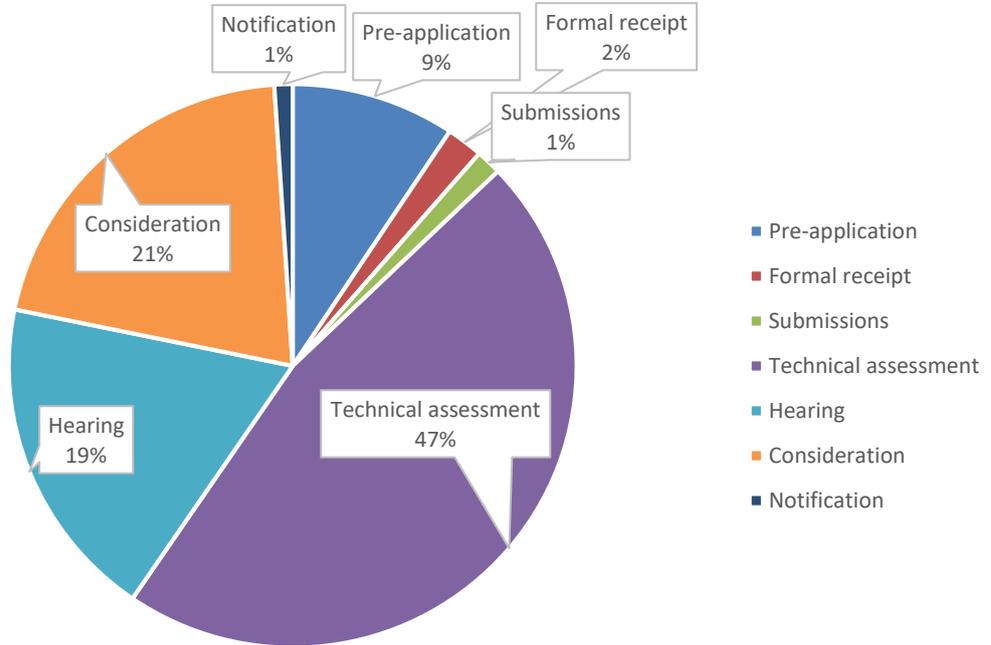
51.Approximately 30 percent of costs are direct costs, and 70 percent indirect costs.

52.The proposed fees are set out in Appendix 1.

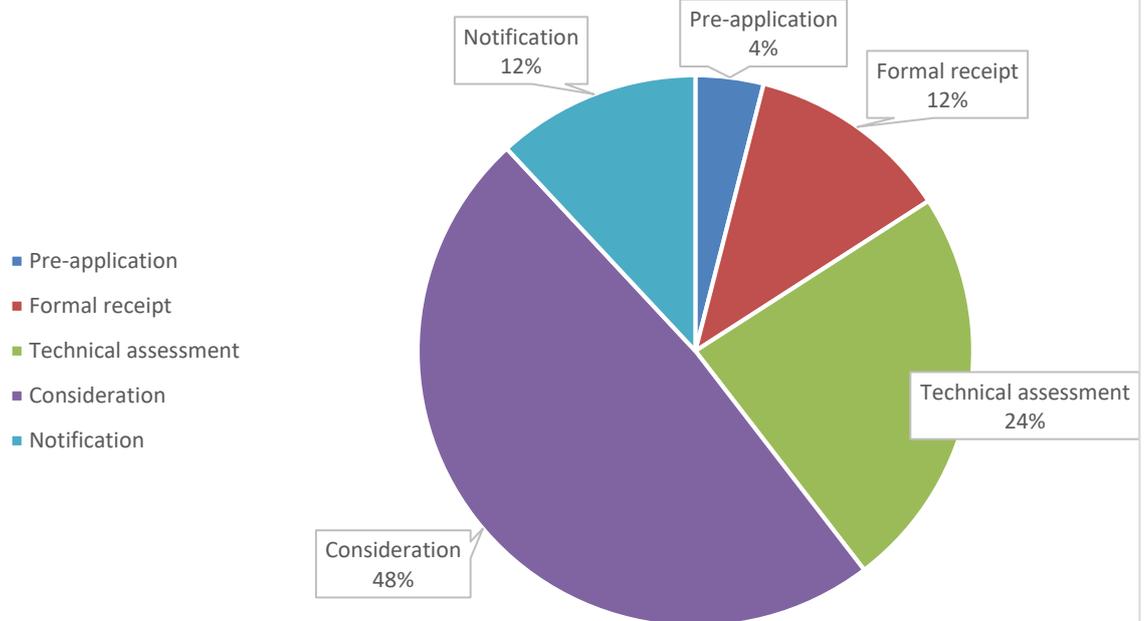
Examples of costings

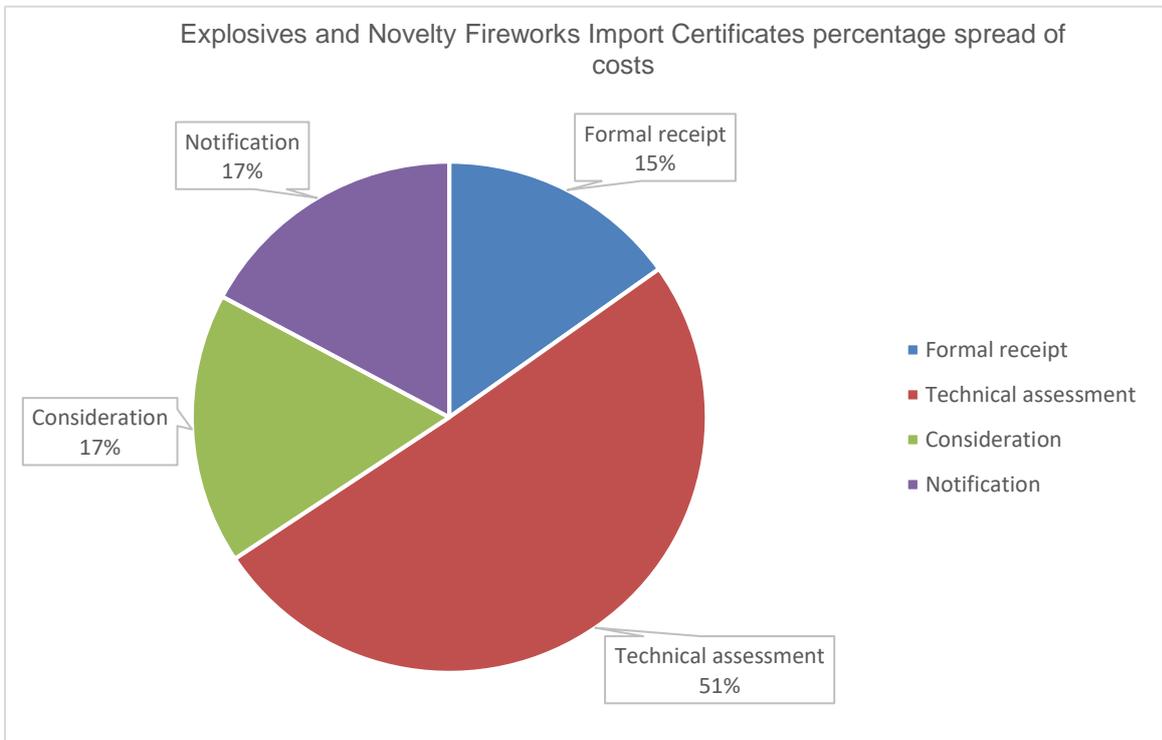
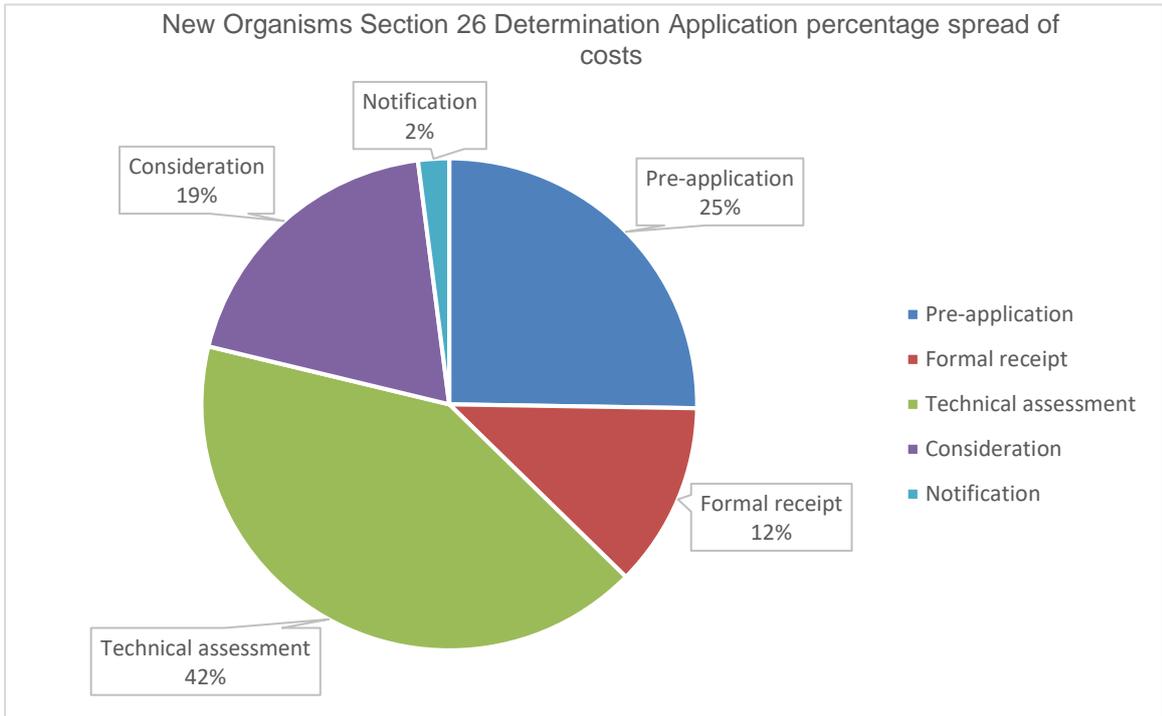


New Organisms Section 34 Import or Release No Controls Approval
Application percentage spread of costs



Section 26 Hazardous Substances Determination Application percentage
spread of costs





Forecast revenue from proposed revised application fees

Application type	Volume 2016/17 (current fee \$)	Revenue \$	Forecast volume (new fee \$)	New fee revenue \$	Additional revenue of current fee \$
Hazardous substances					
S.26 determination	113 (1,000)	113,000	110 (3,000)	330,000	+217,000
S.28A rapid	37 (500)	18,500	35 (4,000)	140,000	+121,500
S.28 Category A	42 (3,000)	126,000	40 (5,000)	200,000	+74,000
S.28 Category B	13 (5,000)	65,000	10 (10,000)	100,000	+35,000
S.28 Category C	7 (15,000)	105,000	5 (25,000)	125,000	+20,000
Explosives	149 (100)	14,900	145 (500)	72,500	+57,600
Novelty fireworks	94 (50)	4,700	90 (250)	22,500	+17,800
New Organisms					
S.40 Containment non-notified	13 (2,000)	26,000	10 (3,500)	35,000	+9,000
S.40 Containment notified	2 (10,000)	20,000	3 (15,000)	45,000	+25,000
S.40 Containment and S.34 medicine rapid	7 (500)	3,500	5 (3,000)	15,000	+11,500
S.34 import or release, no controls	4 (15,000)	60,000	4 (20,000)	80,000	+20,000
S.26 determination	13 (1,000)	13,000	10 (3,000)	30,000	+17,000
Total		569,600		1,195,000	+625,400

53. Annual fees paid by importers and manufacturers of hazardous substances could result in \$1 million to \$2 million per year in revenue. This is a tentative estimate. The revenue would depend

on the design of the annual fee. For example, there may be a fee for smaller scale importers and manufacturers compared to larger scale importers and manufacturers. This is the approach that Australia uses. Views on the different approaches will be canvassed as part of the consultation process.

Impact Analysis

Who will be affected by the proposed fees changes?

54. The table below notes the numbers of applications received in 2016/17 and the type of organisations who made applications. This provides an indication of the type of organisations who will be affected by any revised fees.

Application type	Applicant organisations	Number of applications 2016/17
Section 26, hazardous substances determination applications	Companies across a wide range of industries including animal health, agrichemicals, pharmaceuticals and horticulture. (Applications cover pesticides, veterinary medicines, cosmetics, fire-fighting compounds, cleaning products, insect repellents.)	113
Section 26, new organisms determination applications	Universities, research facilities, nurseries, horticultural associations, cheese factories.	13
Section 28 hazardous substances approval applications and reassessment applications	<p>Importers and manufacturers of hazardous substances not covered by group standards, for example:</p> <ul style="list-style-type: none"> • a home use or industrial substance of very high hazard classification • a new type of well-used substance (such as petrol) • a home use or industrial substance but with a different use proposed • a biocide or other agrichemical with a different amount of key component(s) from other approved substances, or with a different hazard classification from other approvals, or where the active ingredient is not yet in New Zealand. <p>A biocide refers to insecticides, disinfectants, pesticides, and preservatives used for the control of organisms (bugs, bacteria and the like) that are harmful to human or animal health or that cause damage to natural or</p>	100

	manufactured products. Typically, agricultural chemicals such as weedkillers and fumigants are covered by individual approvals rather than group standards.	
New organisms containment applications	Crown Research Institutes, universities, other research organisations, territorial authorities, industry associations, private sector companies, zoos.	24
New organisms release applications	Crown Research Institutes, universities, other research organisations, territorial authorities, industry associations, private sector companies horticultural specialists such as orchid growers (includes those wanting to release new organisms for public good purposes, as well as those importing or developing new organisms who are wanting a financial return on their investment.)	4
Import certificates for explosives	Mining and petroleum industry companies, marine safety specialists (flares), Kiwi Rail (signal tracts), ammunition retailers, pyrotechnic experts	149
Import certificates for novelty fireworks	Retailers	94

Impact of fees increase on EPA

55. It is expected that there will be a surge in applications following the release of proposals that fees may increase, and in the period before any new fees increases come into effect, if decisions are taken to increase the fees. The EPA experienced a surge in applications for status of substances decisions, which was a service not charged for, prior to the law change requiring that these applications were considered under section 26 of the HSNO Act, which is an application with a fee. It was also the behaviour experienced by the Department of Environment and Energy, Australia, prior to increased charges for ozone depleting substances exports and imports introduced on 1 July 2017.

56. A surge in applications will impact on EPA resources over the following 12 months, and will need to be managed. For example, it may be necessary to advise applicants of likely slower application processing times.

Comparison of fees with Australian charges

57. The New Zealand hazardous substances and new organisms regime is not directly comparable with the Australian equivalent regimes. There are two fairly comparable Commonwealth agencies whose fees have been considered: the Australian Pesticides and Veterinary Medicines Authority (APVMA); and the National Industrial Chemicals Notification and Assessment Scheme (NICNAS).

58. APVMA charges pre-application and assistance fees that range from approximately Au\$500 to Au\$1,500. This compares with the proposal to charge a \$500 pre-application fee for section 28 hazardous substances approval applications.
59. APVMA application fees range from registration of an agricultural product at Au\$1,595 to approval application fees between Au\$18,805 and Au\$96,135 (including GST). In New Zealand, an equivalent applicant would need to obtain approvals from both the EPA and the Ministry of Primary Industries (Agricultural Compounds and Veterinary Medicines). The latter fees include a pre-screen fee of \$540 and estimated registration fee between \$1,780 and \$5,190 (excluding GST). APVMA also charges an annual licence fee between \$900 and \$7,500 (including GST) each year.
60. NICNAS charges certificate application fees, self-assessment certificate application fees, and permit application fees. These range between Au\$4,300 and Au\$19,000 (including GST). It also has a lower early introduction permit fee of Au\$2,700 (including GST).
61. NICNAS also charges an annual registration fee that relates to the value of the chemical a person is importing or manufacturing. These fees range from \$138 to \$22,460 (including GST) each year.
62. The EPA's proposed application fees are between \$3,500 and \$24,500 (excluding GST and the pre-lodgement fee). These proposed fees are not inconsistent with the Australian equivalent fees, though could be considered in some instances on the low side. There are no specific proposals for the amount of an annual fee charge.

Consultation

63. This Cost Recovery Impact Statement has been prepared both to inform government and consultation on the EPA's proposed revised fees for hazardous substances and new organisms applications, and the possibility of introducing an annual fee payable by importers and manufacturers of hazardous substances. The Cost Recovery Impact Statement is complemented by the consultation paper "Our fees are changing."
64. Consultation on the proposed revised fees will be undertaken by the EPA Board in accordance with section 21 of the HSNO Act. This requires that before any charges are fixed, the Board will: publicly notify the charges it proposes to fix, and the persons who are liable to pay the charge; and allow a period of time for any person liable to pay the proposed charge to comment in writing on whether or not the proposed charges are reasonable; and consider any comments received before making a final decision.

Implementation Plan

65. Decisions on the final form of any revised fees will be made by the EPA Board. These will be advised to those who made submissions, and will be advised on the EPA's website and in the regular communications that we have with our customers.
66. It is anticipated that any new application fees would come into effect from 1 October 2018.

Appendix 1: Summary of preferred fees outlined in draft consultation paper

Service		Fee (ex. GST)	Est. cost to process	Direct staff (marginal)cost	Applicant est. benefit	Applicant % costs	Government % costs	Comment on preferred option
Hazardous substances								
Section 26, Determination	Current	\$1,000	\$6,000	\$2,000	80-100%	16%	84%	3x current fee.
	Preferred option	\$3,000				50%	50%	
Section 28A, Rapid	Current	\$500	\$19,000	\$6,000	60%	3%	97%	8x current fee. Substantially below cost to process, and direct staff cost. 60% cost of processing the application is \$11,400.
	Preferred option ¹	\$4,000				21%	79%	
Section 28, category A	Current	\$3,000	\$19,500	\$6,000	70%	16%	84%	1.7x current fee. 70% cost of processing application is \$13,650.
	Preferred option	\$5,000				26%	74%	
Section 28, category B	Current	\$5,000	\$54,000	\$17,000	70%	9%, 14%	91%, 86%	2x current fee. If extra \$5,000 fee for a notified category B, then 28% cost of processing. 70% cost of processing non-notified application is \$23,800.
	Preferred option	\$10,000	notified, \$34,000 non			19%, 29%	81%, 71%	

¹ All s.28 preferred option fees include a proposed new \$500 lodgement fee

Service		Fee (ex. GST)	Est. cost to process	Direct staff (marginal)cost	Applicant est. benefit	Applicant % costs	Government % costs	Comment on preferred option																																																								
Section 28, category C	Current	\$15,000	\$111,000	\$43,700	40%	14%	86%	1.6x current fee. 40% cost of processing the application is \$44,400.																																																								
	Preferred option	\$25,000				23%	87%		Explosives certificate	Current	\$100	\$1,500	\$490	100%	6%	94%	5x current fees, but significantly below applicant benefit cost. Expectation is application processing automation will reduce costs, but will need to spread new system costs across low number of applicants (250).	Preferred option	\$500	33%	67%	Novelty fireworks certificate	Current	\$50	\$700	\$210	100%	7%	93%	5x current fees, but significantly below applicant benefit cost. Expectation is application processing automation will reduce costs, but will need to spread new system costs across low number of applicants (250).	Preferred option	\$250	36%	64%	New organisms									S.40 Containment non-notified	Current	\$2,000	\$16,500	\$5,000	20-30%	12%	88%	1.75x increase on current fee. 30% cost of processing the application is \$4,950	Preferred option	\$3,500	21%	79%	S.40 Containment notified	Current	\$10,000	Not available as no recent applications	Not available as no recent applications	20-30%		
Explosives certificate	Current	\$100	\$1,500	\$490	100%	6%	94%	5x current fees, but significantly below applicant benefit cost. Expectation is application processing automation will reduce costs, but will need to spread new system costs across low number of applicants (250).																																																								
	Preferred option	\$500				33%	67%		Novelty fireworks certificate	Current	\$50	\$700	\$210	100%	7%	93%	5x current fees, but significantly below applicant benefit cost. Expectation is application processing automation will reduce costs, but will need to spread new system costs across low number of applicants (250).	Preferred option	\$250	36%	64%	New organisms									S.40 Containment non-notified	Current	\$2,000	\$16,500	\$5,000	20-30%	12%	88%	1.75x increase on current fee. 30% cost of processing the application is \$4,950	Preferred option	\$3,500	21%	79%	S.40 Containment notified	Current	\$10,000	Not available as no recent applications	Not available as no recent applications	20-30%			1.5x current fee. Aligns with hazardous substances notified Category B application proposed fee.	Preferred option	\$15,000										
Novelty fireworks certificate	Current	\$50	\$700	\$210	100%	7%	93%	5x current fees, but significantly below applicant benefit cost. Expectation is application processing automation will reduce costs, but will need to spread new system costs across low number of applicants (250).																																																								
	Preferred option	\$250				36%	64%		New organisms									S.40 Containment non-notified	Current	\$2,000	\$16,500	\$5,000	20-30%	12%	88%	1.75x increase on current fee. 30% cost of processing the application is \$4,950	Preferred option	\$3,500	21%	79%	S.40 Containment notified	Current	\$10,000	Not available as no recent applications	Not available as no recent applications	20-30%			1.5x current fee. Aligns with hazardous substances notified Category B application proposed fee.	Preferred option	\$15,000																							
New organisms																																																																
S.40 Containment non-notified	Current	\$2,000	\$16,500	\$5,000	20-30%	12%	88%	1.75x increase on current fee. 30% cost of processing the application is \$4,950																																																								
	Preferred option	\$3,500				21%	79%		S.40 Containment notified	Current	\$10,000	Not available as no recent applications	Not available as no recent applications	20-30%			1.5x current fee. Aligns with hazardous substances notified Category B application proposed fee.	Preferred option	\$15,000																																													
S.40 Containment notified	Current	\$10,000	Not available as no recent applications	Not available as no recent applications	20-30%			1.5x current fee. Aligns with hazardous substances notified Category B application proposed fee.																																																								
	Preferred option	\$15,000																																																														

Service		Fee (ex. GST)	Est. cost to process	Direct staff (marginal)cost	Applicant est. benefit	Applicant % costs	Government % costs	Comment on preferred option
S.40 Containment rapid	Current	1,000	\$5,000, plus pre-application	\$1,500, plus pre-application \$10,500	30%	20%/ 2%	80%/ 98%	3x current fee. The applicant benefits considerably from the pre-application assistance not charged for. Proposed fee reflects this.
	Preferred option	\$3,000	\$45,000			60%/ 6%	40%/ 94%	
S.34 import or release, no controls	Current	\$15,000	\$120,000	\$36,500	20-30% research	13%	87%	1.3x current fee for research; 1.7x current fee for commercial. Aligns with hazardous substances category C proposed fee.
	Preferred option	\$20,000 research \$25,000 business			80% business	17%/ 21%	83%/ 79%	
S.34 import, release rapid incl. medicine	Current	\$500	\$5,000-\$55,000	\$1,500-\$16,500	20-30% research	10%/ 0.9%	90%/ 99%	6x current fee. The applicant benefits considerably from the pre-application assistance not charged for. Proposed fee reflects this. Aligns with Containment rapid fee.
	Preferred option	\$3,000			80% business	60%/ 5%	40%/ 95%	
S.26 determination	Current	\$1,000	\$6,000	\$2,000	80-100%	16%	84%	3x current fee. Aligns with s.26 hazardous substances proposed fee
	Preferred option	\$3,000				50%	50%	