



Australian Government

**Department of the Environment
and Energy**

DRAFT COST RECOVERY IMPLEMENTATION STATEMENT

Regulating emissions standards for non-road spark ignition engines and equipment

2017/2018

Cost recovery involves government entities charging individuals or non-government organisations some or all of the efficient costs of a regulatory activity. This may include goods, services or regulation, or a combination of them. The Australian Government Charging Framework, which incorporates the Cost Recovery Guidelines (the CRGs)¹, sets out the framework under which government entities design, implement and review regulatory charging activities.

¹ The Australian Government Charging Framework and the CRGs are available on the Department of Finance website (www.finance.gov.au).

1. INTRODUCTION

1.1 Purpose of the CRIS

This draft Cost Recovery Implementation Statement (draft CRIS) provides information on how the Department of the Environment and Energy (the Department) intends to implement cost recovery for the introduction of emission standards for non-road spark ignition engines and equipment (NRSIEE). The CRIS will also report financial and non-financial performance information relating to NRSIEE emissions regulation and provide financial forecasts for three forward years. The Department will review and maintain the CRIS while the regulatory activity and cost recovery arrangements are in place.

As this is the first draft CRIS for cost recovery for NRSIEE emissions regulation its purpose is also to seek stakeholder feedback on the proposed cost recovery arrangements. The cost recovery model has been designed to reflect the most efficient and effective costs associated with all aspects of delivering the NRSIEE scheme. Section 9 of this document has information on how to submit comments to the Department. There is a set of questions designed to assist stakeholders in providing feedback. These questions are not exhaustive, and feedback on other aspects is welcome.

1.2 Description of the regulatory charging activity

What is the regulatory activity being cost recovered? What policy outcomes will the activity achieve?

New commonwealth legislation which commenced on 15 September 2017 will allow the Minister for the Environment and Energy to set emissions standards for products. The first products that will be regulated under this legislation are NRSIEE, which comprises non-road spark ignition engines and equipment 19 kilowatts and below in power, and spark ignition marine engines.

Establishing emissions standards for NRSIEE products through Commonwealth legislation is a key action under the National Clean Air Agreement established by Australia's Environment Ministers in December 2015. There are currently no emissions standards in Australia for these products.

NRSIEE generally lack the advanced emission controls found in motor vehicles, so they can be high polluters relative to their engine size and usage. For example, a two-stroke leaf blower used for one hour can emit the same emissions of oxides of nitrogen as a car, and as much hydrocarbons as 150 cars, when operated over the same timeframe.

The product emissions standards for NRSIEE will set standards for the emissions of oxides of nitrogen, carbon monoxide and hydrocarbons. The requirements of the legislation will be phased in from 1 July 2018 when all new NRSIEE products imported must comply with the standards. From 1 July 2019 all new NRSIEE products sold in Australia must comply with the standards.

NRSIEE products that are certified as meeting the emissions standards from the US EPA, California Air Resources Board, Canada and the European Union meet the Australian standards.

If a product is not already certified in an accepted international jurisdiction an application may be made for Australian certification. In certain circumstances some products may be eligible for exemptions from the standards.

Regulating emissions from small petrol engines will deliver \$1.7 billion in avoided health costs over 20 years. The emissions standards for NRSIEE products will also have an additional benefit as lower-emitting engines are more fuel efficient. This will result in less carbon dioxide emissions and contribute to meeting Australia's international obligations under the United Nations Framework Convention on Climate Change.

Why is charging appropriate for the regulatory activity?

Cost recovery increases awareness of the real costs of government activity. The cost recovery arrangements for NRSIEE regulatory activities consists of fees and levies designed in accordance with the Australian Government's charging framework and Cost Recovery Guidelines (CRGs). Fees apply for costs that result from the provision of particular services to individuals who are involved with the scheme and levies are used to recover costs arising from broader program delivery including compliance and enforcement.

For the NRSIEE scheme, fees will be charged for applications for the certification of engines to the Australian standards and for applications for exemptions from complying with the standards. The costs for these services are linked to specific individuals or organisations submitting applications that require assessment and follow up action.

A levy on imports and levy on supply of locally manufactured² products will cover the costs of compliance, enforcement and delivery of the scheme. The import and supply of NRSIEE products into the Australian market generates the need for this regulatory activity so, in line with the requirements set out by the CRGs, it is appropriate for costs to be recovered from importers and local manufacturers.

The Department has sought to minimise regulatory and administrative burden (and therefore costs) in designing the NRSIEE scheme. For instance implementing averaging banking and trading of emissions, evaporative emission standards and domestic certification of products already covered by trusted international certifications would significantly increase the charges to industry with little impact on the overall benefits. Costs have also been reduced in establishing the Information Technology system to support the scheme by fully integrating with the departments existing client relationship management interface. The financial estimates for delivering the NRSIEE scheme represent the minimum costs necessary to provide the activity while achieving the policy outcomes and legislative functions of the Australian Government.

Who will pay the regulatory charges?

Importers of new NRSIEE products will be liable for the levy. Local manufacturers² of NRSIEE will be liable for a levy on products supplied to the local market.

Levy payments will be calculated on an annual basis. It is proposed that the levies be calculated on a financial year basis (from 1 July to 30 June).

² Local manufacture refers to the manufacture of engines and does not include the assembly of equipment using imported engines.

Importers or manufacturers that submit applications for Australian NRSIEE certification or for an exemption to the standards will pay the relevant application fee. Details of the proposed schedule of fees and charges is contained in section 3.3 of this draft CRIS.

What other stakeholders are affected?

The levy liability for importers will be calculated on import data provided by the Department of Immigration and Border Protection. Customs brokers who complete customs declarations for importers of NRSIEE products are therefore key stakeholders in the NRSIEE scheme. The Department will ensure that appropriate training is provided to customs brokers to enable them to appropriately declare NRSIEE products and provide the information required.

Wholesalers, retailers, suppliers and consumers of NRSIEE products will find that non-compliant products will no longer be available. This will include products across the full price range in most types of NRSIEE products but will also include some of the cheapest models currently on the market. There are a full range of compliant products available. Cheaper alternatives such as electric or battery powered products are not affected by the regulations. Second hand NRSIEE are excluded from the scope of the legislation as are products that consumers already own. The levy model aims to minimise any price increases for compliant NRSIEE products as a result of the additional cost.

2. POLICY AND STATUTORY AUTHORITY TO COST RECOVER

2.1 Government policy approval to cost recover the regulatory activity

On 9 May 2017, as part of the Federal Budget, the Government announced cost recovery would be introduced to administer the new product emissions standards for NRSIEE. Details of the budget announcement can be found in the Environment Department's Portfolio Budget Statement <http://www.environment.gov.au/about-us/publications/budget/portfolio-budget-statements-2017-18>

Cost recovery charges will commence once enabling legislation has been passed by parliament for the fees, levy and excise and the Cost Recovery Implementation Statement is finalised.

2.2 Statutory authority to charge

Which legislation provides authority to impose for the regulatory charges?

New legislation, the *Product Emissions Standards Act 2017*, *Product Emissions Standards (Customs) Charges Act 2017*, and *Product Emissions Standards (Excise) Charges Act 2017* were passed by the parliament on 11 September 2017 providing authority for the emissions standards and their associated regulatory charges. Rules and regulations made under the new legislation will provide the details of the fees and levy. The proposed schedule of charges is contained in section 3.3 of this draft CRIS. The rules and regulations will be drafted taking into account any feedback provided during the consultation for this draft CRIS.

The specific sections of legislation authorising cost recovery are identified below. Once all subordinate legislation has been enacted it will be included in this section of the CRIS. The final CRIS will be published on the Department's website.

Product Emissions Standards Act 2017

- Section 51(2)(a) states that the rules may provide for charging fees for services provided in the performance of functions under this Act;
- Section 51(7) states that the rules may provide for the collection and recovery of charges imposed by the *Product Emissions Standards (Customs) Charges Act 2017* and the *Product Emissions Standards (Excise) Charges Act 2017*.

Product Emissions Standards (Customs) Charges Act 2017

- Section 5 states that charge is imposed on the importation of emissions-controlled products
- Section 6(a) and (b) state that the amount of the charge imposed on the importation of an emissions-controlled product is the amount prescribed by the regulations or worked out in accordance with a method prescribed by the regulations.

Product Emissions Standards (Excise) Charges Act 2017

- Section 5 states that charge is imposed on the manufacture of emissions-controlled products.
- Section 6 (a) and (b) states that the amount of charge imposed on the manufacture of an emissions-controlled product is the amount prescribed by the regulations or worked out in accordance with a method prescribed by the regulations.

3. COST RECOVERY MODEL

3.1 Outputs and business processes of the regulatory charging activity

The cost recovery model that establishes the cost of efficient and effective administration of regulatory activities for NRSIEE products includes fees for service and levy cost recovery charges. The regulatory outputs are broadly categorised as;

- Output 1: Assessments of certification and exemption applications;
- Output 2: Compliance and enforcement; and
- Output 3: NRSIEE scheme delivery.

Output 1: Assessments of certification and exemption applications

Applications for Australian Certification

In order for NRSIEE products to be imported or manufactured and supplied into the Australian market they will need to meet the emissions standards specified under the *Product Emissions Standards Bill 2017* and subordinate legislation. Products that have been certified as meeting the standards by the US EPA, California Air Resources Board, Canada, or the European Union will be recognised as meeting the Australian standards. Products certified under these systems have an identifying certification number which will need to be provided when the products are imported. When making an import declaration, tariff codes that cover NRSIEE products will trigger a community protection question, which will request the input of the certification number.

In the event that a NRSIEE product is not already certified in a recognised jurisdiction then an application may be made to the Department of the Environment and Energy for Australian certification. Applications for Australian certification will have to submit laboratory emissions testing results to the Department for assessment. If certification is granted then a unique identifying certification number will be issued along with a set of conditions.

Applications for Australian certification will be assessed through one of two streams each with a different application fee. The differences in the assessment process and application fee reflect the complexity and therefore cost of the assessment, which will depend on the level of accreditation of the laboratory where emissions testing was conducted.

There will be a lower application fee for certification applications where testing has been conducted in a laboratory accredited by the International Laboratory Accreditation Cooperation (ILAC) to the appropriate standard. There will be a higher application fee when testing is conducted in a non-ILAC accredited lab as independent technical advice may be required by the Department to verify test results from non-accredited laboratories. The emissions testing must be able to demonstrate compliance with the engine testing procedures specified in the Australian standards. These will be equivalent to the testing procedure specified in the United States Environment Protection Agency Code of Federal Regulations Part 1065.

How does this affect me?

If you plan to import and sell NRSIEE that has been certified in a jurisdiction recognised by the new legislation then you do not need to apply for Australian certification. This means products certified by the US EPA, California Air Resources Board, Canada, or the European Union. To import these products you will be asked to provide the overseas certification number before you import.

If the product you plan to import and sell is not certified in one of the recognised jurisdictions you will need to apply for Australian certification and pay the relevant application fee. When a product is certified against the Australian standards a certification code will be provided for the product which can then be provided at the time of import.

Appendix A of this document has a process map outlining the certification application assessment process.

Exemption applications

Under particular circumstances certain types of NRSIEE products that do not meet the emissions standards may be imported or sold in Australia under exemption provisions. Applications for exemptions must be made to the Department. There are three exemption categories that are context specific and which have different requirements for provision of supporting information. An application must include a fee payment to the Department, the application is then assessed and if an exemption is granted, a unique identifying exemption number with a set of conditions will be provided for the NRSIEE product.

Table 1 Exemption categories

Exemption category	What is included
1	• NRSIEE imported for testing, evaluation and display purposes
2	• NRSIEE used by Australian military or security forces for national security purposes where compliant engines are unsuitable or unavailable.
3	• NRSIEE imported for re-export which will not be used in Australia or supplied to the Australian market

	• NRSIEE used by recognised bodies for specialized rescue or emergency tasks where compliant engines are unsuitable or unavailable • Replacement engines for an existing marine propulsion engine, not including outboards: • which is, or is powering, NRSIEE that has been supplied to the Australian market before 1 July 2019; • which was not certified under the rules; • which has failed or become unserviceable; and • where compliant replacement engines are unsuitable or unavailable. • NRSIEE solely for use in legitimate competition events managed by recognised incorporated organisations where compliant engines are unsuitable or unavailable.
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How does this affect me?

If you intend to import NRSIEE that falls into one of the categories above you may be eligible for an exemption from complying with the standards. Exemptions can only be granted in restricted circumstances depending on the type of exemption being sought. Payment of the relevant exemption fee is required before an application for an exemption will be assessed.

Appendix A of this document has a process map outlining the exemption application assessment process.

Output 2: Compliance and Enforcement

Compliance and enforcement activities will be coordinated through a compliance strategy covering monitoring, auditing, investigations, and liaison with the Department of Immigration and Border Protection. In addition, an important component of the compliance and enforcement strategy is a compliance education program. This is important as this is a new regulatory activity for a previously unregulated community. The aim of this program is to help importers, manufacturers and suppliers to understand the requirements of the legislation so they can comply with the legislation. The compliance education program will include information for importers about their obligations under the legislation. There will also be training for customs brokers to ensure awareness of the new requirements for importers of NRSIEE products.

Output 3: NRSIEE Scheme Delivery

The levy will also recover the costs of the activities that support delivery of the NRSIEE scheme. These activities include the development and implementation of an online system to allow importers to manage their applications for certifications and exemptions, to process payments and to meet any reporting obligations. Other scheme delivery activities include providing information to stakeholders who will interact with the program, responding to enquiries, staff training, monitoring performance of the program including cost recovery arrangements and ensuring the legislation and standards are updated.

Levy on imports and supply of locally manufactured NRSIEE

The levy on imports of NRSIEE and supply of locally manufactured NRSIEE will recover the costs of compliance and enforcement activities and activities that support NRSIEE scheme delivery including the capital costs of the IT system. The initial establishment costs will be recovered over the first four years of the program. It is expected that the levy will decrease after this time as the

establishment costs such as the IT system will have been recovered. In addition the levy is higher initially than it would otherwise be as it is charged for only three of the first four years of the scheme's establishment and operation.

The levy owed by each liable importer will be calculated over a 12 month period using import data from the previous financial year. There will be an iterative process between the Department and importers, ensuring accurate calculation of the levy liability. Only new imported items will be subject to the levy. (Appendix A has a process map for the levy assessment process).

The levy on supply of locally manufactured NRSIEE will be calculated using reports submitted by manufacturers to the Department within the first 60 days after the end of a reporting period (further details will be in the Rules made under the Product Emission Standards legislation)³. At this stage it is not anticipated that the levy on domestic manufacturing will be a significant source of revenue for the program as there is currently no domestic manufacture of non-road spark ignition engines. (Appendix A has a process map for the excise assessment process).

Further details on the levy, including how it may affect you, are in Section 3.3 of this CRIS.

3.2 Costs of the regulatory charging activity

The cost recovery model for the NRSIEE regulatory activity reflects the costs of undertaking the activities that support the delivery of the scheme. In developing the model, interviews and workshops were conducted with officers performing similar regulatory functions. Staffing costs reflect the complexity of the work and the need to exercise professional judgement. The estimates of the outputs are based on import data from the Department of Immigration and Border Protection, industry data, other regulatory programs, enquiries the Department has received to date and current levels of compliance effort for other comparable legislative schemes.

The volume estimates for applications for Australian certification are based on an assumption that the majority of NRSIEE imported into Australia once standards are in place will already be certified in one of the recognised jurisdictions and therefore demand for these services would be relatively low. For exemption applications the volume estimates are based on factors including experiences in overseas jurisdictions and the range of certified products that are already available.

The direct costs of the activity include staff and supplier costs. The indirect costs include administrative support, accommodation and technology costs. The capital costs for NRSIEE relate to the IT system for management of data and workflows.

Regulatory charging activity and the costs of delivering the program will be reviewed on an annual basis and charges revised to ensure minimum efficient costs to those paying for the scheme.

³ Local manufacture refers to the manufacture of engines and does not include the assembly of equipment using imported engines.

Table 2 Cost breakdown estimates for 2017-2018 budget year

	Direct costs	Indirect costs	Capital costs
Output 1 Assessment of certification and exemption applications			
Assessment business processes: Assessment, recommendation, issuing unique numbers and conditions, reporting	\$464,469	\$64,254	
Output 2 Compliance and Enforcement			
Compliance and Enforcement business processes: Monitoring and audits, investigation, education, compliance strategy, debt recovery	\$203,127	\$31,098	
Output 3 NRSIIE Scheme Delivery			
NRSIIE scheme delivery business processes: Enquiries, international reporting, updating legislation & standards, payment processing, training, legal costs & monitoring cost recovery	\$848,370	\$122,726	
Capital costs: IT system development			\$1,108,400
Department of Immigration and Border Protection	\$48,000		
TOTAL	\$1,563,966	\$218,078	\$1,108,400

3.3 Design of regulatory charges

A combination of fees and levies are used to recover costs based on whether the benefits of a particular service (costs) are able to be linked directly to individuals or are provided to the industry more generally. The regulatory charges have been designed to be recovered as a whole over a period of four years, as represented in Table 5, Section 6.

Application fees

The application fees for Australian certification and exemptions reflect the cost of the work effort required to undertake the assessment, this includes collecting the fees and associated financial processes, assessing the application, making a recommendation to the decision maker and issuing a certificate with a unique identifying number and a set of conditions to the applicant. The upfront application fees are flat rates and were determined according the level of assessment required for the respective applications.

Application fees and sub components

Certification 1	Certification with non- ILAC \$2,850.00	Receive application \$156.47	Assess application \$1,998.31	Approve application \$658.78	Notify applicant \$40.52
Certification 2	Certification with ILAC \$1,330.00	Receive application \$136.21	Assess application \$577.08	Approve application \$576.19	Notify applicant \$40.52
Exemption 1	Exemption Category 1 \$390.00	Receive application \$75.44	Assess application \$57.11	Approve application \$216.93	Notify applicant \$40.52
Exemption 2	Exemption Category 2 \$550.00	Receive application \$75.44	Assess application \$183.77	Approve application \$250.27	Notify applicant \$40.52
Exemption 3	Exemption Category 3 \$1,470.00	Receive application \$75.44	Assess application \$546.28	Approve application \$807.76	Notify applicant \$40.52

The fee rates will be reviewed annually based the level of demand for certifications and exemptions and the actual costs of providing these services to program users. The first review will coincide with the review of the levy rate following the first full year of operation of the levy in July 2019. A timeline of forward dates is at section 8.

Receiving an application includes confirming the application type details, sending an invoice, receiving a payment and allocating the task to an assessment officer. Assessment includes comparing the specifications of the application against the appropriate standard, verifying the details provided or seeking additional information, commissioning technical advice if required. Approving an application involves preparing a report for delegate approval, specifying reporting criteria, assigning to a delegate, generating a certification or exemption number. Notification involves providing certification or exemption advice to the applicant and recording information on internal and public databases.

Levy

The proposed levy on imported NRSIEE items is based on the cost driver associated with administering the NRSIEE scheme, a line of import data. A line of import data is a line on an import declaration relating to one type of NRSIEE with a unique description (e.g. XYZ model lawn mower) and its relevant tariff code.

At import any NRSIEE related tariff codes (NRSIEE are identified in around 50 different tariff codes) will prompt a request for a certification code that indicates the item meets the emissions standards. Following import each line of import data is checked to verify that the product is certified.

There can be any number of individual items represented on a line of import data. The value of the item has a strong correlation with the number of items imported per line. Lower value NRSIEE items are generally imported in higher numbers per import line than high value items.

As a result of the above, the levy rate is a percentage of the value of imports in a financial year from data obtained from the Department of Immigration and Border Protection. The initial rate of 0.5% was determined by using an estimate of the total volume of NRSIEE imports from the 2015 calendar year. The levy rate will be reviewed annually based on actual import figures for the previous year, the level of demand for services provided through the program and the actual costs of delivering the scheme. The first opportunity to review the levy rate will be following the first full year of operation of the levy in July 2019.

A low levy threshold is proposed below which the levy is not charged as it is not economical to do so. This would be set at the cost of administering a levy liability which includes calculating the levy liability, contacting the importer to confirm the liability amount, sending an invoice and processing the payment. The cost model shows the cost of processing a levy payment to be around \$140.

Utilising a low levy threshold, the number of importers that would pay a levy is reduced from 926 to 267, with a reduction in total levy revenue (from levy amounts below \$140) totalling approximately \$17,000. This approach also reduces the levy for those who are above the threshold as the Department's overall costs are reduced by around \$75,000 by not incurring the net cost of recovering the levy from those below the threshold.

A high value threshold is also recommended for the NRSIEE levy to better allow for the value of the engine component of the overall item value in higher value NRSIEE products. Market information shows there are few NRSIEE valued above \$40,000. However import data show some items of NRSIEE with values significantly in excess of this amount. The very high cost items are generally imported individually as one item per line on an import declaration. Setting the maximum threshold at \$40,000 with a value based levy of 0.5% gives a levy of \$200 for each of these imports, which closely approximates the estimated cost per line of imports to administer the program.

It is proposed that the levy will be invoiced annually. The levy liability will be calculated based on the total NRSIEE imports for the previous financial year. The first year that importers may be liable for a levy on imports of NRSIEE will be 2019 for the imports made in the 2018-2019 financial year.

Each year the Department will obtain import data for the previous financial year from the Department of Immigration and Border Protection. A levy liability will be calculated and a statement of liability will be issued and sent to importers. Importers will be given the opportunity to correct import declarations that have been incorrectly reported by amending import data with the Department of Immigration and Border Protection.

After 1 October each year the Department will obtain the corrected import data from the Department of Immigration and Border Protection and make a final levy calculation which will be invoiced. Importers will have 30 days to pay the levy invoice. Throughout this process and prior to issuing a statement and an invoice the Department will be in regular contact with stakeholders to advise them of upcoming key dates.

What does this mean for me?

Q: My company imports 10,000 units of NRSIEE products such as leaf blowers and lawn mowers every financial year and the approximate declared value per item is \$200.00. What is my likely levy liability?

A: The Department will calculate your levy in this way:

Total value of imports in financial year x 0.5% = levy liability

In your case this means:

$\$2,000,000 \times 0.5\% = \$10,000$

Q: I import a small amount of NRSIEE products on an annual basis. I'm looking to import a total of 10 new log splitters after the import provisions come in. The total value that I will declare on my import declaration will be \$20,000, what is my likely levy liability?

A: The Department will calculate your levy in this way:

Total value of imports in financial year x 0.5% = levy liability

In your case this means:

$\$20,000 \times 0.5\% = \100 This means that your levy liability is below the low levy so the Department considers that you are not liable to pay the levy.

More examples of levy amounts payable can be found in Appendix C at the end of this document.

The levy rate for supply of locally manufactured NRSIEE is the same as the levy on imports to ensure a level playing field. Once the consultation on this draft CRIS is finalised and all legislation is in place for the NRSIEE scheme, the details of the fees and levy will be found in the legislation and its associated rules and regulations and the Department's website as well as this document.

Table 3 Charge rates and volume estimates for the 2017-2018 financial year

Charge title	Type	Rate	Estimated volume	Estimated total revenue	Output	Business process
Certification application (ILAC lab testing)	Fee	\$1,330	60	\$79,800	1	• Assessment business processes
Certification application (non-ILAC lab testing)	Fee	\$2,850	66	\$188,100	1	• Assessment business processes
Exemption category 1	Fee	\$390	100	\$39,000	1	• Assessment business processes
Exemption category 2	Fee	\$550	62	\$34,100	1	• Assessment business processes
Exemption category 3	Fee	\$1,470	60	\$88,200	1	• Assessment business processes
Levy on imports*	Levy	0.5%	0	0	2 & 3	• Compliance & enforcement & NRSIEE scheme delivery processes
Levy on manufacturing*	Levy	0.5%	0	0	2 & 3	• Compliance & enforcement & NRSIEE scheme delivery processes
TOTAL				\$429, 201		

* Please note that levy payments will commence in 2019 for the 2018-2019 financial year. GST does not apply to any of the fees or levies.

4. RISK ASSESSMENT

As part of the design of the cost recovery model the Department completed a charging risk assessment (CRA). The CRA's overall risk rating for implementation of the model is high. Under the CRA methodology, an overall risk rating is high if three or more predetermined criteria are categorised as high across the CRA's eight implementation risks (which relate to complexity, materiality and sensitivity).

For the NRSIEE cost recovery arrangements three implementation risks fall into the high category. These are; implications for revenue - as is the arrangements are new; the cost recovery arrangement is for new legislation; and consultation on the details of the cost recovery arrangements have been limited prior to the release of the CRIS. This draft consultation will be the first time that stakeholders will see the details of the proposed cost recovery charges.

Three implementation risks fall into the medium category. These are; the types of charges used are fees and levies; Acts of Parliament enable the introduction of cost recovery; and the proposal involves working with another Commonwealth entity.

Two implementation risks fall into the low category: that the total proposed annual cost is less than \$10m; and the expected impact of cost recovery on payers is expected to be low. Stakeholder consultation is a key component of managing the implementation risks for NRSIEE cost recovery.

The key risks for payees relate to the prices for the fees and levy, how these may change over time and how often they may change. The fees and levies and costs of administering the NRSIEE scheme will be reviewed annually and this may lead to the fees and levies being adjusted. Drivers for the need to change the fees and levies are changes in the value (and volume) of imports, changes in the costs of delivering the program and changes to the demand for the services under the scheme.

Customs agents and importers filling out import declarations will be notified that NRSIEE imports are covered by a levy and that they may be liable for a levy payment as a result of their forthcoming import activity. Following the importation of NRSIEE products the department will send notifications to all relevant importers advising them that their imports may result in a levy liability to the department. The process for finalising the levy liability is set out in section 3.3 of this paper.

The CRIS may be updated at any time based on the need to monitor progress with the cost recovery arrangements and to ensure that the revenue raised by the scheme equals the costs of administration. Payees will be notified of any proposed routine or unexpected changes to fees and the levy by email where Payees are actively engaged with the scheme and through web notifications for the broader industry and public.

Table 4 identifies risks for the NRSIEE cost recovery arrangement and management strategies.

Table 4 Risks for the NRSIEE cost recovery arrangement.

Risk	Management Strategy
Charges may under or over recover the costs associated with effective and efficient administration of the scheme.	- On an annual basis, review the assumptions made in developing the cost recovery model and revise the model to ensure accuracy in charging. Establish a repeatable process for reviewing costs. Make any statutory changes required. - Work with Industry to review progress with cost recovery and estimates of total imports
Stakeholders do not understand which charges they may need to pay.	- Ensure broad stakeholder engagement to inform importers and domestic manufacturers of cost recovery arrangements. - Clearly document charges, make them publicly available. - Provide advice to stakeholders, including through a hotline.
CRIS consultation does not reach all stakeholders	Ensure that all industry and peak bodies are involved and contacted through stakeholder engagement which is undertaken as part of the CRIS process.

5. STAKEHOLDER ENGAGEMENT

The Department has conducted meetings with stakeholders, convened an industry advisory group and has released a range of information including an information paper and an update paper advising on progress with developing the NRSIEE scheme. This draft CRIS is an opportunity for stakeholders to comment on the detail of the proposed cost recovery arrangements.

Section 9 has a list of questions to assist stakeholders in providing their views on this draft CRIS as well as how these comments can be submitted to the Department. After the draft CRIS consultation the Department will consider the comments and views of stakeholders and provide a summary of the views in the final version of the CRIS.

5.1 Summary of stakeholder feedback

This section to be updated each time the CRIS is updated

5.2 Changes made to CRIS based on stakeholder feedback

This section to be updated each time the CRIS is updated

6. FINANCIAL ESTIMATES

Table 5 Financial estimates to 2020-21

	A	B	C	D
	2017-18 (\$m)	2018-19 (\$m)	2019-20 (\$m)	2020-21 (\$m)
Department of the Environment & Energy Expenses	-2.842	-1.818	-1.818	-1.818
Department of Immigration & Border Protection Expenses	-0.048	-0.020	-0.020	-0.020
Revenue	0.429	2.658	2.658	2.658
Balance	-2.461	0.820	0.820	0.820
Cumulative balance	-2.461	-1.641	-0.821	0
Explain material ^a variance	Estimates adjustments will be made through the Budget estimates update process.			
Explain balance management strategy	Effort monitoring processes will be implemented and the fees and levies reviewed once the IT system has been fully implemented and cost recovery charges have been in effect for one year to ensure that the estimates of expenses and revenues are current.			

^a As defined by AASB1031 and Division 12 – Materiality and Disclosure of the Finance Minister’s Orders.

7A. FINANCIAL PERFORMANCE

This regulatory activity will commence in 2017/2018 and as this is the first CRIS for this regulatory activity there are no prior financial results. This section will be updated as data becomes available.

In future years, financial performance will include tracking estimated costs against actual costs annually. Where it becomes clear that there are over or under recoveries amounting to more than 10% of the total revenue the rates for the levy amount will be reviewed at that time.

7B. NON-FINANCIAL PERFORMANCE

The non-financial performance of the regulation of NRSIEE is monitored through a range of key performance indicators reported in the Department’s annual report. Some examples of key performance indicators:

- Timeliness in determining the levy liability.
- A high proportion of applications processed on time in accordance with time standards, these will be reported in the CRIS. The assessment timeframes will be published on the Department’s website.

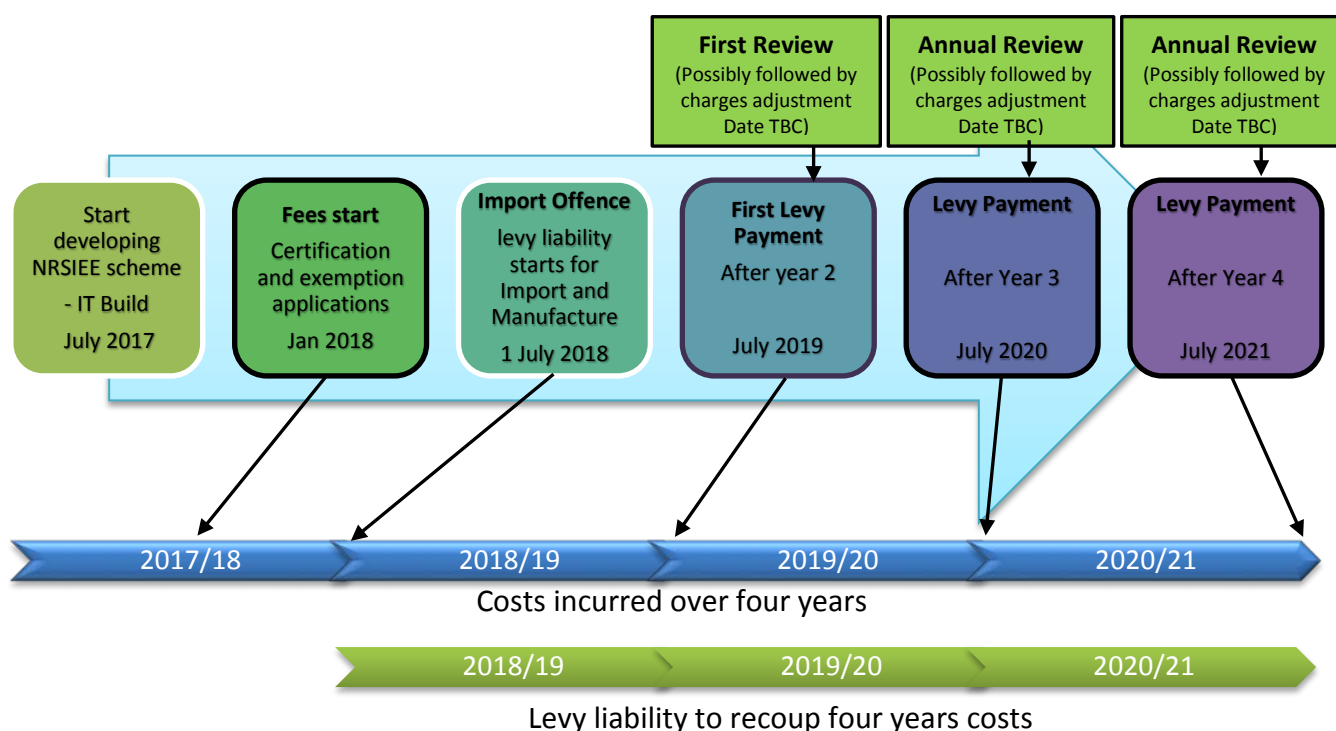
Table 6: The following table will include performance measures for the assessment processes.

Type of application	Financial year 2017-18	
	Number received	Percentage processed within time standards
Certification (emissions testing conducted in an ILAC accredited laboratory)		
Certification (emissions testing conducted in a non ILAC accredited laboratory)		
Exemption category 1		
Exemption category 2		
Exemption category 3		

8. KEY FORWARD DATES AND EVENTS

The next important forward date will be the commencement of fees for applications for certification and exemptions of NRSIEE products. This will take place by January 2018 pending all policy and statutory approvals, ahead of the import offence which is due to begin on 1 July 2018.

Fees and levies will be reviewed once the IT system has been fully implemented and all cost recovery charges have been in effect for one year (that is after July 2019) and each following year.



9. QUESTIONS FOR STAKEHOLDER CONSIDERATION

A purpose of this draft CRIS is to gain stakeholder feedback on cost recovery mechanisms for non-road spark ignition engines and equipment (NRSIEE). The following questions are designed to assist stakeholders in providing feedback to the department. These questions are not exhaustive, and feedback on other aspects is welcome.

- What are your views on the introduction of cost recovery to fund the regulatory activities related to non-road spark ignition engines and equipment under new product emissions standards legislation?
- What are the implications of cost recovery for you and/or your business?
- What other government fees and charges do you have to pay in undertaking your business? What is your experience in dealing with these charges?
- Will cost recovery charges encourage compliance with the new product emissions standards legislation? Why?
- Will cost recovery impact on competition? Why?
- What payment method would you prefer to use (for example, credit card, cheque, direct debit, BPay)?
- What service level standards do you consider appropriate for the department to meet under cost recovery arrangements?
- How frequently would you prefer to pay the levy or excise: annually or biannually and why?
- Are there certain activities or stakeholders that may be severely disadvantaged when cost recovery is introduced?
- Are there other issues that have not been addressed in these questions that should be brought to the attention of the government?

Consultation strategy and how to contribute your views

This is your chance to have your say about your views on cost recovery for new product emissions standards legislation.

This consultation process is targeted towards those stakeholders who will be regulated or otherwise affected by the new product emissions standards legislation. This may include:

- Importers and exporters
- Customs brokers
- Manufacturers
- Business and industry groups, including retailers

The public consultation period will close on 6 November 2017.

This consultation paper poses a range of questions targeted at key issues for cost recovering regulatory activities related to NRSIEE under new product emissions standards legislation. By responding to these questions, stakeholders will help inform the cost recovery system.

If requested, the Department can make officers available to attend industry or stakeholder meetings to discuss issues raised in this draft CRIS.

The Department may summarise or publish submissions in the final CRIS. If your submission includes confidential information, please contact the department by email or phone to discuss any special requirements for your submission.

Submissions can be made through the Department's Consultation Hub alternatively the submission along with a cover sheet can be made to the following address:

Email: productemissions@environment.gov.au

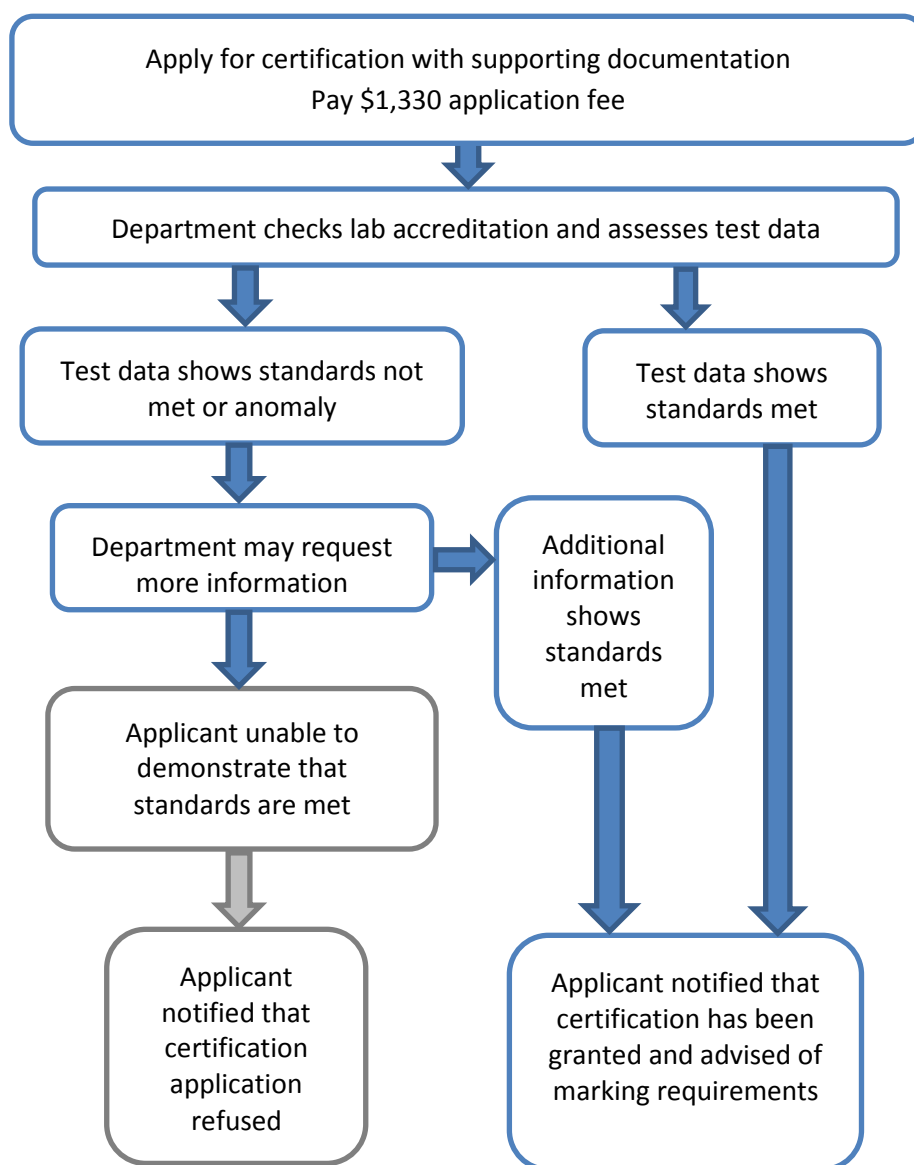
Mail: NRSIEE Cost Recovery Consultation
Air Quality Section
The Department of the Environment and Energy
GPO Box 787
Canberra ACT 2601

10. CRIS APPROVAL AND CHANGE REGISTER

Date of CRIS change	CRIS change	Approver	Basis for change
xx/07/2017	Draft CRIS for public consultation	Department of the Environment and Energy	New regulatory charging activity

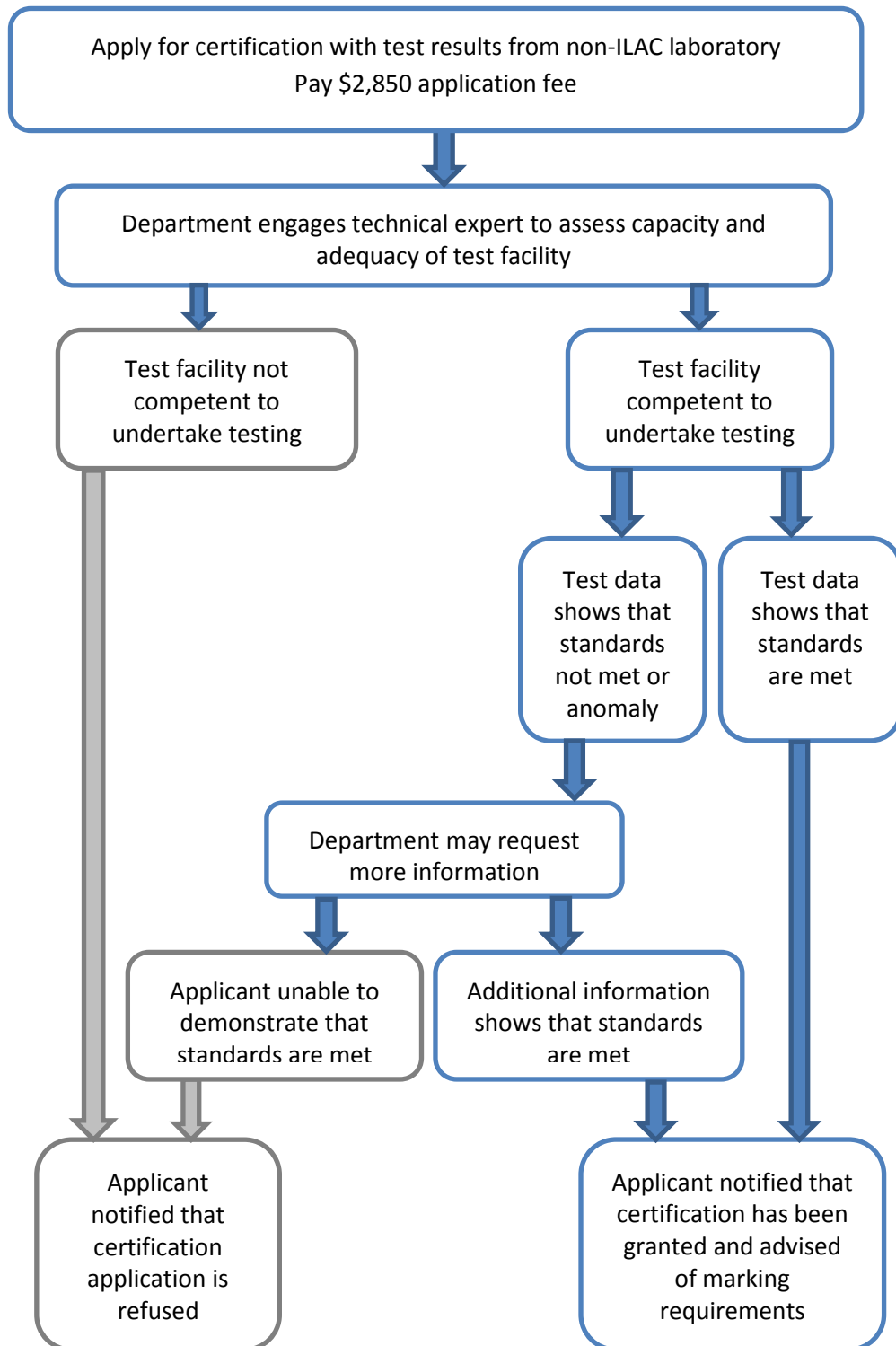
Certification application and assessment process

Engine testing completed by ILAC-accredited laboratory

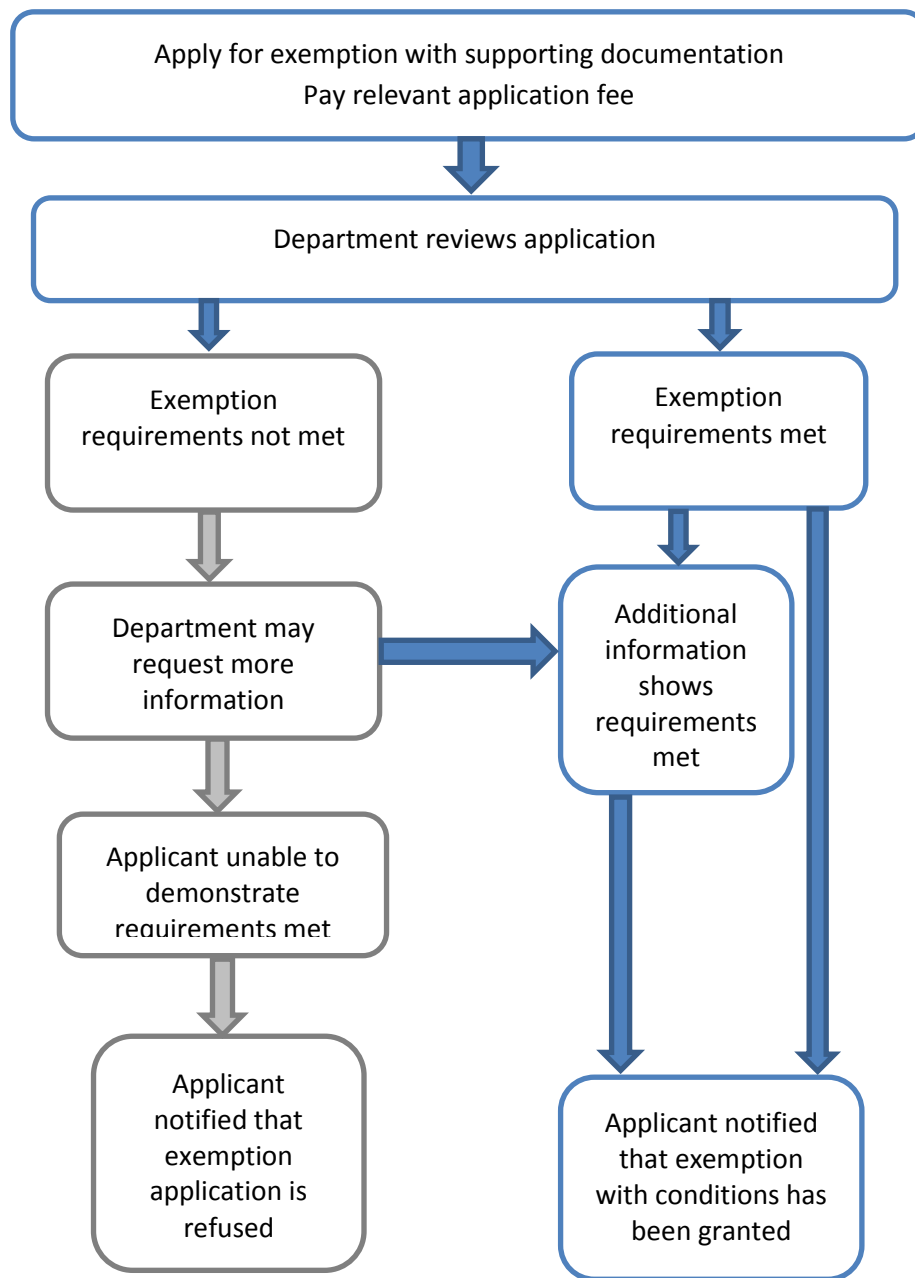


Certification application and assessment process

Engine testing completed by non-ILAC-accredited laboratory

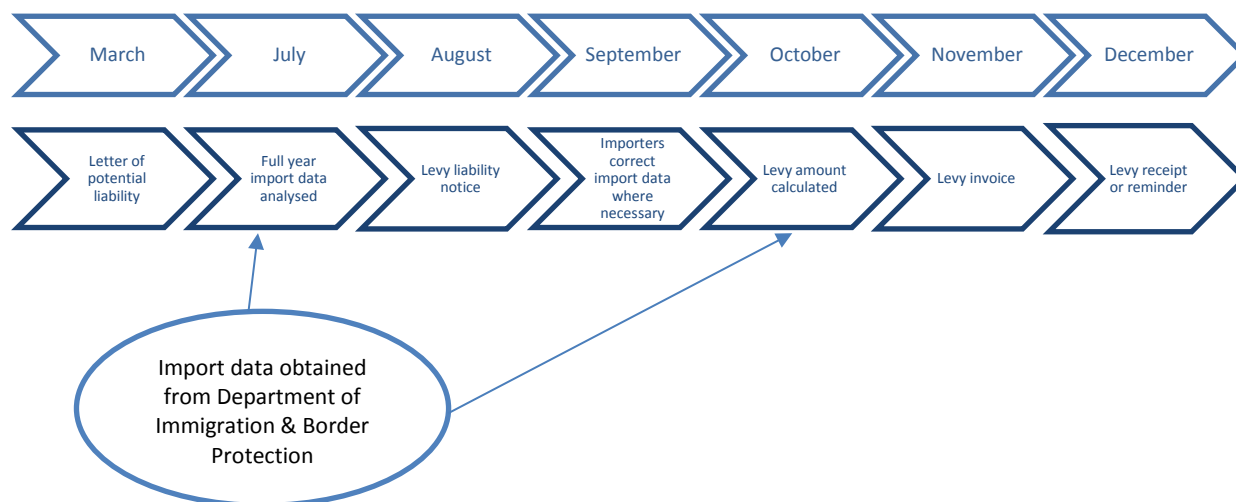


Exemption application and assessment process

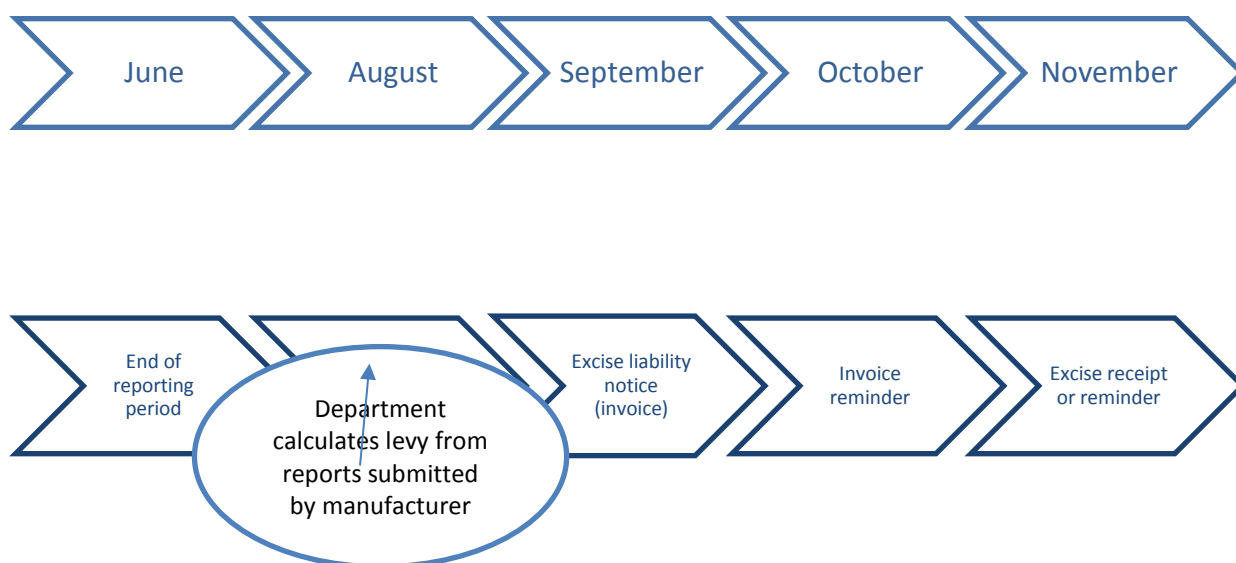


Levies assessment and collection processes

Timeline for collection of the levy on imports of NRSIEE



Timeline for collection of the levy on supply of locally manufactured NRSIEE



Further information on the levy amounts payable

Q: When will I be informed that I might be liable for a levy?

A: The levy will commence on 1 July 2018. That means the first year that importers of NRSIEE will be liable for a levy will be in 2019 for the 2018-2019 financial year.

The Department will obtain import data from the Department of Immigration and Border Protection and issue a statement of liability to the importer for the 2018-2019 financial year. If the importer believes that they may have incorrectly completed their import declaration and the statement is incorrect they will need to amend the import declaration data. It is proposed that this will be required by 1 October of that year. After this date the Department will re-obtain the import declaration data from the Department of Immigration and Border Protection and recalculate the levy liability and issue an invoice with 30 business day terms.

Q: How does the Department calculate the levy?

A: The Department collects import declaration data from the Department of Immigration and Border Protection. The calculation is then made according to the following formula:

Total declared value of NRSIEE imports in a financial year x 0.5%.

As part of the Department's calculation of the levy, a per item upper limit threshold is applied. This means that a maximum value of \$40,000 per item is applied. For example if the value of an individual item of NRSIEE is \$60,000 or \$1,000,000 the maximum value that will be used for the calculation is \$40,000. If you import one item in a financial year and its declared value in your import declaration is \$75,000 then the levy calculation will be based on \$40,000.

$\$40,000 \times 0.5\% = \200 Levy

Table 1 provides examples of the value of the levy that importers will need to pay if they exceed the low levy threshold of \$140.00. The Department will be in contact with you to advise you of any liability.

Table 1: Examples of levy liabilities

Examples of total declared value of imports in a financial year = Y	Levy = Y x 0.5%	Do I need to pay the levy? Yes/No
\$60,000,000	\$300,000	Yes
\$40,000,000	\$200,000	Yes
\$20,000,000	\$100,000	Yes
\$10,000,000	\$50,000	Yes
\$5,000,000	\$25,000	Yes
\$2,000,000	\$10,000	Yes
\$1,000,000	\$5,000	Yes
\$500,000	\$2,500	Yes
\$250,000	\$1,250	Yes
\$100,000	\$500	Yes
\$80,000	\$400	Yes
\$50,000	\$250	Yes
\$40,000	\$200	Yes
\$30,000	\$150	Yes
\$20,000	\$100	No
\$10,000	\$50	No
\$5,000	\$25	No
\$2,500	\$12.5	No
\$1,000	\$5	No
\$500	\$2.5	No

* Low levy threshold is \$140. If your estimated levy liability is \$140 or less then the Department considers that you are not liable to pay the levy.