



**Australian Government**

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**Department of Sustainability, Environment,  
Water, Population and Communities**

# **Revised Cost Recovery Arrangements for Accreditation of Voluntary Product Stewardship Arrangements**

June 2012

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# 1 Overview

In February 2012 the Department of Sustainability, Environment, Water, Population and Communities (the department) released a *Consultation Paper on the proposed model for Accreditation of Voluntary Product Stewardship Arrangements* (the February 2012 Consultation Paper). Appendix A to the paper provided detailed information on the proposed cost recovery arrangements for assessing applications for accreditation. A copy of the February 2012 Consultation Paper may be obtained from [environment.gov.au/product-stewardship](http://environment.gov.au/product-stewardship).

This paper contains revised information on the cost and application fee estimates for consultation with interested stakeholders from industry, the community and government on this matter. The estimates have been updated in light of feedback received on the February 2012 Consultation Paper, and based on the department's more recent experience in assessing applications under the National Television and Computer Recycling Scheme. The revised cost recovery arrangements presented in this paper are therefore considered to provide a more accurate reflection of the expected costs for assessing applications for voluntary accreditation.

For the purposes of this paper, an arrangement is defined as a set of activities or measures designed to achieve the outcomes for which accreditation has been sought (such as recycling target or reduction in the use of hazardous substances in a product). An administrator is defined as the entity responsible for administering an accredited arrangement and ensuring that agreed outcomes are achieved.

Feedback on this paper is sought by 22 June 2012. The feedback obtained from this consultation will further assist with the development of regulations for application fees under the *Product Stewardship Act 2011* (the Act).

# 2 Background

In December 2002 the Australian Government adopted a formal cost recovery policy to improve the consistency, transparency and accountability of its cost recovery arrangements and promote the efficient allocation of resources. The underlying principle of the policy is that entities should set charges to recover all the costs of products or services where it is efficient and effective to do so, where the beneficiaries are a narrow and identifiable group and where charging is consistent with Australian Government policy objectives. Cost recovery policy is administered by the Department of Finance and Deregulation and outlined in the *Australian Government Cost Recovery Guidelines* (Cost Recovery Guidelines).

The policy applies to all *Financial Management and Accountability Act 1997* (FMA Act) agencies and to relevant *Commonwealth Authorities and Companies Act 1997* (CAC Act) bodies that have been notified. In line with the policy, individual portfolio

ministers are ultimately responsible for ensuring entities implement and comply with the Cost Recovery Guidelines.

The *National Waste Policy: Less waste, more resources* (the National Waste Policy) notes that the accreditation of voluntary product stewardship arrangements under the *Product Stewardship Act 2011* (the Act) is to occur on a cost recovered basis through a fee for service.<sup>1</sup> The accreditation process is expected to commence in the 2012-13 financial year.

## 3 Policy review

### 3.1 Description of activity

Product stewardship is an approach to managing the impacts of different products and materials. It acknowledges that those involved in producing, selling, using and disposing of products have a shared responsibility to ensure that those products or materials are managed in a way that reduces their impact, throughout their lifecycle, on the environment and on human health and safety. Examples of existing voluntary product stewardship arrangements include collection and recycling of newspapers, recycling of mobile phones, and designing and manufacturing improved PVC products.

The aim in establishing a framework for accreditation of voluntary product stewardship arrangements is to further the objects of the Act by:

- providing an avenue for recognising and encouraging product stewardship without the need to regulate
- providing assurance to the community that voluntary product stewardship arrangements are achieving real and effective outcomes.

Seeking accreditation of a product stewardship arrangement under the Act is voluntary. This approach differs from co-regulatory and mandatory product stewardship schemes under the Act where participation is mandated and enforced using regulations.

The accreditation process can be broadly categorised into three distinct activities: (1) application and assessment; (2) monitoring and compliance; and (3) renewal of accreditation. An overview of each of these activities is provided below.

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<sup>1</sup> Environment Protection and Heritage Council 2009, *National Waste Policy: Less Waste, More Resources*, p. 9

### ***Activity 1: Application and assessment***

Applicants will be invited to submit an application for accreditation following a public notification by the department. The call for applications is likely to occur at a minimum of once per year.

Applications for accreditation will be assessed by the department to determine whether the arrangement meets the eligibility and accreditation requirements outlined in the Ministerial Determination.

The assessment of an application broadly involves the following steps:

- Documenting details of the application in an IT database
- Assessing each application against the eligibility requirements and accreditation requirements (this includes assessment outsourced to consultants with the relevant expertise, where necessary (eg. technical viability of the arrangement))
- Review of the assessment by senior staff
- Preparation of a recommendation report
- Consideration of the recommendation report by the delegate of the Minister
- Briefing the Minister on the accreditation decisions taken under the Act.

If the application meets both the eligibility and accreditation requirements, it will be accredited for a period of five years and granted use of the Australian Government's product stewardship logo subject to specific conditions. Further information on these requirements were outlined in the February 2012 Consultation Paper which can be viewed at [environment.gov.au/product-stewardship](http://environment.gov.au/product-stewardship).

### ***Activity 2: Monitoring and compliance***

Administrators of accredited arrangements will need to report on their performance to demonstrate that they are meeting the conditions and requirements of accreditation. These reports will be assessed by the department. This activity is not being considered for cost recovery.

### ***Activity 3: Renewal of accreditation***

It is proposed that accreditation will be granted to successful applicants for a period of five years. To maintain accreditation following this period, the Administrator will need to re-apply for accreditation. This will involve an assessment by the department to determine if the arrangement meets the eligibility and accreditation requirements, consistent with the assessment processes (and applicable fee) for Activity 1.

## 3.2 Stakeholders

While a range of stakeholders may have an interest in the proposed model for voluntary accreditation, cost recovery will mostly affect those organisations that apply for accreditation.

Likely stakeholders in the voluntary product stewardship accreditation process include:

- *State and territory governments*: The National Waste Policy has been agreed by all Australian governments. While the Australian Government is responsible for developing and implementing product stewardship legislation, state and territory governments have a role in supporting the establishment of an effective national framework for product stewardship, including the accreditation process.
- *Waste management authorities (including local government)*: Responsibility for waste management and landfills varies across the country, but responsible parties include state government, local councils and some private companies. These parties have an interest in voluntary product stewardship given the focus of many existing product stewardship arrangements is on managing waste.
- *Industry associations and businesses*: Many existing voluntary product stewardship arrangements are managed by industry associations and businesses. It is anticipated that additional industries and businesses will develop new arrangements for accreditation under the Act.
- *Environmental and other Non-Government Organisations (NGOs)*: These organisations are likely to be interested in ensuring the design of the accreditation framework is transparent and effective.
- *Community*: Members of the community may be interested in the design of the proposed model as well as opportunities to take advantage of services provided by accredited arrangements.

In considering the voluntary product stewardship arrangements that are currently operating, the department expects that applications will predominantly be made by industry associations, companies and NGOs.

### 3.3 Appropriateness of cost recovery

The department is proposing to introduce cost recovery charges for the assessment of applications for accreditation including applications for renewing accreditation. Costs relating to monitoring and compliance activities are not included in the cost recovery model as these are expected to be funded by the department.

The Cost Recovery Guidelines outline a process for determining whether cost recovery is appropriate for different types of activities. The assessment of voluntary product stewardship arrangements is appropriate to cost recover for three key reasons:

#### **1. *Charging is efficient and cost effective***

The level of resources required by the department to undertake an assessment of an application is directly attributable to each additional arrangement that applies for accreditation. Therefore, the department can set efficient fees that are in line with the service being provided to each arrangement administrator. Fees are also easily attributable to applicants and can be charged at the time of application, so will be efficient and cost effective to collect.

#### **2. *Benefit to administrators of accredited arrangements***

Applicants who successfully obtain accreditation will be granted use of the Australian Government's product stewardship logo. This will enable those involved in an accredited arrangement to:

- communicate to others that their arrangement has been independently assessed as being credible by the Australian Government
- obtain national recognition for the arrangement.

#### **3. *Consistent with policy goals***

Charging for the assessment of applications is consistent with the policy goals of the accreditation process, as it:

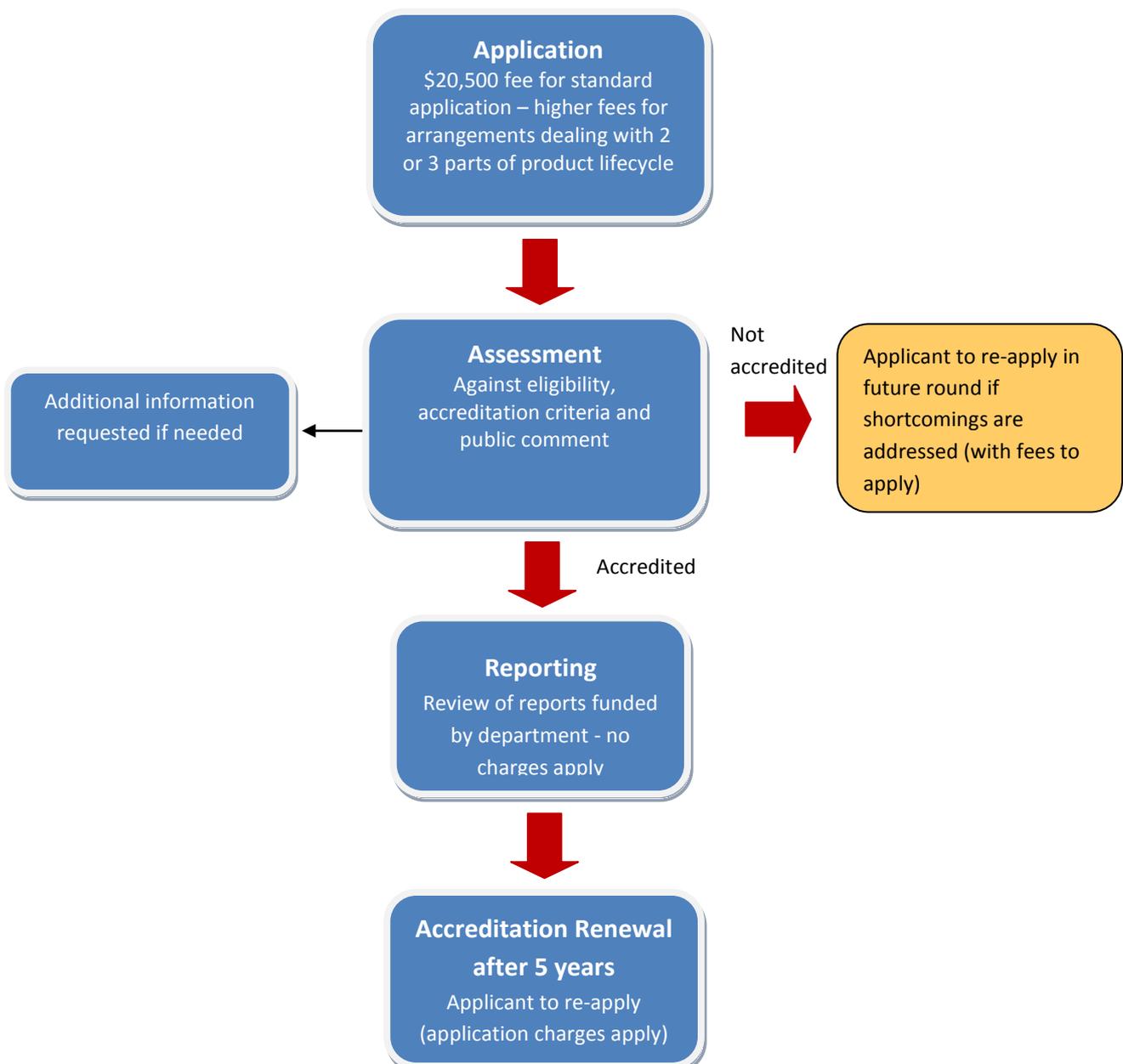
- is likely to enable a larger number of arrangements to be considered for accreditation than if funded from general tax revenue
- will enable appropriate resourcing to ensure applications are processed efficiently, even if demand is higher than expected
- will signal to applicants the costs involved in assessing an application and deter organisations from submitting poorly developed applications.

There is the potential that charging an application fee may discourage some organisations from applying for accreditation, particularly smaller organisations. Organisations will need to make their own assessment as to whether the benefits of accreditation and use of the logo outweigh any costs incurred in obtaining accreditation.

## 4 Design and implementation

This section outlines the design of the cost recovery model (refer Figure One) and how it will be implemented. Specifically, it addresses the basis on which fees will be charged, the legal requirements in establishing fees and the costs included in the proposed fees.

Figure One Overview of proposed charging structure



## 4.1 Basis of charging – fee or levy

Cost recovery charges can be introduced using:

- a fee that charges individuals or firms directly for the costs of providing the activity; or
- a levy on a group of individuals or firms (legally a form of taxation).

A fee is considered to be the most appropriate form of cost recovery for the assessment of applications for accreditation. This is because there is an identifiable recipient of the service (the applicant) and the recipient benefits if they receive accreditation.

A levy is not considered appropriate, primarily because there is no identifiable group of stakeholders upon which a levy could be imposed. Furthermore, as levies are not so closely linked to the costs of individual activities they do not have the efficiency advantages of fees.

## 4.2 Legal requirements for the imposition of charges

Section 102 of the Act provides the legal basis for charging an application fee for accreditation of a voluntary product stewardship arrangement. This section of the Act provides that:

- an application under the Act must be accompanied by any fee specified in the regulations
- the Minister may approve different forms, and the regulations may specify different fees, for different classes of application
- the Minister may waive the whole or a part of a fee.

## 4.3 Costs to be included in fees

The proposed application fee will incorporate costs that are directly attributed to the assessment of the application. These costs are comprised of staff labour, including their remuneration (i.e. salary and superannuation) and overheads (e.g. accommodation costs, IT costs and corporate expenses). Costs associated with engaging consultants with the relevant expertise are also included.

In developing the cost recovery model it was noted that some applications may be more complex than others and would therefore require more time to assess. To address this issue it is proposed that the application fee payable will be determined by the number of parts of the lifecycle that the product stewardship activities cover. For the purposes of the proposed model, the lifecycle has been categorised into three parts as shown in Figure Two below:

Figure Two Product lifecycle parts



The department's experience in assessing applications for the approval of co-regulatory arrangements under the National Television and Computer Recycling Scheme has improved the department's knowledge of the likely cost of assessing applications for accreditation of voluntary arrangements. The updated cost recovery arrangements presented in this paper therefore more closely align with expected costs.

The revised cost estimate to assess an application for an arrangement whose product stewardship activities only cover one part of the product lifecycle is approximately \$20,500. A detailed breakdown of the estimated staff time involved in each step of the assessment is provided in Table One. Costs associated with the public comment phase, itemised separately in the February 2012 Consultation Paper, has also been included in this table for ease of reference.

For administrative simplicity the final fee estimate has been rounded. Costs may be further refined depending on changes arising from this consultation process. The higher fees for more complex applications covering more than one part of the product lifecycle are outlined on page 12.

Table One Revised estimated cost of assessing an application for an arrangement covering one part of product lifecycle

Description of cost	Estimated staff time (days)			
	Assessment officer	Assistant Director	Director	Delegate of the Minister
<b>Assessment of application (dealing with one part of product lifecycle)</b>				
Initial processing of application (receipt application and lodge details in database)	0.3			
Undertake eligibility assessment	1			
Review eligibility assessment		0.3	0.1	
Undertake accreditation assessment	8			
Manage consultancies	0.6	0.3	0.1	
Review accreditation assessment		2	1	
<b>Recommendation and decision</b>				
Prepare recommendation report for delegate of the Minister	2.0			
Review recommendation report		1.0	0.5	
Consider and make decision on recommendation report				0.5
Prepare briefing for the Minister	0.2	0.2	0.1	0.1
Update database with decision	0.1			
Upload details of accredited arrangement to website	0.2			
<b>Public comment phase</b>				
Prepare information for release on website	0.3	0.1	0.1	
Review and compile submissions and summarise comments	1.0	0.5	0.3	0.1
<b>Total estimated days</b>	<b>13.7</b>	<b>4.4</b>	<b>2.2</b>	<b>0.7</b>
<b>Annual staff costs</b> <i>(approximate daily rate in brackets)</i>	<b>\$127,642</b> <i>(\$490.93)</i>	<b>\$153,866</b> <i>(\$591.79)</i>	<b>\$187,510</b> <i>(\$721.19)</i>	<b>\$244,611</b> <i>(\$940.81)</i>
<b>Total estimated cost of staff time</b>	<b>\$11,528</b>			

<b>Other direct costs</b>	
Technical assessment (outsourced)	\$9,000
<b>Total estimated other direct costs</b>	

<b>TOTAL ESTIMATED COST OF ASSESSING APPLICATION COVERING ONE PART OF PRODUCT LIFECYCLE</b>	<b>\$20,528</b>
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### *Proposals dealing with more than one part of the product lifecycle*

Higher fees have been proposed for arrangements which cover more than one part of a product's lifecycle. This reflects the likelihood that applications of this type will be more complex and therefore require more time and resources to assess. The estimated resources required for assessing each additional part of the lifecycle covered includes an extra three days for an assessment officer to undertake the accreditation assessment, 0.6 days for an Assistant Director to review the accreditation assessment and 0.3 days for a Director to also review the accreditation assessment. The assessment time is not significantly higher than for a standard application because the department expects the assessment to be similar for the eligibility requirements, the majority of the accreditation requirements and for the public comment phase. Additional time is likely to be needed primarily on assessing the proposed outcomes of the arrangement.

The estimated additional cost for this activity would be approximately \$2,044 for arrangements whose product stewardship activities cover two parts of the product lifecycle and \$4,088 for arrangements covering three parts of the product lifecycle. Consequently, the applicable fee payable upon submitting an application is as summarised in Table Two below. As noted above, final fee estimates have been rounded for administrative simplicity.

*Table Two Revised estimated application fees for each assessment type*

<b>Number of parts of the product lifecycle covered</b>	<b>Current Fee Estimates</b>
1 part of the product lifecycle	\$20,500
2 parts of the product lifecycle	\$23,600
3 parts of the product lifecycle	\$26,600

### *Renewal*

Accreditation will be granted for a period of five years. After this time, the Administrator will need to re-apply for accreditation of their arrangement. Given this assessment will need to take into account all of the elements associated with the initial assessment, it is proposed that the same fees will also apply in this instance.

- |            |   |
|------------|---|
| Question 1 | Are the proposed application fees appropriate? Please give your reasons.  |
| Question 2 | Given the revised fees described above, would your organisation be likely to seek accreditation for your arrangement? Please give your reasons. |

## 5 Ongoing monitoring

### 5.1 Monitoring mechanisms

Effective mechanisms for the ongoing monitoring of the proposed cost recovery arrangements are necessary to:

- obtain feedback so that approaches to cost recovery can be adapted in response to changing circumstances
- ensure fees are based on efficient and transparent costs
- reduce the impact of major reviews of cost recovery arrangements by allowing minor issues to be addressed as they arise.

Monitoring of the time taken to assess applications and the costs associated with technical consultancies will be undertaken by assessment officers, who will be provided with a form to document this information. The time taken to assess applications will be reviewed after each application round. This review will determine the average or standard time taken to undertake an assessment and to determine the major factors which influence assessment times.

Total cost recovery revenue will be reported in the department's annual report in accordance with the Finance Minister's Orders.

### 5.2 Periodic review

The Cost Recovery Guidelines require cost recovery arrangements to be periodically reviewed at least every five years. The department proposes reviewing the final fees and charging structure set in the regulations within 12 months to ensure they are accurate and appropriate. This timeframe has been proposed as the accreditation process is new and there is no baseline data available on the amount of time necessary to undertake an assessment.

The review will take into account the results of the monitoring activities outlined in Section 5.1. Any changes to the fees or charging structure will be done in consultation with stakeholders and consistent with the Australian Government's Cost Recovery Policy.

After this initial review, the cost recovery arrangements will be reviewed on a regular basis of no more than five year intervals. Reviews may also be undertaken within a shorter timeframe, if monitoring activities show discrepancies between the fees and the actual costs associated with undertaking an assessment.

## 6 Providing feedback

Submissions are invited in response to the issues and questions in this paper and any other relevant issues you may wish to raise.

All submissions will be regarded as public documents unless clearly marked 'confidential' or 'commercial-in-confidence'. Subject to the provisions under the *Freedom of Information Act 1982* documents marked this way may be made available to other interested parties. While a formal response will not be provided on each submission, all comments will be considered in the development of the regulations and supporting policy or administrative material.

**The closing date for submissions is 22 June 2012.**

To protect your privacy a submission cover sheet can be obtained at [environment.gov.au/product-stewardship](http://environment.gov.au/product-stewardship).

Provision of electronic submissions by email is preferred. The department encourages interested parties to make submissions in either Microsoft Word or PDF format. Hardcopy submissions should be unbound.

Submissions may be directed to:

- [wastepolicy@environment.gov.au](mailto:wastepolicy@environment.gov.au) (please include 'voluntary product stewardship submission' in the title) or
- Product Stewardship Policy Team  
Department of Sustainability, Environment, Water, Population and Communities  
GPO Box 787  
Canberra ACT 2601

## 7 Glossary

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Accredited voluntary arrangement	A voluntary arrangement that is accredited in relation to a class of products in accordance with the Ministerial Determination to be made under Section 13 of the <i>Product Stewardship Act 2011</i> .
Administrator	The entity responsible for administering an accredited arrangement and ensuring that the outcomes of the arrangement are achieved. This may be a product stewardship organisation established for that purpose.
Arrangement	A set of activities or measures designed to achieve the outcomes for which accreditation has been sought. The details of each arrangement will need to be submitted to the department for accreditation and each arrangement will need to nominate an Administrator.
Class of product	The product being addressed by the arrangement. To be determined by the type of product stewardship arrangements that come forward. For example, it could be broad (e.g. packaging) or narrow in scope (e.g. glass containers).
Cost recovery	Fees and charges related to the provision of government goods and services (including regulation) to the private and other non-government sectors of the economy. <sup>2</sup>
Life cycle	Covers the time from when a product is manufactured through to the time of the product's end-of-life treatment.
Product	A thing (including a substance or mixture of substances) that is manufactured.
Product stewardship	An approach to managing the impacts of different products and materials. It acknowledges that those involved in producing, selling, using and disposing of products have a shared responsibility to ensure that those products or materials are managed in a way that reduces their impact, throughout their lifecycle, on the environment and on human health and safety.

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<sup>2</sup> Australian Government Cost Recovery Guidelines (2005)

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Waste	Waste associated with the product after it is disposed. It does not cover waste produced in the manufacturing process.
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the Act	Refers to the <i>Product Stewardship Act 2011</i> .
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the department	Refers to the Australian Government Department of Sustainability, Environment, Water, Population and Communities.
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Voluntary product stewardship	Voluntary product stewardship involves parties coming forward voluntarily to seek accreditation by the Australian Government of a product stewardship arrangement on a fee-for-service basis. Under the Act, participation across an entire industry in a voluntary product stewardship arrangement is not required.
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## Appendix A: Application fee estimates as described in the February 2012 Consultation Paper

*Cost for assessing an application for an arrangement covering one part of product lifecycle*

Description of cost	Estimated staff time (days)			
	Assessment officer	Assistant Director	Director	Delegate of the Minister
<b>Assessment of application (dealing with one part of product lifecycle)</b>				
Initial processing of application (receipt application and lodge details in database)	0.3			
Undertake eligibility assessment	1.0			
Review eligibility assessment		0.3	0.1	
Undertake accreditation assessment (including managing consultancies)	5.2			
Review accreditation assessment		1.0	0.1	
<b>Recommendation and decision</b>				
Prepare recommendation report for delegate of the Minister	1.0			
Review recommendation report		0.5	0.5	
Consider and make decision on recommendation report				0.2
Prepare briefing for the Minister	0.2	0.2	0.1	0.1
Update database with decision	0.1			
Upload details of accredited arrangement to website	0.2			
<b>Public comment phase</b>				
Prepare information for release on website	0.3	0.1	0.1	
Review and compile submissions and summarise comments	1.0			
<b>Total estimated days</b>	<b>9.3</b>	<b>2.1</b>	<b>0.9</b>	<b>0.3</b>
<b>Annual staff costs</b> (approximate daily rate in brackets)	<b>\$127,642</b> <b>(\$490.93)</b>	<b>\$153,866</b> <b>(\$591.79)</b>	<b>\$187,510</b> <b>(\$721.19)</b>	<b>\$244,611</b> <b>(\$940.81)</b>
<b>Total estimated cost of staff time</b>	<b>\$6,740</b>			

<b>Other direct costs</b>	
Financial viability assessment (outsourced)	\$2,500
Technical assessment (outsourced)	\$5,000
<b>Total estimated other direct costs</b>	<b>\$7,500</b>
<b>TOTAL ESTIMATED COST OF ASSESSING APPLICATION COVERING ONE PART OF PRODUCT LIFECYCLE</b>	<b>\$14,240</b>

*Cost for assessing each application type*

<b>Number of parts of the product lifecycle covered</b>	<b>Estimated Fee (without public comment phase)</b>	<b>Estimated Fee (with public comment phase)</b>
1 part of the product lifecycle	\$13,470	\$14,240
2 parts of the product lifecycle	\$14,384	\$15,154
3 parts of the product lifecycle	\$15,298	\$16,068