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# **COST RECOVERY IMPLEMENTATION CONSULTATION**

## **Pattern Approval, Trade Measurement Licensing and Legal Metrology Authority Appointments**

# What is the Purpose of a Cost Recovery?



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To comply with the *Australian Government Cost Recovery Guidelines*, it has been requested by the Department of Finance to re-evaluate legal metrology regulatory activities.

A cost recovery on these activities are to help maintain NMI's sustainability and will continue to support and operate a fully functional Legal Metrology service.

# Forecast Revenue and Expenses for 2017-2018



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	Pattern Approval	Servicing and Public Weighbridge Licensing	Legal Metrology Authority Appointments
Revenue (X)	\$430,000	\$410,000	\$20,000
Expenses (Y)	\$1,630,000	\$687,870	\$76,430

# Design of Regulatory Charges



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Fees are designed to reflect as closely as possible the underlying cost to maintain the capability and capacity to deliver the services based on previous and projected demands.

# Risk Assessment



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- Level of change for cost recovery activities
- level of cost recovery revenue
- complexity in the cost recovery arrangements (i.e. both fees and charges)
- level of change in legislative arrangements
- level of complexity of working with other government entities to deliver the regulatory functions
- level of impact of cost recovery on payers, and
- outcome of consultation with stakeholders (i.e. any significant issues raised).

# Financial Estimates



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## Pattern Approval

- Processing and Issuing a Certificate of Approval – 75% fee increase.
- Laboratory based testing - 343% increase to recover 50% of the expenditure.

## Licensing

- Servicing Licensees – 50% fee increase.
- Public Weighbridge Licenses – 50% fee increase.

## Appointments

- Multiplier of approximately 4 is proposed to apply to the current fee pricing.

All of the proposed financial estimates are with options to transition the fee increase over a single increase or proportionally over a 4 year period.



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# Pattern Approval costing arrangements

# Breakdown of Financial Estimates for Pattern Approval



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## Issuing Pattern Approval Certificate

Based on current expenditure and demand NMI is proposing options to recover 100% of the costs associated with issuing PA certificates by introducing a 75% fee increase, either:

- as a single increase; or
- proportionally over a 4 year period.



# Case Study: Issuing Pattern Approval Certificates



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	Current Costing (57% of costs recovered)	Costing to recover 100% of the costs Single fee increase	Proportional fee increase per year for 4 years
Application processing	\$355	\$623	\$67 increase /year
Application assessment	\$711	\$1,243	\$133 increase /year
Checklist	\$948	\$1,660	\$178 increase /year
Summary report	\$711	\$1,243	\$133 increase/year
Certificate preparation	\$593	\$1,037	\$111 increase/year
<b>TOTAL</b>	<b>\$3,318</b>	<b>\$5,806</b>	<b>\$622 increase/ year</b>

# Breakdown of Financial Estimates for Pattern Approval



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## Pattern Approval Laboratory Testing

NMI is proposing options for recovering approximately 50% of the costs of PA Laboratory Testing by introducing a fee increase of 343%

- as a single increase; or
- proportionally over a 4 year period.

# Case Study: Pattern Approval Laboratory Testing



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	Current costing 11% costs recovered	Costing to recover 50% of the costs Single fee increase	Proportional fee increase per year for 4 years
Instrument performance	\$1,778	\$7,874	\$1,524 increase/year
Temperature test	\$1,424	\$6,308	\$1,221 increase/year
Humidity test	\$1,627	\$7,208	\$1,395 increase/year
Voltage test	\$701	\$3,105	\$601 increase/year
Line-borne interference test	\$1,693	\$7,500	\$1,451 increase/year
Static discharge test	\$1,142	\$5,059	\$979 increase/year
Electromagnetic susceptibility tests	\$3,796	\$16,816	\$3,255 increase/year
Endurance tests	\$691	\$3,061	\$592 increase/year
TOTAL	\$12,852	\$56,931	\$11,020 increase/year



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# Licensing costing arrangements

# Breakdown of Financial Estimates for Licensing



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NMI is proposing options for recovering 100% of the costs of issuing servicing licenses by introducing a 50% fee increase across the existing fee structure:

- as a single increase; or
- proportionally over a 4 year period.

	Current Pricing Model	50% Fee increase to achieve full cost recovery
	Servicing licensees	Servicing licensees
Application fee for new licensees	\$500	\$750
Annual renewal fee	\$0	\$0
1	\$550	\$825
2 - 10	\$850	\$1,275
11 - 50	\$2,050	\$3,075
51 - 100	\$3,550	\$5,325
> 101	\$5,800	\$8,700
Fee per instrument class	\$125	\$188

# Case Study: Servicing Licensees



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	Current Pricing	Single 50% fee increase to Achieve Full Cost Recovery	50% Fee increase proportionally introduced over 4 years
Application fee for new licensees	N/A	N/A	N/A
1 verifier	\$550	\$825	\$68 increase/year
Fee per instrument class	\$125	\$188	\$15 increase/application
Total	\$675	\$1,013	\$84 increase/year



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# Public Weighbridge costing arrangements

# Breakdown of Financial Estimates for Public Weighbridge licensees



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NMI is proposing options for recovering 100% of the costs of issuing servicing and public weighbridge licenses by introducing a 50% fee increase across the existing fee structure:

- as a single increase; or
- proportionally over a 4 year period.

	Current Pricing Model	50% Fee increase to achieve full cost recovery
	Public weighbridge licensees	Public weighbridge licensees
Application fee for new licensees	\$500	\$750
Annual renewal fee	\$350	\$525
1	N/A	N/A
2 - 10	N/A	N/A
11 - 50	N/A	N/A
51 - 100	N/A	N/A
> 101	N/A	N/A
Fee per instrument class	N/A	N/A



# Case Study: Public Weighbridge



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	Current Pricing	Single 50% fee increase to Achieve Full Cost Recovery	50% Fee increase proportionally introduced over 4 years
Application fee for new licensees	n/a	n/a	n/a
Annual renewal fee	\$350	\$525	\$43.75 increase/year
Total	\$350	\$525	\$43.75 increase/year



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# **Legal Metrology Authority Appointments costing arrangements**

# Breakdown of Financial Estimates for Legal Metrology Authority Appointments



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NMI is proposing options for recovering 100% of the costs of associated with appointments by introducing a 300% fee increase across the existing fee structure:

- as a single increase; or
- proportionally over a 4 year period.

	Appointment classification			
Appointment Fee	Certifying authority	Verifying authority	Approving authority	Utility meter verifier
3 years	\$4,203	\$4,203	\$4,203	\$4,203

# Case Study: Legal Metrology Authority Appointments



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	Current Pricing	Single fee increase	Fee increase proportionally introduced over 4 years
Application fee 3 years appointment as utility meter verifier	\$1,100	\$4,203	\$775.75 increase/year

# Impact on Market Stakeholders



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NMI is aware that full cost recovery of legal metrology regulatory activities may have significant impact on some parts of the market and is taking this opportunity to consider the views of the market's stakeholders.

# Providing Feedback



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Invitation to stakeholders to take part in the consultation on the proposed changes to fee structure to recover costs associated with the delivery of regulatory services under the Act.

Stakeholders are welcome to provide any other relevant comments on other fee structures and cost recovery related issues.

# Contact Information



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**Email:** [NMIcostrecovery@measurement.gov.au](mailto:NMIcostrecovery@measurement.gov.au)

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## Posting offline submissions:

Attention: 'Cost Recovery Consultation'

Legal Metrology Branch, National Measurement Institute,  
GPO Box 2013, Canberra ACT 2601.