



Australian Government
**Department of Industry,
Innovation and Science**

2016 GEMS Fees Review Issues Paper

Department of Industry, Innovation and
Science

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Background

In 2016, the Australian Government is conducting a review of the fees charged under the *Greenhouse and Energy Minimum Standards (GEMS) Act 2012*, to meet the expectation that they would be reviewed every three years to facilitate a move towards full cost recovery over time.

The review is being conducted by the Australian Government Department of Industry, Innovation and Science, in which the GEMS Regulator is based.

The objective of the GEMS Act is to promote the development and adoption of products that use less energy, produce fewer greenhouse gas emissions, or contribute to reducing the amount of energy used, or greenhouse gases produced, by other products. The legislation underpins the work in Australia of the Equipment Energy Efficiency (E3) Program, a joint Commonwealth and State and Territory Government program.

Importers, manufacturers or suppliers of products that are regulated for energy efficiency under the GEMS Act are required to register their products, for which they are charged a fee. The registration fees collected by the Commonwealth recover part of the costs of providing a product registration service and the compliance monitoring and enforcement program required under the Act. Approval to charge these fees derives from the *GEMS (Registration Fees) Act 2012*.

The Australian Government's approval for the program in 2012 was on the basis of phased in cost recovery, with the clear expectation that it would move over time towards the full recovery of costs. The current rate of cost recovery is around 50 per cent. That is, around 50 per cent of the costs of the program are covered by the registration fees collected.

In 2015, an independent review of the GEMS scheme found that, in general, it was operating well and meeting its objectives. The review recommended that the Commonwealth take account of stakeholders' views in its 2016 review of the fees charged under GEMS. This purpose of this paper is to guide stakeholders in framing their views around the issues to be considered under the Fees Review.

Purpose of the Review

The purpose of the review is:

- to compare the actual fee revenue and costs in delivering the scheme to date with the initial cost recovery assumptions made when the program was being set up;
- to test the model used to establish the registration fees and fee bands and consider whether it is still appropriate; and
- to determine the appropriate level of cost recovery going forward.

Out of scope issues

Given the imperative to move the program towards full cost recovery, there is no scope within this review to consider:

- whether or not the program *should* operate on a cost recovery basis;
- maintaining registration fees at their current level; or
- reducing registration fees from their current level.

Policy Framework for the Review

The review will be undertaken with reference to the [Australian Government Charging Framework](#), introduced from July 2015 to support government entities to design, implement and review government charging. The framework incorporates the Cost Recovery Guidelines, which continue to apply to regulatory charging activities.

According to the Framework, there must be alignment between the expenses of the activity (the costs involved in providing it) and the revenue (the income generated through charges for it). Cost recovery charges should be:

- clear and easy to understand
- closely linked to the specific activity
- set to recover the full efficient costs of the specific activity¹
- efficient to determine, collect and enforce
- set to avoid volatility, while still being flexible enough to allow for changes based on fluctuations in demand or costs.

Scope

The review will consider a range of issues, which have been presented here as questions for stakeholders to consider. Stakeholders are invited to provide their views on all issues or only on those considered relevant.

- Is the model that was used to set the current fees/fee bands (cost of assessing a registration application, plus a proportion of the cost of compliance and enforcement based on cost to purchase and test individuals products) still appropriate/relevant?
- Have the costs changed since the commencement of the Act?
- What level of cost recovery, beyond the current 50 per cent, would be appropriate for the program?
 - Within what timeframe should any increase be implemented?
- Should there be different registration periods for different products?
 - Is there a case for shorter/longer registration periods based on expected product life?
- Currently fees are only charged for registrations. Should fees be introduced for processes other than registrations (for example, exemptions and variations) given the disproportionately high length of time needed to process these?
- Currently registrants can only pay their fees using Visa or Mastercard. Should additional payment mechanisms such as EFTPOS, American Express and Diners Club be available also (noting that these may have cost and administrative implications, both for the Regulator and registrants)?

Stakeholder consultation process

Stakeholders can play a key role in the GEMS Fees Review by sharing their views on the issues identified above, and on other issues considered to be related.

We welcome submissions both from individual registrants and industry associations/peak bodies. Submissions on the issues set out in this paper and related issues will be accepted up until c.o.b. **Friday 15 April 2016**. Submissions should be lodged by email (with subject heading of GEMS Fees Review) to energyrating@industry.gov.au.

¹ Or at the level set by the Australian Government if partial cost recovery has been agreed.

Next steps

We invite interested stakeholders to express their views on the issues raised in this paper. Submissions received by **Friday 15 April** will be used to develop a draft policy position and discussion paper. This will then form the basis for a further round of consultation with stakeholders in mid-late May, before recommendations to the Minister are finalised.

We are considering holding face to face consultation forums on the draft policy position during May, in Sydney and Melbourne. We would welcome your views on whether or not this would be valuable to you.

Timeline

Fri 18 March	Issues paper released
Fri 15 April	Final date for receipt of stakeholder submissions on the issues paper
Fri 6 May	Consultation with stakeholders on draft policy position commences
Fri 3 June	Consultation concludes
June	Finalisation of recommendations to Minister
Thurs 30 June	Review completed