

Regulatory Impact Statement

Full Cost Recovery for WorkSafe's Regulatory Functions for Major Hazard Facilities

Agency Disclosure Statement

A version of this regulatory impact statement accompanied the Cabinet policy paper to Cabinet on 20 June 2016. After Cabinet's consideration of the proposal, the definitions of the bands and the number of major hazard facilities within each band were clarified. This resulted in the following changes to this regulatory impact statement:

- Appendix 1 has been updated to reflect the revised number of major hazard facilities within each of the three bands.
- The high-level costs in Table 7 and in various paragraphs (eg para. 8) have been updated to reflect the additional savings in WorkSafe's total costs.
- The fees and levies in Table 8 have been updated to reflect the very minor changes between the Cabinet EGI paper and the Cabinet LEG paper.

In addition, paragraph 68 has been amended to clarify that the formal review within five years is one-off.

This regulatory impact statement has been prepared by the Ministry of Business, Innovation and Employment (MBIE). It provides options for establishing a suitable cost recovery mechanism to recover WorkSafe New Zealand's costs in relation to its regulatory functions under the *Health and Safety at Work (Major Hazard Facilities) Regulations 2016* (the MHF regulations).

The cost recovery options assessed in this document are limited to full cost recovery (partial cost recovery options were included in consultation, but have been discounted). This reflects Cabinet's decision in 2013 that WorkSafe's costs in relation to major hazard facilities would be more fully and directly recovered from facility operators [CAB Min (13) 24/11 refers].

The proposed fee and levy amounts are based on WorkSafe's calculations of the expected volume and costs of its regulatory functions for major hazard facilities. WorkSafe estimates there are 140 potential major hazard facilities; however, this is likely to change as some businesses reduce their inventory of hazardous substances below the regulatory thresholds, and if WorkSafe receives notifications from facilities not previously identified.

MBIE consulted on four cost recovery options in the discussion document, *Fee and Levy Options for WorkSafe New Zealand's Oversight of Regulations for Major Hazard Facilities*. MBIE limited its consultation on cost recovery options to the major hazard facilities sector, targeting facility operators, industry associations, and other interested parties (eg health and safety consultants with an interest in the sector).

As a result of consultation, MBIE and WorkSafe revised the proposed fee and levy amounts to reflect the efficiencies WorkSafe can make in delivering its services for major hazard facilities; this has resulted in a reduction of \$387,279 in WorkSafe's total costs and the amount to be recovered from major hazard facility operators. This reduction includes a lower number of designations over five years, as WorkSafe will have designated all existing major hazard facilities by 1 September 2016, when the new cost recovery mechanism is intended to come into effect.

The revised proposal categorises lower and upper tier major hazard facilities into 'bands' based on the complexity of their operations, and applies discounts to fees for safety cases for operators with multiple

facilities. The number of major hazard facilities within each band is indicative and subject to change during the drafting process and implementation of the cost recovery mechanism. Further, the number of revised safety cases subject to a discount is based on the proportion of new safety cases eligible for a discount.

In addition to the proposed fees and levies, operators of major hazard facilities face costs in complying with the MHF regulations. We sought feedback from stakeholders on the costs of complying with the regulations, and a number of stakeholders provided their views. However, it is still difficult to assess the costs of complying with the MHF regulations, and we expect these will be highly variable: for example, the complexity of a facility's operations, or its location (eg a densely populated area) can determine its costs of compliance.

Bronwyn Turley
Manager, Health and Safety Policy
Ministry of Business, Innovation and Employment

Executive summary

1. The *Health and Safety at Work (Major Hazard Facilities) Regulations 2016* came into effect on 4 April 2016. The MHF regulations aim to prevent, or otherwise mitigate the effects of, major incidents at major hazard facilities. These are workplaces which store or process very large amounts of particular hazardous substances, and have the potential to generate catastrophic events that can cause multiple fatalities and widespread injury to workers at the facility and to others in the surrounding community.
2. WorkSafe New Zealand is the regulator responsible for implementing the MHF regulations. The oversight of major hazard facilities is costly, and Cabinet agreed in 2013 to more fully and directly recover costs from operators of major hazard facilities.
3. The MHF regulations do not yet contain cost recovery provisions. This regulatory impact statement assesses options for a cost recovery mechanism that more directly and fully recovers the costs of WorkSafe's regulatory functions in relation to major hazard facilities. The preferred cost recovery mechanism is a 'package' of the following:
 - A combination of fees and an annual levy.
 - For the purposes of charging fees and levies, the categorisation of major hazard facilities would be based on the complexity of their operations. This would be in addition to a facility being designated as either a "lower" or "upper" tier major hazard facility, which is determined by the quantity of hazardous substances at the site.
 - Discounts on fees for the assessment of safety cases for operators with multiple major hazard facilities.
4. MBIE consulted on fee and levy options between 8 April and 6 May 2016. The preferred options in this regulatory impact statement address concerns raised by stakeholders, specifically concern about the level of proposed cost recovery and the potential for cross-subsidisation between major hazard facilities of differing complexity.

Background: WorkSafe's regulatory functions for major hazard facilities

The regulations aim to prevent catastrophic events at major hazard facilities

5. The *Health and Safety at Work (Major Hazard Facilities) Regulations 2016* came into effect on 4 April 2016. WorkSafe New Zealand is the regulator responsible for the implementation of the MHF regulations and the oversight of major hazard facilities.
6. The MHF regulations aim to prevent, or otherwise mitigate the effects of, major incidents at major hazard facilities. These are workplaces which store or process very large amounts of particular hazardous substances; for example, the oil refinery at Marsden Point. Major hazard facilities have the potential to generate catastrophic events (major incidents) similar to those seen around the world in the chemical manufacturing industry. Such major incidents could cause multiple fatalities and widespread injury to workers at the facility and to others in the surrounding community. There is also the potential for harm to the wider New Zealand economy in the event of such catastrophic events.

7. The MHF regulations specify lower and upper threshold quantities for particular hazardous substances and set different process safety requirements for businesses depending on which thresholds are met; that is, whether the workplace is a “lower tier” or “upper tier” major hazard facility. There are approximately 140 workplaces in New Zealand that are likely to be major hazard facilities – about 80 lower tier facilities and 60 upper tier facilities. These are run by 66 operators. This is likely subject to change if some operators reduce their inventory of hazardous substances below the thresholds or if WorkSafe receives notifications from facilities it has not previously identified.
8. WorkSafe will incur significant costs from its regulatory functions in relation to major hazard facilities. The average annual cost of these functions over a five year period is estimated at \$3.35 million. These regulatory functions are in addition to the services WorkSafe provides to all businesses, and can be broken down into the following three categories:
 - Designation – WorkSafe must designate a facility as a lower tier or upper tier major hazard facility (or neither) following notification by the operator. Although all existing facilities are likely to be designated by the time the cost recovery mechanism comes into effect, there will likely be proposed facilities to be designated in the future.
 - Assessment of safety cases – WorkSafe must assess and make a decision (ie acceptance or rejection) on a new or revised safety case submitted by an upper tier major hazard facility. A safety case documents the hazards and risks that may lead to a major incident at a major hazard facility, and the control of those hazards and risks. Only upper tier facilities must submit a safety case, and it must be revised at least every five years and re-submitted to WorkSafe for approval.
 - Regulatory oversight activity – this includes proactive inspections, reactive inspections, and processing notifiable incident reports. This category includes a range of activities relating to engagement between WorkSafe and the major hazard facility over and above what would be expected for engagement with other businesses.

Status quo and problem definition

It is not fair in principle for all businesses to pay for WorkSafe’s regulatory functions in relation to major hazard facilities

9. When Cabinet agreed to the MHF regulations in 2013, it also agreed that the costs to the regulator would be more directly recovered from the operators of major hazard facilities [CAB Min (13) 24/11].¹ Currently, all of WorkSafe’s costs in relation to the MHF regulations are funded by the Working Safer Levy (WSL). The WSL funds WorkSafe’s functions as the work health and safety regulator; it is collected from all businesses at a rate of at 8c per \$100 of leviable earnings/payroll (one cent provides approximately \$10 million in funding).
10. The WSL is the most administratively efficient way of charging for WorkSafe’s general health and safety services. In essence, it uses number of workers as a proxy for generic risk and service need. There is no perfect charging model, and the WSL does result in some inevitable cross-subsidisation, including businesses whose operation is largely plant based paying relatively less than businesses with more workers. But, Cabinet’s decision in 2013 reflects the fact that the services for oversight of major hazard facilities are additional and distinct from WorkSafe’s general health and safety services.

¹ CAB Min (13) 24/11, para. 24, <http://www.mbie.govt.nz/info-services/employment-skills/workplace-health-and-safety-reform/document-and-image-library/effective-regulatory-framework-cabinet-minute.pdf>.

11. Major hazard facilities currently pay the WSL and receive the same services that all businesses receive (eg guidance on general health and safety matters). The total estimated annual WSL paid by 50 major hazard facility operators (which were able to be identified out of an estimated 66 operators of major hazard facilities in total) is \$1.03 million. This indicates that major hazard facility operators are currently paying an appropriate contribution for the general services they will continue to receive from WorkSafe. Notably, this amount is only one-third of WorkSafe's costs in relation to major hazard facilities.
12. The MHF regulations do not include provisions for more directly recovering costs from the operators of major hazard facilities, as decided by Cabinet in 2013. This means that all businesses are bearing the costs of WorkSafe's specialist services that are targeted at a relatively small number of high hazard workplaces.
13. The problem is that it is unfair in principle for all businesses to share WorkSafe's significant additional costs required for specialist regulatory engagement with major hazard facility operators. This is recognised in other international jurisdictions, such as the United Kingdom and Australia, which have similar regimes and more directly recover costs from operators. This is also recognised in New Zealand for the operators of upstream petroleum installations, who pay fees directly to WorkSafe for the assessment of safety cases.

Objectives

The proposal must give effect to Cabinet's decision and more directly recover costs from operators of major hazard facilities

14. The objective is to implement a suitable cost recovery mechanism which more directly recovers WorkSafe's costs for the services it provides only for major hazard facilities. This is consistent with Cabinet's decision in 2013.
15. Cabinet's decision to recover costs directly from operators means that the status quo (WSL funding) or partial cost recovery are not feasible options; the following analysis favours full cost recovery options for services provided to a specific group.
16. The criteria for assessing the options for cost recovery are set out in the following table. These criteria are based on guidelines issued by the Treasury and the Auditor-General.

Table 1: Criteria for analysing cost recovery options

Criteria	Rationale	Approach to the analysis
Fairness between fee or levy payers	The fees or levies should fairly reflect the service provided to individuals or a distinct group, and not be charged to others who do not benefit from those services	This is a key balancing factor, as we are seeking to address the problem of unfairness in making all businesses pay for the additional costs involved in the major hazard facilities regime. This also includes the equitable distribution of costs between major hazard facilities
Effectiveness	The fee and/or levy mechanism needs to support the policy intent of more direct cost recovery	We are looking at the impact on achieving the policy outcome related to cost recovery
Financial impact on major hazard facility operators	The proposed cost recovery mechanism must not impose an unreasonable financial burden on operators	We are looking at the reasonableness of fee and levy options for those who would have to pay. This includes consideration of the financial impact on operators of any fees and/or levies, in the context of the costs of complying with the MHF regulations and the costs for operators with multiple facilities
Efficient implementation	It needs to be cost effective to implement the cost recovery charges and they must work for both proposed fee or levy payers and the regulator	We are looking at the feasibility of establishing cost recovery mechanisms and how they will work
Transparency	The basis and costings for any proposed fees or levies should be clear to levy payers	This includes visibility of charging costs directly to individual operations

17. Fairness between fee or levy payers is the most important criterion as it is the principle which informs Cabinet’s decision to recover costs more directly from operators of major hazard facilities. The financial impact on major hazard facilities is also an important criterion, as full cost recovery will have a high impact on major hazard facilities operators compared with the status quo.
18. All the options also meet further transparency requirements due to public consultation on a discussion document which contained fee and levy options and a detailed breakdown of the costs informing the fees and levies (these have been revised for this regulatory impact statement; see Appendix 1).
19. The proposed options fit within the legal authority to charge fees or levies provided by sections 211(k)(xiii) and 215 of the *Health and Safety at Work Act 2015*.

Consultation

20. On 4 April 2016, Cabinet agreed to the release of the discussion document *Fee and Levy Options for WorkSafe New Zealand’s Oversight of Regulations for Major Hazard Facilities* [CAB-16-MIN-0132 refers]. The discussion document was released for public consultation on 8 April 2016, and submissions closed on 6 May 2016.

MBIE consulted on four options for cost recovery

21. The discussion document contained four options for full and partial cost recovery of WorkSafe’s functions related to major hazard facilities. Although proposals for partial cost recovery are not consistent with Cabinet’s decision for full direct cost recovery, we included these options to more fully understand stakeholders’ views towards cost recovery. We also sought suggestions on alternative options.

Table 2: Cost recovery options consulted on during April-May 2016

Option description	Fee or levy proposed
A: Fees charged for designation and the assessment of safety cases (Partial cost recovery)	Designation fee: \$2,081.54
	Safety case (new) fee: \$56,408.78
	Safety case (revised) fee: \$27,471.07
B: Fees charged for designation and the assessment of safety cases An annual levy for regulatory oversight services, differentiated between lower and upper tier facilities (Full cost recovery)	Lower tier: the designation fee in option A, and an annual levy of \$15,187.09
	Upper tier: the designation and safety case fees in option A, and an annual levy of \$29,237.23
C: One annual levy for all regulatory activities, differentiated between lower and upper tier facilities (Full cost recovery)	Lower tier: annual levy of \$15,430.92
	Upper tier: annual levy of \$41,770.09
D: The annual levy in option B or C is reduced or waived for lower tier facilities (Partial cost recovery)	Lower tier: annual levy, if combined with option B: \$7,593.55*
	Lower tier: annual levy, if combined with option C: \$7,715.46*

* This models a 50 percent reduction in the annual levy for lower tier major hazard facilities

MBIE undertook targeted consultation on the proposed cost recovery options

22. MBIE emailed the discussion document to approximately 200 stakeholders, comprising:

- contacts for the approximately 140 facilities that are likely to be designated as major hazard facilities
- members of the Major Hazard Facilities Guidance Group, a group of industry stakeholders and technical experts established in 2013 to provide advice on the development of the MHF regulations and guidance material
- other WorkSafe contacts with an interest in the MHF regulations, such as health and safety consultants and business and union groups
- submitters on the exposure draft MHF regulations (during April-May 2015).

23. On 20 April 2016, MBIE held a half-day meeting with the Major Hazard Facilities Guidance Group.

24. MBIE officials also attended four WorkSafe workshops on the MHF regulations in April 2016, presenting the discussion document to stakeholders and answering questions at voluntary sessions immediately after these workshops. Stakeholders were also invited to seek further meetings, but there were only a few expressions of interest and we instead answered questions by phone.

Stakeholders expressed concern at the level of cost recovery and potential for cross-subsidisation between major hazard facilities

25. MBIE received submissions from 28 stakeholders, and feedback from the Major Hazard Facilities Guidance Group and the four WorkSafe workshops.

26. The majority of individual submissions (22) were from major hazard facility operators, representing one-third of the 66 operators of major hazard facilities. There were also five submissions from industry groups, and one from a supplier.
27. We found that the best way of understanding key themes in the submissions was to organise feedback on the basis of type of activity at the major hazard facility; ie bulk storage, chemical manufacturing, logistics (storage and distribution), and ancillary use of hazardous substances (where the major hazard facility is a small part of a large business operation). Submitters in these groups tended to raise similar issues and have a similar perspective. The main themes from submissions were:

Table 3: Summary of main submission themes

Submission theme	Who raised it
Many submitters wanted less cross-subsidisation between simpler facilities and those that involve more complex processing	This theme came from the bulk storage operators and logistics groups
Some submitters questioned the level of service or whether WorkSafe could be more efficient	This theme came from lower tier operators, mostly within the logistics group
There was a slight preference for a single levy rather than a fee/levy mix, due to administrative simplicity and ability to plan	This theme was spread across submitter groups
There was very strong support for discounts, from greater regulator efficiencies where operators have more than one major hazard facility	This theme came from all groups, but mostly from the chemical processing group
Overall concern about the level of full cost recovery, but different ideas about solutions	This was a fairly consistent theme across all the groups, but different ideas for solutions were raised by identifiable groups
A number of submitters wanted a subsidy from the WSL (or Crown revenue)	This theme came mostly from the chemical processing group
Some particular groups of operators would really struggle with the size of proposed cost recovery	This theme came from the logistics group
Submitters recognised that there are higher costs at the outset of the new regime, but they sought a formal review after five years with a view to reducing costs	This theme was spread across submitter groups, and was a strong submission from the Major Hazard Facilities Guidance Group

28. MBIE considered that many of these submissions had merit, and we reviewed the cost recovery options contained in the discussion document in response.
29. To address stakeholder concerns, our proposal has been revised to include greater differentiation within tiers of major hazard facility, so that, for the purpose of cost recovery, major hazard facilities are further categorised depending on the complexity of their operations (and hence the level of service required from WorkSafe).
30. We further propose that cost recovery include a discount on the fees for safety cases for operators with multiple major hazard facilities. A component of the safety case is the safety management system and facilities with the same operator will have identical safety management systems. Once WorkSafe has assessed the safety management system in the first safety case, subsequent safety cases from the same operator will take less time to assess. This efficiency gain allows a discount to be applied as the level of service has been reduced.

Options and impact analysis

31. The preferred option is a full cost recovery mechanism with the following components:
 - Fees for the assessment of safety cases, and an annual levy for regulatory oversight activity which is differentiated between lower and upper tier major hazard facilities.
 - Further differentiation *within* each tier based on the complexity of operation – this would apply to fees for the safety case assessment and the annual levy.
 - For operators of multiple major hazard facilities, a discount for the assessment of additional safety cases after the first safety case.
32. This option implements Cabinet’s decision on more direct cost recovery, and addresses stakeholder concerns about the level of cost recovery, the distribution of costs within the lower and upper tiers, and the potential for efficiency gains.

A number of options have not been considered because they would not address the problem or are not feasible

33. We have discounted the status quo, of continuing to use the WSL, as an option. This is because using the WSL does not address the problem: it is counter to Cabinet’s decision and it is unfair that all businesses share WorkSafe’s additional costs of servicing major hazard facilities.
34. We have also discounted any partial cost recovery options (eg a discount for all lower tier facilities) for this reason. Submitters provided feedback supporting partial cost recovery, but on balance a subsidy was not considered necessary or appropriate. The MHF regulations exist for a very important reason – the prevention of catastrophic events due to the large amounts of hazardous substances held or used by facilities. The regulations impose process safety obligations, and an inherent component of this is a higher level of regulatory oversight than businesses usually receive. It is important that those who undertake business using or storing such hazardous substances are able to pay the costs associated with managing the risks.
35. We have also not considered a differential and higher rate for the Working Safer levy for major hazard facilities. This is not feasible due to administrative inefficiency: it would impose disproportionate costs on administering the WSL.
36. We have not considered charging individual operators for all the services each operator receives using an hourly rate, as is done in the United Kingdom (see Appendix 2 for further information on cost recovery in the UK). This option is not feasible, as it is too inefficient. It would involve very detailed fee-setting, and complex, costly collection, and a lack of certainty ahead of time.

Discussion of options

Cost-recovery mechanism – a fee and annual levy is preferred as it is the most transparent option

Table 4: Cost-recovery mechanism (ie fee/levy or single levy mechanism)

Cost recovery option	Fairness between fee and levy payers	Effectiveness	Financial impact on operators	Efficient implementation	Transparency
Status quo The Working Safer levy funds all of WorkSafe’s regulatory functions related to major hazard facilities	Unfair in principle because all businesses are paying for specialist services targeted at a relatively small number of high hazard workplaces	Does not implement Cabinet’s decision to more directly recover WorkSafe’s costs	None as status quo	Already in effect	Does not link individuals to the services they receive
Option 1 – preferred option Fees charged for assessment of safety cases (new and revised) An annual levy for regulatory oversight services, differentiated for lower and upper tier facilities	✓✓	✓✓	xx	xx	✓✓
Option 2 One annual levy for regulatory activities, differentiated for lower and upper tier facilities	✓✓	✓✓	xx	x	✓

Note that options 1 and 2 are the same mechanism as options B and C in Table 2, which MBIE consulted on. However, the fee for designation has been removed for administrative simplicity, and has been incorporated in the annual levy.

Key:

- ✓✓ much better than the status quo
- ✓ better than the status quo
- x worse than the status quo
- xx much worse than the status quo

37. Option 1, the preferred option, charges fees for the assessment of new and revised safety cases, and an annual levy for WorkSafe’s regulatory oversight activities (which include proactive inspections, reactive inspections, and processing notifiable incident reports).
38. This option is much fairer than the status quo, as it more directly recovers WorkSafe’s costs in relation to major hazard facilities, and does not require other WSL payers to bear the costs of the major hazard facilities regime for which they receive no services. It is also very effective as it fully implements Cabinet’s decision.

39. However, during consultation, stakeholders noted that this mechanism will likely result in cross-subsidisation *within* tiers of major hazard facilities, and therefore may not be equitable for individuals within the sector. For example, a simple bulk storage facility is likely to require less regulatory oversight than a complex chemical manufacturing facility. This concern has been addressed below in the next options assessment.
40. A combination of fees and an annual levy does make the regime more complex to implement and will make it less efficient to manage than the status quo in terms of administrative costs and time for both operators and WorkSafe. However, this option is much more transparent than the status quo, as fees link specific services to individual facilities, and the annual levy links general oversight services to a defined group.
41. The financial impact on facilities of this option is likely to be high compared to the status quo, as it fully and directly recovers costs from those who receive WorkSafe’s specialist services. Major hazard facilities already pay the WSL, and will continue to do so. Given that major hazard facilities cut across multiple sectors and there are varying types of facilities, it is difficult to estimate the average WSL that each facility pays. However, ACC estimated that for 50 operators (out of an estimated 66):
- 25 businesses are paying between \$0 and \$5,000 each – in total, this is a WSL payment of approximately \$38,000
 - 6 businesses are paying between \$5,000 and \$10,000 each – in total this is a WSL payment of approximately \$43,000
 - 19 businesses are paying between \$10,000 and \$170,000 – in total this is a WSL payment of approximately \$950,000.
42. Overall, full cost recovery represents a significant increase in costs for facility operators compared with the status quo.
43. However, there is a benefit for businesses not subject to the MHF regulations. If the cost of WorkSafe’s functions for major hazard facilities (\$3.35 million) is met by facility operators, then the equivalent in WSL funding is no longer needed for this purpose. The WSL is collected from all businesses at a rate of 8c per \$100 of leviable earnings/payroll. As one cent provides about \$10 million in funding for WorkSafe, more direct cost recovery from operators of major hazard facilities would “liberate” about 0.34 cents of the 8c per \$100 which all businesses pay.
44. We consider option 2 – one annual levy which incorporates safety case assessment and regulatory oversight – to be as fair and effective as the preferred option and to have a similar financial impact.
45. Option 2 is also efficient to implement for operators and WorkSafe, as it is a single levy. A number of submitters noted this option is administratively simple and easy to apply for financial planning. However, a single levy is not significantly more transparent than the status quo as it does not break down the costs of specific services (ie safety case assessment) and general regulatory oversight of major hazard facilities.
46. On balance, option 1 is the preferred full cost recovery mechanism as it is much more transparent than the status quo.

Categorisation for the purpose of cost recovery – the preferred option is ‘banding’ based on the complexity of operation

Table 5: Categorisation of major hazard facilities for the purpose of cost recovery

Categorisation option	Fairness between fee and levy payers	Effectiveness	Efficient implementation	Transparency
Option 1 – status quo Lower tier and upper tier designation (as in the MHF regulations)	Does not distinguish between types of facilities <i>within</i> tiers, meaning there is cross-subsidisation	Implements Cabinet’s decision	Attaching cost recovery to lower or upper tier designations is relatively straightforward	Facilities may not be paying for true level of service received
Option 2 – preferred option Banding based on complexity of operation	✓✓	✓✓	xx	✓✓

Key:

- ✓✓ much better than the status quo
- ✓ better than the status quo
- x worse than the status quo
- xx much worse than the status quo

47. Option 2, is the preferred option. This would ‘band’ major hazard facilities based on the complexity of the major hazard facility’s operation, a proxy for the level of services the facility would receive. This supports more direct cost recovery, and distinguishes between simpler and more complex facilities within the lower and upper tiers.
48. We propose that each tier of facility be categorised according to the following:
 - Band 1 – ‘simple’ facilities
 - Band 2 – ‘mid-level’ facilities
 - Band 3 – ‘complex’ facilities
49. This approach follows that taken in Australian jurisdictions such as Queensland and South Australia.
50. We consider the lower and upper tier designations as the status quo, or default categorisations. This is because the MHF regulations are designed this way, and attaching fee and levies to these categories is relatively straightforward.
51. Option 2 is much fairer than the status quo, as the fees and levies charged to major hazard facilities better reflect the service provided to individual facilities *within* each tier, and thus create greater distinction between WorkSafe’s services to ‘complex’ facilities and relatively ‘simple’ facilities.
52. This option also better achieves Cabinet’s directive for more direct cost recovery from operators, and also addresses submitters’ concerns about the distribution of costs within tiers of major hazard facility.
53. Further, although the fees and levies would increase slightly for complex facilities compared with the proposal in the discussion document, the majority of facilities would not be in this band and their costs would decrease. This addresses submitters’ concerns about the level of

the fees and levies by reducing the amounts most would have to pay.

54. However, introducing banding is more complex than the status quo of using the lower or upper tier designation. The bands must be designed in a manner that allows facilities to be easily categorised. The preferred option will also require additional amendments to the MHF regulations to insert the bands.
55. The use of banding is more transparent than the status quo as it links the charges to particular types of operations and not simply to the lower or upper tier designation.
56. Overall, banding is the preferred option as it is fairer, better implements Cabinet’s decision and addresses stakeholder feedback, and is more transparent.

A discount for operators with multiple major hazard facilities – the preferred option is a discount on safety case fees

Table 6: Applying a discount for operators with multiple major hazard facilities

Potential discount	Fairness between fee and levy payers	Efficient implementation	Transparency
Option 1 – no discount	✓	x	✓
Option 2 – preferred option A discount for additional safety cases after the first safety case	✓✓	x	✓✓
Option 3 – a discount for additional safety cases after the first safety case and a discount on the annual levy for additional facilities	✓✓	xx	✓✓

Key:

- ✓✓ much better than the status quo
- ✓ better than the status quo
- x worse than the status quo
- xx much worse than the status quo

57. Option 1 (no discount) is akin to implementing the cost recovery mechanism with the fee/levy combination and the use of bands. However, this does not address stakeholder feedback which suggested that greater efficiencies (ie reduced costs) could be attained where operators have multiple major hazard facilities with similar operations and safety management systems.
58. Option 2 addresses these stakeholder concerns through a 20 percent discount for safety cases for operators with multiple facilities. Where operators have multiple upper tier facilities using the same safety management system, WorkSafe will need less time to assess additional safety cases after having assessed the first safety case. This reduction in service means a reduction in the fee, which is fairer for operators with multiple upper tier facilities. However, this option is necessarily much more administratively complex than the status quo as it involves classifying additional safety cases.
59. Option 3 includes a discount on the annual levy (which covers regulatory oversight activity) for operators with multiple facilities, in addition to the discount for safety cases. The discount on the annual levy would apply to second and additional facilities under the control of the same operator. However, WorkSafe identified potential cost savings of only 3.5 percent for oversight of subsequent facilities – this is based on efficiencies in the preparation for, and reporting on,

site inspections. Given that an inspection of each facility will be different, greater cost savings are not possible, making this option administratively inefficient and insufficient to address stakeholder concerns.

60. Option 2, then, is the preferred option as a 20 percent discount overcomes any administrative inefficiency, and addresses stakeholder concerns.

Conclusions and recommendations

61. The proposed cost recovery mechanism, as a package of preferred options, consists of:
- Fees for the assessment of safety cases, and an annual levy for regulatory oversight activity which is differentiated between lower and upper tier major hazard facilities.
 - Further differentiation *within* each tier based on the complexity of operation – this would apply to the fees for the safety case assessment and the annual levy.
 - For operators of multiple major hazard facilities, a discount for the assessment of additional safety cases after the first safety case.
62. This package of options implements Cabinet’s decision for more direct cost recovery and addresses key stakeholder concerns about the fees and levies proposed in the discussion document.
63. MBIE and WorkSafe have revised fee and levy amounts according to this package; in the following tables are the high level breakdown of WorkSafe’s costs in relation to its functions for major hazard facilities, and the revised fee and levy amounts. Appendix 1 contains a detailed breakdown of these costs, and Appendix 2 compares the fees and levies for major hazard facilities in international jurisdictions.

Table 7: WorkSafe's high-level costs in relation to major hazard facilities

Activity grouping	Discussion document averaged annual costs over 5-year period 2016/17 – 2020/21	Revised averaged annual costs over 5-year period 2016/17 – 2020/21, using rounded figures for fees and levies	Difference
Designations (upper and lower tier combined)	\$34,137.22	\$0 – now part of regulatory oversight, and reduced volumes	-\$34,137.22
Safety cases (new – upper tier only)	\$676,905.38	\$612,300.00	-\$64,605.38
Safety cases (revised – upper tier only)	\$60,436.36	\$47,600.00	-\$12,836.36
Regulatory oversight (lower tier)	\$1,214,966.80	\$990,500.00	-\$224,466.80
Regulatory oversight (upper tier)	\$1,754,233.58	\$1,703,000.00	-\$51,233.58
Total costs	\$3,740,679.34	\$3,353,400.00	-\$387,279.34

Table 8: MHF fees and levies

Description of fee/levy	Discussion document	Final	
Lower tier MHFs			
<i>Annual levy</i>			
'Simple' facilities	\$15,187.09	\$12,500	
'Mid-level' facilities	\$15,187.09	\$15,000	
'Complex' facilities	\$15,187.09	\$18,000	
Upper tier MHFs			
<i>Annual levy</i>			
'Simple' facilities	\$29,237.23	\$23,000	
'Mid-level' facilities	\$29,237.23	\$28,000	
'Complex' facilities	\$29,237.23	\$34,000	
<i>Safety case (new) fee</i>		First MHF	2nd and subsequent facilities operated under similar safety management system by same PCBU
'Simple' facilities	\$56,408.78	\$45,000	\$36,000
'Mid-level' facilities	\$56,408.78	\$56,000	\$44,800
'Complex' facilities	\$56,408.78	\$67,500	\$54,000
<i>Safety case (renewal) fee</i>		First MHF	2nd and subsequent facilities operated under similar safety management system by same PCBU
'Simple' facilities	\$27,471.07	\$20,000	\$16,000
'Mid-level' facilities	\$27,471.07	\$25,000	\$20,000
'Complex' facilities	\$27,471.07	\$30,000	\$24,000

Implementation plan

64. It is necessary to amend the MHF regulations to implement the package of preferred options; specifically, inserting the fee and levy amounts and cost recovery bands in the regulations.
65. We propose that the cost recovery mechanism is in place by 1 September 2016, in order to ensure the MHF regulations are fully implemented as soon as possible. This tight timeframe poses a risk to implementation and means that we will need to inform stakeholders of the cost recovery bands and fee and levy amounts as soon as Cabinet decides on these matters.
66. WorkSafe, as the regulator, will be the collection agency for fees and levies and will set up a memorandum account for this end.

Monitoring, evaluation and review

67. WorkSafe will use a memorandum account to monitor fee and levy revenue. It will also provide MBIE with forecasts for the memorandum account so that MBIE can advise the Government on WorkSafe's funding, and administer the MHF regulations effectively.
68. A formal review of cost recovery will be undertaken within five years of the fees and levies coming into effect; the MHF regulations will state this review requirement. Submitters, particularly the Guidance Group, recognised that there would be a need for a high level of service – and therefore greater costs – while the major hazard facilities regime is first implemented, but sought a formal review after five years with the expectation of a reduction in the amount of fees and levies.
69. The review will assess whether the estimates for WorkSafe's service delivery match its actual service delivery in the preceding five year-period and consider the necessary level of service

delivery in a mature regime. Any proposed changes to the level of fees and levies, as a result of a review, will be consulted on.

Appendix 1 – Detailed tables of WorkSafe costs

Regulatory Oversight					
Lower tier	Simple band	Estimated number: 67			
	Activity cost per MHF within band	Volume per MHF within band in 5 years	Cost per item	5 year total for band	Aggregate cost for band for 5 years
Notification and designation	\$187.34	0.09	\$2,081.54	6.03	\$12,551.69
Request extension of time	\$0.00	0	\$0.00	0	\$0.00
Review suitability of operator	\$38.54	0.01	\$3,854.34	0.67	\$2,582.41
Lower tier review	\$2,170.74	0.28	\$7,752.64	18.76	\$145,439.53
Apply for a review of a decision (for LT MHFs)	\$163.40	0.04	\$4,084.95	2.68	\$10,947.67
Notifiable incident (processing only, no inspection)	\$11,319.23	7.5	\$1,509.23	502.5	\$758,388.08
Request to withdraw or modify conditions on designation or safety case (designation)	\$0.00	0	\$0.00	0	\$0.00
In-depth inspections (2 day)	\$0.00	0	\$13,112.70	0	\$0.00
1-day inspections (includes some reactive visits that can wait until scheduled inspection)	\$30,365.23	2.9	\$10,470.77	194.3	\$2,034,470.61
Reactive inspections (and investigations)	\$7,609.17	0.9	\$8,454.63	60.3	\$509,814.19
Follow up visits for notices	\$6,688.95	0.51	\$13,115.59	34.17	\$448,159.71
Other direct costs	\$2,489.43				\$166,791.81
Consultancy fees	\$1,300.00				\$87,100.00
5-year aggregate total	\$62,332.03				
Rounded aggregate cost	\$62,300.00				
Annual levy	\$12,500.00				
Aggregate for all in band per annum	\$837,500.00				

Regulatory Oversight					
Lower tier	Middle band	Estimated number: 9			
	Activity cost per MHF within band	Volume per MHF within band in 5 years	Cost per item	5 year volume for group	Aggregate cost for band for 5 years
Notification and designation	\$187.34	0.09	\$2,081.54	0.81	\$1,686.05
Request extension of time	\$0.00	0	\$0.00	0	\$0.00
Review suitability of operator	\$38.54	0.01	\$3,854.34	0.09	\$346.89
Lower tier review	\$2,170.74	0.28	\$7,752.64	2.52	\$19,536.65
Apply for a review of a decision (for LT MHFs)	\$163.40	0.04	\$4,084.95	0.36	\$1,470.58
Notifiable incident (processing only, no inspection)	\$11,319.23	7.5	\$1,509.23	67.5	\$101,873.03
Request to withdraw or modify conditions on designation or safety case (designation)	\$0.00	0	\$0.00	0	\$0.00
In-depth inspections (2 day)	\$6,556.35	0.5	\$13,112.70	4.5	\$59,007.15
1-day inspections (includes some reactive visits that can wait until scheduled inspection)	\$29,318.16	2.8	\$10,470.77	25.2	\$263,863.40
Reactive inspections (and investigations)	\$7,440.07	0.88	\$8,454.63	7.92	\$66,960.67
Follow up visits for notices	\$6,688.95	0.51	\$13,115.59	4.59	\$60,200.56
Other direct costs	\$2,489.43				\$22,404.87
Consultancy fees	\$9,000.00				\$81,000.00
5-year aggregate total	\$75,372.21				
Rounded aggregate cost	\$75,000.00				
Annual levy	\$15,000.00				
Aggregate for all in band per annum	\$135,000.00				

Regulatory Oversight					
Lower tier	Complex band	Estimated number: 1			
	Activity cost per MHF within band	Volume per MHF within band in 5 years	Cost per item	5 year volume for group	Aggregate cost for band for 5 years
Notification and designation	\$187.34	0.09	\$2,081.54	0.09	\$187.34
Request extension of time	\$0.00	0	\$0.00	0	\$0.00
Review suitability of operator	\$38.54	0.01	\$3,854.34	0.01	\$38.54
Lower tier review	\$2,170.74	0.28	\$7,752.64	0.28	\$2,170.74
Apply for a review of a decision (for LT MHFs)	\$163.40	0.04	\$4,084.95	0.04	\$163.40
Notifiable incident (processing only, no inspection)	\$11,319.23	7.5	\$1,509.23	7.5	\$11,319.23
Request to withdraw or modify conditions on designation or safety case (designation)	\$0.00	0	\$0.00	0	\$0.00
In-depth inspections (2 day)	\$13,112.70	1	\$13,112.70	1	\$13,112.70
1-day inspections (includes some reactive visits that can wait until scheduled inspection)	\$36,647.70	3.5	\$10,470.77	3.5	\$36,647.70
Reactive inspections (and investigations)	\$7,440.07	0.88	\$8,454.63	0.88	\$7,440.07
Follow up visits for notices	\$6,688.95	0.51	\$13,115.59	0.51	\$6,688.95
Other direct costs	\$2,489.43				\$2,489.43
Consultancy fees	\$9,000.00				\$9,000.00
5-year aggregate total	\$89,258.09				
Rounded aggregate cost	\$18,000.00				
Annual levy	\$18,000.00				
Aggregate for all in band per annum	\$18,000.00				

Regulatory Oversight					
Upper tier	Simple band	Estimated number: 39			
	Activity cost per MHF within band	Volume per MHF within band in 5 years	Cost per item	5 year total for band	Aggregate cost for band for 5 years
Notification and designation	\$187.34	0.09	\$2,081.54	3.51	\$7,306.21
Request extension of time	\$12.00	0.03	\$400.07	1.17	\$468.08
Review suitability of operator	\$77.09	0.02	\$3,854.34	0.78	\$3,006.39
Apply for a review of a decision	\$694.44	0.17	\$4,084.95	6.63	\$27,083.22
Notifiable incident (processing only, no inspection)	\$11,319.23	7.5	\$1,509.23	292.5	\$441,449.78
Design notice	\$721.79	0.08	\$9,022.36	3.12	\$28,149.76
Request to withdraw or modify conditions on designation or safety case (designation)	\$0.00	0	\$0.00	0	\$0.00
Request to withdraw or modify conditions on designation or safety case (safety case)	\$1,013.30	0.32	\$3,166.57	12.48	\$39,518.79
Consent to activity otherwise than in accordance	\$448.75	0.07	\$6,410.72	2.73	\$17,501.27
Withdraw acceptance of safety case	\$0.00	0	\$0.00	0	\$0.00
In-depth inspections (3 day)	\$0.00	0	\$23,585.60	0	\$0.00
1-day inspections (includes some reactive visits that can wait until scheduled inspection) including pre-safety case submission visits	\$50,263.82	4.8	\$10,471.63	187.2	\$1,960,289.14
Reactive inspections (and investigations)	\$7,139.83	0.83	\$8,602.21	32.37	\$278,453.54
Follow up visits for notices	\$7,795.63	0.6	\$12,992.71	23.4	\$304,029.41
Other direct costs	\$6,768.52				\$263,972.28
Consultancy fees	\$28,600.00				\$1,115,400.00
5-year aggregate total	\$115,041.74				
Rounded aggregate cost	\$115,000.00				
Annual levy	\$23,000.00				
Aggregate for all in band per annum	\$897,000.00				

Regulatory Oversight					
Upper tier	Middle band	Estimated number: 13			
	Activity cost per MHF within band	Volume per MHF within band in 5 years	Cost per item	5 year total for band	Aggregate cost for band for 5 years
Notification and designation	\$187.34	0.09	\$2,081.54	1.17	\$2,435.40
Request extension of time	\$12.00	0.03	\$400.07	0.39	\$156.03
Review suitability of operator	\$77.09	0.02	\$3,854.34	0.26	\$1,002.13
Apply for a review of a decision	\$694.44	0.17	\$4,084.95	2.21	\$9,027.74
Notifiable incident (processing only, no inspection)	\$11,319.23	7.5	\$1,509.23	97.5	\$147,149.93
Design notice	\$721.79	0.08	\$9,022.36	1.04	\$9,383.25
Request to withdraw or modify conditions on designation or safety case (designation)	\$0.00	0	\$0.00	0	\$0.00
Request to withdraw or modify conditions on designation or safety case (safety case)	\$1,013.30	0.32	\$3,166.57	4.16	\$13,172.93
Consent to activity otherwise than in accordance	\$448.75	0.07	\$6,410.72	0.91	\$5,833.76
Withdraw acceptance of safety case	\$0.00	0	\$0.00	0	\$0.00
In-depth inspections (3 day)	\$47,171.20	2	\$23,585.60	26	\$613,225.60
1-day inspections (includes some reactive visits that can wait until scheduled inspection) including pre-safety case submission visits	\$27,226.24	2.6	\$10,471.63	33.8	\$353,941.09
Reactive inspections (and investigations)	\$7,139.83	0.83	\$8,602.21	10.79	\$92,817.85
Follow up visits for notices	\$7,795.63	0.6	\$12,992.71	7.8	\$101,343.14
Other direct costs	\$6,768.52				\$87,990.76
Consultancy fees	\$29,400.00				\$382,200.00
5-year aggregate total	\$139,975.35				
Rounded aggregate cost	\$140,000.00				
Annual levy	\$28,000.00				
Aggregate for all in band per annum	\$364,000.00				

Regulatory Oversight					
Upper tier	Complex band	Estimated number: 13			
	Activity cost per MHF within band	Volume per MHF within band in 5 years	Cost per item	5 year total for band	Aggregate cost for band for 5 years
Notification and designation	\$187.34	0.09	\$2,081.54	1.17	\$2,435.40
Request extension of time	\$12.00	0.03	\$400.07	0.39	\$156.03
Review suitability of operator	\$77.09	0.02	\$3,854.34	0.26	\$1,002.13
Apply for a review of a decision	\$694.44	0.17	\$4,084.95	2.21	\$9,027.74
Notifiable incident (processing only, no inspection)	\$11,319.23	7.5	\$1,509.23	97.5	\$147,149.93
Design notice	\$721.79	0.08	\$9,022.36	1.04	\$9,383.25
Request to withdraw or modify conditions on designation or safety case (designation)	\$0.00	0	\$0.00	0	\$0.00
Request to withdraw or modify conditions on designation or safety case (safety case)	\$1,013.30	0.32	\$3,166.57	4.16	\$13,172.93
Consent to activity otherwise than in accordance	\$448.75	0.07	\$6,410.72	0.91	\$5,833.76
Withdraw acceptance of safety case	\$0.00	0	\$0.00	0	\$0.00
In-depth inspections (3 day)	\$70,756.80	3	\$23,585.60	39	\$919,838.40
1-day inspections (includes some reactive visits that can wait until scheduled inspection) including pre-safety case submission visits	\$33,509.22	3.2	\$10,471.63	41.6	\$435,619.81
Reactive inspections (and investigations)	\$7,139.83	0.83	\$8,602.21	10.79	\$92,817.85
Follow up visits for notices	\$7,795.63	0.6	\$12,992.71	7.8	\$101,343.14
Other direct costs	\$6,768.52				\$87,990.76
Consultancy fees	\$29,400.00				\$382,200.00
5-year aggregate total	\$169,843.93				
Rounded aggregate cost	\$170,000.00				
Annual levy	\$34,000.00				
Aggregate for all in band per annum	\$442,000.00				

Safety Cases – New				
	Simple band	Estimated number: 39		
	Cost per staff member	Time (days)	Daily rate	Amount recovered
Safety case – new, first submission (estimated number: 18)				
Administration officer	\$640.74	2	\$320.37	
Specialist Inspectors	\$33,830.72	35.2	\$961.10	
Deputy Chief Inspector	\$2,493.94	2.2	\$1,133.61	
Overheads, per FTE including Chief Inspector	\$8,030.14			
Total per activity	\$44,995.54			
Rounded	\$45,000.00			\$810,000.00
Multisite discount				
Safety case – new, subsequent discount (estimated number: 21)				
Administration officer	\$512.59	1.6	\$320.37	
Specialist Inspectors	\$26,910.80	28	\$961.10	
Deputy Chief Inspector	\$2,040.50	1.8	\$1,133.61	
Overheads, per FTE including Chief Inspector	\$6,424.11			
Total per activity	\$35,888.00			
Rounded	\$36,000.00			\$756,000.00
			Total	\$1,566,000.00

Safety Cases – New				
	Middle band	Estimated number: 13		
	Cost per staff member	Time (days)	Daily rate	Amount recovered
Safety case – new, first submission (estimated number: 8)				
Administration officer	\$640.74	2	\$320.37	
Specialist Inspectors	\$44,499.11	46.3	\$961.10	
Deputy Chief Inspector	\$2,834.02	2.5	\$1,133.61	
Overheads, per FTE including Chief Inspector	\$8,030.14			
Total per activity	\$56,004.01			\$448,000.00
Rounded	\$56,000.00			
Multisite discount				
Safety case – new, subsequent discount (estimated number: 5)				
Administration officer	\$512.59	1.6	\$320.37	
Specialist Inspectors	\$35,560.70	37	\$961.10	
Deputy Chief Inspector	\$2,267.22	2	\$1,133.61	
Overheads, per FTE including Chief Inspector	\$6,424.11			
Total per activity	\$44,764.62			
Rounded	\$44,800.00			\$224,000.00
			Total	\$672,000.00

Safety Cases – New				
	Complex band	Estimated number: 13		
	Cost per staff member	Time (days)	Daily rate	Amount recovered
Safety case – new, first submission (estimated number: 9)				
Administration officer	\$640.74	2	\$320.37	
Specialist Inspectors	\$55,743.80	58	\$961.10	
Deputy Chief Inspector	\$3,060.75	2.7	\$1,133.61	
Overheads, per FTE including Chief Inspector	\$8,030.14			
Total per activity	\$67,475.43			
Rounded	\$67,500.00			\$607,500.00
Multisite discount				
Safety case – new, subsequent discount (estimated number: 4)				
Administration officer	\$512.59	1.6	\$320.37	
Specialist Inspectors	\$44,691.15	46.5	\$961.10	
Deputy Chief Inspector	\$2,380.58	2.1	\$1,133.61	
Overheads, per FTE including Chief Inspector	\$6,424.11			
Total per activity	\$54,008.43			
Rounded	\$54,000.00			\$216,000.00
			Total	\$823,500.00

Safety Cases – Renewal				
	Simple band	Estimated number: 6		
	Cost per staff member	Time (days)	Daily rate	Amount recovered
Safety case – renewal, first submission (estimated number: 3)				
Administration officer	\$640.74	2	\$320.37	
Specialist Inspectors	\$13,455.40	14	\$961.10	
Deputy Chief Inspector	\$1,700.42	1.5	\$1,133.61	
Overheads, per FTE including Chief Inspector	\$4,124.31			
				\$60,000.00
Total per activity	\$19,920.87			
Rounded	\$20,000.00			
Multisite discount				
Safety case – renewal, subsequent discount (estimated number: 3)				
Administration officer	\$512.59	1.6	\$320.37	
Specialist Inspectors	\$11,052.65	11.5	\$961.10	
Deputy Chief Inspector	\$1,133.61	1	\$1,133.61	
Overheads, per FTE including Chief Inspector	\$3,299.44			
				\$48,000.00
Total per activity	\$15,998.29			
Rounded	\$16,000.00			
			Total	\$108,000.00

Safety Cases – Renewal				
	Middle band	Estimated number: 3		
	Cost per staff member	Time (days)	Daily rate	Amount recovered
Safety case – renewal, first submission (estimated number: 2)				
Administration officer	\$640.74	2	\$320.37	
Specialist Inspectors	\$18,741.45	19.5	\$961.10	
Deputy Chief Inspector	\$1,473.69	1.3	\$1,133.61	
Overheads, per FTE including Chief Inspector	\$4,124.31			
Total per activity	\$24,980.19			\$50,000.00
Rounded	\$25,000.00			
Multisite discount				
Safety case – renewal, subsequent discount (estimated number: 1)				
Administration officer	\$512.59	1.6	\$320.37	
Specialist Inspectors	\$14,993.16	15.6	\$961.10	
Deputy Chief Inspector	\$1,133.61	1	\$1,133.61	
Overheads, per FTE including Chief Inspector	\$3,299.44			\$20,000.00
Total per activity	\$19,938.80			
Rounded	\$20,000.00			
			Total	\$70,000.00

Safety Cases – Renewal				
	Complex band	Estimated number: 2		
	Cost per staff member	Time (days)	Daily rate	Amount recovered
Safety case – renewal, first submission (estimated number: 2)				
Administration officer	\$640.74	2	\$320.37	
Specialist Inspectors	\$24,027.50	25	\$961.10	
Deputy Chief Inspector	\$1,473.69	1.3	\$1,133.61	
Overheads, per FTE including Chief Inspector	\$4,124.31			
				\$60,000.00
Total per activity	\$30,266.24			
Rounded	\$30,000.00			
Multisite discount				
Safety case – renewal, subsequent discount (estimated number: 0)				
Administration officer	\$512.59	1.6	\$320.37	
Specialist Inspectors	\$19,222.00	20	\$961.10	
Deputy Chief Inspector	\$1,133.61	1	\$1,133.61	
Overheads, per FTE including Chief Inspector	\$3,299.44			
Total per activity	\$24,167.64			
Rounded	\$24,000.00			\$0.00
			Total	\$60,000.00

Appendix 2 – Cost recovery in Australia and the United Kingdom²

	Victoria ³	New South Wales ⁴	Queensland ⁵	South Australia ⁶	Western Australia ⁷	United Kingdom ⁸
Regime type	Licence (5 years maximum)	Licence (5 years maximum)	Licence (5 years maximum)	Licence (5 years maximum)	Safety report approval (5 years maximum)	Permission to operate
Main charging method	Hourly rate: \$95 per hour, up to \$67,000, for processing licence application (including safety case assessment and site inspection)	Annual charge: \$49,000 covering all non-licence costs Hourly rate: \$120 per hour covering all licence costs (includes safety case assessment) ⁹	Annual charge: \$20,000 (Tier 1) \$36,000 (Tier 2) \$53,000 (Tier 3) A major hazard facility is placed into a tier based on the complexity of its processes, with Tier 3 being the most complex	Annual charge: \$26,000 (Tier 1) \$51,000 (Tier 2) \$77,000 (Tier 3) A major hazard facility is placed into a tier based on the complexity of its processes, with Tier 3 being the most complex	Annual charge: \$148,000 (Class A) \$118,000 (Class B) \$118,000 (Class C) \$24,000 (Class D) A major hazard facility is classed according to the complexity of its processes, with Class A being the most complex	Hourly rate: \$322 per hour ¹⁰ Varies per operator. Guidance indicates costs by type of regulator activity only. ¹¹ A 2013 report ¹² found average payment across 300 chemical sites was ~\$40,500, and average lower tier costs were \$4,600-\$11,500
Other charging methods	Fee for replacement licence – \$53	Administration fee for transfer or cancellation of licence – \$120 per hour	Various application fees, eg application fee for licence – \$197	Application fee for licence: \$38,000 (Tier 1) \$77,000 (Tier 2) \$115,000 (Tier 3) Application fee to renew licence: \$26,000 (Tier 1) \$51,000 (Tier 2) \$77,000 (Tier 3) Other, eg licence replacement – \$257	Fee for first approval of a safety report: \$148,000 (Class A) \$118,000 (Class B) \$118,000 (Class C) \$24,000 (Class D)	

² Converted to New Zealand dollars using a currency conversion rate averaged over a ten year period (2005-2015) to account for fluctuations, and rounded.

³ Occupational Health and Safety Regulations 2007 (Vic), reg.6.1.23 -

[http://www.legislation.vic.gov.au/Domino/Web_Notes/LDMS/LTObject_Store/LTObjSt9.nsf/DDE300B846EED9C7CA257616000A3571/EB2BF1295DC60F28CA257D87007F9B67/\\$FILE/07-54sra020%20authorised.pdf](http://www.legislation.vic.gov.au/Domino/Web_Notes/LDMS/LTObject_Store/LTObjSt9.nsf/DDE300B846EED9C7CA257616000A3571/EB2BF1295DC60F28CA257D87007F9B67/$FILE/07-54sra020%20authorised.pdf).

⁴ Work Health and Safety Regulation 2011 (NSW), Sch.2 - <http://www.legislation.nsw.gov.au/maintop/view/inforce/subordleg+674+2011+cd+0+N>.

⁵ Work Health and Safety Regulation 2011 (Qld), Sch.2 - <https://www.legislation.qld.gov.au/LEGISLTN/CURRENT/W/WorkHSR11.pdf>.

⁶ Work Health and Safety Regulation 2012 (SA), Sch.2 - <https://www.legislation.sa.gov.au/lz/c/r/work%20health%20and%20safety%20regulations%202012.aspx>.

⁷ Dangerous Goods Safety (Major Hazard Facilities) Regulations 2007 (WA), Sch.3 - https://www.slp.wa.gov.au/legislation/statutes.nsf/main_mrtitle_2768_homepage.html.

⁸ Control of Major Accident Hazards Regulations 2015 (COMAH) (UK), Part 9 - <http://www.legislation.gov.uk/ukxi/2015/483/contents/made>.

⁹ See <https://www.opengov.nsw.gov.au/publications/15321>.

¹⁰ This figure is an average of the hourly rates for the Health and Safety Executive, the Environmental Agency, and the Scottish Environmental Protection Agency.

¹¹ See: <http://www.hse.gov.uk/charging/comahcharg/comahch3.htm>

¹² UK Department for Business, Innovation and Skills report, Review of Enforcement in the Chemicals Industry (COMAH), February 2013 - <http://www.hse.gov.uk/comah/bre-review/index.htm>