



**Australian Government**

**Department of Infrastructure, Transport,  
Regional Development and Communications**

## **COST RECOVERY IMPLEMENTATION STATEMENT**

### **Road Vehicle Standards**

**2020-21**

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

---

<sup>1</sup> The Australian Government Charging Framework and the CRGs are available on the department of Finance website ([www.finance.gov.au](http://www.finance.gov.au)).

Contents

- 1 Introduction** ..... 4
  - 1.1 Purpose of the Cost Recovery Implementation Statement ..... 4
  - 1.2 Description of activities ..... 4
  - 1.3 Who will pay the cost recovery charges ..... 7
- 2 Policy and Statutory Authority to Cost Recover** ..... 8
  - 2.1 Government policy approval to cost recover ..... 8
  - 2.2 Statutory authority to charge ..... 8
- 3 Cost Recovery Model** ..... 9
  - 3.1 Outputs and business processes of the regulatory services ..... 9
    - 3.1.1 Type approval ..... 9
    - 3.1.2 Concessional RAV entry ..... 11
    - 3.1.3 Specialist and Enthusiast Vehicles Register entry approval ..... 12
    - 3.1.4 Registered automotive workshop approval ..... 12
    - 3.1.5 Variation of a RAW approval ..... 12
    - 3.1.6 Approval of a Model Report ..... 12
    - 3.1.7 Variation of an approved Model Report ..... 13
    - 3.1.8 Authorised vehicle verifier approval ..... 13
    - 3.1.9 Variation of an AVV approval ..... 14
    - 3.1.10 Testing facility approval ..... 14
    - 3.1.11 Variation of a testing facility approval ..... 14
    - 3.1.12 Non-RAV entry import approval ..... 14
    - 3.1.13 Applications for a reimportation import approval ..... 15
    - 3.1.14 Non-road vehicles ..... 15
    - 3.1.15 Ongoing regulatory activities ..... 16
  - 3.2 Costs of the services ..... 20
    - 3.2.1 Cost drivers and key assumptions ..... 20
    - 3.2.2 Sensitivity of cost estimates to changes in assumptions ..... 20
    - 3.2.3 Categories of capital costs included in outputs/business processes ..... 20
    - 3.2.4 Cost management strategies ..... 20
    - 3.2.5 Cost break-down estimates for 2020-21 ..... 21
  - 3.3 Design of cost recovery charges ..... 23
    - 3.3.1 Charging structure ..... 23
    - 3.3.2 Cost recovery fees ..... 23
    - 3.3.3 Cost recovery levies ..... 26
- 4 Risk Assessment** ..... 29
- 5 Stakeholder Engagement** ..... 30
- 6 Financial Estimates** ..... 31

|          |  |    |
|----------|--|----|
| <b>7</b> | <b>Financial and Non-Financial Performance</b> ..... | 32 |
| 7.1      | Financial performance .....                          | 32 |
| 7.2      | Non-financial performance.....                       | 32 |
| <b>8</b> | <b>Key Forward Dates and Events</b> .....            | 33 |
| <b>9</b> | <b>CRIS Approval and Change Register</b> .....       | 33 |

# 1 Introduction

## 1.1 Purpose of the Cost Recovery Implementation Statement

This Cost Recovery Implementation Statement (CRIS) provides information on how the Department of Infrastructure, Transport, Regional Development and Communications (the department) undertakes cost recovery arrangements for administrative and regulatory activities under the *Road Vehicles Standards Act 2018* (RVSA) and related legislation. Activities include assessing applications, developing standards, undertaking activities to verify compliance with requirements, responding to safety issues with road vehicles or approved road vehicle components and responding to non-compliance with requirements under the RVSA. It also reports financial performance information for activities under the RVSA and the *Motor Vehicle Standards Act 1989* (MVSA), as relevant, and contains financial forecasts for 2020-21 and three forward years.

The RVSA received Royal Assent on 10 December 2018 and replaces the MVSA. The RVSA will commence on a date to be fixed by Proclamation or by 1 July 2021 if not fixed before this date. There will be a transition period of 12 months from commencement of the RVSA where some provisions of the MVSA will continue to operate (as provided for under the *Road Vehicle Standards (Consequential and Transitional Provisions) Act 2018*) in conjunction with the RVSA. Relevant charges under the MVSA continue during this period.

The description of activities, processes and requirements in this CRIS is for the purpose of explaining how the effort and costs are driven. Stakeholders are advised to not rely on this CRIS for the legal requirements of complying with the RVSA. Every effort has been made to ensure consistency with the policies and documented procedures of the RVSA however, where an inconsistency exists, the CRIS is not the authoritative document for the purposes of compliance with legislation.

## 1.2 Description of activities

The department administers the RVSA and related legislation as part of the regulation of new and used vehicles to the point where they are provided for the first time in Australia. In particular, the RVSA regulates the safety, environmental, and anti-theft performance of all vehicles entering the market. The department seeks to ensure that vehicles meet minimum safety and environmental standards that maintain the safest possible environment for the community.

Before a road vehicle can be provided for the first time in Australia, it must be on the Register of Approved Vehicles (RAV). To be entered on the RAV it must meet the requirements of an approval pathway – either the type approval pathway or the concessional RAV entry pathway. This applies to either imported or domestically manufactured vehicles.

Activities undertaken include assessing applications for approval to enter a vehicle on the RAV, or import a road vehicle, verify compliance with requirements under the RVSA, responding to non-compliance or safety issues and maintaining the Australian Design Rules (ADRs). The department also receives and publishes notification of voluntary recalls of road

vehicles and approved road vehicle components and monitors such recalls. The RVSA mirrors voluntary and compulsory safety recall provisions in the Australian Consumer Law, and applies to all road vehicles.

The cost recovered regulatory activities that will be undertaken by the department through its administration of the RVSA are summarised in Tables 1 and 2.

**Table 1: Application-based activities**

| No. | Activity   | Description  |
|-----|--|--|
| 1   | Type approvals   | Assessment of a vehicle design representing a make-model (the “type” of vehicle) to assure compliance with the applicable ADRs. If the type complies then all others of the same design, or type, will also comply, provided the production processes are properly controlled.   |
| 2   | Road vehicle component type approvals  | Assessment of applications from persons seeking approvals for road vehicle components of particular types for use in the manufacture of road vehicles.   |
| 3   | Concessional RAV entry approvals   | Assessment of applications from persons seeking to enter vehicles on the RAV via a concessional entry pathway, such as older vehicles, specialist and enthusiast vehicles and personal effects.  |
| 4   | Entry of a vehicle on the Specialist and Enthusiast Vehicles (SEVs) Register | Assessment of applications from persons seeking entry of road vehicles on the SEVs Register. A vehicle that is covered by an entry on the SEVs Register may be eligible for a concessional RAV entry or approval, if it meets certain criteria.  |
| 5   | Registered Automotive Workshop (RAW) approvals                               | Assessment of applications from persons seeking approvals as a registered automotive workshop. A RAW may modify certain kinds of vehicles in accordance with an approved model report.   |
| 6   | Model Report approvals   | Assessment of applications from persons seeking approvals for Model Reports detailing the manufacturing or modification instructions for a vehicle to meet the requirements for being a road vehicle in Australia. By following instructions in the Model Report, the manufactured or modified vehicle will comply with relevant ADRs or other applicable standards. |
| 7   | Authorised Vehicle Verifier (AVV) approvals                                  | Assessment of applications from corporations seeking approvals as an AVV, to perform independent inspections on certain vehicles before they are entered on the RAV and provided in Australia.   |
| 8   | Testing facility approvals   | Assessment of applications from persons seeking to operate a specific facility to test road vehicles and/or road vehicle components against specified ADRs.  |
| 9   | Non-RAV entry import approvals   | Assessment of applications from persons seeking approvals to import road vehicles generally not to be used on public roads or road vehicles that will only remain in Australia temporarily.  |
| 10  | Reimportation import approvals   | Assessment of applications from persons seeking to import road vehicles that have previously been on the RAV or had an ID plate placed on the vehicle in accordance with the MVSA.   |
| 11  | Register of Approved Vehicles (RAV)  | Every vehicle used, or to be used, on a public road must be entered on the RAV via the applicable entry pathway.   |
| 12  | Advice that a thing is not a road vehicle                                    | Assessment to determine whether a vehicle is not a road vehicle and therefore not subject to the RVSA.   |

**Table 2: Post Market – Compliance/education regulatory activities**

| No. | Activity   | Description   |
|-----|--|---|
| 1   | Register support and guidance                              | The details of each vehicle approved for road use are entered on the RAV. Providing advice on ADRs, receiving and providing advice through the client contact centre and IT systems support.  |
| 2   | Policy development and regulatory improvement              | Improving vehicle safety as part of the National Road Safety Strategy and associated action plans and policies.   |
| 3   | Standards development and maintenance                      | New and updated ADRs, including providing assurance that regulations keep pace with international standards and are appropriate to Australian conditions.   |
| 4   | Regulation of recalls                                      | Risk-based approach to assessing and providing a regulatory response to the adequacy of recalls strategies proposed and undertaken by vehicle suppliers.  |
| 5   | Education, engagement, audit, investigations and fieldwork | Education and stakeholder engagement activities to promote compliance with RVSA. Announced and unannounced, domestic and international, site visits and desktop audits to deliver assurance regarding ongoing vehicle ADR compliance and compliance with other obligations as an approval holder. |
| 6   | Vehicle safety and non-compliance reporting                | Receive and review intelligence, to identify potential safety issues or non-compliance with RVSA, and consider if a follow-up action (investigation, monitoring and enforcement) is appropriate.  |

Cost recovery for these activities is appropriate as it promotes equity – the recipients of a government activity meet the costs, rather than the general public. Additionally, cost recovery should promote cost consciousness for stakeholders and ensure that the activities are delivered in the most efficient and responsive way.

### 1.3 Who will pay the cost recovery charges

The primary stakeholders whose activities are subject to cost recovery are listed in Table 3.

**Table 3: Key stakeholders**

| No. | Stakeholder   | Description  | Volumes             |
|-----|---|--|---------------------|
| 1   | Type approval holders   | Most road vehicles are provided by type approval holders.  | 1,299 <sup>2</sup>  |
| 2   | Concessional RAV entry approval holders                       | Individuals and corporations can apply for an approval to enter a vehicle on the RAV.  | 16,480 <sup>3</sup> |
| 3   | Specialist and Enthusiast Vehicles (SEVs) Register applicants | A variant of a model, or a make and model, of vehicle that satisfies certain criteria is eligible for entry on the SEVs Register. A vehicle of a kind on the SEVs Register may subsequently be entered on the RAV via the concessional RAV entry approval pathway if it meets additional requirements. | 50*                 |
| 4   | Registered Automotive Workshops (RAWs)                        | Approved Australian corporations, known as RAWs, may manufacture or modify certain vehicles that are eligible for concessional RAV entry.  | 130 <sup>4</sup>    |
| 5   | Model Report authors  | Model reports are utilised by RAWs and for certain type approval applications. The department approves model reports, agreeing that by following instructions in the model report, the modified vehicle will meet relevant ADRs.   | 60*                 |
| 6   | Authorised Vehicle Verifiers (AVVs)                           | Approved Australian corporations, known as AVVs, perform independent inspections on certain vehicles prior to entry on the RAV.  | 50*                 |
| 7   | Testing facility approval holders                             | Approved testing facilities may test vehicles and road vehicle components against ADRs at certain facilities. Evidence produced by testing conducted at such facilities is relevant to the grant of other approvals under this instrument.   | 300*                |
| 8   | Providers of non-RAV entry road vehicles                      | Providers of road vehicles that are not for use on a public road.  | 1,089 <sup>4</sup>  |
| 9   | Providers of things that are not road vehicles                | Providers of vehicles that are not designed to be used on the road.  | 3,655*              |

<sup>2</sup> Registered type approval holders sourced from Road Vehicle Certification System on 30 April 2019.

<sup>3</sup> Volume of import applications, excluding new vehicles and RAWs vehicle applications, 2016-17 actuals.

<sup>4</sup> As at 30 June 2017: (<http://raws.infrastructure.gov.au/rawswebpublic/RAWPubSearch.asp#results>).

\* Estimate- either new activities or industry sector not previously subject to regulation.

## 2 Policy and Statutory Authority to Cost Recover

### 2.1 Government policy approval to cost recover

The policy authority for continued cost recovery of regulatory activities associated with administering the RVSA was confirmed in 2016, as part of the Australian Government's decision on the reforms of road vehicle standards regulation.<sup>5</sup> This decision reflects full cost recovery of supporting and administering a robust and efficient regulatory framework.

### 2.2 Statutory authority to charge

Five Acts provide the statutory framework for the imposition and collection of the road vehicle standards fees and levies:

- The *Road Vehicle Standards Act 2018* – provides for the imposition of *fees* in relation to activities undertaken by the department in administering the RVSA
- The *Road Vehicle Standards Charges (Imposition – General) Act 2018*, the *Road Vehicle Standards Charges (Imposition – Customs) Act 2018* and the *Road Vehicle Standards Charges (Imposition – Excise) Act 2018* – provide for the imposition of *levies* in relation to the administration of the RVSA
- The *Road Vehicle Standards Act 2018* and the *Road Vehicle Standards (Transitional and Consequential Amendments) Act 2018* – provide for the collection of the fees and levies imposed

The amounts of fees, as prescribed in rules, and levies, as prescribed in the regulations, made under the relevant primary legislation, are detailed later in this CRIS.

---

<sup>5</sup>[https://parlinfo.aph.gov.au:443/parlInfo/search/display/display.w3p;adv=yes;db=CHAMBER;id=chamber%2Fhansards%2F20055de3-ef7b-4bac-8354-24f8264a64fa%2F0154;orderBy=\\_fragment\\_number,doc\\_date-rev;page=0;query=Id%3A%22chamber%2Fhansards%2F20055de3-ef7b-4bac-8354-24f8264a64fa%2F0154%22;rec=0;resCount=Default](https://parlinfo.aph.gov.au:443/parlInfo/search/display/display.w3p;adv=yes;db=CHAMBER;id=chamber%2Fhansards%2F20055de3-ef7b-4bac-8354-24f8264a64fa%2F0154;orderBy=_fragment_number,doc_date-rev;page=0;query=Id%3A%22chamber%2Fhansards%2F20055de3-ef7b-4bac-8354-24f8264a64fa%2F0154%22;rec=0;resCount=Default)

## 3 Cost Recovery Model

### 3.1 Outputs and business processes of the regulatory services

Activities are separated into two categories – ‘pre-approval’ (the cost of assessing applications) and ‘post-approval’ (other costs, including compliance and enforcement activities, development of standards and administration and management of vehicle recalls). The examples below of the effort breakdown to the sub-activity level for pre and post-approval activities are indicative of the process the department follows for every activity in this CRIS. The department uses a consistent approach for undertaking and costing these regulatory activities to ensure reliable and robust minimum efficient costs and allow for costs and prices to be updated as the effort and demand changes.

#### Pre-Approval

##### 3.1.1 Type approval

Type approval is the confirmation that production samples of a design will meet specified ADRs. Type approval is granted to a vehicle or a vehicle component that meets the minimum set of regulatory, technical and safety requirements. Type approval is one pathway for entry of a vehicle onto the RAV, required before the vehicle may be sold in Australia. A type approval is valid for up to seven years.

##### International Whole Vehicle Type Approval

Vehicle variants that have already met the requirements for internationally agreed type approval are exempt from certain aspects of Australian type approval. The exemption criteria is anticipated to expand over time.

##### Non International Whole Vehicle Type Approval

Vehicles are required to be compliant with ADRs. The number and nature of ADRs that a vehicle type must meet varies according to complexity and usage of the vehicle. The department recognises the compliance requirements can be disaggregated according to vehicle category: passenger vehicle, heavy vehicle, two and three-wheeled vehicles, and trailer. Per Diagram 1 below, the typical process for granting approval for these vehicles in Australia involves checking the application, reviewing the manufacturer’s supporting evidence for their Quality Management System, reviewing the evidence supporting compliance with the ADRs, resolving outstanding technical issues, then determining the appropriate response (including refusing or approving the type approval application) and notifying the applicant.

**Diagram 1: Typical type approval application process**



Approvals are subject to the conditions under the RVSA such as:

- all type approval holders to control all stages of design, componentry, and manufacturing processes to ensure continuing compliance with the ADRs
- supporting information relating to design componentry and manufacturing processes
- arrangements for an inspection of the premises used in the manufacturing process covered by the approval

### **Heavy trailer type approval (with Model Report)**

Under the RVSA, heavy trailer manufacturers will have the option to utilise a Model Report to support applications for a type approval. This will allow for the single assessment by the department and subsequent sharing of the design, test evidence and modification procedures for multiple trailers and businesses manufacturing to that design, as long as other requirements for type approvals are met.

### **Light trailer type approval**

Under the RVSA, trailer manufacturers supplying more than four vehicles to the Australian market per year will need to obtain a 'type' approval for the model of trailer. Type approval will be based around declarations by the manufacturer that the trailer will fully or substantially comply with the applicable ADRs. Applicants also need to meet:

- requirements for supporting information relating to design componentry and manufacturing processes; and,
- arrangements for an inspection of the premises used in the manufacturing process covered by the approval.

### **Component type approval**

Approval may be sought for specific components for introduction to the Australian market, rather than a whole vehicle. The process and nature of component type approvals is different to other vehicle types. Therefore it is appropriate to differentiate the processes and effort for the purposes of cost recovery. A component type approval is valid for up to seven years.

### **Type approval variations**

From time to time, the holder of a type approval may need to seek approval to vary the approval, such as a change in the supply chain or a change in the design of a vehicle. An application is made to vary the type approval, detailing the change or changes and demonstrating compliance with the relevant ADRs.

### 3.1.2 Concessional RAV entry

The concessional RAV entry pathway is for vehicles that may be granted a concession to the ADRs, or to the type of evidence that is required to demonstrate compliance with the ADRs. This is different to the type approval RAV entry pathway, where full evidence of compliance with the ADRs is required.

#### Older vehicles (vehicles that are at least 25 years old at time of application)

A vehicle with a relevant build date that is at least 25 years before the date of application. The typical process for granting approval involves the steps and approximate effort shown in Diagram 2.

#### Diagram 2: Typical concessional RAV entry (older vehicles) approval application process



#### Vehicles to be modified by the holder of a RAW approval

The RVSA requires Registered Automotive Workshops (RAWs) to modify vehicles entered on the Specialist and Enthusiast Vehicles Register, used motorcycles and some second stage of manufacture vehicles in accordance with an approved Model Report, and for the modified vehicle to be verified by an AVV (see below).

#### Special purpose vehicles

A vehicle that does not comply with the applicable ADRs and it would not be able to operate for the purpose for which it was designed if it were to be modified to comply or its original design were in accordance with the applicable ADRs.

#### Personal effects vehicles

The criteria for this category includes a vehicle that has been owned for a continuous period of at least 12 months immediately prior to returning to Australia for the purpose of remaining in Australia indefinitely, and the applicant became the owner of the vehicle while living outside Australia, and the application is made within 6 months of the applicant arriving in Australia for the purpose of remaining in the country indefinitely.

#### Trailers

A light or heavy trailer that will comply with the applicable ADRs, and the applicant has not been granted more than four concessional RAV entry approvals for light trailers, and four concessional RAV entry approvals for heavy trailers, in the previous 12 months.

#### A vehicle suitable for entry on the RAV

A road vehicle satisfies the eligibility criteria set out in this section if the Minister is satisfied that the vehicle is suitable for entry on the RAV.

### **3.1.3 Specialist and Enthusiast Vehicles Register entry approval**

The Specialist and Enthusiast Vehicles (SEVs) Register is a register of vehicle makes, models and variants that have been assessed as meeting the relevant criteria. These are makes, models and variants that are not available in Australia through a type approval and also meet one of six specialist or enthusiast eligibility criteria:

- performance
- environmental
- mobility
- left-hand drive
- campervans or motorhomes
- rarity

An application for inclusion of a vehicle on the SEVs Register can be made to the department. If the application is approved, the vehicle make, model and variant is added to the Register. Once on the Register, an application can be made by any person for a concessional RAV entry approval under the 'vehicle to be modified by a RAW' criterion. An entry on the SEVs Register is valid for up to three years.

### **3.1.4 Registered automotive workshop approval**

A registered automotive workshop (RAW) is an Australian-registered corporation that has been approved to modify or manufacture vehicles in accordance with an approved Model Report. A register of approved RAWs is published on the department's website. A RAW approval is valid for up five years.

Concessional RAV entry approval vehicles that use the 'vehicles to be modified by the holder of a RAW approval' eligibility criteria must be modified by a RAW.

### **3.1.5 Variation of a RAW approval**

The holder of a RAW approval may apply to vary the conditions of their approval.

### **3.1.6 Approval of a Model Report**

Model Reports play a critical role in assisting holders of a RAW approval when modifying or manufacturing a road vehicle in accordance with the approved Model Report. A Model Report relates to a road vehicle, or one or more variants of a model, such as:

- A road vehicle that is entered on the SEVs Register
- A used two-wheeled or used three-wheeled vehicle
- A trailer with an aggregate trailer mass of more than 4.5 tonnes
- A road vehicle that is entered on the RAV via the type approval pathway and will be subject to second stage of manufacture

A Model Report contains the scope and details of the vehicle model or variants, evidence to demonstrate compliance with ADRs, detailed instructions for modification or manufacture to meet ADRs and a verification checklist.

The information provided in a Model Report is assessed against the ADRs to demonstrate compliance, or substantial compliance (where the non-compliance is only minor or inconsequential in nature), or complies with the ADRs to the extent that it would not pose a risk to public safety and is suitable for use on a public road in Australia.

### 3.1.7 Variation of an approved Model Report

The Model Report approval holder must maintain accuracy of the Model Report so they may need to seek approval for variation of the approved Model Report. Variations to an approved Model Report may be to address changes in ADRs, correct errors in working instructions or verification checklists, or add or delete a variant.

An application is made to vary the approved Model Report, detailing the change or changes and demonstrating compliance with any changed ADRs. Assessment of these changes may require similar effort as a new application, particularly where additional variants have been included as part of the variation to the approved Model Report.

**Diagram 3: Typical approval of a variation of Model Report application process**



### 3.1.8 Authorised vehicle verifier approval

The RVSA facilitates the establishment of a network of approved corporations known as authorised vehicle verifiers (AVVs) to verify that vehicles entering the Australian market via RAWs comply with department approved Model Reports. This verification process provides vehicle owners, and the public more broadly, greater assurance of vehicle integrity and compliance. Some of the aspects of a vehicle that AVVs will be required to check include:

- any vehicle modifications undertaken by RAWs have been carried out in accordance with the latest approved Model Report
- the vehicle does not exceed the damage or corrosion thresholds; and
- the vehicle’s odometer reading accurately reflects the vehicle’s kilometres travelled.

Any corporation (Australian or registered overseas) may apply for the grant of an AVV approval, however all inspections must occur within Australia. Corporations seeking approval from the Australian Government to provide AVV services need to submit an application to the department for assessment. Applicants must provide supporting documentation to demonstrate that they:

- are a corporation
- have, or have access to, the technology, equipment and procedures to inspect road vehicles in accordance with legislative requirements
- have, or have access to, appropriately skilled staff to conduct such inspections; and
- do not have a conflict of interest with a RAW.

Applicants, if requested, must provide further information and/or allow an inspection of any premises, technology and equipment used to inspect road vehicles under an AVV approval.

An AVV approval is valid for up to five years.

### 3.1.9 Variation of an AVV approval

The holder of an AVV approval may apply to vary the conditions of their approval.

### 3.1.10 Testing facility approval

A testing facility approval permits the holder of the approval to test vehicles and road vehicle components against the ADRs at certain facilities. Evidence produced by testing conducted at such facilities is relevant to the grant of other approvals. To become an approved testing facility, an individual or a corporation must apply and demonstrate compliance with criteria that includes the following:

- that the applicant has, or has access to, technology and equipment to adequately test road vehicles and road vehicle components
- that the applicant has, or has access to, appropriately skilled personnel to carry out any testing under the approval

Applicants must provide information about their testing locations, their capability (the ADRs that they intend to test to), and nominate a contact person. Applicants, if requested, must provide further information and/or allow an inspection of the facilities.

A testing facility approval is valid for up to five years.

#### Diagram 4: Typical testing facility approval application process



### 3.1.11 Variation of a testing facility approval

The holder of a testing facility approval may apply to vary the conditions of their approval.

### 3.1.12 Non-RAV entry import approval

Approval for non-RAV entry import in respect of a road vehicle may be sought if the vehicle is not to be used on a public road, except in exceptional circumstances, and it meets one of the following criteria:

- a) the vehicle is being imported for a purpose that:
  - i. does not involve use on a public road; or
  - ii. involves use on a public road only in exceptional circumstances; and
- b) any of the following applies:
  - i. the vehicle will be used only in a race or rally, or in providing support to a vehicle used in a race or rally;
  - ii. the vehicle will be used only in a public exhibition and is a vehicle that is not generally available in Australia;

- iii. the vehicle will be used only in the production of a film, video, television program or advertisement;
- iv. the vehicle will be used only for testing or market evaluation;
- v. the vehicle is a significantly modified vehicle (including a hot rod);
- vi. the vehicle is suitable to be granted a non-RAV entry import approval, and granting the approval would not be inconsistent with the objects of the Act.

### **3.1.13 Applications for a reimportation import approval**

In general, reimportation approval is required to bring a vehicle previously registered and used on Australian roads, which has been taken overseas for a period of time and is now needing to be reimported into Australia. That is, this category applies to vehicles that are on the RAV or have an Australian identification plate or used import plate.

### **3.1.14 Non-road vehicles**

Vehicles not designed for transport or not permitted to be used on public roads are normally not considered to be road vehicles and so are not prohibited from importation. While a such a vehicle may not fall under the RVSA, as a matter of course the Department of Home Affairs may require an importer of such a vehicle to obtain assessment advice from the department that it is not categorised as a 'road vehicle' under the legislation. Examples of these vehicles include:

- Non-road motorcycles
- Personal mobility devices and recreational devices, such as scooters, unicycles, skateboards
- Light Utility Vehicles
- Quad Bikes / All-Terrain Vehicles (ATVs)
- Golf carts and resort vehicles
- Race cars such as formula 1 cars or purpose built drag cars
- Monster trucks
- Go karts

Having this advice in advance gives the ability to gain customs clearance of a vehicle without incurring storage costs. This is a form of documentation similar to an import approval and issued by the department which facilitates Home Affairs releasing a 'non-road' vehicle.

## Post-Approval

### 3.1.15 Ongoing regulatory activities

The department undertakes a number of activities as part of administering the RVSA. These activities include:

1. Register support and guidance
2. Policy development and regulatory improvement
3. Standards development and maintenance
4. Regulation of recalls
5. Education, engagement, audit, investigations and fieldwork
6. Vehicle safety and non-compliance reporting

The efficient costs of these activities have been determined from departmental records, surveys of operational staff and estimates of the costs of new activities. The costs relate to staffing and on-costs (such as worker's compensation, direct ICT and superannuation) and relevant indirect costs (such as human resources support, organisation services and property costs). The CRGs notes that 'the efficient costs of the activities are the minimum costs necessary to provide the activity while achieving the policy outcomes and legislative functions of the Australian Government.'<sup>6</sup>

#### *1. Register support and guidance*

The department provides support to potential applicants and assists with enquiries on correctly adding or amending information to the RAV.

The department expects to manage approximately 27,500 enquiries via telephone, email, webform per annum. This figure is based on historical data of the number of queries handled in relation to vehicle regulation.

This activity is driven by industry stakeholder and the public, such as seeking to clarify an issue of regulation or importation, or to advise the department of a potential breach of the regulations. Supporting stakeholder engagement improves compliance with the regulations by all stakeholders.

#### *2. Policy development and regulatory improvement*

The department's program for improving the safety of the Australian fleet through compliance with the ADRs and consumer programs and related mechanisms forms part of a National Road Safety Strategy and associated action plans, which are developed and implemented on a periodic basis.

The department facilitates and participates in national and international forums for standards development and vehicle safety. A variety of treaties and free-trade agreements impact on those standards and their application in Australia. Overall, there is a need to ensure that vehicle standards in Australia are effective at addressing road vehicle safety and achieving environmental goals, reflect international best-practice and community expectations and are fit for purpose for Australian conditions.

---

<sup>6</sup> CRGs, p. 34.

The need for activity is driven by all industry stakeholders, by seeking to introduce vehicles to the Australian market, and the need for these vehicles to be safe, and to ensure that Australian emissions and safety policies and regulations keep pace with other jurisdictions.

### *3. Standards development and maintenance*

There are approximately 100 ADRs that apply to vehicles (depending on the type of vehicle) in Australia. There is a need to ensure that the ADRs continue to evolve in line with the National Road Safety Strategy and international developments. There is also a need to maintain them such that they remain as cost efficient and effective as possible and do not form a barrier to emerging safety technology.

The need for activity is driven by all industry stakeholders, by seeking to introduce vehicles to the Australian market, and the need for these vehicles to be safe, and to ensure that Australian emissions and safety policies and regulations keep pace with other jurisdictions.

The department facilitates the Australian Government's deregulation program, which seeks to harmonise existing standards with international and/or major market standards and removes or amends standards that have become obsolete or otherwise ineffective. The department has a rolling schedule of maintenance to respond to issues raised by stakeholders around the implementation of existing standards.

Additionally, the department has an obligation to maintain and review the ADRs. The department uses a series of work programs to prioritise maintenance work, but expects to review each ADR at least every ten years. ADR reviews are managed in consultation with stakeholders through the establishment of project groups. The project groups assist departmental officers to obtain the evidence required to justify repealing, amending or maintaining each ADR. Departmental officers also monitor the status of various external standards that are incorporated into the ADRs. Each review will involve a reviewing officer for approximately eight weeks, with oversight and clearance processes of four weeks. Where a review is complex or involves the development of the Regulation Impact Statement, additional resources are needed. The review schedule allows for prioritisation of higher-risk ADRs (for example, where an emerging technology or issue requires a change in the level of risk tolerance/engagement as a regulatory response).

The need for activity is driven by all industry stakeholders, by seeking to introduce vehicles to the Australian market, and the need for these vehicles to be safe, and to ensure that Australian emissions and safety policies and regulations keep pace with other jurisdictions.

### *4. Recalls – management and influencing*

The department will undertake a range of activities in relation to its administration of voluntary and compulsory recalls of road vehicles, and approved road vehicle components, under the Road Vehicle Standards legislation. Based on historical data, the department anticipates receiving approximately 350 notifications from suppliers per year. For each notification received, the department will take an objective, risk-based approach to assessing the adequacy of the technical and communication strategies proposed by the supplier. To support suppliers, and to ensure they have the knowledge and skills to meet their obligations, the department will maintain guidance material on its external website. In addition, departmental officers will routinely survey the environment, assessing information from a diverse range of sources, and in consultation with suppliers, to form a view on whether voluntary recall action should be taken by one or more suppliers.

Once notified, the department prioritises its monitoring of recall performance for each recall in order to focus resources on those recalls that pose the greatest risk. This is an activity that is performed at defined intervals up until all recall action is completed.

### Diagram 5: Typical recall process



In order to support the effectiveness of voluntary recalls, the department will publish to its external website a recall notice for each recall notified, as well as any strategic communications that aim to inform and educate. As well, and to ensure as broad an audience as possible is reached, the department will publish content concerning voluntary recalls to social media platforms such as Facebook and Twitter.

The key driver for recalls activities is responding to risks and emerging issues across all industry stakeholders. For example, where a recall affects a major vehicle supplier, it will require a broader effort from the department.

#### 5. Education, engagement, audit, investigations and fieldwork

The department engages with industry stakeholders and the public in a number of ways, including participating in national and international forums, developing proposals for feedback and responding to proposals from other bodies, and facilitating email and telephone communications to resolve queries with organisations and/or individuals.

To ensure the ongoing quality of vehicles introduced to the Australian market, audits and site visits are conducted by department officers. Announced and unannounced audits and site visits may occur for facilities in Australia and internationally.

Audits or site visits may be prompted by systemic issues or regular checking for compliance with the ADRs. They may also be prompted by intelligence relating to a specific facility or manufacturer.

Where a site is not in Australia, international travel and employment requirements, such as mandated rest days, are major cost drivers. Where a site is in Australia, efficiencies are sought, such as utilising more junior officers and visiting other sites in the same area, to minimise the cost of this regulatory activity.

The department anticipates undertaking 100 site inspections and 160 audits in any given financial year. Those sectors of the industry that undertake higher-risk activities, or have been identified as potentially non-compliant with regulations, are generally the focus of more compliance activities. Compliance activities are more likely to be undertaken in regard to new entrants to the industry and those who introduce, or support the introduction of, a low volume of vehicles to the market.

The department conducts a range of compliance activities on regulated entities per the annual Compliance plan. The conditions of approvals granted under the RVSA stipulate that the department may request information from approval holders to support compliance monitoring, investigation and enforcement. A key post-market compliance activity is desktop

audits (DTAs), which are conducted at departmental premises through the submission of information to the department and are distinct from on-site compliance audits conducted at the vehicle manufacturer’s premises. DTAs are used to request a range of technical information from approval holders to monitor compliance to the applicable ADRs. DTAs are also conducted to request targeted information to assess whether a holder of an approval is complying with the Act, Rules, or any instrument made under the Act. DTAs span a range of technical and administrative complexity with commensurate resourcing requirements.

The department anticipates undertaking over 400 desktop audits in relation to 1,600 entities in any financial year. Those sectors of the industry that undertake higher-risk activities, or have been identified as potentially non-compliant with regulations, are generally the focus of more desktop audits.

**Diagram 6: Typical audit process**



*6. Vehicle safety and non-compliance reporting and responding to non-compliance*

The Australian Government regulates the manufacture, importation and first supply to the market of road vehicles to ensure an acceptable level of safety, emission control and anti-theft protection across the Australian vehicle fleet. The department will administer these arrangements under the Road Vehicle Standards legislation.

The department regularly receives reports of vehicle safety or non-compliance issues from members of the public, industry and other regulators. The department will assess these reports to identify potential safety issues or non-compliance with Road Vehicle Standards legislation that may require further consideration and response. Where there is sufficient evidence or information, the department will complete a process of preliminary consideration to determine if an investigation into the identified issue is require due to the potential of it being a systemic safety issues or non-compliance with the legislation and technical standards. If it is assessed that further action is required, the department will undertake that action, including any enforcement action decided by the relevant delegate.

The reports received and addition work undertaken by the department will also be used to support our ongoing compliance monitoring activities and planning.

This activity is driven by information provided by the public, industry and other regulators regarding any segment of the industry. While non-compliance can occur across industry, the impact of non-compliance by a major vehicle supplier is greater and therefore requires more departmental resources to resolve.

**Diagram 7: Typical response to non-compliance process**



## **3.2 Costs of the services**

### **3.2.1 Cost drivers and key assumptions**

In line with the Government decision, as outlined in section 2 “Statutory and Policy Authority to Cost Recover” above, the efficient costs of delivering the regulatory activities are shown in tables 4, 5 and 6. These costs relate to staffing and on-costs (such as worker’s compensation, direct ICT and superannuation) and relevant indirect costs (such as desktop ICT expenses, human resource and organisation services, and property costs).

The CRGs notes that “the efficient costs are the minimum costs necessary to provide the activity while achieving the policy outcomes and legislative functions of the Australian Government.”<sup>7</sup>

The department utilises an Activity Based Costing methodology for allocating direct and indirect costs to RVSA-related activities. Direct costs (including employee and supplier costs) represent the cost of areas identified as undertaking application assessment activities and are allocated based on departmental estimates of the resources required to perform each function. Indirect costs include costs of corporate functions and property operating expenses, and are allocated to activities using designated cost drivers (such as full-time equivalent employees).

### **3.2.2 Sensitivity of cost estimates to changes in assumptions**

The cost estimates for the regulatory services are based predominantly on staff effort and reflect consistent and expected demand for the importation of vehicles. The level of demand can be affected by economic factors over which the department has no control. The department regularly reviews its expenses and adjust estimates as appropriate.

The department forecasts the expected level of services as part of its budgeting processes, based on its understanding of these economic factors and through its ongoing communications with vehicle manufacturers and importers.

### **3.2.3 Categories of capital costs included in outputs/business processes**

Operating costs comprises depreciation of property, plant and equipment, and amortisation of software development costs, as well as ongoing maintenance. Capital expenditure was \$0.3 million in 2014-15, \$0.6 million in 2015-16 and is budgeted to be \$3.3 million in 2017-18 and \$4.18 million for 2018-19. Further costs are expected but not yet known.

### **3.2.4 Cost management strategies**

The department manages its costs in accordance with Australian Government resource management framework requirements, including through:

- corporate plans
- external budgets, including forward year estimates
- development of internal budgets
- compliance with the Commonwealth Procurement Rules

---

<sup>7</sup> Cost Recovery Guidelines, p. 34.

- ongoing oversight of the department’s financial position

This ensures that the costs of undertaking regulatory activities are efficient and effective.

### 3.2.5 Cost break-down estimates after implementation

The estimated average costs for financial years subsequent to the implementation period in providing regulatory services are set out in Table 4, and further disaggregated in Table 5 (Costs of premarket activities) and Table 6 (Costs of postmarket activities).

**Table 4: High-level cost breakdown per financial year after implementation**

| <b>Activities</b>                 | <b>Direct Costs<sup>8</sup> (\$'000)</b> | <b>Indirect Costs<sup>9</sup> (\$'000)</b> | <b>Total Costs (\$'000)</b> |
|-----------------------------------|--|--|-----------------------------|
| Type approvals                    | 550                                      | 146  | 696                         |
| Concessional RAV entry approvals  | 1,372                                    | 365  | 1,737                       |
| RAWS approvals                    | 3  | 1  | 4                           |
| SEVs registrations                | 32                                       | 8  | 40                          |
| AVV approvals                     | 9  | 3  | 12                          |
| Model Report approvals            | 209                                      | 56   | 265                         |
| Testing facility approvals        | 39                                       | 10   | 49                          |
| Non-RAV entry import approvals    | 45                                       | 12   | 57                          |
| Reimportation approvals           | 16                                       | 4  | 20                          |
| Non road vehicle assessments      | 127                                      | 34   | 161                         |
| Post-market regulatory activities | 6,080                                    | 2,194                                      | 8,274                       |
| <b>TOTAL</b>                      | <b>8,482</b>                             | <b>2,833</b>                               | <b>11,315</b>               |

---

<sup>8</sup> Direct costs include amortisation of developed software.

<sup>9</sup> Indirect costs incorporate overheads (including depreciation).

**Table 5: Cost of premarket activities for a financial year after implementation**

| Services   | Total Costs (\$'000) | Volume | Unit Cost (\$) |
|--|----------------------|--------|----------------|
| Type Approval pathway                                  |                      |        |                |
| Opt-in (transitional period only)                      | 41                   | 2,282  | 18.09          |
| International Whole Vehicle                            | 84                   | 132    | 639.69         |
| Non-IWVTA – Passenger Vehicle                          | 50                   | 53     | 948.66         |
| Non-IWVTA – 2 or 3 Wheeled Vehicle                     | 10                   | 23     | 432.81         |
| Non-IWVTA – Bus and Goods Vehicle                      | 17                   | 52     | 327.20         |
| Non-IWVTA – Heavy Trailers                             | 42                   | 117    | 363.42         |
| Non-IWVTA – Heavy Trailers (with Model Report)         | 0.3                  | 13     | 25.44          |
| Non-IWVTA – Light Trailer                              | 92                   | 1,873  | 48.87          |
| Components   | 8                    | 221    | 34.07          |
| Non-IWVTA Variation                                    | 194                  | 1,391  | 139.17         |
| Heavy Trailer Variation                                | 67                   | 816    | 81.76          |
| Light Trailer Variation                                | 92                   | 1,873  | 48.87          |
| Testing Facility                                       | 49                   | 133    | 368.08         |
| Testing Facility Variation*                            |                      | 1      | 75.24          |
| Concessional RAV pathway                               |                      |        |                |
| Vehicle to be modified by the holder of a RAW approval | 478                  | 5,167  | 92.53          |
| Special Purpose Vehicle                                | 175                  | 393    | 445.90         |
| Heavy Trailers   | 59                   | 1,317  | 44.75          |
| Light Trailers   | 817                  | 27,356 | 29.85          |
| Older Vehicle  | 163                  | 4,583  | 35.64          |
| Personal Effects                                       | 45                   | 859    | 52.14          |
| Registered Automotive Workshop approval                | 4                    | 36     | 108.30         |
| RAWs Variation*  |                      | 1      | 55.24          |
| Model Reports  |                      |        |                |
| Specialist and Enthusiast Vehicle                      | 220                  | 244    | 900.06         |
| Second Stage Manufacture Vehicle                       | 11                   | 23     | 482.03         |
| Used Motorcycle  | 9                    | 16     | 575.30         |
| Heavy Trailer  | 21                   | 43     | 494.86         |
| SEV Variation  | 3                    | 82     | 41.82          |
| SSM Variation  | 0.4                  | 10     | 41.82          |
| Used Motorcycle Variation                              | 0.1                  | 2      | 41.82          |
| Heavy Trailer Variation                                | 0.5                  | 13     | 40.16          |
| Authorised Vehicle Verifier Approval                   | 12                   | 33     | 379.60         |
| AVV Variation*   |                      | 1      | 57.60          |
| Entry on the SEVs Register                             | 40                   | 170    | 232.72         |
| Non-RAV entry import                                   | 57                   | 1,020  | 55.95          |
| Reimportation approval                                 | 20                   | 475    | 41.21          |
| Not a road vehicle advisory notice                     | 161                  | 3,046  | 52.73          |
| <b>TOTAL</b>   | <b>3,042</b>         |        |                |

\* There is no data currently for estimating the total volumes for these activities.

**Table 6: Cost of post-market activities per financial year after implementation**

| Services   | Total Costs (\$'000) | Cost Driver  | Quantity of cost driver   |
|--|----------------------|--|---|
| Register support and guidance (including ICT capital and operations) | 1,073                | Registering an approval (eg TA, RAW, AVV)  | 1.2m vehicles per annum, 480 registered facilities  |
| Policy Development and regulatory improvement                        | 1,199                | All industry in proportion to vehicles introduced  | 1.2m vehicles per annum   |
| Standards development and maintenance                                | 1,541                | RAWs/AVVs – vehicle throughput<br>TF- sites<br>TA holder- facility size, vehicle throughput. | 6,200 vehicles via concessional pathway<br>1,150 sites across all testing facilities.<br>TA holders- 1m vehicles    |
| Education, engagement, Audit, Investigations and fieldwork           | 3,493                | RAWs/AVVs – vehicle throughput<br>TF- sites<br>TA holder- facility size, vehicle throughput. | 6,000 vehicles via concessional pathway<br>1,150 sites across all testing facilities.<br>TA holders – 1.2m vehicles |
| Regulation of recalls  | 634                  | All industry in proportion to vehicles introduced  | 1.2m vehicles per annum   |
| Vehicle Safety and Non-Compliance                                    | 334                  | All industry in proportion to vehicles introduced  | 1.2m vehicles per annum   |
| <b>TOTAL</b>   | <b>8,274</b>         |  |   |

### 3.3 Design of cost recovery charges

#### 3.3.1 Charging structure

The proposed RVSA charges will recover the cost of administering the RVSA. The charges are either cost recovery fees, levies or a combination of both depending on the services provided.

Application fees reflect the effort required to assess the relevant application. This is based on the minimum effort required to assess that applicable application type.

Levies recover the cost of activities that cannot be directly related to an application assessment. This includes development of ADRs and post market activities such as audits, recalls and internal quality assurance.

#### 3.3.2 Cost recovery fees

The RVSA enables the imposition of fees for activities related to administration of the RVSA. The fees in the Road Vehicle Standards Rules 2019, under the RVSA, are set out in Table 7 as follows:

**Table 7: Application activities – estimated costs, fees and revenue, per financial year after implementation**

|   | <b>Application category</b>                        | <b>Unit cost</b> | <b>Volume</b> | <b>Fee</b> | <b>Est Revenue</b> |
|---|--|------------------|---------------|------------|--------------------|
| 1 | Road vehicle type approval pathway                 |                  |               |            |                    |
|   | TA- opt-in (6 month transition period only)        | \$18.09          | 2,282         | \$20       | \$45,640           |
|   | International Whole Vehicle Type Approval          | \$639.69         | 132           | \$650      | \$85,800           |
|   | Non-IWVTA passenger vehicle                        | \$948.66         | 53            | \$950      | \$50,350           |
|   | Non-IWVTA 2 or 3 Wheeled Vehicle                   | \$432.81         | 23            | \$440      | \$10,120           |
|   | Non-IWVTA Bus and Goods Vehicle                    | \$327.20         | 52            | \$330      | \$17,160           |
|   | Non-IWVTA Heavy Trailer                            | \$363.42         | 117           | \$370      | \$43,290           |
|   | Non-IWVTA Heavy Trailers with model report         | \$25.44          | 13            | \$25       | \$325              |
|   | Non-IWVTA Light Trailer                            | \$48.87          | 1,873         | \$50       | \$93,650           |
|   | Component type approval                            | \$34.07          | 221           | \$35       | \$7,735            |
|   | Non-IWVTA Variation                                | \$139.17         | 1,391         | \$140      | \$194,740          |
|   | Non-IWVTA Heavy Trailer Variation                  | \$81.76          | 816           | \$85       | \$69,360           |
|   | Non-IWVTA Light Trailer Variation                  | \$48.87          | 1,873         | \$50       | \$93,650           |
| 2 | Concessional RAV pathway                           |                  |               |            |                    |
|   | Vehicle to be modified by holder of a RAW approval | \$92.53          | 5,167         | \$95       | \$490,865          |
|   | Special purpose vehicle                            | \$445.90         | 393           | \$450      | \$176,850          |
|   | Heavy Trailer                                      | \$44.75          | 1,317         | \$45       | \$59,265           |
|   | Light Trailer                                      | \$29.85          | 27,356        | \$30       | \$820,680          |
|   | Older Vehicle                                      | \$35.64          | 4,583         | \$35       | \$160,405          |
|   | Personal effect                                    | \$52.14          | 859           | \$50       | \$42,950           |
| 3 | Testing facility                                   | \$368.08         | 133           | \$370      | \$49,210           |
|   | Testing facility variation                         | \$75.24          | 1             | \$75       | \$75               |
| 4 | Registered Automotive Workshop                     | \$108.30         | 36            | \$110      | \$3,960            |
|   | RAWs variation                                     | \$55.24          | 1             | \$55       | \$55               |
| 5 | Authorised Vehicle Verifier                        | \$379.60         | 33            | \$380      | \$12,540           |
|   | AVV variation                                      | \$57.60          | 1             | \$60       | \$60               |
| 6 | Model Reports                                      |                  |               |            |                    |
|   | Specialist and Enthusiast Vehicles                 | \$900.06         | 244           | \$900      | \$219,600          |
|   | Second Stage Manufacture Vehicles                  | \$482.03         | 23            | \$480      | \$11,040           |
|   | Used Motorcycle                                    | \$575.30         | 16            | \$575      | \$9,200            |

|    | <b>Application category</b>                          | <b>Unit cost</b> | <b>Volume</b> | <b>Fee</b> | <b>Est Revenue</b> |
|----|--|------------------|---------------|------------|--------------------|
|    | Trailers   | \$494.86         | 43            | \$500      | \$21,500           |
|    | SEVs Variation                                       | \$41.82          | 82            | \$40       | \$3,280            |
|    | SSM Variation  | \$41.82          | 10            | \$40       | \$400              |
|    | Used Motorcycle                                      | \$41.82          | 2             | \$40       | \$80               |
|    | Trailer variation                                    | \$40.16          | 13            | \$40       | \$520              |
| 7  | Entry on Specialist and Enthusiast Vehicles Register | \$232.72         | 170           | \$230      | \$39,100           |
| 8  | Non-RAV entry import approval                        | \$55.95          | 1,020         | \$60       | \$61,200           |
| 9  | Reimportation approval                               | \$41.21          | 475           | \$40       | \$19,000           |
| 10 | Advisory Notice re non-road vehicle                  | \$52.73          | 3,046         | \$55       | \$167,530          |
|    |  |                  |               |            | <b>\$3,081,185</b> |

### **3.3.3 Cost recovery levies**

The department undertakes specific regulatory activities in accordance with its risk management plan and operational requirements and are delivered to provide assurance that entities are complying with the requirements of the RVSA.

#### **RAWs, AVVs and testing facilities**

RAWs, AVVs and testing facilities are entities approved to undertake specific activities under the RVSA. As such, each entity delivering these services will be charged a flat-rate levy annually, reflecting the cost of maintaining their registration, stakeholder engagement, policy advice, education, compliance and enforcement activities, and a portion of the capital costs.

RAWs and AVVs activities also create the need for compliance effort from the department on the basis of scale of their operations. Those RAWs and AVVs that are more active require greater regulatory effort. Therefore, regulatory costs are attributed via a levy calculated on the number of vehicles entered onto the RAV, through the concessional RAV entry pathway (vehicle to be modified by holder of a RAW approval) or used motorcycle categories.

#### **RAV entry**

For type approval holders (and concessional RAV entry approval holders), it is noted that a key driver of risk is the complexity of the vehicle. This is shown by the number of ADRs that must be complied with by the vehicle supplier. It is appropriate to recover relevant regulatory costs from type approval holders and concessional RAV importers in accordance with the number of vehicles supplied to the market by the entity or individual. This includes the costs of regulating testing facilities, as the regulatory effort is proportionate to the number of vehicles supplied to the market following testing by that entity. The costs of regulating Model Report authors are also included as there is insufficient data to apportion activities to the relevant sub-sector of vehicle entry (eg. concessional RAV, heavy trailer or second-stage manufacturer). This will be reviewed in future years.

This demonstrates that regulated entities create the need for compliance and enforcement activities in different ways. The costs of the activities can be reasonably attributed to each group of entities and/or individuals. In accordance with the Government's decision for full cost recovery of the RVSA activities and the requirements of the Australian Government Charging Framework, the appropriate costs of compliance, monitoring, investigations and stakeholder engagement, as well as relevant indirect costs, such as policy and standards development, administration and ICT, are appropriate for recovery from these stakeholders.

Consultation with stakeholders has identified that the most appropriate mechanism for administering this levy is a charge for entry on the RAV. This levy will ensure that those who present the greatest risk will be charged a proportionate amount of regulatory costs. Similarly, this approach ensures that where there is a reduced risk, through the type of vehicle and the number of vehicles supplied, the entity pays less.

Table 8 shows the distribution of the sector and the Australian fleet according to complexity of the relevant vehicle (ADRs to be met for type approval). This distribution reflects the main driver for compliance activities for vehicle providers, including the elements that can

be attributed according to the requirement to be approved and maintain registration with the department.

The *Road Vehicle Standards Charges (Imposition – General) Act 2018*, the *Road Vehicle Standards Charges (Imposition – Customs) Act 2018* and the *Road Vehicle Standards Charges (Imposition – Excise) Act 2018* enable the imposition of cost recovery levies for activities related to the administration of the RVSA. The specific amounts will be set out in regulations made under each Charges Act.

### **Remissions**

The department will build in flexibility to manage the impact of unexpected changes in activities resulting from unanticipated regulatory events (for example, a major recall of vehicles) by legislating higher amounts than the calculated rates for RAV and flat-rate levies in the relevant regulations. Under normal circumstances, all these levies will be subject to a remission that reduces the payable amount to the calculated amount. In the event of an unexpected regulatory event that requires the department to respond to quickly, the amount of the remission can be reduced to recover the costs of any additional activities undertaken by the department.

All remissions will be closely monitored to ensure ongoing effective charging and to minimise the risk of over or under recovery. Any changes to the remission amount will be communicated to stakeholders, including via a revised CRIS that will be informed by an updated costing model.

The RAV and flat-rate levies are shown in Diagram 8.

**Diagram 8: Determining the RAV charges and flat-rate levies**

| RAV charge that will apply to type approved and some concessional vehicles |                        |                              |                   |               |   |              |                       |                      |                     |                  |
|--|------------------------|------------------------------|-------------------|---------------|---|--------------|-----------------------|----------------------|---------------------|------------------|
| Type of Vehicle  | ADRs to meet (2017-18) | Number of vehicles (2017-18) | ADRs x vehicles   | Percent %     | Cost apportioned to vehicle providers according to share of the fleet | Unit cost \$ | Per vehicle charge \$ | Legislated charge \$ | Remission amount \$ | Total revenue \$ |
| 2/3 Wheeled Vehicle *  | 24                     | 34,000                       | 816,000           | 1.35          |   |              | 2.78                  | 2.80                 | 3.50                | 0.70             |
| Light Trailer *  | 5                      | 155,000                      | 775,000           | 1.28          |   | 0.58         | 0.60                  | 0.75                 | 0.15                | 93,000           |
| Bus and Goods Vehicle *  | 45                     | 241,000                      | 10,845,000        | 17.91         |   | 5.22         | 5.25                  | 6.60                 | 1.35                | 1,265,520        |
| Heavy Trailer **   | 30                     | 13,000                       | 390,000           | 0.64          |   | 3.48         | 3.50                  | 4.40                 | 0.90                | 45,500           |
| Passenger Vehicle *  | 62                     | 770,000                      | 47,740,000        | 78.82         |   | 7.19         | 7.20                  | 9.00                 | 1.80                | 5,544,000        |
| <b>Total</b>   |                        | <b>1,213,000</b>             | <b>60,566,000</b> | <b>100.00</b> |   |              |                       |                      |                     | <b>7,043,220</b> |

| Variable post-market costs |                        |                        |                                      |
|----------------------------|------------------------|------------------------|--------------------------------------|
| Stakeholder                | Activity driver volume | Post-market activity % | Distribution of post-market costs \$ |
| Type Approvals             | 1,299                  | 65.02                  | 4,123,579                            |
| Model Report Author        | 60                     | 14.43                  | 915,064                              |
| Testing Facilities         | 454                    | 10.55                  | 668,923                              |
| RAWs                       | 6,200                  | 3.84                   | 243,245                              |
| AVVs                       | 6,200                  | 6.16                   | 390,929                              |
| <b>Total</b>               | <b>14,213</b>          | <b>100.00</b>          | <b>6,341,740</b>                     |

| Fixed post-market costs |                        |                        |                                      |              |                      |
|-------------------------|------------------------|------------------------|--------------------------------------|--------------|----------------------|
| Stakeholder             | Activity driver entity | Post-market activity % | Distribution of Post-market costs \$ | Unit cost \$ | Per entity charge \$ |
| Type Approvals          | 1,299                  | 65.18                  | 1,259,273                            |              |                      |
| Model Report Author     | 60                     | 3.01                   | 58,165                               |              |                      |
| Testing Facilities      | 454                    | 22.78                  | 440,115                              | 969          | 970                  |
| RAWs                    | 130                    | 6.52                   | 126,024                              | 969          | 970                  |
| AVVs                    | 50                     | 2.51                   | 48,471                               | 969          | 970                  |
| <b>Total</b>            | <b>1,993</b>           | <b>100.00</b>          | <b>1,932,048</b>                     |              |                      |

| RAV charge that will apply to vehicles modified by a RAW |                        |                              |                 |               |   |              |                       |                      |                     |                  |
|--|------------------------|------------------------------|-----------------|---------------|---|--------------|-----------------------|----------------------|---------------------|------------------|
| Type of vehicle  | ADRs to meet (2017-18) | Number of vehicles (2017-18) | ADRs x vehicles | Percent %     | Cost apportioned to vehicle providers according to share of the fleet | Unit cost \$ | Per vehicle charge \$ | Legislated charge \$ | Remission amount \$ | Total revenue \$ |
| 2/3 Wheeled Vehicle                                      | 24                     | 620                          | 14,880          | 4.12          |   |              | 42.18                 | 42.20                | 52.80               | 10.60            |
| Passenger Vehicle  | 62                     | 5,580                        | 345,960         | 95.88         |   | 108.96       | 109.00                | 136.50               | 27.50               | 608,220          |
| <b>Total</b>   |                        | <b>1,100</b>                 | <b>360,840</b>  | <b>100.00</b> |   |              |                       |                      |                     | <b>634,384</b>   |

\* Number of vehicles is sourced from ABS Motor Vehicle Census data for 2018 (rounded to nearest thousand)

\*\* Number of heavy trailers is sourced from data provided by Niddrie for 2018 (rounded to nearest thousand)

## 4 Risk Assessment

The risk factors that influence cost recovery are:

- Complexity – structure, processes and implementation of the services provided, and the design of the fees and charges
- Materiality – value of cost recovery regulatory services (fees and charges)
- Sensitivity – level of interest from key stakeholders

As per the Australian Government Charging Framework, the department has reviewed the activity, and the changes that to be implemented, and assessed the overall risk as medium.

### **Complexity**

Fees and charges may under/over recover costs associated with the regulatory services of administering the RVSA. A contributing factor may be that costs and volumes of the services have not been accurately forecast. To reduce this risk, the department will annually review of the methodology of determining costs and volumes and will update the CRIS as necessary.

### **Materiality**

Volumes are challenging to forecast and can vary significantly from year to year, depending on various economic factors. This can have an impact on budgets and cost forecasts. The department will undertake an annual review of expenses and revenue, identifying material differences and take appropriate action to mitigate and manage this risk.

Additionally, the department implements and applies financial controls to ensure that revenue is recognised appropriately and is collected in a timely manner. Appropriate processes have been established to manage the credit risk of the department in accordance with approved financial policies and procedures.

### **Sensitivity**

There is a risk that any change in the fees and charges without proper and appropriate consultation will raise concerns from government and non-government stakeholders, as well as the media and public.

The department has engaged and consulted with stakeholders as part of its ongoing review of costs associated with the administration of the RVSA to reduce the risk of misinterpretation from changes in fee structures and charging arrangements. Feedback was sought from stakeholders and, where appropriate, is presented on the department's website. This feedback has informed the design and implementation of charging in relation to this activity.

### **Risk Management**

The department will regularly review the volume of applications against expected volumes, and the department will adjust outputs/ estimates and the CRIS as required.

The department also implements a regulatory risk framework to better understand the compliance and engagement of regulated entities. This informs the allocation of resources

to education, engagement, site visits and audits, for example. The appropriate and targeted allocation of resources ensures that the minimum necessary level of regulatory oversight is delivered to assure that entities are complying with the RVSA.

## **5 Stakeholder Engagement**

Consultation and communication with external stakeholders are an important part of administering the RVSA. The department has consulted with stakeholders on an ongoing basis throughout MVSA reforms, exposure drafts of legislation and implementation of the RVSA. Consultation on implementation of cost recovery has been an integral part of the consultation process. Stakeholder views were taken into consideration before finalisation of the new cost recovery arrangements and publication of the final CRIS.

The department will review the cost model annually. Consultation with stakeholders will occur where changes to the CRIS and charges are significant and warrant this engagement.

### **Summary of industry contact**

- Sufficiency of time to provide feedback on the draft CRIS and the level of detail provided around the activities and the costs that are to be recovered through fees and levies.
- Cost differentiation for applications for type approval.
- Impact of introduction of cost recovery for considering entry to the SEVs Register and for Model Reports.

### **Changes as a result of feedback**

- The department is committed to ongoing consultation and engagement with stakeholders.
- The department meets the requirements of the Government's Charging Framework, including the cost recovery policy, and demonstrates compliance through this CRIS. The department is committed to ongoing review of the cost recovered activities, per above, to ensure that the fees and levies charged are appropriate and that costs are the minimum necessary to deliver the activities required to appropriately regulate.
- Multiple application fees for type approval applications to take account of different vehicle categories.
- Cost of entry on the SEVs Register is now lower than published in the first draft consultation CRIS.
- Model Reports are costed to the same level as type approvals, to reflect the appropriate understanding of costs to the department and demonstrating to stakeholders the effort involved in reviewing these.

## 6 Financial Estimates

The financial forecasts and estimates for the 2020-21 to 2023-24 years are shown in Table 8.

**Table 8: Financial estimates for current year and forward estimates**

| <b>Services</b>          | <b>2020-21<br/>(\$'000)</b> | <b>2020-21<br/>(\$'000)</b> | <b>2021-22<br/>(\$'000)</b> | <b>2022-23<br/>(\$'000)</b> | <b>2023-24<br/>(\$'000)</b> |
|--------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Expenses                 | 11,314                      | 11,540                      | 11,771                      | 12,007                      | 12,247                      |
| Revenues                 | 11,355                      | 11,582                      | 11,814                      | 12,050                      | 12,291                      |
| <b>Surplus/(Deficit)</b> | <b>41</b>                   | <b>42</b>                   | <b>43</b>                   | <b>44</b>                   | <b>44</b>                   |
| Accumulated balance      | TBC                         | TBC                         | TBC                         | TBC                         | TBC                         |

Variations will reduce in the forward estimates, reflecting the delivery of improved processes and charging mechanisms through the RVSA. If the department becomes aware of significant variations in actual revenue or expenses, the activities will be reviewed and changes may be made to processes, charging mechanisms and/or amounts.

## 7 Financial and Non-Financial Performance

### 7.1 Financial performance

The financial performance for the administration of the MVSA is illustrated in Table 9.

**Table 9: Financial performance**

| Services                 | 2014-15<br>(\$'000) | 2015-16<br>(\$'000) | 2016-17<br>(\$'000) | 2017-18<br>(\$'000) | 2018-19<br>(\$'000) | 2019-20<br>(\$'000) |
|--------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Expenses                 | 10,163              | 10,329              | 10,064              | 9,403               | 10,429              | TBC                 |
| Revenues                 | 9,636               | 10,079              | 9,139               | 10,770              | 10,200              | TBC                 |
| <b>Surplus/(Deficit)</b> | <b>(527)</b>        | <b>(250)</b>        | <b>(925)</b>        | <b>1,367</b>        | <b>(229)</b>        | TBC                 |
| Accumulated balance      | (302)               | (552)               | (1,477)             | (110)               | (339)               | TBC                 |

Variations have been driven by the need for reforms, where less efficient mechanisms for recovering the costs for MVSA activities have been maintained while the RVSA has been developed. Consultation with stakeholders has provided the opportunity to deliver improved processes and charging mechanisms, which will be implemented with the RVSA.

Actual outcomes for the activity will be monitored, and action taken if, for example:

- revenues are -/+10% of expectations in one year
- costs are -/+10% of expectations in one year
- quantities are -/+10% of expectations in one year
- revenues or expenses are consistently above/ below expectations over 3 years

Potential actions could include amending fees to restore balance between revenue and expenses, adjusting the costings for the activity, to ensure that cost consciousness is maintained, or undertaking a review of the broader cost recovered activity.

### 7.2 Non-financial performance

Key non-financial performance measures are also documented in the department's annual report. The department will report against key performance indicators that are consistent with the goals outlined in the Portfolio Budget Statements, Programme 2.3 – delivering a safer road transport system by working to make vehicles and occupants safer, and drivers more informed.

Non-financial performance measures include:

- On time processing of applications – 95%
- Number of ADR reviews in a calendar year – 10

## 8 Key Forward Dates and Events

Key forward dates and events are shown below, and will be continuously updated.

| Scheduled Event                   | Description                   | Date                             |
|-----------------------------------|-------------------------------|----------------------------------|
| Stakeholder consultation          | Draft CRIS                    | December 2019<br>– February 2020 |
| Accountable Authority endorsement | Endorsement from Secretary    | February 2020                    |
| Certification                     | Certification from Minister   | March 2020                       |
| Next scheduled review             | Review of cost recovery model | July 2022                        |

## 9 CRIS Approval and Change Register

The table below will be populated once the final CRIS is approved and updated for subsequent changes to the financial and non-financial information provided in this CRIS.

| Date of CRIS change | CRIS change           | Approver  | Basis for change                 |
|---------------------|-----------------------|-----------|----------------------------------|
| 17 March 2020       | Certification of CRIS | Secretary | First CRIS under new legislation |
| 26 March 2020       | Agreement to CRIS     | Minister  | First CRIS under new legislation |