



**Australian Government**  
**Attorney-General's Department**

**Territories and Information Law Division**

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**INTERIM COST RECOVERY IMPACT STATEMENT**  
**Classification Training Fees**

June 2009



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## 1. OVERVIEW

### 1.1 Purpose

The Classification Board and the Classification Review Board make classification decisions under the *Classification (Publications, Films and Computer Games) Act 1995* (the Classification Act). The Classification Operations Branch (COB) of the Attorney-General's Department (the Department) provides administrative and secretariat support to the Classification Board and the Classification Review Board. Prior to 1 July 2007, these functions were performed by the Office of Film and Literature Classification (OFLC).

This Cost Recovery Impact Statement (CRIS) relates to new cost recovery fees being introduced for classification training provided by the Department. The training primarily relates to various authorised assessor schemes under the Classification Act. Under Finance Circular 2008/08 and the *Australian Government Cost Recovery Guidelines 2005*, a CRIS is required for these new fees. This CRIS is an interim document pending the completion of the full fee review in late 2009.

### 1.2 Background

The Department is currently undertaking a comprehensive review of all classification fees and training fees, consistent with the *Australian Government Cost Recovery Guidelines*. However, the revised fees for training are required ahead of the completion of the full fee review due primarily to introduction of the scheme for the Advertising of Unclassified Films and Computer Games on 1 July 2009.

The charging of a fee for the provision of training is consistent with the cost recovery policy principles adopted for the provision of all other classification services.

### 1.3 Australian Government Cost Recovery Policy

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

The policy applies to all *Financial Management and Accountability Act 1997* agencies and to relevant *Commonwealth Authorities and Companies Act 1997* (CAC Act) bodies that have been notified, under sections 28 or 43 of the CAC Act, to apply the cost recovery policy. In



line with the policy, individual portfolio ministers are ultimately responsible for ensuring agencies' implementation and compliance with the cost recovery guidelines.

This CRIS is issued as interim arrangement for the introduction of training fees pending the completion of the full classification fee review

## 2. POLICY REVIEW – ANALYSIS OF ACTIVITIES

### 2.1 National Classification Scheme

Under the National Classification Scheme, classification is the responsibility of the Classification Board and Classification Review Board. The Boards make classification decisions in accordance with the Classification Act, the National Classification Code and classification guidelines.

The National Classification Scheme is a cooperative arrangement under which the Classification Board classifies films (including videos and DVDs), computer games and certain publications. The Scheme commenced on 1 January 1996. The Scheme is based on the following principles:

- adults should be able to read, hear and see what they want
- minors should be protected from material likely to harm or disturb them
- everyone should be protected from exposure to unsolicited material that they find offensive, and
- the need to take account of community concerns about depictions that condone or incite violence, particularly sexual violence; and the portrayal of persons in a demeaning manner.

Under the 1995 Intergovernmental Agreement, the enforcement of classification matters is generally the responsibility of the States and Territories. These jurisdictions have enacted their own complementary classification enforcement legislation. State and Territory legislation prohibits the sale, hire or public exhibition of unclassified films and unclassified computer games.

Distributors of films and computer games apply to the Classification Board for classification of their products. Applicants are required to apply in an approved form and pay the relevant fees as prescribed in the *Classification (Publications, Films and Computer Games) Regulations 2005* (the Classification Regulations).

The Classification Act provides that the Director of the Classification Board (the Director) may authorise a person to make classification recommendations or assess the likely classification of a film or computer game in certain circumstances under various industry assessor schemes.

The specific industry assessor schemes are summarised as follows:



- Authorised Assessor (AA) scheme for computer games under Section 17 of the Classification Act provides that the Director may authorise a person to make a recommendation on the classification and consumer advice of a computer game. This is submitted in the application to the Classification Board for classification. “Authorised assessors” can only submit a recommendation if the game is likely to be classified G, PG or M.
- Additional Content Assessor (ACA) scheme under Section 14 of the Classification Act provides for an Additional Content Assessor to make a recommendation to the Classification Board on the classification and consumer advice for the additional content to be released with an already classified or exempt film. Examples of additional content include ‘making of’ documentaries, out-takes, commentaries by or interviews with the director or actors. Films likely to be classified X18+ or Refused Classification are not eligible.
- Authorised Television Series Assessor (ATSA) scheme. Section 14B of the Classification Act provides for a scheme to be determined by the Minister under which the applicant may submit an application for classification of a television series film with at least one episode previously aired in Australia to the Classification Board, accompanied by a detailed report prepared by an appropriately trained and authorised television series assessor recommending a classification category and consumer advice.
- Advertising of Unclassified Films and Computer Games Scheme. Section 31 of the Classification Act which commences on 1 July 2009, provides for a scheme to be determined by the Minister under which persons may be trained and authorised as Authorised Advertising Assessors so as to be able to assess the likely classification of unclassified films and unclassified computer games for advertising purposes.

Industry assessors under all schemes must undergo initial training before they can be authorised by the Director. They must also attend refresher training to retain their status as an authorised person and to ensure that they are kept up to date with current classification standards.

Participation in the AA, ACA and ATSA schemes enables industry to submit applications for classification under those schemes which have a lower application fee. In the case of the Advertising of Unclassified Films and Computer Games Scheme, the applicant is able to self assess the likely classification of a unclassified film or computer game for advertising purposes without submitting any application to the Classification Board.

## 2.2 Classification Training

The Classification Operations Branch currently provides training for a number of industry assessor schemes and also provides training to Commonwealth, State and Territory law



enforcement and Customs authorities. Training is also sometimes provided in response to specific requests by government authorities and industry groups and requires a training program to be specifically designed for this purpose.

Training in the authorised assessor schemes has previously been provided as a one day course irrespective of the training experience of the applicants. In recognition of some overlap in content in the training for these schemes, and in response to requests from industry groups to combine the training for the ACA and ATSA schemes, the Department is introducing a new modularised approach.

The modular training approach requires previously untrained persons to undertake the relevant Core Module for either Film or Computer Games in combination with the specialist scheme assessor module relevant to their needs.

Previously trained authorised assessors will only be required to undertake the relevant specialist module to become authorised assessors in that scheme providing that they have already undertaken the correct core film or games module. Those undertaking training for the Advertising Scheme have the option of undertaking training as a Film Advertising Assessors or a Computer Games Advertising Authorised Assessor or both.

The following table outlines the modular courses and their fees:

<b>Module</b>	<b>Duration ( hours)</b>	<b>Fee (GST Inclusive)</b>	<b>Comments</b>
Core Film	4	\$451	Required for ACA, ATSA and the Advertising Scheme
Core Computer Games	4	\$451	Required for Computer Games Authorised Assessors, and the Advertising Scheme
Additional Content Assessors ( ACA Scheme)	2	\$297	
Computer Games Authorised Assessors (AA)	2	\$297	



Advertising Scheme	2	\$297	
Authorised Television Series Assessor (ATSA)	2 hours plus trainee assessment process	\$682	
Refresher Training	2	\$297	ATSA, Advertising Scheme, ACA, Computer Games Authorised Assessors

A detailed breakdown of costs will be provided in the final CRIS following the Classification Fee Review.

### 2.3 Participation

Participation in the training programs is entirely voluntary. Applicants have the choice of submitting an application to the Classification Board for classification of a film or computer game and paying the associated application fee or taking advantage of one of the authorised assessors schemes and paying a lesser application fee.

Participation in the Advertising of Unclassified Films and Computer Games Scheme enables the applicant to make a self assessment of the likely classification of an unclassified film or computer game for advertising purposes without submitting an application to the Board.

### 2.4 Stakeholders

The key stakeholders include industry, in particular distributors of films and computer games the community and all governments.

### 2.5 Conclusion

The objective of the modularised training scheme is to provide relevant and cost effective training that will reduce duplication and associated cost. The scheme will facilitate industry participation in authorised assessor schemes with resultant benefits of reduced costs for applications submitted to the Classification Board, and regulatory burden for industry. Cost recovery for these services is appropriate as there is a financial benefit to the user and is consistent with the user pays principle.



### 3. DESIGN AND IMPLEMENTATION

#### 3.1 Basis of Charging – Fee or Levy

The preferred basis of charge is a fee to the individual applicant. This is to ensure a direct link between the costs of the service and the level of the charge. This approach, consistent with cost recovery arrangements in place for other classification services, encourages transparency and efficiency in the delivery of the service.

#### 3.2 Legal Requirements for the Imposition of Charges

The basis for charging is the Commonwealth Government's Cost Recovery Policy Guidelines and Finance Circulars 2005/09 and 2008/08.

The Cost Recovery Guidelines state that agencies should set charges to recover all the costs of products or services where it is efficient to do so. Fees charged for the classification training services are aimed at recovering the direct costs of providing this service.

#### 3.3 Fees For Classification Training

Calculation of these fees is based on costing approaches consistent with Commonwealth Cost Recovery Policy. The fees will be reviewed as part of the current review of classification fees. In general:

- An activity based costing approach is used to develop the cost per courses.
- Each course is separately costed – there is no cross subsidisation of other courses or staff costs.
- The costing does not look to recover the total annual costs of the Training Section – only the direct costs of the courses.
- Hourly labour costs used include salary related oncosts. Overhead rates have been based on an average ratio of the non salary overhead to direct labour in each of the fees in the classification fee review.
- In summary fees per trainee are calculated as the total of:
  - *Course development direct labour costs per trainee* - this includes course design, preparation, researching and preparation of course material. The total development cost is amortised over an estimated 2 year life estimated number of courses per year and attendance.





- *Course Delivery direct labour costs per trainee* – The direct labour costs for the presenter and support staff is calculated for each course and is divided by the expected number of trainees per course. Activities included in this cost includes the face to face presentation time, room preparation and clean up, organising refreshments etc.
- *Specific support direct labour costs per trainee* – the direct labour costs for activity such as bookings, receipting, certificate preparation etc is calculated for each trainee.
- *Application of Overhead* – an overhead rate is applied to the total direct labour costs per trainee from steps a, b and c. The overhead rate is based on the average non salary overhead rate from the current classification fee review.
- *Other direct costs per trainee* – other direct costs per trainee such as refreshments, course material are added to the total direct labour and overhead costs to give a total per trainee cost excluding GST.
- *Application of GST* – unlike fees for classification of publications, film and computer games, training are not covered by government regulation and as such attract a GST.

The method outlined above will be used to calculate any additional training programs not currently identified or in operation. This includes any specific requests for tailored training programs. The classification training fees will be reviewed as part of the current review of classification fees.

### 3.4 Demand and Revenue Estimates

Classification Operations Branch currently charges for training provided to industry with estimated departmental revenue of approximately \$107,000 in 2008-09. Revenue from training in 2007-08 was \$110,000. This is retained by the Department and forms part of the Classification Operations Branch Budget.

Calculation of demand and subsequent revenue for 2009-10 is difficult and reliant on industry demand. Estimated Revenue for 2009-10 is \$87,600 based on similar demand for training as in 2008-09.



## 4. ONGOING MONITORING

### 4.1 Monitoring Mechanisms

The Department will monitor the modularised training program as part of its ongoing oversight of the National Classification Scheme and as part of its financial and accountability framework. Monitoring activities will include the following:

- Regular monitoring of the costs and income from the training activities
- assessing the effectiveness of the fee in recovering the costs of the activities, and
- industry and community feedback.

The fees will be reviewed as part of the classification fee review which will enable additional consultation and feedback from industry.

### 4.2 Stakeholder Consultation

#### *Government*

The use of an interim CRIS pending the completion of the fee review was discussed and agreed with the Department of Finance and De-Regulation.

#### *Classification Board*

The Classification Board has been consulted and has agreed to the content for the training programs on which the costing for the fees was based.

#### *Industry*

The modularised training scheme was developed in response to industry's concerns that trainees in more than one authorised assessor schemes had to undertake the same core training in classification irrespective of previous training attended. The introduction of the Advertising of Unclassified Films and Computer Games Scheme on 1 July 2009 provided the catalyst for a modularised fee structure and the need to introduce the fees in advance of the Classification Fee Review.

In May 2009, the Department wrote to peak industry bodies and to all classification clients that submitted film and computer games applications in the past 2 years, inviting their comments on the interim fees for the modularised training courses.



This approach recognised that the final fees may change as a result of the classification fee review and feedback from industry on the take-up of the new modularised training.

No concerns regarding the proposed fees were raised in industry responses to the consultation.

### 4.3 Periodic Review

Consistent with Government Cost Recovery Guidelines, the Department is currently reviewing all costs and prices of the existing classification fee structure. This review is due to be completed in late 2009 with a two yearly review of the fees. The classification training charges are reviewed on a separate cycle and are reviewed annually.

The annual review of classification training will consider:

- significant developments in classification and policy changes in other government policies which may impact costs or prices.
- changes in baseline costs and demand for training, and
- significant changes in accounting standards and costs structures.

## 5. CERTIFICATION

This Cost Recovery Impact Statement was certified by the Secretary of the Attorney-General's Department on June 2009.

Roger Wilkins

Secretary



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## 6. COST RECOVERY LINKS

- The Australian Government Cost Recovery Guidelines and the accompanying Finance circular can be found at;

<http://www.finance.gov.au/financial-framework/financial-management-policy-guidance/cost-recovery.html>

- For proposals that involve regulation or amendment to regulation that affects business, a Regulation Impact Statement is required. Contact the Office of Best Practice Regulation for further information below

<http://www.finance.gov.au/obpr/index.html>