



Australian Government

Department of Communications and the Arts

Cost recovery implementation statement— classification fees

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1. Overview

1.1 Purpose

The purpose of this Cost Recovery Implementation Statement (CRIS) is to provide information about how the Department of Communications and the Arts (the Department) recovers the costs of providing the classification service. Schedule 1 of the Classification (Publications, Films and Computer Games) Regulations 2005 (the Regulations) lists the items for which fees are prescribed. There are 61 fees in the Regulations.

A comprehensive review of the classification function is planned in 2018 with a view to establishing alternative, more cost effective service delivery arrangements which will modernise the National Classification Scheme (the NCS). An outcome of this review will be the development of an appropriate charging framework and a new cost recovery implementation statement.

1.2 Background

The NCS is a co-operative scheme between the Commonwealth and the states and territories created by the Intergovernmental Agreement on Censorship 1995 and the *Classification (Publications, Films and Computer Games) Act 1995* (the Act).

The Act establishes the Classification Board (the Board) and the Classification Review Board (the Review Board) as independent statutory authorities. Under the Act the Board makes a classification decision, including consumer advice, upon receipt of a valid application. An application must be accompanied by the prescribed fee. If an application is made to the Review Board, it reviews the original classification decision and provides a new classification decision and consumer advice.

With limited exceptions, every film, computer game and submittable publication must be classified before it can be legally distributed in Australia.

Part 2 of the Act provides for a range of classifications for each of the three media formats. Material must be classified in accordance with the National Classification Code (the Code) and classification guidelines.

The legislative framework includes complementary state and territory enforcement legislation. The Minister for Communications (the Minister) and participating Ministers must consider and approve certain changes to the NCS, including amendments to the Code and classification guidelines.

State and territory enforcement legislation, among other things:

- prohibits the sale, distribution and advertising of unclassified material; and
- restricts the sale, distribution and advertising of classified material in various ways.

To comply with state and territory enforcement legislation, distributors of films, computer games and submittable publications must submit their products to the Board for classification. Retailers must enforce point-of-sale age restrictions and adhere to advertising and display requirements and ensure that restricted material is not accessible to minors. Enforcement of these classification laws is the responsibility of the states and territories.

In addition to commercial material, the Board also classifies material submitted from state and territory law enforcement agencies, the Australian Border Force (the ABF) and the Office of the e-Safety Commissioner (the e-Safety Office) to support enforcement activity by those agencies. The costs of these services are primarily budget funded.



The ABF identifies and seizes 'objectionable material' at the border. The definition of 'objectionable material' in the Customs (Prohibited Imports) Regulations 1956 and Customs (Prohibited Exports) Regulations (Customs Regulations) 1958 substantially mirror the definition of 'Refused Classification' (RC) in the Code. The Customs Regulations are intended to prevent the import and export of material that would be classified RC if it were to be classified.

The e-Safety Office investigates complaints about online content that the complainant believes to be 'prohibited content' or 'potentially prohibited content'. The e-Safety Office may apply to have such material classified by the Board. Under Section 92 of the Act, the Commonwealth is not liable to pay classification fees. State and territory law enforcement agencies operate under a quota arrangement that allows for a number of free classification applications. Reduced fees are payable if the quota is exceeded in a financial year.

The Department provides administrative and secretariat support to both Boards and provides policy advice to the Minister. The cost of supporting the Boards are partly recovered through classification fees charged to industry.

Where a policy rationale exists, some activities are partly budget funded, for example, a substantial proportion of the cost of reviewing a classification decision by the Review Board.

In addition, the NCS also recognises there are applicants who find it difficult to comply with classification requirements due to the cost of a classification. There are specific circumstances set out in the Act for full or partial fee waivers for eligible applicants, for example, where it is in the public interest to do so for public health or educational reasons.

In September 2011, the current fee structure was established to take account of the industry assessor schemes. These schemes provides for training for industry assessors to assess material and to make a classification recommendation to the Board. If the schemes are used, a reduced fee applies.

These schemes build on the success of the scheme for computer games. This was the first industry assessor scheme that provided for trained industry assessors to assess the content of certain computer games and make a recommendation to the Board about classification and consumer advice.

The Additional Content Assessor Scheme (the ACA Scheme) provides for an authorised industry assessor to make an application for the classification of a previously classified feature film with additional unclassified content. An assessment can be made of the content of the unclassified material and an application can be made to the Board which recommends a classification and consumer advice.

The Authorised Television Series Assessor Scheme (the ATSA Scheme) provides for an authorised industry assessor to make an assessment of the content contained in a television series. An application can be made to the Board which recommends a classification and consumer advice for films that comprise one or more episodes of a television series where at least one episode included in the product has been broadcast in Australia.

The Advertising of Unclassified Films and Computer Games Scheme (the AAA Scheme) provides for industry assessors to be able to self-assess the likely classification of an unclassified film or computer game so that distributors can advertise these products before they are classified by the Board.

Under all of the schemes, industry personnel must complete training approved by the Director of the Board and be authorised by the Director to provide assessments. While each scheme varies in its detail, all of the schemes have eligibility criteria, application conditions, sanctions and other safeguards to maintain the integrity of classification decisions and deal with misconduct by assessors. Details of these schemes are available on the [Classification website](#).



1.3 Australian Government Charging Framework

In April 2015, the Australian Government (the Government) agreed to implement a whole-of-government charging framework. The Australian Government Charging Framework (the Charging Framework) builds on the 2014 Cost Recovery Guidelines (the Cost Recovery Guidelines). The Government may charge the non-government sector for a specific government activity, such as the provision of goods, services or regulation, or a combination of these. Cost recovery policy is administered by the Department of Finance and outlined in cost recovery guidelines.

The Charging Framework has been developed to support the legislative responsibilities of Commonwealth entities, as detailed in the Public Governance, Performance and Accountability Act 2013. In line with the policy, individual portfolio ministers are ultimately responsible for ensuring implementation and compliance with the Cost Recovery Guidelines.

2. Policy Review—Analysis of Activities

2.1 Description of activity

The Department supports the Board and the Review Board in undertaking the following groups of activities for which a fee has been established:

- Classification of Publications
- Classification of Films—Public Exhibition
- Classification of Films—Other
- Classification under the Additional Content Assessor Scheme
- Classification under the Authorised Television Series Assessor Scheme
- Advertising—Approval of Advertisements and Certificate of Advertising of unclassified films and unclassified computer games
- Classification of Computer Games
- Withdrawal of Applications
- Review of Classifications
- Section 87 (Evidentiary) Certificates
- Copies of Certificates
- Title Changes for Films, Publications and Computer Games, and
- Priority Processing.

In addition, the Department provides the following services for Government, community and industry that are budget funded:

- Policy development and Ministerial support
- Classification of publications, films and computer games for enforcement purposes
- Exemptions for unclassified films for cultural events
- Classification services for which payment of all or part of the fees is waived such as public interest cases, and
- Processing of permission to import/export applications.

Classification of publications

Cost of activity	Revenue for activity
\$0.070 million per annum	\$0.043 million per annum
Charge: fee	

Description of activity

This activity involves the processing of an application for the classification of a publication. The activity includes checking that the application is valid, receipting and accounting for fees paid, receiving the media and viewing the publication. The application data is registered in the Classification Branch COBRA workflow management system (COBRA).

The cost of the classification of publications is directly linked to the number of pages of the publication. The number of Board members required to classify the publication will depend on whether the material is contentious. The fee structure reflects publication items based on the number of pages in the publication. The actual viewing time for each fee is based on the median number of pages in that range. For example the fee for Publications 0–76 pages is based on a historical median length of 44 pages. This data is obtained from COBRA.

Serial declarations involve the processing of an application for a publication to be given a serial classification under Section 13(3) of the Act. The Board may declare that a classification granted for an original issue of a periodical may apply for all future issues, a specified number of future issues or all future issues within a specified timeframe. The serial classification fee includes the cost of an audit to ensure that the applicant has met the conditions of the serial declaration.

The Director of the Board determines the procedure for applications for publications in accordance with Section 56 of the Act. In accordance with Board procedures, a report is produced which is ratified by a senior Board member. A classification certificate is provided to the applicant and arrangements made to return the material to the applicant or have it destroyed. The classification information is published on the National Classification Database (NCD).

Authority to charge

The Act provides authority for charging fees for classification of publications at subparagraph 13(1)(d)(i) and for serial declarations at sub-paragraph 13(3).

Classification of films—public exhibition

Cost of activity	Revenue for activity
\$1.663 million per annum	\$1.197 million per annum
Charge: fee	

Description of activity

This activity involves the processing of an application for the classification of a film for public exhibition. The activity includes checking that the application is valid, receipting and accounting for fees paid, receiving the media and projecting the film in a custom built theatre so the Board can view it. The application data is registered in COBRA.

The cost of classification of a film for public exhibition is directly linked to the viewing time of the film by the Board. The fee structure reflects a break up of films into five time slices based on the viewing time of the film. The actual viewing time for each fee is based on the historical median running time in minutes in that time slice. For example, the fee for Public Exhibition 0-60 minutes is based on a median of 32 minutes. This data is obtained from the COBRA.

The number of Board members required to classify the film will depend on whether the material is contentious or high profile. A minimum of three Board members view a public exhibition film.

The Director of the Board determines the procedure for applications for films for public exhibition in accordance with Section 56 of the Act. In accordance with Board procedures, a report is produced which is ratified by a senior Board member. A classification certificate is provided to the applicant and



arrangements made to return the material to the applicant. The classification information is published on the NCD.

Authority to charge

The Act provides authority for charging fees for classification of films for public exhibition at section 14(1)(d)(i).

Classification of films—other

Cost of activity	Revenue for activity
\$1.704 million per annum	\$1.326 million per annum
Charge: fee	

Description of activity

This activity involves the processing of an application for the classification of a film for purposes other than public exhibition, for example, a DVD for sale or hire. The activity includes checking that the application is valid, receipting and accounting for fees paid, receiving the media and viewing the film. The application data is registered in the Classification Branch COBRA workflow management system.

The cost of this service depends on the length of viewing time required by the Board. Films have been grouped into 22 product types depending on the length of viewing. The actual viewing time for each fee is based on the historical median running time in minutes in that time slice. For example, the fee for Film-other 0-60 minutes is based on a median of 41 minutes. This data is obtained from the COBRA system.

The Director of the Board determines the procedure for applications for films-other in accordance with Section 56 of the Act. In accordance with Board procedures, a report is produced which is ratified by a senior Board member. A classification certificate is provided to the applicant and arrangements made to return the material to the applicant or have it destroyed. The classification information is published on the NCD.

Authority to charge

The Act provides authority for charging fees for classification of films at section 14(1)(d)(i).

Classification of computer games

Cost of activity	Revenue for activity
\$0.375 million per annum	\$0.328 million per annum
Charge: fee	

Description of activity

This activity involves the processing of an application for the classification of a computer game. The activity includes checking that the application is valid, receipting and accounting for fees paid, receiving the media and viewing the computer game. The application data is registered in COBRA.

The Board views the computer game on either a console, audio-visual equipment or a computer. Unlike other media to be classified, computer games do not have a set running time. The cost of classifying a computer game is directly linked to the level of information provided by the applicant to the Board and the fees have been structured to reflect this.

Computer Game Level 2 applications have a lower fee than Computer Games Level 1 because they must be accompanied by a separate recording of any part of the computer game that is likely to contain contentious material and also a recording of the game that displays typical game play.

Applications can also be submitted by an authorised assessor who makes an assessment and provides a recommendation for a classification and consumer advice to the Board. The activity includes checking that the application is valid, receipting and accounting for fees paid, receiving the media and viewing the computer game, if required.

The process includes a component for when additional information is sought from the applicant to clarify the basis of their assessment, a further component to cover the situation where the submitted material needs to be viewed in full by the Board and an audit activity that is conducted on a proportion of all applications lodged by an authorised assessor.

The Director of the Board determines the procedure for applications for computer games in accordance with Section 56 of the Act. In accordance with Board procedures, a report is produced which is ratified by a senior Board member. A classification certificate is provided to the applicant and arrangements made to return the material to the applicant or have it destroyed. The classification information is published on the NCD.

Authority to charge

The Classification Act provides authority for charging fees for classification of computer games at section 17(1)(d).

Classification under the Additional Content Assessor (ACA) Scheme

Cost of activity	Revenue for activity
\$0.104 million per annum	\$0.102 million per annum
Charge: fee	

Description of activity

The ACA Scheme was established in September 2007 to provide a new approach to the classification of DVDs containing already classified feature films and additional content such as making of documentaries, out-takes and commentaries/interviews with the director or actors.

Under the ACA Scheme, industry personnel are trained and then authorised to make an assessment of the additional content. A recommendation is made to the Board about the classification and consumer advice. The Board is still responsible for classifying the material but its decision may be informed by the assessment made by the assessor. Applicants have the choice of using the ACA Scheme or applying for classification under the film-other fee category.

The activity includes checking that the application is valid, receipting and accounting for fees paid, receiving the media and viewing the assessment made by the assessor. The application data is registered in the Classification Branch COBRA workflow management system.

The process includes a component for when additional information is sought from the applicant to clarify the basis of their assessment, a further component to cover the situation where the submitted material needs to be viewed in full by the Board and an audit activity that is conducted on a proportion of all applications lodged under the ACA Scheme.

Classification applications that are accompanied by an assessment attract a lower, flat fee which applies regardless of the length of the film. The lower fee reflects savings in the Board's time in relation to the viewing of additional content.

The Director of the Board determines the procedure for these applications in accordance with Section 56 of the Act. In accordance with Board procedures, a report is produced which is ratified by a senior Board member. A classification certificate is provided to the applicant and arrangements made to return



the material to the applicant or have it destroyed. The classification information is published on the NCD.

Authority to charge

The Act provides authority for charging fees for classification of films at section 14(1)(d)(i).

Classification under the Authorised Television Series Assessor (ATSA) Scheme

Cost of activity	Revenue for activity
\$0.496 million per annum	\$0.418 million per annum
Charge: fee	

Description of activity

The ATSA Scheme came into operation on 1 January 2009 to provide a lower cost alternative for the classification of television series released on DVD or other media.

Under the ATSA Scheme, a trained assessor who has been authorised by the Director of the Board assesses the content of a film that consists of one or more episodes of a television series. Only films comprised of one or more episodes of a television series where at least one episode has been broadcast in Australia, and any series related material, may be submitted under the ATSA Scheme. The Board is still responsible for determining the classification and consumer advice but its decision may be informed by the assessment made by the assessor.

It is not compulsory to participate in the ATSA Scheme. Applicants have the choice of using existing processes for film classification or use the lower cost ATSA Scheme.

The activity includes checking that the application is valid, receipting and accounting for fees paid, receiving the media and viewing the film, if required. The application data is registered in COBRA.

The process includes a component for when additional information is sought from the applicant to clarify the basis of their assessment, a further component to cover the situation where the submitted material needs to be viewed in full by the Board and an audit activity that is conducted on a proportion of all applications lodged under the ATSA Scheme.

Classification applications that are accompanied by an assessment attract a lower, flat fee which applies regardless of the length of the film. The lower fee reflects savings in the Board's time in relation to the viewing of television series content.

The Director of the Board determines the procedure for these applications in accordance with Section 56 of the Act. In accordance with Board procedures, a report is produced which is ratified by a senior Board member. A classification certificate is provided to the applicant and arrangements made to return the material to the applicant or have it destroyed. The classification information is published on the NCD.

Authority to charge

The Act provides authority for charging fees for classification of films at section 14(1)(d)(i).

Advertising—Approval of Advertisements and Certificate of Advertising of unclassified films and unclassified computer games

Cost of activity	Revenue for activity
\$0.018 million per annum	\$0.024 million per annum
Charge: fee	



Description of activity

In July 2009, the AAA Scheme was introduced to provide a lower cost alternative for industry and to improve the efficiency of assessing the likely classification of a film or computer game for advertising purposes.

Under the AAA Scheme, a trained assessor who has been authorised by the Director of the Board can assess the likely classification of unclassified films (up to R 18+) or computer games (up to MA 15+) for advertising purposes such as posters, trailers and internet advertising.

It is not compulsory to participate in the AAA Scheme. Applicants have the choice of using the AAA Scheme or submitting advertising material to the Board.

The activity includes checking that the application is valid, receipting and accounting for fees paid, receiving the media and viewing the material. The application data is registered in COBRA. The material is projected and viewed in a theatre or with audio-visual equipment or a computer.

The Director of the Board determines the procedure for these applications in accordance with Section 56 of the Act. In accordance with Board procedures, a report is produced which is ratified by a senior Board member. A classification certificate is provided to the applicant and arrangements made to return the material to the applicant or have it destroyed. The classification information is published on the NCD.

Authority to charge

The Act provides authority for charging fees for approval of general advertisements at Section 29(2)(d) and for advertising of unclassified films and unclassified computer games at Section 32 (2)(f).

Withdrawal of applications

Cost of activity	Revenue for activity
\$0.003 million per annum	\$0.003 million per annum
Charge: fee	

Description of activity

An applicant can request to withdraw an application after submitting it to the Board. The fee for withdrawing the application is dependent upon the stage of the workflow at which the application is withdrawn. The two points for identifying the level of activity already undertaken in processing of an application are:

- **stage one**, while the classification application is being processed by the Department and prior to the application being sent to the Board (generally up to 5 days after application lodgement for non-priority fee applications); and
- **stage two**, when the application is with the Board but prior to a decision being made (generally more than 5 days after application lodgement for non-priority fee applications).

The purpose of charging for cancellation of applications is to deter frivolous applications and to limit the number of applications cancelled after work has already commenced. The fees recover costs in the classification process incurred up until cancellation.

Similar fees exist for cancellation of priority applications and applications for review of a classification decision and represent the maximum amount of the original classification fee paid that may not be refunded upon cancellation.



Authority to charge

Regulations 15, 16 and 17 provide authority for partially refunding fees for applications for classification and reviews before a decision has been made by the Board or the Review Board.

Review of Classifications

Cost of activity	Revenue for activity
\$0.051 million per annum	\$0.020 million per annum
Charge: fee	

Description of activity

The Review Board is an independent statutory body of part-time members. Section 74(2) of the Act requires that members of the Review Board are to be broadly representative of the Australian community and members usually reside in different states and territories. Review Board members meet to consider an application for a review of a decision made by the Board.

If an original applicant disagrees with a decision made by the Board, they may apply for a review of the decision. The Minister, on his own behalf or at the request of a participating state or territory Minister may apply for a review, as can a 'person aggrieved' by the decision.

This activity involves the processing of an application for a review of a classification, organising an appropriate time for the Review Board to convene to consider the matter, organizing travel and accommodation for interstate Review Board members, receiving the media and viewing the media. The Review Board makes a new decision after viewing the material.

In accordance with Review Board procedures, a report is prepared, a classification certificate is produced and provided to the applicant and arrangements made to return the material to the applicant. The report, a media release and the classification information is published on the NCD.

The cost of a review is partially recovered from industry reflecting Government policy on providing access to justice. The fee for a review of a classification is \$10,000 compared to the full cost of \$25,400. The fee has been set at a level that deters potentially vexatious applications that may compromise the review process or cause delays that may affect the public release of the material and cause financial hardship to the original applicant.

Authority to charge

Section 43(1)(d) of the Act provides the authority to charge fees for a review of a classification decision except for an application made by the Minister.

Section 87 (Evidentiary) Certificates

Cost of activity	Revenue for activity
\$0.00 million per annum	\$0.00 million per annum
Charge: fee	

Description of activity

A person may apply to the Department for a certificate regarding action taken, or not taken, under Section 87 of the Act. Section 87 Evidentiary Certificates are used by Commonwealth, state and territory law enforcement agencies. The cost of these applications is budget funded up to a certain number of applications per jurisdiction.



There are three types of Section 87 evidentiary certificates:

- A certificate verifying the classification and title of a publication, film or computer game that has been previously classified that is based on a title cross-check with the records of the previous classification, or
- A certificate describing the publication, film or computer game in relation to which action has been taken under a provision of the Act (which generally draws on the report written by the Board when the action was taken), or
- A certificate verifying the classification, title and version of a publication, film or computer game previously classified, based on a title cross-check with records of the previous classification and confirmatory viewing of the publication, film or computer game by a Board member.

The activity includes processing an application for a Section 87 certificate to ensure that it is a valid application, receiving the media, registering the application on the COBRA and viewing the media.

An evidentiary certificate is provided to the applicant and arrangements made to return the material to the applicant.

The Director of the Board determines the procedure for applications for evidentiary certificates in accordance with section 56 of the Act.

Authority to charge

Section 87(2) of the Act provides the authority to charge fees for applications for evidentiary certificates. This provision does not apply to an applicant that is the Commonwealth, or a Commonwealth authority or agency.

Copies of certificates

Cost of activity	Revenue for activity
less than \$1,000 per annum	less than \$1,000 per annum
Charge: fee	

Description of activity

This activity involves the processing of an application for a copy of a classification certificate. Copies of certificates are often requested due to loss or misplacement of the original certificate. A certificate is supplied to the applicant usually via email. The procedures for this activity are determined by the Director of the Board in accordance with section 56 of the Act.

Authority to charge

Section 27(2) and 27(5) of the Act provide the authority to charge fees for applications for classification certificates.

Title Changes for Films, Publications and Computer Games

Cost of activity	Revenue for activity
\$0.005 million per annum	\$0.003 million per annum
Charge: fee	

Description of activity

This activity involves the processing of an application for a certificate for a title change of a previously classified film, computer game or publication. This is an administrative process that involves checking the resubmitted product against the classification records to ascertain that it is the identical product. The process involves receiving and registration of the application on COBRA. A report is written and



then ratified in accordance with the Board procedures. A certificate is produced and supplied to the applicant usually via email. Arrangements are then made for the applicant to have the media returned. The procedures for this activity are determined by the Director of the Board in accordance with section 56 of the Act.

Authority to charge

The authority to charge fees for title changes for films, publications and computer games are at Sections 14(1)(d)(i), 13(1)(d)(i) and 17(1)(d), respectively of the Act.

Priority Processing

Cost of activity	Revenue for activity
\$0.910 million per annum	\$0.637 million per annum
Charge: fee	

Description of activity

This service is accessed by clients who require a faster turnaround time than the 20 business day statutory timeframe set out in Section 87A in the Act.

The provision of a classification priority service costs more than the standard delivery service due to additional Board members required to view material in a shorter timeframe.

Authority to charge

Regulations 9(1) and 9(1A) provide the authority to charge a priority fee for applications for films (other than a public exhibition film) and computer games.

2.2 Stakeholders

The key stakeholders that use classification services are:

- distributors of films, computer games and publications
- law enforcement agencies.

The regulatory activity of classifying films, publications and computer games and related services occurs before industry releases its products to market. The display of classification information (i.e. determined markings) is a requirement of classification and facilitates the enforcement of classification laws under the NCS.

2.3 Conclusion

As a general rule, classification services provide applicants with an exclusive commercial benefit. This is the right to sell, hire, exhibit, advertise and demonstrate films, computer games and submittable publications throughout Australia subject to each jurisdiction's respective classification enforcement laws. Classification under the NCS removes the need to seek a classification in each state or territory and the associated costs.

Charging fees is consistent with the Government's cost recovery policy to recover costs of undertaking pre-market regulatory activities, such as classification services, that confer an exclusive right or privilege to the applicant.

It is appropriate for the applicant to pay for the cost of classification services because the applicant is the user of these classification services. It is considered efficient and cost effective to charge a fee for service as the applicant can be identified via their application.



3. Design and implementation

3.1 Basis of charging

The appropriate pricing model is to charge a fee per transaction to an individual applicant. This approach ensures a direct link between the costs of providing the specific service and the amount of the charge to the user of the service.

3.2 Legal requirements for the imposition of charges

In 2005, the Government made a decision to recover the costs of providing the classification service.

A range of fees are prescribed by the Act and are set out in Schedule 1 of the Regulations.

The revenue from fees is regarded as income administered on behalf of Government and is returned to the public account. The Department is then funded by appropriation for the classification function. The appropriation also contains necessary funding for activities that are not cost recovered such as policy work, responding to correspondents and public good activities.

3.3 Costs to be included in cost recovery charges

Under the activity based costing model, the classification process for each type of application is broken down into its individual process components and direct labour costs are calculated for each component.

The first stage or opening an application contains a number of steps. This includes checking the validity of the application, receiving payment, registering the application on COBRA, preparing the file and the media for the Board and secure tracking of the media. If the application is not accurate, the applicant is contacted to provide the information. In some instances, material submitted may be faulty or require viewing software not currently available to the Board. In some instances, the application may be stalled while these issues are resolved.

In the next stage, the application is recommended to the Board, and a Board panel established to classify the material. The panel may consist of one or more Board members. Public Exhibition films generally have a standard panel of three Board members. Following the viewing of the material, the panel will write a Decision Report outlining the reason for the classification.

The final stage relates to closing the application and includes the provision of a certificate to the applicant, updating COBRA, returning or destroying the application media and any filing. The classification decision is published on the NCD.

The process models for applications under the industry-based assessor schemes have the same opening and closing components. However, the viewing component is reduced to reflect only a proportion of the material viewed in part, or in full, and only where the Board member disagrees with the classification recommended by the assessor. The workflow includes components for seeking further information or clarification of the authorised assessor's report or issuing a disagreement notice.

An example of the calculation of a fee for the classification of a Film Other 61–120 minutes is included in the table below.

Table 1: Example of a fee calculation—fee calculation film other 61–120 minutes

	Involvement	Hours	Hourly rate	Cost
Stage 1—Applications opening				
Director, Operations	100%	0.10	\$100	\$10
Client Liaison team	100%	1.00	\$51	\$51
Sub Total				\$61
Stage 2—Board views material				
Board member	73%	1.68	\$81	\$99
Staff Assessor	27%	1.68	\$61	\$28
Sub Total				\$127
Stage 3—Board report writing				
Senior Board member	100%	0.27	\$103	\$27
Board member	100%	0.62	\$81	\$50
Staff Assessor	100%	0.18	\$61	\$11
Sub Total				\$89
Stage 4—Applications closing				
Receipting	100%	0.08	\$90	\$8
Client Liaison team	100%	0.35	\$51	\$18
Sub Total				\$25
Total Direct Labour				\$302
Overheads (141% of Total Direct Labour)				\$428
Total cost				\$730

Cost base—All costs were calculated based on the mean average of the estimated costs.

Use of Efficient Costs—To ensure that pricing was based on efficient costs, the fee model used estimates of the reasonable time required for each activity. This information was then cross-referenced with historical and projected demand data.

During the costing process, the Department also confirmed that the assets used for the various activities were reasonable relative to the service delivery requirements.

Direct cost calculation—Board member and employee costs are the major direct cost component in the calculation of classification fees.

The Board consists of the Director, Deputy Director and other members including temporary Board members. Regulation 17A of the Classification Regulations specifies the maximum number of Board members is thirty.



The Review Board is a part-time Board and convenes to deal with applications for review of a decision. With the exception of the Convenor, members of the Review Board are paid a daily sitting fee set by the Remuneration Tribunal.

The Classification Branch (the Branch) of the Department is co-located with the Board in Sydney. The Branch undertakes a range of budget funded activities. The number of Branch officers undertaking cost recovery related activity is 23 full time equivalent staff.

Direct labour costs have been separately identified for each level of staff or Board member involved in the process. The hourly labour costs include salary and related costs such as workers compensation, annual/long service leave provisions, allowances, and superannuation. Salary costs are indexed for pay increases expected to apply during the period of validity of this CRIS.

Direct non-labour costs, such as the cost and depreciation of projection equipment, are also attributed to the specific fee type as appropriate (e.g. the fee for a public exhibition film contains a cost component for projection equipment).

Allocation of overheads—Overheads include indirect costs such as IT expenses, property expenses, operating lease/license costs, asset depreciation/amortisation and maintenance costs, support staff salaries and on-costs and other general expenses that are not attributable to a particular activity.

Allocation involves the amount of direct labour applied in the classification process and the forecast demand for each product type. The fee model has been adjusted to allocate overheads in accordance with the amount of direct labour involved in each product time slice (i.e. the running time or length of the material) to ensure a more equitable distribution of overheads necessitated by an increase in very long-running applications.

No opportunity cost of capital was applied. Depreciation was calculated based on the fair value of assets in accordance with the Australian Accounting Standards. Assets depreciated on a straight-line basis over the life of the assets and leasehold items were amortised over the life of the lease.

Table 2: Total annual cost of activities subject to cost recovery

Cost component	Description	Rationale	Estimated annual cost (\$,000)
Direct Cost— Labour Expenses	Salary and salary related on-costs, including workers compensation, annual & long service leave provisions, allowances, and superannuation of employees directly involved in classification activities	Direct labour costs separately identify each level of staff or Board member involved in the process for each type of application. Some costs are averaged.	1,556
Direct Cost— Equipment expenses and depreciation	Projectors & sound systems in theatres Computer game consoles and equipment in viewing room	Direct cost of equipment used in the process of classifying public exhibition film and computer games applications.	600



Cost component	Description	Rationale	Estimated annual cost (\$,000)
Overheads— Indirect Labour Expenses	Salary and salary related on-costs for employees not directly involved in classification activities	Costs incurred in supporting the processing and classification of applications. Attribution is based upon the proportion of direct labour allocated to the product.	2,257
Overheads— Other	Property expenses, assets and depreciation, and operating expenses such as travel and legal costs.	Costs incurred in supporting the processing and classification of applications. Attribution is based upon the proportion of direct labour allocated to the product.	987
Total			5,400

3.4 Demand estimates for the fees

The method of estimating demand for classification services was based on a statistical analysis of time series data for each existing classification application type and each time slice within that application type. The source of this data is COBRA. COBRA enables management of the classification workload.

Internet searches were conducted to gain any possible market related information on demand. The initial demand estimates were also discussed with industry groups during the consultation process to gain qualitative information and check the quality of the predictions.

3.5 Quality Assurance—fee methodology and calculations

An independent consultant, Ascent Governance Pty Ltd, completed a quality assurance of the methodology used to calculate the fees and confirmed that cost outcomes were reasonable when the fees were implemented in 2011.

3.6 Outline of charging structure

The classification fee structure is based primarily on the type of physical media on which the content to be classified is stored. This reflects the provisions of the Act. It enables the fee structure to be broken down into publications, films and computer games and a workflow process developed for each application type.

The structure includes a further differentiation based on the viewing time or time slice for each product. In the case of fees for publications, the basis is the number of pages. This enables a fee to be calculated which contains standard fixed cost components such as the registration of the application as well as the variable direct costs of viewing and classifying the material. The fee structure recognises that not all material requiring classification runs for the maximum time covered by the relevant time slice. As such, the viewing time for each time slice is based on the historical median running time. For example, Publications 0–76 pages is based on the median score of 44 pages and Film-Other 0–60 minutes is based on a median viewing time of 41 minutes.



The process models vary significantly for authorised assessor schemes whereby industry certified assessors lodge an application along with a report recommending a classification and consumer advice. The fees, based on a standardised process, include estimates of viewing time for product where the Board may not agree with the recommendation or may seek to view the material in part or full to check the recommendation.

The fee structure also includes a range of administrative functions required under the Act, which may, or may not, have any transactions in any one year.

The fee review conducted in 2010 resulted in changes to the fee structure and the quantum of individual fees (both increases and decreases). The changes reflect cost movements, product and technological developments and updated demand projections.

Key changes to the fee structure can be summarised as follows:

- an expansion of the existing Film—Other fee category with 12 additional time slices to accommodate boxed sets or potentially large capacity storage devices, and
- a reduction in the number of the Computer Game fee categories from six to four to appropriately reflect the powers of authorised assessors as defined under the Act.

All fees for the classification of publications, films and computer games are covered by this CRIS.

Table 3.1: Classification fee structure—publications

Activity publications	Method of recovery	Estimated annual demand	2005 Fee	Current fee	Annual cost recovery revenue
Standard 0–76 pages	Fee	3	\$520	\$420	\$1,260
Standard 77–152 pages	Fee	57	\$590	\$480	\$27,360
Standard 153–252 pages	Fee	1	\$690	\$560	\$560
Standard 253–500 pages	Fee	0	\$890	\$790	\$0
Standard 501–800 pages	Fee	0	\$1,260	\$1,230	\$0
Standard >800 pages	Fee	0	\$1,840	\$1,860	\$0
Serial	Fee	9	\$1,130	\$1,080	\$9,720
Revised	Fee	21	\$210	\$210	\$4,410
Total					\$43,310

Table 3.2: Classification fee structure—films—public exhibitions

Activity—films—public exhibition	Method of recovery	Estimated annual demand	2005 Fee	Current fee	Annual cost recovery revenue
Film PE 0–60 mins	Fee	7	\$990	\$1,180	\$8,260
Film PE 61–120 mins	Fee	342	\$1,830	\$2,180	\$745,560
Film PE 121–180 mins	Fee	158	\$2,300	\$2,760	\$436,080
Film PE 181–240 mins	Fee	2	\$2,860	\$3,540	\$7,080
Film PE >240 mins	Fee	0	\$5,090	\$6,540	\$0
Total					\$1,196,980

Note: Fees for certificates that public exhibition films are exempt from classification correspond to the fees proposed above against the relevant product type.

Table 3.3: Classification fee structure—films—film other

Activity—films—film other	Method of recovery	Estimated annual demand	2005 Fee	Current fee	Annual cost recovery revenue
0–60 mins	Fee	192	\$510	\$550	\$105,600
61–120 mins	Fee	829	\$700	\$730	\$605,170
121–180 mins	Fee	120	\$840	\$900	\$108,000
181–240 mins	Fee	56	\$1,010	\$1,090	\$61,040
241–300 mins	Fee	53	\$1,180	\$1,290	\$68,370
301–400 mins	Fee	70	\$1,420	\$1,690	\$118,300
401–500 mins	Fee	21	\$1,660	\$2,010	\$42,210
501–600 mins	Fee	29	\$1,910	\$2,530	\$73,370
601–700 mins	Fee	15	\$2,120	\$2,830	\$42,450
701–800 mins	Fee	0	\$2,460	\$3,300	\$0
*801–900 mins	Fee	4	\$3,160	\$3,620	\$14,480
901–1000 mins	Fee	7	\$3,160	\$4,100	\$28,700
1001–1100 mins	Fee	7	\$3,160	\$4,420	\$30,940
1101–1200 mins	Fee	2	\$3,300	\$4,900	\$9,800
1201–1300 mins	Fee	1	\$3,470	\$5,220	\$5,220
1301–1400 mins	Fee	0	\$3,640	\$5,700	\$0
1401–1500 mins	Fee	1	\$3,880	\$6,020	\$6,020
1501–1600 mins	Fee	1	\$4,120	\$6,490	\$6,490
1601–1700 mins	Fee	0	\$4,370	\$6,970	\$0
1701–1800 mins	Fee	0	\$4,580	\$7,290	\$0



Activity—films—film other	Method of recovery	Estimated annual demand	2005 Fee	Current fee	Annual cost recovery revenue
1801–1900 mins	Fee	0	\$4,920	\$7,770	\$0
1901–2000 mins	Fee	0	\$5,620	\$8,090	\$0
Total					\$1,326,160

Note: Fees for certificates that films are exempt from classification correspond to the fees proposed above against the relevant product type.

Table 3.4: Classification fee structure—films—additional Content Assessor (ACA) Scheme

Activity—films— Additional Content Assessor (ACA) Scheme	Method of recovery	Estimated annual demand	2005 Fee	Current fee	Annual cost recovery revenue
ACA—Certified	Fee	213	\$430	\$480	\$102,240
ACA—Non-Certified	Fee	0	\$205	\$230	\$0
Total					\$102,240

Table 3.5: Classification fee structure—films—Authorised Television Series Assessor (ATSA) Scheme

Activity—Authorised Television Series Assessor (ATSA) Scheme	Method of recovery	Estimated annual demand	2005 Fee	Current fee	Annual cost recovery revenue
ATSA	Fee	653	\$780	\$640	\$417,920
Total					\$417,920

Table 3.6: Classification fee structure—advertising

Activity— Advertising	Method of recovery	Estimated annual demand	2005 Fee	Current fee	Annual cost recovery revenue
Assessment of likely classification of a film or game for advertising purposes	Fee	41	\$510	\$590	\$24,190
Certificates of Approval for Advertisements	Fee	0	\$450	\$470	\$0
Total					\$24,190



Table 3.7: Classification fee structure—computer games

Activity—Computer games	Method of recovery	Estimated annual demand	2005 Fee	Current fee	Annual cost recovery revenue
Computer game—level 1	Fee	9	\$2,040	\$1,210	\$10,890
Computer game—level 2	Fee	243	\$1,150	\$890	\$216,270
Assessed computer game	Fee	212	\$470	\$430	\$91,160
Demonstrated computer game	Fee	4	\$1,070	\$2,460	\$9,840
Total					\$328,160

Note: Fees for certificates that a computer game is exempt from classification correspond to the fees proposed above against the relevant product type (note that the Assessed Computer Game category does not apply to applications for exempt certificates).

Table 3.8: Classification fee structure—section 87 certificates

Activity—section 87 certificates	Method of recovery	Estimated annual demand	2005 Fee	Current fee	Annual cost recovery revenue
Certificate of verification	Fee	0	\$1,410	\$1,410	\$0
Statement of content	Fee	0	\$710	\$475	\$0
Certificate of identification	Fee	0	\$710	\$475	\$0
Total					\$0

Table 3.9: Classification fee structure—priority processing

Activity—priority processing	Method of recovery	Estimated annual demand	2005 Fee	Current fee	Annual cost recovery revenue
Film—Other & Computer Games	Fee	1,517	\$400	\$420	\$637,140
Cancellation	Fee	0	\$300	\$300	\$0
Total					\$637,140

Note: In relation to applications accompanied by a PPF, the fee for cancellation represents the maximum amount of the original classification fee paid that may not be refunded on cancellation.

Table 3.10: Classification fee structure—other

Activity—other	Method of recovery	Estimated annual demand	2005 Fee	Current fee	Annual cost recovery revenue
Copy of Classification Certificate or Copy of S26 Notice of Decision	Fee	1	\$90	\$50	\$50
Withdrawal of application— Cancellation Stage 1	Fee	13	\$120	\$180	\$2,340
Withdrawal of application— Cancellation Stage 2	Fee	2	\$280	\$360	\$720
Title Change—Film— Public Exhibition	Fee	4	\$600	\$190	\$760
Title Change—Film —Other	Fee	5	\$390	\$190	\$950
Title Change— Publications	Fee	0	\$360	\$190	\$0
Title Change— Computer Games	Fee	9	\$460	\$190	\$1,710
Total					\$6,530

Note: The fees for cancellation represent the maximum amount of the original classification fee paid that may not be refunded on cancellation.

Table 3.11: Classification fee structure—review of a classification

Activity—review of a classification	Method of recovery	Estimated annual demand	2005 Fee	Current fee	Annual cost recovery revenue
Review of a Classification	Fee	2	\$8,000	\$10,000	\$20,000
Withdrawal of application— Cancellation Stage 1	Fee	0	\$1,600	\$1,600	\$0
Withdrawal of application— Cancellation Stage 2	Fee	0	\$4,000	\$4,000	\$0
Total					\$20,000

Note: The fees for cancellation represent the maximum amount of the original classification fee paid that may not be refunded on cancellation.



3.7 Summary of cost and charging arrangements

Table 4: Summary of cost and charging arrangements

Activity	Annual cost \$million	Annual cost recovery revenue
Classification of Films—Public Exhibition	1.663	1.197
Classification of Films—Other	1.704	1.326
Classification of Computer Games	0.375	0.328
Classification of Publications	0.070	0.043
Classification under the Additional Content Assessor Scheme	0.104	0.102
Classification under the Authorised Television Series Assessor Scheme	0.496	0.418
Advertising	0.018	0.024
Withdrawing Applications	0.003	0.003
Reviews of a Classification	0.051	0.020
Section 87 (Evidentiary) Certificates	Nil	Nil
Copy of Certificate	Less than \$1,000	Less than \$1,000
Title Changes for Films, Publications and Computer Games	0.005	0.003
Priority Processing	0.910	0.637
Total	5.400	4.103

4. Ongoing monitoring

4.1 Monitoring mechanisms

The Department will monitor the fees as part of its ongoing oversight of the NCS and as part of its financial and accountability framework. Monitoring activities will include the following:

- monthly and yearly reporting on statutory timeframes
- assessing the effectiveness of the fees in recovering the costs of the activities, and
- industry and community feedback.

The Department will monitor the operation of the fee regime to ensure that the fee design and costing remains appropriate. Action will be taken to adjust the fees if significant changes in costs or volumes of applications occur. Should this result in material amendments to the current fee structure, the Department will prepare a new CRIS to reflect any such amendments.

The Government introduced the Charging Framework to improve consistency of charging activities and help determine when it is appropriate to charge for a government activity. The Charging Framework supports government entities to design, implement and review government charging. The Charging Framework came into effect from 1 July 2015. Under the framework, portfolio departments have been asked to coordinate five-yearly portfolio charging reviews. A review was undertaken on the existing



classification charging activities in August 2015, and a high level review in February and March 2018. A comprehensive review of the classification function is planned in late 2018 with a view to establishing alternative, more cost effective service delivery arrangements which will modernise the NCS. An outcome of this review will be the development of an appropriate charging framework and a new cost recovery implementation statement.

4.2 Stakeholder consultation

Fees for the classification service were reviewed in 2010 and key stakeholders were consulted about the proposed fees. Some of the issues are described below.

Classification Board and Classification Review Board

The Director of the Board (in 2010) was a member of the Fee Review Steering Committee. The Director agreed to the workflow for all fee related activities. Under Sections 52 and 56 of the Act, the Director has established business rules for how the Board classifies material and these rules were used to cost the classification process.

The Convenor of the Review Board was also consulted as part of the review process as the Convenor also establishes the process for how reviews are conducted under Section 77 of the Act.

Industry

Distributors of films, computer games and publications were encouraged to provide input on the proposed fees. The Department was provided with information on issues that might impact classification work processes, changes to workload and demand as a result of additional types of classification services and emerging technology.

Despite general sensitivity to fee increases, most industry sectors did not raise strong objections to the proposed fee structure and there was acknowledgement that increases in the highest demand fee categories were reasonable. Fee reductions were welcomed by the distributors of DVDs, computer games and publications.

4.3 Periodic review

The Department continues to review the classification function with a view to establishing the appropriate charging framework. This will consider:

- significant developments in classification policy and changes in other government policies which may impact costs or charges
- significant industry product development or changes that necessitate new classification services or changes to classification processes
- major technological changes which may impact on costs of service delivery, and
- significant changes in accounting standards and cost structures.

5. Cost recovery links

- The Australian Government Cost Recovery Guidelines and the accompanying Finance circular can be found at:
https://www.finance.gov.au/sites/default/files/australian-government-cost-recovery-guidelines_0.docx
<https://www.finance.gov.au/resource-management/charging-framework/>.

- 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:
<https://www.pmc.gov.au/regulation/best-practice-regulation>
<http://ris.pmc.gov.au/>.

6. CRIS approval and change register

Table 5: Change register

Date of CRIS change	CRIS change	Approver	Basis for change
16/5/2018	Certification of the CRIS	Secretary	Review of cost recovered activities