ACIL ALLEN

APVMA Cost Recovery Review

Impacts of the proposed change in cost recovery regime and alternative funding models

04 September 2026

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Report to:

CropLife

ACIL Allen acknowledges Aboriginal and Torres Strait Islander peoples as the Traditional Custodians of the land and its waters. We pay our respects to Elders, past and present, and to the youth, for the future. We extend this to all Aboriginal and Torres Strait Islander peoples reading this report.

Goomup, by Jarni McGuire

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Context

The APVMA (the Authority) is Australia's national regulator for agricultural and veterinary (agvet) chemicals, responsible for assessing, registering and maintaining oversight of these products up to the point of sale. The Authority's operations for these activities are funded primarily through two cost recovery instruments:

— The first is an application fee, paid by a registrant at the time it lodges an application to register, and annually to renew the registration of a product, extend an existing product label to a new crop, or seek other regulatory approvals.

— The second is a sales levy, applied to products sold in Australia and collected as a proportion of the value of those sales.

The APVMA receives limited additional funding through government appropriations.

Under the current arrangements, APVMA's pre-market fee-for-service activities costs are recovered through a mix of 40% collected through application fees and the remaining 60% through the sales levy. This balance avoids placing excessive cost burdens on new product registration. Because the sales levy is proportional to actual Australian sales, it imposes a cost on registrants only when Australian revenue is realised.

An upfront application fee, by contrast, is payable before any Australian sales are generated and regardless of whether significant Australian sales are ever achieved.

The APVMA have identified genuine concerns that these arrangements give rise to what is commonly referred to as the free-rider problem. The problem arises where a registrant obtains an Australian registration to demonstrate regulatory acceptance in a comparable market to support overseas sales ('shelf' products[1]) or to satisfy a global registration strategy where a 'reference' registration can be used for registering multiple generic products, without generating enough Australian sales to cover the remaining 60% of its pre-market fee-for-service activities costs.

In these instances, the remaining cost is funded by other registrants whose products are actively sold in Australia. Those active registrants effectively subsidise the regulatory costs attributable to products that are registered but not sold here.

APVMA estimated that about half of registered products have never recorded a sale in Australia.[2] APVMA has proposed a change to the cost recovery structure to address the free-rider problem. The solution proposed is simple: pre-market fee-for-service activities costs are to be fully recovered through upfront application cost, with a corresponding 40% reduction in the sales levy. Simultaneously, a $3.2 million per annum appropriation was announced to support the APVMA 's permit program.

Scope and approach

CropLife has commissioned ACIL Allen to undertake an independent assessment of APVMA's proposed solution to the free-rider problem it has identified. This report provides the outcomes of that assessment, which includes an analysis of APVMA's proposed solution and alternative funding models that could address the identified problem. The analysis in the document is based on consultations and primary data collection with a selected but representative sample of the industry. It also draws on a range of public documents on

[1] DAWE 2021. *Final Report of the Independent Review of the Pesticides and Veterinary Medicines Regulatory System in Australia*. Department of Agriculture, Water and the Environment. Canberra, April. CC BY 4.0.

[2] APVMA, APVMA Fees and Charges 2026-27 Consultation Paper. Page 4.

practices in other jurisdictions (upon which APVMA's proposal is informed), and the application of sound economic principles to a free-rider problem.

Key findings

The APVMA's proposed shift to full upfront cost recovery responds to a genuine policy problem. Products registered in Australia without generating meaningful Australian sales impose costs on the regulatory system that are borne by other registrants through the sales levy.

The available evidence for this independent study supports the existence of this free-rider problem but does not establish the financial scale of the cost recovery shortfall, the regulatory costs attributable to nil-sales products, or how those costs are distributed across registration pathways. Without this information, it is not possible to assess whether full upfront recovery is a proportionate response to the problem it is intended to solve.

The analysis in this report finds that the proposed regime would have materially different financial impacts across registrants, with some facing cost increases of up to 180%. Additionally, higher upfront fees could disproportionately affect new products containing existing active constituents, label extensions, minor uses and products serving small or specialised markets, where Australian revenues may be limited or uncertain.

Potential responses include fewer marginal registrations, delayed or consolidated label extensions and greater reliance on permits. These outcomes could reduce access to products and uses for Australian growers and shift some regulatory and data-generation costs to the APVMA, government, and industry-funded bodies.

The international comparison does not support APVMA's claim that full upfront recovery is consistent with comparable jurisdictions. Rather, the jurisdictions considered in this report generally retain a combination of upfront fees, ongoing charges and government funding.

The 9 alternative funding models assessed in this report illustrate that the free-rider problem can be addressed through a range of mechanisms that are potentially more targeted than a broad increase in upfront fees. A revised charging model that retains a meaningful sales levy, increases annual renewal fees for low- or nil-sales products, moderates any increase in upfront application fees, or provides targeted relief for innovative or strategically valuable registrations would better balance the objectives of addressing free-riding, limiting cross-subsidisation and maintaining incentives for registration and innovation. These elements could be combined into a revenue-neutral or revenue-equivalent charging model.

Overall, the evidence supports a more targeted and balanced approach to cost recovery rather than full upfront recovery. In other words, the preferred funding model should be calibrated to address that shortfall in a targeted and proportionate way, rather than through a structural increase in upfront costs that falls across the breadth of the registration portfolio.

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Main Report

1 Introduction

1.1 Background

The APVMA is Australia's national regulator for agricultural and veterinary (agvet) chemicals, responsible for assessing, registering and maintaining oversight of these products up to the point of sale. As a Commonwealth entity operating under the *Public Governance, Performance and Accountability Act 2013*, the APVMA is subject to the Australian Government Charging Framework set out in Resource Management Guide 302 (RMG 302). That framework establishes that non-government entities who are the primary beneficiaries of a regulatory service should bear its costs, and that those costs should be recovered through charges set at the minimum level consistent with efficient delivery.

APVMA's operations are funded primarily through two cost recovery instruments:

- The first is an application fee, paid by a registrant at the time it lodges an application to register, and annually to renew the registration of a product, extend an existing product label to a new crop, or seek other regulatory approvals.
- The second is a sales levy, applied to products sold in Australia and collected as a proportion of the value of those sales.

The APVMA also receives limited additional funding through government appropriations.

Under the current arrangements, APVMA's pre-market fee-for-service activities costs are recovered through a mix of 40% collected through application fees and the remaining 60% through the sales levy. This balance avoids placing excessive cost burdens on new product registration. Because the sales levy is proportional to actual Australian sales, it imposes a cost on registrants only when Australian revenue is realised.

An upfront application fee, by contrast, is payable before any Australian sales are generated and regardless of whether significant Australian sales are ever achieved.

1.2 The free rider problem

APVMA's current cost recovery structure gives rise to what is commonly referred to as the free-rider problem. The problem arises where a registrant obtains an Australian registration to demonstrate regulatory acceptance in a comparable market to support overseas sales ('shelf' products[3]) or to satisfy a global registration strategy where a 'reference' registration can be used for registering multiple generic products, without generating enough Australian sales to cover the remaining 60% of its pre-market fee-for-service activities costs.

In these instances, the unrecovered cost is funded by other registrants whose products are actively sold in Australia. Those active registrants effectively subsidise the regulatory costs attributable to products that are registered but generate little or no sales here.

This free-rider problem is a genuine policy concern. A cost recovery framework that allows a class of registrants to obtain the benefit of Australian market authorisation without contributing meaningfully to the cost of that authorisation is inequitable and, over time, either erodes the Authority's revenue base or shifts costs onto registrants who are not the source of the problem.

[3] DAWE 2021. *Final Report of the Independent Review of the Pesticides and Veterinary Medicines Regulatory System in Australia.* Department of Agriculture, Water and the Environment. Canberra, April. CC BY 4.0.

APVMA estimated that about half of registered products have never recorded a sale in Australia.[4] If measured over a lifetime, this would indicate a potentially substantial population of registered products that make little or no contribution to the sales-based levy. However, the existence of a large nil-sales population should not be equated with the existence of a corresponding financial free-rider cost. The relevant questions are how much regulatory activity is attributable to these products, how much revenue is currently recovered, and what resulting shortfall is borne by other registrants.

1.2.1 What the APVMA data establishes

Responding to CropLife's data request, APVMA provided data on registered products with nil sales over two five-year periods: 2016-17 to 2020-21 and 2021-22 to 2025-26. While the data was labelled 'registered products with nil sales', the original item-level figures represent assessment records associated with products with nil sales. The item-level counts are therefore not additive (see **Table 1.1**) i.e. a product may have multiple assessments and may be associated with more than one Schedule 6 item. APVMA subsequently confirmed that the total represents the distinct number of registered products with nil sales for each five-year period. On this basis, the data identifies 2,878 distinct nil-sales products across 2016-17 to 2020-21 and 3,695 in 2021-22 to 2025-26.

Table 1.1 Assessments associated with registered products with nil sales

Item	2016-17 to 2020-21	2021-22 to 2025-26
10	486	614
10A	63	81
12	460	543
13	257	293
13A	386	475
14	217	205
2	29	34
27	20	22
5	109	134
6	97	85
7	1,037	1,366
8	447	559
9	12	15
Total	**2,878**	**3,695**

Source: APVMA provided data labelled as 'Registered products with nil sales'.

The assessment-level data cannot, however, be used to determine the number of distinct nil-sales products attributable to each Schedule 6 item because the records cannot be reliably de-duplicated to a substantive item-level allocation.

Upon further request, APVMA has also provided a de-duplicated allocation of these products across Schedule 6 items, assigning products associated with multiple items to the lowest applicable item number. This allows the item-level figures to sum to the distinct-product total. APVMA has cautioned that this is a reporting methodology only and it does not identify the product's primary or most significant regulatory pathway and is not based on application timing (see **Table 1.2**).

[4] APVMA, APVMA Fees and Charges 2026-27 Consultation Paper. Page 4, plus based on clarifications sought by CropLife on ACIL Allen's behalf from APVMA.

Table 1.2 Registered products with nil sales

Item	2016-17 to 2020-21	2021-22 to 2025-26
10	486	614
10A	51	65
12	424	525
13	218	248
13A	295	392
14	79	100
2	19	26
27	9	17
5	77	106
6	56	64
7	800	1,085
8	352	438
9	12	15
Total	**2,878**	**3,695**

Source: APVMA provided de-duplicated data

The resulting item-level figures should therefore be treated as an indicative reporting allocation rather than a definitive measure of the substantive composition of the nil-sales population. Under this allocation, 1,085 of the 3,695 nil-sales products (29.4%) are allocated to Item 7 and 438 (11.9%) to Item 8, together representing 41.2% of the nil-sales population across 2021-22 to 2025-26. Items 7 and 8 include pathways involving products that build on existing registrations, including similar or generic products and repacks. The data therefore indicates a substantial concentration of the nil-sales population in these pathways, but the mechanical allocation does not establish their true substantive share.

This limitation is important when assessing whether a shift to full upfront cost recovery is a proportionate response. The existence of a free-rider problem does not, by itself, justify applying the same funding response across all registration pathways. The appropriate response depends on the nature, scale and distribution of the underlying shortfall.

In particular, the number of nil-sales products does not necessarily establish the actual financial cost of the free-rider problem. Different nil-sales products may generate different levels of regulatory activity and cost. The available evidence does not establish the costs attributable to these products, the revenue currently recovered, or the resulting cost-recovery shortfall.

The evidence therefore supports the existence of a material free-rider problem, but does not yet establish its scale, financial impact or composition. The key question is what proportion of APVMA's recoverable regulatory costs is attributable to these products, how much remains unrecovered, and whether the proposed funding changes are targeted and proportionate to that shortfall.

1.3 This report

1.3.1 Scope

ACIL Allen has been engaged by CropLife to undertake an analysis of the impacts of this proposed funding regime change, per the Terms of Reference in **Box 1** below. This report presents the outputs of our analysis against the available data, using sound economic principles and logic.

Box 1 Terms of Reference

- Identifying and articulating the impact of the policy change on commercial incentives to bring timely (early in its commercial lifecycle) and full (the ability to use across productive application patterns) registration of new and innovative products to the Australian market.
- Impact of full up-front cost recovery on the registration of minor uses of chemistry.
- Review of the proposed revenue model including testing against data available
- Comment in regard to APVMA's assertion that this is consistent with Canada, UK and NZ.
- Developing and testing alternative policy options that will create the same amount of revenue while creating more economically efficient outcomes with regard to the productivity of the farm and environmental land use sector.
- Optimisation of the mix between upfront fees (application fees and registration renewal fees) and sales levy to support advocacy for changes to the cost recovery policy seeking full upfront recovery of application fees. This could include the opportunity to levy the registration renewal as a tax.
- Any other views on the optimal mix of fees and levies to:
  - incentivise agency performance and efficiency
  - avoid cross-subsidisation between distinct groups of registrants serviced by the APVMA.

Source: ACIL Allen

1.3.2 Approach

This assessment was undertaken to address 2 complementary components of the Terms of Reference. The first focused on the potential economic and market impacts of the proposed APVMA funding model, including its effects on incentives to register new and innovative products, minor-use registrations and market behaviour. The second focused on developing alternative funding options that could generate equivalent revenue while improving economic efficiency and reducing cross-subsidisation between registrant groups.

The initial approach contemplated quantitative modelling of these impacts, supported by product-level data on application fees, renewal charges, sales levy payments, product sales and product characteristics. CropLife Australia sought relevant data from the APVMA for this purpose. The APVMA provided information on its proposed costing methodology, demand assumptions and financial forecasts, together with selected de-identified data on registered products with no recorded Australian sales. APVMA advised that potential market impacts were considered separately through CEPA's independent economic analysis, which was not available to ACIL Allen. Consequently, the available evidence was insufficient to quantitatively estimate changes in registration behaviour, including impacts on product registration and minor-use registrations.

In response, the assessment adopted an evidence-based qualitative approach, supplemented by industry data and targeted consultation. This included a desktop review of comparable cost recovery arrangements in Canada, the United Kingdom and New Zealand.

It also included targeted stakeholder consultations with CropLife Australia members (who represent a significant proportion of the industry's activities) to identify commercial and operational impacts and collect relevant data. High-quality data was provided in a consistent format by selected industry members, and follow-up consultations and conversations were had to ensure our analysis of member-level data was accurate and representative of the various organisations operating in Australia.

As part of the methodology, the desktop review and consultation outcome were used by ACIL Allen development to develop an assess alternative funding models, including different mixes of upfront fees, renewal charges and sales levy, with consideration of their revenue, distributional and incentive effects.

The analysis does not provide a point estimate of the number or value of products that would not be registered under the proposed model, as the available evidence does not support such a quantification. Instead, it identifies the direction and distribution of impacts, and their likely magnitude, where supported by the available evidence. The findings are used to assess the proposed and alternative funding models against economic criteria, including revenue neutrality, minimising free-rider effects, maintaining incentives to register new products, and avoiding inefficient cross-subsidisation between registrants.

A draft report was provided to CropLife Australia for review, with feedback primarily focused on factual clarification and correction. The final report represents an independent assessment of the proposed policy changes, their potential economic and market impacts, and alternative funding models.

1.3.3 Report structure

The remaining chapters of this report are as follows:

— *Chapter 2* discusses APVMA's proposal and how it seeks to address (at least conceptually) the policy problem it is trying to solve.

— *Chapter 3* characterises the impacts of implementing APVMA's policy solution on industry.

— *Chapter 4* analyses the impacts of the policy solution on industry.

— *Chapter 5* identifies and assesses alternative policy options that could be implemented to address the problems outlined by APVMA.

— *Chapter 6* summarises our conclusions and insights arsing from this analysis.

2 APVMA's solution to the problem

2.1 Proposed regime

APVMA had proposed a change to the cost recovery structure to address the free-rider problem. The solution proposed is simple: pre-market fee-for-service activities costs are to be fully recovered through upfront application cost, with a corresponding 40% reduction in the sales levy. Simultaneously, a $3.2 million per annum appropriation was announced to support the APVMA 's permit program.

Table 2.1 below summarises the key changes to the charging regime proposed by APVMA.

Table 2.1 Summary of key changes

Category	CRIS 2025-26	Draft CRIS 2027-28	Difference
Cost recovery policy	Approximately 40% of application assessment costs are recovered by fees; the balance is recovered through levies	Full recovery of assessment costs through fees (except minor use and emergency permits)	Fundamental policy shift
Levy Tier 1	0.63%	0.38%	−40%
Levy Tier 2	0.35%	0.21%	−40%
Levy Tier 3	0.25%	0.15%	−40%
Product renewal fee	$700 per product	$800 per product	+14.3%

Source: APVMA's summary of changes provided to CropLife

The proposed regime addresses the free-rider problem by making registration more expensive for everyone. However, it does not distinguish between a registrant seeking to build an Australian market and one registering a product with no intention of generating significant Australian sales.

In this sense, the proposed regime is not well targeted as it imposes a high-cost burden on the behaviour the framework is trying to encourage (new product registration) as well as the behaviour creating the problem (maintaining a registration without generating Australian sales).

2.2 Approaches used in other jurisdictions

APVMA claims that its policy change has been informed by an assessment of international practice, and is aligned with cost recovery approaches in certain markets. The section below considers whether this is a valid claim. The discussion is based on a desktop review of publicly available information. It has not been informed by consultation with representatives of the jurisdictions considered.

2.2.1 Canada

Pesticides and pest management products are regulated by the Pesticide Regulatory Directorate (PRD), formerly known as the Pest Management Regulatory Agency (PMRA). The PRD recover its regulatory costs through application fees and annual charges. Unlike the APVMA's levy, PRD's annual charge is generally a fixed amount per registered product, with a sales-based calculation applied only to products with relatively low gross sales revenue.[5]

[5] The annual charge applied to each registration is set to the lowest between (1) $4,317.93, for a product with gross sales revenue during the preceding fiscal year greater than $107,948.25; and (2) 4% of the actual gross sales revenue for a product during the

There is evidence that PRD does not recover 100% of its costs for assessing applications through application fees, but only about 30%.[6] Government appropriation is used to cover the remaining portion of costs.

In 2024, the PRD proposed amendments to replace the current sales-based system for determining annual charges with a tiered charge based on the number of pest control product registrations held by the registrant.[7] This would effectively move Canada to an entirely different levy structure where sales of products are not a driver anymore.

While eliminating free-rider behaviour is not identified as an objective of the proposed change, the Canadian model creates a strong commercial disincentive to maintain registrations for products with limited market potential. Because the annual charge is levied on each registered product, regardless of sales, companies continue to incur regulatory costs even when a product generates little or no revenue. As a result, registrants are incentivised to consider their registrations and focus on products with sufficient commercial returns. This disincentive becomes more pronounced for companies holding many registrations, as cumulative annual charges increase with each additional product.

2.2.2 United Kingdom

The equivalent of the APVMA for the United Kingdom is the Health and Safety Executive (HSE). The HSE recover regulatory costs through a mix of application fees and sales-based levy (also called the annual charge). The application fee consists of modules that add up to the total fee depending on the type of application. This structure closely matches how the APVMA undertake cost recovery.

In the United Kingdom, application fees are intended to reflect the evaluation work required to process individual applications, as well as other regulatory activities undertaken by the HSE.[8] However, the annual charge also contributes to the costs of operating the approval system as a whole, such as providing guidance to applicants, as set out in the United Kingdom's *Plant Protection Products (Fees and Charges) Regulations 2011 Explanatory Memorandum*.[9] This suggests that some system-wide costs are not readily attributable to individual applicants.

Accordingly, the United Kingdom does not recover all pre-market regulatory costs through application fees. Instead, a portion of those costs is recovered through the annual charge, so its cost-recovery model remains partly levy-based.

registrant's preceding fiscal year, but not less than $119.93, for revenue lower than $107,948.25. Therefore, some products might still have a sales-based annual charge, but this is expected to be a small number of products.

[6] *"Most fees increased to cover a higher share, approximately 30%, of the government's current costs for reviewing pesticide applications. Some fees have decreased due to efficiencies in the process and changes in the way work is done. Also, new fees apply for microbial and semiochemical pesticides."* PMRA (2021), *Pesticide Cost Recovery (FAQs)*. Accessed 28 July 2026. https://www.canada.ca/en/health-canada/services/consumer-product-safety/pesticides-pest-management/registrants-applicants/product-application/questions-answers.html

[7] Canada Gazette, Part I, Volume 158, Number 51: *Regulations Amending the Pest Control Products Fees and Charges Regulations (Annual Charge)*. https://gazette.gc.ca/rp-pr/p1/2024/2024-12-21/html/reg8-eng.html

[8] United Kingdom Health and Safety Executive. *Application and evaluation fees: plant protection products and active substances*. Accessed 10 August 2026. https://www.hse.gov.uk/pesticides/applicant-guide/streams-and-fees.htm

[9] *Explanatory Memorandum to the Plant Protection Products Regulations 2011 2011 No. 2131 and the Plant Protection Products (Fees And Charges) Regulations 2011 2011 No. 2132*. https://www.legislation.gov.uk/uksi/2011/2132/memorandum/contents

2.2.3 New Zealand

Unlike Australia, New Zealand does not have just a single regulator for agvet chemicals. Typically, companies need to obtain 2 approvals. The first is for active ingredients and formulations, regulated by the Environmental Protection Agency (EPA) under the *Hazardous Substances and New Organisms (HSNO) Act 1996*.[10] The second is for post-harvest and on-farm uses, through the Ministry for Primary Industries (MPI), and is regulated under the *Agricultural Compounds and Veterinary Medicines (ACVM) Act 2015.*[11]

The EPA charges an upfront application fee but no annual charge or levy for its functions.[12] Historically, this has been insufficient for the agency to recover its costs. As of 2025, only 16% of assessment costs are recovered through application fees, while the government covers the remainder.[13]

Therefore, the agency is considering introducing an annual levy to address this gap. It is important to note that this proposed levy is intended only to partially recover additional costs and that government appropriation is still required.[14] The EPA remains substantially reliant on government funding and is not comparable with APVMA's predominantly industry-funded model.

The MPI recovers costs through an upfront hourly fee-for-service charge for application assessment (which has a fixed lodgement fee plus assessment time at the hourly rate), and a flat annual levy per registered trade name product.[15] The intention of this structure is to avoid cross-subsidisation between club goods and private goods, as the application fee is used to cover the costs of services considered private goods, and the levy is for club goods.[16] However, the MPI noted that there are still cases of cross-subsidisation.[17] In this sense, the MPI operates a structure closest to the APVMA's proposed funding regime.

[10] New Zealand Legislations, 10 July 2026. Hazardous Substances and New Organisms Act 1996. https://www.legislation.govt.nz/act/public/1996/30/en/latest/#DLM381222

[11] New Zealand Legislations, 1 July 2026. *Agricultural Compounds and Veterinary Medicines (Fees, Charges, and Levies) Regulations 2015.* https://www.legislation.govt.nz/secondary-legislation/pco-drafted/2015/93/en/latest/#DLM6464608

[12] New Zealand EPA. HSNO fee schedule. https://www.epa.govt.nz/assets/Uploads/Documents/Hazardous-Substances/Fees-consultation-Feb-2023/New-HSNO-fee-schedule-2023-Update-1-July-2024.pdf

[13] Ministry for Regulations, June 2025. *Stage 1 Cost Recovery Impact Statement - Proposal for a Hazardous Substances and New Organisms Levy*. Paragraph 40. https://www.regulation.govt.nz/publications-and-resources/regulatory-analysis-summaries-rass/stage-1-cost-recovery-impact-statement-proposal-for-a-hazardous-substances-and-new-organisms-levy/

[14] Ibid. Paragraph 38.

[15] New Zealand Legislations, 1 July 2026. *Agricultural Compounds and Veterinary Medicines (Fees, Charges, and Levies) Regulations 2015.* https://www.legislation.govt.nz/secondary-legislation/pco-drafted/2015/93/en/latest/#DLM6464608

[16] New Zealand Ministry for Primary Industries, 2025. *Annual Review 2026: Proposed changes to MPI's cost recovery settings*. https://www.mpi.govt.nz/dmsdocument/70850-Annual-review-2026-Proposed-changes-to-MPIs-cost-recovery-settings

[17] New Zealand Ministry for Primary Industries, 2019. *Appendix Three: Cost Recovery Impact Statement (Annual Package).* https://www.mpi.govt.nz/dmsdocument/62334/direct

2.2.4 Comparison with APVMA

Table 2.2 below summarises the comparison of the countries' cost recovery structures with the APVMA.

Table 2.2 Comparison of cost recovery structure

Country	Cost recovery structure	Alignment with proposed regime by APVMA
Canada (PRD)	Registration fee and a fixed annual fee.	**Not aligned.** Only 30% of the assessment cost is recovered through the application fee. The remaining is covered by appropriation.
United Kingdom (HSE)	Registration fee and sales-based levy, similar to the APVMA.	**Partly aligned.** Most of the application assessment costs are recovered through the application fee, but non-attributable operational costs of the approval system are recovered through a levy (annual charge).
New Zealand (EPA)	Only upfront registration fee. An annual fixed fee annual charge is being considered.	**Not aligned.** Only a proportion of the cost is recovered through the application fee. The remaining is covered by appropriation.
New Zealand (MPI)	Registration fee and a fixed annual fee.	**Aligned.** The registration fee is used to cover public good services, and the annual charge is used for club good services.

Source: ACIL Allen

3 Impacts of the proposed change

Understanding the likely impacts of the proposed regime requires an appreciation of the structural characteristics of the Australian agvet chemicals market. Australia is a mid-sized agricultural economy by global standards, but its market for registered agvet chemicals is relatively small compared with the registration cost base that large multinational companies must manage across their global portfolios. Australia's pesticide use is approximately 1.75% of the world's use of active ingredients by volume. For a company managing product registrations across multiple markets, Australia represents a modest share of global revenue.

The market size issue is further complicated by the structure of Australian agriculture, which is characterised by a long tail of smaller commodity sectors and specialty crop industries that rely disproportionately on minor use registrations. Horticulture, viticulture, and other specialty sectors use a wide range of chemical products, often for niche applications that no single company has a strong commercial incentive to register formally.

This market structure has direct implications for registration decisions. For major broadacre commodity crops, such as wheat, canola, and cotton, where Australian production volumes are globally significant, that calculation is typically favourable and registration proceeds. For specialty crops, horticultural uses, and minor applications, the Australian market revenue may be modest in absolute terms and, more importantly, small relative to the upfront cost of registration.

ACIL Allen undertook targeted consultation with selected companies operating in the Australian agricultural chemicals sector, including major global innovators and companies with mixed business models spanning generic manufacture through to new and innovative products. Additionally, 2 companies provided their input through CropLife Australia. A range of conversations and correspondence then followed to independently validate the data provided and to ensure it was accurately characterised and categorised into different archetypes. The following section draws on this evidence, alongside the broader analysis undertaken as part of the assessment.

3.1 Impact 1: Impact on new product registration or variation

Registration decisions are based on net present value and return-on-investment calculations, typically within a fixed regional or global budget for regulatory investment. Australia, therefore, competes for investment in registration against larger markets such as China and India, where registration costs are considerably lower.

However, the impact of higher Australian registration fees is unlikely to be uniform across different types of registration activity. In particular, there is a distinction between:

— Approval of a new active ingredient

— Registration of a new product containing an existing active ingredient

— Extension of an existing product to a new crop, pest, disease or other use.

The commercial case for each is different, and the latter two are likely to be more sensitive to increases in Australian regulatory costs.

3.1.1 Revenue constraints

Several features of the Australian market further constrain the revenue side of this equation.

First, Australian farmers can readily substitute between products, using a primary product in one season and rotating to a lower-cost "generic" alternative in the next. This limits registrants' ability to generate consistent revenue from a single product and increases uncertainty about projected returns.

Second, Australian agricultural demand is inherently variable, being highly sensitive to weather and climate conditions. Revenue projections must be discounted to reflect the risk of dry or otherwise unfavourable seasons, further reducing the expected returns.

Third, and critically, companies face a constrained window within which to recover their investment. The patent or data protection period for a new active ingredient is typically 20 years. Generating the safety and environmental data required to support registration commonly takes 5 to 6 years. By the time a product reaches the Australian market, a substantial portion of this protection period may have elapsed (~ 9 years), leaving only 10-11 years to recoup investment. It can then take a further 5-6 years to reach peak sales. The effective period over which a registrant can generate sufficient revenue to recover its investment is therefore considerably shorter than the nominal patent term. This recovery constraint is relevant not only to new active ingredients, but also to new products and extensions of existing uses. Essentially, the greater the regulatory cost of obtaining an Australian registration or variation, the greater the revenue required to justify the investment within the available commercial window.

The combination of constrained registration budget, a narrow recovery window, and uncertain revenue makes the investment case for Australian registration marginal for all but the most commercially significant products. An increase in regulatory costs, therefore, creates the risk that some products or uses that would otherwise have been registered in Australia will no longer meet the registrants' internal investment thresholds.

Stakeholder evidence suggests that this effect is already influencing portfolio decisions. One stakeholder's preliminary internal analysis found that the proposed upfront application-fee increases could outweigh reductions in annual levies for an innovation-heavy portfolio, resulting in a materially worse overall position. The stakeholder indicated that projects are already being re-evaluated, with biologicals, label extensions, minor-use, resistance-management and horticultural applications considered particularly exposed because of their narrower revenue opportunities and, in some cases, thin margins.

The stakeholder also cited international experience, including New Zealand, where fee increases were associated with reduced application activity and products being delayed or not launched, as a warning that higher regulatory costs can affect the timing and commercial viability of registration decisions.

3.1.2 Impact by registration

The impact of higher upfront registration costs is likely to vary depending on the nature and breadth of the registration, as well as the commercial rationale for the investment.

— **New registrations for novel active ingredients are likely to be the least affected** – These decisions involve substantial global R&D and development expenditure and are principally driven by global IP, patent and portfolio strategy. The Australian registration cost is only one component of a much larger global investment decision. Given the scale of the global investment involved, the incremental cost of Australian registration is unlikely on its own to determine whether a commercially significant new active ingredient is launched in Australia. This does not mean that Australian registration costs are irrelevant, but rather that they are likely to be a relatively small component of the overall investment decision for a novel active ingredient. In other words, the new active constituent applications may face a large absolute increase in upfront fees, but the commercial decision is less sensitive because the Australian registration is only one component of a much larger global investment. However, products whose commercial value is concentrated in horticulture, specialty crops or other small or uncertain markets may be an exception. In these cases, the size and certainty of the Australian opportunity may be

insufficient to support the substantial investment required to develop and register a novel active ingredient in the first place.

— **New product registrations are more exposed** – Where the active ingredient is already established, the investment is more directly attributable to the Australian market and depends on whether the expected revenue from the new product is sufficient to justify the cost of registration. An increase in application fees can therefore make lower revenue products commercially unattractive. Additionally, registrants deliberately seek a narrower registration profile initially to simplify the regulatory assessment, reduce development complexity and bring the product to market more quickly, while allowing them to assess market uptake and commercial traction before pursuing additional uses. However, where the initial registration profile is already relatively narrow, higher upfront fees may make the expected return insufficient to justify registration in the first place.

— **Extensions of existing product uses (or label extensions) are likely to be the most exposed** – The product is already registered, and the additional investment is made solely to obtain an additional crop, pest, disease or other use. The incremental revenue from additional use may therefore be insufficient to justify a material increase in regulatory costs, particularly for smaller crops and niche uses.

3.1.3 Reduced registration

Under the current system, new products require registration, while changes to existing registered products, such as adding a new crop, pest, or disease, generally require a variation. These applications incur the applicable registration fees, annual registration charges and sales-based levy. Permits provide an alternative regulatory mechanism for certain minor, emergency or research uses, subject to the relevant statutory, safety, trade and efficacy criteria.

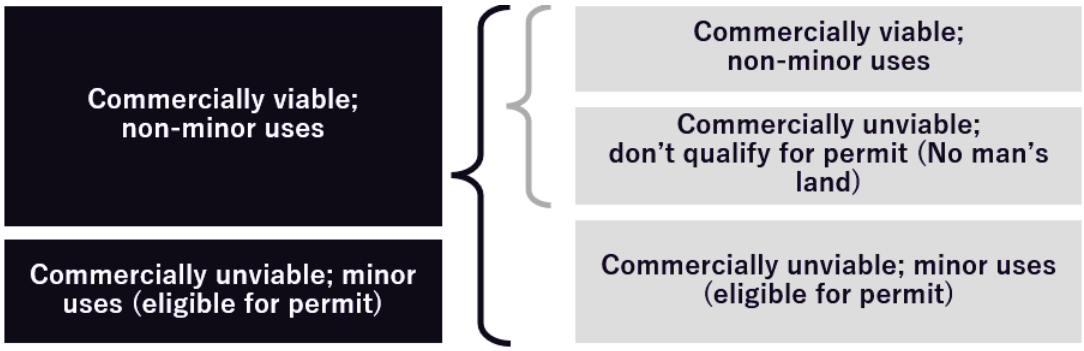
Stakeholders consistently noted that under the proposed system, some products and, particularly, extensions of existing uses that are currently commercially viable could become commercially unattractive because the increase in application fees would be large relative to the incremental revenue generated. This is particularly the case where products are already priced close to the market's maximum willingness to pay and therefore have limited capacity to absorb higher costs through price increases.

This creates a risk at the margin of the registration portfolio. Products and uses that are commercially viable under the current fee structure may no longer meet internal investment thresholds under the proposed structure. Stakeholder feedback indicates that some such projects are already being re-evaluated.

Where a product or use is commercially unviable to register, a permit is available only if the proposed use also meets the relevant permit criteria. This creates a potential “no man's land” in which a product or use is commercially viable under the current fee structure but becomes uneconomic under the proposed structure, while remaining ineligible for a permit (see **Figure 3.1**). The likely consequence is that some new products and extensions of existing uses that would otherwise have been registered in Australia will not proceed.

A second group of products and uses may remain commercially viable only if they can be supplied through a permit pathway. This could increase demand for permits and place additional pressure on the permit system. This issue is addressed separately under Impact 3.

Figure 3.1 Reduced registration



Source: ACIL Allen

3.1.4 Products and industries most affected

The industries most likely to be affected are those that depend heavily on label extensions and minor use registrations:

- Specialty horticulture, including viticulture and small-scale fruit and vegetable production, where the market for any individual product-crop combination is limited
- Industrial and non-agricultural weed management, where the customer base is fragmented, and pricing power is constrained
- Domestic and home garden uses, which represent low-volume, price-sensitive markets
- Premium crop protection products that are already priced close to the market's willingness to pay, leaving no capacity to absorb higher registration costs through price
- Label extensions for non-major crops, where the incremental revenue from an additional use registration is small relative to the compliance cost

Overall, the proposed fee increases are most likely to affect only a proportion of the registration portfolio (i..e. new products with modest revenue potential as opposed to previously registered products), and particularly, extensions of existing uses where incremental commercial opportunities are limited. The proposed regime therefore risks reducing the availability of registered products for Australian farmers and land managers, particularly in specialty sectors where the current suite of registered products is already constrained by limited commercial incentive to register.

Finding 1 The proposed regime will disincentivise the registration of new products

3.2 Impact 2: Time delay of label extensions and pressure on APVMA assessment capacity

Stakeholders indicated that the proposed increase in upfront fees may change how registrants sequence and submit applications for label extensions. Where previously discrete applications are significantly more expensive, registrants may have an incentive to consolidate multiple proposed uses into fewer applications or to defer lower-priority uses until they can be submitted together.

This could delay the availability of individual label extensions for growers. Where a label extension is required for a particular planting or treatment window, a delay in approval could mean that the use is unavailable for that season and is deferred to a subsequent season.

This consolidation may also create additional pressure on APVMA's assessment capacity. The CRIS recognises that regulatory costs are influenced by the "*complexity and mix of applications received*", rather than simply the number of applications. This is important because a reduction in the number of applications would not necessarily result in a proportionate reduction in APVMA's assessment workload if individual applications become broader or more complex.

The effect is particularly relevant to label extensions involving residue assessments. APVMA's guidance shows that residue data requirements vary by crop and proposed use, with major crops generally requiring more trials than minor crops, and that changes to existing use patterns may require additional assessment and data. If registrants respond to higher fees by grouping multiple uses into fewer applications, APVMA may therefore receive fewer applications but with a broader mix of crops, uses and supporting evidence to assess.

The result could be fewer, more complex applications, with the potential to place additional pressure on assessment capacity and to delay decisions on individual label extensions. This could place additional pressure on APVMA assessment capacity and, in turn, on the timeliness of regulatory decisions, which could ultimately delay growers' access to new uses where approvals are required within a particular seasonal window.

Finding 2 The proposed regime may incentivise registrants to defer or consolidate label extensions, increasing assessment complexity and potentially delaying growers' access.

3.3 Impact 3: Impact on minor use registrations and reliance on permit-based use

Under the proposed fee structure, some products and extensions of existing uses that are currently commercially viable to register may no longer generate sufficient returns to justify the higher registration or variation costs. For uses that qualify as minor uses, this could increase reliance on permits as an alternative pathway. APVMA's guidance recognises that a use may qualify as minor where the expected economic

return from making the use available is insufficient to justify the costs of registration, including registration fees and the costs of generating the required data.[18]

Greater reliance on permits would shift some uses away from the full registration system and towards a pathway that is intended for uses where the commercial case for registration is insufficient. The minor-use pathway can involve lower data and regulatory requirements than full registration, with the APVMA noting that it imposes a lower regulatory burden in terms of cost and data requirements.[19]

This could have several consequences:

- **Greater reliance on limited or extrapolated evidence** – While permits must satisfy the same statutory safety, efficacy and trade criteria as registrations, APVMA guidance allows minor-use applications to rely, where appropriate, on scientific arguments, extrapolation and existing data rather than requiring a full dataset for every use. This may provide a less comprehensive evidence base for some individual use situations than would otherwise be generated through a full registration or variation.
- **Greater administrative burden on APVMA** – An increase in permit applications would require additional assessment and administration. This is particularly relevant where uses that might previously have been addressed through registration or variation instead enter the permit system.
- **Greater reliance on government-funded regulatory activity** – As the remaining costs of minor-use permits are shared between levies and appropriations, an increase in permit activity could increase the resources required from the public funding component of the regulatory system.
- **Potential opportunity costs for RDCs and industry** – Research and Development Corporations (RDCs) currently work with industry, APVMA and chemical registrants to identify priority crop protection needs and determine whether those needs should be pursued through registration with chemical companies or minor-use permits with APVMA.[20] RDCs can also contribute levy funding, and in some cases access government assistance grants, to support the generation of data required for product registrations with the APVMA.[21] If higher registration fees reduce registrants' willingness to pursue marginal uses through registration, more uses may rely instead rely on permits. This could increase the need for RDCs to fund data projects to support permit applications and maintain access to these uses. Given finite RDC resources, this could divert funding away from research and data generation for new products and uses, reducing investment in longer-term innovation and shifting resources towards maintaining existing chemical access.

Overall, the proposed fee increases could therefore have the unintended effect of shifting some uses from the registration system into the permit system. Rather than reducing the underlying regulatory and data requirements, this may transfer part of the cost from registrants to APVMA, government and industry-funded research bodies, while potentially reducing the incentive to generate the more comprehensive data packages associated with registered uses.

Finding 3 The proposed regime will increase reliance on permits

[18] APVMA. Guide for determining a minor use, "Demonstrating economic return". https://www.apvma.gov.au/registrations-and-permits/applying-permits/before-you-apply/types-permits/minor-use-and-emergency-permits/guide-determining-minor-use#section-3-demonstrating-economic-return

[19] APVMA. 2024. Draft Guidelines for Determining Minor Use, Consultation Response. https://www.apvma.gov.au/news-and-publications/public-consultations/draft-guidelines-for-determining-minor-use

[20] Berries Australia. Generation of data for pesticide applications in horticulture crops. https://berries.net.au/portfolio-item/st18001/

[21] Berries Australia. Generation of data for pesticide applications in horticulture crops. https://berries.net.au/portfolio-item/st18001/

4 Analysis of impacts

As part of this engagement, ACIL Allen sought to collect data from the APVMA to assist in our analysis. Initially, we planned to use primary data on product registrations and fees to model the implications of the policy changes proposed by APVMA; however, these data were not made available to ACIL Allen for this purpose. As such, available evidence contained in this chapter is based on public information and limited, yet deidentified data provided by a small number of CropLife's members. These data provide a basis for assessing the direct financial effect of the proposed charging regime on individual registrants. The data does not provide a basis for estimating the resulting behavioural response, which depends on commercial and regulatory decisions that are not directly observable in the available data.

4.1 Available data

ACIL Allen received company-level data from 4 distinct companies (that are broadly representative of the industry) through spreadsheets, providing evidence on the potential financial and commercial impacts of the proposed charging regime. Each company used a CropLife Australia-commissioned calculator developed by RSM to compare the current and proposed charging arrangements.

The consultation and company-level data provided complementary sources of evidence. The findings from the company-level data were considered alongside insights from the broader industry consultation, which provided additional context and corroboration of the potential impacts identified. Together, this evidence was used to assess the potential financial impacts of the proposed regime.

The calculator provides a breakdown of the change in regulatory costs, including the:

— increase in application fees, including fixed and modular components

— increase in annual registration renewal fees, and

— reduction in sales levy payments

The resulting figures show the net change in regulatory costs under the proposed charging structure, holding the relevant portfolio and sales assumptions constant. They are reported outcomes from the member calculations, rather than estimates or forecasts produced by ACIL Allen.

For registrants with a continuing pipeline of applications, the higher upfront fees will recur each time further applications, variations or extensions are lodged. The proposed regime, therefore, represents a permanent structural increase in the cost of regulatory activity for companies with these registration behaviours, not a one-year transition cost. The full effect will emerge progressively as new regulatory activity occurs. It is important to note, however, that the extent of that cumulative effect cannot be estimated from the available member data, as it does not include a sufficiently detailed forward pipeline of regulatory activity.

The member information also includes Australian sales and the number of registered products. These provide a useful basis for describing differences between the participating registrants, but are not sufficient to explain the full impact of the proposed regime.

4.2 What the data shows

The reported results indicate that the proposed regime can produce materially different financial outcomes across registrants. **Table 4.1** summarises the reported change in regulatory costs for the portfolios of the 4 members represented who provided information to this study.

Table 4.1 Change in regulatory costs for the 4 individual member portfolios

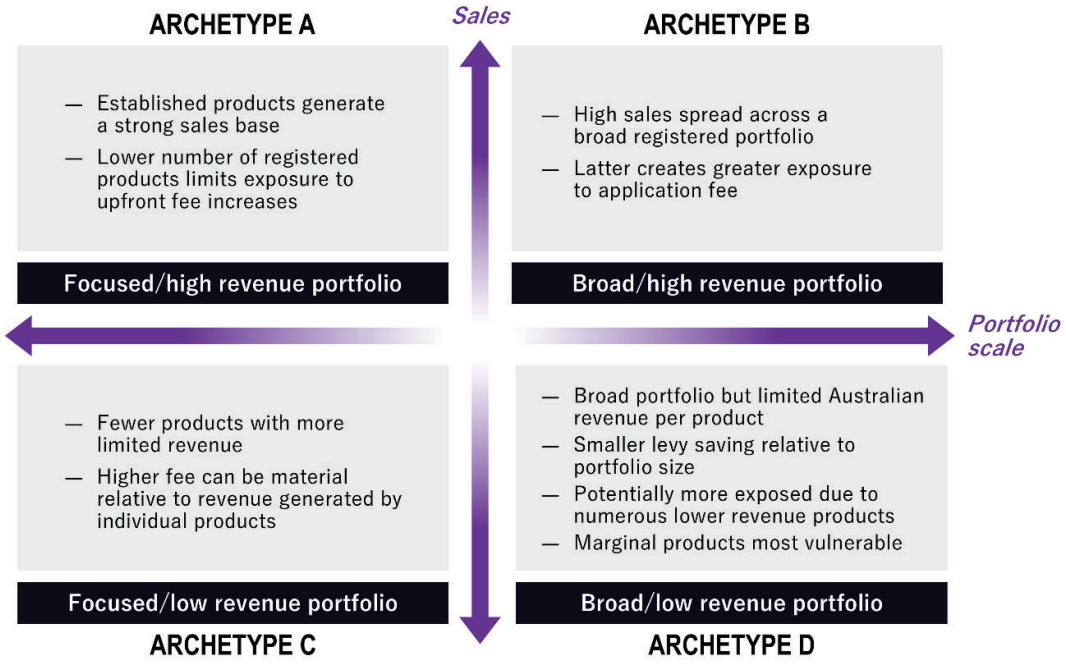
De-identified company	Increase in regulatory costs under the proposed regime
Registrant A	96%
Registrant B	10%
Registrant C	180%
Registrant D	27%

Note: For Registrant B, the reported 10% increase is the cumulative change over four years. The annual impact varies, with the largest increase in an individual year being 20%.

Source: ACIL Allen based on data provided by four CropLife members.

The differences among registrants are particularly notable when considered against the observable characteristics of the portfolios. Portfolio breadth and Australian sales provide an initial descriptive lens, as shown in **Figure 4.1**, which groups registrants into 4 broad archetypes.

Figure 4.1 Portfolio archetypes



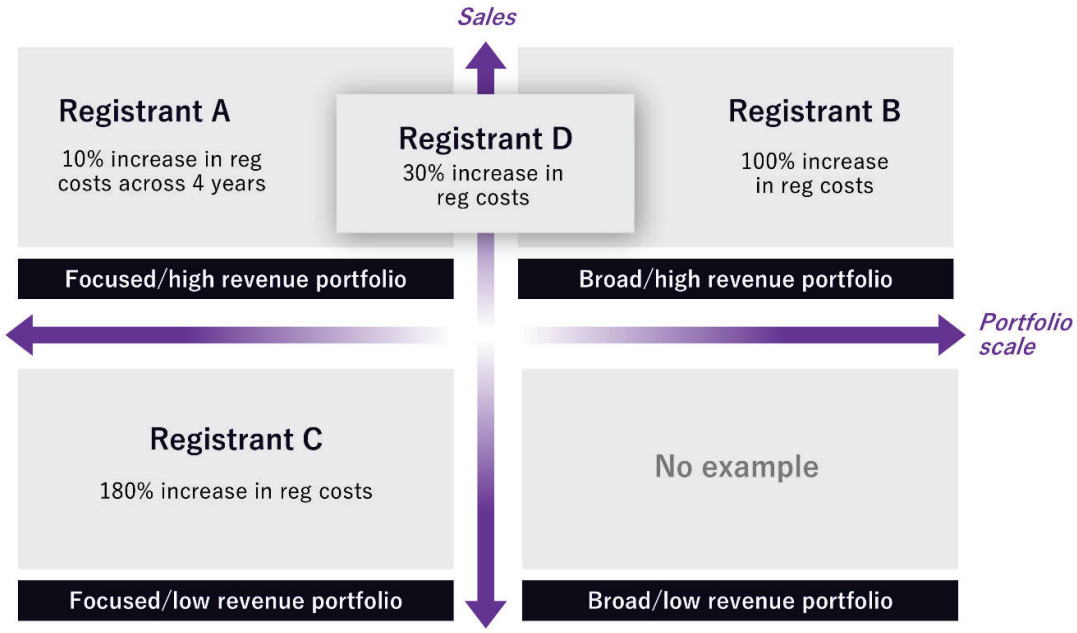
Source: ACIL Allen

These archetypes are descriptive rather than predictive. Portfolio size and Australian sales do not, by themselves, determine exposure to the proposed regime. The outcome also depends on what lies behind the portfolio, including the number and type of applications, the frequency and complexity of regulatory interactions, and the revenue associated with the affected products and uses.

The archetypes should also not be interpreted as discrete categories. Registrants may sit between quadrants, with characteristics spanning more than one archetype. Registrant D provides an example of this. Its portfolio and sales characteristics do not place it neatly within a single quadrant, illustrating that the relationship between portfolio breadth, Australian sales and exposure to the proposed regime is better understood as a continuum than as four distinct groups.

The examples illustrate this distinction (see **Figure 4.2**). Registrant A has approximately 2.5 times as many registered products as Registrant B, but the difference in their reported regulatory-cost impacts is substantially greater than this ratio would suggest. Registrant C provides a further illustration. It has fewer than 30 registered products, but reports an approximately 180% increase in regulatory costs. Registrant D further demonstrates that registrants can occupy an intermediate position between the archetypes, rather than conforming to a single portfolio profile.

Figure 4.2 Member registrants by portfolio archetype (illustrative)



Note: Registrant A's reported impact reflects regulatory costs across a four-year period, while the impacts reported for Registrants B, C and D are comparisons of regulatory costs under the proposed regime with the current regime.

Source: ACIL Allen

This indicates that the impact of the proposed regime is not simply a function of the number of products held by a registrant or the level of Australian sales.

This is particularly relevant for products with low Australian revenue but potentially high strategic or innovation value. A product may have limited current Australian sales because it is new, serves a niche market or supports a specialised use, rather than because it is commercially unimportant. Where the proposed regime increases the upfront cost of obtaining or maintaining regulatory approvals, products with limited Australian revenue may have less sales revenue against which to recover those costs. Registrant C illustrates the potential scale of this exposure.

The available evidence, therefore, demonstrates heterogeneity in financial impact, but does not allow the individual drivers of that heterogeneity to be isolated.

4.3 Data limitations

The information provided does not include sufficient detail to assess the behavioural response to the proposed regime. In particular, we do not have information across the 4 registrants on:

— the number of applications submitted each year

— the type of applications submitted, including new products and label extensions

— the number and value of individual uses supported by each product
— the complexity of applications or the level of assessment effort required
— the frequency of regulatory interactions with APVMA
— the commercial return or profitability associated with individual applications or products.

These limitations mean that the analysis cannot determine how many registrations might no longer proceed, or how many applications might be deferred, consolidated or shifted to the permit pathway. It would therefore not be appropriate to translate the reported increases in regulatory costs into a specific reduction in registration or application activity, or to extrapolate the four examples into an industry-wide behavioural response.

The 4 companies should instead be treated as illustrative case studies of the financial effects that can arise under the proposed charging structure. The archetypes should similarly be treated as a spectrum of portfolio characteristics rather than discrete industry segments. Further analysis by CropLife of the distribution of registrants along this spectrum would help assess the potential scale and distribution of impacts across its members from implementation of the policy proposal.

4.4 Implications for the assessment of the proposed regime

The member results generate 2 key observations that allow us to determine the reasonableness of the proposed regime and its ability to fully or partially resolve the problem it is trying to address the:

— financial impact is heterogeneous. The interaction between higher upfront application and renewal fees and lower sales levy payments produces materially different outcomes across registrants. The magnitude of the reported increases cannot be explained by portfolio size or sales alone.
— impact should be considered over the longer term. The reported comparisons provide a snapshot of the change in regulatory costs based on the relevant portfolio and sales assumptions. For registrants with a continuing pipeline of regulatory activity, however, higher upfront costs will recur as further applications, variations and extensions are lodged. The cumulative impact over time may therefore be materially greater than the change observed in a single-year comparison. The available data lack a sufficiently detailed forward pipeline to quantify this effect.

These findings suggest that the proposed regime should be assessed not only by its capacity to increase cost recovery or reduce cross-subsidisation. The critical question is whether the additional costs are appropriately targeted to the source of the identified free-rider problem.

The available evidence does not establish that the registrants or products facing the largest increases are those responsible for the cost-recovery shortfall. Nor does it identify the regulatory costs attributable specifically to nil-sales or low-sales products. If the shortfall is concentrated in particular registration categories or commercial circumstances, a broad increase in upfront charges may impose significant additional costs on activities that do not materially contribute to the problem.

The same issue arises for products with limited sales in Australia. Low sales do not necessarily indicate low economic or strategic value. Products may serve niche markets, support emerging technologies, be newly introduced or have uncertain commercial prospects when regulatory costs are incurred. Shifting more costs upfront therefore transfers greater commercial risk to applicants before market demand is established.

This does not mean that low-sales products should be exempt from appropriate cost recovery. It means the funding model should address the free-rider problem without creating unnecessary barriers to economically valuable registration, innovation and niche uses. While the available evidence is not sufficient to quantify the resulting changes in registration behaviour, it does provide a basis for considering which funding structures are likely to create stronger or weaker incentives for registration and ongoing regulatory activity.

Accordingly, the relevant policy question is not simply whether a model can recover the required revenue. It is whether revenue can be recovered in a way that addresses the free-rider problem while avoiding unnecessary disincentives to economically valuable registration and innovation, particularly where products or uses have limited Australian revenue but may nevertheless provide benefits to growers, emerging technologies or niche markets.

The following section, therefore, considers alternative funding models in terms of their ability to address the free-rider problem, distribute costs appropriately among registrants, maintain incentives for registration and innovation, and provide the required level of revenue.

Finding 4 The proposed regime would have materially different impacts across registrants, with some smaller portfolios and lower-sales products facing substantially higher cost increases. This indicates that the impacts of the proposed regime are not confined to low- or zero-sales registrations and creates a risk that broad-based upfront cost increases could affect marginal, niche and innovation-focused products alongside the registrations contributing to the free-rider problem.

5 Alternative funding models

5.1 The options

APVMA's proposed change to the cost recovery structure aims to align the timing and incidence of regulatory charges more closely with the activity that generates the cost. While the rationale is clear, the preceding section establishes that full upfront recovery may impose disproportionately high costs on activities where the commercial return is uncertain or limited. This is particularly relevant to new products containing existing active constituents, extensions of existing registrations, minor-use applications and products serving small or specialised markets.

The policy question is therefore not simply how to eliminate the free-rider problem. It is about allocating the costs of regulation across registrants and over the life of a registration in a way that addresses the free-rider problem while minimising unnecessary distortions to registration, innovation, and access to technologies.

This chapter considers 9 alternative funding models. The options vary the relative contributions through upfront registration fees, annual renewal charges, and the sales levy and, in some cases, introduce targeted mechanisms for particular product types or registrants.

The options are not mutually exclusive. Some could be implemented independently, while others could be combined to form a broader charging structure. They are summarised in the table below.

Table 5.1 Alternative funding models considered (the options)

Option	Description
1	No increase to registration fee + significant increase to annual renewal fee
2	Partial cost recovery for innovative products
3	Increased registration fee with a rebate for innovative products
4	Registration fee scales with the number of registrations
5	Annual renewal fee scales with the number of registrations
6	No increase to registration fee + penalty for no to low sales products
7	Partial increase to registration fee and partial decrease to sales levy
8	Partial increase to registration and renewal fees with no change to sales levy
9	Tiered renewal fee + levy caps

Source: ACIL Allen based on desktop research, stakeholder engagement and the application of sound economic principles

Our analysis of these options, which follows later in the chapter, does not seek to determine the precise fee or levy rates that would apply under each option (we do not have access to the information needed to conduct such an analysis). Rather, it considers the characteristics and trade-offs associated with each model. In principle, each option could be calibrated to recover the required contribution from industry. Determining the rates necessary to achieve a particular revenue outcome would require detailed modelling of APVMA costs, application volumes, registrant portfolios, product registrations and sales, which is beyond the scope of this assessment.

Option 1: No increase to registration fee + significant increase to annual renewal fee

The registration fee would remain unchanged, while the annual renewal fee would be increased substantially. The higher renewal charge would increase the contribution from products that remain registered, including those generating limited or no Australian sales.

This option directly targets the free-rider problem without increasing the upfront cost of registration. It would therefore be less likely than the proposed regime to discourage new registrations or label extensions at the point of investment. However, the effectiveness of the approach depends on setting the renewal fee at an appropriate level. If the increase is insufficient, the free-rider problem may remain. If it is excessive, it could discourage companies from maintaining registrations for products with low or uncertain returns.

Overall, this option is simple to implement and preserves incentives for new registration, but requires careful calibration of the annual renewal fee.

Option 2: Partial cost recovery for innovative products

Products that meet an agreed definition of innovation would be subject to partial cost recovery, with only 30% of the relevant registration costs recovered through the application fee. Government appropriation would fund the remaining amount. Other products would be subject to the proposed increase in registration fees.

This option would reduce the impact of higher registration fees on innovative products and could therefore preserve incentives to bring new technologies to Australia. However, it would not address the underlying concern for other registrations. Products such as new formulations, label extensions and other commercially valuable but non-qualifying applications would continue to face higher upfront costs.

The main practical challenge is defining and administering an innovation test. That said, innovation could focus on registrations that introduce a new mode of action or product or extend an existing mode of action or product to new crops or uses in ways that can enhance agricultural productivity. This would recognise that innovation is not limited to wholly new technologies. Adapting existing technologies to new crops or uses can also generate significant productivity benefits. Determining whether a product qualifies could require assessment of product characteristics, technology, and potentially its relationship to existing products, creating an additional administrative burden for both the APVMA and registrants.

Overall, this option is potentially effective in protecting innovation but highly dependent on how "innovative" is defined and administered.

Option 3: Increased registration fee with a rebate for innovative products

Registration fees would increase, while the reduction in the sales levy would be smaller than under the proposed regime, generating additional revenue within the charging system. A portion of this surplus would be used to provide a rebate on registration fees for products that qualify as innovative.

This option provides a mechanism to protect innovative products from the full effect of higher registration fees while retaining a relatively simple underlying charging structure. However, as with Option 2, its effectiveness depends on how products are defined to qualify for the rebate. Products that do not qualify would continue to face higher upfront registration costs and could therefore remain exposed to the impacts identified in Chapter 3. The rebate would also introduce an additional administrative process for determining eligibility, calculating rebates and managing applications.

Overall, this option provides targeted relief for innovative products but introduces complexity and does not address the impact on non-innovative registrations.

Option 4: Registration fee scales with the number of registrations

Similar to Canada's proposed system, the registration fee payable for each product would increase with the number of registrations the company holds. The structure would make maintaining a large portfolio of registrations progressively more expensive.

This approach would increase the cost of maintaining large portfolios and could reduce the number of registrations that provide limited commercial value. It would therefore provide some protection against free-riding by creating an incentive for companies to deregister products that are no longer commercially justified.

However, the approach would also increase the cost of registration for companies once specified portfolio thresholds are reached. This could discourage companies from registering additional products even where those products provide value to the Australian market. It may also result in larger registrants bearing a disproportionate share of regulatory costs regardless of the regulatory effort associated with their products.

Overall, this option can reduce unnecessary registrations, but risks creating thresholds that discourage portfolio expansion and effectively penalise companies for scale.

Option 5: Annual renewal fee scales with the number of registrations

The annual renewal fee for each product would increase with the number of registrations the company holds. As the number of registrations increases, the annual cost of maintaining the portfolio would also increase.

This option focuses on maintaining registrations rather than on the initial decision to register a product. It could therefore encourage companies to deregister products that generate insufficient commercial returns while avoiding an increase in the upfront cost of new registration. However, as with Option 4, the approach's effectiveness depends on the fee structure and the thresholds selected.

A poorly calibrated structure could discourage companies from maintaining or adding registrations once a portfolio reaches a particular size. It would also result in larger companies paying higher charges, regardless of whether their portfolios incur greater regulatory costs. The approach would therefore need to balance the objective of reducing low-value registrations against the risk of imposing a scale-based charge that is not closely related to regulatory activity.

Overall, this option is better targeted to portfolio maintenance than upfront registration, but difficult to calibrate without imposing disproportionate costs for larger registrants.

Option 6: No increase to registration fee + penalty for no to low sales products

Registration fees would remain unchanged. A separate charge or penalty would apply to products that record no or low Australian sales, with thresholds potentially tailored to different industries or uses.

This option most directly targets the behaviour underlying the free-rider problem while preserving the current upfront cost of registration. It could therefore provide a strong incentive for registrants to deregister products that are maintained primarily for strategic or other purposes without generating an Australian market.

However, determining an appropriate sales threshold would be difficult. Sales can vary significantly between products and industries and may be affected by product lifecycles, seasonal production, weather conditions and the time required for a new product to establish a market. A simple low-sales threshold could therefore penalise legitimate low-volume products, new products and unsuccessful investments rather than solely targeting free-riding behaviour. The approach would also require greater administrative oversight by APVMA.

Overall, this option is strongly targeted to the free-rider problem, but potentially complex and prone to unintended impacts if sales thresholds are not carefully designed.

Option 7: Partial increase to registration fee and partial decrease to sales levy

This approach would provide a middle ground between the current regime and APVMA's proposed model. The upfront application fee would increase to recover more than the current 40% of pre-market assessment costs, with the remaining recovered through the sales levy.

The principal advantage is that the increase in upfront costs could be calibrated to reduce the impact on new registrations and label extensions relative to the proposed regime. However, some free-rider behaviour would remain, and some registration activity could still become less commercially attractive. The appropriate balance between upfront fees and the sales levy would therefore be critical.

Overall, this option is a compromise that provides greater upfront cost recovery while retaining a meaningful contribution from sales-based charges and reducing the potential impacts of full upfront recovery.

Option 8: Partial increase to registration and renewal fees with no change to sales levy

Registration fees would increase, but by less than under APVMA's proposed regime. Annual renewal fees would also increase, while the sales levy would remain unchanged.

This approach spreads the additional cost across the three existing charging mechanisms rather than shifting the majority of the burden to upfront registration fees. Increasing renewal fees would also increase the contribution from products that remain registered, including products with low or no sales, thereby addressing part of the free-rider problem.

The approach would still increase the cost of new registrations and therefore could affect marginal registration decisions. However, because the increase would be distributed across registration and renewal, the upfront impact could be lower than under the proposed regime. As with Options 1 and 7, the principal challenge is determining an appropriate balance between the charges.

Overall, this option retains the existing sales levy while distributing additional cost recovery across registration and renewal, potentially reducing the upfront disincentive created by the proposed regime.

Option 9: Tiered renewal fee + levy caps

This alternative would introduce a blended approach to the solution. It entails a tiered annual renewal fee, combined with a cap on the sales levy payable for each product in each financial year. A threshold would be established such that products generating low or no sales would face a higher renewal fee, while products generating sales above the threshold would receive a lower renewal fee, recognising their greater contribution through the sales levy.

This approach would reduce cross-subsidisation by increasing contributions from products with low or no sales, while capping contributions from high-sales products. It would also retain the existing registration fee structure, avoiding an additional upfront disincentive to new registrations.

The principal challenge would be setting the appropriate renewal fee tiers and levy cap without creating incentives to restructure registrations or materially increasing administrative complexity.

Overall, this option uses a targeted approach that addresses cross-subsidisation while avoiding an increase in upfront registration costs.

5.2 Options assessment

5.2.1 Assessment criteria

The alternative cost recovery models are assessed against 5 criteria. These criteria reflect the nature of the problem APVMA is seeking to address, the core principles or elements of the cost recovery framework the agency is bound by, and practices used in other jurisdictions. As such, the criteria focus on the incidence and incentives associated with different charging structures, rather than on the total amount of revenue recovered.

Table 5.2 Criteria for assessing funding models

Criteria	Description
Addresses the free rider problem	the model should ensure that registrants contribute appropriately to the costs of the regulatory system where they receive a benefit from maintaining access to the Australian market, including where a registered product generates limited or no Australian sales. This is because a sales-based levy provides limited recovery from products that are registered but have low or no sales
Limits cross subsidisation	the funding model should seek to align the costs borne by registrants with the regulatory activities and benefits associated with their products. Cross-subsidisation occurs when one group of registrants contributes more than the costs of the regulatory activities from which it benefits, effectively contributing to the costs borne by other registrants or activities
Low administrative burden	the funding model should be capable of being administered without imposing disproportionate additional costs on the APVMA or registrants. This includes consideration of the information required to calculate charges, verification requirements, the treatment of different product types, and the potential for disputes over eligibility or charges
Supports registration and innovation	the model should avoid unnecessarily increasing the cost of economically valuable regulatory activity, particularly where the commercial return from an individual registration or variation is uncertain or limited. This is particularly relevant to new products, innovative technologies, minor-use applications and extensions of existing registrations
Minimises unintended consequences	the model should minimise incentives for behaviour that could reduce access to registered products or otherwise undermine the objectives of the regulatory system. Potential unintended responses include withdrawing low-sales products, deferring or consolidating applications, reducing the number of label extensions pursued, or increasing reliance on permits where registration would otherwise have been commercially viable

Source: ACIL Allen

5.2.2 Assessment outcomes

The 9 options illustrate different trade-offs between addressing the free-rider and cross-subsidisation problem and maintaining incentives for registration and innovation. Options that increase upfront or fixed charges are simpler to administer but can impose costs on registrations that are not responsible for the free-rider problem. More targeted options can better address the problem, but generally require greater administrative complexity.

The relative performance of each option against the 5 assessment criteria is summarised in **Figure 5.1**. The choice between these approaches ultimately depends on the weight placed on targeting free-riding, preserving registration incentives and maintaining administrative simplicity. The options can also be combined. For example, a partial increase in renewal fees could be combined with a moderate increase in registration fees, or a general charging structure could incorporate targeted relief for particular categories of innovation or minor use.

The analysis, therefore, does not identify a single alternative solely on the basis of the conceptual assessment above. Rather, it identifies 4 core elements that could provide the foundation for a revised charging model.

Shortlisted elements for a revised charging model

Based on the assessment against the five criteria, the analysis identifies the following approaches as the most promising foundations for a revised charging model:

- Retain a meaningful sales levy, complemented by higher renewal fees to increase contributions from products with low or no Australian sales while maintaining a link between charges and market participation.
- Adopt tiered renewal fees and/or a levy cap to reduce cross-subsidisation between low-sales and high-sales products and avoid disproportionate contributions from individual registrants.
- Moderate the increase in upfront registration fees to avoid unnecessarily discouraging new registrations, extensions, minor uses and innovative products where commercial returns are uncertain.
- Provide targeted relief for innovation or other strategically valuable registrations, where justified, to preserve incentives for technologies and uses that may deliver benefits to the Australian market but have limited initial sales.

These elements are not necessarily mutually exclusive and could be combined into a revised charging model. The preferred approach should be determined through quantitative testing against APVMA's revenue requirement and the characteristics of registrant portfolios, with particular attention to the trade-offs between addressing free-riding, limiting cross-subsidisation, and preserving incentives for registration and innovation.

Figure 5.1 Assessment of alternative funding models against evaluation criteria

	Alternative cost recovery regime	Address the free-rider problem	Eliminates cross-subsidisation	Simplicity / Administrative burden	Promote innovation / registration	Unintended impact
	APVMA proposed regime	●	●	◕	◔	Discourage product registration through high costs
1	No increase to registration fee + Significant increase to annual renewal fee	◕	◕	●	●	Will not fully resolve the free-rider problem, hard to set the right fee
2	Partial cost recovery for innovative products through partial increase of registration fee (30% recovery)	●	◕	◑	◕	High complexity of implementation and administrative burden
3	Proposed increase to registration fee + Rebate for innovative products	●	◑	◑	◕	High complexity of implementation and administrative burden
4	Increase to registration fee scales with number of registrations (Canada proposed system)	◕	◑	◕	◔	Discourage product registration for large companies
5	No increase to registration fee + Increase to annual renewal fee scales with number of registrations	◕	◑	◕	◔	Discourage product registration for large companies
6	No increase to registration fee + Penalty for no to low sales products	●	●	◑	◑	Penalise unsuccessful investments and discourage registrations
7	Partial increase to registration fee + Partial decrease of sales levy (ex: 60/40 instead of 40/60)	◑	◑	●	◑	Will not fully resolve the free-rider problem, some discouragement of products
8	Partial increase to registration fee + Partial increase to renewal fee	◕	◑	●	◑	Will not fully resolve the free-rider problem, some discouragement of products
9	Tiered annual renewal fee + levy caps	●	◕	◑	●	Could create incentives to restructure registrations around thresholds or caps and poorly calibrated tiers could discourage retention of marginal products

○ = no alignment ◔ = low alignment ◑ = moderate alignment ◕ = strong alignment ● = full alignment

Note: Ratings are qualitative and indicate the relative performance of each option against the assessment criteria, rather than quantified scores.

Source: ACIL Allen

6 Conclusion

The APVMA's proposed shift to full upfront cost recovery responds to a genuine policy problem. Products registered in Australia without generating meaningful Australian sales impose costs on the regulatory system that are borne by other registrants through the sales levy.

The available evidence supports the existence of this free-rider problem but does not establish the financial scale of the cost recovery shortfall, the regulatory costs attributable to nil-sales products, or how those costs are distributed across registration pathways. Without this information, it is not possible to assess whether full upfront recovery is a proportionate response to the problem it is intended to solve.

The analysis in this report finds that the proposed regime would have materially different financial impacts across registrants, with some facing cost increases of up to 180%. Additionally, higher upfront fees could disproportionately affect new products containing existing active constituents, label extensions, minor uses and products serving small or specialised markets, where Australian revenues may be limited or uncertain.

Potential responses include fewer marginal registrations, delayed or consolidated label extensions and greater reliance on permits. These outcomes could reduce access to products and uses for Australian growers and shift some regulatory and data-generation costs to the APVMA, government, and industry-funded bodies.

The international comparison does not support APVMA's claim that full upfront recovery is consistent with comparable jurisdictions. Rather, the jurisdictions considered in this report generally retain a combination of upfront fees, ongoing charges and government funding.

The 9 alternative funding models assessed in this report illustrate that the free-rider problem can be addressed through a range of mechanisms that are more targeted than a broad increase in upfront fees. A revised charging model that retains a meaningful sales levy, increases annual renewal fees for low- or nil-sales products, moderates any increase in upfront application fees, or provides targeted relief for innovative or strategically valuable registrations would better balance the objectives of addressing free-riding, limiting cross-subsidisation and maintaining incentives for registration and innovation. These elements could be combined into a revenue-neutral or revenue-equivalent charging model.

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