

## Revised Decision on the Transfer of Fees to Member States

47<sup>th</sup> meeting of the Management Board 28-29 September 2017

### Proposal

The Management Board is invited to adopt a revised Draft Decision on the arrangements and scale of fee transfers to Member States for the period 2018-2020.

The proposal was prepared by the Management Board Working Group on the Transfer of Fees. After adoption at Management Board level, the Draft Decision will be submitted for the agreement of the European Commission. The entry into force is foreseen for 1 January 2018.

The key features of the proposal are a new overall ceiling for the transfer to Member States for the period 2018-20 (6.5 million EUR), and a revised approach for defining the scale of payments for the different Member States.

### Background

During its meeting of 30-31 March 2017, the Management Board noted that a review of the 2014 Decision on the Transfer of Fees to Member States was scheduled for 2017, and would be prepared by its specialised Working Group. The Working Group met on 22 June and 22 August (teleconference) 2017 for discussing papers and proposals from the Secretariat. In between written consultations took place with the Working Group.

### Rationale

The Working Group concluded to recommend to the Management Board to adopt the Draft Decision as contained in annex 1 to this note.

In a number of areas, such as the man day assumptions and the approach for transfers in the area of REACH authorisation applications, the Working Group recommends that the arrangements remain the same as in the current Decision. This is based on an analysis done by the Secretariat as contained in the background document attached to the present note. Changes are proposed in the following areas:

1. The overall ceiling for fee transfers is calculated as a proportion of the estimated fee income under the REACH Regulation<sup>1</sup>. The ceiling for the period 2018-20 is 6.5 million EUR. It is considerably lower than previously (12.5 million EUR) because in the previous calculation, made in 2014 for the period 2015-2017, the number of authorisation applications and the related reimbursements were optimistically estimated. The previous calculation also included the REACH fee reserve which has been depleted in the meantime.
2. The method for calculating the correction coefficient for the transfers to the individual Member States has been updated. The method was at the start based on Eurostat data on average gross annual earnings in industry and services. Since this data was at some point no longer updated, Eurostat provided instead a new table on Labour market earnings database which was supposed to be updated every four year. This table provided data on the average salaries of civil servants with regulatory activities, which is close to the reality of ECHA's work. However, the data for 2010 was missing for a number of

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<sup>1</sup> Except for authorisation applications where a pre-defined part of the fees is transferred for each application.

countries and was not subsequently updated by Eurostat. In fact, ECHA understood that the table will – as the previous one - not any longer be updated.

Against this backdrop, the Secretariat proposed to the Working Group to discontinue the current approach, and presented several alternative options. The Working Group considered the merits of the presented options from the point of view of principle; not whether they are more or less favourable to individual Member States.

Ultimately two options emerged as possible solutions: 1. A method based on Eurostat data for salaries in the public sector in 2014 and 2. A method based on the latest Commission cost of living coefficients. On average both options are budget neutral. After thorough deliberation, the Working Group recommends to adopt the method based on the Commission coefficients.

The proposal has the following advantages:

- regular update of country indexes is more guaranteed vis-à-vis the current system. From an administrative point of view, the scale of fees can be easily updated;
  - the method reduces the variations between the different Member States. This may in fact encourage Member States to become more active under REACH;
  - it provides a system that will be stable and predictable into the future and help ECHA and Member States in their longer term planning.
3. A reference to the grouping of substances for substance evaluation has been incorporated in the Draft Decision for reasons of clarity. The detailed modalities will remain subject to agreements between the Agency and the concerned Member States, as this is currently the case.

Detailed background explanations can be found in the background note attached as annex 2.

## Alternative options

The Management Board could decide to maintain the current approach for the scale of payments in the Member States, as contained in the appendix to annex 2. However, this leaves it, based on the experience in the past, unlikely that the system would offer stability or predictability for the future. It would also require ECHA to devote more resource to keeping the calculations up to date and scrutinising the different factors that are fed into it.

## Drawbacks

Compared to the current approach, the proposed solution brings significant changes in the coefficient for some countries. However, the salary data on which the transfers would otherwise be based are becoming very outdated. Adjusting the old salary data by inflation over a long period is not a good proxy for the actual salary levels today.

### Attachments:

- Annex 1: Revised draft decision
- Annex 2: Background note
- Annex 3: Reimbursement vs. fee income 2018-20

For questions: [geert.dancet@echa.europa.eu](mailto:geert.dancet@echa.europa.eu) with copy to [mb-secretariat@echa.europa.eu](mailto:mb-secretariat@echa.europa.eu)