



# **Funding Options for the Management of Electrical Product Safety in Ontario**

Electrical Safety Authority  
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## 1. INTRODUCTION

On August 1, 2008, the Ministry of Government and Consumer Services (MGCS) filed Ontario Regulation 438/07 to improve electrical product safety in Ontario. The regulations seek to enhance the process and requirements for the approval and revocation of approval of electrical products and devices governed by the Ontario Electrical Safety Code (OESC) sold or offered for sale in Ontario. The regulations, once enacted, will improve ESA's ability to enforce its statutory and regulatory obligations, which require that:

- All electrical products and devices governed by the OESC that are sold or offered for sale in Ontario are approved based on the process outlined in the OESC and Regulation 438/07; whether manufactured in Ontario or abroad;
- All serious electrical incidents or accidents or defects that affect or are likely to affect the safety of any person or cause damage to property are reported to ESA by the entities identified in the regulation;
- ESA evaluate and respond to all reports of serious electrical incidents or accidents or defects that affect or are likely to affect the safety of any person or cause damage to property;
- A fair and transparent process is maintained for determining whether an electrical product or device has resulted in death, serious injury or substantial property damage or has the potential to cause death or a risk of serious injury to a person or has the potential to cause substantial property damage;
- A process is created to ensure that the entities identified in the regulation notify the public or any person or class of persons of the risk or defect in an electrical product or device or occurrence of a serious electrical incident if required to do so by ESA;
- A process is created to ensure that the entities identified in the regulation take appropriate corrective action to adequately address the risk or defect in an electrical product or device if required to do so by ESA;
- A process is created for the suspension, revocation or reinstatement of deemed approvals;
- A process is created to ensure that electrical products or devices be retained, preserved or removed from the marketplace if required to do so by ESA; and
- A process is created for ceasing to recognize a body as a certification body and an agency as a field evaluation agency for the purposes of the regulation.

The intent of these regulations is to make certain that all those involved in the process of certifying, evaluating or selling electrical products or devices (i.e., manufactures, distributors, importers or retailers) are held accountable for the safety of the products offered for sale (including those that have already been purchased by consumers), to ensure that the public is notified of unsafe electrical products or devices that pose a risk to consumers and to ensure that those responsible for selling these products are made to take appropriate corrective action in the event that a product is subsequently found to be unsafe. Box 1 below indicates the proposed definition of an unsafe electrical product or device.

### **Box 1 Unsafe Product**

Unsafe products could include products that:

- fail to comply with the approval requirements for Ontario, including:
  - Counterfeit products (that bear fake certification marks);
  - Products never certified/field evaluated that bear no mark/label; and
  - Products that have been approved by another jurisdiction, but do not bear an approved mark/label.
- manifest a product defect that affects or is *likely to affect* the safety of any person or cause damage to property;
- are not manufactured or produced in accordance with all standards of design and construction; or
- are determined to be unduly hazardous to persons or property.

This paper seeks input from Working Group 6 on an appropriate funding model to support this expanded statutory mandate. It provides a brief summary of the electrical safety regulation, a summary of the policy rationale or business case for funding, an overview of proposed options for funding, the regulatory authority for the proposed approach, and some preliminary recommendations.

It is not the intent of this paper to discuss the substance of the regulations, their policy rationale or the content of the guidelines currently under development; that discussion is reserved for the guideline development consultation currently under way. These documents can be found at [www.esasafe.com](http://www.esasafe.com).

## **2. BACKGROUND**

On December 20, 2006, the *Ministry of Government Services Consumer Protection and Service Modernization Act, 2006* (Bill 152) received Royal Assent. Bill 152 includes amendments to Part VIII of the *Electricity Act, 1998* which provide regulation-making authority to establish a product safety regulation to be administered by ESA.

Electrical product safety is regulated under Part VIII of the *Electricity Act, 1998* and the requirements set out in the OESC. MGCS, the ministry responsible for Part VIII of the *Electricity Act, 1998*, delegated the authority to administer and enforce the Act and regulations to ESA, a private, not-for-profit Corporation, through the *Safety and Consumer Statutes Administration Act, 1996*.

In response to its statutory responsibility, ESA introduced an unsafe product strategy in 2004. Over the past three years, the electrical product safety strategy has grown. In response to this growth, ESA began tracking the number of unsafe product complaints and investigations separately from other complaints and investigations in 2005. In the fiscal year 2006, ESA received 106 unapproved product complaints, responded to 49 reports of unsafe products, issued five safety alerts, initiated four media awareness campaigns, and conducted four investigations.

In the fiscal year 2006, ESA responded to 106 unapproved product complaints, issued 49 product incident reports to certification bodies and field evaluation

agencies regarding unsafe products, issued five safety alerts, initiated four media awareness campaigns, and conducted four investigations.

In the fiscal year 2007, ESA responded to 149 unapproved product complaints, issued 35 product incident reports to certification agencies, manufacturers and field evaluation agencies regarding unsafe products, issued 9 safety alerts, and conducted 7 investigations. Since last year, the number of complaints has grown approximately 41%. It is expected that this number will increase in 2008.

ESA currently budgets approximately \$500,000 to support the unsafe product strategy. These funds subsidize engineering, inspection, enforcement, communications and administration costs associated with administering the product safety strategy.

The passage of the product safety regulation requires dedicated additional resources to administer not only the new reporting requirements, but also to investigate and prosecute alleged breaches of the Act and regulations and to respond to anticipated increase in complaints and consumer inquiries. To make a significant impact on electrical product safety, ESA will be required to also undertake additional inspection and market surveillance activities.

It is anticipated that these activities would significantly increase the required operational resources required to fund the electrical product safety strategy, thereby creating the need for operational funding of at least \$ 2.8 million per year. This figure would increase to \$ 3.8 million if ESA were to initiate activities in all three levels of the strategy (i.e., proactive identification and prevention). At a minimum, the anticipated increased demands on ESA resources further the case for a sustainable funding model independent of cross-subsidization.

For a complete breakdown of anticipated costs associated with the implementation of the product safety regulation, please refer to Appendix A.

ESA is currently consulting on options for funding. Some options being considered may require further legislative approval prior to being implemented.

### **3. AUTHORITY FOR SETTING FEES & ADMINISTRATIVE PENALTIES**

Pursuant to subsections 113.17 (1) and 113.17 (2) of Part VIII of the *Electricity Act, 1998* and subsections 4 (2) (d), 12 (1) (b), 12 (4), and subsection 15 (1) (c) of the *Safety and Consumer Statutes Administration Act, 1996* ESA may establish fees, administrative penalties, costs or other charges related to the administration of the designated legislation.

The establishment of these fees, administrative penalties, costs or other charges, involve the following prescribed elements:

- the fees, administrative penalties, costs or other charges are related to the administration of Part VIII of the *Electricity Act, 1998*;
- the fees, administrative penalties, costs or other charges are established in accordance with the process and criteria that ESA establishes and that the Minister has approved;

- the fees, administrative penalties, costs or other charges collected are applied to the expenses incurred by ESA in administering Part VIII of the *Electricity Act, 1998*;
- the money collected by ESA may be used to carry out activities in accordance with its objectives or any other purpose reasonably related to its objectives; and
- costs and expenses incurred by ESA in respect of proceedings (including hearings and appeals) under designated legislation may be recovered from the parties to the proceedings.

Based on this authority, ESA is proposing that an electrical product safety funding model be implemented based on the options outlined in section seven of this document. Box 2 below specifically details ESA's authority with respect to fees, administrative penalties and other charges.

**Box 2 ESA's Authority with Respect to Setting Fees and Administrative Penalties**

***Part VIII of Electricity Act, 1998***

Pursuant to Subsection 113.17 (1) under Part VIII of the *Electricity Act, 1998*, the Authority (ESA) may establish fees, administrative penalties, costs or other charges related to the administration of this Part of the Act if ESA does so in accordance with the process and criteria it establishes and the Minister has approved. ESA may also require that these fees, administrative penalties, costs and other charges be paid at times and in the manner directed by it.

Pursuant to Subsection 113.17 (2) under Part VIII of the *Electricity Act, 1998*, ESA shall collect the fees, administrative penalties, costs and other charges that it requires to be paid and shall apply them to the expenses incurred by ESA in administering this Part of the Act.

***Safety and Consumer Statutes Administration Act, 1996***

Pursuant to Subsection 4 (2) (d) of the *Safety and Consumer Statutes Administration Act, 1996*, the administrative agreement entered into between the Lieutenant Governor in Council and designated administrative authority (ESA) includes provisions for the resources that ESA requires to carry out the administration delegated to it and the resources required to comply with the Act.

Pursuant to Subsection 12 (1) (b) of the *Safety and Consumer Statutes Administration Act, 1996*, ESA may set and collect fees, administrative penalties, costs or other charges related to the administration of the designated Act if it does so in accordance with the process and criteria that it establishes and that the Minister has approved.

Pursuant to Subsection 12 (4) of the *Safety and Consumer Statutes Administration Act, 1996*, the money collected by ESA in carrying out the administration of the Act is not public money within the meaning of the *Financial Administration Act* and ESA may use it to carry out activities in accordance with its objectives or any other purpose reasonably related to its objectives.

Pursuant to Subsection 15 (1) (c) of the *Safety and Consumer Statutes Administration Act, 1996*, the Lieutenant Governor in Council may make regulations providing for proceedings under designated legislation, including hearings, appeals and the right of ESA to whom administration of the Act is delegated to recover from the parties to the proceedings the costs and expenses that they incur in respect of the proceedings.

#### 4. RATIONALE FOR ELECTRICAL PRODUCT SAFETY REGULATIONS

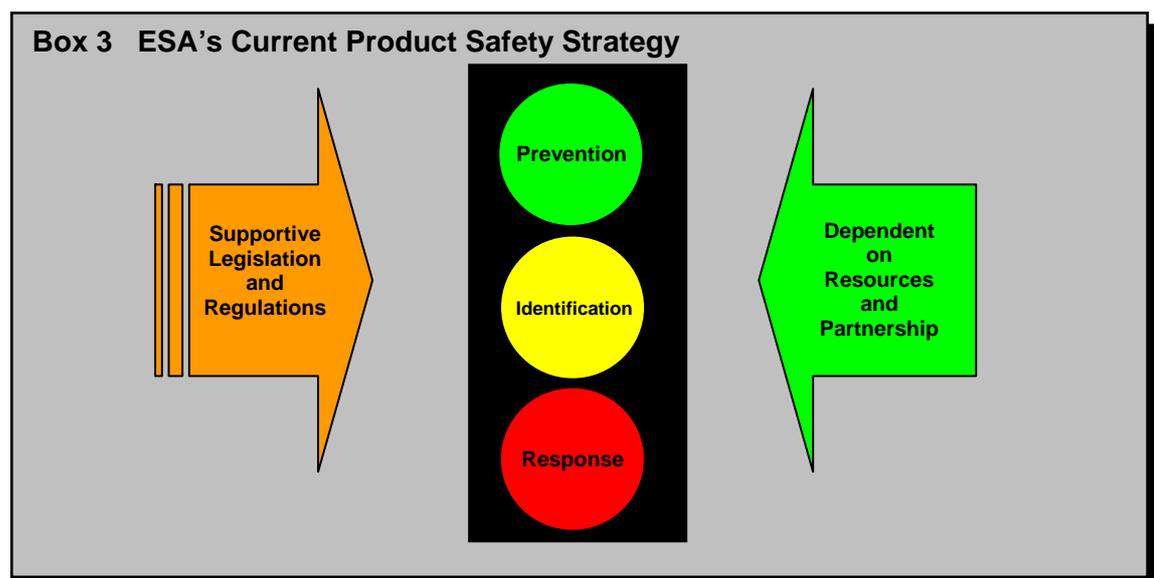
There were several motivating factors which necessitated the creation of product safety regulations in Ontario, including:

- the affect of globalization on the marketplace;
- decreasing domestic control over the electrical product supply chain;
- the proliferation of electrical products being imported into Ontario;
- the lack of timely reporting of electrical product incidents to ESA; and
- the lack of clear statutory authority to compel those responsible for certifying (evaluating), importing, or otherwise offering for sale electrical products and devices in Ontario to take appropriate corrective action where a clear public safety risk exists.

The accumulative effect of these circumstances is an increased risk to electrical safety.

##### 4.1. ESA's Current Electrical Product Safety Strategy

ESA has a responsibility to monitor and enforce compliance with the requirements set out in Part VIII of the *Electricity Act, 1998*, the regulations made under that Part, and the OESC. In addition, it is ESA's responsibility to deal with broader safety issues associated with electrical product safety. ESA works in conjunction with its other electrical safety partners, which include the federal government, other provincial electrical safety regulators, certification bodies and field evaluation agencies, and the electrical product supply chain (e.g., manufacturers, importers, distributors, and retailers). Box 3 below illustrates ESA's current electrical product safety strategy.



ESA's approach to dealing with unsafe products includes three critical elements: prevention (standards development, education and awareness), identification (of unsafe products) and response (to unsafe products). Given the lack of dedicated funding previously available for the electrical product safety strategy, ESA's approach to the issue has been focused on responding to complaints about electrical product safety, responding to reports of unsafe electrical products or

devices, conducting investigations, issuing safety alerts, initiating media awareness campaigns and providing information as required.

The statutory amendments included in Bill 152 and the passage of Regulation 438/07 created the requisite legislative authority to enhance ESA's electrical product safety strategy by providing greater enforcement powers and augmenting ESA's available response strategies. Long-term sustainability of initiatives targeting prevention and more proactive identification efforts, however, will rely on sustainable support and resources. Specific funding options are outlined in section seven of this paper.

#### **4.2. Electrical Product Imports & Retail Sales – Recent and Future Trends**

Despite a steady increase in export growth since 1989, Canada has been a net importer of electrical and electronic products as of 1990.<sup>1</sup> Demand for such goods continues to exceed the manufacturers' abilities to meet the supply, resulting in an increasing penetration of imports. In 2006, \$16.6 billion worth of electrical and electronic goods were shipped into the country, totalling well over 90% of the Canadian market share. Since 1990, gains in import market share were entirely at the expense of the domestic market, reflecting the evolving structure and integration of Canadian manufacturers into the global economy.<sup>2</sup> In 2006, Ontario imports of these products accounted for approximately \$11.6 billion or 70% of Canadian imports.

Canadian retail store sales totalled approximately \$369 billion in 2005 with electrical product sales accounting for almost \$17 billion. Although the value of retail sales has increased since 2002, the percentage of electrical product sales has remained constant, approximately 5% of the total.<sup>3</sup> During the same time period, retail sales by large retailers accounted for approximately 52% of all electrical products sold in Canada.

In 2005, Ontario accounted for approximately \$135 billion (or 37%) of all retail store sales in Canada. In 2005, electrical product sales in Ontario totalled approximately \$ 6.2 billion with large retailers accounting for roughly \$3.3 billion.

For further statistical information regarding electrical product sales and imports, please refer to Appendix B.

## **5. RATIONALE FOR A SUSTAINED FUNDING MODEL**

ESA requires a funding model to operationalize portions of the new regulation. It is the intent of this paper to solicit feedback from working group 6 members on a funding approach for activities undertaken pursuant to the new regulations and any costs incurred in supporting this mandated legislative responsibility. A strong case exists for the creation of a sustained funding model. Box 4 below provides a brief synopsis of the case for sustained funding.

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<sup>1</sup> Strong Growth Propels the Electrical and Electronic Products Industry into the 21st Century, Statistics Canada, 1999.

<sup>2</sup> Electrical products here include products grouped in HS code 85 (Electrical or Electronic Machinery and Equipment, Statistics Canada, Trade Data online, 2007.

<sup>3</sup> Electrical products here include the commodity groups household appliances and home electronics computers and cameras as defined by Statistics Canada. Statistics Canada, CANSIM, table 080-0009.

#### **Box 4 Summary of Rationale for a Sustained Funding Model**

A compelling case exists for the establishment of a sustained funding model for electrical product safety; including the following:

1. Current product safety funding is cross-subsidized by other ESA fees;
2. Product safety concerns increase as the economy weakens;
3. Operational impact of rising product complaints;
4. Operational effect of the new product safety regulations;
5. Increase in the level of electrical product imports;
6. Rising consumer expectations;
7. Recovery of costs in many cases may not be appropriate or possible; and
8. Compliance and Beyond – Proactive and Preventative Measures require sustained funding.

#### **5.1. Cross-subsidization of electrical product safety strategy by other fees**

ESA is a financially self-sustaining corporation that derives its operating budget from costs recovered through fees it levies according to the fee setting process approved by the Minister. ESA establishes fees which are paid by contractors, consumers, local distribution companies and others for inspection services, approval services, and regulatory oversight. These fees include the costs associated with ESA's regulatory oversight of electrical safety in the province. Services include wiring inspections, continuous safety service contracts, the administration of the Act and regulations, plan approvals, training and most recently licensing of electrical contractors and master electricians. Effective April 1, 2003, ESA was granted the authority to establish its own fees for services that in the past required the approval of MGS. The fee setting process for these activities has been approved by the ministry and is based on the concept of full cost-recovery.

Currently, the electrical product safety activities undertaken by ESA are funded exclusively through revenues generated by other fees collected. The result has been the cross-subsidization of this regulatory function. Given this adhoc funding approach, ESA's activities in this area have been focused on responding and reacting to complaints or reports about unsafe products.

Given the passage of the new regulation and the creation of this expanded regulatory responsibility, product safety resource requirements will escalate, rendering this funding approach unsustainable in the longer term. Moreover, as product safety resource needs increase, the ability to recover these funds through cross-subsidization decreases given that fees are assessed based on a cost-recovery method.

Strategically, this funding approach also limits ESA's ability to proactively address this issue given that this type of funding approach precludes any proactive or preventative measures being implemented due to the lack of funding available to support these types of initiatives in the long term.

#### **5.2. Electrical product safety concerns increase as the economy weakens**

Funds currently used to fund electrical product safety are derived from the fees ESA collects. These fees originate mostly from wiring inspections that are

dependent on new construction starts. These are dependent on the vitality of Ontario's economy. If the economy slows down, the construction sector softens and ESA's revenue decreases.

It has been ESA's experience that the market for unapproved and counterfeit electrical products seems to increase as the economy weakens. In addition, consumers and industry tend to seek cheaper import substitutions during times of economic decline; therefore exacerbating product safety concerns. The result is that demands from the electrical product safety strategy increase as the revenue from ESA fees generated decreases.

The effect of this conflicting circumstance is that ESA is left searching for increased funding at a time when funds are decreasing. Again, a situation that is untenable in the long run.

### ***5.3. Operational impact of rising product complaints***

In recent years, the number of electrical product complaints has grown steadily. In 2007, the number of complaints increased 41% from 2006. It is expected that this number will increase as product safety issues continue to garner a great deal of media attention, the level of consumer awareness increases and as educational programs are initiated by ESA.

As the number of electrical product complaints increases, there is a corresponding impact on ESA's operations given the time required to retrieve a report, verify its contents, assess the risk, gather further information, determine the extent of the problem, respond to the consumer and initiate a response.

Upon receiving a complaint or information about an unapproved or potentially unsafe product, ESA undertakes a risk assessment and initiates a response strategy. If the risk is identified to be low, ESA's response may be the issuance of a warning letter outlining the approval requirements that must be met. If the risk is determined to be high, ESA undertakes an aggressive response including, a warning letter, inspector verification, and immediate corrective action, which may include informing the public, the issuance of a Safety Alert or recall notice, or coordinating a retrofit program.

Irrespective of the type of complaint received, a risk assessment is undertaken to determine the appropriate response strategy. As the number of complaints increase, the result will be further pressure on already stretched operational resources, further illustrating the need for a sustainable source of funding.

### ***5.4. Operational effect of electrical product safety regulations***

In addition to the further resources required to sustain current activities undertaken by ESA, the new regulations require ESA to undertake new and expanded activities. As described in the ministry consultation document, the regulations include mandatory reporting requirements of accidents, incidents and defects, the issuance of public notices and possible ordering of corrective action. In order to respond to increase in the number of reports that will be forthcoming, additional dedicated resources will be required to support the increase in engineering, inspection, communications, investigation and

administrative activities associated with the new reporting requirements. Further funding will also be required to investigate alleged breaches of the Act and the new regulations.

Moreover, ESA, as the proponent of the electrical product safety strategy, understands that without a proactive approach, significant preventative improvements will be difficult to achieve. This type of proactive strategy is dependent on increased inspection and market surveillance activities; activities that have a significant operational impact on the organization. At a minimum, the anticipated increased demands on ESA resources further the case for a sustainable funding model independent of cross-subsidization.

### **5.5. Increase in the level of electrical product imports**

In addition to the additional resources required to implement the new regulations, the number of product complaints is expected to rise due to the increase in the level of imported electrical products or devices. Currently, it is estimated that approximately 90% of all electrical products sold in Ontario are imported. Although this fact alone does not create an increase in the number of potentially hazardous or unapproved products, it does increase the likelihood of these products not being certified to Canadian standards or not bearing a recognized certification mark proving that the product has been certified in accordance with Ontario law.

As globalization increases and imports increase, the demands of ensuring that products meet Canadian standards becomes more costly putting added pressure for increased resources. This pressure is expected to rise given the reporting requirements set out in the new regulations and the associated media attention.

For further statistics regarding the level of imported electrical products into Canada and Ontario, please refer to the statistics included in appendix B.

### **5.6. Recovery of costs in many cases may not be appropriate or possible**

ESA intends to recover its costs for the activities undertaken as a result of the new regulations, including, but not limited to any corrective actions taken to address unsafe products where the responsible party did not or was unable to undertake the action themselves.

Although it is proposed that ESA may recover its costs associated with the new regulations, the recovery of those costs may be impractical. ESA's authority is limited to the jurisdiction of Ontario. In many instances, those responsible for getting an electrical product or device into Ontario's marketplace (the manufacturer, distributor or importer) may be located outside Ontario, therefore making it more difficult, more costly and in some cases, impractical for ESA to recover administrative penalties ordered. The recovery of costs in these cases would be borne by the retailer, who in many cases would be the least responsible for the hazardous product in the supply chain but may be the only entity within the jurisdiction. It is estimated that well over 90 % of electrical products sold in Ontario are imported, therefore making it impractical for ESA to recover all or most of its costs from the manufacturer.

### **5.7. Compliance and Beyond – Proactive and Preventative Measures Require Sustained Funding**

In order to proactively pursue all three elements of the electrical product safety strategy, ESA will require a sustained funding model. The model should ensure that all parts of the supply chain bear a portion of not only the responsibility for electrical product safety, but also a share of the cost. This type of approach would provide the adequate resources required, but would also create the incentive to address electrical product safety throughout the product lifecycle (that is, during the design and manufacturing process, during the certification process, during the distribution and sale of the product, and after the product has been sold to consumers) thereby increasing the level of safety in Ontario.

This approach, however, is more costly to implement and requires the financial commitment and the active participation of all safety partners and stakeholders in the supply chain. Moreover, it would require resources that cannot be derived by cross-subsidization (i.e., inspection fees) alone. This approach would include a balanced allocation of costs and benefits. It would also provide some value to consumers, certification bodies, field evaluation agencies and the supply chain. Options for funding electrical product safety are outlined in section seven.

## **6. BENEFITS OF PROPOSED APPROACH (VALUE PROPOSITION)**

Although the new regulations include additional requirements for those involved in the process of certifying, evaluating or selling electrical products, many benefits will also be accrued. Benefits include the following:

- For Consumers: Consumers will benefit through increased consumer protection and increased public safety. The new regime will result in more timely information being circulated to consumers regarding potentially hazardous products. It will also result in corrective actions being undertaken by the appropriate member of the supply chain when a clear public safety risk is demonstrated. The adoption of a preventative approach will also decrease the number of potentially unsafe products available for purchase by unsuspecting consumers in the long run.
- For certification organizations: Certification bodies and Field Evaluation organizations will benefit from greater transparency with respect to the risk assessment process, a system that ensures confidentiality will be respected, and one that includes clearly defined reporting requirements and timelines. The proactive approach to electrical product safety will also lead to increased revenue for these organizations by increasing the number of products available for certification. Although several funding options include costs being imposed at the certification level, it is assumed that these costs would be passed on to manufacturers and shared amongst consumers. In addition, the new regulatory scheme will provide further assistance to certification bodies and field evaluation agencies in their fight against the rising tide of counterfeit products being imported into Ontario. ESA's new search and seizure authorities provide a new tool to seal suspected counterfeit products until such time as their authenticity is verified. This, combined with ESA's inspection staff throughout the province, will

provide ESA's safety partners with much needed support. In addition, ESA will be in a unique position to provide timely data to certification bodies and field evaluation agencies regarding potential problems with products these entities certified or evaluated.

- For the Supply Chain (Manufacturers, retailers, distributors): The supply chain will also benefit from greater transparency and the adoption of a preventative approach to electrical product safety. Proactive measures will level the playing field for compliant manufacturers, distributors and retailers by ensuring that all products entering the marketplace include the cost of certification. Increased market surveillance will enhance these benefits. It will also ensure that both domestic and imported products meet Canadian standards and manufacturers all pay their fair share of supporting electrical product safety. In addition, the new regime will provide the supply chain with much needed support when a problem product is discovered. ESA will be able to assist retailers if the manufacturer, importer or distributor shirks their responsibility. In addition, ESA can provide the much needed link between the certification body or field evaluation agency and the retailer or distributor.

## 7. FUNDING OPTIONS

ESA is currently exploring several options for sustainable funding of the electrical product safety strategy and the new regulations. The options being considered are outlined in Table 1 of this paper and include the pros and cons associated with each. Bear in mind, that regardless of which option is implemented, the new regulations include costs that must be recovered. The total cost is estimated to be between \$2.8 million and \$3.8 million annually.

Box 5 below provides a brief synopsis of how other jurisdictions (i.e., the United States, Europe and Australia) implement electrical product safety and the associated costs. In all three cases identified, operational funding is provided by the respective federal or community government with provisions for cost recovery included within the administered legislation. In the case of Ontario, however, this type of sustained funding option is not a viable option because it is inconsistent with the delegated administrative authority model used in Ontario. For this reason, there is a need to follow a separate approach to funding.

It is important to note that in response to intense media attention regarding product safety issues in the United States, the US Congress approved an \$80 million CPSC budget for the 2008 fiscal year. The budget is \$17 million more than the agency received for fiscal year 2007 and is the CPSC's largest funding increase in more than 30 years. The money will go toward additional staff and improvements to its antiquated testing facilities.

While the agency's size had been reduced in prior years, the challenges facing the CPSC continue to grow in both size and complexity. Of the many issues facing the agency, the shift away from a concentration on U.S. manufacturers and products to a greater emphasis on imports (most notably from China) has been cited as the major concern.

In 2007, products originating from China comprised over two-thirds of recalled products in the United States<sup>4</sup>. This trend alone has required significant new CPSC initiatives in the areas of compliance surveillance of products at U.S. ports-of entry, as well as the establishment of the Office of International Programs to help ensure foreign manufacturers' conformance to U.S. consumer product safety standards.

The market for electrical products in Ontario is no different. As indicated earlier, it is estimated that over 90% of all electrical products sold in Ontario originate from off-shore manufacturers, most notably China.

#### **Box 5 Jurisdictional Analysis**

##### **Consumer Product Safety Commission (CPSC) USA**

- The CPSC is responsible for the administration of product safety acts and protection of the public from unreasonable risks of serious injury or death from consumer products.
- In 2005, the CPSC:
  - Obtained 397 voluntary product recalls;
  - Including recalls, obtained 975 corrective actions of potentially hazardous products;
  - Issued 383 hazardous product press releases and recall alerts; and
  - Obtained a record \$8.8 million in civil penalties for failure to report possible hazards.
- In 2005, CPSC's operating budget totalled \$62 million (USD).
- In 2006, the CPSC:
  - Obtained 471 voluntary product recalls (the most in 10 years);
  - Issued 353 hazardous product press releases and recall alerts, 97 television appearances, 4.7 million electronically-distributed publications; and
  - Obtained a record \$2.3 million in civil penalties for failure to report possible hazards.

##### **Community Rapid Information System (RAPEX) European Union (EU)**

- The Directive on General Product Safety (GPSD) 2001/95/EC is the basis for product safety in the EU and the creation of the RAPEX.
- RAPEX is a community system for the rapid exchange of information on consumer product dangers. Its purpose is to enable efficient and consistent enforcement of consumer protection rules in the EU.
- Following a revised GPSD in 2004, RAPEX serious risk notifications increased dramatically, doubling from 388 in 2004 to 701 in 2005. Among other notifications involving electric products, these include:
  - 238 (34%) electrical appliance;
  - 38 (6%) household appliance; and
  - 249 (32%) from electric shock.
- In 2005, RAPEX's operating budget totalled \$31 million EUR (\$41 million USD).

##### **Australian Competition and Consumer Commission (ACCC)**

- Since 2005, the Product Safety Policy section of the ACCC has been responsible for product safety and recall. Their activities include: product safety standards and voluntary/compulsory product recalls.
- ACCC's operating budget totalled \$92.2 million (AUD) with \$60.5 million (AUD) going toward compliance with competition, fair trading and consumer protection laws.

Table 1 below outlines each option and the pros and cons associated with each.

<sup>4</sup> U.S. Consumer Product Safety Commission, *2008 Performance Budget Request, Submitted to Congress, February 2007*.

Table 1: Electrical Product Safety Funding Options

OPTIONS	PROS (Arguments for)	CONS (Arguments against)
<p><b>Option 1:</b> Continue cross-subsidization by increasing inspection fees charged by ESA to electrical contractors and other persons undertaking electrical wiring.</p>	<ul style="list-style-type: none"> <li>• This approach would create greater revenues to subsidize electrical product safety.</li> <li>• This approach would not adversely affect electrical product prices.</li> <li>• This approach would be trade neutral.</li> <li>• This approach is easily administered.</li> <li>• This approach would be supported by manufacturers, distributors, importers, retailers and certification organizations.</li> <li>• This approach would affect individual electrical contractors who pay approximately \$50 million in inspection fees to ESA annually.</li> <li>• This approach could result in a 3%-4% increase in fees.</li> <li>• This approach is within ESA’s current legislative authority to implement.</li> </ul>	<ul style="list-style-type: none"> <li>• This approach does not address the issue of cross-subsidization.</li> <li>• This approach does not address the issue of increased demand for electrical product safety resources at a time when inspection fees decrease.</li> <li>• This approach may not yield enough money to fund the operating costs of the electrical product safety strategy, thereby rendering it unsustainable in the long run.</li> <li>• Even if an increase in inspection fees could be tolerated in the short run, there is a point at which inspection fees cannot be increased further.</li> <li>• This approach is unsustainable in the long run.</li> <li>• This approach would not be supported by the electrical contracting industry.</li> <li>• This approach does not support the principle of cost-recovery.</li> <li>• This approach would not be consistent with the polluter pays principle, whereby the offending party pays for the enforcement of the compliance regime.</li> <li>• This approach would not provide enough funds for prevention activities.</li> <li>• This approach could not be replicated at the national level.</li> <li>• This approach could lead to a fee challenge by electrical contractors if the fee increase were too high.</li> </ul>
<p><b>Option 2:</b> Apply administrative penalties to those that do not comply with the regulations.</p>	<ul style="list-style-type: none"> <li>• This approach would provide some funds to support the product safety strategy.</li> <li>• This approach would be easily administered.</li> <li>• This approach would be supported by consumers, electrical contractors, manufacturers, retailers and certification bodies/field evaluation agencies.</li> <li>• This approach would be consistent with the polluter pays principle,</li> </ul>	<ul style="list-style-type: none"> <li>• This approach may be difficult to enforce if the offending company is outside ESA’s jurisdiction.</li> <li>• This approach may not yield enough money to fund the operating costs of the electrical product safety strategy, thereby rendering it unsustainable in the long run.</li> <li>• This approach could result in inequitable funding of the system if the retailer is the only member of the supply</li> </ul>

OPTIONS	PROS (Arguments for)	CONS (Arguments against)
	<p>whereby the offending party pay for the enforcement of the compliance regime.</p> <ul style="list-style-type: none"> <li>This approach would not adversely affect electrical product prices.</li> </ul>	<p>chain that operates in Ontario.</p> <ul style="list-style-type: none"> <li>This approach could result in domestic companies subsidizing imports since it would be domestic companies who would bear the cost of funding the compliance regime.</li> <li>This approach would not provide enough resources to support preventative and proactive activities.</li> </ul>
<p><b>Option 3:</b> Continue cross-subsidization by increasing fees charged to Electrical Distribution companies.</p>	<ul style="list-style-type: none"> <li>This approach would create greater revenues to subsidize electrical product safety.</li> <li>This approach may not adversely affect electrical product prices.</li> <li>This approach would be trade neutral.</li> <li>This approach is easily administered.</li> <li>This approach would be supported by manufacturers, distributors, importers, retailers and certification organizations.</li> <li>This approach would provide sustainable funding to support the electrical product safety strategy in the long term.</li> <li>This approach would ensure that everyone in Ontario pay to fund the compliance regime making the cost lower for everyone.</li> </ul>	<ul style="list-style-type: none"> <li>This approach may be opposed by the public, but would be mitigated by the inconsequential cost passed on to consumers.</li> <li>This approach could have marginal effects on long term electrical product safety.</li> <li>This approach is not currently within ESA's authority to implement.</li> <li>This approach does not address the issue of cross-subsidization.</li> <li>This approach may not yield enough money to fund the operating costs of the electrical product safety strategy, thereby potentially rendering it unsustainable.</li> <li>Although a slight increase in fees could be tolerated, there is a point at which fees cannot be increased further.</li> <li>This approach would not be supported by local distribution companies.</li> <li>This approach would have a larger impact on local distribution companies who now pay approximately \$2 million annually in fees to ESA. This approach could potentially double the level of fees currently charged to local distribution companies.</li> <li>This approach may have a minimal effect (\$0.50 per year) on the price of electricity to each electricity customer in Ontario.</li> </ul>
<p><b>Option 4:</b> Collect a fee from electrical</p>	<ul style="list-style-type: none"> <li>This approach would provide sustainable funding to support the electrical product safety strategy.</li> <li>This approach would ensure that the industry pay to fund the</li> </ul>	<ul style="list-style-type: none"> <li>This approach would not be easily administered; it would require a great deal of operational resources due to the large number of entities that may require licensing.</li> </ul>

OPTIONS	PROS (Arguments for)	CONS (Arguments against)
product manufacturers operating in Ontario.	<p>compliance regime.</p> <ul style="list-style-type: none"> <li>• This approach would allow for sustainable funding in the long term.</li> <li>• This approach is consistent with the principles of fee for service and cost recovery.</li> <li>• This approach would be supported by consumers and electrical contractors.</li> <li>• This approach could ensure that the licensed entities have greater responsibility in ensuring electrical product safety.</li> </ul>	<ul style="list-style-type: none"> <li>• This approach would not be supported by manufacturers operating in Ontario; it would be seen as inequitable because it would not apply to manufacturers operating outside Ontario and would not apply to the rest of the supply chain.</li> <li>• This approach could have an affect on the price of electrical products sold in Ontario.</li> <li>• This approach may violate trade rules.</li> <li>• This approach could result in the subsidization of electrical product imports since it would be domestic companies who would bear the cost of funding the compliance regime.</li> <li>• This approach would place the entire burden of enforcement on manufacturers, who are only one component of the supply chain.</li> <li>• This approach could create a competitive advantage for importers and a competitive disadvantage for exporters of electrical products.</li> <li>• This approach would have a marginal impact on long-term electrical product safety.</li> <li>• The licensing of manufacturers would require further regulation to implement.</li> </ul>
<p><b>Option 5:</b> Collect a fee from electrical product retailers and/or distributors operating in Ontario.</p>	<ul style="list-style-type: none"> <li>• This approach would provide sustainable funding to support the electrical product safety strategy.</li> <li>• This approach would ensure that the industry pay to fund the compliance regime.</li> <li>• This approach would allow for sustainable funding in the long term.</li> <li>• This approach is consistent with the principles of fee for service and cost recovery.</li> <li>• This approach would be supported by consumers and electrical contractors.</li> <li>• This approach could ensure that the licensed entities have greater responsibility in ensuring electrical product safety.</li> </ul>	<ul style="list-style-type: none"> <li>• This approach would not be easily administered; it would require a great deal of operational resources due to the large number of entities that may require licensing.</li> <li>• This approach would not be supported by retailers operating in Ontario; it would be seen as inequitable because it would not apply to the rest of the supply chain, who are responsible for manufacturing the product and ensuring it conforms to Ontario law.</li> <li>• This approach would not apply to retailers operating outside Ontario.</li> <li>• This approach could have an affect on the price of electrical products sold in Ontario.</li> </ul>

OPTIONS	PROS (Arguments for)	CONS (Arguments against)
		<ul style="list-style-type: none"> <li>• This approach may violate trade rules.</li> <li>• This approach could result in the subsidization of electrical product imports since it would be domestic companies who would bear the cost of funding the compliance regime.</li> <li>• This approach would place the entire burden of enforcement on retailers, who are only one component of the supply chain.</li> <li>• This approach could create a competitive advantage for importers and a competitive disadvantage for exporters of electrical products.</li> <li>• This approach would have a marginal impact on long-term electrical product safety.</li> <li>• The licensing of retailers would require further regulation to implement.</li> </ul>
<p><b>Option 6:</b> Collect a fee from manufacturers through certification organizations and field evaluation agencies based on number of electrical products certified/evaluated for the Ontario market.</p>	<ul style="list-style-type: none"> <li>• This approach would provide sustainable funding to support the electrical product safety strategy.</li> <li>• This approach is consistent with the principles of fee for service and cost recovery.</li> <li>• This approach would be supported by consumers, electrical contractors, and manufacturers, distributors and retailers.</li> <li>• This approach could have a positive impact on long-term electrical product safety through preventative measures being implemented.</li> <li>• This approach would affect all members of the supply chain equally.</li> <li>• This approach would not violate trade rules.</li> <li>• This approach would ensure that the entire electrical industry pay its fair share for the cost of funding the compliance regime.</li> <li>• This approach would be reasonably easy to administer since the number of entities who certify the products is small.</li> <li>• This approach would split the cost of enforcement across all electrical products certified for the Ontario marketplace, making the cost lower for everyone in the supply chain.</li> <li>• This approach would apply equally to imports and domestically</li> </ul>	<ul style="list-style-type: none"> <li>• This approach could have a small affect on the price of electrical products sold in Ontario.</li> <li>• This approach would place the entire burden of paying for enforcement on the manufacturer, who is only one component of the supply chain.</li> <li>• This approach would be opposed by certification organizations and field evaluation agencies.</li> <li>• This approach could negatively affect the certification or field evaluation industry.</li> <li>• This approach may be opposed by certification organizations or field evaluation agencies.</li> <li>• This approach could be replicated in other provinces, thereby negatively affecting the national certification system.</li> </ul>

OPTIONS	PROS (Arguments for)	CONS (Arguments against)
	<p>produced products.</p> <ul style="list-style-type: none"> <li>• This approach would not result in the subsidization of electrical product imports since the cost would be borne by all products certified for the Ontario marketplace.</li> <li>• This approach would not require further regulation to implement.</li> </ul>	
<p><b>Option 7:</b> Create an unsafe product fund to be financed by the largest retailers, manufacturers, distributors and certification organizations operating in Ontario.</p>	<ul style="list-style-type: none"> <li>• This approach could provide sustainable funding to support the electrical product safety strategy in the long term.</li> <li>• This approach would ensure that the industry pay to fund the compliance regime.</li> <li>• This approach would be supported by consumers, small manufacturers, small retailers, and small distributors.</li> <li>• This approach could have an impact on long-term electrical product safety.</li> </ul>	<ul style="list-style-type: none"> <li>• This approach would be difficult to administer; it would require a great deal of operational resources due to the large number of entities potentially involved.</li> <li>• This approach would be seen as inequitable since larger firms account for only 50% of sales in the marketplace.</li> <li>• This approach would force larger firms to subsidize smaller firms by making them bear the cost of funding the compliance regime.</li> <li>• This approach could violate trade rules.</li> <li>• This approach could result in the subsidization of electrical product imports since the cost would be borne by domestic producers and industry.</li> <li>• This approach would not be supported by larger retailers, manufacturers, distributors and importers operating in Ontario; it would be seen as inequitable because it would not apply to those operating outside Ontario and would not apply to the rest of the supply chain.</li> <li>• This approach could have an affect on the price of electrical products sold in Ontario.</li> <li>• This approach could result in the subsidization of electrical product imports since it would be domestic companies who would bear the cost of funding the compliance regime.</li> <li>• This approach may not yield enough money to fund the operating costs of the electrical product safety strategy, thereby rendering it unsustainable in the long run.</li> </ul>

## 8. RECOMMENDATIONS

Although an approach has yet to be selected, it is recommended that a combination of options be explored to ensure long-term sustainable funding. The options pursued should be consistent with the intent of the funding model as outlined in Box 6 below.

### **Box 6 Intent of Funding Model Recommendations**

Although there are many funding options that can be considered, viable options must reflect the following considerations:

- stakeholder advice is sought with respect to the type and range of activities to be undertaken by ESA to address electrical product safety;
- the revenue setting process fosters collaboration amongst all stakeholders by respecting the diversity of interests among them and the overall commitment to electrical product safety;
- the approach is sustainable in the long term;
- the revenue, at a minimum, covers the cost of implementing the regulations;
- consideration should be given to provide that the revenue includes resources to fund prevention and proactive marketplace surveillance activities;
- the costs are shared amongst all (or as many) stakeholders (which includes the public) as possible;
- the costs and revenues are fair and transparent;
- the model is within ESA's authority to implement;
- allocation is based on cost drivers;
- the revenue model is simple to administer, relying, where possible, on readily available metrics and is based on a simple allocation formula;
- any adverse affect on the trade of electrical products is minimal and the approach is trade neutral;
- there is minimal adverse affect on the market for electrical products in Ontario;
- the revenue sources are consistent with cost-recovery principles;
- consensus is reached where possible and that where differences exist they are clearly understood by all parties;
- the revenue model chosen is capable of being implemented at the national level;
- consideration is given to the implications for the national system and other provinces of implementing a provincial resource model; and
- the model reflects as much as possible the overall fee principles.

In addition, recommended options should include a balanced allocation of costs and benefits to as many stakeholders and consumers as possible. Moreover, it should be consistent with the polluter-pays principle, that is, the person who manufacturers and ultimately purchases the product should bear the cost of the regime created to monitor its safety.

## 9. CONCLUSIONS

This paper outlines several approaches to ensure that a sustainable funding model is developed to support the new product safety regulations. This document was created to stimulate discussion and provide background to stakeholders. ESA is seeking your views on the proposed approach through the working group 6 funding discussions. Together, we can ensure that the options implemented achieve the goals of sustainable funding and enhanced electrical product safety in a way that is fair and practical for all.

## Appendix A

### Canadian Retail Store sales by selected commodity

\$ millions

Commodity	2001	2002	2003	2004	2005
All Commodities	\$301,221	\$320,373	\$332,027	\$347,704	\$368,840
Household Appliances	\$3,889	\$4,340	\$4,612	\$4,812	\$5,113
Home Electronics	\$9,672	\$10,301	\$10,873	\$11,399	\$11,873
Total Household Electrical Products	\$13,562	\$14,641	\$15,485	\$16,211	\$16,987
% of Household Electrical Product retail sales of total	4.5%	4.6%	4.7%	4.7%	4.6%

Source: Statistics Canada, CANSIM, table 080-0018.

### Canadian Retail Store sales by selected commodity Sold by large retailers

\$ millions

Commodity	2002	2003	2004	2005	2006
All Commodities	\$83,043	\$87,697	\$93,297	\$98,856	\$103,916
Household Appliances	\$2,344	\$2,521	\$2,707	\$2,870	\$3,099
Home Electronics	\$4,874	\$5,257	\$5,737	\$6,112	\$6,754
Total Household Electrical Products	\$7,218	\$7,778	\$8,444	\$8,982	\$9,853
% of Household Electrical Product retail sales of total large retail sales	8.7%	8.9%	9.1%	9.1%	9.5%

Source: Statistics Canada, CANSIM, table 080-0009.

### % of Canadian Retail Store sales by selected commodity Sold by large retailers

\$ millions

Commodity	2001	2002	2003	2004	2005
Total Household Electrical Product Retail Sales	\$13,562	\$14,641	\$15,485	\$16,211	\$16,987
Total Household Electrical Product Retail Sales by large Retailers	N/A	\$7,218	\$7,778	\$8,444	\$8,982
% of household electrical product retail sales by large retailers	N/A	49.3%	50.2%	52.1%	52.9%

Source: Statistics Canada, CANSIM, table 080-0009, 080-0018.

### Ontario's portion of retail trade

\$ millions

	2002	2003	2004	2005	2006
Canada	\$319,525	\$331,143	\$346,722	\$367,829	\$391,389
Ontario	\$120,992	\$125,123	\$129,086	\$135,164	\$140,749
% of Ontario retail trade	37.9%	37.8%	37.2%	36.7%	36.0%

Source: Statistics Canada, CANSIM, table 080-0014 and Catalogue no. 63-005-x.

**Canadian Imports and Exports HS 85 - Electrical or Electronic Machinery and Equipment**

HS Codes 8508, 8509, 8510, 8512, 8513, 8514, 8516, 8517, 8518, 8520, 8521, 8522, 8527, 8528, 8537, 8538, 8539, 8543, 8544, 8548

\$ millions

	2002	2003	2004	2005	2006
<b>Imports</b>	\$15,147	\$13,491	\$14,554	\$15,376	\$16,562
<b>Exports</b>	\$7,280	\$6,364	\$6,815	\$7,211	\$7,739

Source: Statistics Canada, Trade Data Online.

**Ontario Imports and Exports HS 85 - Electrical or Electronic Machinery and Equipment**

HS Codes 8508, 8509, 8510, 8512, 8513, 8514, 8516, 8517, 8518, 8520, 8521, 8522, 8527, 8528, 8537, 8538, 8539, 8543, 8544, 8548

\$ millions

	2002	2003	2004	2005	2006
<b>Imports</b>	\$11,115	\$9,939	\$10,504	\$11,107	\$11,563
<b>Exports</b>	\$4,098	\$3,595	\$4,092	\$4,917	\$5,383

Source: Statistics Canada, Trade Data Online.

**Ontario portion of Imports HS 85 - Electrical or Electronic Machinery and Equipment**

HS Codes 8508, 8509, 8510, 8512, 8513, 8514, 8516, 8517, 8518, 8520, 8521, 8522, 8527, 8528, 8537, 8538, 8539, 8543, 8544, 8548

\$ millions

	2002	2003	2004	2005	2006
<b>Canada</b>	\$15,147	\$13,491	\$14,554	\$15,376	\$16,562
<b>Ontario</b>	\$11,115	\$9,939	\$10,504	\$11,107	\$11,563
<b>% of Ontario imports</b>	73.4%	73.7%	72.2%	72.2%	69.8%

Source: Statistics Canada, Trade Data Online.

## Appendix B

Cost Assumptions	Year 1	Year 2	Year 3	Cost Driver of Beneficiary	Assumptions
<b>Implementation Tasks</b>					
Guideline development (initial cost)	249,750	0	0	Cost Driver /Beneficiary: # guidelines to be developed, CBs/IBs supply chain	Recovery of cost:\$150 K consultants 26 WG meetings @ \$500
Database system to Facilitate Reporting (initial cost + some maintenance)	63,800	18,450	18,450	Cost Driver /Beneficiary: Scope and functionality required by stakeholders/retailers, manufacturers, CBs, IBs	50K initial cost + 20 days Ongoing maintenance and licences at 15k / year + 5 days
Policies and procedures related to orders, retention and seizure of unsafe products (initial cost + some continuous costs)	17,250	2,070	2,070	Cost Driver /responsible party/beneficiary Req'd to implement legislation retailers, manufactures/distributors/CBs/FEs	25 days Y1 3 days /year 2 & 3
Inspector training	81,600	0	0	Cost Driver /Beneficiary: Required to implement regulation	3 hours / inspector group @ \$136 / hour
Develop training for ESA staff related to the administration of this new regulation and guidelines (Regulatory staff)	19,320	2,070	2,070	Cost Driver /Beneficiary: req'd to implement regulation/ numerous	25 days development Y1, 3 days delivery Y1, Y2, Y3
Provide interpretation of the regulation and code requirements and a modest level of technical advice and support to retailers, manufacturers on the Regulation and Code requirements and national standards, issue interpretations, develop bulletins etc.	13,800	6,900	6,900	Cost Driver/Beneficiary: number of questions requests, clarity of guidelines/Supply chain	20 days Y1 5 days Y2, 3
<b>Prevention Strategies &amp; Communications Activities</b>					
Develop Prevention Strategies	10,350	2,070	2,070	Cost Driver /Beneficiary: Desired level of prevention activity/CBs,IBs, mfg, retailers	15 days Y1 3 days year 2, 3

Cost Assumptions	Year 1	Year 2	Year 3	Cost Driver of Beneficiary	Assumptions
Public Education initiatives (*initiative costs covered under consumer awareness campaign)	0	13,800	20,700	Cost Driver /Beneficiary: desired level of prevention activity/ CBs,IBs, mfg, retailers, support level playing field	Development and project management time 10 days – year 2 15 days – year 3
Website, Customer Service Centre Scripting (regulations, consumers, industry, public notices, recalls (tssa, cbs/FEs, others))	63,800	16,900	16,900	Cost Driver /Beneficiary: required to implement regulation /general public benefit shared among stakeholders	20 days, \$50,000 year 1 development 10 days /year 2 & 3 updates & \$10,000
Public Inquiries	29,700	59,400	59,400	Cost Driver /Beneficiary: Number of public inquires/general public benefit shared among stakeholders	600 calls /month = 12,000 calls /yr @ 8 min/call = 1600 hrs or 200 days Assume 500 calls /month Y1 increase yr 2 & 3 due to consumer awareness campaign. (too high call volumes should be lower immaterial)
Consumer Awareness Campaign (awareness of marks & buying approved product)	0	106,900	106,900	Cost Driver /Beneficiary: Desired level of prevention activity/CBs,IBs, mfg, retailers, support level playing field	10 days/yr 2 & 3 updates \$100k yr 2 & 3 creative, media
Buyer Training	13,800	13,800	13,800	Cost Driver /Beneficiary: Desired level of prevention activity/ retailers, & CBs,IBs, mfg, re support level playing field	10 days development + 10 days – year 1 delivery 20 days – year 2 & 3 delivery & update
Collateral Material For Supply Chain, CBs/IBs	11,450	5,270	5,270	Cost Driver /Beneficiary: Desired level of collateral & support material/ Retailers, mfg, CBs, lbs	5 days development + \$0.16 @ 50,000 yr 1 3 days / yr 2 & 3 updates \$0.16 @ 20,000 yr 2 & 3
Supply Chain Communications (Communications plan to supply chain associated with new regulations & guidelines)	56,900	106,900	56,900	Cost Driver /Beneficiary: Req'd to support implementation in Y1/supply chain	10 days development + \$100k yr 1 creative + media costs \$50k yr 2 & \$25k yr 3 Costs ↓ as awareness ↑
Industry Communications (Communications plan to industrial & commercial owners & operators about requirements to use approved equipment)	106,900	56,900	56,900	Cost Driver /Beneficiary: Desired level of prevention activity to this sector/Facility owners, helps level playing field for contractors, mfg, retailers, IBs)	10 days development + \$100k yr 1 creative + media costs \$50k yr 2 & \$25k yr 3 Costs ↓ as awareness ↑

Cost Assumptions	Year 1	Year 2	Year 3	Cost Driver of Beneficiary	Assumptions
Proactive Participation in Product Standards Development Process	6,900	34,500	34,500	Cost Driver /Beneficiary: Desired level of ESA participation desired among stakeholders/general public benefit shared among all stakeholders	50 days per year ongoing Minimal participation in yr 1 Full proactive participation begin yr 2.
<b>Partnerships &amp; Strategic Alliances</b>					
Development of Partnerships Strategy (i.e., RCC, EFC, CBs and supply chain)	13,800	13,800	13,800	Cost Driver/Beneficiary: Stakeholder support for this activity/supply chain, CBs, IBs	20 days year 1 (consult & develop strategy) 20 days year 2 & 3 for implementation, new initiatives and adjustments
Development of MOU & ongoing relationships (*i.e., Health Canada, SCC, Industry Canada & provinces, WSIB, MOL)	20,700	20,700	20,700	Cost Driver/Beneficiary: Stakeholder support for this activity/supply chain, CBs, IBs	30 days / year to develop & maintain MOUs
Anti-Counterfeiting Alliance Initiatives	13,800	13,800	13,800	Cost Driver/Beneficiary: Stakeholder support for this activity/supply chain, CBs, IBs	20 days / year active participation
“China” Strategy (to assist CBs and retailers address the concerns with offshore manufacturers)	0	13,800	13,800	Cost Driver/Beneficiary: Stakeholder support for this activity/supply chain, CBs, IBs	20 days / year active participation Assume activity begins in year 2
Promotion of National Response to Unsafe Products Issues	0	16,900	16,900	Cost Driver /Beneficiary: Stakeholder support for this type of activity/supply chain, CBs, IBs	10 days /year beginning in year 2
International Activities & Best Practices & Benchmarking (*i.e., establish relationship with US CPSC, ISO/IEC forums)	0	6,900	3,450	Cost Driver /Beneficiary: Stakeholder support for this type of activity/supply chain, CBs, IBs who operate internationally	10 days Y2 5 days Y3
Development of Product Safety Fund Identification and development of funding sources for ongoing communications activities	0	13,800	13,800	Cost Driver /Beneficiary: Stakeholder support for this type of activity/supply chain, CBs, IBs	20 days / year to develop and manage project and liaise with potential participants. Assume activity begins in year 2

Cost Assumptions	Year 1	Year 2	Year 3	Cost Driver of Beneficiary	Assumptions
<b>Detection &amp; Enforcement Activities</b>					
General Inquiry Calls, Customer contacts TIPS & Hotline Follow-up	0	0	0	beneficiary = CBs/FEs, manufacturers, retailers	see Prevention activities - above
Annual Marketplace Surveillance Program & Strategy (i.e., dollar store & flea market, online blitz program)	13,800	41,400	41,400	Cost Driver /Beneficiary/ responsible parties: Stakeholder support for this activity beyond minimum acceptable amount/Mfgs, CBs, IBs retailers helps level playing field, public/consumers	20 days in Y1 60 days per year (development, adjustment, staff supervision and support)
Develop/implement targeted marketplace surveillance (i.e., Christmas & holiday light campaign, Halloween campaign)	0	13,800	13,800	Cost Driver /Beneficiary: As above	20 days / year targeted campaigns Starts Y2
Liaison with other enforcement agencies (i.e., RCMP, customs, provincial authorities)	13,800	27,600	27,600	Cost Driver /Beneficiary: Stakeholder support for this activity beyond minimum amount/helps level playing field, leverage resources	10 days Yr 1 20 days FTE / Yr 2 & 3
Proactive Marketplace Surveillance Activities (support for surveillance plan & targeted campaigns)	138,000	414,000	414,000	Cost Driver /Beneficiary: As above	1 FTE Y1 3 FTEs Y2 & Y3 Dedicated product safety inspectors (5000 inspections /year with 3 FTEs)
Market analysis/trend analysis, reporting (including compiling statistical analysis)	0	13,800	13,800	Cost Driver /Beneficiary: Required to implement regulation, supports strategy development	10 days / Yr 2 & 3
Wiring Inspector detection activities	68,000	136,000	136,000	Cost Driver /Beneficiary: As above, plus electrical contractors as beneficiaries	1,000 unapproved products identified , defects issued and follow-up (500 in Y1) (1 hr / issue) Ramps up yr 2 & 3
<b>Enforcement Strategies</b>					
Investigators (Assume 10% inspections require investigations)	50,000	200,000	200,000	Cost Driver /Beneficiary: Required to fulfill mandate/CBs, IBs, mfg, retailers helps level playing field	10 % of inspections require follow- up by investigators (500 cases Y2, Y3) 10 hours / investigation @ \$40/ hr Without proactive inspection =100
ESA Staff Time to Support Prosecutions (FTE support for prosecutions)	34,500	48,300	48,300	Cost Driver /Beneficiary: As above	10 hours / prosecution Yr 1 = 25 @ 35 days Yr 2 & 3 = 50 @ 70 days

Cost Assumptions	Year 1	Year 2	Year 3	Cost Driver of Beneficiary	Assumptions
Legal Costs re prosecutions (violations including those who sell or offer for sell & those who refuse to comply with Orders)	200,000	500,000	500,000	Cost Driver /Beneficiary: As above	\$20,000 per prosecution (too low) 10 Y1 25 Y2, Y3 (hire additional legal counsel, contract out (ask TSSA for their experience, ask government to provide the contracted services)
Product Impounding & Seizures	50,000	100,000	100,000	Cost Driver /Beneficiary: As above	5 seizures/ orders to retain Yr 1 (too high) 10 seizures/ orders to retain Yr 2 / 3 \$10K / seizure (appeal/ hearing & inspector/investigator cost)
<b>Response Activities</b>					
Response Activities receiving mandatory & voluntary reports logging into database complaint and report investigations, risk assessment preliminary engineering analysis as required, issuing PIR as required, liaison with CB, IB, mfg retailer etc, developing response plan as require; monitoring corrective action, issuance of orders as required, attendance at appeals as required and developing final reports .	690,000	920,000	920,000	Cost Driver /Beneficiary: Number of reported incidents, quality and conformance of products to regulation and safety standards stakeholders reporting as per risk guidelines/general public benefit	6 FTEs 1,000 reports / year, 750 cases in Y1 1 FTE = 150 cases/year
Research & testing further investigation of product to determine if a product is unsafe.	50,000	50,000	50,000	Cost Driver /Beneficiary: Non-compliance by members of supply chain/general public benefit	
Issuance of Public Notices (ESA led)	25,000	25,000	25,000	Cost Driver /Beneficiary: Non-compliance by members of supply chain/general public benefit	
Corrective Action Orders	6,000	6,000	6,000	Cost Driver /Beneficiary: Non-compliance by members of supply chain/general public benefit	5 orders / year legal support @ 3 hours / order @ \$400/ hour
<b>Governance Costs</b>					
Product Safety Advisory Committee	29,700	19,800	19,800	Cost Driver /Beneficiary: stakeholder desire for formal input forum/participating stakeholders	5 days staff time per meeting prep, agenda, minutes, action items, support 4 meetings/ year @ \$1500 meeting and per diem, travel costs / meeting (6 meetings yr 1)

Cost Assumptions	Year 1	Year 2	Year 3	Cost Driver of Beneficiary	Assumptions
Board- Regulatory Affairs Committee	2,760	2,760	2,760	Cost Driver /Beneficiary: required by ESA policies	0.01 FTE prep time & support 4 meetings / year @ 1 day FTE
Appeals	54,500	54,500	54,500	Cost Driver /Beneficiary: required by legislation, number of appeals received	5 appeals / year = 0.25 FTE prep time & support or 10 FTE days / appeal Legal Support @ 10 hours / appeal @ \$400/ hour
Appeal Panel	52,250	52,250	52,250	Cost Driver /Beneficiary: required by legislation, number of appeals received	5 appeals / year = 0.25 FTE prep time 5 Appeal Tribunals @ 3 people Panel @ \$1000 / person costs + Legal Support @ 10 hours / appeal @ \$400/ hour
<b>Miscellaneous</b>					
Liability Insurance	25,000	25,000	25,000	Cost Driver /Beneficiary: required by legislation, number of appeals received	Additional liability insurance coverage assumed at \$25k year.
General Legal Support	20,000	10,000	10,000	Cost Driver /Beneficiary: ESA administrative agreement/	Year 1 = 50 hours legal services @ \$400/ hour Year 2 & 3 cost ↓ ½ (25 hours)
Administration	231,693	320,584	315,929	Cost Driver /Beneficiary: Required to implement	Costs associated with ESA administrative (finance, HR, payroll, communications dept ,management, MGS Liaison fees) 10% of fully cost
<b>Total Costs</b>	<b>2,548,623</b>	<b>3,526,424</b>	<b>3,475,219</b>		

Notes:

Engineering & MP employee cost assumes an FTE @ \$138,000 p.a.	138,000
customer service clerk cost assumes an FTE @ \$99,000 p.a.	99,000
inspector cost assumes an FTE is @ \$138,000 p.a.	138,000

Total Product Safety Strategy Costs

	Year 1	Year 2	Year 3
Development and Implementation Cost Recovery	445,520	29,490	29,490
Prevention Activities	299,800	416,440	373,340
Partnerships & Strategic Alliances	48,300	99,700	96,250
Detection Activities	233,600	646,600	646,600
Enforcement Activities	334,500	848,300	848,300
Response Activities	771,000	1,001,000	1,001,000
Governance Costs	139,210	129,310	129,310
Contingency	227,193	158,542	0
Legal, Insurance & Admin Support	276,693	355,584	350,929
<b>Total</b>	<b>2,775,816</b>	<b>3,684,966</b>	<b>3,475,219</b>