



Fee Review 2013 Questions and Answers

Corporate

Q1. Why has TSSA increased its fees in certain areas and programs?

TSSA has to adjust its fees in order to deliver public safety services. As a not-for-profit organization, TSSA fees closely reflect the actual costs of providing these services.

Fees in the Upholstered and Stuffed Articles and Ski lift programs remain unchanged.

Consistent with prior years, we do not charge fees for providing essential public safety services such as code development to further enhance safety and eliminate existing safety gaps, as well as incident investigation and enforcement in most program areas. We currently do not charge for new safety education and training initiatives, which TSSA has developed to reduce the number of preventable public and worker-related incidents. This new fee schedule continues to provide the necessary funds to ensure that TSSA effectively delivers these safety services for now and into the future.

Q2A. How much are TSSA fees going up?

TSSA has made every effort to keep fee increases to a minimum. In fact, most fees did not change in this fee review. Licensing, Registration, Certification and Exam fees, along with hourly labour rates are unchanged. The overall fee change impact has been limited to an approximate average of 1.9% over the three year time horizon,

Q2B. Are the fees going to increase TSSA profits?

TSSA is a not-for-profit organization and does not generate profits. Any surplus revenue earned over expenses is either dedicated to new public safety initiatives or reinvested in safety programs and their supporting administration. Over the past two years, we have invested in the safety infrastructure including further enhancements to TSSA's information system, data integrity, risk-informed decision-making and user behaviour modification. In addition, TSSA increased operational staff in all program areas to address regulatory requirements.

Q2C. How can I be sure TSSA is running an efficient operation?

Since TSSA's inception in 1997, the Consumer Price Index has risen by 35%. During the same period TSSA's fees have increased by only 19%. In other words, TSSA has absorbed over 40% of inflationary pressures over the past 15 years.

Q3. How are fees established by TSSA?

TSSA management completed a thorough analysis of the incremental revenue required to deliver its safety services and further investment in its safety system. Industry stakeholders through our advisory councils and fee sub-committees were involved in discussions to determine the most appropriate method to distribute the costs. The fees are based on the following agreed-upon principles with the government of Ontario recover all direct and indirect service delivery costs associated with the delegated authority mandate;

- generate a net revenue margin of up to 5% to be invested back into the safety system;
- reflect three-year cost trends;
- eliminate cross-subsidization between safety programs through a reasonable transition period;
- reasonably reflect sector and service activity, such as engineering and inspection, within each program; and
- ensure that, in addition to their direct and indirect costs, licensing, registration and certification fees recover safety infrastructure costs such as standards and codes work, investigations, prosecutions, regulatory enhancements, and re-investments in public safety.

In addition, the following fee design principles are utilized:

- all beneficiaries of TSSA's public safety services should participate in their cost recovery;
- uniform application regardless of geographic location;



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- fees may be packaged to meet the customers' needs;
- premium fees for premium service;
- incentives/disincentives for high/low levels of compliance; and
- accepted billing and collection business practices are followed.

Q4. Why are you increasing fees in such uncertain economic times?

TSSA has considered the current economic environment and the potential impact of fee increases and has made every reasonable effort to minimize the fee increase. The overall fee increase averages 1.9% over the next three years, with most fees remaining unchanged

TSSA operates on a cost-recovery basis and its fees reflect the true costs of providing public safety services.

Q5. Was industry consulted before TSSA changed the fees?

Industry stakeholders through TSSA's Advisory Councils were involved in the extensive fee review process, which spanned a 12-month period. TSSA is committed to engaging its industry stakeholders and the Ministry of Consumer Services (MCS) prior to the implementation of revised fees. TSSA's fee reviews are reviewed and approved by its Board of Directors as well as subject to review by MCS as per its Fee Setting Principles.

Q6. What was the response of TSSA's advisory councils?

TSSA's advisory councils were involved early in the process, and have been consulted regularly throughout. New this fee review was the introduction of advisory council fee review sub-committees which met more frequently, in smaller teams, to consider the options and impacts of this fee review. In general, the advisory councils were supportive of TSSA management and the approved fee increases, where applicable. Advisory councils acted on behalf of their constituents and challenged TSSA to ensure that there was strong basis for any changes. While the reaction of each council varied, there was general consensus that the approach used by TSSA was fair and transparent.

Q7. What has TSSA done to improve services?

TSSA has maintained and enhanced its safety services through process improvements, sustainable savings within its operations and strategic safety investments. Over the past two years, we have invested in additional information system functionality, data integrity, risk-informed decision-making and user behaviour modification. In addition, TSSA increased operational staff in all program areas to address regulatory requirements.

Q8. What value am I getting for the fees I pay?

TSSA has made a commitment over the past several years to enhance value for money for all its customers. This means a combination of improving services – be it through enhancements to its information system, further ensuring data integrity, advancements with risk-informed decision-making, research into user behaviour modification or increased operational staff in all program areas – while at the same time reducing costs by achieving organizational efficiencies. In fact, TSSA has absorbed over 40% of inflationary pressures arising since its inception in 1997.

The nature of your industry is such that both opportunity and performance is dependant, amongst other things, on a good safety record. Your fees reflect not only the cost of the direct services you receive but also your contribution to the overall safety system for your industry. This includes services such as standard and code work, incident investigations, enforcement action and public education. We will be intensifying our efforts to ensure a level playing field in the industries we regulate, such as dealing with tradespersons or companies which are unlicensed or non-compliant, and improving customer communication.

Q9. How does TSSA demonstrate that its operating costs are being contained and reasonable efficiencies being achieved?

TSSA is accountable to both our Board and the Ministry of Consumer Services to demonstrate that we are ensuring the most effective use of our resources. TSSA is committed to regularly reviewing our compliance strategies to ensure that we concentrate our efforts on safety priorities and that our resources are effectively used



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to address these priorities. TSSA's annual budget reflects the initiatives reflected in its strategic and business plans which are all governed by TSSA's Board of Directors.

Q10. What measures does TSSA intend to implement to achieve future efficiency gains?

TSSA will be seeking to improve operational efficiency over the next 18 months. One such example is the Field Support Services project, which will centralize administration work and reduce the burden of this activity on inspectors and engineers. In addition, TSSA continues to challenge its strategic partners, through strong procurement practices, to deliver cost improvements. Several key vendor contracts have been tendered for competitive bids with resulting cost reductions. Further activity in vendor management is expected to continue in the future.

Q11. What has TSSA implemented to reduce fees for compliant customers with good safety records?

TSSA employs a model called risk-based scheduling for two major program areas which calculates a number of risk factors and in turn determines the intervals of inspection for each site we visit. The net result for those customers that demonstrate a good safety record will be a decrease in inspection frequency and a resultant reduction in fees. For those public safety services provided at an hourly rate, compliant customers see lower fees (as the services take less time to deliver).

TSSA will be additionally seeking to further optimize expenses over the next 18 months, including utilization of an advanced scheduling function as part of the broader Field Support Services initiative.

Program-Specific Fuels:

Q1. Why is TSSA increasing its fees for Fuels now?

TSSA must introduce new fees that reflect the true costs of providing public safety services. TSSA also invests in safety initiatives to increase public safety, such as enhancements to the information system, further ensuring data integrity, advancements with risk-informed decision-making, research into user behaviour modification and increased operational staff in all program areas,

Q2. When were fees for Fuels last reviewed?

TSSA's fuels-related fees were last reviewed and increased in 2009.

Q3. What was the reaction of the fuels advisory councils?

When TSSA met with the various fuels advisory councils, the feedback received was mostly supportive of the goals established for this fee review. In addition, fee review sub-committees were formed to examine options and the specifics of TSSA's recommendations. The aggregate impact on year-over-year revenue is between 2.4 and 3.4%, depending on the specific fuels program; however, the increase for items may be somewhat more or less. This was agreed upon with industry input in terms of distribution or rebalancing between specific billable items and rounding of rates. While some advisory councils were supportive of the fee review outcomes, others were not. However, TSSA ensured the fee review process was consultative and transparent and the revised fee schedule fair and balanced. Both the TSSA's Board of Directors and the Ministry of Consumer Services reviewed the revised fee schedule and it was subsequently approved by the Board in September 2012.

Q4. How are you going to rebalance fees?

While there were several re-balancing/re-distribution of fees in the prior fee review, this adjustment was not required in the current fee review.

Q5. Why are pipeline strike fees being increased – and what is a No-locate(s) fee?

Both the Fuels Advisory Council members and TSSA believe that pipeline strikes represent one of the most significant public safety hazards facing this sector. Consistent with TSSA's fee review principles, the existing pipeline strike fee was raised by \$700 to \$850 to deter incidents of this nature and encourage compliant safety



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behaviour. To further develop proactive safety efforts and encourage compliant behaviour, inspectors can now levy a new \$500 inspection fee where a pipeline locate is required but not found.

Q6. Are there any changes to the current bundled inspection and licensing fees?

The bundled licence and inspection fee remains the same. In this fee review, a 1.75 hour inspection time (previously 2 hours) will be included (billed in three equal installments) along with an average travel charge. The underlying license fee remains unchanged.

Q7. Why was my input not solicited – prior to approval?

Input was sought and gained from many associations representing certificate holders, contractors and licence holders. Individual approval from all of our authorization holders would have been impractical; however, their voice was heard and acted upon through their associations.

Q8. Will I see a decrease in fees anywhere? If so, why the discrepancy?

There were no individual fee reductions in this fee review, with the exception of the propane sector. For the propane sector, there was a specific reduction of 33% for the L-1 RSMP application fee from \$450 to \$300, which will be effective January 1, 2013. There were however several fees which remained unchanged, and the introduction of a minimum fee for certain inspections and engineering reviews.

Q9. What does “minimum fee” mean and what is included?

Feedback since the last fee review indicated a desire to move to fees which were simpler to administer and easier to predict. While flat fees have been in existence for a period of time in other programs, the application of a minimum fee is largely new for this review. With a minimum fee, a base number for inspection or engineering hours is included – these vary by program and by device. In addition, TSSA has eliminated a separate line item for travel and in its place has included a travel surcharge to capture the average travel time required to complete an inspection. For fairness and consistency, this charge has been spread evenly across all regulated devices and facilities in Ontario. Additional fees at the standard hourly rate (that remains unchanged from the current fee) will only apply if the inspection or engineering review exceeds the established time. Many customers will not see additional billing, assuming the inspection is fully compliant/safe and the device(s)/owner/contractor were appropriately prepared.

Q10. While TSSA has said that it has improved safety services, why should I pay for such services when I don't use them?

The nature of your industry is such that both opportunity and performance is dependant, among other things, on a good safety record. Your fees reflect not only the cost of the direct services you receive but also your contribution to the overall safety system for your industry. This includes services such as standards and code work, incident investigations, enforcement action and public education. We have intensified our efforts over the last few years by introducing cyclical audits. This helps to ensure a level playing field in the industries we regulate, such as dealing with tradespersons or companies which are unlicensed or non-compliant, and improving customer communication.

Q11. While TSSA has said that it has improved safety services, how has TSSA improved safety in Fuels?

Over the last ten years, TSSA has introduced the following:

- contractor, fuel supplier, license site, and pipeline construction audits;
- a technical desk to assist industry with inquiries and interpretations, incident investigation alerts within a thirty-minute commitment, and escalated response to reports of those operating in non-compliance;
- presentations to industry groups (over 200 per year) to help customers understand regulations and to assist consumers in the promotion of safe behaviours such as employing certificate holders to conduct annual maintenance;
- numerous safety orders and interpretations; and
- increased operation staff and interaction with those we regulate to ensure practical safety solutions.

Q12. One of your fee principles is to ensure a fee structure that is fair. I am a seasonal business that operates only six months out of the year. How is this increase fair to me?

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The proposed fees relate to the costs of providing essential safety services. The costs of licensing a facility and inspecting it are the same regardless of the seasonality of a business.