



Australian Government
Department of Agriculture,
Water and the Environment

Cost recovery implementation statement: dairy exports 2021–22



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Department of Agriculture, Water and the Environment

GPO Box 858 Canberra ACT 2601

Telephone 1800 900 090

Web awe.gov.au

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1 Introduction

1.1 Purpose of this CRIS

This cost recovery implementation statement (CRIS) provides information on how the Department of Agriculture, Water and the Environment (the department) implements cost recovery for the dairy cost recovery arrangement. It also reports financial and non-financial performance information, contains financial forecasts for 2021–22 and three forward years and details the cost base and pricing structure. It includes updates on the impacts of the Busting Congestion for Agricultural Exporters package and the More Efficient and Sustainable Export Regulation measure announced in the 2020–21 Budget.

The government is investing in modernising and reforming exports regulatory services which will impact the cost of delivering those services (known as the cost base) over time. Agriculture and food exporters and producers will be assisted through the modernisation and reform process with a freeze in fees and charges in 2020–21, and stepped increases from 2021–22 to 2023–24. The Australian Government has committed \$71.1 million to improve the financial sustainability of export certification services by supporting a stepped return to full cost recovery and to enable reforms to be rolled out while maintaining existing systems.

The key purpose of this CRIS is to:

- update the dairy exports cost recovery arrangement cost base
- describe the fees and charges for 2021–22 through to 2024–25.

From 2021, the CRIS will be updated annually as described in [section 2](#).

1.2 Summary of dairy exports regulatory reforms

These reforms are an opportunity for government and industry to work in partnership to lower the cost base of exports arrangements. While specific savings have not been identified for this arrangement, it is anticipated there will be benefits that may be quantified in the future. This will require an iterative approach to manage the cost base over the forward estimates. The department will work with industry to achieve these outcomes.

Table 1 shows the impact to expected cost recovered revenue. A permanent reduction in the cost base of \$0.4 million from 2021–22 has been identified since the 2020–21 CRIS. This includes the total additional cost reduction from revised activity and depreciation.

Table 1 Dairy exports cost recovery arrangement cost base adjustments

Cost base	Unit	2021–22	2022–23	2023–24	2024–25
2020–21 CRIS expense	\$	5,035,255	5,127,669	5,227,726	5,329,407
Cost reductions – revised activity levels	\$	(296,700)	(302,177)	(307,755)	(313,436)
Depreciation adjustment	\$	(148,070)	(82,283)	(83,802)	(85,349)
2021–22 CRIS expense	\$	4,590,485	4,743,209	4,836,169	4,930,621
Cost recovered revenue	\$	3,555,690	4,204,889	4,806,090	4,879,093
Appropriation funding	\$	1,034,795	538,320	n/a	n/a
Total revenue	\$	4,590,485	4,743,209	4,806,090	4,879,093
Appropriation funding as % of expenses	%	23	11	n/a	n/a

n/a Not applicable.

1.3 Path to full cost recovery

The More Efficient and Sustainable Export Regulation measure, which is part of the Busting Congestion for Agricultural Exporters package, provides investment of \$71.1 million over 3 years from 2020–21 to 2022–23 to maintain essential export regulatory services across all exports cost recovered arrangements while prices undergo stepped increases.

2020–21 prices were frozen at the 2019–20 prices. From 2021–22, prices will be increased to return all arrangements to full cost recovery in 2023–24.

1.4 Reforms: Busting congestion for all agricultural exporters

In the 2020–21 Budget, the Australian Government announced the Busting Congestion for Agricultural Exporters package which includes reforms to slash unnecessary red tape to get products to export markets faster and support jobs in rural and remote Australia.

The package, worth over \$328.4 million over 4 years from 2020–21, includes the following measures that are relevant to this CRIS.

- Digital Services to Take Farmers to Markets measure – this measure will invest \$222.2 million to modernise Australia’s agricultural exports systems. The focus will be on helping exporters experience faster and more cost-effective services by transitioning the department’s systems online and providing a single portal for transactions between exporters and government.
- Working with trading partners and international standard setting organisations to embed, where appropriate, alternative regulatory approaches such as technology supported auditing, and to promote wider utilisation of e-certification.
- Assignment of dedicated case managers to support new agriculture exporters, including seafood, grains, dairy and non-prescribed goods, to allow them to navigate and meet regulatory requirements to get on the front foot to enter markets. This will support existing exporters to expand and diversify their market opportunities by assisting them to more easily navigate export regulatory processes, for example through the registration process (\$3.7 million over 2 years).

Once measures under the Busting Congestion package are implemented, it is expected that annual fees and charges will be at least \$21.4 million lower from 2023–24 than if the reforms were not implemented.

For further information on the package see Busting Congestion for Agricultural Exporters.

1.4.1 Dairy deregulation

The Dairy Exports Assurance Program is an exciting opportunity for the government, state regulatory agencies and industry to co-design a more robust and inclusive regulatory framework for the dairy exports industry. The program consists of 3 projects that focus on raising export awareness, reducing regulatory burden and streamlining audit arrangements in the dairy sector.

This funding is the first major investment into the export sector for over a decade. The government agreed to fund \$12.7 million between 2019–24 with approval for an additional \$2.0 million in 2024–25.

The funding will allow the delivery of 3 projects:

- 1) Working with stakeholders to identify regulatory hurdles for domestic dairy manufacturers to become exporters, building a better understanding of how regulators and industry can overcome these hurdles and providing improved clarity around ownership and responsibility within the export system.
- 2) Seeking opportunities to create a more streamlined and aligned regulatory auditing system by working with industry to investigate commercial auditing outcomes and linkages to regulatory requirements.
- 3) Focus on reducing regulatory intervention through the improved use of data and information to better inform risks, targeted audit interventions and regulatory oversight, providing greater focus on problem areas while also rewarding good performance. The project will also work closely with Dairy Food Safety Victoria's RegTech 2022 project and other state regulators to explore the opportunities for using data in food safety assurance.

Cost impacts will be incorporated in an updated CRIS as they are identified.

2 CRIS updates

In accordance with the Australian Government Charging Framework, the dairy exports CRIS will be updated annually to report on financial and non-financial performance and revised 4-year forecasts. This annual update will provide an opportunity to measure progress of the reforms as they become quantifiable and to account for any external factors, for example, projected demand for activity.

The department will also report in-year financial performance within the CRIS, periodically reporting performance against the CRIS and explaining any variances. This will provide transparency in reporting for all exporters.

There may be other significant developments warranting a broader review of the cost base or charges. These could include:

- changes to the regulatory settings of the arrangement – for example, through a government policy change or the introduction of new systems or infrastructure
- changes to demand for regulatory activity – for example, due to a large part of industry changing its business model or significant change in terms of trade
- significant changes to financial inputs – for example, changes to the bond rate impacting departmental leave provisions, changes to the department’s Comcare premiums or a change to accounting standards.

Where a CRIS update reveals that the existing fee or charge structure no longer meets the financial or regulatory requirements of the arrangement, the department may propose revised fees and charges. In this circumstance, the CRIS update will be the first step in consultation on changes to prices, followed by opportunities for stakeholder engagement.

3 Policy and statutory authority to cost recover

Under the Australian Government Charging Framework, cost recovery requires both policy approval and statutory authority. This chapter provides information on government approval of regulatory charging for export regulatory activities and the legislation that enables the department to collect fees and charges.

3.1 Why cost recovery is appropriate

Cost recovery (regulatory charging) falls within the Australian Government’s Charging Framework. The type of charge is determined by the characteristics of the activities as described in the Charging Framework. This provides the overarching framework under which government entities must design, implement and review cost recovery.

Regulatory charging is appropriate because export regulatory activity is provided to a clearly identifiable group – individuals and organisations that participate in the agriculture, food and fibre export supply chain.

There are additional benefits to funding export regulation through regulatory charging. When a business pays for the activities it receives, the government has an obligation to justify the prices it charges. Regulatory charging also raises awareness of regulated entities of how much a regulated activity costs.

For these reasons, the government has determined regulatory charging to be the most appropriate mechanism for funding export regulatory activity. Regulatory charging of export regulatory activities is consistent with the Charging Framework.

3.2 Who will pay the regulatory charges

The department cost recovers regulatory charges in this CRIS from participants in the dairy export supply chain, including exporters, producers and storage facilities. Additional information on services provided and the entities are outlined in [section 4.1](#).

3.3 Government policy approval to cost recover the regulatory activity

Policy authority for regulatory charging for export regulatory activities was reaffirmed in the 2020–21 Budget when the government announced the Busting Congestion for Agricultural Exporters package. The package sets out a period of partial cost recovery from 2020–21 to 2022–23 before a return to full cost recovery by 2023–24, while a series of reforms to improve efficiency and lower costs are implemented.

3.4 Statutory authority to charge

3.4.1 New legislative framework

The *Export Control Act 2020* commenced on 28 March 2021, consolidating export functions from the *Export Control Act 1982* and *Australian Meat and Live-stock Industry Act 1997* into a new

legislative framework. The new legislation supports existing policy, while providing flexibility for different approaches to the regulation of exports in the future.

3.4.2 Cost recovery charges

Cost recovery charges are imposed under these Acts:

- *Export Charges (Imposition – General) Act 2015*
- *Export Charges (Imposition – Customs) Act 2015*
- *Export Charges (Imposition – Excise) Act 2015.*

Details of specific price points and charges payable are included in these regulations:

- *Export Charges (Imposition – General) Regulations 2021*
- *Export Charges (Imposition – Customs) Regulations 2021.*

3.4.3 Cost recovery fees

Section 399 of the *Export Control Act 2020* provides that the rules may prescribe fees that may be charged in relation to fee-bearing activities carried out by, or on behalf of, the Commonwealth in the performance of functions or the exercise of powers under the Act. The specific fees and price points are set out in the *Export Control (Fees and Payments) Rules 2021*.

4 Cost recovery arrangement for dairy exports

This section describes the dairy exports cost recovery arrangement cost base.

4.1 Description of the regulatory activity

Agriculture, food and fibre exports are regulated in accordance with *Export Control Act 2020* and associated legislative framework (for more information see [section 3.4](#)).

To certify a product's compliance with Australia's export requirements and the importing country requirements, the department undertakes a range of activities, including:

- developing, implementing and monitoring operational policy and systems that ensure compliance with Australian export controls and any importing country requirements. These activities serve to maintain the eligibility of commodities for export from Australia and to protect and promote Australia's reputation for premium agricultural goods, while maintaining existing, and seeking increased, market access opportunities
- providing inspection, auditing, and enforcement activities to ensure that the production, storage, handling and transportation of dairy products intended for export comply with the conditions of Australian export controls and any additional requirements imposed by an importing country
- issuing permits, export certification and other documentation necessary to confirm compliance with the Australian export controls and any additional importing country requirements
- managing quota allocation and quota certification to enable exporters to access tariff rate concessions offered under trade agreements
- providing support through the department's overseas counsellors relating to detained consignments, government certification and other issues which result in goods being held at the border
- providing scientific and technical advice to improve, maintain or restore market access and to demonstrate adherence to export requirements
- enforcing regulation of certified organic goods exported from Australia.

For more information, see [Export goods controlled by the department](#).

4.2 Cost base

Table 2 shows the dairy arrangement cost base for 2021–22. See Table 3 for an overview by cost type for 2021–22.

A description of cost activities and the methodology for attributing costs to these activities is provided at [Appendix A](#).

4.2.1 Cost base assumptions

The cost base has been modelled to reflect the full costs of the delivery of regulatory services to support the dairy industry. The 2018–19 departmental budget has been used as the starting point for determining the cost base in this CRIS. To project the cost base over the next 4 years, adjustments have been applied to capture expected changes to the costs including:

- inflation of 1.65% per annum, in line with the Department of Finance’s inflation estimate
- increases in employee expenses of 2% per annum, reflecting reasonable estimates of wage increments in line with the Australian Public Service Workplace Bargaining Policy 2018
 - a new Australian Public Service Workplace Relations Policy was released in November 2020 providing that employee salary increases are to be capped at 1.7%. Modelling has not been updated to reflect the revised policy
 - the former Department of Environment and Energy Enterprise Agreement 2016-19, which applies to the department through to 2022, provides for 2% annual increases until the end of the agreement, with the last increase applying in November 2021
 - the CRIS will be updated for 2022–23 to reflect either the November 2020 policy or a revised enterprise agreement, whichever applies at the time
- additional depreciation from new assets anticipated to be recognised over the period
- adjustments for future fee-related activities to reflect expected changes in volume.

4.2.2 Projected cost base

The cost base from 2021–22 for the dairy exports cost recovery arrangement is \$4.6 million (Table 2), made up of:

- \$3.723 million in charge-related activities
- \$0.868 million in fee-related activities.

Table 2 Cost base for dairy exports cost recovery arrangement, 2021–22

Charge type	Activity group	Activity	Expense (\$)	Cost recovery charges
Charges	Program management and administration	Workforce and business administration	3,722,885	Annual registration, export documentation, throughput, application and organic certification
		Business system administration		
		Stakeholder engagement		
		Policy and instructional material		

Charge type	Activity group	Activity	Expense (\$)	Cost recovery charges
		Business improvement		
	Assurance	Risk management		
		Verification		
		Surveillance		
	Incident management	Incident management		
		Investigative support		
		Corrective action		
Fee for service	Intervention	Assessment	492,483	Assessment
		Inspection	2,805	Inspection
		Audit	372,311	Audit
Total cost base	-	-	4,590,485	-

Table 3 provides a breakdown of expenses of the dairy exports cost recovery arrangement (2021–22).

Table 3 Cost type breakdown for dairy exports cost recovery arrangement, 2021–22

Expense	Forecast (\$)
Direct	3,208,041
Employee	2,160,028
Operating	1,027,602
Other	20,411
Indirect	1,382,444
Assurance and Legal	89,535
Corporate Strategy and Governance	156,392
Finance and Business Support	250,965
Information Services	523,542
Property	362,011
Total	4,590,485

For more information on how expenses are allocated see cost recovery methodology in [Appendix A](#).

4.3 Changes to the cost base

This CRIS includes adjustments to the dairy exports costs base since 2015–16, when the previous CRIS was implemented.

4.3.1 Expanded cost recovery measure from the 2018–19 Budget

Expanded cost recovery activities announced in the 2018–19 Budget were implemented from 1 July 2019. This provided authority for additional cost recovery regulatory activities including enforcement, scientific and technical advice, and support for detained consignments which

increased the cost base by \$0.444 million indexed annually from 1 July 2019. Charges will recover for:

- enforcement activities that are directly related to or regulatory functions to ensure industry compliance with international import conditions (\$0.106 million indexed annually from 1 July 2019)
- scientific and technical advice related to supporting industry to improve, maintain or restore market access (\$0.266 million indexed annually from 1 July 2019)
- the cost of the department’s overseas counsellor network assisting industry to meet export requirements for detained consignments or during trade disruptions (\$0.072 million indexed annually from 1 July 2019).

4.3.2 Activities impacting on the increase to the cost base

The major movements are due to the:

- addition of the Australian Milk Residue Analysis (AMRA) function into the arrangement from 1 July 2017
- increase in new establishments and the transfer of audit responsibility in 2015 from South Australia and Western Australia to the department
- increases to various costs including audit and assessment services, information services costs and depreciation from additional capital investments.

These have contributed to the movements to the cost base since 2015–16.

4.3.3 Reductions to the cost base since the 2020–21 CRIS

The dairy exports 2020–21 CRIS was used as a starting position for the proposed 2021–22 CRIS cost base. These reductions to the cost base are:

- The export arrangements’ use of the department’s client contact group is lower than previously modelled. All export arrangement cost bases have been reduced to reflect usage.
- Following commencement of the Indonesia-Australia Comprehensive Economic Partnership Agreement, the department is now managing a range of additional export quotas for agricultural exports and the costs are dispersed across more arrangements. The department continues to deliver the new quotas with the same number of staff reflecting an efficiency in delivering the service.
- Corporate and indirect expenses have been reduced in line with the reduction in direct expense. Depreciation expense has also been adjusted to reflect the timing of planned project rollouts.

In line with the government’s Charging Framework and the department’s cost allocation policy, inflation and depreciation expenses have been adjusted in the cost base to reflect increased employee and supplier expenses in line with the Australian Public Service Workplace Bargaining Policy 2018 and government inflation estimates. Cost recovery of these activities is considered appropriate because industry directly benefits from having a system in place that allows the department to manage and respond to market access issues, including ensuring compliance with overseas country requirements.

Table 4 shows the change to the cost base in 2021–22.

Table 4 Changes to cost base for dairy exports, 2021–22

Adjustment to cost base	Impact on cost base	Unit	Forecast
Total baseline expense, 2020–21 CRIS	n/a	\$	5,035,255
Cost reduction – revised activity levels:			
Reduction in general enquiry hotline usage	Decrease	\$	(90,000)
Efficiency gains in quota management	Decrease	\$	(140,000)
Reduction in corporate and indirect expenses	Decrease	\$	(66,700)
Total cost reduction due to revised activity levels	Decrease	\$	(296,700)
Depreciation adjustment	Decrease	\$	(148,070)
Total adjustments to cost base	Decrease	\$	(444,770)
Adjusted cost base	n/a	\$	4,590,485
Change in expense	Decrease	%	(8.8%)

n/a Not applicable.

As part of the charging review, the department has considered a number of additional reforms. These reforms have not been included in the cost base because their financial impact cannot be quantified at this point.

4.4 Reforms from 2020–21

4.4.1 New export control legislation

As noted at [section 3.4](#), the *Export Control Act 2020* commenced on 28 March 2021, consolidating export functions from the *Export Control Act 1982* into a new legislative framework. No changes to the cost base have been identified at this time as a result of the implementation of the new legislative framework, but changes to the department’s regulatory approach could affect cost recovery. Any impacts will be reviewed when or if changes are implemented.

4.4.2 Dairy deregulation

The Dairy Exports Assurance Program is an exciting opportunity for the government, state regulatory agencies and industry to co-design a more robust and inclusive regulatory framework for the dairy exports industry. The program consists of 3 projects that focus on raising export awareness, reducing regulatory burden and streamlining audit arrangements in the dairy sector. Cost impacts and potential changes to charging will be reflected in annual CRIS updates as they are identified.

More details can be found as [section 1.4](#).

5 Design of regulatory charges

This CRIS provides for a mix of regulatory fees-for-service and levies (charges), implemented in the CRIS as charges under the Export Charging Regulations.

Fees for services are used where the regulation is provided directly to an individual or organisation, such as inspections of goods, audit of registered premises or assessment of export certification. These are the intervention activities described at [Appendix A](#).

Cost recovery levies (charges) are imposed when regulation is imposed on an industry sector rather than directly to a specific individual or organisation. These charges recover the costs of maintaining regulatory infrastructure and integrity through the program management and administration, assurance and incident management activities described at [Appendix A](#).

5.1 Changes to regulatory fees and charges

No changes to the types of fees and charges or charge points were proposed as part of this CRIS.

Most fees and charges increase to meet the total expense and is consistent with the government's stepped increases to full cost recovery as outlined in the More Efficient and Sustainable Export Regulation measure. The fees and charges take into account the government's appropriation.

5.2 Dairy exports fees and charges

The amount payable for 2021–22 to 2024–25 is shown in Table 5 to Table 8.

Table 5 Fees, charges and volumes for dairy exports cost recovery arrangement, 2021–22

Type of charge	Cost recovery charges	Unit	Price (\$)	Estimated volume (units)	Estimated total revenue (\$)
Charges	Corporation/Co-operative exporting ≥2,000 tons	Annual	11,177	30	335,310
	Corporation/Co-operative exporting <2,000 tons	Annual	6,182	180	1,112,760
	Storage establishment – dairy	Annual	2,632	266	700,112
	Electronic document	Per permit	22	30,682	675,004
	Registration application	Per application	640	82	52,480
Fees – audit	Audit	Per quarter hour	48	6,008	288,384
Fees – inspection	Inspection	Per quarter hour	53	41	2,173
Fees – documentation	Electronic certificates	Per document	9	30,682	276,138
	Manual certificates	Per document	145	164	23,780
	Replacement certificate	Per replacement	533	153	81,549

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Type of charge	Cost recovery charges	Unit	Price (\$)	Estimated volume (units)	Estimated total revenue (\$)
Organics a	Organic certifying body	Annual (charged quarterly)	8,000	1	8,000
Total	-	-	-	-	3,555,690

a Organic certifiers support a small number of exporters in all of the export arrangements (excluding Live Animal Exports) and therefore the expense has been reflected in each CRIS.

Note: Prices have been rounded. The annual charge will be rounded upwards to the nearest dollar, with the exception of throughput, which will be rounded upwards to the nearest cent.

Table 6 Fees, charges and volumes for dairy exports cost recovery arrangement, 2022–23

Type of charge	Cost recovery charges	Unit	Price (\$)	Estimated volume (units)	Estimated total revenue (\$)
Charges	Corporation/Co-operative exporting ≥2,000 tons	Annual	13,425	30	402,750
	Corporation/Co-operative exporting <2,000 tons	Annual	7,425	180	1,336,500
	Storage establishment – dairy	Annual	3,161	266	840,826
	Electronic document	Per permit	26	30,682	797,732
	Registration application	Per application	662	82	54,284
Fees – audit	Audit	Per quarter hour	57	6,008	342,456
Fees – inspection	Inspection	Per quarter hour	55	41	2,255
Fees – documentation	Electronic certificates	Per document	10	30,682	306,820
	Manual certificates	Per document	174	164	28,536
	Replacement certificate	Per replacement	552	153	84,456
Organics a	Organic certifying body	Annual (charged quarterly)	8,274	1	8,274
Total	-	-	-	-	4,204,889

a Organic certifiers support a small number of exporters in all of the export arrangements (excluding Live Animal Exports) and therefore the expense has been reflected in each CRIS.

Note: Prices have been rounded. The annual charge will be rounded upwards to the nearest dollar, with the exception of throughput, which will be rounded upwards to the nearest cent.

Table 7 Fees, charges and volumes for dairy exports cost recovery arrangement, 2023–24

Type of charge	Cost recovery charges	Unit	Price (\$)	Estimated volume (units)	Estimated total revenue (\$)
Charges	Corporation/Co-operative exporting ≥2,000 tons	Annual	15,308	30	459,240
	Corporation/Co-operative exporting <2,000 tons	Annual	8,467	180	1,524,060

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Type of charge	Cost recovery charges	Unit	Price (\$)	Estimated volume (units)	Estimated total revenue (\$)
	Storage establishment – dairy	Annual	3,605	266	958,930
	Electronic document	Per document	30	30,682	920,460
	Registration application	Per application	675	82	55,350
Fees – audit	Audit	Per quarter hour	65	6,008	390,520
Fees – inspection	Inspection	Per quarter hour	56	41	2,296
Fees – documentation	Electronic certificates	Per document	12	30,682	368,184
	Manual certificates	Per document	198	164	32,472
	Replacement certificate	Per replacement	563	153	86,139
Organics a	Organic certifying body	Annual (charged quarterly)	8,439	1	8,439
Total		-	-	-	4,806,090

a Organic certifiers support a small number of exporters in all of the export arrangements (excluding Live Animal Exports) and therefore the expense has been reflected in each CRIS.

Note: Prices have been rounded. The annual charge will be rounded upwards to the nearest dollar, with the exception of throughput, which will be rounded upwards to the nearest cent.

Table 8 Fees, charges and volumes for dairy exports cost recovery arrangement, 2024–25

Type of charge	Cost recovery charges	Unit	Price (\$)	Estimated volume (units)	Estimated total revenue (\$)
Charges	Corporation/Co-operative exporting ≥2,000 tons	Annual	15,607	30	468,210
	Corporation/Co-operative exporting <2,000 tons	Annual	8,632	180	1,553,760
	Storage establishment – dairy	Annual	3,675	266	977,550
	Electronic document	Per permit	30	30,682	920,460
	Registration application	Per application	689	82	56,498
Fees – audit	Audit	Per quarter hour	67	6,008	402,536
Fees – inspection	Inspection	Per quarter hour	57	41	2,337
Fees – documentation	Electronic certificates	Per document	12	30,682	368,184
	Manual certificates	Per document	202	164	33,128
	Replacement certificate	Per replacement	574	153	87,822

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Type of charge	Cost recovery charges	Unit	Price (\$)	Estimated volume (units)	Estimated total revenue (\$)
Organics a	Organic certifying body	Annual (charged quarterly)	8,608	1	8,608
Total	-	-	-	-	4,879,093

a Organic certifiers support a small number of exporters in all of the export arrangements (excluding Live Animal Exports) and therefore the expense has been reflected in each CRIS.

Note: Prices have been rounded. The annual charge will be rounded upwards to the nearest dollar, with the exception of throughput, which will be rounded upwards to the nearest cent.

6 Stakeholder engagement

Stakeholder engagement plays an important role in the development and management of cost recovery arrangements. The department's stakeholders have a unique insight into how the department's regulatory activities impact on their business and help the department to design efficient cost recovery frameworks for these activities.

6.1 Stakeholder engagement strategy

6.1.1 Purpose

This stakeholder engagement strategy for the cost recovery of dairy exports regulatory activities outlines the engagement principles, method and approach. The purpose of the strategy is to work with industry to update the CRIS as needed and provide information on the performance of the cost recovery arrangement.

This strategy helps the department to plan, design, undertake and evaluate stakeholder engagement activities.

It has been designed to meet the requirements of the:

- Australian Government Charging Framework
- Australian Government Guide to Regulation
- APS Framework for Engagement and Participation.

6.1.2 Principles

The department's principles for engagement are to listen and engage meaningfully.

The department will achieve this by:

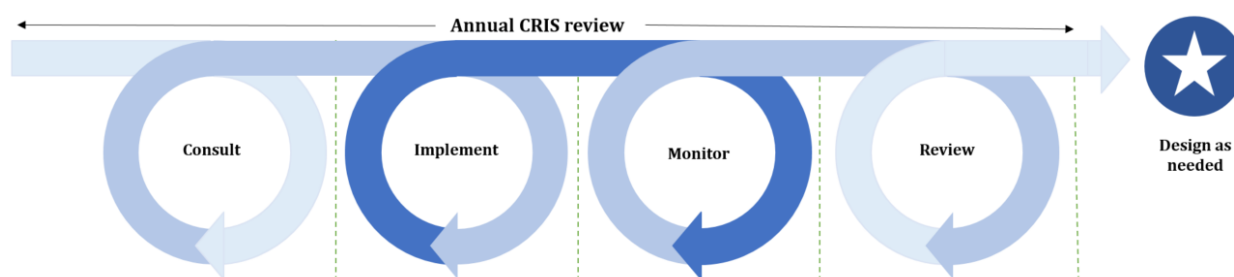
- clearly explaining the objective and context of stakeholder engagement
- being honest about what is on the table, that is, what is yet to be decided and what has already been decided
- providing sufficient time for stakeholders to engage in consultation processes
- ensuring information that is essential to participant's roles is made available to them
- providing feedback on how feedback has been taken into consideration.

6.1.3 Method

The department plans to consult on, implement, monitor, and review regulatory charging through annual CRIS reviews.

The department will also design revised fees and charges in the CRIS documents as needed.

Figure 1 Engagement process



Throughout this process, the department will use 2 different levels of engagement:

- 4) share – when government needs to tell the public about a government initiative
- 5) consult – when government gathers feedback from specific industry groups about a problem or a solution.

6.1.4 Approach

The department’s engagement approach is outlined in Table 9.

Table 9 Our approach to stakeholder engagement for regulatory charging

Category	Consult annually	Implement annually	Monitor annually	Review annually	Design as needed
Objective	Public consultation to seek feedback on annual updates to the proposed cost base, fees and charges in the draft CRIS.	Publish public information to prepare stakeholders for upcoming changes to regulatory charging.	Publish information on prior year financial and non-financial performance of regulatory charging.	Consultation to seek feedback on regulatory performance and stakeholder engagement.	Targeted consultation to seek advice and input on behalf of their industries to develop volume, expense and pricing models.
Level of engagement	Consult	Share	Share	Consult	Consult
Timing	Annually in first quarter of the year.	Annually in June.	Annually in October.	As needed or for the Portfolio Charging Review in 2023.	As needed.
Stakeholders	Industry Consultative Committees (ICCs). All industry participants. Peak industry bodies.	All industry participants. Peak industry bodies.	Industry consultative committees (ICCs). All industry participants. Peak industry bodies.	Industry consultative committees (ICCs). All industry participants. Peak industry bodies.	Industry consultative committees (ICCs). Peak industry bodies.
Method	Online – Have Your Say. Face to face.	Industry advice notices (IANs). Online – department website.	Online – department website.	Online – Have Your Say.	Face to face. Teleconference

6.2 Industry engagement

The department has been formally engaging with industry on charging arrangements since 2018, including regular engagement on the CRIS with the Dairy Export Industry Consultative Committee (DEICC).

A CRIS was released for public submissions between October 2019 and January 2020, supported by meetings with the DEICC and 13 public meetings with export stakeholders. The department received 3 submissions on the dairy arrangement. Outcomes of this engagement informed government consideration of export cost recovery generally, including Busting Congestion for Agricultural Exporters package.

In February 2021, 2020–21 the dairy exports CRIS was published to provide stakeholders with a description of the impact of the Busting Congestion package and the intention to freeze fees and charges in 2020–21, followed by stepped increases from 2021–22 to achieve full cost recovery by 2023–24.

A 2021–22 CRIS was released seeking public submissions between 14 May 2021 and 10 June 2021, supported by engagement with industry consultative committees and targeted discussions with industry stakeholders through virtual presentations and feedback sessions. The department received no Have Your Say submissions and one correspondence from the dairy export industry.

As part of the ongoing development of streamlined cost recovery arrangements for export certification, the department will continue to engage with industry stakeholders on an ongoing basis.

A summary of key themes from stakeholder feedback across all consultation since 2018 is provided at [Appendix B](#).

7 Risk assessment

A charging risk assessment (CRA) is required for any regulatory charging policy proposal, such as a CRIS. It helps to identify and analyse regulatory charging risks. The Minister for Agriculture, Drought and Emergency Management must approve the final CRIS given the CRA indicates that it is medium risk.

The CRA has identified 2 implementation categories that are considered high risk:

- the percentage change in annual cost recovery revenue is greater than 10%
- the introduction of new cost recoverable activities.

The remaining implementation categories are considered low to medium risk:

- the total annual cost recovery revenue is less than \$10 million
- the types of charges used include fees and charges
- the expected impact of cost recovery on payers
- stakeholder sensitivity about the proposed changes
- the imposition of the cost recovery charges involving an act of parliament
- the proposal including no involvement with other Commonwealth, state or local government entities.

In addition to the CRA, the department has also considered a number of risks associated with cost recovering dairy exports certification activities and how the department will manage these risks (Table 10).

Table 10 Risks – dairy exports cost recovery arrangement

Risk	Management
The cost of export certification affects industry competitiveness.	The department is implementing a range of reforms to deliver efficiencies in export certification processes.
The fee and charge structure does not support future regulatory reforms.	The CRIS will be reviewed if required.
Changes to government policy and activities.	Regular assessments of the arrangement will inform whether a cost recovery review is required.
Importing countries change export certification requirements – the cost of providing certification no longer reflects forecast effort.	Regular assessments of the arrangement will inform whether a cost recovery review is required.
Deficit occurs. For example, unfavourable farming conditions.	The department will engage with industry to discuss options to reduce expenses through adjustments to services or service standards. This will not include a reduction in regulatory standards.
Significant surplus occurs. For example, entry to a new market or favourable farming conditions.	Subject to approval, collection of revenue in surplus of expense may be managed through remittance, or investment initiatives directly benefiting activities within the arrangement. An alternative approach may be agreed with industry within policy guidelines.

Cost recovery implementation statement: dairy exports 2021–22

Risk	Management
Changing events impact actual revenue versus forecast revenue.	The department will update the CRIS annually to reflect changes in activity and effort and describe any consequential changes in the cost and price.

8 Financial estimates

8.1 Financial estimates

The financial estimates of the dairy exports cost recovery arrangement is provided at Table 11.

There will be no change to the cost recovery reserve and the deficit is intended to be carried forward until a government decision is taken to address it.

Table 11 Financial estimates for dairy exports cost recovery arrangement

Finance element	2021–22 (\$)	2022–23 (\$)	2023–24 (\$)	2024–25 (\$)
Revenue = X	3,555,690	4,204,889	4,806,090	4,879,093
Expenses = Y	4,590,485	4,743,209	4,836,169	4,930,621
Balance = X - Y	(1,034,795)	(538,320)	(30,079)	(51,528)
Appropriation funding	1,034,795	538,320	n/a	n/a
Balance after appropriation	-	-	(30,079)	(51,528)
Forecast opening cost recovery reserve balance	(1,805,781)	(1,805,781)	(1,805,781)	(1,835,860)
Transfer	-	-	(30,079)	(51,528)
Forecast closing cost recovery reserve balance	(1,805,781)	(1,805,781)	(1,835,860)	(1,887,388)

n/a Not applicable.

8.2 Cost recovery reserve

A cost recovery reserve is maintained for each of the agriculture and food exports charging arrangements. The department's policy is to maintain a balance of between zero and five percent of annual program expenditure in the reserve for each arrangement. Close management of the financial performance of arrangements may lead to more frequent adjustments to charges, including to reduce a reserve surplus.

At the time of CRIS release, the dairy exports reserve is in deficit. Fees and charges have not been modelled to recover this deficit. The More Efficient and Sustainable Export Regulation measure provides investment of \$71.1 million over 3 years from 2020–21 to 2022–23 to maintain essential export regulatory services across all export cost recovery arrangements while prices are gradually increased. This is intended to maintain the deficit at its current level until the government makes a decision to address the deficit.

9 Financial and non-financial performance

Both the Australian National Audit Office’s report on the application of cost recovery principles and the independent review of the cost of export certification make recommendations about improving the department’s performance reporting.

The department is committed to consulting with industry stakeholders on performance indicators to assist in evaluating the performance of the department’s regulatory arrangements. The department will use the benchmarking framework provided by the independent review to engage with industry on development of financial and non-financial Key Performance Indicators (KPIs).

This section presents information on the financial and non-financial performance of the dairy exports cost recovery arrangement. This is intended to provide an overview of the department’s performance in recovering forecasted costs and meeting regulatory objectives.

9.1 Financial performance

The financial performance for the dairy cost recovery arrangement is provided in Table 12.

Table 12 Financial performance for dairy exports cost recovery arrangement, 2017–18 to 2020–21

Finance element	2017–18 (\$)	2018–19 (\$)	2019–20 (\$)	2020–21f (\$)
Revenue = X	2,778,011	2,966,333	2,828,756	2,700,876
Expenses = Y	3,770,738	3,856,692	3,849,129	3,905,362
Balance = X - Y	(992,727)	(890,359)	(1,020,373)	(1,204,486)
Remissions, rebates and adjustments = Z	366,225	(376)	n/a	1,204,486
Net balance = balance + Z	(626,502)	(890,735)	(1,020,373)	-
Cost recovery reserve balance	105,327	(785,408)	(1,805,781)	(1,805,781)

n/a Not applicable. f Forecast.

Note: The major movements previously were due to the addition of the Australian Milk Residue Analysis (AMRA) function into the arrangement from 1 July 2019; the transfer of audit responsibility from South Australia and Western Australia to the department; and increases to various corporate costs including information services costs and depreciation from additional capital investments. From 1 July 2019, \$0.444 million for regulatory activities for enforcement, scientific and technical advice and detained consignments was added to the arrangement indexed and ongoing.

9.2 Non-financial performance

Over the life of this CRIS, the department intends to consult with industry stakeholders on non-financial performance indicators to assist in evaluating performance of the cost recovery

arrangements administered. This CRIS will be updated as performance indicators are refined and further developed.

10 Key dates and events

Regular reviews of financial performance are undertaken and regular stakeholder engagement activities are conducted throughout the CRIS cycle in line with the stakeholder engagement strategy documented in [Section 6](#). Key forward dates for regulatory charging for the dairy exports regulatory activities are documented in Table 13.

Table 13 Key forward dates and events

Key forward events schedule	Next scheduled update
Annual CRIS update to forward estimates	May 2021
2021–22 CRIS published	June 2021
Updated fees and charges implemented	1 July 2021
Annual CRIS updates to financial and non-financial performance for 2020–21	October 2021
Annual CRIS update to forward estimates	February 2022
Updated fees and charges implemented	1 July 2022
Annual CRIS updates to financial and non-financial performance for 2021–22	October 2022
Portfolio charging review to be undertaken	2023
Annual CRIS update to forward estimates	February 2023
Updated fees and charges implemented	1 July 2023
Annual CRIS updates to financial and non-financial performance for 2022–23	October 2023
Portfolio charging review outcomes to be brought forward in Budget	2024–25

11 CRIS approval and change register

Table 14 tracks the changes to the CRIS as a result of changes to the regulatory charging activity.

Table 14 CRIS approval and change register

Date of CRIS Change	CRIS Change	Approver	Basis for change
11/06/2021	Certification of the CRIS	Secretary, Department of Agriculture, Water and the Environment	New regulatory charging activity and revalidation of cost model
15/06/2021	Approval of CRIS	Minister for Agriculture, Drought and Emergency Management	New regulatory charging activity and revalidation of cost model

Appendix A: Cost recovery model

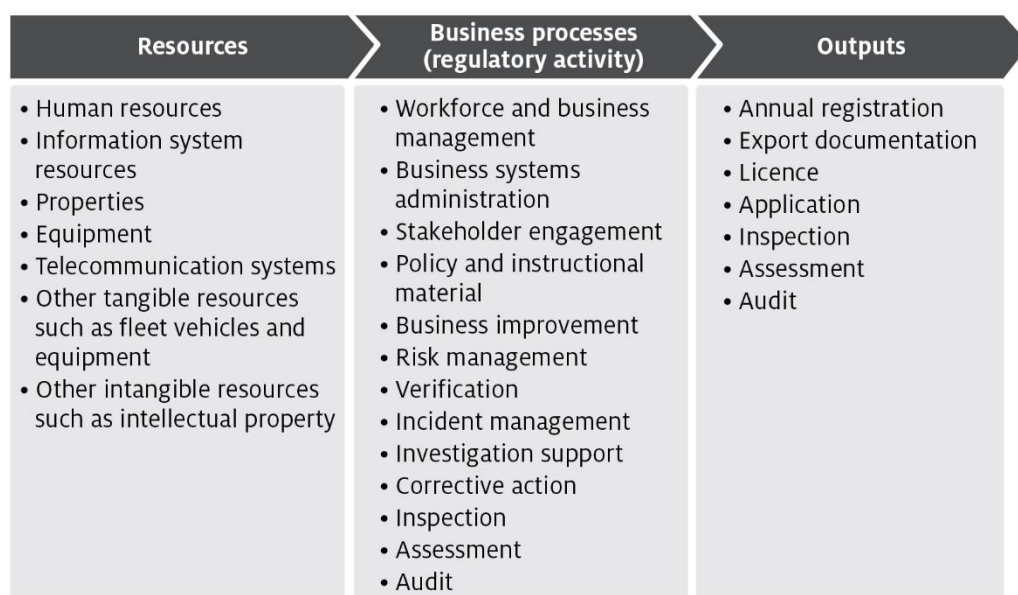
Outputs and business processes of the regulatory charging activity

The key policy objectives for the department’s cost recovery arrangements are to:

- safeguard Australia’s animal and plant health status to maintain overseas markets and protect the economy and environment from the impact of exotic pests and diseases, through risk assessment, inspection and certification, and the implementation of emergency response arrangements for Australian agricultural, food and fibre industries
- support more sustainable, productive, internationally competitive and profitable Australian agricultural, food and fibre industries through policies and initiatives that promote better resource management practices, innovation, self-reliance and improved market access.

The department’s cost recovery arrangements describes how the department uses resources (such as people, IT, property and equipment) to undertake business processes (regulatory activities), which enables the department to provide outputs that meet the department’s policy objectives (Figure A1).

Figure A1 Outputs and business processes of the department’s regulatory charging activity



The processes listed in Figure A2 are described below and are grouped into 4 categories of activities:

- 1) Program management and administration – administrative activities that support and deliver the department’s export regulatory activity commitments.
- 2) Assurance – activities that mitigate risks to collective user groups by assessing departmental controls of systems and processes to ensure they operate in accordance with their intended design.

- 3) Incident management – activities that respond to incidents concerning alleged breaches of Australian regulation or international import conditions.
- 4) Intervention – activities provided directly to an individual, business or organisation to meet export regulatory activity requirements.

Costs of regulatory charging activity

Cost allocation process

To determine the cost of regulatory activities, the department uses an activity-based costing (ABC) system. The ABC cost allocation methodology reflects costs incurred through usage of regulatory activities, providing a transparent allocation of costs while also being efficient and effective to administer.

The 2 expense categories are:

- 1) direct expenses – these can be directly attributed to the provision of an activity, for example, inspections. They comprise of staff salaries and supplier costs including direct capital expenses.
- 2) indirect expenses – these are not directly linked to an activity provided by us. Indirect expenses include corporate employee salaries and overheads such as information technology, finance, human resources costs, and indirect capital expenses.

The cost allocation process apportions the costs of support functions (indirect expense) and direct expense to the processes/activities defined below under [Description of cost model activities](#). The department includes indirect expenses in the cost base to reflect the systems and processes that exist to help with efficient administration, which the cost-recovered arrangements benefit from. This is the same methodology employed for allocation of indirect costs to appropriated activities, in line with the department's cost allocation policy.

The ABC system allocates costs in a staged approach:

- 1) Indirect costs such as property, finance, information technology, human resources and divisional executives are allocated to direct cost centres using a cost driver which estimates the relative usage of each of the corporate services. Cost drivers for corporate services include:
 - a) Workpoints – distributes costs based on space occupied, with the workpoint count reflecting the space where a person may be able to work.
 - b) FTE – distributes costs based on each programme's full-time equivalent staff numbers.
 - c) PC count/IT assets – distributes costs based on the number of IT assets in a program.
 - d) Transactions – distributes costs based on the number of transactions incurred over a period. This driver is used to allocate expenses related to the functions of accounts receivable and accounts payable.
 - e) Headcount – allocates costs based on the number of staff that a program area has as a proportion of the number of staff that are on the department's total staff.
 - f) Custom drivers – allocate costs to specific cost centres, primarily based on usage for shared program resources.

Cost drivers are reviewed on an annual basis, or as required. Changes to cost drivers are substantiated through effort or other data.

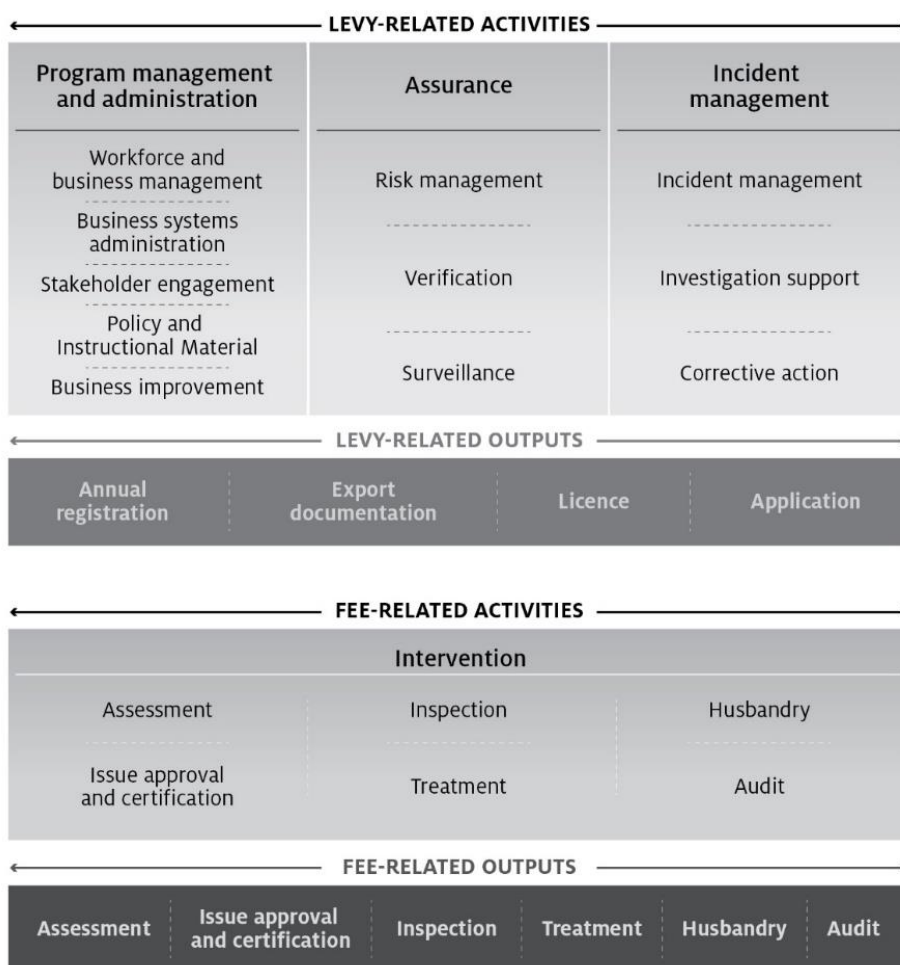
- 2) Direct costs (including the indirect costs allocated in step 1) are allocated to the activity and cost-recovered arrangements that best reflects the activity undertaken. Time recording systems allow the accurate allocation of effort to specific activities and arrangements, particularly to intervention activities.

The primary variable used in the allocation of costs to activities is effort. As a result, cost estimates vary with changes in activity. If actual activity levels change during a financial year, the costs allocated to arrangements would require adjustment to align with that effort. The department monitors this throughout the year and adjust where necessary.

For example, food safety auditors undertake audits across multiple arrangements. The department forecasts the number of audits and average time for an audit for each arrangement. The associated costs are allocated to the arrangements and audit function based on total audit hours.

- 3) Activity/arrangement costs (from step 2) are allocated to charge points which identifies the cost associated with that charge. The department uses a combination of cost recovery fees and charges. Figure A2 shows how the department categorises cost-recovered charge and fee activities and outputs.

Figure A2 Categories of activities



Description of cost model activities

The following provides details of the cost model activities undertaken in the department's cost recovery arrangements.

11.1.1 Program management and administration activities

Workforce and business management

This activity has 4 categories:

- 1) Workforce management activities include staff supervision, allocating workforce resources, managing employee performance, leave, training and other conditions, managing Work, Health and Safety requirements, recruitment and termination.
- 2) Business management activities include business planning and continuity; requesting legal advice; procurement and contracts; program and project administration, assurance, design and management; management of fixtures, facilities, equipment, supplies and logistics.
- 3) Financial management activities include billing and accounting, budgeting, charges and payments, collections and receivables, debt management, financial accounts, reporting and policy development.
- 4) Information management activities include data management, information and records management, and information sharing and collaboration.

Business systems administration

Includes developing, acquiring, testing, implementing and supporting applications and business systems. This includes technical support and maintenance of all business systems including information and communications technology.

Stakeholder engagement

Involves proactive engagement with any person, business, or organisation including any associated travel. This includes, engaging with peak industry bodies, secretariat support and attendance at industry consultative committee meetings, consultation on new standards and requirements, publishing website content and other information.

Policy and instructional material

Includes developing, maintaining and communicating the department's policy and instructional material, such as operational and corporate policies, scientific advice, departmental guidelines and work instructions, and associated training development and delivery. Examples include responding to changes in importing country requirements, developing or revising policy processes and instructional material.

Business improvement

Includes assessment, monitoring and management of business performance. Examples include adjustments to improve regulatory activity, against business performance reports against KPIs and similar activities.

Assurance activities

Risk management

Involves assessing and managing the risks posed to Australia's ability to maintain market access. This includes communicating results of risk analysis, modelling and forecasting to operational areas and the collection, receipt and use of reliable compliance data to meet the department's compliance objectives. This work also includes any associated travel and regulated entity assistance work. For example, organising, involvement in and responding to overseas government's systems-based audits.

Verification

Includes assurance activities to provide stakeholders and departmental executive with confidence that departmental controls of its systems and processes are operating in accordance with their intended design and associated documentation. For example, verification of certification activity internally and by state regulators.

Surveillance

Includes formal and informal monitoring to detect issues that may affect onshore production for export, such as changes in Australia's pest or disease status or food safety concerns. Surveillance differs from an inspection because it is not done for a specific client.

Incident management activities

Incident management

The coordination and management of any incident including post border detection and export incidents. This includes all associated pre- and post-work, travel and regulated entity assistance in relation to an incident, government certification and other issues which result in goods being held at the border. For example, this includes managing and responding to food safety incidents where food may have been exported.

Investigation support

Involves providing support for enforcement activities relating to an alleged breach of portfolio legislation, including any related regulated entity assistance and travel. This also includes enforcement activities that ensure compliance with Australian regulation and international import conditions such as investigations and engagement with regulated entities about compliance.

Corrective action

Includes actions taken in response to non-compliance or contravention of legislation or procedures that are managed without a formal investigation by an enforcement officer. Corrective action activities includes all pre and post work, travel and regulated entity assistance in relation to the enforcement process.

Intervention activities

Assessments

Involves assessing information to determine if it meets the department and the importing country requirements. This includes all preparatory work (such as confirming importing country or export requirements) and post work (such as assessment report preparation) travel

and regulated entity assistance in relation to the assessment. Examples include assessments of licences, permits, registrations, accreditations, and exemptions.

Issue approvals/certification

Includes issuing of a decision in relation to an assessment for cargo, vessels, plants, animals, food, biological and genetic material. This includes the work from the end of the assessment period to the completion of the decision notification process to support issuance of appropriate export documentation.

Inspections

Involves the physical examination (and supervision of a physical examination) of export food commodities to determine compliance with export and importing country requirements.

Treatments

Includes the physical treatment of cargo, vessels, plants, animals, food, biological and genetic material, other conveyances or premises to prevent an adverse biosecurity outcome from occurring and to meet relevant importing country requirements.

Husbandry

Includes activities relating to the care of plants and animals that the department is responsible for, including transport of plants and animals, housing, daily monitoring, feeding, cleaning of facilities, administering of medication, bookings and regulated entity assistance.

Audit

Includes the systematic and functionally independent examination to determine whether activities and related results comply with legislative or documented requirements. This includes all pre- and post-work, travel and regulated entity assistance in relation to the audit. Examples include audit to verify compliance with an export registered establishment's approved arrangement.

Appendix B: Summary of dairy exports stakeholder feedback

The key themes are covered in Table B1.

Table B1 Stakeholder feedback summary

Key theme	Department response
<p>1) Concern with the increase in the cost base and whether the department is looking at finding efficiencies</p> <p>Industry expressed objections and concerns around the expansion of the cost recovery base. There was an expectation that departmental regulatory cost would reduce not increase. Stakeholders questioned if the department was looking for efficiencies to drive their cost down.</p> <p>Industry noted that the primary principle for pricing structure design should be ‘user-pays’, where those who incur the costs are those that pay.</p>	<p>Regulatory fees and charges for the exporter sector have not increased in a long time, and most export programs have been under-recovering. The last time fees and charges were increased, for some agricultural exports, was in 2018, some prices have stayed the same as far back as 2009, and they are no longer reflective of the true regulatory cost.</p> <p>The government is now seeking to apply a stepped return to full cost recovery by 2023–24 for its regulatory activities, a stepped return eases the impact for agriculture and food exporters.</p> <p>Even with increased fees and charges, the cost of regulatory services is less than one per cent of export value in most cases.</p>
<p>2) Impact of price increases on smaller operators</p> <p>Stakeholders raised concerns about the impact of price increases on smaller operators, being concerned that they are bearing a disproportionate proportion of the cost increases compared to larger operators with higher throughput.</p>	<p>The cost to regulate small versus large operators is not directly related to the size of the entity as the regulatory support activities are developed and implemented to support both, regardless of size.</p> <p>Most CRIS already have a mix of annual and throughput-base charges where appropriate, including by providing price differentiation on annual charges for different types or sizes of operators, per consignment charges or charging by volume of exports (e.g. tonnage or per head).</p> <p>A discussion paper proposing alternative charging options was released alongside the CRIS. As reforms are implemented over the next few years the department will engage with industry on the most appropriate model for charging, accommodating any reform and industry input on charging approach.</p>
<p>3) Benchmarking</p> <p>A benchmarking of costs of audit delivery is necessary and would allow some comparison to be made on departmental efficiency.</p>	<p>To provide assurance on the efficiency and effectiveness of the department’s export regulatory activities, the department commissioned an independent review of food and plant export certification costs. Following recommendations of this review, benchmarks will be developed to help measure efficiency.</p>
<p>4) Impact of trade disruption on dairy exports markets</p> <p>Stakeholders are concerned that export markets are still heavily impacted by COVID-19 lock downs and other trade disruptions are unable to pass this cost onto struggling customers. This leaves them in a situation of continued cost increases combined with government support decreasing, at a time when businesses need all the support they can access.</p> <p>Stakeholders suggest the department reviews the timing of this adjustment and delay it until the implementation of it is feasible. This would give them</p>	<p>Regulatory fees and charges for the exporter sector have not increased in a long time, and most export programs have been under-recovering. The last time fees and charges were increased, for some agricultural exports, was in 2018, some prices have stayed the same as far back as 2009, and they are no longer reflective of the true regulatory cost.</p> <p>The government is now seeking to apply a stepped return to full cost recovery by 2023–24 for its regulatory activities, a stepped return eases the impact for agriculture and food exporters.</p>

Key theme	Department response
the opportunity to drive recovery and regain their sales base, where a cost adjustment could be absorbed.	Even with increased fees and charges, the cost of regulatory services is less than one per cent of export value in most cases.

Appendix C: Additional fees and charges that may apply

Organics – application and audit

The prices for application for and audit of organic certifying entity are as indicated in Table C1.

Table C1 Organics fees and charge

Type of charge	Cost recovery charges	Unit	Price (\$) 2021–22	Price (\$) 2022–23	Price (\$) 2023–24	Price (\$) 2024–25
Charge	Application charge for organic goods certification operations	Per application	640	662	675	689
Fees	Assessment of applications or approvals	Per quarter hr	35	37	38	39
	Audit fee for organic good certification operations	Per quarter hr	35	37	38	39

Outside ordinary hours (OOH)

The additional fees payable for fee-bearing activity for certain goods by Commonwealth authorised officers outside ordinary hours of duty are as indicated in Table C2.

Table C2 Outside ordinary hours fees for goods other than prescribed livestock, prescribed live animals, prescribed reproductive material and prescribed meat and prescribed meat products

Type of charge	Time of service	Unit	Price (\$) 2021–22	Price (\$) 2022–23	Price (\$) 2023–24	Price (\$) 2024–25
Fee – OOH	On a weekday, immediately before or after a fee bearing activity	Per quarter hour	15	15	15	15
	On a weekday, in any other case	Any period up to 30 minutes	30	30	30	30
		Per quarter hour after first 30 minutes	15	15	15	15
	Saturday, Sunday or a departmental holiday	Any period up to 30 minutes	40	40	40	40
		Per quarter hour after first 30 minutes	20	20	20	20