

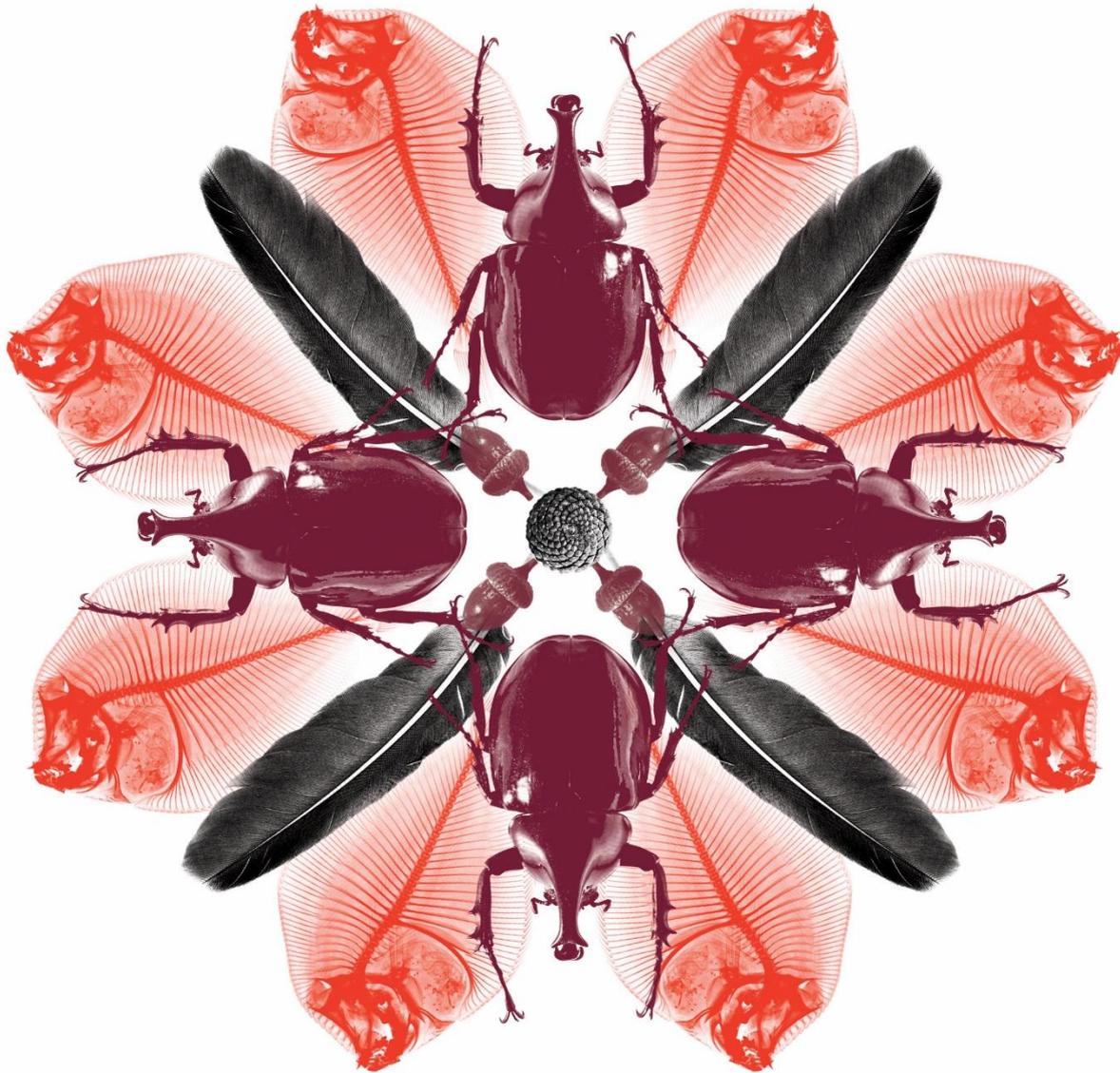


Australian Government

Department of Agriculture and Water Resources

Cost Recovery Implementation Statement

Live animal exports 2015–16



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Glossary

Activity: any measurable work undertaken by the department to enable the exportation of goods. This includes activities, business processes and outputs as described in the Australian Government Cost Recovery Guidelines (CRGs).

Animal reproductive material: in line with the Export Control (Animals) Order 2004, animal reproductive material means any part of an animal from which another animal can be produced and includes an embryo, an egg or semen.

Approved arrangement: an arrangement entered into by an individual, business or organisation that prescribes the processes and practices that need to be undertaken to meet relevant legislative and departmental compliance requirements.

Charge: a fee or a levy that the department imposes to recover costs. In the CRGs, charges are referred to as cost recovery charges.

Fee: a charge imposed when activities are provided directly to a specific individual or organisation. In the CRGs, fees are referred to as cost recovery fees.

Levy: a charge imposed when activities are provided to a group of individuals or organisations (e.g. an industry sector) rather than to a specific individual or organisation. A levy is legally a taxation charge and needs to be imposed in a separate taxation Act to comply with constitutional requirements. A levy differs from general taxation, as it is earmarked to fund activities that relate to the group being charged. In the CRGs, levies are referred to as cost recovery levies.

Livestock: in line with the Export Control (Animals) Order 2004, livestock means cattle, sheep, goats, deer, buffalo and camelids and includes the young of an animal of any of those kind.

1 Purpose of the cost recovery implementation statement

This Cost Recovery Implementation Statement (CRIS) provides information on the Department of Agriculture's and Water Resources' (the department's) cost recovery arrangements provided to exporters of live animals and reproductive material. It also reports financial and non-financial performance information for the delivery of these activities and contains financial forecasts out to 2018–19.

This CRIS covers activities that have been previously described in the [Cost Recovery Impact Statement—Live Animal Exports 2014–15](#).

1.1 Live animal exports

The department undertakes a range of activities to regulate the export of live animals and reproductive material including:

- regulation and administration of the Australian Government Accredited Veterinarian Programme
- regulation and administration of livestock export licences
- regulation and administration of registered and approved premises
- auditing of licensed livestock exporters, registered premises and accredited veterinarians to ensure compliance with the applicable regulations and standards
- assessment of Notice of Intentions to Export
- assessment of Exporter Supply Chain Assurance System applications for the export of livestock for feeder/slaughter purposes
- assessment of Consignment Risk Management Plans for the export of livestock
- inspection of animals prior to export
- provision of export permits and health certification acceptable to Australia's trading partners.

The department's cost of providing these activities is recovered from exporters of live animals and reproductive material.

1.2 Why is cost recovery appropriate?

Cost recovery fees and levies fall within the Australian Government's (the government's) broader charging framework. Other charges in this framework include commercial charges and resource charges. The type of charge is determined by the characteristics of the services.

The use of commercial charging is not appropriate as this approach relies on competitive markets. While the private sector can undertake some export certification activities, the government must provide the export certification framework. This is because it relies on negotiated arrangements with other countries. Resource charging is not appropriate as export certification is not based on the value of the activity to the recipient.

The only viable alternative to cost recovering export certification is funding this activity through consolidated revenue (general taxation). In most circumstances, however, general taxation is only

appropriate for services that are provided to the wider community. Export certification services are provided to a clearly identifiable group—individuals and organisations that participate in the live animal export supply chain. If it were not for the business activities of this group, live animal export certification would not be required.

There are additional benefits to funding export certification through cost recovery. When a business pays for the activities it receives, the government has an obligation to justify the prices it charges. Cost recovery also increases the cost consciousness of clients of how much a government activity actually costs.

For these reasons, the government has determined cost recovery to be the most appropriate mechanism for funding export certification. The department has designed cost recovery of export certification services to be consistent with the Australian Government Cost Recovery Guidelines (CRGs). These provide the overarching framework under which government entities must design, implement and review cost recovery.

2 Authority to cost recover

Under the CRGs, cost recovery requires both policy approval and statutory authority. The following section provides information on the government's approval of cost recovery for live animal exports and the legislation that enables the collection of cost recovery fees and levies.

2.1 Policy approval

The department commenced partial cost recovery of export activities in 1979 and implemented full cost recovery from 1 January 1991.

The policy authority for continued cost recovery was confirmed in the 2015–16 Budget, when the government announced the redesign of the department's biosecurity and export cost recovery arrangements. The redesign ensures the department's cost recovery arrangements are equitable, financially sustainable and support the efficient and effective delivery of export activities into the future.

The redesign improves the cost recovery of live animal exports certification activities by:

- recovering the full cost of activities undertaken by the department where appropriate
- simplifying the structure of fees and levies where appropriate
- achieving greater equity in client contributions to system costs
- expanding and improving live animal exports certification services.

2.2 Statutory authority

Fees and levies for live animal exports certification are recovered under separate statutory authority. The relevant legislative instruments will be amended (where they exist) or developed (where needed) to enable the redesign of export certification fees and levies. These and other delegated instruments will include descriptions of the charge points for levies.

2.2.1 Cost recovery fees

Section 25 of the *Export Control Act 1982* provides the power to impose fees in relation to a range of export services. The specific amounts are set out in the *Export Control (Fees) Orders 2001*.

- The *Export Control Act 1982* and its subordinate legislation can be obtained at [the Comlaw website](#)

The *Australian Meat and Live-stock Industry Act 1997* and subordinate legislation provides the power to impose fees in relation to an export licence application.

- This legislation can be obtained at [the Comlaw website](#)

Amendments to, or new subordinate legislation will provide for the fees detailed in this CRIS to be established. These and other delegated instruments will include descriptions of the charging points for the fees.

2.2.2 Cost recovery levies

The government has implemented new export charging legislation to implement the full redesign of fees and charges.

- *Export Charges (Collections) Act 2015*

- This legislation can be obtained at [the Comlaw website](#)
- *Export Charges (Imposition—Customs) Act 2015*
 - This legislation can be obtained at [the Comlaw website](#)
- *Export Charges (Imposition—Excise) Act 2015*
 - This legislation can be obtained at [the Comlaw website](#)
- *Export Charges (Imposition—General) Act 2015*
 - This legislation can be obtained at [the Comlaw website](#)

New regulations made under these Acts will provide for the charges detailed in this CRIS to be established. These and other delegated instruments will include descriptions of the charging points for the levies.

3 Changes to the live animal exports cost recovery arrangement

The redesign of the live animal exports cost recovery arrangement ensures a more equitable distribution of costs across users of the services and aims to provide exporters with more certainty of the costs they will face prior to exporting a consignment. It also aligns the live animal exports cost recovery arrangement with the department's reforms to live animal exports.

Unlike the cost recovery arrangements for other export commodities, the previous live animal exports cost recovery arrangement was based solely on fees, with no levies in place. This resulted in much higher fees for the same activities compared with other export arrangements where some of the fixed and system costs of export services are recovered through levies.

Prior to the fee adjustment in 2014–15, live animal exports fees had not been adjusted since 2009, which led to a significant under recovery in the arrangement. Although the price adjustment in 2014–15 ensured full cost recovery, it resulted in significantly higher fees.

Under the redesign, the live animal exports cost recovery arrangement now includes both fees and levies. A list of fees and levies for each year is at **Attachment A**. The new structure distributes the costs between those applicable to individuals and those applicable to the industry as a whole. This supports the reforms to the export of livestock, which commenced in 2014–15 and includes the introduction of approved arrangements.

Under an approved arrangement, a livestock exporter's systems for preparing consignments are documented, audited and then approved by the department—as long as it meets the necessary requirements. This then reduces the need for assessment and approval of each consignment. An exporter with a history of good compliance under the approved arrangements system will be subject to less intervention from the department, reducing costs for the exporter. Over time, assuming good compliance by exporters, the department's costs for regulating livestock exports will reduce, in turn reducing the cost for industry.

The new structure has been designed to encourage take up of the new approved arrangement approach, however it will still accommodate those businesses transitioning into an approved arrangement as they will not be mandatory for livestock exporters until 2017.

Future reforms to the arrangement may include the expansion of approved arrangements for other live animal exporters.

Fees were previously used to recover all of the department's costs including fixed and system costs such as programme management and administration, assurance and (minor) incident management. For further information on what is classified as a minor incident refer to *Section 5.2 Inclusions to the cost base* on page 12. This resulted in disproportionately higher fees compared with other exports arrangements where the fixed and system costs are recovered through levies.

For example, horse exporters previously paid \$127.05 per quarter hour for inspection by a veterinarian compared with \$39 per quarter hour for a veterinarian to inspect meat. By recovering programme management and administration costs through levies the department has been able to ensure that fees will recover only those costs of activities provided directly to exporters such as inspection or audit consistent with other cost recovery arrangements.

The previous fees that were used to recover the costs of services provided to livestock exporters were complex and did not closely align to the services provided. The previous inspection fee for exported livestock provided for a minimum of 11 hours of inspection service. Efficient exporters with

their paperwork in order and who are dealt with quickly paid the same rate as less organised exporters who took longer to process. These charges have been substantially restructured.

3.1 Fee and levy changes

Under the previous live animal exports cost recovery arrangement there were around 70 different fees, under the redesign there will be significantly less (currently estimated at less than 20). Levies have been introduced into the live animal exports cost recovery arrangement to recover the fixed and system costs including programme management and administration, assurance and incident management. Levies imposed on exporters will vary depending on the type of live animal export (livestock, horse, companion animal, reproductive material and other animals) and export pathway (sea or air) as these factors affect the cost of maintaining the department's live animal exports arrangement.

There are now a number of levies across the supply chain to ensure all users make a reasonable contribution to the cost of managing the live animal exports arrangement. A list of fees and levies is provided at **Attachment A**.

3.1.1 Export licence and approved arrangement levies

Exporters of livestock will be charged a levy of \$600 when they apply to enter into an approved arrangement. An annual levy of \$20 000 will apply to exporters of livestock by sea and an annual levy of \$10 000 will apply to exporters of livestock by air. This reflects the difference in cost to maintain each export pathway. Livestock exporters who export by both air and sea would pay the higher rate.

The levy to apply to enter into an approved arrangement recovers costs incurred by the department to make a preliminary assessment of the application. The annual levy covers the costs of fully assessing an approved arrangement application, developing and maintaining compliance and audit standards and other system costs relating to approved arrangements. In cases where an exporter seeks to vary the arrangement, a variation levy will be charged (\$300 per variation).

Livestock exporters who are not operating under an approved arrangement, will be charged a levy for an exporter licence. The relevant levies are \$600 for the initial application and an annual levy of \$25 000 per year.

These levies will be offset by a reduction in the throughput charges currently imposed on livestock exporters. For some exporters there will be a reduction in the amount of charges paid currently, and for others, an increase in charges is anticipated.

Livestock exporters will need to be under an approved arrangement by 1 January 2017. If an exporter transitions onto an approved arrangement part way through the financial year, charges will be adjusted down to reflect the difference between the export licence and the approved arrangement levy.

Small and infrequent livestock exporters will be able to apply for an annual exemption from an approved arrangement. The cost for an application is \$600. Those exporters that are granted an exemption from holding an approved arrangement will be required to pay an annual export licence levy of \$5 000.

3.1.2 Livestock throughput levies

The throughput charges will be significantly reduced, from \$6.47 and \$2.57 per head of exported cattle, buffalo and camelids to \$1.20 per head, irrespective of the export market. The throughput rate for exported sheep and goats will also reduce from \$0.37 and \$0.34 to \$0.30 per head irrespective of the export market. This is a simplification of the current charging model where throughput fees vary depending on importing market and export pathway.

3.1.3 Premises charges

Owners of establishments that are registered for the export of livestock by sea will be charged an annual levy of \$5 000. The department's costs of maintaining records for registered premises were being recovered from exporters through various fees including throughput. The new levy ensures these costs are being fully recovered from the operators of registered premises. This will reduce the financial burden on exporters and ensure that all users of the live animal exports arrangement are reasonably contributing to the systems costs.

Premises that are approved for the export of other animals and reproductive material will continue to be charged a fee for service to assess that the premises meets importing country requirements.

3.1.4 Certificate charges

Export permits are a legislative requirement for each consignment (both livestock and non-livestock) and most importing countries also require health certificates attesting that the consignment meets their requirements. The costs of issuing these certificates was previously recovered either as part of the per head fee for livestock (where applicable) or through the time based processing documentation fees for both livestock and non-livestock. Instead, the department will now charge for each document (certificate and/or permit) issued (each consignment will require at least one export permit and usually at least one health certificate).

The rate of charge for an export permit differs between livestock exports and exports of all other live animals and reproductive material, to reflect that livestock exporters are contributing to the fixed and system costs through either an export licence or an approved arrangement. The cost per certificate for livestock exporters will be \$60 in 2015–16 and for all other live animal and reproductive exporters the cost will be \$250, comprising of a fee of \$60 and a levy of \$130 for the export permit, and a further \$60 for the health certificate. In cases where multiple health certificates are required for a single export permit, additional documentation charges will apply.

Where an exporter requests a replacement permit for any reason (change in importing country requirements or changes to the consignment) a fee of \$500 per replacement permit applies.

3.1.5 Inspection and audit fees

All live animal and reproductive material exporters will be subject to standard inspection fees of \$54 per quarter hour and audit fees of \$43 per quarter hour as required. Where there is a request for an additional inspection (inspections that are not mandatory for the department to undertake) to take place a higher rate of \$71 will apply. In circumstances where there is a need for a specialist auditor (e.g. veterinarian) to undertake an audit, a higher rate of \$103 per quarter hour will apply. In the case of companion animals, inspections are not always required. Companion animal exporters will only be charged an inspection fee in circumstances where an inspection takes place. When an inspection is not required they will only be charged for the export permit and any associated document fees.

4 Cost recovery methodology

The department has applied a consistent methodology to determine the fees and levies in its biosecurity and export cost recovery arrangements. Determining fees and levies for each cost recovery arrangement is a four-step process.

1. Determine the cost base.
2. Incorporate the cost base into a consistent activity based costing model.
3. Establish charges and forecast volumes.
4. Calculate prices for fees and levies using the cost model and volumes.

The department's new cost recovery model used in the redesign is consistent with the principles and processes set out in the CRGs. Although the model is new, it is based on previous activity based costing models. These models have been developed and improved over the time the department has undertaken cost recovery.

4.1 Determining the cost base

The department's 2014–15 budget has been used as the starting point for determining the cost base. It is drawn from the department's Financial Management Information System (FMIS) and is made up of three types of costs:

- Direct expenses— these can be traced to the provision of an activity, for example inspections. Direct expenses include staff salaries and supplier costs.
- Indirect expenses—these are not easily linked to an activity provided by the department. Indirect expenses include corporate employee salaries and overheads such as information technology, finance and human resources costs.
- Capital expenses—this includes plant, property and depreciation.

Indirect expenses are allocated to activities using appropriate drivers in the FMIS costing methodology, such as the number of full time equivalents (FTE) of staff and technology assets. Effort surveys and the use of department cost drivers provides a consistent approach for allocating expenses into the activity based cost recovery model across all of the department's cost recovery arrangements.

To project the cost base over the next four years, adjustments have been applied to capture expected changes to the costs. These are changes that have not yet been captured in the department's FMIS. Reductions in costs will arise from reforms such as service delivery modernisation, while factors such as inflation on supplier expenses and new capital items will increase costs.

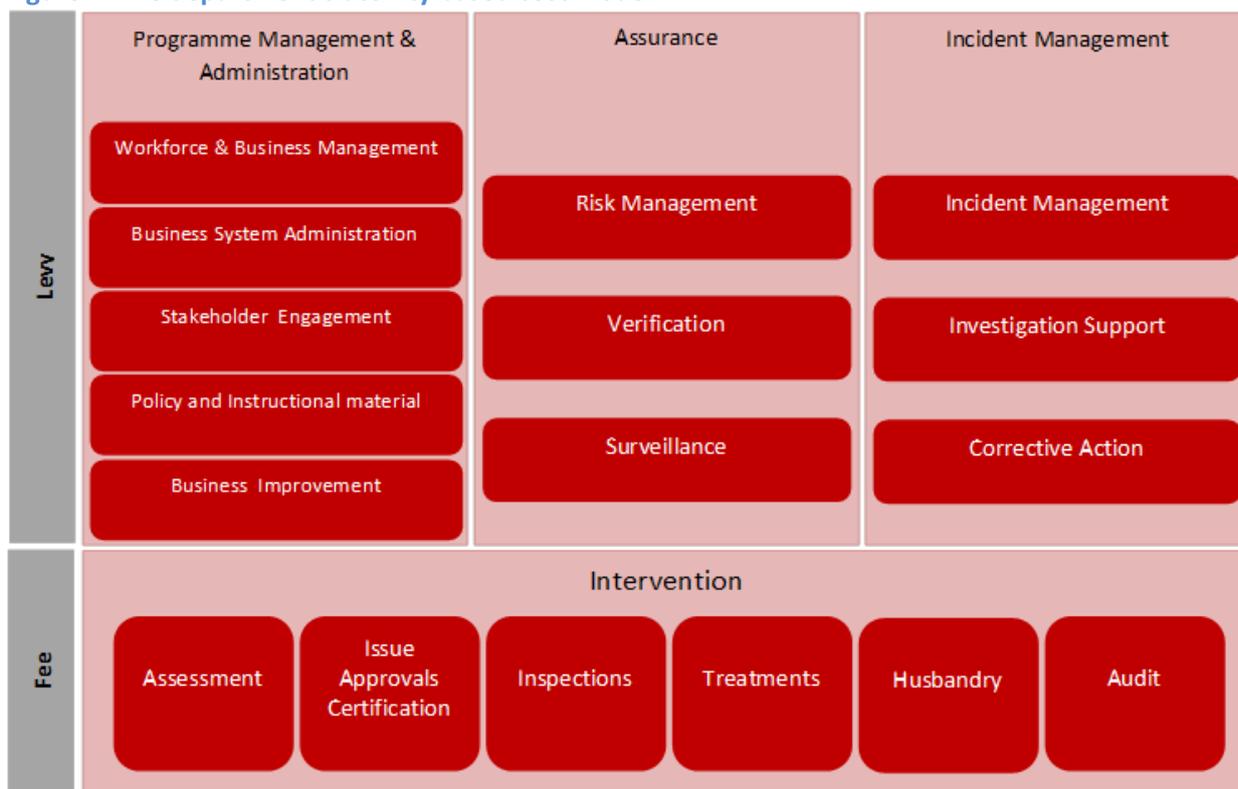
4.2 Activity-based cost model

The department's cost recovery model consists of 17 activities divided into four groups (as shown in Figure 1). The activities and groups are based on the department's business service catalogue of activities. The business service catalogue provides consistent descriptions of the department's activities and underpins a range of reforms across the department. The cost model ensures that fees

or levies collect similar costs consistently across all biosecurity and export cost recovery arrangements.

The four groups of activities in Figure 1 determine how the costs of that activity are recovered. The costs associated with programme management and administration, assurance and incident management groups are recovered through levies. Levies recover costs of activities provided to a group of individuals, businesses or organisations. The costs associated with the intervention activities are recovered through fees. A fee applies to those activities provided directly to an individual, business or organisation. This application of fees and levies aligns with the CRGs.

Figure 1: The department’s activity based cost model



4.3 Activities undertaken for the live animal exports cost recovery arrangement

The live animal exports cost recovery arrangement incurs costs in 11 of the 17 activities under the department’s cost model. A description of the activities relevant to live animal exports is at **Attachment B**. The estimated amounts that will be collected under each relevant activity in the live animal exports cost recovery arrangement for the four year period beginning in 2015–16 are presented in Section 5.

4.3.1 Volumetric forecast

The demand for the department’s services drives costs and hence the level of revenue required to recover those costs. The forecast volumes of services, such as permits issued or premises registered, or volumes of exports are required to calculate the price of fees and levies. To incorporate volume changes into projected prices, the department maintains a volume forecast model. This uses historical volumes of exports and predicts future market conditions and their likely impact on demand for the department’s activities. The volumetric model:

- uses Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) analysis to forecast the impact of macro-economic drivers on historical volumes

- incorporates industry forecasts and the ABARES commodity forecasts
- projects the effect of changes to business processes on historical trends, such as changes in regulation, service delivery, organisational structure and charging structures.

External business information, which is provided through established industry consultative committees, is used to improve and test the volume forecasts.

The charging points, volume forecasts, and fees and levies are presented in **Attachment A**.

4.4 Cost recovery reserve

The department has revised its cost recovery reserve (previously industry reserve) policy to assist with managing the alignment of revenue and expenses. This has meant changing the policy from maintaining a balance of between two and ten percent of annual programme expenditure to a balance of between zero and five percent of annual programme expenditure.

Closer management of the financial performance of arrangements may lead to more frequent adjustments to charges. Subject to government approval, over recoveries may be managed through remittance, or investment initiatives.

A single reserve will be maintained for each cost recovery arrangement.

5 Cost base

The following information on the live animal exports arrangement cost base is provided as a four-year average from 2015–16 to 2018–19. An overview by cost type is provided in Table 1.

The cost base is based upon efficient optimisation of the livestock approved arrangements. By 2017, it will be mandatory for livestock exporters to enter into an approved arrangement. The costs presented in Figure 2 and Table 1 are based on the assumption that all livestock exporters will achieve the highest level of compliance under an approved arrangement, resulting in minimal department intervention. If this level of compliance is not achieved, additional costs may be incurred as additional inspections and audits will be required.

5.1 Projected cost base

Figure 2 presents costs for the live animal exports arrangement by cost activity, attributed through the cost model presented in Section 4.

Figure 2: Cost base— live animal exports cost recovery arrangement (four-year average, 2015–16 to 2018–19)

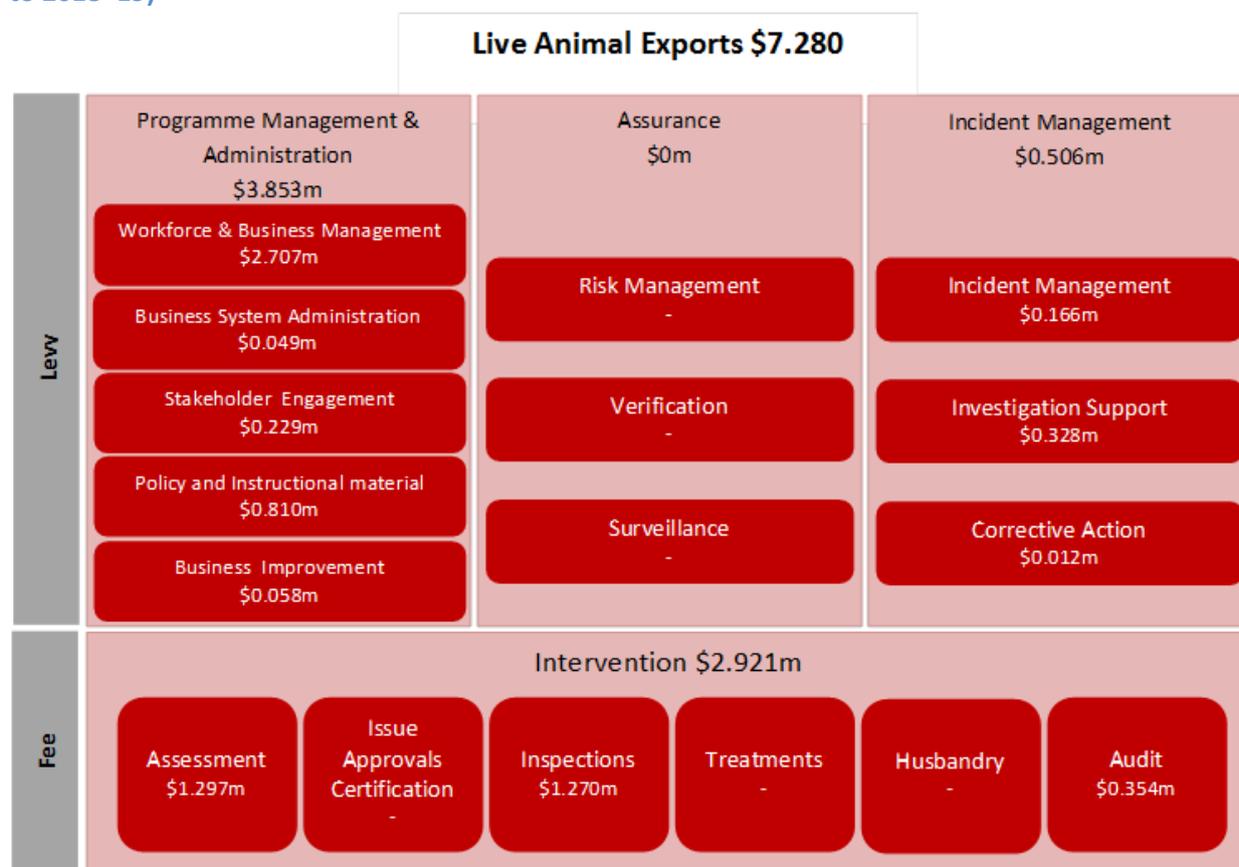


Table 1 breaks down costs for the live animal exports arrangement into direct, indirect and capital expenses.

Table 1: Cost type breakdown— live animal exports cost recovery (four year average, 2015–16 to 2018– 19)

| Expense | Forecast (\$ millions) |
|--------------------------------|------------------------|
| Direct expenses | |
| Direct labour | \$3.670 |
| Direct materials | \$0.929 |
| Capital expenses | \$0.514 |
| Other expenses | \$0.098 |
| Direct expenses total | \$5.211 |
| Indirect expenses total | \$2.069 |
| Total Expenses | \$7.280 |

Direct expenses can be traced to the provision of an activity, such as staff salaries and supplier costs. Indirect expenses are not easily linked to an activity, such as corporate employee salaries and overheads, including information technology, finance and human resources costs. Capital expenses include plant, property and depreciation.

5.2 Changes to the cost base

Table 2 summarises changes to the cost base. For live animal exports, there are occasionally incidents which require departmental resources to manage a consignment once it has left Australia. A detained live animal consignment is one that has arrived in the importing country and has been detained due to unforeseen circumstances. For example, a dog or cat to New Zealand may be detained by customs if fleas or ticks are found on the animal. The department may also provide assistance on issues with livestock consignments after departure. For example, where the destination market has changed due to unforeseen circumstances, a vessel or aircraft has broken down during transport or if import conditions change during transport.

Due to the highly reactive, uncertain and expensive nature of managing a detained consignment or issues with a consignment after departure, it is important that there is certainty for funding these activities while ensuring the most effective and efficient cost recovery arrangements are in place. Currently no cost recovery arrangement recovers for activities undertaken by the department for consignments which need additional assistance after departure from Australia. Under the redesign, the department will recover costs of managing minor issues and detained consignment incidents through levies imposed on users.

Cost recovery is considered appropriate as industry benefits by having a system in place that allows the department to manage these incidents when they arise. Activities undertaken by the department in cases of issues with consignments after departure or detained consignments include:

- working with foreign governments and agricultural posts
- identifying new markets
- issuing certification to meet new importing country requirements.

These funds will not recover the cost of significant incidents. Where there is a significant incident, such as the Cormo Express rejection in 2003, an additional levy may be activated to recover the costs of any such incident. The rate of this levy will be dependent on the specifics of the incident and has not been identified in this CRIS.

Table 2: Changes to cost base—live animal exports cost recovery arrangement (four year average, 2015–16 to 2018–19)

| Adjustment to cost base | Impact on cost base | Forecast (\$ '000s) |
|--|----------------------------|----------------------------|
| 1. Detained consignments | Increase | \$166 |
| 2. Depreciation expenses | Increase | \$154 |
| Total expenditure of adjustments to cost base | Increase | \$320 |
| Total baseline expenditure | Increase | \$6 960 |
| Adjusted cost recoverable expenditure (cost base) | Increase | \$7 280 |
| Change in expenditure | Increase | 5% |

Overall, the new cost base is a significant reduction on the 2014-15 LAE CRIS cost base of \$11.0 million (of which \$10.1 million was able to be cost recovered). This reduction reflects significant reforms and improvements in programme efficiency.

6 Financial estimates

A summary of the annual budgeted operating position for the live animal exports cost recovery arrangement is provided at Table 3. All cost recovered activities are subject to a detailed semi-annual review as part of departmental budgeting processes.

Table 3: Financial estimates—live animal exports cost recovery arrangement

| Finance element | A 2014–15 | B 2015–16 | C 2016–17 | D 2017–18 | E 2018–19 |
|--|--------------|--------------|--------------|--------------|--------------|
| Expenses = X | \$9 634 423 | \$7 351 686 | \$7 255 643 | \$7 255 643 | \$7 255 643 |
| Revenue = Y | \$9 758 422 | \$7 396 083 | \$7 291 890 | \$7 291 890 | \$7 291 890 |
| Balance = Y – X | \$123 999 | \$44 397 | \$36 247 | \$36 247 | \$36 247 |
| Forecast opening cost recovery reserve balance | 0 | \$123 999 | \$168 396 | \$204 643 | \$240 890 |
| Transfer | \$123 999 | \$44 397 | \$36 247 | \$36 247 | \$36 247 |
| Forecast closing cost recovery reserve balance | \$123 999 | \$168 396 | \$204 643 | \$240 890 | \$277 137 |

Materiality is applied in accordance with Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 Part 2 - 7 (2), AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors and AASB 101 Presentation of Financial Statements as defined by AASB108.

In line with existing industry reserves policy, the cumulative balance will remain consistent with the target range of zero – five percent of annual programme expenditure.

7 Performance reporting

The following section presents information on the financial and non-financial performance of the live animal exports cost recovery arrangement. This is intended to provide stakeholders with an overview of the department’s performance in recovering forecasted revenue and meeting service delivery objectives.

7.1 Financial performance

Financial performance for the live animal exports arrangement from 2011–12 to 2014–15 is provided at Table 4. The 2015–16 financial year and three forward years will be updated each year as financial information becomes available.

Table 4: Financial performance—live animal exports cost recovery arrangement

| Finance element | 2011–12 | 2012–13 | 2013–14 | 2014–15 |
|-----------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Expenses = X | \$7 300 003 | \$8 297 324 | \$9 711 310 | \$9 634 423 |
| Revenue = Y | \$5 062 822 | \$4 859 774 | \$6 397 199 | \$9 758 422 |
| Balance = Y – X | -\$2 237 181 | -\$3 437 550 | -\$3 314 111 | \$123 999 |
| Finance element | 2015–16 <i>Updated in 2016</i> | 2016–17 <i>Updated in 2017</i> | 2017–18 <i>Updated in 2018</i> | 2018–19 <i>Updated in 2019</i> |
| Expenses = X | | | | |
| Revenue = Y | | | | |
| Balance = Y – X | | | | |

7.2 Non-financial performance

Key non-financial performance measures are available in the department’s annual report.

Table 5: Non-financial performance— live animal exports cost recovery arrangement

| KPI | 2014–15 Performance | 2015–16 Target | 2016–17 Target | 2017–18 Target | 2018–19 Target |
|--|------------------------|-------------------|-------------------|-------------------|-------------------|
| Markets lost as a result of failed departmental certification services | 0 markets | 0 markets | 0 markets | 0 markets | 0 markets |
| Export consignments rejected because of failure to meet export certificate requirements. | Less than 1% | Less than 1% | Less than 1% | Less than 1% | Less than 1% |
| Issue export certification within 72 hours of export date | 100% | 100% | 100% | 100% | 100% |
| Engage with domestic and international stakeholders on industry issues. | 5 meetings | 5 meetings | 5 meetings | 5 meetings | 5 meetings |

8 Risk management

The department completed a Cost Recovery Risk Assessment (CCRA) for the redesign of its biosecurity and export certification cost recovery arrangements. The CCRA’s overall risk rating for the redesign is medium. Under the CCRA methodology, an overall rating is high if three or more predetermined criteria are categorised as high across the CCRA’s seven implementation risks.

Only two implementation risks fall into the high category: over \$330 million in annual costs are to be recovered; and some activities that had not been previously cost recovered will now be cost recovered. Four implementation risks are in the medium category: the types of charges used are fees and levies, acts of Parliament enable the changes; there is a medium level of impact on payers; and that stakeholders have been consulted and have raised issues, but these issues can be addressed. One implementation risk, that the change in annual cost recovery revenue is less than 5 per cent from the current arrangements, falls in the low risk category.

The department has also considered a number of risks outside the CCRA associated with cost recovering live animal exports activities and the management of these risks (Table 6).

Table 6: Risks—live animal exports cost recovery arrangement

| Risk | Management |
|--|--|
| The redesigned fee and levy structure doesn’t support future reforms | The fee and levy structure has been designed taking into consideration future reforms. The structure has been developed to enable it to be adapted to the proposed reforms. |
| Government policy changes and activities described are no longer undertaken | 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 associated effort | Regular assessments of the arrangement will inform whether a cost recovery review is required. |
| Over recovery occurs | Subject to government approval, over recoveries may be managed through remittance, or investment initiatives. |
| Cost of export certification impacts on industry competitiveness. | The department is implementing a range of reforms to deliver efficiencies in its export certification process. Analysis by ABARES shows that full recovery of the department’s export certification costs has a small impact on the value of agriculture exports—less than 0.8 percent for each of the commodities considered. |

9 Stakeholder engagement

Communication with the department's clients has been an integral part of the redesign of all biosecurity and export cost recovery arrangements. Since September 2014, the department has consulted with over 400 individuals and organisations including through Industry Consultative Committees (ICCs).

Direct engagement on the live animal exports cost recovery arrangement has been undertaken with industry and fee payer representatives through the Live Animal Exports Cost Recovery Consultative Group. This consists of representatives from livestock exporters (with both sea and air exporters represented), horse exporters and transportation organisations, companion animal transport agents, avian exporters and reproductive materials exporters.

Throughout this process, industry were consulted on the harmonising of fee structures across all arrangements; standardising charging for travel; standardising operating hours; the proposed charging structure; the cost base and proposed charges.

Through representation on the consultative committee and direct correspondence with the Minister for Agriculture and Water Resources, industry has previously expressed concern over the inability to be able to accurately estimate export costs prior to exporting. The department has addressed this concern through the redesigned fee structure.

After the previous price adjustment industry raised concerns about the inequality of charging different rates for the same service. The department has addressed this through standardised fees for like services and introducing levies into the live animal exports cost recovery arrangement.

There is also a general view that the department must remain committed to the live animal exports reforms and continue to drive down its costs. Under the new cost recovery model efficiencies have already been found and the department is developing a framework to further drive optimisation of its resources.

The industry committee members have been generally supportive of the new charges. Members sought extra examples (scenarios) to help explain the potential impacts of the changes on some key exporter groups, and so additional scenarios were provided during the consultation process.

Feedback from live animal exporters has generally been supportive of the new fees and charges—as the costs of the program are decreasing. Livestock exporters would like to see further reductions in the department's costs in the forward years. They are also concerned about the impact of costs on small livestock exporters. Concerns have been raised however by exporters of companion animals (cats and dogs) as these fees and charges are increasing to better reflect the department's costs of providing these activities to clients.

Upon implementation of the new cost recovery arrangements quarterly reporting of cost recovery performance will continue to be provided to relevant consultation committees. This provides a mechanism for ongoing engagement and review of cost recovery arrangements and ensures any unintended consequences or issues are resolved in a timely manner.

10 Key forward dates and events

10.1 Consultation

This CRIS was built on consultation that had occurred with stakeholders since mid-2014.

Key dates in the CRIS consultation process were:

- July 2015—Consultation Draft of CRIS released
- July 2015 to August 2015—consultation with industry consultative committees and industry and public forums
- 14 August 2015—deadline to provide submissions to the department on the proposed changes.

It is expected that the new charging arrangements will commence from 1 December 2015.

10.2 CRIS approval process and change register

The department considered stakeholder feedback when preparing this final CRIS. This CRIS was certified by the secretary of the department before being presented to the Minister for Agriculture and Water Resources for approval and the Minister for Finance for agreement. This CRIS was published on the department’s website in late 2015. The CRIS will be reviewed annually as recommended by the Department of Finance.

Table 7 will provide a record of future changes and updates to this CRIS.

Table 7: Change register

| Date of CRIS change | CRIS change | Approver | Basis for change |
|---------------------|-------------|----------|------------------|
| | | | |

Attachment A — Fees and Levies

Table 8: Fees, levies and volumes—live animal exports cost recovery arrangement (2015–16)

| Charge title | Type | Rate | Unit | Estimated volume | Estimated total revenue |
|---|-------------|-------------|----------------------------------|-------------------------|--------------------------------|
| Levies | Type | Rate | Unit | Estimated volume | Estimated total revenue |
| Approved Arrangement ¹ (air) | Levy | \$10 000 | Annual | 18 | 180 000 |
| Approved Arrangement ² (sea) | Levy | \$20 000 | Annual | 20 | 400 000 |
| Export License ³ | Levy | \$25 000 | Annual | - | - |
| Export Licence – small and infrequent exporter ³ | Levy | \$5 000 | Annual | - | - |
| Throughput - Full Unit ^{1 2 3} (Cattle/Buffalo/Camelids) | Levy | \$1.21 | Animal | 1 120 000 | 1 355 200 |
| Throughput – Full Unit ^{1 2 3} (Sheep/Goat) | Levy | \$ 0.31 | Animal | 2 400 000 | 744 000 |
| Export Permit ⁴ | Levy | \$130 | Document | 10 214 | 1 327 820 |
| Establishment (Premises) Registration ⁵ | Levy | \$5 000 | Annual | 81 | 405 000 |
| Application ^{1 2 3 5} | Levy | \$600 | Application | - | - |
| Approval Variation ^{1 2 3 5} | Levy | \$300 | Variation | - | - |
| Inspection | Type | Rate | Unit | Estimated volume | Estimated total revenue |
| Inspection ^{1 2 3 4} | Fee | \$54 | per 15 minutes (or part thereof) | 24 617 | 1 329 318 |
| Additional Inspection ^{1 2 3 4} | Fee | \$71 | per 15 minutes (or part thereof) | - | - |
| Audit | Type | Rate | Unit | Estimated volume | Estimated total revenue |
| Audit ^{1 2 3 4} | Fee | \$43 | per 15 minutes (or part thereof) | 8 075 | 347 225 |
| Specialised Audit ^{1 2 3 4} | Fee | \$103 | per 15 minutes (or part thereof) | - | - |
| Document Charges | Type | Rate | Unit | Estimated volume | Estimated total revenue |
| Document ^{1 2 3 4} | Fee | \$60 | per Document | 21 792 | 1 307 520 |
| Replacement Document ^{1 2 3 4} | Fee | \$500 | per Document | - | - |

¹ relevant to exporters of livestock by air under an approved arrangement

² relevant to exporters of livestock by sea under an approved arrangement

³ relevant to exporters of livestock not under an approved arrangement

⁴ relevant to non livestock exporters

⁵ relevant to owners of a livestock by sea registered establishment

Table 9: Fees, levies and volumes —live animal exports cost recovery arrangement (2016–17 to 2018–19)

| Charge title | Type | Rate | Unit | Estimated volume | Estimated total revenue |
|---|-------------|-------------|----------------------------------|-------------------------|--------------------------------|
| Levies | Type | Rate | Unit | Estimated volume | Estimated total revenue |
| Approved Arrangement ¹ (air) | Levy | \$10 000 | Annual | 18 | 180 000 |
| Approved Arrangement ² (sea) | Levy | \$20 000 | Annual | 20 | 400 000 |
| Export License ³ | Levy | \$25 000 | Annual | - | - |
| Throughput - Full Unit ^{1 2 3} (Cattle/Buffalo/Camelids) | Levy | \$1.20 | Animal | 1 120 000 | 1 344 000 |
| Throughput – Full Unit ^{1 2 3} (Sheep/Goat) | Levy | \$ 0.30 | Animal | 2 400 000 | 720 000 |
| Export Permit ⁴ | Levy | \$130 | Document | 10 214 | 1 327 820 |
| Establishment (Premises) Registration ⁵ | Levy | \$5 000 | Annual | 81 | 405 000 |
| Application ^{1 2 3 5} | Levy | \$600 | Application | - | - |
| Approval Variation ^{1 2 3 5} | Levy | \$300 | Variation | - | - |
| Inspection | Type | Rate | Unit | Estimated volume | Estimated total revenue |
| Inspection ^{1 2 3 4} | Fee | \$55 | per 15 minutes (or part thereof) | 22 915 | 1 260 325 |
| Additional Inspection ^{1 2 3 4} | Fee | \$71 | per 15 minutes (or part thereof) | - | - |
| Audit | Type | Rate | Unit | Estimated volume | Estimated total revenue |
| Audit ^{1 2 3 4} | Fee | \$43 | per 15 minutes (or part thereof) | 8 075 | 347 225 |
| Specialised Audit ^{1 2 3 4} | Fee | \$103 | per 15 minutes (or part thereof) | - | - |
| Document Charges | Type | Rate | Unit | Estimated volume | Estimated total revenue |
| Document ^{1 2 3 4} | Fee | \$60 | per Document | 21 792 | 1 307 520 |
| Replacement Document ^{1 2 3 4} | Fee | \$500 | per Document | - | - |

¹ relevant to exporters of livestock by air under an approved arrangement

² relevant to exporters of livestock by sea under an approved arrangement

³ relevant to exporters of livestock not under an approved arrangement

⁴ relevant to non livestock exporters

⁵ relevant to owners of a livestock by sea registered establishment

Attachment B—Description of Cost Model Activities

The following provides details of the cost model activities undertaken in the live animal exports cost recovery arrangement.

Intervention activities

Assessment—involves assessing information to determine if it meets the department’s and importing country requirements. This includes all preparatory work (such as confirming importing country or export requirements) post work (such as assessment report preparation) and client interactions in relation to the assessment. This does not include any document assessment during the course of an inspection. Examples include assessments of licenses permits, registrations, accreditations and health certification.

Inspections—involves the physical examination and/or supervision of animals to determine compliance with Australian standards and importing country conditions. This includes any assessment of documentation undertaken while inspection is taking place. This also includes any travel and client interactions in relation to the inspection.

Audit—includes the systematic and functionally independent examination of business systems and processes to determine whether activities and related results comply with legislative or documented requirements. This includes all pre and post work, including any follow up audits to assess effectiveness of corrective actions, travel and client interactions in relation to the audit. Examples include audit of a location, business, premises or documents.

Incident management activities

Incident management—The coordination and management of any incident including live animal export incidents. This includes all associated pre and post work, travel and client interactions in relation to an incident. For example, issues with export vessels after departure from Australia or animal welfare issues, either within Australia or offshore. This does not include significant livestock incidents.¹

Investigation support—involves providing support for enforcement activities relating to an alleged breach of export legislation, including any related client interactions and travel. It does not include the work of the enforcement officers. Examples of investigation support include investigating complaints about breaches of the Exporter Supply Chain Assurance System, investigating and preparing reports on high mortality voyages and investigating reports of breaches of the Australian standards for the export of livestock.

Corrective action—Actions taken in response to non-compliance or contravention of legislation that is not required to be reported to enforcement officers. Response actions includes all pre and post work, travel and client interactions in relation to the enforcement process. For example, preparing

¹ Additional levies may be activated to recover the costs of significant incidents, such as the 2003 Corno express incident.

warning or reprimand letters, issuing show cause notices, suspending or cancelling approval of a registered premises, suspending or cancelling export licenses.

Programme management and administration activities

Workforce and Business Management— this activity has four categories:

- *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.
- *Business management* activities include business planning and continuity; requesting legal advice; procurement and contracts; programme and project administration, assurance, design and management; management of fixtures, facilities, equipment, supplies and logistics.
- *Financial management* activities include billing and accounting, budgeting, charges and payments, collections and receivables, debt management, financial accounts, reporting and policy development.
- *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, and 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 the department's performance. Examples include adjustments to improve programme and service delivery and business performance reports against KPIs and similar activities.