



Australian Government

Department of Agriculture,  
Fisheries and Forestry

# **Cost recovery implementation statement: horticulture exports 2022–23**



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We acknowledge the Traditional Custodians of Australia and their continuing connection to land and sea, waters, environment and community. We pay our respects to the Traditional Custodians of the lands we live and work on, their culture, and their Elders past and present.

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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, Fisheries and Forestry implements cost recovery for the horticulture cost recovery arrangement. It also reports financial and non-financial performance information, contains financial forecasts for 2022–23 and 3 forward years and details the cost base and pricing structure. It includes updates on the impacts of the department’s reforms to make it easier for agricultural exporters to send their goods to market, while still safeguarding our reputation as a reliable, high-quality exporter.

The government is investing in modernising and reforming export regulatory services which will impact the cost of delivering those services (known as the cost base) over time. While agriculture and food exporters and producers were assisted through the modernisation and reform process with a freeze in fees and charges in 2020–21, stepped increases will occur in 2022–23 and 2023–24. The Australian Government has committed \$71.1 million to improve the financial sustainability of export certification services to support a stepped return to full cost recovery and enabling reforms to be rolled out while maintaining existing systems.

The purpose of this CRIS is to:

- update the horticulture cost recovery arrangement cost base
- describe the fees and charges for 2022–23 through to 2025–26.

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

## 1.2 Summary of horticulture 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 possible efficiency measures have been identified, the cost reduction of these measures needs to be monitored as measures are implemented and will only be achieved with ongoing efforts from the department and industry. 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 reduction in the cost base of \$1.6 million from 2022–23 has been identified since the 2021–22 CRIS.

**Table 1 Horticulture export cost recovery arrangement cost base adjustments**

Cost base	Unit	2022–23	2023–24	2024–25	2025–26
2020–21 CRIS starting expense	\$	13,348,988	13,695,103	13,964,917	14,240,047
Cost reductions identified previously	\$	(1,755,269)	(2,241,271)	(2,284,614)	(2,328,795)
2021–22 CRIS expense	\$	11,593,719	11,453,832	11,680,303	11,911,252
Addition or reduction in costs	\$	209,644	423,288	399,749	375,400
Change in corporate cost	\$	(66,901)	43,786	28,433	12,601
2022–23 CRIS expense	\$	11,736,462	11,920,906	12,108,485	12,299,252
Cost recovered revenue	\$	10,460,125	11,517,529	11,834,259	11,834,259
Appropriation funding	\$	1,276,337	n/ a	n/ a	n/ a
<b>Total revenue</b>	<b>\$</b>	<b>11,736,462</b>	<b>11,517,529</b>	<b>11,834,259</b>	<b>11,834,259</b>
Appropriation funding as % of expenses	%	10	n/a	n/a	n/a

n/a Not applicable.

### 1.3 Path to full cost recovery

The government has committed to returning to full cost recovery with stepped increases. This is in line with the government’s policy that direct beneficiaries of regulation should bear the related costs rather than the general public.

2020–21 prices were frozen at 2019–20 prices. The prices increased in 2021–22, with stepped increases legislated for 4 years to return all arrangements to full cost recovery in 2023–24.

### 1.4 Agricultural Trade Reforms

The department is implementing a number of initiatives to improve the way it regulates agricultural exports to make it easier for producers and exporters to get products to export markets faster while still safeguarding our reputation as a reliable, high-quality exporter. The department has already made improvements to arrangements for a number of commodities to find efficiencies. The department is also implementing a number of measures to improve our digital agricultural export systems to ensure that Australian exporters remain competitive in the global marketplace. These improvements continue to meet trading partner requirements. This includes simplifying processes for plant product exports, making it easier, cheaper and quicker for plant exporters to get their produce into overseas markets. It will also harmonise regulation for plant industries and streamline plant export audit intervention, making the rules easier to navigate and more consistent. Projected cost reduction for both plant arrangements will amount to \$2.6 million, over 3 years to 2023–24.

## 2 CRIS updates

In accordance with the Australian Government Charging Framework, the horticulture 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 horticulture export supply chain. If it were not for the business activities of these groups, the regulatory activities would not be required.

There are additional benefits to funding export certification 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 horticulture export certification. 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 horticulture export supply chain, including exporters, third party authorised officers, growers who operate accredited properties and the operators of registered establishments. 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 certification activities was reaffirmed in the 2020–21 Budget when the then 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 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*

### **3.4.2 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 horticulture exports

This section describes the horticulture products exports cost recovery arrangement cost base.

### 4.1 Description of the regulatory activity

Horticulture exports are regulated in accordance with the export legislative framework (see [section 3.4](#)). Plant export certification activity undertaken by the department involves inspection, audit and certification activities with respect to the export of grain and horticulture products. Grain and horticulture products specified in the legislation are:

- prescribed grain
- prescribed hay and straw
- fresh fruit
- fresh vegetables
- other plants or plant products for which a phytosanitary certificate or any other official certificate is required by an importing country authority (for example, timber products, nuts, nursery stock, tissue cultures, cotton and other grains and seeds not listed here).

The grain and horticulture exports cost recovery arrangements are separate. The department's Plant Export Operations branch undertakes export certification activities under both cost recovery arrangements.

Exporters of plants and plant products must obtain an export permit prior to the departure of prescribed goods from Australia. Overseas government authorities may require additional certification to verify that the exported products comply with their respective import conditions. To certify a product's compliance with Australia's export requirements and importing country requirements, the department undertakes a range of activities, including:

- developing, implementing and monitoring of 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 grain and horticulture products intended for export comply with the conditions of Australian export controls and any additional requirements imposed by an importing country
- issuing permits, phytosanitary certification, and other documentation necessary to confirm compliance with Australian export controls and any additional importing country requirements

- providing support through the department’s overseas counsellors relating to detained consignments, government certification and other issues that result in goods being held at the border
- providing scientific and technical advice to improve, maintain or restore market access 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](#).

Plant export certification occurs across both the grain and horticulture cost recovery arrangements.

## 4.2 Cost base

Table 2 shows the horticulture arrangement cost base for 2022–23. See Table 3 for an overview by cost type for 2022–23.

A detailed description of cost activities and 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 horticulture industry. The 2021–22 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 estimates
- decreasing the wage price index (WPI) applied to employee expenses from 2.0% to 1.7% per annum, reflecting reasonable estimates of wage increments in line with the Australian Public Service Workplace Bargaining Policy 2020
  - the Australian Public Service Workplace Relations Policy was released in November 2020 providing that employee salary increases are to be capped at line with the year-to-date percentage change in the Wage Price Index (WPI) for the private sector from the most recently released June quarter. Modelling for this CRIS was updated per the August 2020 WPI of 1.7% as advised in the 2021–22 CRIS
  - The former Department of Environment and Energy Enterprise Agreement 2016–19, applies to the department through to late 2022. The last wage increase applied in November 2021
  - The CRIS will be updated for 2023–24 to reflect either the August 2022 WPI 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 for 2021–22 for the horticulture exports cost recovery arrangement is \$11.7 million (Table 2), made up of:

- \$7.4 million in charge-related activities
- \$4.4 million in fee-related activities.

**Table 2 Cost base for horticulture exports cost recovery arrangement, 2022–23**

Charge type	Activity group	Activity	Expense (\$)	Cost recovery charge
<b>Charges</b>	Program management and administration	Workforce and business administration	\$7,350,950	Annual registration, export documentation, throughput, application and organic certification
		Business system administration		
		Stakeholder engagement		
		Policy and instructional material		
		Business improvement		
	Assurance	Risk management		
		Verification		
		Surveillance		
	Incident management	Incident management		
		Investigative support		
		Corrective action		
<b>Fee for service</b>	Intervention	Assessment	\$3,168,386	Assessment
		Inspection	\$190,903	Inspection
		Audit	\$860,358	Audit
		Authorised Officer	\$165,866	Authorised Officer
<b>Total cost base</b>	–	–	<b>11,736,462</b>	–

Table 3 provides a breakdown of expenses of the horticulture exports cost recovery arrangement in 2022–23.

**Table 3 Cost type breakdown for horticulture exports cost recovery arrangement, 2022–23**

<b>Expense</b>	<b>Forecast (\$)</b>
<b>Direct</b>	<b>7,781,276</b>
Employee	6,707,758
Operating	920,476
Other	153,042
<b>Indirect</b>	<b>\$3,955,186</b>
Assurance and Legal	173,220
Corporate & Business Services	266,547
Export Support	120,130
Finance	655,869
Information Services	1,222,744
People Services	502,849
Property	1,013,827
<b>Total</b>	<b>11,736,462</b>

Note: For more information on how expenses are allocated see [Appendix A](#).

### 4.3 Business process costs

The following scenario in Table 4 is a sample business process for an export consignment of table grapes to a non-protocol market. Note the example is illustrative of the direct effort applied in the scenario and is not representative of an average consignment. Consignment sizes and frequency are highly variable with and across commodity sectors.

The table reflects the full cost of direct activity provided to the regulated exporter - activities recovered from fees for service – and it does not include a reduction for the stepped increase. Other charges will apply to the exporter, including registered establishment, authorised officer and audit charges.

A grape grower exports to a Middle Eastern country. The export consignment will require one export permit, and one simple phytosanitary certificate. The exporter is a qualified third-party Authorised Officer and can inspect and certify their own consignments for export and therefore no inspection charges apply.

**Table 4 Sample business process cost**

Business process	Component tasks	Role performing task	Time (hours)	Cost per task (\$) in 2021–22
<b>Certification of a consignment of table grapes to Middle East</b>	Assessment of export documents	Departmental Officer	10 mins	31
	Issue phytosanitary certificate	Departmental Officer	3 mins	9
	Issue export permit	Departmental Officer	2 mins	6
<b>Total</b>	–	–	–	46

## 4.4 Changes to the cost base

### 4.4.1 Wage Price Indexation

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 2020 and government inflation estimates. The reduction from 2% in 2021–22 CRIS to 1.7% in the 2022–23 CRIS has resulted in a reduction to the cost base.

Table 5 outlines the changes to the forecast cost base for 2022-23.

**Table 5 Changes to cost base for horticulture exports 2022–23**

Adjustment to cost base	Impact on cost base	Unit	Forecast (\$)
<b>Total baseline expense, 2021–22 CRIS</b>	<b>n/a</b>	<b>\$</b>	<b>11,593,719</b>
Inflation readjustment	Decrease	\$	(40,052)
<b>Adjusted cost base</b>	<b>n/a</b>	<b>\$</b>	<b>11,736,462</b>
Change in expense	Decrease	%	(0.4)

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.

## 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 and Export Fees Rule.

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 are 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 2021-22 CRIS. The fees and charges take into account the government's appropriation.

### 5.2 Horticulture exports fees and charges

The amount payable for 2022–23 to 2025–26 is shown in Table 6 to Table 9.

The fees and charges from 2022–2025 have been legislated in the Exporting Charging Regulations and Export Fee Rules. Fees and charges for 2025–26 are not at present legislated. Amendments will be considered in a future CRIS update.



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

Category	Charge title	Unit	Price (\$)	Estimated volume (units)	Estimated total revenue (\$)
<b>Charges</b>	Establishment registration – grower or exporter	Annual	1,049	71	74,479
	Establishment registration– simple	Annual	5,245	152	797,240
	Establishment registration– complex	Annual	10,489	146	1,531,394
	Authorised officer approval	Annual	873	215	187,695
	Establishment application (one-off)	Per initial establishment application	698	45	31,410
	Phytosanitary certificate	Per document	66	40,668	2,684,088
	Export volume rate – non-protocol rate	Per tonne	1.14	515,066	587,175
	Export volume rate – protocol rate	Per tonne	2.27	286,247	649,781
<b>Fees – audit and inspection</b>	Audit	Per quarter hour	42	18,257	766,794
	Core inspection	Per quarter hour	42	4,051	170,142
	Additional inspection	Per quarter hour	87	–	–
<b>Fees – documentation</b>	Document – Electronic	Per document	21	111,705	2,345,805
	Document – Manual	Per document	175	2,700	472,500
	Replacement certificate	Per document	552	10	5,520
<b>Fees – authorised office</b>	Authorised Officer application fee	Per application	291	45	13,095
	Authorised Officer approval	Per authorised officer approval	291	148	43,068
	Authorised Officer Learning and Assessment	Per person delivered training	2,037	45	91,665
	Additional Learning and Assessment	Per additional person delivered training	2,328	–	–
<b>Organics a</b>	Organic certifying organisation	Annual	8,274	1	8,274
<b>Total</b>	–	–	–	–	<b>10,460,125</b>

**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.

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

Category	Charge title	Unit	Price (\$)	Estimated volume (units)	Estimated total revenue (\$)
<b>Levies</b>	Establishment registration – grower or exporter	Annual	1,157	71	82,147
	Establishment registration– simple	Annual	5,785	152	879,320
	Establishment registration– complex	Annual	11,571	146	1,689,366
	Authorised officer approval	Annual	964	215	207,260
	Establishment application (one-off)	Per initial establishment application	771	45	34,695
	Phytosanitary certificate	Per document	73	40,668	2,968,764
	Export volume rate – non-protocol rate	Per tonne	1.25	515,066	643,833
	Export volume rate – protocol rate	Per tonne	2.51	286,247	718,480
<b>Fees – audit and inspection</b>	Audit	Per quarter hour	46	18,257	839,822
	Core inspection	Per quarter hour	46	4,051	186,346
	Additional inspection	Per quarter hour	96	–	–
<b>Fees – documentation</b>	Document – Electronic	Per document	23	111,705	2,569,215
	Document – Manual	Per document	193	2,700	521,100
	Replacement certificate	Per document	563	10	5,630
<b>Fees – authorised officer</b>	Authorised Officer application fee	Per application	321	45	14,445
	Authorised Officer approval	Per authorised officer approval	321	148	47,508
	Authorised Officer Learning and Assessment	Per person delivered training	2,248	45	101,160
	Additional Learning and Assessment	Per additional person delivered training	2,570	–	–
<b>Organics a</b>	Organic certifying organisation	Annual	8,439	1	8,439
<b>Total</b>	–	–	–	–	<b>11,517,529</b>

**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.

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

Category	Charge title	Unit	Price (\$)	Estimated volume (units)	Estimated total revenue (\$)
<b>Levies</b>	Establishment registration – grower or exporter	Annual	1,180	71	83,780
	Establishment registration– simple	Annual	5,900	152	896,800
	Establishment registration– complex	Annual	11,799	146	1,722,654
	Authorised officer approval	Annual	983	215	211,345
	Establishment application (one-off)	Per initial establishment application	786	45	35,370
	Phytosanitary certificate	Per document	75	40,668	3,050,100
	Export volume rate – non-protocol rate	Per tonne	1.28	515,066	59,284
	Export volume rate – protocol rate	Per tonne	2.56	286,247	732,792
<b>Fees – audit and inspection</b>	Audit	Per quarter hour	47	18,257	858,079
	Core inspection	Per quarter hour	47	4,051	190,397
	Additional inspection	Per quarter hour	98	–	–
<b>Fees – documentation</b>	Document – Electronic	Per document	24	111,705	2,680,920
	Document – Manual	Per document	197	2,700	531,900
	Replacement certificate	Per document	574	10	5,740
<b>Fees – authorised officer</b>	Authorised Officer application fee	Per Application	328	45	14,760
	Authorised Officer approval	Per authorised officer approval	328	148	48,544
	Authorised Officer Learning and Assessment	Per person delivered training	2,293	45	103,185
	Additional Learning and Assessment	Per additional person delivered training	2,621	–	–
<b>Organics a</b>	Organic certifying organisation	Annual	8,608	1	8,608
<b>Total</b>	–	–	–	–	<b>11,834,259</b>

**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.

**Table 9 Fees, charges and volumes for horticulture exports cost recovery arrangement, 2025–26**

Category	Charge title	Unit	Price (\$)	Estimated volume (units)	Estimated total revenue (\$)
<b>Levies</b>	Establishment registration – grower or exporter	Annual	1,180	71	83,780
	Establishment registration– simple	Annual	5,900	152	896,800
	Establishment registration– complex	Annual	11,799	146	1,722,654
	Authorised officer approval	Annual	983	215	211,345
	Establishment application (one-off)	Per initial establishment application	786	45	35,370
	Phytosanitary certificate	Per document	75	40,668	3,050,100
	Export volume rate – non-protocol rate	Per tonne	1.28	515,066	59,284
	Export volume rate – protocol rate	Per tonne	2.56	286,247	732,792
<b>Fees – audit and inspection</b>	Audit	Per quarter hour	47	18,257	858,079
	Core inspection	Per quarter hour	47	4,051	190,397
	Additional inspection	Per quarter hour	98	–	–
<b>Fees – documentation</b>	Document – Electronic	Per document	24	111,705	2,680,920
	Document – Manual	Per document	197	2,700	531,900
	Replacement certificate	Per document	574	10	5,740
<b>Fees – authorised officer</b>	Authorised Officer application fee	Per Application	328	45	14,760
	Authorised Officer approval	Per authorised officer approval	328	148	48,544
	Authorised Officer Learning and Assessment	Per person delivered training	2,293	45	103,185
	Additional Learning and Assessment	Per additional person delivered training	2,621	–	–
<b>Organics a</b>	Organic certifying organisation	Annual	8,608	1	8,608
<b>Total</b>	–	–	–	–	<b>11,834,259</b>

**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.

## 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 us 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 horticulture 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
- Australian Public Service 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:

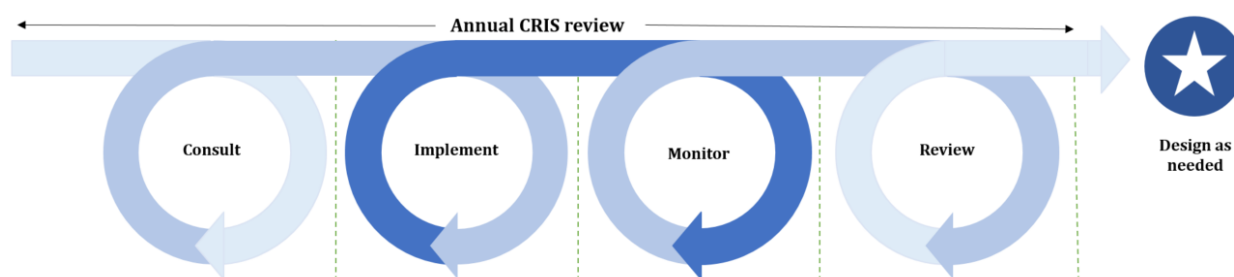
- clearly explaining the objective and context of stakeholder engagement
- being honest about what is on the table that is, what is yet to be decided and what has already been decided
- providing sufficient time for stakeholders to engage in consultation processes
- ensuring information that is essential 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:

- 1) share – when government needs to tell the public about a government initiative
- 2) 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 10.

**Table 10 Department’s 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 charging 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 engages with the horticulture industry on charging arrangements through regular engagement with the Horticulture Exports Industry Consultative Committee (HEICC) and annual public communications. This CRIS will be updated with a summary of submissions before being finalised.

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

## 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, Fisheries and Forestry must approve the final CRIS given the CRA indicates that it is medium risk.

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

- the expected impact of cost recovery on payers
- stakeholder sensitivity about the proposed changes.

The remaining implementation categories are considered low to medium risk:

- the percentage change in annual cost recovery revenue is lower than 10%
- no new cost recoverable activities introduced
- the total annual cost recovery revenue is greater than \$10 million but less than \$20 million
- the types of charges used include fees and charges
- 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 horticulture exports certification activities and how the department will manage these risks (Table 11).



**Table 11 Risks – horticulture exports cost recovery arrangement**

<b>Risk</b>	<b>Management</b>
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 annually which will provide an assessment as to whether fees and charges should be revised.
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.
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.
Changing events impact actual revenue versus forecast revenue.	The department will update the CRIS annually to monitor changes in activity and effort and assess the need for consequential changes in the cost and price.

## 8 Financial estimates

### 8.1 Financial estimates

The financial estimates of the horticulture exports cost recovery arrangement are provided at Table 12. There will be no change to the cost recovery reserve and the reserve deficit is intended to be carried forward until a government decision is taken to address it.

**Table 12 Financial estimates for horticulture exports cost recovery arrangement**

Finance element	2022–23(\$)	2023–24(\$)	2024–25(\$)	2025–26(\$)
Revenue = X	10,460,125	11,517,529	11,834,259	11,834,259
Expenses = Y	11,736,462	11,920,905	12,108,485	12,299,252
<b>Balance = X – Y</b>	<b>(1,276,337)</b>	<b>(403,376)</b>	<b>(274,226)</b>	<b>(464,994)</b>
Appropriation funding	1,276,337	n/a	n/a	n/a
Balance after appropriation	-	(403,376)	(274,226)	(464,994)
Forecast opening cost recovery reserve balance	(8,766,095)	(8,766,095)	(9,169,471)	(9,443,697)
Transfer	-	(403,376)	(274,226)	(464,994)
<b>Forecast closing cost recovery reserve balance</b>	<b>(8,766,095)</b>	<b>(9,169,471)</b>	<b>(9,443,697)</b>	<b>(9,908,690)</b>

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 0% and 5% 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 horticulture exports reserve is in deficit. Fees and charges have not been modelled to recover this deficit. Government has invested in maintaining essential export regulatory services across all export cost recovery arrangements over 3 years from 2020–21 to 2022–23 while prices are gradually increased. This is intended to maintain the deficit at its current level until the government takes 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 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.

This section presents information on the financial and non-financial performance of the horticulture 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 horticulture exports cost recovery arrangement is provided in Table 13.

**Table 13 Financial performance for horticulture exports cost recovery arrangement, 2018–19 to 2021–22**

Finance element	2018–19 (\$)	2019–20 (\$)	2020–21 (\$)	2021–22(\$)
Revenue = X	8,399,981	7,893,802	6,493,766	9,494,735
Expenses = Y	9,896,460	10,361,950	10,527,403	10,916,857
<b>Balance = X – Y</b>	<b>(1,496,479)</b>	<b>(2,468,148)</b>	<b>(4,033,637)</b>	<b>(1,422,122)</b>
Remissions, rebates and adjustments = Z	n/a	n/a	n/a	n/a
Net balance = balance + Z	(1,496,479)	(2,468,148)	(4,033,636)	(1,422,122)
<b>Cost recovery reserve balance</b>	<b>(6,297,947)</b>	<b>(8,766,095)</b>	<b>(8,766,095)</b>	<b>(8,766,095)</b>

n/a Not applicable.

Note: Increased expenses have primarily been driven by increased program management and administration costs, including information services costs associated with the department’s service delivery modernisation program, corporate costs and property costs. This has been partially offset by lower inspection costs being allocated to the arrangement resulting from higher industry use of third-party authorised officer to undertake inspections under the Authorised Officer program. This has decreased the inspection capability and capacity required to be maintained in the department, which has reduced the cost of horticulture inspection allocated to the arrangement. From 1 July 2019, \$1.553 million for regulatory activities for enforcement, scientific and technical advice and detained consignments was added to the arrangement indexed and ongoing.

#### 9.1.1 Summary financial performance 2020–21

Expense was \$10.5 million in 2020–21, 15% lower than the \$12.4 million projected in the 2020–21 CRIS. Key reasons for the cost reductions included savings arising from a number of structural changes in the department. By consolidating operations and integration coordination within plant exports business structure some efficiencies have been gained and reduced overall expense. The authorised officer program has also been implemented more efficiently than previously modelled, requiring fewer staff to support authorised officers and lowering the cost of the program.

Revenue of \$6.5 million was 15% lower than \$7.6 million projected in the 2020–21 CRIS. The key drivers of lower revenue were challenges associated with international freight and labour shortages caused by the pandemic. This was partially offset by increased revenue from manual documentation charges following an increase in protocol restrictive export markets.

While there was a net deficit of \$4 million in 2020–21, the cost recovery reserve balance will not change until after the last of the stepped increases have been implemented on 1 July 2023.

## **9.2 Non-financial performance**

The department intends to consult with industry stakeholders on non-financial performance indicators to assist in evaluating performance of the cost recovery arrangement. This CRIS will be updated as performance indicators are refined and further developed.

## 10 Key dates and events

Throughout the CRIS cycle, regular reviews of financial performance are undertaken and regular stakeholder engagement activities are conducted in line with the stakeholder engagement strategy documented in [Section 6](#). Key forward dates for regulatory charging for horticulture exports certification activities are documented in Table 14.

**Table 14 Key forward dates and events**

<b>Key forward events schedule</b>	<b>Next scheduled update</b>
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
Annual CRIS update to forward estimates	February 2024
Portfolio charging review outcomes to be brought forward in Budget	2024–25
Updated fees and charges implemented	1 July 2024
Annual CRIS updates to financial and non-financial performance for 2021–22	October 2024
Annual CRIS update to forward estimates	February 2025
Updated fees and charges implemented	1 July 2025
Annual CRIS updates to financial and non-financial performance for 2022–23	October 2025
Annual CRIS update to forward estimates	February 2026
Updated fees and charges implemented	1 July 2026

# 11 CRIS approval and change register

Table 15 tracks the changes to the CRIS as a result of changes to the regulatory charging activity.

**Table 15 CRIS approval and change register**

<b>Date of CRIS Change</b>	<b>CRIS Change</b>	<b>Approver</b>	<b>Basis for change</b>
3 February 2023	Certification of the CRIS	A/g Secretary, Department of Agriculture, Fisheries and Forestry	New regulatory charging activity and revalidation of cost model
17 February 2023	Publication of CRIS	Secretary, Department of Agriculture, Fisheries and Forestry	Communication and distribution of the new regulatory charging activity and revalidation of cost model

# Appendix A: Cost recovery model

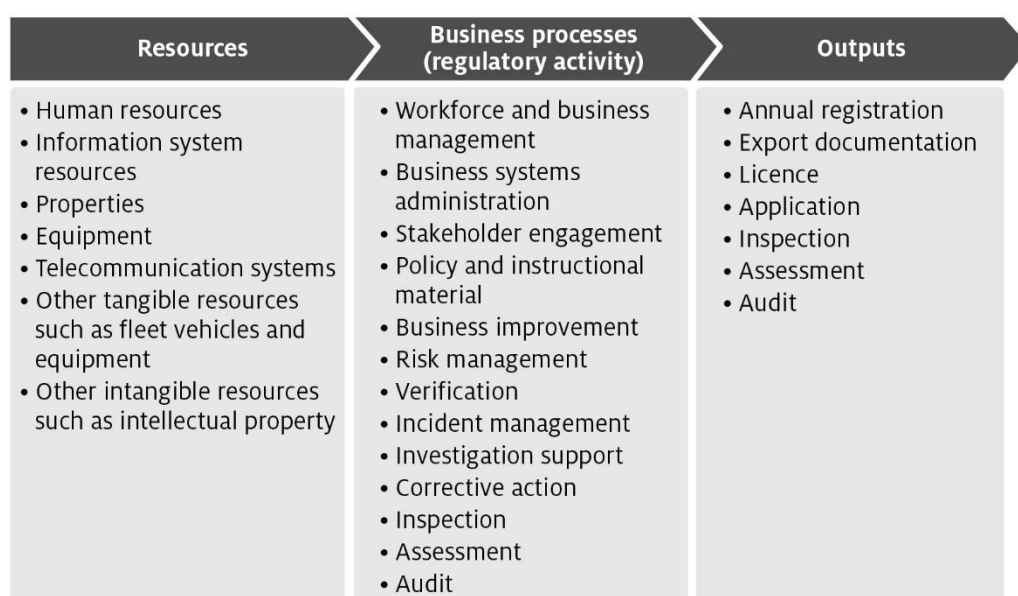
## Outputs and business processes of the regulatory charging activity

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. This will be achieved 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 describe how the department uses resources (such as people, IT, property and equipment) to undertake business processes (regulatory activities), which enable us to provide the 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 certification commitments.
- 3) 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.
- 4) Incident management – activities that respond to incidents concerning alleged breaches of Australian regulation or international import conditions.

- 5) Intervention – activities provided directly to an individual, business or organisation to meet export certification 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. This provides a transparent allocation of costs that is also efficient and effective to administer.

The 2 expense categories are:

- 6) 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.
- 7) 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) Work points – distributes costs based on space occupied, with the work point count reflecting the space where a person may be able to work.
  - b) FTE – distributes costs based on each program'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.



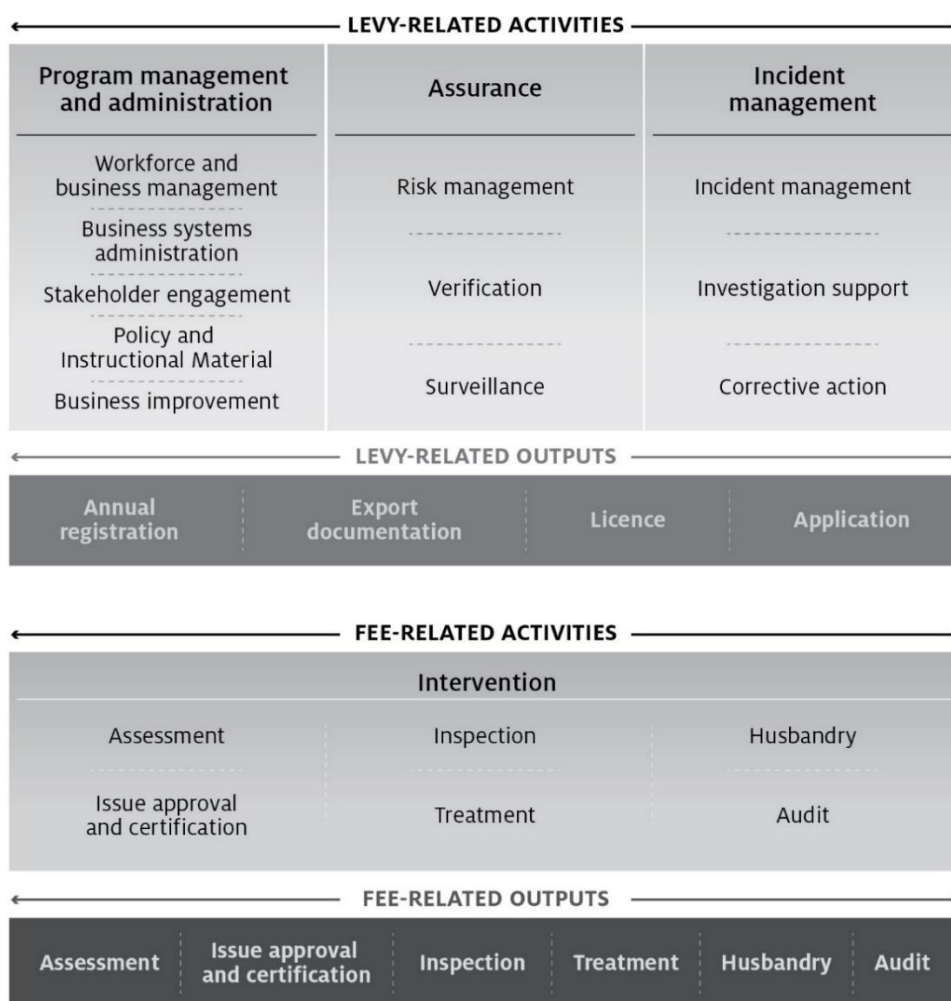
- 8) Direct costs (including the indirect costs allocated in step 1) are allocated to the activity and cost-recovered arrangements that best reflects the activity undertaken. Time recording systems allow the accurate allocation of effort to specific activities and arrangements, particularly to intervention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

- 9) Activity/arrangement costs (from step 2) are allocated to charge points which identify 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

This section provides details of the cost model activities undertaken in the departments cost recovery arrangements.

### Program management and administration activities

#### Workforce and business management

This activity comprises 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. It encompasses 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 development of initiatives to improve performance. Examples include adjustments to improve program and service delivery, 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 client assistance work.

### **Verification**

Includes assurance activities to provide stakeholders and the departmental executive with confidence that departmental controls of its systems and processes are operating in accordance with their intended design and associated documentation. This includes assurance activities provided to trading partners.

### **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 preparatory work and post work, travel and client assistance in relation to an incident.

### **Investigation support**

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

### **Corrective action**

Includes actions taken in response to non-compliance or contravention of legislation that is not required to be reported to enforcement officers. Corrective action activities include all preparatory work and post work, travel and client assistance in relation to the enforcement process.

## **Intervention activities**

### **Assessment**

Involves assessing information to determine if it meets Australian standards and legislation, international conventions and importing country conditions. This includes all preparatory work (such as confirming importing country or export requirements) and post work (such as assessment report preparation), travel and client assistance in relation to the assessment. Examples include assessments of licences, permits, registrations or accreditations.

### **Issue approvals and 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.

### **Inspection**

Involves the physical examination and supervision of an export consignment of plants or plant products to determine compliance with Australian standards and legislation, international conventions and importing country conditions.

### **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 client assistance.

### **Audit**

Includes the systematic and functionally independent examination of industry systems and processes to determine whether activities and related results comply with legislative or documented requirements. This includes all preparatory work and post work, travel and client assistance in relation to the audit.

# Appendix B: Summary of stakeholder feedback

The key themes are covered in Table B1.

**Table B1 Stakeholder feedback summary**

Key theme	Department response
<p><b>It may be difficult to recover increased costs if trade slowed down</b></p> <p>Increases in licence and approved arrangement fees will impact the ability to trade sporadically when market is good and potentially lead to less competition for Australian farmers livestock and lower prices to farmers. Industry raised concerns if there was a trade slowdown or suspension due to market, political or biosecurity factors it would be difficult to recover the increased cost, especially on small or new operators. Industry suggests licence and approved arrangement fees should be payable once and valid for 5 years (or indefinitely), and to maintain one set of approved documents provided to all license holders for consistency. If regulatory changes are required, they are made once and distributed to each licensee.</p>	<p>The department will continue to engage with industry on the best approach to pricing over the next few years, through the annual CRIS review cycle, incorporating reforms and further cost reductions as they are identified.</p>
<p><b>Cost recovery should be equitable to mape poor adverse seasonal conditions and above average seasonal conditions</b></p> <p>Government and industry need to ensure cost recovery is used in an equitable arrangement that manages poor adverse seasonal condition (and also the current above average seasonal conditions). Industry acknowledges the work performed through the joint approach to Storage Asset &amp; Management Standard and other projects are creating value which will assist long term goals in the department being a modern and efficient partner for industry.</p>	<p>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 0 and 5% of annual program expenditure in the reserve for each arrangement.</p> <p>The department will continue to engage with industry on the best approach to pricing over the next few years, through the annual CRIS review cycle, incorporating reforms and further cost reductions as they are identified.</p>
<p><b>Impact on smaller exporters</b></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><b>Price increases may limit profitability</b></p> <p>Feedback from multiple industries note price increases may limit profitability of some exporter groups and prices should either be held at current levels or that these exporters should be supported by further government investment.</p>	<p>The department will continue to engage with industry on the best approach to pricing over the next few years, through the annual CRIS review cycle, incorporating reforms and further cost reductions as they are identified.</p> <p>Individual industries groups should reach out to organise a meeting with the department if they have genuine concerns.</p>

# 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 (\$)			
			2022–23	2023–24	2024–25	2025–26
Charge	Application charge for organic goods certification operations	Per application	662	675	689	704
Fees	Assessment of applications or approvals	Per quarter hour	37	38	39	40
	Audit fee for organic good certification operations	Per quarter hour	37	38	39	40

## Tariff rate quota (TRQ) certificates

The prices for TRQ certificates for goods other than prescribed meat, prescribed meat products, prescribed milk and prescribed milk products are as indicated in Table C2.

**Table C2 TRQ certificate fees and charge**

Type of charge	Cost recovery charges	Unit	Price (\$)			
			2022–23	2023–24	2024–25	2025–26
Charge	TRQ Certificate	Per document	44	45	46	47
Fee	TRQ Certificate electronic	Per document	17	17	17	17
	TRQ Certificate, manual	Per document	40	41	41	41
	Replacement TRQ Certificate	Per document	552	563	574	585

## 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 C3.

**Table C3 Outside ordinary hours fees for goods other than prescribed livestock, prescribed live animals, prescribed animal reproductive material and prescribed meat and prescribed meat products**

Type of charge	Time of service	Unit	Price (\$)			
			2022–23	2023–24	2024–25	2025–26
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
		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