

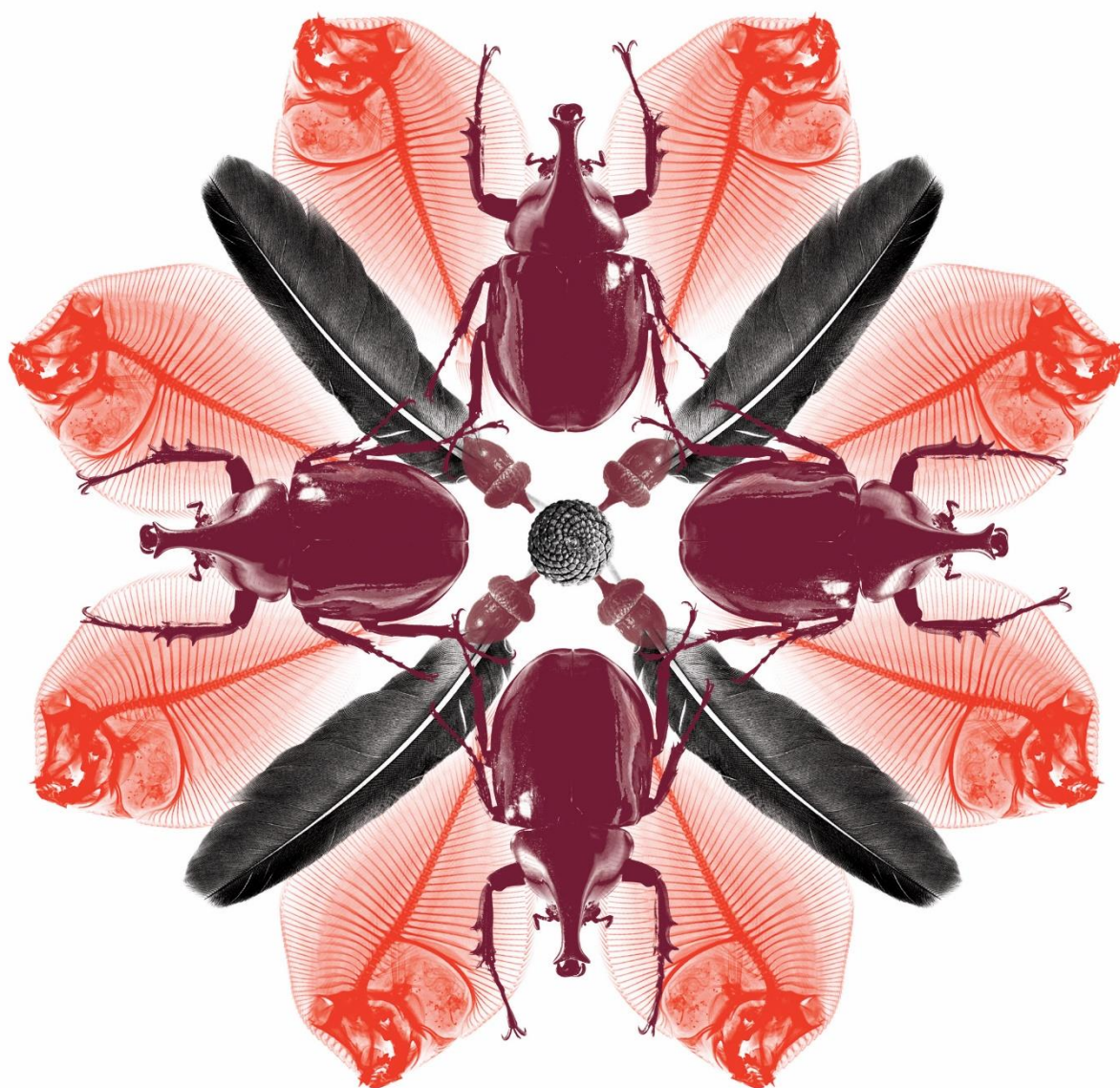


Australian Government

Department of Agriculture and Water Resources

# Cost Recovery Implementation Statement

## Plant exports certification 2015–16



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### Cataloguing data

This publication (and any material sourced from it) should be attributed as: DAWR 2015, *Cost Recovery Implementation Statement: Plant export certification, 2015–16*, Department of Agriculture and Water Resources, Canberra, October. CC BY 3.0.

ISBN 978-1-76003-114-5 (online)

This publication is available at [agriculture.gov.au/publications](http://agriculture.gov.au/publications).

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## Glossary

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

**Approved Authorised officers:** specially trained individuals who are appointed to perform specific export inspection functions in accordance with Australian export legislation.

**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 provided to the group being charged. In the CRGs, levies are referred to as cost recovery levies.

# 1 Purpose of the cost recovery implementation statement

This Cost Recovery Implementation Statement (CRIS) provides information on the Department of Agriculture and Water Resources' (the department's) cost recovery arrangements provided to exporters of plant products including grain and horticulture products. 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 following documents:

- Cost Recovery Impact Statement—Grain and Plant Products (2011–12)
- Cost Recovery Impact Statement—Horticulture (2011–12)
- Elements of the Department of Agriculture, Fisheries and Forestry Portfolio Cost Recovery Impact Statement 2008 that relates to the organic certification of plant products.

## 1.1 Plant exports

The export of plants and plant products is a controlled activity and is regulated in accordance with the *Export Control Act 1982* and its subordinate legislation. Grain and horticulture products specified in the legislation are:

- prescribed grain (any seed or the following grains: barley, canola, chickpeas, dried field peas, faba beans, lentils, lupins, mung beans, oats, nuts, sorghum, soybeans, whole vetch and wheat)
- fresh fruit and vegetables (including mushrooms, sprouts)
- horticulture products (fodder, straw, timber products, nursery stock, tissue cultures, cotton and other grains and seeds not listed above) for which an importing country's National Plant Protection Organisation requires a phytosanitary certificate or any other official certificate.

Exporters of plants and plant products must obtain an export permit prior to the departure of goods from Australia. Additional export certification may be required by overseas government authorities to verify that the exported products comply with their respective import conditions.

In order to certify a product's compliance with these conditions the department undertakes a range of activities, including:

- the development, implementation and monitoring of operational policy and systems that ensure compliance with Australian export controls and any additional importing country requirements. These activities serve to maintain the eligibility of commodities for export from Australia and ensure that market access is maintained
- the provision of inspection and auditing activities to ensure that the production, storage, handling and transportation of grain and horticulture products intended for export comply with the prescribed conditions of the Australian export controls and any additional requirements imposed by an importing country's national plant protection organisation
- the issue of permits, phytosanitary certification and other documentation necessary to confirm compliance with the export control orders and any additional importing country requirements.

A detailed guide on exporting plant and plant products is available on the [department's website](#).

The grain exports cost recovery arrangement is separate from the horticulture export cost recovery arrangement. However, the department's Plant Export Operations Branch now undertakes export certification activities for all plant products.

Plant export certification occurs across these two cost recovery arrangements. These two arrangements are presented in this CRIS. Common information for plant export certification, such as the authority to cost recover and the cost recovery methodology is in the body of the CRIS. Two schedules are attached which provide the specific details, cost base, levies and fees for each of the plant export certification cost recovery arrangements:

- Attachment A — Grain (including seed products and forestry)
- Attachment B — Horticulture

## **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 for 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 plant export supply chain. If it were not for the business activities of this group, 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 plant export certification 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 certification activities in 1979 and implemented full cost recovery from 1 January 1991.

The policy authority for continued export certification cost recovery was confirmed in the 2015–16 Budget when the government announced a 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 export 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 enhancing activities to strengthen export certification services.

### 2.2 Statutory authority

Fees and levies for plant export certification are recovered under separate statutory authority.

#### 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](#).

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 plant export fees.

#### Cost recovery levies

Previously, export certification levies were collected under the following legislation:

- *Export Inspection (Establishment Registration Charges) Act 1985*
  - Export Inspection (Establishment Registration Charges) Regulations 1985
  - This legislation can be obtained at the [Comlaw website](#).
- *Export Inspection (Quantity Charge) Act 1985*
  - Export Inspection (Quantity Charge) Regulations 1985
  - This legislation can be obtained at [the Comlaw website](#).
- *Export Inspection and Grain Charges Collection Act 1985*

- Export Inspection and Grain Charges Collection Regulations 1985
- This legislation can be obtained at [the Comlaw website](#).
- *Export Inspection (Services Charges) Act 1985*
  - Export Inspection (Service Charge) Regulations 1985
  - This legislation can be obtained at [the Comlaw website](#).

New regulations made under the following Acts will provide for the levies detailed in this CRIS to be established. This change will allow for redundant legislation and regulations listed above to be repealed. Commencement and transitional arrangement will mean that levies will not be duplicated.

New regulations and other delegated instruments will include descriptions of the charging points for the plant export levies.

- *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](#).

### 3 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 cost 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.

#### 3.1 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 cost.
- 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.

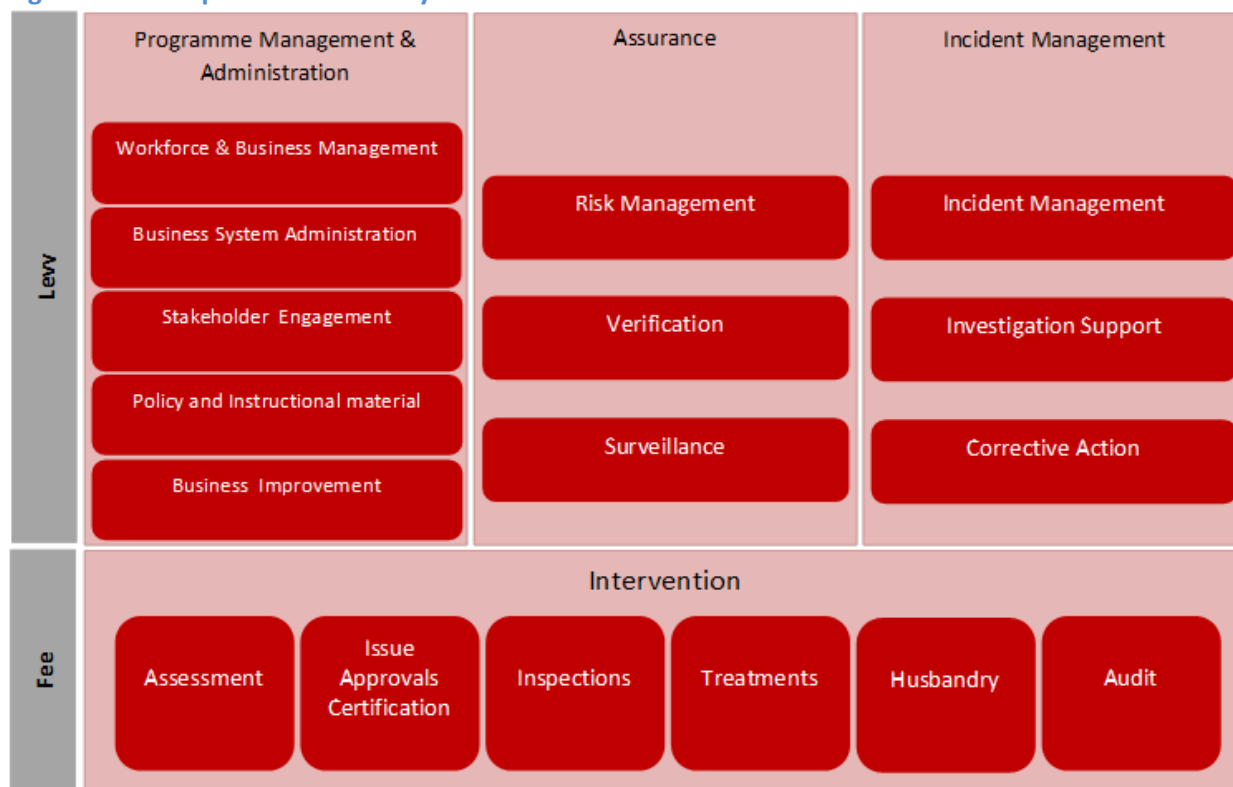
To project the cost base over the next four years, adjustments are applied to capture expected changes to the costs. These are changes that have not yet been captured in the department's FMIS. Reductions in costs will arise from reforms such as service delivery modernisation, while factors such as inflation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

#### 3.2 Activity-based cost model

The department's cost recovery model consists of 17 activities divided into four groups (as shown in Table 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 each activity are recovered. The costs associated with programme management and administration, assurance, and incident management activities 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 base cost model**



### 3.3 Activities undertaken for the plant exports cost recovery arrangements

Plant exports cost recovery arrangements incur costs in 12 of the 17 activities under the department's cost model. Charges, volumetric forecasts and revenue projections for the grain exports cost recovery arrangement is provided at **Attachments A**. Charges, volumetric forecasts and revenue projections for the horticultural exports cost recovery arrangement is provided at **Attachments B**. A description of the activities relevant to both grain and horticulture export certification is at **Attachment C**.

### 3.4 Volumetric forecasts

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 certificates 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 change 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 also used to improve and validate the volumetric forecasts.

### **3.5 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.

## 4 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 in addition to the CCRA associated with cost recovering plant export activities and their management (Table 1).

**Table 1: Risks—plant exports cost recovery arrangement**

Risk	Management
Cost of export certification impacts on industry competitiveness.	The department is implementing a range of reforms to deliver efficiencies in its export certification processes. 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.
The redesigned fee and levy structure doesn't support future regulatory reforms.	The fee and levy structure was designed taking into consideration future reforms. The structure has been developed to enable it to be adapted to 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.

## 5 Stakeholder engagement

Communication with the department's clients has been an integral part of redesigning the fee and levy structure and prices for recovering the costs of the department's biosecurity and export certification activities. Since September 2014, the department has consulted with over 400 individuals and organisations including through Industry Consultative Committees.

There is a general view that the department must remain committed to the export certification reforms and continue to drive down its costs. Committees would also like to see the implementation of operational efficiencies to reduce the department's 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.

Other specific issues included the level of service provided by the department for inspection and documentation activities; delays and failures in opening and maintaining access to existing and new markets; and frustration in the delays in the acceptance of authorised officers by overseas countries for plant exports to protocol markets.

In relation to plant exports, direct engagement has been undertaken with industry and fee payer representatives through the:

- the Grain and Plant Products Industry Consultative Committee
- the Horticulture Export Industry Consultative Committee.

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

Information on the issues raised by industry committee members in consultation with the department can be found in each of the attachments to this CRIS.

Public consultation allowed all stakeholders the opportunity to comment on the proposals. Engagement will continue throughout the implementation process. This will be achieved through established industry consultative committees as well as broad consultation processes and information sessions. There is a dedicated inbox linked to the department's website.

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

## 6 Key dates and events

### 6.1 Consultation

This CRIS 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, 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 on 1 December 2015.

### 6.2 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 2 will provide a record of future changes and updates to this CRIS.

**Table 2: Change register**

Date of CRIS change	CRIS change	Approver	Basis for change

## Attachment A — Grain exports (including seed products and forestry)

This attachment describes the proposed changes to the grain export cost recovery arrangement, the cost base, fees and levies as well as additional financial information associated with grain export inspection and certification activities.

### A.1 Design of cost recovered charges

Some grain exports cost recovery fees and levies will change from those established in the 2011–12 Cost Recovery Impact Statement. Changes are predominantly in the areas of registered establishment rates, volume levies and authorised officers charges. Basic inspection and audit fees will remain the same.

Some revisions are proposed to the current levy and fee structure to reflect the new cost recovery model and improve the consistency of fee and levy arrangements across the department's export certification activities. Table 8 provides a list of levies and fees.

#### A.1.1 Changes to fee and levy structure

Prior to 1 December 2015, exporters of grain and seed products had four key costs:

- An annual levy was applied to registered establishments. There were two rates depending on the type of establishment: exporters of bulk grain (\$4 300 per annum) and all other facilities (\$2 500 per annum).
- Volume levies were applied at a rate of \$0.11 per tonne for each tonne of grain exported from a registered establishment.
- Inspection and audit (\$36 per 15 minutes), which related to inspection of products intended for export and ensuring facilities and processes undertaken at establishments met standards required by Australia's trading partners.
- Export permits and certification (\$16 per electronic issue of document), which allowed products to exit Australia and enter into overseas markets.

The redesign will ensure a more sustainable and proportionate contribution by grain and seed exporters to the cost of the plant export certification system.

Key changes for grain and seed exporters from 1 December 2015 include:

- The annual levy applied to registered establishment has changed. The rates will now be based on establishment type: simple (\$3 000 per annum) and complex (\$6 000 per annum).
- Applications for new registered establishments will also now incur a one-off \$600 levy.
- The tonnage levy has increased to 15 cents per tonne in 2015–16, reducing to 11 cents per tonne from 2017–18. The levy will be applied as a minimum charge of one tonne per product line.
- Inspection and audit fees will remain at \$36 per 15 minutes. However, where an exporter could use an approved authorised officer but instead chooses to use a departmental officer, the inspection cost will be \$75 per 15 minutes. If an exporter does not have the option of an approved authorised officer (for example, protocol markets) this cost will be \$36 per 15 minutes.

- The department's future business model is based on the uptake of authorised officers. The higher rate of the additional inspection fee reflects the cost to the department of making officers available to respond to unanticipated requests. For budgeted staff, overheads are collected through levies with direct costs collected through inspection and audits fees. For additional staff, both overheads and direct costs must be recovered through the additional inspection fees.
- The cost of export permits and phytosanitary certificates, where delivered electronically, will decrease to \$12 per document. However, there will be an additional levy on phytosanitary certificates of \$38 per document, bringing the total cost to \$50 from 2015–16. The levy will decrease to \$36 in 2017–18, bringing the total cost to \$48 per phytosanitary certificate.
- The introduction of a levy for approving authorised officers (\$750 per annum) will recover the costs of administering the authorised officer programme. Fees for service will also be introduced to recover the costs of assessing applications (\$250), training and assessment (\$1 750 and \$2 000) and approval (\$250). Costs for the authorised officer programme should be recovered from clients using this service. Further, the introduction of a price signal will ensure that departmental training resources are most effectively utilised.

## Changes to forestry product charges

Prior to 1 December 2015, exporters of timber products had three key costs:

- Establishments that were registered in the system paid an annual levy of \$2 500 per annum.
- Inspection and audit (\$36 per 15 minutes), which related to inspection of products intended for export and ensuring facilities and processes undertaken at establishments met standards required by Australia's trading partners.
- Export permits and certification (\$16 per electronic issue of document), which allowed products to exit Australia and enter into overseas markets.

Key changes for exporters of forestry products from 1 December 2015 are as follows:

- The annual levy applied to registered establishment has changed. The rates will now be based on establishment type: simple (\$3 000 per annum) and complex (\$6 000 per annum). Applications for new registered establishments will also now incur a one-off \$600 levy.
- A tonnage levy of 15 cents per tonne in 2015–16, reducing to 11 cents per tonne from 2017–18 has been introduced. The levy will be applied as a minimum charge of one tonne per product line.
- Inspection and audit fees will remain at \$36 per 15 minutes. However, where an exporter could use an approved authorised officer but instead chooses to use a departmental officer, the inspection cost will be \$75 per 15 minutes. If an exporter does not have the option of an approved authorised officer (for example, protocol markets) this cost will be \$36 per 15 minutes.
- The department's future business model is based on the uptake of authorised officers. The higher rate of the additional inspection fee reflects the cost to the department of making officers available to respond to unanticipated requests. For budgeted staff, overheads are collected through levies with direct costs collected through inspection and audits fees. For additional staff, both overheads and direct costs must be recovered through the additional inspection fees.
- The cost of export permits and phytosanitary certificates, where delivered electronically, will decrease to \$12 per document. However, there will be an additional levy on phytosanitary certificates of \$38 per document, bringing the total cost to \$50 from 2015–16. The levy will decrease to \$36 in 2017–18, bringing the total cost to \$48 per phytosanitary certificate.

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## A.2 Cost base

The following information on the grain exports arrangement cost base is provided as a four-year average from 2015–16 to 2018–19.

The revised cost recovery model is a resource-based model premised on the efficient utilisation of departmental resources. This is enabled by improvements to business processes and IT capability systems (e.g. national service delivery, tablets enabling a mobile workforce and the new Plant Export Management System). It assumes full industry adoption of the authorised officer program, which will lower demand for inspection to be undertaken by the department.

### A.2.1 Projected cost base

Figure 1: The department's activity base cost model presents costs for the grain export arrangement by cost activity, attributed through the cost model presented in Section 3. A detailed description of cost activities is provided in **Attachment B**.

**Figure 2: Cost base – grain exports cost recovery arrangement (four year average 2015–16 to 2018–19)**

Grain Exports \$12.738m						
Levy	Programme Management & Administration \$8.677m		Assurance \$0m		Incident Management \$0.15m	
	Workforce & Business Management \$2.975m		Risk Management -		Incident Management \$0.15m	
	Business System Administration \$2.376m				Investigation Support -	
	Stakeholder Engagement \$0.206m		Verification -			
	Policy and Instructional material \$2.038m		Surveillance -		Corrective Action -	
Business Improvement \$1.082m						
Fee	Intervention \$3.911m					
	Assessment \$1.915m	Issue Approvals Certification -	Inspections \$0.886m	Treatments -	Husbandry -	Audit \$1.11m

Table 3 provides a breakdown of expenses averaged over the next four financial years. 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.

**Table 3: Cost type breakdown—grain exports cost recovery arrangement (four year average 2015–16 to 2018–19)**

Expense	Forecast (\$ millions)
Direct labour	\$5.968
Direct materials	\$1.584
Capital expenses	\$0.935
Other expenses	\$0.098
<b>Direct expenses total</b>	<b>\$8.585</b>
<b>Indirect expenses total</b>	<b>\$4.153</b>
<b>Total Expenses</b>	<b>\$12.738</b>

### A.2.2 Inclusions to the cost base

While the cost base has been reduced, additional costs associated with detained cargo have been incorporated. Detained cargo is cargo that has left Australia and encounters difficulty in transit or at the country of import. Due to the highly reactive, uncertain and expensive nature of managing detained cargo, 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 detained cargo. Under the redesign, the department will recover costs of managing these incidents through levies imposed on users.

Cost recovery is appropriate as industry benefits by having a system in place that allows the department to manage detained cargo situations when they arise. Activities undertaken by the department in cases of detained cargo include:

- working with foreign governments and agricultural posts
- identifying new markets for the detained cargo
- issuing certificates to meet new importing country requirements.

Table 4 summarises changes to the cost base.

**Table 4: Changes to cost base, grain exports**

Adjustment to cost base	Impact on cost base	Forecast (\$ '000s)
1. Detained consignments	Increase	\$150
2. Organic export certification	Increase	\$9
3. Depreciation expenses	Increase	\$285
<b>Total expenditure of adjustments to cost base</b>	Increase	\$444
<b>Total baseline expenditure</b>		\$12 294
<b>Adjusted cost recoverable expenditure (cost base)</b>		\$12 738
<b>Change in expenditure</b>	Increase	<b>4%</b>

## A.3 Financial estimates

A summary of the annual budgeted operating position for the grain export cost recovery arrangement is provided at Table 5. All cost recovered activities are subject to a detailed semi-annual review as part of departmental budgeting processes.

**Table 5: Financial estimates—grain exports cost recovery arrangement**

Finance element	A 2014–15	B 2015–16	C 2016–17	D 2017–18	E 2018–19
Expenses = X	\$22 945 560	\$14 640 753	\$13 081 349	\$11 684 169	\$11 544 338
Revenue = Y	\$16 306 774	\$14 956 307	\$13 275 993	\$11 650 020	\$11 429 520
Balance = Y – X	<b>\$-6 638 786</b>	<b>\$315 554</b>	<b>\$194 644</b>	<b>\$-34 148</b>	<b>\$-114 817</b>
Forecast opening cost recovery reserve balance	NA	-	\$315 554	\$510 198	\$476 049
Transfer	NA	\$315 554	\$194 644	\$-34 148	\$-114 817
Forecast closing cost recovery reserve balance	NA	<b>\$315 554</b>	<b>\$510 198</b>	<b>\$476 049</b>	<b>\$361 232</b>

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 to five percent of annual programme expenditure.

## A.4 Performance reporting

The following section presents information on the financial and non-financial performance of the grain 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.

### A.4.1 Financial performance

Financial performance for the grain export cost recovery arrangement is provided at Table 6. The 2015–16 financial year and three forward years will be updated each year as financial information becomes available.

**Table 6: Financial performance—grain exports cost recovery arrangement**

Finance element	2011–12	2012–13	2013–14	2014–15
Expenses = X	\$19 760 181	\$20 498 963	\$24 794 412	\$22 945 560
Revenue = Y	\$26 649 221	\$21 937 855	\$18 622 749	\$16 306 774
Balance = Y – X	\$6 889 040	\$1 438 891	\$-6 171 664	\$-6 638 786
Finance element	2015–16	2016–17	2017–18	2018–19
Expenses = X	<i>Updated in 2016</i>	<i>Updated in 2017</i>	<i>Updated in 2018</i>	<i>Updated in 2019</i>
Revenue = Y	<i>Updated in 2016</i>	<i>Updated in 2017</i>	<i>Updated in 2018</i>	<i>Updated in 2019</i>
Balance = Y – X	<i>Updated in 2016</i>	<i>Updated in 2017</i>	<i>Updated in 2018</i>	<i>Updated in 2019</i>

## A.4.2 Non-financial performance

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

**Table 7: Non-financial performance measures—grain 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	Nil	Nil	Nil	Nil	Nil
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%

## A.5 Grain export stakeholder engagement

Grain industry members stated that the costs of the Authorised Officers (AO) programme should not be entirely funded through levies as had been originally proposed. Instead, some form of fee for service component was requested in addition to a levy component. This was seen as important in both ensuring that users contributed directly to the costs of the AO programme, and at the same time would reduce the levy amount. The department has adjusted the proposed model to introduce a fee for service component for the AO activities in the grain export area.

In consultative meetings with the department, grains industry representatives raised strong concerns that the proposed 20 cent per tonne volume charge was a significant increase over the current 11 cent per tonne charge, especially as other export certification costs also seemed to be rising.

Grain members argued that a doubling of the volume charge was unacceptable, and said the department must find a more equitable way to distribute costs. It was suggested by some grain industry members that a reduction in the tonnage charge could be achieved by increasing the certification charges for phytosanitary certificates. Similar concerns were raised by the grain industry during public consultation.

Grain exporters did not support the draft proposal to consolidate the grain and horticulture programmes into a single plant export arrangement. They claimed that if the two programmes were consolidated they would be cross-subsidising the costs of horticulture exporters.

Following the grain industry consultative meetings, and the feedback from public submissions, the department revised the grain export charges, and separated the grain and horticulture arrangements as separate programmes within the Plant Exports CRIS.

There were slight increases in the rates for simple establishments and complex establishments.

There is now only one tonnage rate for grain, which has been reduced.

Inspection and audit fees will remain at \$36 per 15 minutes. However, where an exporter could use an approved authorised officer but instead chooses to use a departmental officer, the inspection cost will be \$75 per 15 minutes. If an exporter does not have the option of an approved authorised officer (for example, protocol markets) this cost will be \$36 per 15 minutes.

On implementation of the new arrangements, quarterly reporting of cost recovery performance will continue to be provided to relevant Industry Consultative Committees. This provides a mechanism for continual engagement and review of cost recovery arrangements and ensures any unintended consequences or issues are resolved in a timely manner.

## A.6 Grain export fees and levies

**Table 8: Fees, levies and volumes—grain export cost recovery arrangement (2015–16)**

Charge title	Type	Rate	Unit	Estimated volume	Estimated total revenue
<b>Plant exporter levies</b>	<b>Type</b>	<b>Rate</b>	<b>Unit</b>	<b>Estimated volume</b>	<b>Estimated total revenue</b>
Establishment registration—simple	Levy	\$3 000	Annual	495	\$1 485 000
Establishment registration—complex	Levy	\$6 000	Annual	37	\$222 000
Authorised officer approval	Levy	\$ 750	Annual	977	\$732 750
Organic certifying organisation	Levy	\$7 500	Annual	1	\$7 500
Export volume—grain and related products rate	Levy	\$0.15	Per tonne (or part thereof)	37 781 366	\$5 667 205
Phytosanitary certificate	Levy	\$38	Per document	39 516	\$1 501 608
Establishment application (one-off)	Levy	\$600	Per initial establishment application	-	-
<b>Audit and Inspection fees</b>	<b>Type</b>	<b>Rate</b>	<b>Unit</b>	<b>Estimated volume</b>	<b>Estimated total revenue</b>
Audit	Fee	\$36	Per 15 minutes (or part thereof)	31 439	\$1 131 804
Core inspection	Fee	\$36	Per 15 minutes (or part thereof)	25 311	\$911 196
Additional inspection	Fee	\$75	Per 15 minutes (or part thereof)	-	-
<b>Documentation fees</b>	<b>Type</b>	<b>Rate</b>	<b>Unit</b>	<b>Estimated volume</b>	<b>Estimated total revenue</b>
Document-Electronic	Fee	\$12	Per document	84 687	\$1 016 244
Document-Manual	Fee	\$100	Per document	-	-
Replacement certificate	Fee	\$500	Per document	-	-
<b>Approved Authorised Officer (AAO) fees</b>	<b>Type</b>	<b>Rate</b>	<b>Unit</b>	<b>Estimated volume</b>	<b>Estimated total revenue</b>
AAO Application Fee	Fee	\$250	per AO application	444	\$111 000

Charge title	Type	Rate	Unit	Estimated volume	Estimated total revenue
AAO Learning and Assessment	Fee	\$1 750	per person delivered training	904	\$1 582 000
Additional AAO Learning and Assessment	Fee	\$2 000	per person delivered additional training	181	\$362 000
AAO Approval	Fee	\$250	per AO approval	904	\$226 000

**Table 9: Fees, levies and volumes—grain export cost recovery arrangement (2016–17)**

Charge title	Type	Rate	Unit	Estimated volume	Estimated total revenue
<b>Plant exporter levies</b>	<b>Type</b>	<b>Rate</b>	<b>Unit</b>	<b>Estimated volume</b>	<b>Estimated total revenue</b>
Establishment registration—simple	Levy	\$3 000	Annual	495	\$1 485 000
Establishment registration—complex	Levy	\$6 000	Annual	37	\$222 000
Authorised officer approval	Levy	\$ 750	Annual	1 539	\$1 154 250
Organic certifying organisation	Levy	\$7 500	Annual	1	\$7 500
Export volume—grain and related products rate	Levy	\$0.14	Per tonne (or part thereof)	37 781 366	\$5 289 391
Phytosanitary certificate	Levy	\$38	Per document	39 516	\$1 501 608
Establishment application (one-off)	Levy	\$600	Per initial establishment application	-	-
<b>Audit and Inspection fees</b>	<b>Type</b>	<b>Rate</b>	<b>Unit</b>	<b>Estimated volume</b>	<b>Estimated total revenue</b>
Audit	Fee	\$36	Per 15 minutes (or part thereof)	31 439	\$1 131 804
Core inspection	Fee	\$36	Per 15 minutes (or part thereof)	25 311	\$911 196
Additional inspection	Fee	\$75	Per 15 minutes (or part thereof)	-	-
<b>Documentation fees</b>	<b>Type</b>	<b>Rate</b>	<b>Unit</b>	<b>Estimated volume</b>	<b>Estimated total revenue</b>
Document-Electronic	Fee	\$12	Per document	84 687	\$1 016 244
Document-Manual	Fee	\$100	Per document	-	-

Charge title	Type	Rate	Unit	Estimated volume	Estimated total revenue
Replacement certificate	Fee	\$500	Per document	-	-
Approved Authorised Officer (AAO) fees	Type	Rate	Unit	Estimated volume	Estimated total revenue
AAO Application Fee	Fee	\$250	per AO application	364	\$91 000
AAO Learning and Assessment	Fee	\$1 750	per person delivered training	194	\$339 500
Additional AAO Learning and Assessment	Fee	\$2 000	per person delivered additional training	39	\$78 000
AAO Approval	Fee	\$250	per AO approval	194	\$48 500

Table 10: Fees, levies and volumes—grain export cost recovery arrangement (2017–18)

Charge title	Type	Rate	Unit	Estimated volume	Estimated total revenue
Plant exporter levies	Type	Rate	Unit	Estimated volume	Estimated total revenue
Establishment registration—simple	Levy	\$3 000	Annual	495	\$1 485 000
Establishment registration—complex	Levy	\$6 000	Annual	37	\$222 000
Authorised officer approval	Levy	\$ 750	Annual	1 194	\$895 500
Organic certifying organisation	Levy	\$7 500	Annual	1	\$7 500
Export volume—grain and related products rate	Levy	\$0.11	Per tonne (or part thereof)	37 781 366	\$4 155 950
Phytosanitary certificate	Levy	\$36	Per document	39 516	\$1 422 576
Establishment application (one-off)	Levy	\$600	Per initial establishment application	-	-
Audit and Inspection fees	Type	Rate	Unit	Estimated volume	Estimated total revenue
Audit	Fee	\$36	Per 15 minutes (or part thereof)	31 439	\$1 131 804
Core inspection	Fee	\$36	Per 15 minutes (or part thereof)	25 311	\$911 196
Additional inspection	Fee	\$75	Per 15 minutes (or part thereof)	-	-

Charge title	Type	Rate	Unit	Estimated volume	Estimated total revenue
Documentation fees	Type	Rate	Unit	Estimated volume	Estimated total revenue
Document-Electronic	Fee	\$12	Per document	84 687	\$1 016 244
Document-Manual	Fee	\$100	Per document	-	-
Replacement certificate	Fee	\$500	Per document	-	-
Approved Authorised Officer (AAO) fees	Type	Rate	Unit	Estimated volume	Estimated total revenue
AAO Application Fee	Fee	\$250	per AO application	273	\$ 68 250
AAO Learning and Assessment	Fee	\$1 750	per person delivered training	139	\$243 250
Additional AAO Learning and Assessment	Fee	\$2 000	per person delivered additional training	28	\$56 000
AAO Approval	Fee	\$250	per AO approval	139	\$34 750

Table 11: Fees, levies and volumes—grain export cost recovery arrangement (2018–19)

Charge title	Type	Rate	Unit	Estimated volume	Estimated total revenue
Plant exporter levies	Type	Rate	Unit	Estimated volume	Estimated total revenue
Establishment registration—simple	Levy	\$3 000	Annual	495	\$1 485 000
Establishment registration—complex	Levy	\$6 000	Annual	37	\$222 000
Authorised officer approval	Levy	\$ 750	Annual	980	\$735 000
Organic certifying organisation	Levy	\$7 500	Annual	1	\$7 500
Export volume—grain and related products rate	Levy	\$0.11	Per tonne (or part thereof)	37 781 366	\$4 155 950
Phytosanitary certificate	Levy	\$36	Per document	39 516	\$1 422 576
Establishment application (one-off)	Levy	\$600	Per initial establishment application	-	-
Audit and Inspection fees	Type	Rate	Unit	Estimated volume	Estimated total revenue

Charge title	Type	Rate	Unit	Estimated volume	Estimated total revenue
Audit	Fee	\$36	Per 15 minutes (or part thereof)	31 439	\$1 131 804
Core inspection	Fee	\$36	Per 15 minutes (or part thereof)	25 311	\$911 196
Additional inspection	Fee	\$75	Per 15 minutes (or part thereof)	-	-
Documentation fees	Type	Rate	Unit	Estimated volume	Estimated total revenue
Document-Electronic	Fee	\$12	Per document	84 687	\$1 016 244
Document-Manual	Fee	\$100	Per document	-	-
Replacement certificate	Fee	\$500	Per document	-	-
Approved Authorised Officer (AAO) fees	Type	Rate	Unit	Estimated volume	Estimated total revenue
AAO Application Fee	Fee	\$250	per AO application	273	\$68 250
AAO Learning and Assessment	Fee	\$1 750	per person delivered training	114	\$199 500
Additional AAO Learning and Assessment	Fee	\$2 000	per person delivered additional training	23	\$46 000
AAO Approval	Fee	\$250	per AO approval	114	\$28 500

## Attachment B — Horticulture exports

This schedule describes the changes to the horticulture export cost recovery arrangement, the cost base, fees and levies as well as additional financial information associated with inspection and certification activities for horticulture product exports.

### B.1 Design of cost recovered charges

Some horticulture exports cost recovery fees and levies will change from those established in the 2011–12 Cost Recovery Impact Statement. Changes are predominantly in the areas of registered establishment rates, volume levies and approving authorised officers. Basic inspection and audit fees will remain the same. Horticulture exports volumes and associated inspection, audit and certification activities are forecast to be steady over the next four years.

Some revisions are proposed to the current levy and fee structure to reflect the new cost recovery model and improve the consistency of fee and levy arrangements across the department's export certification activities. Table 14 provides a list of levies and fees.

#### B.1.1 Changes to fee and levy structure

Prior to 1 December 2015, exporters of horticultural products had three key costs:

- An annual levy was applied to registered establishments. There were three rates depending on the complexity of certification demanded by destination countries. These were basic markets (\$2 844 per annum), markets requiring additional declarations (\$5 687 per annum) and protocol markets which required substantial departmental services (\$8 530 per annum).
- Inspection and audit (\$36 per 15 minutes), which related to inspection of products intended for export, and ensuring facilities and processes undertaken at establishments met standards required by Australia's trading partners.
- Export permits and certification (\$16 per electronic issue of document), which allowed products to exit Australia and enter into overseas markets.

The previous approach to cost recovering horticulture export certification focused heavily on large upfront levies. This disadvantaged businesses that exported less frequently, which paid the same registration levies even though they used fewer departmental services than more frequent exporters.

The redesign creates a better balance between upfront charges and payment for ongoing use of services. This creates a more equitable fee and levy structure where a business that exports more will pay for the additional departmental services it requires.

Key changes for horticultural exporters from 1 December 2015 include:

- The annual levy applied to registered establishment has changed. The rates will now be based on establishment type: grower/exporter (\$600 per annum), simple (\$3 000 per annum) and complex (\$6 000 per annum).
- The complex registration establishment levy will apply to establishments exporting to protocol markets.
- Applications for new registered establishments will also now incur a one-off \$600 levy.
- New volume tonnage levies will comprise of two rates:
  - the non-protocol market rate, starting at 95 cents per tonne in 2015–16, reducing to 65 cents per tonne in 2017–18, and

- the protocol market rate, starting at \$1.90 per tonne in 2015-16, reducing to \$1.30 in 2017–18.
- The levy will be applied as a minimum charge of one tonne per product line.
- Lower registration costs and the introduction of volume levies will make exporting more affordable for smaller businesses.
- Inspection and audit fees will remain at \$36 per 15 minutes. However, where an exporter could use an approved authorised officer but instead chooses to use a departmental officer, the inspection cost will be \$75 per 15 minutes. If an exporter does not have the option of an approved authorised officer (for example, protocol markets) this cost will be \$36 per 15 minutes.
- The department's future business model is based on the uptake of authorised officers. The higher rate of the additional inspection fee reflects the cost to the department of making officers available to respond to unanticipated requests. For budgeted staff, overheads are collected through levies with direct costs collected through inspection and audits fees. For additional staff, both overheads and direct costs must be recovered through the additional inspection fees.
- The cost of export permits and phytosanitary certificates, where delivered electronically, will decrease to \$12 per document. However, there will be an additional levy on phytosanitary certificates of \$38 per document, bringing the total cost to \$50 from 2015–16. The levy will decrease to \$36 in 2017–18, bringing the total cost to \$48 per phytosanitary certificate.
- The introduction of a levy for approving authorised officers (\$750 per annum) will recover the costs of administering the authorised officer programme. Fees for service will also be introduced to recover the costs of assessing applications (\$250), training and assessment (\$1 750 and \$2 000) and approval (\$250). Costs for the authorised officer programme should be recovered from clients using this service. Further, the introduction of a price signal will ensure that departmental training resources are most effectively utilised.

## B.2 Cost base

The following information on the horticulture 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 12.

The revised cost recovery model is a resource-based model premised on the efficient utilisation of departmental resources. This is enabled by improvements to business processes and IT capability systems (e.g. national service delivery, tablets enabling a mobile workforce and the new Plant Export Management System). It assumes full industry adoption of the authorised officer program, which will lower demand for inspection to be undertaken by the department.

### B.2.1 Projected cost base

Figure 3 presents costs for the horticulture export arrangement by cost activity, attributed through the cost model presented in Section 3. A detailed description of cost activities is provided in **Attachment C**.

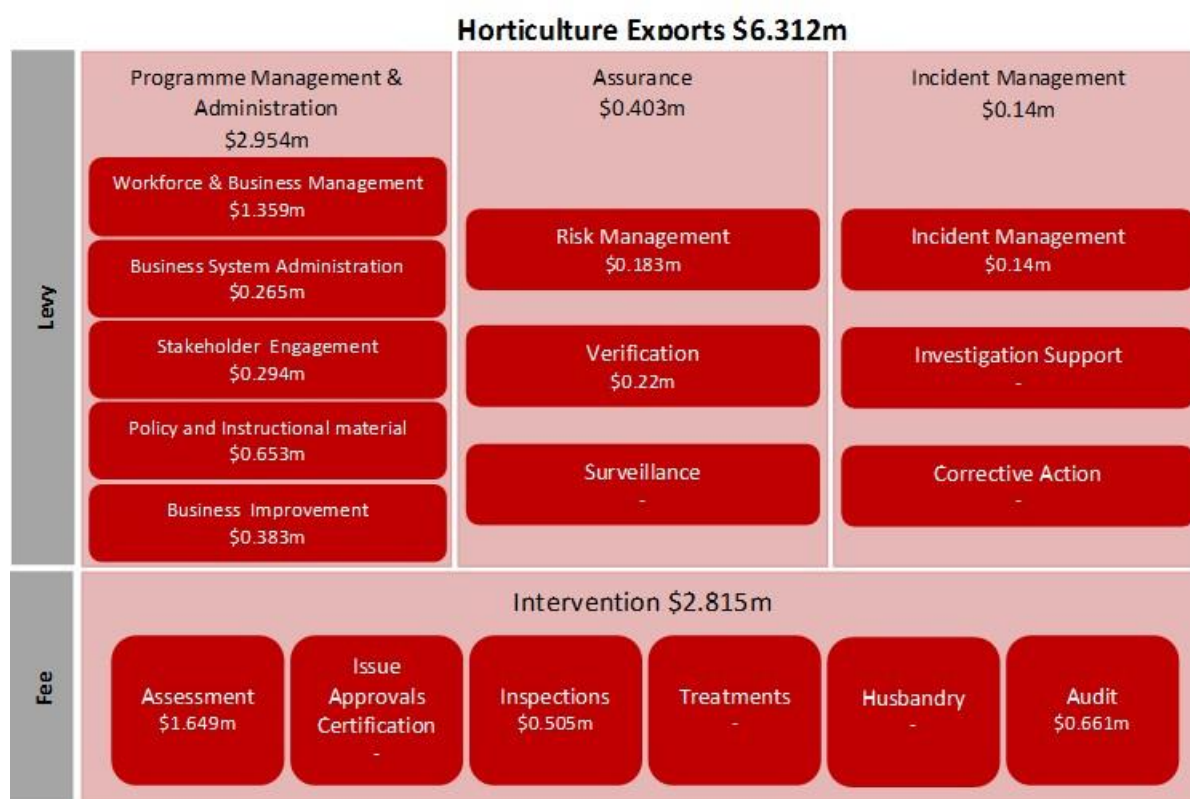
**Figure 3: Cost base—horticulture exports cost recovery arrangement (four year average 2015–16 to 2018–19)**

Table 12 breaks down costs for the horticulture exports arrangement into direct, indirect and capital expenses.

**Table 12: Cost type breakdown—horticulture exports cost recovery arrangement (four year average, 2015–16 to 2018–19)**

Expense	Forecast (\$ millions)
<b>Direct expenses</b>	
Direct labour	\$3.386
Direct materials	\$0.938
Capital expenses	\$0.362
Other expenses	\$0.041
<b>Direct expenses total</b>	<b>\$4.728</b>
<b>Indirect expenses total</b>	<b>\$1.584</b>
<b>Total Expenses</b>	<b>\$6.312</b>

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.

## B.2.2 Inclusions to the cost base

Additional costs associated with detained cargo have been incorporated. Detained cargo is cargo that has left Australia and encounters difficulty in transit or at the country of import. Due to the highly reactive, uncertain and expensive nature of managing detained cargo, 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 detained cargo. Under the redesign, the department will recover costs of managing these 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 detained cargo situations when they arise. Activities undertaken by the department in cases of detained cargo include:

- working with foreign governments and agricultural posts
- identifying new markets for the detained cargo
- issuing certificates to meet new importing country requirements.

Table 13 summarises changes to the cost base.

**Table 13: Changes to cost base, horticulture exports**

Adjustment to cost base	Impact on cost base	Forecast (\$ '000s)
1. Detained consignments	Increase	\$50
2. Organic export certification	Increase	\$34
3. Depreciation expenses	Increase	\$95
<b>Total expenditure of adjustments to cost base</b>	Increase	\$179
<b>Total baseline expenditure</b>		\$6 132
<b>Adjusted cost recoverable expenditure (cost base)</b>		\$6 312
<b>Change in expenditure</b>	Increase	3%

## B.3 Financial estimates

A summary of the annual budgeted operating position for the horticulture cost recovery arrangement is provided at Table 14. All cost recovered activities are subject to a detailed semi-annual review as part of departmental budgeting processes.

**Table 14: Financial estimates—horticulture exports cost recovery arrangement**

Finance element	A 2014–15	B 2015–16	C 2016–17	D 2017–18	E 2018–19
Expenses = X	\$8 343 017	\$6 075 386	\$6 835 217	\$6 098 359	\$6 238 190
Revenue = Y	\$6 133 048	\$5 864 952	\$6 763 415	\$6 432 837	\$6 407 337
Balance = Y – X	<b>\$-2 209 969</b>	<b>\$-210 433</b>	<b>\$-71 802</b>	<b>\$334 478</b>	<b>\$169 147</b>
Forecast opening cost recovery reserve balance	NA	-	\$-210 433	\$-282 235	\$52 253
Transfer	NA	\$-210 433	\$-71 802	\$334 478	\$169 147
Forecast closing cost recovery reserve balance	NA	<b>\$-210 433</b>	<b>\$-282 235</b>	<b>\$52 243</b>	<b>\$221 389</b>

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 to five percent of annual programme expenditure.

## B.4 Performance reporting

The following section presents information on the financial and non-financial performance of the horticulture 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.

### B.4.1 Financial performance

The financial performance for the horticulture cost recovery arrangement is provided at Table 15. The 2015–16 financial year and three forward years will be updated each year as financial information becomes available.

**Table 15: Financial performance—horticulture exports cost recovery arrangement**

Finance element	2011–12	2012–13	2013–14	2014–15
Expenses = X	\$7 786 145	\$9 786 443	\$7 742 112	\$8 343 017
Revenue = Y	\$6 128 049	\$9 446 006	\$6 254 582	\$6 133 048
Balance = Y – X	\$-1 658 096	\$-340 437	\$-1 487 530	\$-2 209 969
Finance element	2015–16 Updated in 2016	2016–17 Updated in 2017	2017–18 Updated in 2018	2018–19 Updated in 2019
Expenses = X				
Revenue = Y				
Balance = Y – X				

### B.4.2 Non-financial performance

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

**Table 16: Non-financial performance measures—horticulture 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	Nil	Nil	Nil	Nil	Nil
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%

## **B.5 Horticulture exports stakeholder engagement**

Concerns have been raised by stakeholders about increases in the horticulture export cost base and not achieving greater efficiencies in the current arrangement. There is a general view that the department must better demonstrate it delivers services efficiently. The department is implementing a range of reforms that are designed to address increases in the cost base. This includes developing a framework to drive optimisation of its resources.

Horticulture industry representatives were concerned about the increase to the phytosanitary certificate levy, and the new tonnage levies. The new charges resolve historical under-recovery in the horticulture export programme. However, industry members also noted that the new throughput charges allowed for significant reductions in registration levies. After discussion, industry members were broadly supportive of the concept, but were concerned that the throughput charges would impact on larger volume exporters in particular.

Horticulture industry members stated that the costs of the Authorised Officers (AO) programme should not be entirely funded through levies as had been originally proposed. Instead, some form of fee for service component was requested in addition to a levy component. This was seen as important in both ensuring that users contributed directly to the costs of the AO programme, and at the same time would reduce the levy amount.

Many horticulture stakeholders questioned the new charges for the training and certification of authorised officers—which is currently provided at no additional cost—and was not seen as an incentive to have authorised officers.

Public information sessions included some comments that indicated a fundamental opposition to the premise of full cost recovery of export certification activities. These stakeholders argued the economic benefit to the country should enable the department's services to be tax payer funded—if not wholly, at least a significant part.

While stakeholders were more comfortable with fees for service relating to inspection and audit activities, the majority did not see how they were a consumer of related activities the department undertakes for horticulture exports. As such, they did not believe it was reasonable for them to have to pay for system costs that relates to the horticulture export programme, such as a proportion of export certification systems, IT, HR, finance and similar costs.

Stakeholders also wanted to see costs reduced from the horticulture export programme, especially relating to system costs and Canberra-based positions, and more support provided for small exporters. Some horticulture industry representatives wanted to see registered establishment charges return to pre-2011 levels (where charges were also heavily subsidised by the government) of around \$500 to \$1 000.

Horticulture exporters did not support the draft proposal to consolidate the horticulture and grain programmes into a single plant export arrangement. They claimed that if the programmes were consolidated they would be cross-subsidising the costs of grain exporters.

Following the horticulture industry consultative meetings, and the feedback from public submissions, the department revised the horticulture export charges, and separated the horticulture and grain arrangements as separate programmes within the Plant Exports CRIS.

A new tier was introduced for registered establishments, the grower/exporter establishment. There were slight increases compared to what was in the consultation CRIS in the rates for simple establishments and complex establishments, . These revised rates are still significant decreases compared to previous registered establishment prices.

There was a further reduction in the throughput levies (due to the adjustment of the registered establishment prices).

On implementation of the new arrangements, quarterly reporting of cost recovery performance will continue to be provided to relevant Industry Consultative Committees. This provides a mechanism for continual engagement and review of cost recovery arrangements and ensures any unintended consequences or issues are resolved in a timely manner.

## B.6 Horticulture export fees and levies

**Table 17: Fees, levies and volumes —horticulture exports cost recovery arrangement (2015–16)**

Charge title	Type	Rate	Unit	Estimated volume	Estimated total revenue
<b>Plant exporter levies</b>	<b>Type</b>	<b>Rate</b>	<b>Unit</b>	<b>Estimated volume</b>	<b>Estimated total revenue</b>
Establishment registration—grower/exporter	Levy	\$600	Annual	287	\$172 200
Establishment registration—simple	Levy	\$3 000	Annual	165	\$495 000
Establishment registration—complex	Levy	\$6 000	Annual	158	\$948 000
Authorised officer approval	Levy	\$ 750	Annual	87	\$65 250
Organic certifying organisation	Levy	\$7 500	Annual	4	\$30 000
Export volume—non-protocol rate	Levy	\$0.95	Per tonne (or part thereof)	490 127	\$465 621
Export volume—protocol rate	Levy	\$1.90	Per tonne (or part thereof)	87 876	\$166 964
Phytosanitary certificate	Levy	\$38	Per document	22 701	\$862 638
Establishment application (one-off)	Levy	\$600	Per initial establishment application	287	\$172 200
<b>Audit and Inspection fees</b>	<b>Type</b>	<b>Rate</b>	<b>Unit</b>	<b>Estimated volume</b>	<b>Estimated total revenue</b>
Audit	Fee	\$36	Per 15 minutes (or part thereof)	18 737	\$674 532
Core inspection	Fee	\$36	Per 15 minutes (or part thereof)	14 426	\$519 336
Additional inspection	Fee	\$75	Per 15 minutes (or part thereof)	-	-

Charge title	Type	Rate	Unit	Estimated volume	Estimated total revenue
Documentation fees	Type	Rate	Unit	Estimated volume	Estimated total revenue
Document-Electronic	Fee	\$12	Per document	64 351	\$772 212
Document-Manual	Fee	\$100	Per document	-	-
Replacement certificate	Fee	\$500	Per document	-	-
Approved Authorised Officer (AAO) fees	Type	Rate	Unit	Estimated volume	Estimated total revenue
AAO Application Fee	Fee	\$250	per AO application	300	\$75 000
AAO Learning and Assessment	Fee	\$1 750	per person delivered training	186	\$325 500
Additional AAO Learning and Assessment	Fee	\$2 000	per person delivered additional training	37	\$74 000
AAO Approval	Fee	\$250	per AO approval	186	\$46 500

Table 18: Fees, levies and volumes —horticulture exports cost recovery arrangement (2016–17)

Charge title	Type	Rate	Unit	Estimated volume	Estimated total revenue
Plant exporter levies	Type	Rate	Unit	Estimated volume	Estimated total revenue
Establishment registration—grower/exporter	Levy	\$600	Annual	287	\$172 200
Establishment registration—simple	Levy	\$3 000	Annual	165	\$495 000
Establishment registration—complex	Levy	\$6 000	Annual	158	\$948 000
Authorised officer approval	Levy	\$ 750	Annual	242	\$181 500
Organic certifying organisation	Levy	\$7 500	Annual	4	\$30 000
Export volume—non-protocol rate	Levy	\$0.85	Per tonne (or part thereof)	490 127	\$416 608
Export volume—protocol rate	Levy	\$1.70	Per tonne (or part thereof)	87 876	\$149 389
Phytosanitary certificate	Levy	\$38	Per document	22 701	\$862 638

Charge title	Type	Rate	Unit	Estimated volume	Estimated total revenue
Establishment application (one-off)	Levy	\$600	Per initial establishment application	-	-
Audit and Inspection fees	Type	Rate	Unit	Estimated volume	Estimated total revenue
Audit	Fee	\$36	Per 15 minutes (or part thereof)	18 737	\$674 532
Core inspection	Fee	\$36	Per 15 minutes (or part thereof)	14 426	\$519 336
Additional inspection	Fee	\$75	Per 15 minutes (or part thereof)	-	-
Documentation fees	Type	Rate	Unit	Estimated volume	Estimated total revenue
Document-Electronic	Fee	\$12	Per document	64 351	\$772 212
Document-Manual	Fee	\$100	Per document	-	-
Replacement certificate	Fee	\$500	Per document	-	-
Approved Authorised Officer (AAO) fees	Type	Rate	Unit	Estimated volume	Estimated total revenue
AAO Application Fee	Fee	\$250	per AO application	600	\$150 000
AAO Learning and Assessment	Fee	\$1 750	per person delivered training	580	\$1 015 000
Additional AAO Learning and Assessment	Fee	\$2 000	per person delivered additional training	116	\$232 000
AAO Approval	Fee	\$250	per AO approval	580	\$145 000

Table 19: Fees, levies and volumes —horticulture exports cost recovery arrangement (2017–18)

Charge title	Type	Rate	Unit	Estimated volume	Estimated total revenue
Plant exporter levies	Type	Rate	Unit	Estimated volume	Estimated total revenue
Establishment registration—grower/exporter	Levy	\$600	Annual	287	\$172 200
Establishment registration—simple	Levy	\$3 000	Annual	165	\$495 000
Establishment registration—complex	Levy	\$6 000	Annual	158	\$948 000

Charge title	Type	Rate	Unit	Estimated volume	Estimated total revenue
Authorised officer approval	Levy	\$ 750	Annual	737	\$552 750
Organic certifying organisation	Levy	\$7 500	Annual	4	\$30 000
Export volume—non-protocol rate	Levy	\$0.65	Per tonne (or part thereof)	490 127	\$318 583
Export volume—protocol rate	Levy	\$1.30	Per tonne (or part thereof)	87 876	\$114 238
Phytosanitary certificate	Levy	\$36	Per document	22 701	\$817 236
Establishment application (one-off)	Levy	\$600	Per initial establishment application	-	-
Audit and Inspection fees	Type	Rate	Unit	Estimated volume	Estimated total revenue
Audit	Fee	\$36	Per 15 minutes (or part thereof)	18 737	\$674 532
Core inspection	Fee	\$36	Per 15 minutes (or part thereof)	14 426	\$519 336
Additional inspection	Fee	\$75	Per 15 minutes (or part thereof)	-	-
Documentation fees	Type	Rate	Unit	Estimated volume	Estimated total revenue
Document-Electronic	Fee	\$12	Per document	64 351	\$772 212
Document-Manual	Fee	\$100	Per document	-	-
Replacement certificate	Fee	\$500	Per document	-	-
Approved Authorised Officer (AAO) fees	Type	Rate	Unit	Estimated volume	Estimated total revenue
AAO Application Fee	Fee	\$250	per AO application	91	\$22 750
AAO Learning and Assessment	Fee	\$1 750	per person delivered training	415	\$726 250
Additional AAO Learning and Assessment	Fee	\$2 000	per person delivered additional training	83	\$166 000
AAO Approval	Fee	\$250	per AO approval	415	\$103 750

**Table 20: Fees, levies and volumes —horticulture exports cost recovery arrangement (2018–19)**

Charge title	Type	Rate	Unit	Estimated volume	Estimated total revenue
<b>Plant exporter levies</b>	<b>Type</b>	<b>Rate</b>	<b>Unit</b>	<b>Estimated volume</b>	<b>Estimated total revenue</b>
Establishment registration—grower/exporter	Levy	\$600	Annual	287	\$172 200
Establishment registration—simple	Levy	\$3 000	Annual	165	\$495 000
Establishment registration—complex	Levy	\$6 000	Annual	158	\$948 000
Authorised officer approval	Levy	\$ 750	Annual	935	\$701 250
Organic certifying organisation	Levy	\$7 500	Annual	4	\$30 000
Export volume—non-protocol rate	Levy	\$0.65	Per tonne (or part thereof)	490 127	\$318 583
Export volume—protocol rate	Levy	\$1.30	Per tonne (or part thereof)	87 876	\$114 238
Phytosanitary certificate	Levy	\$36	Per document	22 701	\$817 236
Establishment application (one-off)	Levy	\$600	Per initial establishment application	-	-
<b>Audit and Inspection fees</b>	<b>Type</b>	<b>Rate</b>	<b>Unit</b>	<b>Estimated volume</b>	<b>Estimated total revenue</b>
Audit	Fee	\$36	Per 15 minutes (or part thereof)	18 737	\$674 532
Core inspection	Fee	\$36	Per 15 minutes (or part thereof)	14 426	\$519 336
Additional inspection	Fee	\$75	Per 15 minutes (or part thereof)	-	-
<b>Documentation fees</b>	<b>Type</b>	<b>Rate</b>	<b>Unit</b>	<b>Estimated volume</b>	<b>Estimated total revenue</b>
Document-Electronic	Fee	\$12	Per document	64 351	\$772 212
Document-Manual	Fee	\$100	Per document	-	-
Replacement certificate	Fee	\$500	Per document	-	-

Charge title	Type	Rate	Unit	Estimated volume	Estimated total revenue
Approved Authorised Officer (AAO) fees	Type	Rate	Unit	Estimated volume	Estimated total revenue
AAO Application Fee	Fee	\$250	per AO application	91	\$22 750
AAO Learning and Assessment	Fee	\$1 750	per person delivered training	342	\$598 500
Additional AAO Learning and Assessment	Fee	\$2 000	per person delivered additional training	69	\$138 000
AAO Approval	Fee	\$250	per AO approval	342	\$85 500

## Attachment C — Description of cost model activities

The following provides details of the cost model activities undertaken in the plant export cost recovery arrangement.

### 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 licenses, permits, registrations or accreditations.

**Inspection**—involves the physical examination and supervision of an export consignment of plants or plant products in order to determine compliance with Australian standards and legislation, international conventions and importing country conditions.

**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 pre and post work, travel and client assistance in relation to the audit.

### Incident management activities

**Incident management**—The coordination and management of any incident including post border detection and export incidents. This includes all associated pre and post work, travel and client assistance in relation to an incident.

**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 includes all pre and post work, travel and client assistance in relation to the enforcement process.

### 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.

### 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. 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 programme and service delivery, business performance reports against KPIs and similar activities.