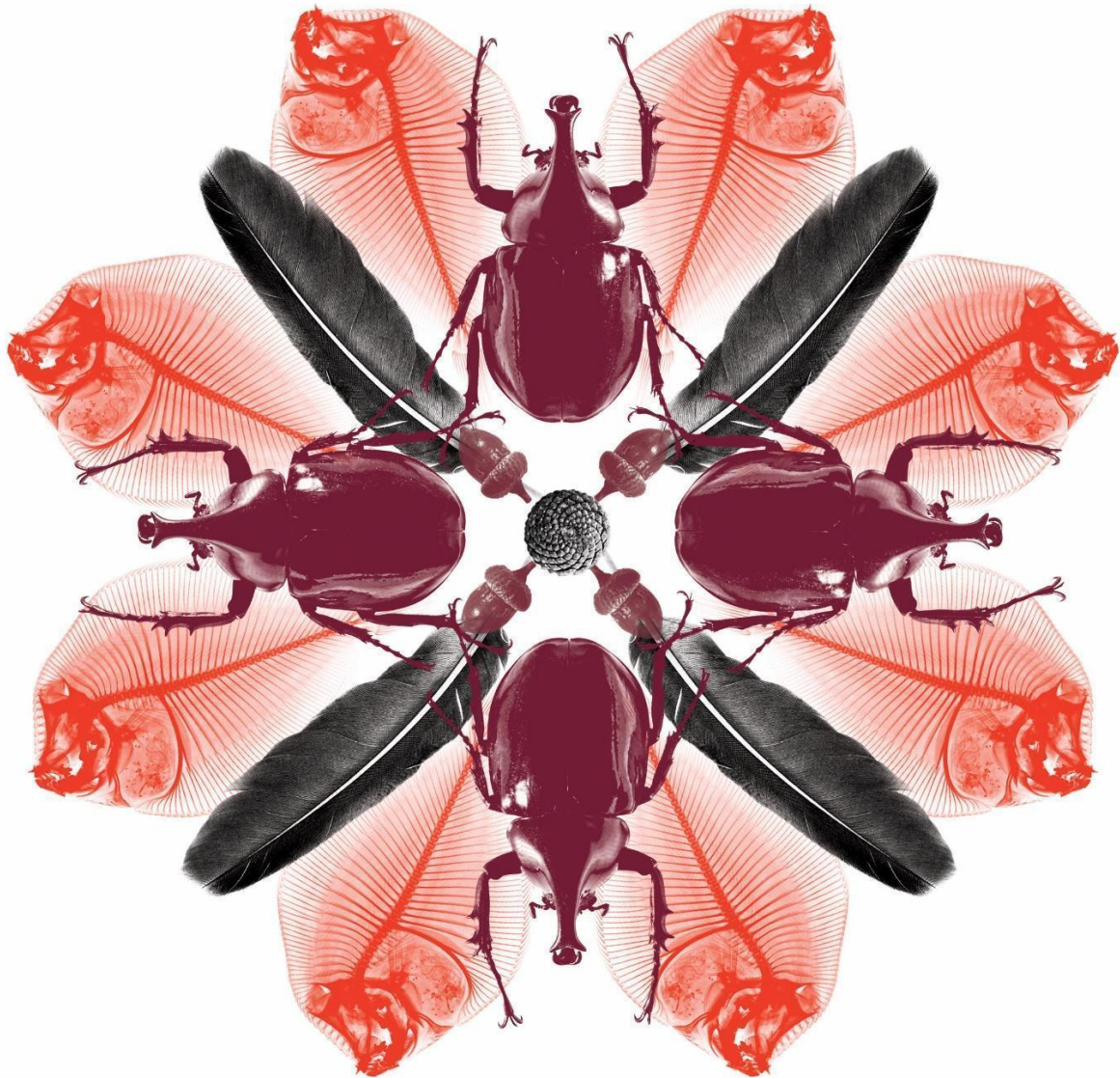




Australian Government
Department of Agriculture

Cost recovery implementation statement: plant export certification 2019–20



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1 Introduction

1.1 Purpose of the cost recovery implementation statement

This cost recovery implementation statement (CRIS) provides information on how we implement cost recovery arrangements for regulatory activities undertaken for the export of plant products, including grain and horticulture products. It also contains financial forecasts for 2019–20 to 2022–23. The CRIS will be updated annually and will remain in force until superseded or withdrawn.

1.2 Description of the regulatory activity

Plant Export is regulated in accordance with the export legislative framework (outlined in [section 2.2](#)). Plant export certification activities undertaken by the department involves inspection, audit and certification activities with the respect to the export of grain and horticulture products. Grain and horticulture products specified in the legislation are:

- prescribed grain, including any seed or the following grains
 - barley, canola, chickpeas, dried field peas, faba beans, lentils, lupins, mung beans, oats, sorghum, soybeans, whole vetch and wheat
- prescribed hay and straw
- fresh fruit and vegetables (including mushrooms and sprouts)
- other plants or plant products for which a phytosanitary certificate or any other official certificate is required by an importing country authority (e.g. timber products, nuts, nursery stock, tissue cultures, cotton and other grains and seeds not listed here).

The grain and horticulture export cost recovery arrangements are separate. Our 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 export certification to verify that the exported products comply with their respective import conditions:

- To certify a product's compliance with these regulations and the importing country requirements, we undertake a range of activities. This includes 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, 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 the Australian export controls and any additional requirements imposed by an importing country.

- The issue of permits, phytosanitary certification and other documentation necessary to confirm compliance with Australian export controls and any additional importing country requirements.
- Support provided by our overseas counsellors relating to detained consignments, government certification and other issues that result in goods being held at the border.
- The provision of scientific and technical advice to improve, maintain or restore market access to demonstrate adherence to export requirements.

For more information, see [Exporting plants and plant products: a step-by-step guide for Australian exporters](#).

Plant export certification occurs across both the grain and horticulture cost recovery arrangements. 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. For details about the cost base, and levies and fees for grain and horticulture export certification cost recovery arrangements see:

- [Cost recovery implementation statement: grain and seed export certification 2019–20](#)
- [Cost recovery implementation statement: horticulture export certification 2019–20](#)

1.3 Why cost recovery is appropriate

Cost recovery (regulatory charges) falls within the Australian Government’s broader charging framework. Other charges in this framework include commercial charges and resource charges. The characteristics of the activities determine the charge type.

The use of commercial charging is not appropriate because 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 because 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). However, in most circumstances general taxation is only appropriate for activities that are provided to the wider community. For example, plant export certification activities are provided to a clearly identifiable group of individuals and organisations that participate in the plant export supply chain. If it were not for the 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 regulated entities of how much a government activity actually costs.

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

2 Policy and statutory authority to cost recover

2.1 Government policy approval to cost recover the regulatory activity

Under the CRGs, cost recovery requires both policy approval and statutory authority.

Policy authority for export certification cost recovery was reaffirmed in the 2018–19 Budget when the government announced the inclusion of additional activities to be cost recovered. Cost recovery arrangements have been expanded to include a range of export certification activities not previously cost recovered but which are directly related to the export certification regulatory framework. As a result of the decision, cost recovery was expanded from 1 July 2019 to include:

- Enforcement activities that ensure compliance with Australian regulations and international import conditions. Activities that will be cost recovered include investigations and engagement with regulated entities about compliance, but will not include the costs of infringement notice schemes or undertaking litigation.
- Provision of scientific and technical advice to improve, maintain or restore existing export markets. Examples include:
 - the provision of scientific or technical advice to reopen or maintain market access following a pest or disease incursion or change in import conditions.
 - improving existing market access by seeking to reduce import requirements or simplify certification processes.
- Activities undertaken by our staff (such as overseas counsellors) in relation to detained or distressed consignments, government certification and other issues that result in goods being held at the border.

2.2 Statutory authority to charge

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

2.2.1 Cost recovery fees

Section 25 of the *Export Control Act 1982* provides the power to impose fees in relation to a range of export certification activities. The specific amounts are set out in the Export Control (Fees) Orders 2015.

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.

2.2.2 Cost recovery levies

Regulations and delegated instruments will include descriptions of the charging points for plant export levies:

- *Export Charges (Collection) Act 2015*
- *Export Charges (Imposition—Customs) Act 2015*
- *Export Charges (Imposition—Excise) Act 2015*
- *Export Charges (Imposition—General) Act 2015*
- Export Charges (Imposition—Customs) Regulation 2015
- Export Charges (Imposition—General) Regulation 2015
- Export Control (Fees Order) 2015

Amendments to existing regulations made under the above Acts will provide for the levies detailed in this CRIS to be established. Commencement and transitional arrangements will ensure that annual levies will not be charged twice within a financial year.

3 Cost recovery model

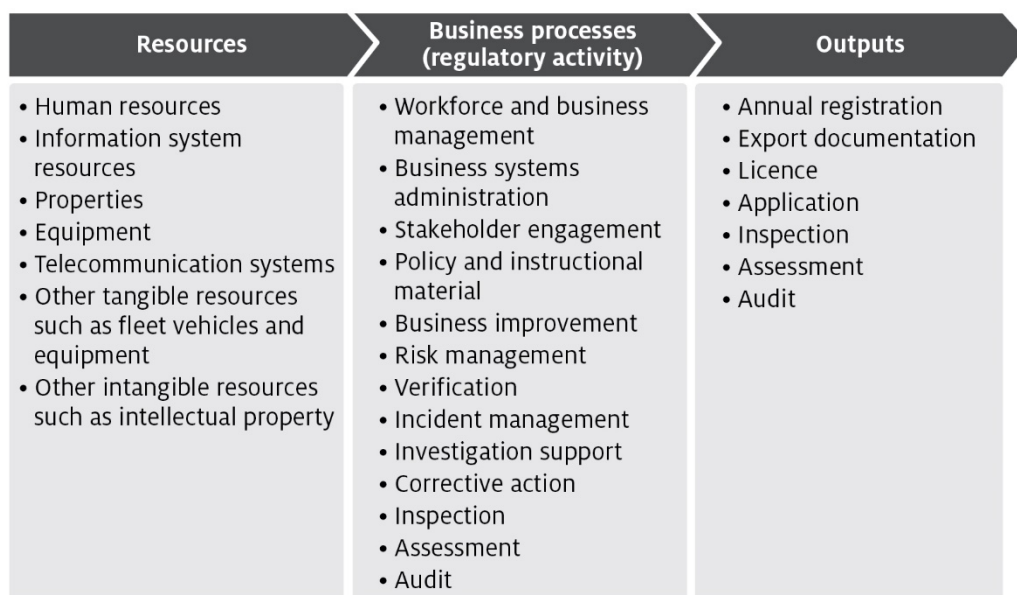
3.1 Outputs and business processes of the regulatory charging activity

The key policy objectives for our cost recovery arrangements are to:

- safeguard Australia’s animal and plant health status to maintain overseas markets and protect the economy and environment from the impact of exotic pests and diseases, through risk assessment, inspection and certification, and the implementation of emergency response arrangements for Australian agricultural, food and fibre industries.
- support 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.

Our cost recovery arrangements describe how we use resources (such as people, IT, property and equipment) to undertake business processes (regulatory activities), which enable us to provide the outputs that meet our policy objectives (Figure 1).

Figure 1 Outputs and business processes of our regulatory charging activity



The processes listed in Figure 1 are described in [Appendix A](#) and are grouped into 4 categories of activities:

- 1) Program management and administration—administrative activities that support and deliver our export certification commitments.
- 2) Assurance—activities that mitigate risks to collective user groups by assessing departmental controls of systems and processes to ensure they operate in accordance with their intended design.

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

3.2 Costs of regulatory charging activity

3.2.1 Cost allocation process

To determine the cost of regulatory activities, we use an activity based costing (ABC) system. The ABC cost allocation methodology we employ 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:

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

The cost allocation process apportions the costs of support functions (indirect expense) and direct expense to the processes/activities defined in [Appendix A](#). We include 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 our cost allocation policy.

The ABC system allocates costs in a staged approach:

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

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

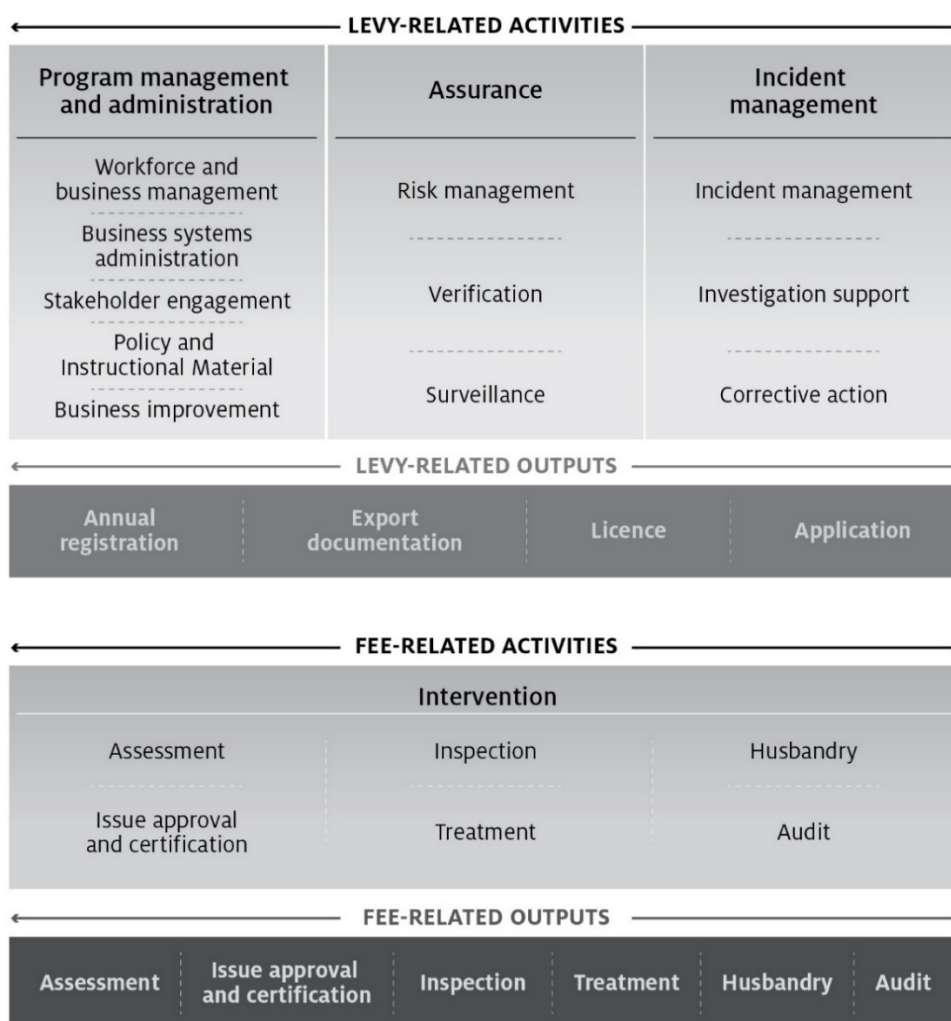
- 2) Direct costs (including the indirect costs allocated in step 1) are allocated to the activity and cost recovered arrangements that best reflects the activity undertaken. Time recording systems allow the accurate allocation of effort to specific activities and arrangements, particularly to intervention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

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

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

- 3) Activity/arrangement costs (from step 2) are allocated to charge points which identify the cost associated with that charge. We use a combination of cost recovery fees and levies. Figure 2 shows how we categorise cost recovered levy and fee activities and outputs. Regulatory charges are detailed further in [section 3.3](#).

Figure 2 Categories of activities



3.2.2 Cost base

Our 2018–19 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, we have applied adjustments to capture expected changes to the costs including:

- inflation of 1.65% per annum, in line with the Department of Finance’s inflation estimate
- increases in employee expenses of 2% per annum, reflecting reasonable estimates of wage increments in line with the Australian Public Service workplace bargaining policy 2018
- additional depreciation from new assets anticipated to be recognised over the period
- adjustments for future fee-related activities to reflect expected changes in volume.

Table 1 and Table 2 show the cost breakdown estimate for each arrangement and activity.

Table 1 Grain exports cost breakdown estimates, 2019–20

Cost recovery charges	Direct costs	Indirect costs	Total costs
Levy	6,167,995	5,226,834	11,394,829
Annual registration	952,466	807,132	1,759,598
Export documentation	1,711,532	1,450,373	3,161,905
Throughput	2,948,280	2,498,408	5,446,688
Application	9,685	8,207	17,892
Organic certification	5,275	4,470	9,745
Authorised Officers	540,756	458,244	999,000
Fee for service	3,988,375	454,138	4,442,513
Assessment	1,948,790	253,704	2,202,494
Issuing approval or certification	0	0	0
Inspection	729,983	72,346	802,329
Treatment	na	na	na
Husbandry	na	na	na
Audit	1,309,603	128,088	1,437,691
Total	10,156,371	5,680,972	15,837,343

na Not applicable.

Table 2 Horticulture exports cost breakdown estimates, 2019–20

Cost recovery charges	Direct costs	Indirect costs	Total costs
Levy	5,199,547	4,119,613	9,319,160
Annual registration	1,106,183	876,431	1,982,614
Export documentation	2,468,005	1,955,406	4,423,411
Throughput	1,485,593	1,177,039	2,662,632
Application	19,532	15,475	35,006
Organic certification	5,429	4,301	9,730
Authorised Officers	114,806	90,961	205,767
Fee for service	2,510,979	271,267	2,782,246
Assessment	771,045	100,379	871,424
Issuing approval or certification	0	0	0
Inspection	546,668	54,178	600,846
Treatment	na	na	na
Husbandry	na	na	na
Audit	1,193,265	116,709	1,309,974
Total	7,710,526	4,390,880	12,101,406

na Not applicable.

3.2.3 Financial management strategies

We are committed to managing costs in an efficient and effective manner in line with our responsibilities as an administrator of public resources. We monitor costs on a monthly basis and set tolerance levels for variances between budgeted and actual expense.

We regularly review and improve our workforce models, systems and processes. Examples include:

- Streamlining audit activity—bringing audit activity into a single team where auditors are cross-skilled to audit across multiple audit frameworks. This has enabled auditors to undertake a single audit process for multiple arrangements at once, significantly reducing effort for us and costs to industry.
- Enterprise ICT capability—strategic investment to deliver quality enterprise (whole of department) solutions and capabilities that are integrated and scalable. For example, the development of a workload management and deployment system that directly links to our billing and human resource systems. This enables improved deployment of staff, automated notification and online appointment booking for regulated entities, automated captures time taken on regulatory activities, minimises duplication of functions and better informs the development of future budgets and calculating cost recovery charges.

3.3 Design of regulatory charges

We determine appropriate regulatory charges to recover costs after establishing activity costs and volumes. We use a combination of cost recovery fees and levies depending on the beneficiary of a particular activity. Fees are used to recover the costs of direct intervention and certification activities undertaken for particular exporters or regulated entities. Cost recovery

levies are used to recover costs that are not directly linked to an individual activity, but are part of the costs of the overall system of export regulatory system. Our levies framework ensures that all user groups contribute to the export regulatory system, while recognising that user groups that use more regulatory resources contribute more to the regulatory framework, reflecting their higher usage of the system.

We model prices in each year of the CRIS to balance revenue against expenses. For yearly prices, see the schedule of charges in:

- [Cost recovery implementation statement: grain and seed export certification 2019–20](#)
- [Cost recovery implementation statement: horticulture export certification 2019–20](#)

We maintain a cost recovery reserve to assist with managing the alignment of revenue and expenses. Our cost recovery reserve policy outlines that a balance of 0-5% of annual program expense be maintained. Subject to approval, over recoveries may be managed through remittance or investment initiatives. Under recoveries may be temporarily supplemented by rebate or recovered in future years through a price adjustment. A single reserve is maintained for each cost recovery arrangement.

4 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 of Finance must agree to a CRIS if the CRA indicates that it is high risk.

The CRA has identified 4 implementation categories that are considered high risk:

- the percentage change in annual cost recovery revenue is greater than 10%
- the total annual cost recovery revenue is greater than \$20 million
- the introduction of new cost recoverable activities
- stakeholder sensitivity about the proposed changes.

The remaining implementation categories are considered low to medium risk:

- the types and charges used being fees and levies
- the imposition of the cost recovery charges involving an act of parliament
- an expected medium level of impact on payers.
- the proposal including no involvement with other Commonwealth, state or local government entities.

In addition to the CRA, we have also considered a number of risks associated with cost recovering plant export activities and how we will manage these risks (Table 3).

Table 3 Risks for plant export cost recovery arrangement

Risk	Management
The cost of export certification affects industry competitiveness.	We will continue to deliver efficiencies and productivity improvement in the way we process export certification activities.
The fee and levy structure does not support future regulatory reforms.	The fee and levy structure has been designed to take into consideration future reforms, where known. The CRIS will be reviewed if required.
Changes to Government policy and activities.	Regular assessments of the arrangement will inform whether a cost recovery review is required.
Importing countries change export certification requirements—the cost of providing certification no longer reflects forecast effort.	Regular assessments of the arrangement will inform whether a cost recovery review is required.
Under recovery occurs. For example, unfavourable cropping conditions.	We will engage with industry to discuss options to reduce expenses through adjustments to services or service standards.
Over recovery occurs. For example, entry to a new market or favourable cropping conditions.	Subject to approval, over recoveries may be managed through remittance, or investment initiatives directly benefiting activities within the arrangement. An alternate approach may be agreed with industry within policy guidelines.

5 Stakeholder engagement

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

5.1 Industry engagement

We have established industry consultative committees to represent industry views in relation to plant exports and we consult with these committees on a number of different activities. In developing this CRIS, we have consulted with the:

- Grain and Plant Products Industry Consultative Committee (GPPEICC) through its subcommittee, the Grain Export Cost Recovery Charging Committee
- Horticulture Export Industry Consultative Committee (HEICC).

For information about specific engagement activities see:

- [Cost recovery implementation statement: grain and seed export certification 2019–20](#)
- [Cost recovery implementation statement: horticulture export certification 2019–20](#)

Throughout the development of this CRIS, we have given the GPPEICC and the HEICC information about:

- the cost base
- the volume of activities
- the proposed fee and levy structure
- the proposed rates of the fees and levies.

Feedback from these committees has maintained that the department must continually improve the way we regulate the industry. Specific concerns raised by the committees include:

- Changes to the plant export cost recovery arrangements due to the expanded cost recovery measure announced in the 2018–19 Budget. They suggested the measure might contravene the CRGs.
 - We have explained how this measure aligns with the government’s cost recovery policy. We will work with industry participants to make the implementation of this measure, and impact to the cost base, as transparent as possible.
- The increasing cost of the department’s activities, despite the planned realisation of efficiencies from reform activities. The committees have questioned how efficient we were in regulating their industries
 - We have agreed to discuss additional performance indicators to assess and improve the realisation of efficiency in our export certification activities

- The difficulty understanding the impact of the drought and the effect that might have on export volumes.
 - We have agreed to take a conservative approach to forecasting export volumes and not adjust them for any potential impacts of the drought.

5.2 Ongoing engagement strategy

Feedback from industry and recommendations of the Australian National Audit Office's [Application of cost recovery principles](#) (report no. 38 2018–19) suggest we review our engagement approach with industry, to better communicate efficiency and effectiveness of our regulatory activity to industry.

We currently undertake a number of activities to engage with our stakeholders, including:

- Engaging with industry consultative committees in accordance with agreed terms of reference.
- Reporting quarterly on the cost recovery performance, including explanations for material variances between budgeted and actual positions.
- At the commencement of every budget, reviewing the 4 year CRIS to report on significant changes to revenue or expenditure or to relevant legislation. This will include any material variances highlighted throughout the year
- Communication with industry consultative committees on changes to the CRIS. This will occur before any revisions or updates are made.
- Opening the CRIS for public consultation if any key changes result in price adjustments
- We will undertake a portfolio charging review every 5 years in line with the schedule published by the Department of Finance.

During the life of this CRIS, we will review these arrangements and where appropriate adjust them to ensure we are efficiently and effectively engaging with affected stakeholders. This will include greater use of this CRIS itself for ongoing engagement through updates to the forecasts and reporting of actual annual results. We will also develop appropriate performance indicators and benchmarks to be included in a future CRIS update.

6 Financial estimates

Table 4 shows the financial performance of the grain cost recovery arrangement. Table 5 shows the financial performance of the horticulture cost recovery arrangement.

Table 4 Financial estimates for grain exports cost recovery arrangement, 2019–20 to 2022–23

Finance element	2019–20 (\$)	2020–21 (\$)	2021–22 (\$)	2022–23 (\$)
Revenue = X	15,785,729	16,351,041	16,616,744	16,775,904
Expenses = Y	15,837,343	16,124,686	16,417,333	16,715,383
Balance = X - Y	-51,614	226,355	199,410	60,521
Forecast opening cost recovery reserve balance	1,523,599	1,471,985	1,698,340	1,897,751
Transfer	-51,614	226,355	199,410	60,521
Forecast closing cost recovery reserve balance	1,471,985	1,698,340	1,897,751	1,958,272

Table 5 Financial estimates for horticulture exports cost recovery arrangement

Finance element	2019–20 (\$)	2020–21 (\$)	2021–22 (\$)	2022–23 (\$)
Revenue = X	12,188,538	12,272,045	12,485,663	12,816,199
Expenses = Y	12,101,406	12,203,189	12,439,698	12,680,761
Balance = X - Y	87,132	68,856	45,965	135,438
Forecast opening cost recovery reserve balance	-6,297,947	-6,210,815	-6,141,959	-6,095,994
Transfer	87,132	68,856	45,965	135,438
Forecast closing cost recovery reserve balance	-6,210,815	-6,141,959	-6,095,994	-5,960,556

7 Financial and non-financial performance

7.1 Financial performance

This section presents information on the financial and non-financial performance of the plant exports cost recovery arrangements. This is intended to provide stakeholders with an overview of our performance in recovering forecasted costs and meeting regulatory objectives.

We continue to consult with key industry stakeholders on financial performance indicators to assist in evaluating the performance of our cost recovery arrangements. This CRIS will be updated as performance indicators are refined and further developed.

The financial performance for the grain and horticulture cost recovery arrangements are provided in Table 6 and Table 7. We will update these tables each year as financial results become available.

Table 6 Financial performance for grain exports cost recovery arrangement, 2015–16 to 2022–23

Finance element	2015–16 (\$)	2016–17 (\$)	2017–18 (\$)	2018–19a (\$)	2019–20 (\$)	2020–21 (\$)	2021–22 (\$)	2022–23 (\$)
Revenue = X	16,223,705	24,305,568	15,128,807	11,641,099	Update in 2020	Update in 2021	Update in 2022	Update in 2023
Expenses = Y	19,237,847	17,677,644	17,353,875	14,337,997	Update in 2020	Update in 2021	Update in 2022	Update in 2023
Balance = X – Y	-3,014,142	6,627,925	-2,225,068	-2,696,898	Update in 2020	Update in 2021	Update in 2022	Update in 2023
Remissions, rebates and adjustments = Z	24,461	-77,861	-290,495	0	Update in 2020	Update in 2021	Update in 2022	Update in 2023
Net balance = balance + Z	-2,989,681	6,550,064	-2,515,563	-2,696,898	Update in 2020	Update in 2021	Update in 2022	Update in 2023
Cost recovery reserve balance	185,996	6,736,059	4,220,497	1,523,599	Update in 2020	Update in 2021	Update in 2022	Update in 2023

a 2018–19 actual result is subject to audit.

Explanation for substantial changes: Annual revenue has varied due to climate conditions, which resulted in favourable crop returns in 2016–17 and poor returns in 2018–19. Inspection revenue continues to reduce as industry increases their 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 grain inspection allocated to the arrangement. This has been partly offset by increased spending in program management and administration, including information services costs associated with our service delivery modernisation program, corporate costs and property costs.

Table 7 Financial performance for horticulture exports cost recovery arrangement, 2015–16 to 2022–23

Finance element	2015–16 (\$)	2016–17 (\$)	2017–18 (\$)	2018–19a (\$)	2019–20 (\$)	2020–21 (\$)	2021–22 (\$)	2022–23 (\$)
Revenue = X	7,249,366	7,576,457	7,867,794	8,399,981	Update in 2020	Update in 2021	Update in 2022	Update in 2023
Expenses = Y	8,243,565	7,054,949	9,383,098	9,896,460	Update in 2020	Update in 2021	Update in 2022	Update in 2023
Balance = X – Y	-994,198	521,508	-1,515,303	-1,496,480	Update in 2020	Update in 2021	Update in 2022	Update in 2023
Remissions, rebates and adjustments = Z	4,551	-34,829	-11,374	0	Update in 2020	Update in 2021	Update in 2022	Update in 2023
Net balance = balance + Z	-989,648	486,679	-1,526,677	-1,496,480	Update in 2020	Update in 2021	Update in 2022	Update in 2023
Cost recovery reserve balance	-3,761,469	-3,274,790	-4,801,467	-6,297,947	Update in 2020	Update in 2021	Update in 2022	Update in 2023

a 2018–19 actual result is subject to audit.

Explanation for substantial changes: Revenue has increased since 2015–16 due to steady annual growth in the horticulture export industry. Increased expenses have primarily been driven by increased program management and administration costs, including information services costs associated with our 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.

Table 8 and Table 9 provide a breakdown of current year estimates from 2019–20 for each output by direct and indirect costs. These tables will be updated each year once the annual budget is set.

Table 8 Grain export cost recovery arrangement cost breakdown estimates, 2019–20

Cost recovery charges	Direct costs (\$)	Indirect costs (\$)
Levy		
Annual registration	Update in 2019–20	Update in 2019–20
Export documentation	Update in 2019–20	Update in 2019–20
Throughput	Update in 2019–20	Update in 2019–20
Application	Update in 2019–20	Update in 2019–20
Organic certification	Update in 2019–20	Update in 2019–20
Fee for service		
Assessment	Update in 2019–20	Update in 2019–20
Issuing approvals or certification	Update in 2019–20	Update in 2019–20
Inspection	Update in 2019–20	Update in 2019–20
Treatment	Update in 2019–20	Update in 2019–20
Husbandry	Update in 2019–20	Update in 2019–20
Audit	Update in 2019–20	Update in 2019–20
Total	Update in 2019-20	Update in 2019-20

Table 9 Horticulture export cost recovery arrangement, cost breakdown estimates, 2019–20

Cost recovery charges	Direct costs (\$)	Indirect costs (\$)
Levy		
Annual registration	Update in 2019–20	Update in 2019–20
Export documentation	Update in 2019–20	Update in 2019–20
Throughput	Update in 2019–20	Update in 2019–20
Application	Update in 2019–20	Update in 2019–20
Organic certification	Update in 2019–20	Update in 2019–20
Fee for service		
Assessment	Update in 2019–20	Update in 2019–20
Issuing approvals or certification	Update in 2019–20	Update in 2019–20
Inspection	Update in 2019–20	Update in 2019–20
Treatment	Update in 2019–20	Update in 2019–20
Husbandry	Update in 2019–20	Update in 2019–20
Audit	Update in 2019–20	Update in 2019–20
Total	Update in 2019-20	Update in 2019-20

7.2 Non-financial performance

Over the life of this CRIS we intend to consult with key industry stakeholders on non-financial performance indicators to assist in evaluating performance of the cost recovery arrangements we administer. This CRIS will be updated as performance indicators are refined and further developed.

Table 10 provides key non-financial performance indicators for all plant export cost recovery arrangements, consistent with the Australian Government Regulator Performance Framework. Additional key non-financial performance measures are made available in our annual report.

Table 10 Non-financial performance measures for plant exports cost recovery arrangement, 2018–19 to 2022–23

Performance indicators	2018-19 performance	2019-20 performance	2020-21 performance	2021-22 performance	2022-23 target
Regulators do not unnecessarily impede the efficient operations of regulated entities	Update in 2020	Update in 2021	Update in 2022	Update in 2023	Update in 2022
Communication with regulated entities is clear, concise targeted and effective	Update in 2020	Update in 2021	Update in 2022	Update in 2023	Update in 2022
Actions undertaken by regulators are proportionate to the regulatory risk being managed	Update in 2020	Update in 2021	Update in 2022	Update in 2023	Update in 2022
Compliance and monitoring approaches are streamlined and coordinated	Update in 2020	Update in 2021	Update in 2022	Update in 2023	Update in 2022
Regulators are open and transparent in their dealings with regulated entities	Update in 2020	Update in 2021	Update in 2022	Update in 2023	Update in 2022

8 Key dates and events

We undertake regular reviews of our financial performance and conducts regular stakeholder engagement activities throughout the CRIS cycle. Key activities for the plant export arrangement are:

- Monthly executive reporting of financial results including actual expense and revenue compared with forecast. Where a significant variance is identified, we may engage with industry.
- We will make quarterly reporting on financial performance available to industry, including actual results and updated forward estimates if required.
- We will undertake stakeholder engagement with relevant consultative committees on a regular basis or as agreed with industry.
- We will undertake broad public consultation prior to any significant updates of the 2019–20 CRIS, or prior to the development of the 2023–24 CRIS in line with the CRGs.

9 CRIS approval and change register

We considered stakeholder feedback when preparing this final CRIS. The Secretary certified this CRIS before presenting it to the Minister for Agriculture for approval and the Minister for Finance for agreement. It will be reviewed annually as recommended by the Department of Finance. The change register will allow us to track changes to the CRIS.

Table 11 will provide a record of future changes and updates to this CRIS.

Table 11 Change register

Date of CRIS change	CRIS change	Approver	Basis for change
To be updated	Certification of the CRIS	To be updated	To be updated
To be updated	Agreement to the CRIS	To be updated	To be updated
To be updated	Approval for the CRIS release	To be updated	To be updated
To be updated	Update of financial estimates	To be updated	To be updated

10 Changes to cost recovery arrangements for grain and seed exports

This section 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 audit, inspection and certification activities for grain exports.

10.1 Design of cost recovered charges

The majority of fees and levies charged under the new CRIS continue to reflect the structure presented in the previous CRIS, with these exceptions:

- We will charge the document fee for of the assessment of requests to amend or resubmit documents. This new charge point will allow us to recover the reasonable costs caused by exporters amending or re-submitting documents. By recovering these costs, and ensuring that those causing this expense are appropriately charged for it, we aim to reduce duplication of work and incentivise exporters to submit suitably completed documents.
- The AO learning and assessment fee-for-service charge point currently provides access to training and assessment for up to 5 learning modules. Under the proposed methodology the fee-for-service activity will become payable per module of training requested by the AO. This will better recover the actual expenses from the recipient of each module of training. The additional learning and assessment charge point has also been removed. The per module charge will be applied where additional learning and assessment is required.
- The phytosanitary certificate and tonnage levies, which both relate to throughput, were adjusted to ensure exporters pay a share that is proportional to their use of the export certification system. Increasing the price of establishment registrations significantly was considered inappropriate due to the disproportional impact it would have on smaller exporters. The increase in the levies, relative to one another, aims to strike an equitable balance between exporters of small and large consignments, and reflect their relative usage of the overall system.
- We will charge a single multicommodity audit rate across all export cost recovery arrangements to reflect the cross-skilled workforce and simplify arrangements for industry.

10.2 Cost base

Table 12 shows the grain arrangement cost base as a 4-year average from 2019–20 to 2022–23. See Table 13 for an overview by cost type for 2019–20.

For a detailed description of cost activities, see [Appendix A](#). The methodology for attributing costs to these activities is provided in [section 3](#).

10.2.1 Projected cost base

The cost base (as a 4-year average from 2019 to 2023) for the grain export cost recovery arrangement is \$16,273,686 (Table 12), made up of:

- \$11.712 million in levy-related activities
- \$4.561 million in fee-related activities.

Table 12 Cost base for grain exports cost recovery arrangement, 4-year average 2019–20 to 2022–23

Charge type	Activity group	Activity	Expense (\$)	Cost recovery charge
Levy	Program management and administration	Workforce and business administration	11,712,249	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				
Fee for service	Intervention	Assessment	2,264,235	Assessment
		Issue approvals/certification	0	Issue approval/certification
		Inspection	819,209	Inspection
		Treatment	na	na
		Husbandry	na	na
		Audit	1,477,993	Audit
Total cost base			16,273,686	-

na Not applicable.

Table 13 provides a breakdown of expenses in the first year of the cost recovery arrangement (2019–20).

Table 13 Cost type breakdown for grain exports cost recovery arrangement, 2019–20

Expenses	Forecast (\$)
Employee	8,663,911
Operating	1,191,393
Other	301,012
Indirect	5,681,027
Total	15,837,343

For more information on how expenses are allocated see [section 3](#).

10.2.2 Changes to the cost base

Adjustments to the grain export cost recovery arrangement include inflation and additional depreciation expenses, as well as the expanded cost recovery activities announced in the 2018-19 Budget. Table 14 outlines changes to the cost base.

Table 14 Changes to cost base for grain exports, 2019–20

Adjustment to cost base	Impact on cost base	Forecast (\$)
Total baseline expense	na	\$16,046,851
1 Enforcement	Increase	\$429,122
2 Scientific and technical advice	Increase	\$514,025
3 Detained consignments	Increase	\$88,684
4 Depreciation expenses	Increase	\$278,529
5 Inflation	Increase	\$289,567
6 Net Impact of other changes	Decrease	-\$1,809,435
Total adjustments to cost base	Decrease	-\$209,508
Adjusted cost base	na	\$15,837,343
Change in expense	Decrease	-1.3%

na Not applicable.

The most significant change in the cost base is a reduction of \$1.8 million. This largely reflects decreased demand for departmental inspection activities associated with grain export certification because of industry uptake of the Authorised Officer Program.

This was partially offset by implementation of new government policy announced in the 2018-19 Budget. Under this policy, the inclusion of enforcement, scientific and technical advice, and support for detained consignments activities has increased the cost base by \$1.032 million in the first year.

We will apply levy charges to recover:

- enforcement activities that are directly related to our regulatory function of ensuring industry compliance with international import conditions
- scientific and technical advice related to supporting industry improve, maintain or restore market access
- the cost of our overseas counsellor network assisting industry to meet export requirements for detained consignments or during trade disruptions.

In line with the government's CRGs and our cost allocation policy, we have adjusted inflation and depreciation expenses in the cost base to reflect increased employee and supplier expenses. This is in line with the Australian Public Service workplace bargaining policy 2018 and government inflation estimates. Cost recovery of these activities is considered appropriate because industry directly benefits from having a system in place that allows us to manage and respond to market access issues, including ensuring compliance with overseas country requirements.

As part of the charging review, we have considered several additional reforms. These have not been included in the expense base because their financial impact cannot be quantified at this point. These reforms are summarised in the next section.

10.3 New export control legislation

The Export Control Bill 2017 consolidates export functions from the *Export Control Act 1982*. The redesign is focused on reducing complexity and duplication, improving flexibility and enhancing compliance and enforcement. The new legislation is intended to support existing policy, but it will also provide flexibility for different approaches to the regulation of exports in the future. No changes to the expense base have been identified at this time, but changes to our regulatory approach could impact cost recovery. This will be reviewed once quantifiable.

10.4 Enhanced Traceability Project (NEXDOC)

We are replacing our Export Documentation system (EXDOC), Establishment Registration (ER) and TRACE (Tracking Animal Certification for Export) systems with the Next Export Documentation system (NEXDOC).

NEXDOC will provide a platform capable of integrating with existing and future supporting systems and new technologies. The new system will support the issuance of export documentation including export permits, export certificates, imported product re-export certification, on-forwarding letters, letters of facilitation and other government certificates such as transit certificates.

NEXDOC will vastly improve the client experience with the department by introducing interactive workflow processes, automating billing and increased ability for clients to print their own documentation.

The project will also implement a client portal that will enable clients to access a single entry authenticated point to export certification.

NEXDOC will improve product traceability by providing increased visibility across the export supply chain through:

- automation of remaining manual processes, forms, certification and supporting documentation
- increased accessibility to information to support trade negotiations
- integration across all export commodities and consolidation of export systems
- improved data capture and reporting on incident management data
- improved reporting capabilities
- integration of data from other government agencies and industry.

10.4.1 Savings from systems reform

Planned upgrades to the Plant Export Management System (PEMS) are expected to be integrated with the NEXDOC system to create efficiencies for the documentation hub when assessing requests for permits (RFPs) and export documentation. The upgrades will integrate inspection

results into the documentation process, streamlining processes and reducing interaction with multiple systems by departmental staff.

10.5 Financial estimates

A summary of the annual budgeted operating position for the plant export cost recovery arrangements is provided in [section 6](#). All cost recovered activities are subject to a detailed semi-annual review as part of departmental budgeting processes.

Contrary to existing cost recovery reserves policy, the cumulative balance will remain below the target range of zero to 5% of annual program expense.

10.6 Industry-specific feedback

10.6.1 Grain and seed export stakeholder engagement

The grains industry consultation has been primarily through the GPPEICC. Key topics covered through the consultation process included the arrangement's past financial performance (including drivers of key variances), cost base, volumes, the proposed charging structures, pricing principles and price options.

Cost base and charging structure

In consultative meetings with the department, grains industry representatives proposed the view that efficiencies from capital projects underway such as the Plant Export Management System (PEMS) need to be included in the expense base. Industry encouraged the department to forecast efficiencies through a reduction in cost stating that it creates accountability for the department to realise and reflect efficiency gains in its cost recovery arrangements.

Many grains exporters did not support the proposed price increases because they are higher than anticipated, particularly in the levy cost pool. Industry representatives have indicated that this level of price increase would not be palatable to their members and would be looking to take further representations on this point to government.

Consultation with grain export industry members have raised concerns over the department's rationale for charging per learning module for authorised officer (AO) learning and assessment which may act as a disincentive to some AOs who may be priced out of the program and lead to increased departmental inspection requirements.

Use of remissions

Grains members noted the approach to the charging structure but questioned how the remissions would be applied. We noted our obligations under the AGCRGs to align revenue with expense and that it could be providing remissions to the modelled price in each year. Industry asked the department to act quickly to apply remissions where over-recoveries occur, to maximise remissions being given to those who contributed to the over-recovery.

10.7 Grain export fees and levies

The amounts payable for each year are shown in tables 15 to 18.

Table 15 Fees, levies and volumes for grain export cost recovery arrangement, 2019–20

Category	Estimated total cost (\$)	Charge title	Unit	Remitted price (\$)	Estimated volume	Estimated total revenue (\$)
Plant exporter levies	1,659,621	Establishment registration – simple	Annual	3,333	498	1,659,834
	99,977	Establishment registration – complex	Annual	6,666	15	99,990
	999,000	Authorised officer approval	Annual	999	1,000	999,000
	9,745	Organic certifying organisation	Annual	9,746	1	9,746
	5,446,688	Export volume – grain and related products rate	Per tonne (or part thereof)	0.13	40,859,547	5,311,741
	3,139,405	Phytosanitary certificate	Per certificate	57	55,414	3,158,598
	22,500	Replacement document	Per replacement	500	45	22,500
	17,892	Establishment application (one-off)	Per application	778	23	17,894
Audit and inspection fees	802,329	Inspection	Per quarter hour	76	10,594	805,144
	1,437,691	Standard audit	Per quarter hour	57	25,516	1,454,412
Documentation fees	789,372	Electronic document	Per document	14	58,026	812,364
	66	Manual document	Per document	66	1	66
	700,550	Electronic permit	Per permit	14	51,497	720,958
Authorised Officer (AO) fees	63,315	AO application fee	Per application	290	219	63,510
	187,922	AO approval	Per approval	290	650	188,500
	461,270	AO learning and assessment	Per module	1,012	456	461,472

Table 16 Fees, levies and volumes for grain export cost recovery arrangement, 2020–21

Category	Estimated total cost (\$)	Charge title	Unit	Remitted price (\$)	Estimated volume	Estimated total revenue (\$)
Plant exporter levies	1,690,065	Establishment registration – simple	Annual	3,394	498	1,690,212
	101,811	Establishment registration – complex	Annual	6,788	15	101,820
	1,017,326	Authorised officer approval	Annual	1,018	1,000	1,018,000
	9,924	Organic certifying organisation	Annual	9,925	1	9,925
	5,546,603	Export volume – grain and related products rate	Per tonne (or part thereof)	0.14	40,859,547	5,720,337
	3,196,995	Phytosanitary certificate	Per certificate	58	55,414	3,214,012
	22,913	Replacement Document	Per replacement	510	45	22,950
	18,220	Establishment application (one-off)	Per application	793	23	18,239
Audit and inspection fees	813,445	Inspection	Per quarter hour	77	10,594	815,738
	1,464,231	Standard audit	Per quarter hour	58	25,516	1,479,928
Documentation fees	803,944	Electronic document	Per document	14	58,026	812,364
	67	Manual document	Per document	67	1	67
	713,483	Electronic permit	Per permit	14	51,497	720,958
Authorised Officer (AO) fees	64,484	AO application fee	Per application	295	219	64,605
	191,391	AO approval	Per approval	295	650	191,750
	\$469,785	AO learning and assessment	Per module	1,031	456	470,136

Table 17 Fees, levies and volumes for grain export cost recovery arrangement, 2021–22

Category	Estimated total cost (\$)	Charge title	Unit	Remitted price (\$)	Estimated volume	Estimated total revenue (\$)
Plant exporter levies	1,721,072	Establishment registration – simple	Annual	3,456	498	1,721,088
	103,679	Establishment registration – complex	Annual	6,912	15	103,680
	1,035,990	Authorised officer approval	Annual	1,036	1,000	1,036,000
	10,106	Organic certifying organisation	Annual	10,107	1	10,107
	5,648,363	Export volume – grain and related products rate	Per tonne (or part thereof)	0.14	40,859,547	5,720,337
	3,255,648	Phytosanitary certificate	Per certificate	59	55,414	3,269,426
	23,333	Replacement document	Per replacement	519	45	23,355
	18,555	Establishment application (one-off)	Per application	807	23	18,561
Audit and inspection fees	824,766	Inspection	Per quarter hour	78	10,594	826,332
	1,491,260	Standard audit	Per quarter hour	59	25,516	1,505,444
Documentation fees	818,785	Electronic document	Per document	15	58,026	870,390
	68	Manual document	Per document	69	1	69
	726,654	Electronic permit	Per permit	15	51,497	772,455
Authorised Officer (AO) fees	65,674	AO application Fee	Per application	300	219	65,700
	194,924	AO approval	Per approval	300	650	195,000
	478,458	AO learning and assessment	Per module	1,050	456	478,800

Table 18 Fees, levies and volumes for grain export cost recovery arrangement, 2022–23

Category	Estimated total cost (\$)	Charge title	Unit	Remitted price (\$)	Estimated volume	Estimated total revenue (\$)
Plant exporter levies	1,752,651	Establishment registration – simple	Annual	3,520	498	1,752,960
	105,581	Establishment registration – complex	Annual	7,039	15	105,585
	1,054,999	Authorised officer approval	Annual	1,055	1,000	1,055,000
	10,292	Organic certifying organisation	Annual	10,292	1	10,292
	5,752,001	Export volume – grain and related products rate	Per tonne (or part thereof)	0.14	40,859,547	5,720,337
	3,315,384	Phytosanitary certificate	Per certificate	60	55,414	3,324,840
	23,761	Replacement document	Per replacement	529	45	23,805
	18,895	Establishment application (one-off)	Per application	822	23	18,906
Audit and inspection fees	836,296	Inspection	Per quarter hour	79	10,594	836,926
	1,518,789	Standard audit	Per quarter hour	60	25,516	1,530,960
Documentation fees	833,900	Electronic document	Per document	15	58,026	870,390
	69	Manual document	Per document	70	1	70
	740,068	Electronic permit	Per permit	15	51,497	772,455
Authorised Officer (AO) fees	66,887	AO application fee	Per application	306	219	67,014
	198,522	AO approval	Per approval	306	650	198,900
	487,290	AO learning and assessment	Per module	1,069	456	487,464

11 Changes to cost recovery arrangements for horticulture exports

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

11.1 Design of cost recovered charges

The majority of fees and levies charged under the new CRIS continue to reflect the structure presented in the previous CRIS, with these exceptions:

- The phytosanitary certificate, tonnage and establishment registration levies have been increased in proportion to the prices that were proposed in the 2017–18 draft CRIS that was previously released for public consultation. This approach sets prices at the level necessary to recover the cost of horticulture export certification while retaining a charging structure that industry is familiar. Fees have been adjusted to realign prices with the actual cost of providing export certification.
- We will charge the document fee for amendments or resubmissions of documents. This new charge point will allow us to recover the reasonable costs caused by exporters amending or re-submitting documents. By recovering these costs, and ensuring that those causing this expense are appropriately charged for it, we aim to reduce duplication of work and incentivise exporters to submit suitably completed documents.
- The AO learning and assessment fee-for-service charge point currently provides access to training and assessment for up to 5 learning modules. Under the proposed methodology the fee-for-service activity will become payable per module of training requested by the AO. This will better recover the actual expenses from the recipient of each module of training. The additional learning and assessment charge point has also been removed. The per module charge will be applied where additional learning and assessment is required.
- We will charge a single multicommodity audit rate across all export cost recovery arrangements to reflect the cross-skilled workforce and simplify arrangements for industry.

11.2 Cost base

The following information on the horticulture arrangement cost base is provided, as a 4-year average from 2019–20 to 2022–23 (Table 19). An overview by cost type for 2019–20 is provided in Table 19. A detailed description of cost activities is provided at [Appendix A](#). The methodology for attributing costs to these activities is provided in [section 3](#).

11.2.1 Projected cost base

The cost base (as a 4-year average from 2019–20 to 2022–2023) for the horticulture export cost recovery arrangement is \$12,356,263 (Table 19), made up of:

- \$9.582 million in levy-related activities
- \$2.774 million in fee-related activities.

Table 19 Cost base for horticulture exports cost recovery arrangement, 4-year average 2019–20 to 2022–23

Charge type	Activity group	Activity	Expense (\$)	Cost recovery charge
Levy	Program management and administration	Workforce and business administration		
		Business system administration		
		Stakeholder engagement		
		Policy and instructional material		
		Business improvement		
	Assurance	Risk management	9,582,401	Annual registration, export documentation, throughput, application and organic certification
		Verification		
		Surveillance		
	Incident management	Incident management		
		Investigative support		
Corrective action				
Fee for service	Intervention	Assessment	802,515	Assessment
		Issue approvals/certification	0	Issue approval/certification
		Inspection	624,650	Inspection
		Treatment	na	na
		Husbandry	na	na
		Audit	1,346,696	Audit
Total cost base			12,356,263	-

na Not applicable.

Table 20 provides a breakdown of expenses in the first year of the cost recovery arrangement (2019–20).

Table 20 Cost type breakdown for horticulture exports cost recovery arrangement, 2019–20

Expense	Forecast (\$)
Employee	6,903,515
Operating	1,139,648
Other	128,347
Indirect	3,929,895
Total	12,101,406

For more information on how expenses are allocated see [section 3.2.1](#).

11.2.2 Changes to the cost base

Adjustments to the horticulture export cost recovery arrangement include additional inflation and depreciation expenses, and the expanded cost recovery activities announced in the 2018–19 Budget. Table 21 outlines changes to the cost base.

Table 21 Changes to cost base for horticulture exports, 2019–20

Adjustment to cost base	Impact on cost base	Forecast
Total baseline expense	na	\$10,178,500
1 Enforcement	Increase	\$125,957
2 Scientific and technical advice	Increase	\$1,225,199
3 Detained consignments	Increase	\$182,335
4 Depreciation expenses	Increase	\$202,277
5 Inflation	Increase	\$127,888
6 Net impact of other changes	Increase	\$59,250
Total adjustments to cost base	Increase	\$1,922,906
Adjusted cost base	na	\$12,101,406
Change in expense	Increase	18.89%

na Not applicable.

The most significant change in the cost base is the implementation of new government policy announced in the 2018–19 Budget. Under this policy, the inclusion of enforcement, scientific and technical advice, and support for detained consignments activities has increased the cost base by \$1.533 million in the first year.

We will apply levy charges to recover:

- enforcement activities that are directly related to our regulatory function of ensuring industry compliance with international import conditions
- scientific and technical advice related to supporting industry to improve, maintain or restore market access
- the cost of our overseas counsellor network assisting industry to meet export requirements for detained consignments or during trade disruptions.

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

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

11.3 New export control legislation

The Export Control Bill 2017 consolidates export functions from the *Export Control Act 1982*. The redesign is focused on reducing complexity and duplication, improving flexibility and enhancing compliance and enforcement. The new legislation is intended to support existing policy, but it will also provide flexibility for different approaches to the regulation of exports in the future. No changes to the expense base have been identified at this time, but changes to our regulatory approach could impact cost recovery. This will be reviewed once quantifiable.

11.4 Enhanced Traceability Project (NEXDOC)

We are replacing our Export Documentation system (EXDOC), Establishment Registration (ER) and TRACE (Tracking Animal Certification for Export) systems with the Next Export Documentation system (NEXDOC).

NEXDOC will provide a platform capable of integrating with existing and future supporting systems and new technologies. The new system will support the issuance of export documentation including export permits, export certificates, imported product re-export certification, on-forwarding letters, letters of facilitation and other government certificates such as transit certificates.

NEXDOC will vastly improve the client experience with the department by introducing interactive workflow processes, automating billing and increased ability for clients to print their own documentation.

The project will also implement a client portal that will enable clients to access a single entry authenticated point to export certification.

NEXDOC will improve product traceability by providing increased visibility across the export supply chain through:

- automation of remaining manual processes, forms, certification and supporting documentation
- increased accessibility to information to support trade negotiations
- integration across all export commodities and consolidation of export systems
- improved data capture and reporting on incident management data
- improved reporting capabilities
- integration of data from other government agencies and industry.

11.4.1 Savings from systems reform

Planned upgrades to the Plant Export Management System (PEMS) are expected to be integrated with the NEXDOC system to create efficiencies for the documentation hub when assessing requests for permits (RFPs) and export documentation. The upgrades will integrate inspection results into the documentation process, streamlining processes and reducing interaction with multiple systems by departmental staff.

11.5 Financial estimates

A summary of the annual budgeted operating position for the plant export cost recovery arrangements is provided in [section 5](#). All cost recovered activities are subject to a detailed semi-annual review as part of departmental budgeting processes.

Contrary to existing cost recovery reserves policy, the cumulative balance will remain below the target range of zero to 5% of annual program expense.

11.6 Industry-specific feedback

11.6.1 Horticulture export stakeholder engagement

The horticulture industry members were primarily consulted through HEICC. Key topics through the consultation included the arrangement's past financial performance (including drivers of key variances), cost base volumes, the proposed charging structures, pricing principles and price options.

11.6.2 Past financial performance

During a meeting on our pricing principles for the charging review, HEICC members requested historical information on the arrangement's expense base. The department later provided a timeline of increases to the expense base since 2014–15, with detail on significant changes that impacted the expense base.

11.6.3 Cost base and charging structure

Industry has clearly stated its opposition to the 2018–19 Budget measure to expand cost recovery to include scientific, technical and enforcement activities, and expressed concerns as to whether the department is applying sufficient downward pressure on expenses to reduce the cost base.

Industry representatives sought clarification on whether the CRIS charging model sought to recover historical under-recoveries, noting that the department had previously agreed that it would not do so because it would be inequitable to recover historical costs from current exporters and because it would have a significant financial impact on the industry. The department clarified that government has not taken a decision as to how the deficit for the arrangement would be treated. The department will seek a decision following public consultation on the CRIS. The expense base presented in this CRIS does not include historic deficits.

HEICC members have requested additional modelling and the department will continue to engage with industry representatives throughout the public consultation period. Revised models may be published as required.

11.6.4 Cost recovery reserve and use of remissions

Industry representatives expressed concern regarding the department's proposal to set the legislated price at the highest modelled price over the 4-year outlook and then remit to align revenue with expense each year. The primary concern was that delays between over recoveries occurring and the remittance of over-recovered funds could result in remissions benefiting people who had not contributed to the surplus position in the reserve.

The department proposed setting remissions in advance annually based on forecast expense and revenue, rather than implementing remissions after the fact or retrospectively. The remission would be monitored and adjusted on an ongoing basis, reducing the likelihood of over-recoveries. HEICC representatives stated that they disagreed with this approach, noting that industry would be uncomfortable with the remissions being entirely at the department’s discretion.

11.7 Horticulture export fees and levies

The amounts payable for each year are shown in tables 22 to 26.

Table 22 Fees, levies and volumes for horticulture export cost recovery arrangement, 2019–20

Category	Estimated total cost (\$)	Charge title	Unit	Remitted price (\$)	Estimated volume (tonnes)	Estimated total revenue (\$)
Plant exporter levies	61,461	Establishment registration – grower or exporter	Annual	866	71	61,486
	657,633	Establishment registration – simple	Annual	4,327	152	657,704
	1,263,520	Establishment registration – complex	Annual	8,655	146	1,263,630
	205,767	Authorised officer approval	Annual	999	206	205,794
	9,745	Organic certifying organisation	Annual	9,746	1	9,746
	1,261,017	Export volume – non-protocol	Per tonne (or part thereof)	2.45	515,066	1,261,912
	1,401,615	Export volume – protocol	Per tonne (or part thereof)	4.90	286,247	1,402,610
	4,418,411	Phytosanitary certificate	Per certificate	113	39,378	4,449,714
	5,000	Replacement document	Per replacement	500	10	5,000
Audit and inspection fees	35,006	Establishment application (one-off)	Per application	778	45	35,010
	602,159	Inspection	Per quarter hour	76	7,951	604,276
Documentation fees	1,309,975	Standard audit	Per quarter hour	57	23,249	1,325,193
	209,596	Electronic document	Per document	5	44,444	222,220
	235,149	Manual document	Per document	31	7,758	240,498
Authorised Officer (AO) fees	279,840	Electronic permit	Per permit	5	59,339	296,695
	13,010	AO application fee	Per application	290	45	13,050
	42,788	AO approval	Per approval	290	148	42,920
	91,040	AO learning and assessment	Per module	1,012	90	91,080

Table 23 Fees, levies and volumes for horticulture export cost recovery arrangement, 2020–21

Category	Estimated total cost (\$)	Charge title	Unit	Remitted price (\$)	Estimated volume (tonnes)	Estimated total revenue (\$)
Plant exporter levies	62,604	Establishment registration – grower or exporter	Annual	882	71	62,622
	669,866	Establishment registration – simple	Annual	4,408	152	670,016
	1,287,023	Establishment registration – complex	Annual	8,816	146	1,287,136
	209,569	Authorised officer approval	Annual	1,018	206	209,708
	9,925	Organic certifying organisation	Annual	9,925	1	9,925
	1,284,474	Export volume – non-protocol	Per tonne (or part thereof)	2.44	527,943	1,288,181
	1,427,688	Export volume – protocol	Per tonne (or part thereof)	4.87	293,403	1,428,873
	4,500,600	Phytosanitary certificate	Per certificate	115	39,378	\$4,528,470
	5,093	Replacement document	Per replacement	510	10	5,100
	35,658	Establishment application (one-off)	Per application	793	45	35,685
Audit and inspection fees	612,227	Inspection	Per quarter hour	77	7,951	612,227
	1,334,157	Standard audit	Per quarter hour	58	23,249	1,348,442
Documentation fees	242,142	Electronic document	Per document	5	49,927	249,635
	86,059	Manual document	Per document	32	2,700	86,400
	290,930	Electronic permit	Per permit	5	59,980	299,900
Authorised Officer (AO) fees	13,250	AO application fee	Per application	295	45	13,275
	43,578	AO approval	Per approval	295	148	43,660
	92,721	AO learning and assessment	Per module	1,031	90	92,790

Table 24 Fees, levies and volumes for horticulture export cost recovery arrangement, 2021–22

Category	Estimated Total cost (\$)	Charge title	Unit	Remitted price (\$)	Estimated volume (tonnes)	Estimated total revenue (\$)
Plant exporter levies	63,769	Establishment registration – grower or exporter	Annual	899	71	63,829
	682,325	Establishment registration – simple	Annual	4,489	152	682,328
	1,310,960	Establishment registration – complex	Annual	8,980	146	1,311,080
	213,414	Authorised officer approval	Annual	1,036	206	213,416
	10,107	Organic certifying organisation	Annual	10,107	1	10,107
	1,308,363	Export volume – non-protocol	Per tonne (or part thereof)	2.42	541,141	1,309,561
	1,454,241	Export volume – protocol	Per tonne (or part thereof)	4.84	300,738	1,455,572
	4,584,307	Phytosanitary certificate	Per certificate	117	39,378	4,607,226
	5,188	Replacement document	Per replacement	519	10	5,190
36,321	Establishment application (one-off)	Per application	808	45	36,360	
Audit and inspection fees	620,178	Inspection	Per quarter hour	78	7,951	620,178
	1,358,785	Standard audit	Per quarter hour	59	23,249	1,371,691
Documentation fees	251,321	Electronic document	Per document	5	50,357	251,785
	89,716	Manual document	Per document	34	2,700	91,800
	302,551	Electronic permit	Per permit	5	60,628	303,140
Authorised Officer (AO) fees	13,495	AO application fee	Per application	300	45	13,500
	44,383	AO approval	Per approval	300	148	44,400
	94,432	AO learning and assessment	Per module	1,050	90	94,500

Table 25 Fees, levies and volumes for horticulture export cost recovery arrangement, 2022–23

Category	Estimated total cost (\$)	Charge title	Unit	Remitted price(\$)	Estimated volume (tonnes)	Estimated total revenue (\$)
Plant exporter levies	64,955	Establishment registration – grower or exporter	Annual	915	71	64,965
	695,014	Establishment registration – simple	Annual	4,573	152	695,096
	1,335,340	Establishment registration – complex	Annual	9,147	146	1,335,462
	217,330	Authorised officer approval	Annual	1,055	206	217,330
	10,292	Organic certifying organisation	Annual	10,292	1	10,292
	1,332,694	Export volume – non-protocol	Per tonne (or part thereof)	2.41	554,670	1,336,755
	1,481,285	Export volume – protocol	Per tonne (or part thereof)	4.81	308,256	1,482,711
	4,669,559	Phytosanitary certificate	Per certificate	119	39,378	4,685,982
	5,284	Replacement Document	Per replacement	529	10	5,290
	36,996	Establishment application (one-off)	Per application	823	45	37,035
Audit and inspection fees	628,129	Inspection	Per quarter hour	79	7,951	628,129
	1,383,868	Standard audit	Per quarter hour	60	23,249	1,394,940
Documentation fees	262,103	Electronic document	Per document	6	50,792	304,752
	94,629	Manual document	Per document	35	2,700	94,500
	316,503	Electronic permit	Per permit	6	61,282	367,692
Authorised Officer (AO) fees	13,744	AO application fee	Per application	306	45	13,770
	45,202	AO approval	Per approval	306	148	45,288
	96,176	AO learning and assessment	Per module	1,069	90	96,210

Appendix A: 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:

- 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; program 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 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 includes 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 includes 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 licenses, 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 in order 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.

Glossary

Term	Definition
Activity	Any measurable work undertaken by the department to enable export of goods. This includes activities, business processes and outputs as described in the Australian Government Cost Recovery Guidelines (CRGs).
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.
Cost recovery arrangement	Describes the management, delivery and the cost recovery of activities for a defined group of clients.
Export document	Can refer to permits, certificates, or any other document issued or certified under the <i>Export Control Act 1982</i> and may be issued in paper form or electronically.
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 because it is earmarked to fund activities provided to the group being charged. In the CRGs, levies are referred to as cost recovery levies.
Prescribed goods	<p>Goods, or goods included in a class of goods, that are declared by the regulations to be prescribed goods for the purposes of the Export Control Act.</p> <p>At time of drafting, the following are declared to be prescribed goods for the definition of prescribed goods in section 3 of the Act:</p> <ul style="list-style-type: none"> a) prescribed grain b) hay and straw c) fresh fruit d) fresh vegetables e) plants or plant products for which a phytosanitary certificate or any other official certificate is required by an importing country authority.
Remitted price	The modelled charge that the department expects to impose given expected volumes and forecast expenses for any given financial year, using its powers to apply remissions to legislated prices. This may change if volumes or forecast expenses change.
