PORTFOLIO COST RECOVERY IMPACT STATEMENT

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FEBRUARY 2008
EXECUTIVE SUMMARY

PURPOSE OF THE COST RECOVERY IMPACT STATEMENT

The purpose of the Cost Recovery Impact Statement (CRIS) is to demonstrate transparently that the cost recovery activities within the portfolio comply with the Australian Government’s cost recovery policy.

APPROACH TO THE REVIEW

All sources of revenues other than direct appropriations have been identified and analysed. The initial analysis of each activity involving non-budget revenue assessed whether the activity fell within the scope of the Australian Government’s cost recovery policy.

Where an activity fell within the scope of the policy, its design and operational characteristics were assessed against the principles in the Australian Government Cost Recovery Guidelines (referred to in this CRIS as ‘the cost recovery guidelines’) and a conclusion was reached as to compliance. Where non compliance was found, overarching principles were considered in formulating potential remedial actions.

The analysis of minor cost recovery activities (where revenues do not exceed $100,000) has been documented on an exception basis; that is, a description of how the activity aligns to the broad policy requirements has been given, along with a statement of compliance with the detailed requirements of the cost recovery policy. However, where departures from the policy have been identified, they are discussed in detail.

Certain cost recovery activities have already been subject to the CRIS processes – mainly the AQIS programmes, the Australian Pesticides and Veterinary Authority and the Australian Fisheries Management Authority. In instances where a previously prepared CRIS is still current and valid, a copy of the CRIS is included at Appendix A.

LISTING OF THE PORTFOLIO AGENCIES

The Agriculture, Fisheries and Forestry portfolio comprises the following agencies:

<table>
<thead>
<tr>
<th>Agency</th>
<th>Type</th>
<th>Acronym</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Agriculture, Forestry and Fisheries</td>
<td>FMA</td>
<td>DAFF</td>
</tr>
<tr>
<td>Biosecurity Australia</td>
<td>FMA</td>
<td>–</td>
</tr>
<tr>
<td>Australian Pesticides and Veterinary Medicines Authority</td>
<td>FMA</td>
<td>APVMA</td>
</tr>
</tbody>
</table>
This CRIS includes the following agencies listed in Attachment B to Finance Circular 2007/44 as being scheduled to prepare a CRIS as part of the 2008–09 Budget process:

- Department of Agriculture, Fisheries and Forestry
- Australian Wine and Brandy Corporation
- Fisheries Research and Development Corporation
- Land & Water Australia.

**STRUCTURE OF THE CRIS**

The CRIS has been structured into five main parts:

- Overview — including the purpose of the CRIS, a brief description of the Australian Government’s cost recovery policy, the structure of the portfolio and the approach taken to identify activities subject to the detailed CRIS requirements
- Initial policy review — a high-level analysis of each activity funded from non-appropriation revenues to determine whether the activity should be subject to the detailed CRIS processes
- CRISs for each activity assessed as subject to the cost recovery policy
- Ongoing monitoring arrangements
- Certification.

**COST RECOVERY ACTIVITIES SUBJECT TO THE DETAILED CRIS PROCESS**

The results of the initial policy review show that the detailed requirements of this CRIS need to be applied to the following cost recovery activities. A threshold of $100,000 has been used to determine whether an activity is classified as major or minor.

<table>
<thead>
<tr>
<th>Agency</th>
<th>Division</th>
<th>Cost recovery activity</th>
<th>Nature of activity</th>
<th>Major / minor</th>
</tr>
</thead>
<tbody>
<tr>
<td>DAFF</td>
<td>Food and Agriculture</td>
<td>Quota Management Unit</td>
<td>Fee for service</td>
<td>Major</td>
</tr>
<tr>
<td>DAFF</td>
<td>Food and Agriculture</td>
<td>Quota Management Unit</td>
<td>Information product</td>
<td>Minor</td>
</tr>
<tr>
<td>DAFF</td>
<td>Food and Agriculture</td>
<td>Recovery of costs relating to the Dairy Industry Adjustment Package</td>
<td>Reimbursement of costs</td>
<td>Minor</td>
</tr>
<tr>
<td>DAFF</td>
<td>International</td>
<td>Shipping marks</td>
<td>Fee for service</td>
<td>Minor</td>
</tr>
<tr>
<td>DAFF</td>
<td>AQIS</td>
<td>Airports</td>
<td>Levy</td>
<td>Major</td>
</tr>
<tr>
<td>DAFF</td>
<td>AQIS</td>
<td>Organics</td>
<td>Fee for service</td>
<td>Major</td>
</tr>
<tr>
<td>DAFF</td>
<td>PIAPH</td>
<td>SAFEmeat</td>
<td>Fee for service</td>
<td>Major</td>
</tr>
<tr>
<td>DAFF</td>
<td>PIAPH</td>
<td>National Residue Survey</td>
<td>Levy</td>
<td>Major</td>
</tr>
<tr>
<td>DAFF</td>
<td>MSD</td>
<td>Levies Revenue Service</td>
<td>Fee for service</td>
<td>Major</td>
</tr>
<tr>
<td>DAFF</td>
<td>ABARE</td>
<td>Economic research projects</td>
<td>Fee for service</td>
<td>Major</td>
</tr>
<tr>
<td>EWC</td>
<td>–</td>
<td>Wheat Export Charge</td>
<td>Levy</td>
<td>Major</td>
</tr>
<tr>
<td>EWC</td>
<td>–</td>
<td>Export application fee</td>
<td>Fee for service</td>
<td>Minor</td>
</tr>
<tr>
<td>AWBC</td>
<td>–</td>
<td>WINEFACTS fees</td>
<td>Information product</td>
<td>Major</td>
</tr>
<tr>
<td>AWBC</td>
<td>–</td>
<td>Geographical Indication</td>
<td>Fee for service</td>
<td>Minor</td>
</tr>
<tr>
<td>AWBC</td>
<td>–</td>
<td>Wine Export approval fees</td>
<td>Fee for service</td>
<td>Major</td>
</tr>
<tr>
<td>FRDC</td>
<td>–</td>
<td>Sale of goods and services</td>
<td>Information product</td>
<td>Minor</td>
</tr>
</tbody>
</table>
RESULTS OF THE DETAILED CRIS REVIEW

Overall

The review found that most cost recovery activities complied with the cost recovery policy. However, two instances were noted in which an activity did not comply with the policy. These are discussed below.

In respect to the Export Wheat Commission, the review was unable to form a conclusion as to whether under or over recovery of costs has occurred due to the limited periods over which the wheat export charge has been operating. However, in all other respects the activities of the EWC comply with the cost recovery policy. It should be noted that the EWC’s activities are subject to the Government’s consideration of the wheat export marketing arrangements.

AQIS—airports (approximately $1,600,000)

The review found that:

- there appears to be some minor cross-subsidisation between user groups
- over-recovery occurred to a minor extent
- charges could be structured to be more efficient.

AQIS intends to undertake a full review of the arrangements in 2008 to address the non compliance issues. A detailed CRIS will be developed as part of the redesign of the arrangements.

National Residue Survey (approximately $8,500,000)

The review found that the National Residue Survey (NRS) had 10 commodity projects (of a total of 23 commodity project groups) with industry equalisation account (IEA)
balances above the NRS ‘internal policy’ prudential allowances (20%-80% of the following year’s programme expenditure). The IEAs are quarantined funds held in reserve and are designed to cover the financial impacts of seasonal and other fluctuations relating to volumes and values of product and the potential for increased costs resulting from expanded testing programmes. Although, in some cases, the IEAs have been accumulating over an extended period, all participating industries are kept abreast of respective financial positions on at least an annual basis. In each of the 10 cases in question, the relevant industry fully endorsed the IEA balance, noting that accumulated funding was being targeted to enhanced market access residue monitoring projects.

The table below summarises the remedial strategies to address the extent of over-recovery.

<table>
<thead>
<tr>
<th>Commodity project group</th>
<th>Remedial strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>Negotiations with the cattle industry are currently underway to implement additional sampling and introduce a three-year National Vendor Declarations programme. The costs of these initiatives are estimated at $1.250 million per year, which will eliminate the excess balance within approximately three years. Furthermore, the total cattle levy ($5.00 per transaction, of which the NRS levy component is 29 cents) is due for review in 2010, which may impact on the yearly amounts available for NRS testing. Industry has been consulted on the balance and has taken a view that the current level of reserves is prudent in the circumstances.</td>
</tr>
<tr>
<td>Sheep</td>
<td>The sheep industry has been consulted about increased testing for European Union markets. The costs of increased testing are subject to negotiation with AQIS and industry and have not been determined at this stage.</td>
</tr>
<tr>
<td>Horses</td>
<td>Nil—Although the IEA balance exceeds the prudential allowance benchmark, the excess in actual dollar terms is not considered excessive in the context of seasonal fluctuations.</td>
</tr>
<tr>
<td>Goats</td>
<td>Nil—Although the IEA balance exceeds the prudential allowance benchmark, the excess in actual dollar terms is not considered excessive in the context of seasonal fluctuations.</td>
</tr>
<tr>
<td>Emu</td>
<td>Nil—Although the IEA balance exceeds the prudential allowance benchmark, the excess in actual dollar terms is not considered excessive in the context of seasonal fluctuations.</td>
</tr>
</tbody>
</table>
Commodity project group | Remedial strategy
--- | ---
Eggs | Consultations are currently underway with the egg industry about its testing programme, including the possibility of additional testing requirements to meet European Union market access rules. The estimated cost of increased testing is subject to agreement on the specific tests required and has not been calculated at this stage.

Honey | The honey industry has written to DAFF requesting a reduction in the NRS levy from 0.003 cents per kilo to 0.001 cents per kilo and a corresponding increase in the R&D levy. The honey industry has been consulted as to whether the NRS should expand its current level of testing to include new chemicals. The estimated cost of increased testing is subject to agreement on the specific tests required and has not been calculated at this stage.

Grains | Consultation with the grains industry has indicated that further testing is required in this programme. The costs of increased testing are estimated at a minimum of $0.125 million per year. The Grains Council of Australia has indicated that the high reserve is necessary for the planned expansion of the programme to meet growing market access requirements.

Onions | Nil—Although the IEA balance exceeds the prudential allowance benchmark, the excess in actual dollar terms is not considered excessive in the context of seasonal fluctuations.

Macadamias | Consultation is currently being undertaken with the macadamia industry about additional testing in early 2008 to include direct grower sampling to support quality assurance initiatives. The costs of increased testing are subject to final negotiations on the nature and scope of additional testing.

Other issues:

**Australian Wine and Brandy Corporation**

The review found that the amount of revenues received for the processing of applications for wine export approval significantly exceeded the costs of processing the applications but that the surplus is applied to the same industry sub group for overseas market development, market access and information analysis activities.

Because there is no cross-subsidisation between industry sub sectors, the review
concluded that the activities complied with the Australian Government’s cost recovery policy. Accordingly, the AWBC intends to maintain the current arrangements, which have been communicated to and accepted by industry.

**Quota Management Unit (approximately $960,000)**

The Quota Management Unit administers the allocation and usage of quotas for Australian exports as defined in the Australia-United States Free Trade Agreement and World Trade Organisation controlled markets. In 2002-03, two major events resulted in a significant increase in revenues relative to costs – increased exports to the United States and the actual costs in internally developed software being significantly less that the initial forecasts.

A remedial strategy was agreed with stakeholders in the form of a reduction in fees which will remain in place until the over-recovery has been consumed by operating losses.

Because the over recovery has been effectively quarantined and will be returned to industry, the review concluded that the arrangements comply with the Australian Government’s cost recovery policy.

**ONGOING MONITORING AND PERIODIC REVIEW**

**Specific reviews**

The CRIS review has highlighted a number of instances in which a separate CRIS has been scheduled to be prepared for specific cost recovery activities. These are:

- AQIS—import clearance
- AQIS—organics
- AQIS—grains
- AQIS—airports
- AQIS—international mail
- Australian Pesticides and Veterinary Medicines Authority
- Wheat Exports Australia (replacement agency for Export Wheat Commission)
- Australian Fisheries Management Authority.

Furthermore, the CRIS review has identified instances of non-compliance with the cost recovery policy where remedial strategies have been, or are about to be, implemented.
The majority of these relate to NRS. NRS and participating industries will continue to assess each remedial strategy on at least an annual basis. These assessments relate to the 10 programmes with the NRS (identified above) for which IEA balances are currently above the NRS prudential allowance.

Remedial strategies implemented by the Quota Management Unit in respect of previous over-recovery of costs will be continually monitored.

**Ongoing monitoring**

**Portfolio department**

Most of the remaining major cost recovery activities within DAFF are subject to yearly review with relevant industries as a formal component of the governance arrangements. These include the NRS, all AQIS programmes and the Levies Collection Service.

Any remaining activities will be subjected to a formal review within five years from the date of this CRIS.

**Other portfolio agencies**

DAFF, as the portfolio department, will implement a formal certification process whereby portfolio agencies are required to confirm that their cost recovery activities comply with the Australian Government’s cost recovery policy. The certification will occur each year as part of the department’s certificate of compliance process.

Where non compliance is identified, the agency involved will be required to identify and implement remedial strategies.
1 OVERVIEW

1.1 PURPOSE

The Agriculture, Fisheries and Forestry portfolio has been scheduled to review its cost recovery arrangements as part of the 2008–09 Budget process. The purpose of the review and of the resulting Cost Recovery Impact Statement (CRIS) is to transparently demonstrate compliance with the Australian Government’s cost recovery policy.

1.2 AUSTRALIAN GOVERNMENT COST RECOVERY POLICY

In December 2002 the Australian Government adopted a formal cost recovery policy to improve the consistency, transparency and accountability of its cost recovery arrangements and promote the efficient allocation of resources. Cost recovery policy is administered by the Department of Finance and Deregulation and outlined in the *Australian Government Cost Recovery Guidelines*; the review schedule is outlined in Finance Circular 2005/09. The underlying principle of the policy is that agencies should set charges to recover all the costs of products or services where it is efficient and effective to do so, where the beneficiaries are a narrow and identifiable group and where charging is consistent with Australian Government policy objectives.

The policy applies to all *Financial Management and Accountability Act 1997* (FMA Act) agencies and to relevant *Commonwealth Authorities and Companies Act 1997* (CAC Act) bodies that have been notified, under sections 28 or 43 of the CAC Act, to apply the cost recovery policy. Those entities are collectively referred to as ‘agencies’ for the purposes of the guidelines. In line with the policy, individual portfolio ministers are ultimately responsible for ensuring agencies’ implementation and compliance with the cost recovery guidelines.

1.3 STRUCTURE OF THE PORTFOLIO

The Agriculture, Fisheries and Forestry portfolio consists of the Department of Agriculture, Fisheries and Forestry (DAFF, the portfolio department), four FMA agencies and nine CAC bodies. The names of each agency and the divisions within each agency are shown in Table 1.1.
Table 1.1 Portfolio department, agencies and bodies

<table>
<thead>
<tr>
<th>Portfolio status</th>
<th>Name</th>
<th>Divisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio department</td>
<td>Department of Agriculture, Forestry and Fisheries</td>
<td>Rural Policy and Innovation Division</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Food and Agriculture Division</td>
</tr>
<tr>
<td></td>
<td></td>
<td>International Division</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Natural Resource Management Division</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Corporate Policy Division</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Fisheries and Forestry Division</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Australian Quarantine and Inspection Service</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Product Integrity, Animal and Plant Health Division</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bureau of Rural Sciences</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Management Services Division</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Australian Bureau of Agricultural and Resource Economics</td>
</tr>
<tr>
<td>FMA agencies</td>
<td>Biosecurity Australia</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td>Australian Pesticides and Veterinary Medicines Authority</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td>Diary Adjustment Authority</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td>Export Wheat Commission</td>
<td>n.a.</td>
</tr>
<tr>
<td>CAC agencies</td>
<td>Australian Fisheries Management Authority</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td>Australian Wine and Brandy Corporation</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td>Cotton Research and Development Corporation</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td>Fisheries Research and Development Corporation</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td>Grains Research and Development Corporation</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td>Grape and Wine Research and Development Corporation</td>
<td>n.a.</td>
</tr>
</tbody>
</table>
**1.4 APPROACH ADOPTED TO PREPARE THE COST RECOVERY IMPACT STATEMENT**

**1.4.1 Identifying cost recovery activities**

It is the responsibility of the portfolio department to review its own cost recovery activities and those of the portfolio agencies and prepare the CRIS. The approach taken by DAFF was to capture and catalogue all revenues received from external parties, analyse the underlying activities and form a conclusion as to whether the activity was subject to the Australian Government’s cost recovery policy. This analysis is documented in Part 2, Initial Policy Review — Analysis of Activities.

Each portfolio agency was asked to complete a comprehensive questionnaire relating to all forms of external revenue. The results of each questionnaire were used to assess whether the underlying activity was subject to the cost recovery policy. The analysis is also documented in Part 2.

**1.4.2 Classification and treatment of minor cost recovery activities**

DAFF has used an ‘exception’ approach in the CRIS to deal with minor cost recovery activities, which essentially means that a description is given of how the activity aligns to the broad policy requirements of the cost recovery policy, along with a statement of compliance with the detailed requirements. However, departures from the cost recovery policy are analysed and discussed in detail.

A threshold of $100,000 per year has been used to categorise activities as either ‘major’ or ‘minor’.

**1.4.3 Previously prepared CRISs**

Certain cost recovery activities have already been subject to the CRIS processes – mainly the AQIS programmes, the Australian Pesticides and Veterinary Authority and the
Australian Fisheries Management Authority. In instances where a previously prepared CRIS is still current and valid, a copy of the CRIS is included at Appendix A.
2 INITIAL POLICY REVIEW—ANALYSIS OF ACTIVITIES

This section of the CRIS details the results of the review of all sources of external revenue and the analysis of the underlying activities and whether they were subject to the Australian Government’s cost recovery policy.

The initial policy review examines the activities of each portfolio organisation, in the order that the organisations are shown in Table 1.1.

The initial policy review for research and development corporations (RDCs) examines whether they are established as industry–government partnerships, such that contributions to the RDCs by industry are in the nature of collaborative contributions to agreed research and development (R&D) activities. In such cases, industry government partnerships are exempt from the Australian Government’s cost recovery policy.

A collaborative partnership is considered to exist if:

- the entities are jointly owned by industry and the Commonwealth and receive partial Australian Government funding
- the activity is performed at the behest of industry, with the price set by industry depending on the level of research required and
- there are a number of mechanisms in place to ensure the transparency and accountability of the R&D activities (such as industry forums, general meetings and publicly available annual reports and budgets).

2.1 SUMMARY OF THE RESULTS OF THE INITIAL POLICY REVIEW

Table 2.1 lists each activity funded from non-budget revenue, classifies each as either major or minor, states whether the activity is subject to the Australian Government’s cost recovery policy and, where an activity has been found to be outside the scope of the policy, gives a brief description of the reasons it has been excluded.
## Table 2.1  Activities funded from non-budget revenue and inclusion or exclusion from coverage under the cost recovery policy, by agency and division

<table>
<thead>
<tr>
<th>Cost recovery activity</th>
<th>Value ($’000)</th>
<th>Major or minor</th>
<th>CRIS required (Yes/No)</th>
<th>Reason, if CRIS not required</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Department of Agriculture, Fisheries and Forestry</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural Policy and Innovation Division</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sponsorship of Heywire</td>
<td>30</td>
<td>Minor</td>
<td>No</td>
<td>Revenues represent donations</td>
</tr>
<tr>
<td>National Biotechnology</td>
<td>1,500</td>
<td>Major</td>
<td>No</td>
<td>Intra-government</td>
</tr>
<tr>
<td><strong>Food and Agriculture Division</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AusAID Indonesian Food Safety Project</td>
<td>500</td>
<td>Major</td>
<td>No</td>
<td>Intra-government</td>
</tr>
<tr>
<td>Quota Management Unit</td>
<td>960</td>
<td>Major</td>
<td>Yes</td>
<td>–</td>
</tr>
<tr>
<td>Dairy Industry Adjustment Package</td>
<td>60</td>
<td>Minor</td>
<td>Yes</td>
<td>–</td>
</tr>
<tr>
<td>Feedgrain Surveys</td>
<td>80</td>
<td>Minor</td>
<td>No</td>
<td>Department acts as a collection agent</td>
</tr>
<tr>
<td><strong>International Division</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recovery of Paris Post costs</td>
<td>300</td>
<td>Major</td>
<td>No</td>
<td>Intra-government</td>
</tr>
<tr>
<td>Shipping marks at ports</td>
<td>20</td>
<td>Minor</td>
<td>Yes</td>
<td>–</td>
</tr>
<tr>
<td><strong>Natural Resource Management Division</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Natural Heritage Trust Projects</td>
<td>9,150</td>
<td>Major</td>
<td>No</td>
<td>Intra-government</td>
</tr>
<tr>
<td>National Landcare Programme</td>
<td>2,320</td>
<td>Major</td>
<td>No</td>
<td>Intra-government</td>
</tr>
<tr>
<td><strong>Fisheries and Forestry Division</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fisheries Market Access and Trade</td>
<td>175</td>
<td>Major</td>
<td>No</td>
<td>Intra-government</td>
</tr>
<tr>
<td>Pacific Governance Support Programme</td>
<td>350</td>
<td>Major</td>
<td>No</td>
<td>Intra-government</td>
</tr>
<tr>
<td>Southern Bluefin Tuna Supplementary Assessments</td>
<td>290</td>
<td>Major</td>
<td>No</td>
<td>Intra-government</td>
</tr>
<tr>
<td>Cost recovery activity</td>
<td>Value ($'000)</td>
<td>Major or minor</td>
<td>CRIS required (Yes/No)</td>
<td>Reason, if CRIS not required</td>
</tr>
<tr>
<td>--------------------------------------------</td>
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<td>------------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>Torres Strait Fisheries</td>
<td>140</td>
<td>Major</td>
<td>No</td>
<td>Inter and intra government</td>
</tr>
<tr>
<td>Fisheries Action Programme</td>
<td>100</td>
<td>Minor</td>
<td>No</td>
<td>Intra-government</td>
</tr>
<tr>
<td>By-catch Strategies</td>
<td>20</td>
<td>Minor</td>
<td>No</td>
<td>Intra-government</td>
</tr>
<tr>
<td>Fisheries Resources Research Fund Management</td>
<td>210</td>
<td>Major</td>
<td>No</td>
<td>Intra-government</td>
</tr>
<tr>
<td>Private forestry running costs</td>
<td>225</td>
<td>Major</td>
<td>No</td>
<td>Intra-government</td>
</tr>
<tr>
<td>Forestry and Forest Products Committee</td>
<td>250</td>
<td>Major</td>
<td>No</td>
<td>Inter-government</td>
</tr>
<tr>
<td>International Tropical Timber Organisation</td>
<td>150</td>
<td>Major</td>
<td>No</td>
<td>Intra-government</td>
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</table>

*Australian Quarantine and Inspection Service*

<table>
<thead>
<tr>
<th>Cost recovery activity</th>
<th>Value ($'000)</th>
<th>Major or minor</th>
<th>CRIS required (Yes/No)</th>
<th>Reason, if CRIS not required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Horticulture Exports Programme</td>
<td>3,800</td>
<td>Major</td>
<td>No</td>
<td>Individual CRIS is still valid and current</td>
</tr>
<tr>
<td>Post-entry Plant Quarantine</td>
<td>800</td>
<td>Major</td>
<td>No</td>
<td>Individual CRIS is still valid and current</td>
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<tr>
<td>Post-entry Animal Quarantine</td>
<td>4,600</td>
<td>Major</td>
<td>No</td>
<td>Individual CRIS is still valid and current</td>
</tr>
<tr>
<td>Meat Exports</td>
<td>44,000</td>
<td>Major</td>
<td>No</td>
<td>Individual CRIS is still valid and current</td>
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<tr>
<td>Import Clearance</td>
<td>112,000</td>
<td>Major</td>
<td>No</td>
<td>Individual CRIS is still valid and current</td>
</tr>
<tr>
<td>Live Animal Exports</td>
<td>3,300</td>
<td>Major</td>
<td>No</td>
<td>Individual CRIS is still valid and current</td>
</tr>
<tr>
<td>International Mail</td>
<td>3,400</td>
<td>Major</td>
<td>No</td>
<td>Individual CRIS is still valid and current</td>
</tr>
<tr>
<td>Airports</td>
<td>1,600</td>
<td>Major</td>
<td><strong>Yes</strong></td>
<td>–</td>
</tr>
<tr>
<td>Fish Exports</td>
<td>3,300</td>
<td>Major</td>
<td>No</td>
<td>Individual CRIS is still valid and current</td>
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<tr>
<td>Organics</td>
<td>105</td>
<td>Major</td>
<td><strong>Yes</strong></td>
<td>–</td>
</tr>
</tbody>
</table>
## Cost recovery activity | Value ($'000) | Major or minor | CRIS required (Yes/No) | Reason, if CRIS not required |
--- | --- | --- | --- | --- |
Dairy | 1,200 | Major | No | Individual CRIS is still valid and current |
Seaports | 12,000 | Major | No | Individual CRIS is still valid and current |
Grains | 5,500 | Major | No | Individual CRIS is still valid and current |

### Product Integrity, Animal and Plant Health Division

| Cost recovery activity | Value ($'000) | Major or minor | CRIS required (Yes/No) | Reason, if CRIS not required |
--- | --- | --- | --- | --- |
SAFEmeat | 200 | Major | Yes | – |
National Residue Survey | 8,500 | Major | Yes | – |
Australian Plague Locust Commission | 1,900 | Major | No | Inter and intra government |
Sanitary and Phytosanitary Capacity Building Programme | 730 | Major | No | Intra-government |
Sub-committee on Plant Health Diagnostic Standards | 35 | Minor | No | Inter-government |
Marine Pests | 180 | Major | No | Intra-government |
Building Diagnostic and Risk Mitigation Capacity – Thailand | 135 | Major | No | Intra-government |

### Management Services Division

| Cost recovery activity | Value ($'000) | Major or minor | CRIS required (Yes/No) | Reason, if CRIS not required |
--- | --- | --- | --- | --- |
Levies Revenue Service | 4,970 | Major | Yes | – |

### Australian Bureau of Agriculture and Resource Economics

| Cost recovery activity | Value ($'000) | Major or minor | CRIS required (Yes/No) | Reason, if CRIS not required |
--- | --- | --- | --- | --- |
Economic analysis for non-government clients | 350 | Major | Yes | – |
Publications and additional statistical data | 15 | Minor | Yes | – |

### Australian Pesticides and Veterinary Medicines Authority

| Cost recovery activity | Value ($'000) | Major or minor | CRIS required (Yes/No) | Reason, if CRIS not required |
--- | --- | --- | --- | --- |
Industry levies and related charges | 24,000 | Major | No | Individual CRIS is still valid and current |
### Cost Recovery Activity

<table>
<thead>
<tr>
<th>Cost recovery activity</th>
<th>Value ($'000)</th>
<th>Major or Minor</th>
<th>CRIS required (Yes/No)</th>
<th>Reason, if CRIS not required</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Australian Fisheries Management Authority</strong></td>
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<td></td>
<td></td>
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<tr>
<td>Industry levies and related charges</td>
<td>11,891</td>
<td>Major</td>
<td>No</td>
<td>Individual CRIS is still valid and current</td>
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<tr>
<td><strong>Biosecurity Australia</strong></td>
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<td></td>
<td></td>
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<tr>
<td>AusAID projects</td>
<td>110</td>
<td>Major</td>
<td>No</td>
<td>Intra-government</td>
</tr>
<tr>
<td><strong>Dairy Adjustment Authority</strong></td>
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<tr>
<td>Recovery of administrative costs</td>
<td></td>
<td></td>
<td>No</td>
<td>Part of a one-off industry restructure</td>
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<tr>
<td><strong>Export Wheat Commission</strong></td>
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<tr>
<td>Wheat Export Charge and export application fees</td>
<td>3,000</td>
<td>Major</td>
<td><strong>Yes</strong></td>
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<tr>
<td><strong>Australian Wine and Brandy Corporation</strong></td>
<td></td>
<td></td>
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<tr>
<td>Wine Grape Levy and Export Charge levy</td>
<td>5,500</td>
<td>Major</td>
<td>No</td>
<td>Government–industry collaborative partnership</td>
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<tr>
<td>Wine Export Approval Fees</td>
<td>5,100</td>
<td>Major</td>
<td><strong>Yes</strong></td>
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<tr>
<td>WINEFACTS fees</td>
<td>170</td>
<td>Major</td>
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<tr>
<td>Australian Wine Overseas Scheme</td>
<td>710</td>
<td>Major</td>
<td>No</td>
<td>Corporation acts as a collection agent</td>
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<tr>
<td><strong>Cotton Research and Development Corporation</strong></td>
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<tr>
<td>Industry levies</td>
<td>2,200</td>
<td>Major</td>
<td>No</td>
<td>Government–industry collaborative partnership</td>
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<tr>
<td><strong>Fisheries Research and Development Corporation</strong></td>
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<td></td>
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<tr>
<td>Industry levies</td>
<td>130</td>
<td>Major</td>
<td>No</td>
<td>Government–industry collaborative partnership</td>
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<tr>
<td>Licence fees</td>
<td>100</td>
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<td>No</td>
<td>Commercial arrangement</td>
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<tr>
<td>Cost recovery activity</td>
<td>Value ($'000)</td>
<td>Major or minor</td>
<td>CRIS required (Yes/No)</td>
<td>Reason, if CRIS not required</td>
</tr>
<tr>
<td>----------------------------</td>
<td>---------------</td>
<td>----------------</td>
<td>------------------------</td>
<td>----------------------------------------------------------------</td>
</tr>
<tr>
<td>Voluntary contributions</td>
<td>9,000</td>
<td>Major</td>
<td>No</td>
<td>Government–industry collaborative partnership</td>
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<tr>
<td>Publications</td>
<td>25</td>
<td>Minor</td>
<td>Yes</td>
<td>–</td>
</tr>
<tr>
<td><strong>Grains Research and Development Corporation</strong></td>
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<td></td>
<td></td>
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<tr>
<td>Industry levies</td>
<td>56,000</td>
<td>Major</td>
<td>No</td>
<td>Government–industry collaborative partnership</td>
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<tr>
<td>Royalties</td>
<td>1,100</td>
<td>Major</td>
<td>No</td>
<td>Specifically excluded</td>
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<tr>
<td>Advertising</td>
<td>200</td>
<td>Major</td>
<td>No</td>
<td>Commercial arrangement</td>
</tr>
<tr>
<td>Publications</td>
<td>100</td>
<td>Major</td>
<td>Yes</td>
<td>–</td>
</tr>
<tr>
<td>Project refunds</td>
<td>3,150</td>
<td>Major</td>
<td>No</td>
<td>Not cost recovery</td>
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<tr>
<td>Penalties</td>
<td>50</td>
<td>Minor</td>
<td>No</td>
<td>Specifically excluded</td>
</tr>
<tr>
<td><strong>Grape and Wine Research and Development Corporation</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry levies</td>
<td>10,500</td>
<td>Major</td>
<td>No</td>
<td>Government–industry collaborative partnership</td>
</tr>
<tr>
<td><strong>Land &amp; Water Australia</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions to research projects</td>
<td>21,450</td>
<td>Major</td>
<td>No</td>
<td>Voluntary contributions for research projects</td>
</tr>
<tr>
<td>Sale of publications</td>
<td>6</td>
<td>Minor</td>
<td>Yes</td>
<td>–</td>
</tr>
<tr>
<td><strong>Rural Industries Research and Development Corporation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry levies</td>
<td>2,100</td>
<td>Major</td>
<td>No</td>
<td>Government–industry collaborative partnership</td>
</tr>
<tr>
<td>Sale of publications</td>
<td>110</td>
<td>Major</td>
<td>Yes</td>
<td>–</td>
</tr>
<tr>
<td>Joint projects funding</td>
<td>1,000</td>
<td>Major</td>
<td>No</td>
<td>Intra-government</td>
</tr>
<tr>
<td>Industry contributions</td>
<td>3,400</td>
<td>Major</td>
<td>No</td>
<td>Voluntary contributions for research projects</td>
</tr>
</tbody>
</table>
A large number of activities funded from non-budget revenues are exempt under the *Australian Government Cost Recovery Guidelines* on the basis that they represent intra- or inter-government arrangements or are part of government–industry collaborative partnerships. Notwithstanding the exemption of such activities, the guidelines require that the policy be applied to the greatest extent possible. These activities and arrangements are such that most of the cost recovery principles are not relevant, with the exception of over- or under-recovery of costs. This principle is applied to the exempted activities.

### 2.2 Department of Agriculture, Fisheries and Forestry

#### 2.2.1 Rural Policy and Innovation Division

*Sponsorship of Heywire (approximately $30,000)*

DAFF acts as the central collection point for processing donations received by other Australian Government agencies for Heywire. Donations are forwarded to the Australian Broadcasting Corporation. These receipts are not income to the Department and are outside the cost recovery policy.

The department does not charge for this service as processing costs are minimal. Imposing a charge for the collection and distribution service would not be cost effective (i.e. the administrative costs of imposing a charge would exceed revenues).

*National Biotechnology Strategy (approximately $1,500,000)*

The department receives revenues from Biotechnology Australia to provide services to support a framework for government and key stakeholders to work together to ensure that developments in biotechnology are captured for the benefit of the Australian community, industry and the environment, while safeguarding human health and
ensuring environmental protection.

This is an intra-governmental arrangement and is outside scope of the cost recovery policy.

### 2.2.2 Food and Agriculture Division

**AusAID Indonesian Food Safety Project (approximately $500,000)**

These revenues are funding from AusAID to manage an Indonesian food safety project. The funding is for payments to the consultant undertaking the project, and any unspent monies at the completion of the project will be returned.

This is an intra-government arrangement and is outside the scope of the cost recovery policy.

**Quota Management Unit—operating costs (dairy and meat) (approximately $960,000)**

The revenues are from industry to support the running costs of the Quota Management Unit. The charges are based on quota entitlement or usage.

The activities are within the scope of the cost recovery policy and have been subjected to the detailed CRIS processes.

**Quota Management Unit—provision of statistical data (approximately $5,000)**

The Quota Management Unit provides aggregated statistical data via its website and additional statistical data as required.

These activities represent the provision of information products; they are within the scope of the cost recovery policy and have been subjected to the detailed CRIS requirements.

**Recovery of costs relating to the Dairy Industry Adjustment Package (approximately $60,000)**

The current revenues recover the direct costs relating to the winding down of the Dairy Industry Adjustment Package. Under the *Dairy Produce Act 1986*, costs relating to the development and implementation of measures that make up the Dairy Industry Adjustment Package are able to be reimbursed to the Commonwealth. Costs are recovered from the Dairy Structural Adjustment Fund, which is funded by an 11 cent per litre levy on the retail sale of drinking milk. The fund is administered by Dairy Australia Ltd, a ‘Corporations Law company’ and the dairy industry services body.
The activities are within the scope of the cost recovery policy and have been subjected to the detailed CRIS processes.

**Feedgrain surveys (approximately $80,000)**

DAFF collects contributions from industry towards the costs of conducting monthly Australian Bureau of Statistics (ABS) surveys of feedgrain stocks. Data are transferred directly to the ABS. The amount collected is determined from a quote received from the ABS based on the number of surveys to be conducted within a given period.

The department provides no services for the survey and simply acts as an agent for the ABS. This activity is outside the scope of the cost recovery policy.

**2.2.3 International Division**

**Paris post costs (approximately $300,000)**

These revenues are the contribution by the Department of Foreign Affairs and Trade towards the costs of maintaining an officer at the Paris post.

This is an intra-government arrangement and is outside the scope of the cost recovery policy.

**Shipping marks at ports (approximately $20,000)**

These revenues are charges to importers of Australian produce into the United States. The charges relate to the requirement that an Australian official be present when shipping marks are applied to containers, where the exporter has either neglected to apply a mark or has done so incorrectly.

The underlying activity is within the scope of the cost recovery policy and has been subjected to the detailed CRIS processes.

**2.2.4 Natural Resource Management Division**

**Natural Heritage Trust (NHT) projects (approximately $9,150,000)**

These revenues are funds paid by the Department of Environment, Water, Heritage and the Arts from the Natural Heritage Trust (NHT) to cover costs incurred by DAFF in managing NHT activities and projects. Costs include employee costs, project management costs, delivery of Envirofund and the costs of the Executive Director of the National Land and Water Resources Audit.
The activities are an intra-government arrangement and are outside the scope of the cost recovery policy.

**National Landcare Programme (approximately $2,320,000)**

These revenues are a transfer from DAFF’s Special Account (Natural Resources Management Account) to fund activities approved by the Minister under the National Landcare Programme. The revenues fund the costs of the state Landcare coordinators and administration costs. The Special Account is funded from the ‘National Landcare program – for payment to NRM special account’ appropriation.

The activities are an intra-government arrangement and are outside the scope of the cost recovery policy.

**2.2.5 Corporate Policy Division**

Corporate Policy Division does not receive revenues from external parties.

**2.2.6 Fisheries and Forestry Division**

**Fisheries Market Access and Trade (approximately $175,000)**

Revenues are received from the Fisheries Resources Research Fund, which is funded from appropriation. The Fisheries Market Access and Trade Programme provides the policy (technical and economic) underpinning the Australian Government’s seafood market access and trade programme.

The activities are an intra-government arrangement and are outside the scope of the cost recovery policy.

**Pacific Governance Support Programme (approximately $350,000)**

Revenues are received from AusAID to fund a project to promote the economic development and welfare of Pacific island countries.

This is an intra-government arrangement and is outside the scope of the cost recovery policy.

**Southern Bluefin Tuna Supplementary Assessments (approximately $290,000)**

Revenues are received from the Fisheries Resources Research Fund to develop, negotiate and strengthen governance arrangements for the conservation and management of high seas fisheries resources.
The activities are an intra-government arrangement and are outside the scope of the cost recovery policy.

**Torres Strait Fisheries (approximately $140,000)**

These revenues are contributions from the Queensland Government and the Torres Strait Regional Authority to cover the shared cost of a joint tender/mediation process.

This is an inter and intra-government arrangement and is outside the cost recovery policy.

**Fisheries Action Programme (approximately $100,000)**

These revenues are the contribution from the Natural Heritage Trust for the administration of fish/marine projects funded by the Trust.

This is an intra-government arrangement and is outside the cost recovery policy.

**By-catch Strategies (approximately $20,000)**

These revenues are reimbursed ad hoc expenses associated with the ‘National Strategies to address marine wildlife by-catch issues in Australian fisheries’ project funded by the Natural Heritage Trust. The revenues are sourced from the Trust.

This is an intra-government arrangement and is outside the cost recovery policy.

**Fisheries Resources Research Fund Management (approximately $210,000)**

Revenues are received from the Fisheries Resources Research Fund to administer the fund, which is funded from appropriation.

This is an intra-government arrangement and is outside the cost recovery policy.

**Private Forestry Natural Heritage Trust Projects (approximately $225,000)**

Revenues are received from the Natural Heritage Trust to fund the administration costs of forestry-related NHT projects.

This is an intra-government arrangement and is outside the cost recovery policy.

**Forestry and Forest Products Committee (approximately $250,000)**

Revenues are received from the state and territory governments to fund projects endorsed by the Forestry and Forest Products Committee.
This is an inter-government arrangement and is outside the cost recovery policy.

**International Tropical Timber Organisation (approximately $150,000)**

Revenues are received from AusAID to fund membership, participation and project funding for the International Tropical Timber Organisation.

The activities are an intra-government arrangement and are outside the scope of the cost recovery policy.

### 2.2.7 Australian Quarantine and Inspection Service

**Horticulture Exports Programme (cost recovery of approximately $3,800,000)**

The government has specifically agreed to fund approximately 40% of the costs of AQIS’s exports programmes, which are considered to be a public good. The remainder of programme revenues are derived through fees and charges imposed on the programmes’ clients and are subject to the cost recovery policy.

In 2007, the Horticulture Exports Programme completed a CRIS, which included changes to fees and charges that have been communicated directly to programme clients. Fee schedules can be confirmed through the programme and are available online. The CRIS confirmed that programme charging was compliant with the cost recovery policy.

The CRIS has forecast that the programme fees are to be reviewed regularly in consultation with the industry consultative committee and AQIS management to ensure the financial viability of the programme.

The CRIS is still current and valid.

**Post Entry Plant Quarantine (cost recovery of approximately $800,000)**

Total Post Entry Plant Quarantine Programme revenues of approximately $2.3 million are a combination of Budget funding and fees and charges for services provided and are therefore subject to the cost recovery policy. Government funding represents the programme’s public good component, in the form of border security.

In 2007, the programme completed a CRIS, which included changes to fees and charges that have been communicated directly to programme clients. Fee schedules can be confirmed through the programme and are available online. The CRIS confirmed that programme charging was compliant with the cost recovery policy.
The CRIS has forecast that the programme fees are to be reviewed regularly in consultation with the industry consultative committee and AQIS management to ensure the financial viability of the programme.

The CRIS is still current and valid.

*Post Entry Animal Quarantine (cost recovery of approximately $4,600,000)*

Post Entry Animal Quarantine Programme revenues are almost entirely generated through fees and charges imposed on the programme clients and are subject to the cost recovery policy.

In 2005, the programme completed a CRIS, which included changes to fees and charges that have since been applied in providing services to programme clients. Fee schedules can be confirmed through the programme and are available online. The CRIS confirmed that the programme fees are compliant with the cost recovery policy.

The programme fees are to be reviewed regularly in consultation with the key industry representative organisations and AQIS management to ensure the financial viability of the programme. In this regard, the Equine Influenza Enquiry may make recommendations relating to post entry animal quarantine activities which potentially may impact on fees. Should this occur, the programme will prepare a specific CRIS relating to any new arrangements.

The CRIS is still current and valid.

*Meat Exports (cost recovery of approximately $44,000,000)*

The government has specifically agreed to fund approximately 40% of the costs of AQIS’s exports programmes, which are a public good in that they improve Australia’s export performance. The remainder of programme revenues are derived through fees and charges for services to programme clients and are subject to the cost recovery policy.

In 2006, the Meat Exports Programme completed cost modelling of new fees and drafted a CRIS, which included changes to fees and charges that have been communicated directly to programme clients. Fee schedules can be confirmed through the programme and are available online. The CRIS confirms that the programme is compliant with the cost recovery policy.

The programme fees are reviewed annually in consultation with the key industry representative organisations and AQIS management to ensure the financial viability of the programme.
The CRIS is still current and valid.

**Import Clearance (cost recovery of approximately $112,000,000)**

Revenues for the Import Clearance Programme are dependent on fees and charges for services to programme clients and are subject to the cost recovery policy.

The programme is finalising a CRIS in 2008 in respect to further fee reviews. The previous 2005 CRIS is included in Appendix A.

**Live Animal Exports (cost recovery of approximately $3,300,000)**

The government has specifically agreed to fund approximately 40% of the costs of AQIS’s exports programmes, which are a public good in that they improve Australia’s export performance. The remainder of programme revenues are derived through fees and charges for services to programme clients and are subject to the cost recovery policy.

The Live Animal Exports Programme completed CRISs in 2006 and 2007. The CRISs amended fees after consideration of the financial viability of the programme and subsequent changes due to the buoyant state of the industry. The CRISs confirmed that the activity was compliant with the cost recovery policy.

The programme fees are reviewed regularly in consultation with industry representative organisations and AQIS management to ensure the financial viability of the programme.

The CRIS is still current and valid.

**International Mail (cost recovery of approximately $3,400,000)**

The International Mail Programme is substantially budget funded, but some revenues are received from Australia Post on an annual basis. Government funding represents the public good component of the programme, in the form of border security.

The programme’s activities are subject to the cost recovery policy. A CRIS was prepared in 2004. On occasion the programmes funding has been supplemented by one-off additional funding by Australia Post for AQIS to provide additional services through international mail centres. The CRIS confirmed that the activity was compliant with the cost recovery policy.

The CRIS has forecast that Australia Post’s contribution to the programme is to be reviewed as required in consultation with the Department of Broadband Communications and the Digital Economy as the shareholder representative of the government. In this regard, and in compliance with the *Australian Government Cost*
Recovery Guidelines, the arrangements will be formally reviewed in 2009.

The CRIS is still current and valid.

**Airports (cost recovery of approximately $1,600,000)**

Most Airports Programme revenues are funded from the Budget, but approximately 2% is recovered on a user-pays basis for quarantine services provided to restricted airports. Restricted airports are those airports that are not first ports and landing places for international travel and where customs, immigration and quarantine services do not have a permanent presence. Government funding represents the public good component of the programme, in the form of border security at unrestricted airports.

These activities are subject to the cost recovery policy and have been subjected to the detailed CRIS processes.

**Fish Exports (cost recovery of approximately $3,300,000)**

The government has specifically agreed to fund approximately 40% of the costs of AQIS’s exports programmes, which are a public good in that they improve Australia’s export performance. The remainder of revenue is derived through fees and charges for services to programme clients and is subject to the cost recovery policy.

In 2007, the Fish Exports Programme completed a CRIS, which included changes to fees and charges that have been communicated directly to programme clients. Fee schedules can be confirmed through the programme and are available online. The CRIS confirms that the programme is compliant with the cost recovery policy.

The CRIS has forecast that the programme fees are to be reviewed regularly in consultation with the industry consultative committee and AQIS management to ensure the financial viability of the programme.

The CRIS is still current and valid.

**Organics (cost recovery of approximately $105,000)**

The government has specifically agreed to fund approximately 40% of the costs of AQIS’s exports programmes, which are a public good in that they improve Australia’s export performance. The remainder of programme revenues are derived through fees and charges and are subject to the cost recovery policy.

The Organics programme last amended its fees in 2003 after completing a series of consultations with the key stakeholder body and the Office of Regulation Review, based
Further changes to the programme’s activities and associated fees are subject to the cost recovery policy.

The Organics programme has been subject to the detailed CRIS requirements. Furthermore, in accordance with the Australian Government Cost Recovery Guidelines, the arrangements will be formally reviewed in 2008.

**Dairy (cost recovery of approximately $1,200,000)**

The government has specifically agreed to fund approximately 40% of the costs of AQIS’s exports programmes, which are a public good in that they improve Australia’s export performance. The remainder of revenues are derived through fees and charges for services to programme clients and are subject to the cost recovery policy.

In 2007, the Dairy Programme completed a CRIS, which included changes to fees and charges that have been communicated directly to programme clients. Fee schedules can be confirmed through the programme and are available online. The CRIS confirms that the programme is compliant with the cost recovery policy.

The CRIS has forecast that the programme fees are to be reviewed regularly in consultation with the industry consultative committee, its charging subcommittee and AQIS management to ensure the financial viability of the programme.

The CRIS is still current and valid.

**Seaports (cost recovery of approximately $12,000,000)**

The Seaports Programme is substantially cost recovered from a large range of clients on a fee-for-service basis and is subject to the cost recovery policy.

In 2006, the programme completed a CRIS, which included changes to fees and charges that have been communicated directly to programme clients. Fee schedules can be confirmed through the programme and are available online. The CRIS confirms that the programme is compliant with the cost recovery policy.

The CRIS has forecast that the programme fees are to be reviewed regularly in consultation with the industry consultative committee and AQIS management to ensure the financial viability of the programme. The next review is scheduled to be completed in 2008.

The CRIS is still current and valid.
Grains (cost recovery of approximately $5,500,000)

The government has specifically agreed to fund approximately 40% of the costs of AQIS’s exports programmes, which are a public good in that they improve Australia’s export performance. The remainder of revenues are derived through fees and charges for services to programme clients and are subject to the cost recovery policy.

In 2003, the Grains Programme completed a CRIS, which included changes to fees and charges that have been used since in providing services to programme clients. Fee schedules can be confirmed through the programme and are available online. The CRIS confirmed that the programme fees are compliant with the cost recovery policy.

The CRIS has forecast that the programme fees are to be reviewed regularly in consultation with the industry consultative committee and AQIS management to ensure the financial viability of the programme.

Internal financial reviews have been conducted in recent years to monitor the balance of the industry liability account and take account of the industry outlook. To date, no further changes to fees and charges have been deemed necessary, taking into account the level of industry activity and the liability account balance currently held in the programme. A further fee review is expected to be undertaken in 2008.

The CRIS is still current and valid.

2.2.8 Product Integrity, Animal and Plant Health Division

SAFEMEAT (approximately $200,000)

These revenues are charges for the provision of secretarial services to a partnership body representing all sectors of the red meat production chain. The fee was set by the SAFEMEAT board.

The provision of these services is subject to the cost recovery policy and has been subjected to the detailed CRIS processes.

National Residue Survey (approximately $8,500,000)

These revenues are industry levies to fund the costs of residue testing services, scientific and technical advice on residues and the management of residue-related issues.

The provision of these services is subject to the cost recovery policy and has been subjected to the detailed CRIS processes.
Australian Plague Locust Commission (approximately $1,900,000)

These revenues are the contributions from the Australian Government and the governments of New South Wales, Victoria, Queensland and South Australia towards the operation of the commission.

These are inter- and intra-government arrangements and are outside the scope of the cost recovery policy.

Sanitary and Phytosanitary Capacity Building Programme (approximately $730,000)

This programme is a four-year activity designed to enhance the capacity of ASEAN countries to meet international standards consistent with the World Trade Organization’s Sanitary and Phytosanitary Agreement. Funding is provided by AusAID.

These are intra-government arrangements and are outside the scope of the cost recovery policy.

Sub-Committee on Plant Health Diagnostic Standards (approximately $35,000)

These revenues are funding from the state governments towards the cost of an Executive Officer within the Product Integrity, Animal and Plant Health Division to support the Sub-Committee on Plant Health Diagnostic Standards.

These are inter-government arrangements and are outside the scope of the cost recovery policy.

Marine Pests (approximately $180,000)

These revenues are sourced from the Natural Heritage Trust and are an intra-government arrangement and are outside the scope of the cost recovery policy.

Building Diagnostic and Risk Mitigation Capacity—Thailand (approximately $135,000)

This is a 12-month activity with the goal of developing key plant health skills in the Thailand Department of Agriculture. Funding is provided by AusAID.

This is an intra-government arrangement and is outside the scope of the cost recovery policy.

2.2.9 Bureau of Rural Sciences (approximately $23,300,000)

These revenues are contributions from DAFF, the Natural Heritage Trust, the National Action Plan for Salinity and Water Quality (the National Action Plan), the National
Water Commission, the Murray–Darling Basin Commission, CSIRO, the Bureau of Meteorology and Geoscience Australia towards research projects.

The work BRS undertakes with this core funding is agreed with DAFF’s divisions annually. BRS’s capacity to support DAFF is enhanced by BRS undertaking additional scientific work, funded through accessing contestable funds derived principally from administered government programmes, such as the Natural Heritage Trust and the National Action Plan, as well as agencies such as the National Water Commission and the Murray–Darling Basin Commission. The additional work augments the work undertaken with core funds, develops BRS skills and knowledge, and supports a whole-of-government approach to policy development and decision making in areas relevant to the Department. BRS also undertakes scientific work for DAFF divisions funded through the divisions’ core departmental appropriation.

BRS’s external operating environment is characterised by its relationships with other government agencies with which it collaborates through project work. In the Australian Government, BRS has a range of working arrangements, underpinned by various forms of agreement, with a number of agencies including CSIRO, the Bureau of Meteorology and Geoscience Australia. BRS also has well-established relationships with state governments to coordinate national datasets and implement national programmes.

These are intra-government arrangements and are outside the scope of the cost recovery policy.

2.2.10 Management Services Division

Levies Revenue Service (approximately $4,970,000)

These revenues are recovered costs for the administration, collection and disbursement of levies imposed by Commonwealth legislation on a range of agricultural commodities. All levies collected are paid to the Consolidated Revenue Fund, without deduction, before they are disbursed to relevant agencies. The Levies Revenue Service income is charged on a fee-for-service basis from each organisation funded by the particular levy.

These are fee-for-service arrangements with organisations that are partly controlled by the Commonwealth. On that basis, they are within the scope of the cost recovery policy and have been subjected to the detailed requirements of the CRIS.
2.2.11 Australian Bureau of Agricultural and Resource Economics

Economic Analysis for Non-government Clients (approximately $325,000)

The Australian Bureau of Agricultural and Resource Economics (ABARE) undertakes economic analysis projects for non-government clients on a fee-for-service basis.

This activity is subject to the cost recovery policy and has been subjected to the detailed CRIS process.

Publications and provision of data (approximately $15,000; minor activity)

ABARE provides copies of publications and data to non-government organisations. Both types of product are the results of research projects funded from direct appropriations.

These arrangements for the provision of information products are within the scope of the cost recovery policy and have been subjected to the detailed CRIS requirements.

2.3 Australian Pesticides and Veterinary Medicines Authority

The Department of Agriculture, Fisheries and Forestry (DAFF) completed on behalf of the Australian Pesticides and Veterinary Medicines Authority (APVMA), an initial review of APVMA cost recovered arrangements and prepared a CRIS in March 2005. Although the current CRIS is valid under the Australian Government guidelines until 2009-10, APVMA will be conducting the next review as soon as practicable in line with industry expectation. The 2005 CRIS is included in Appendix A.

2.4 Biosecurity Australia

2.4.1 AusAID projects (approximately $110,000)

Biosecurity Australia receives income from AusAID in connection with two projects:

- Pacific Governance Support—for training relating to plant risk, plant identification and quarantine
- Papua New Guinea Animal and Plant Quarantine Project.

These are intra-government arrangements and are outside the scope of the cost recovery policy.
2.5 Dairy Adjustment Authority

2.5.1 Recovery of administrative costs

The administrative costs of operating the Dairy Adjustment Authority are paid directly by Dairy Australia (a non Commonwealth body) from the Dairy Structural Adjustment Fund. The fund receives its income from levies on the retail sale of milk and registration and transaction fees which are set by legislation.

The arrangements are a component of an industry restructure package and are specifically exempted from the Australian Government’s cost recovery policy.

2.6 Export Wheat Commission

2.6.1 Wheat Export Charge and Export Application Fees (approximately $3,000,000)

The Export Wheat Commission (EWC) is established under the Wheat Marketing Act 1989. The EWC’s primary source of revenue is via a $0.22 per tonne levy on wheat exports. The levy is designed to fund the activities of the EWC, which includes:

- monitoring the sales performance of AWBI under the ‘single desk’ policy
- reporting AWBI sales performance to export wheat growers and
- controlling non-AWBI wheat exports.

Because of the volatility of volumes of wheat exported the levies received may not cover the costs of the EWC. When this has occurred the EWC has received direct budget funding. This has occurred in the 2006-07 financial year due to the impact of the drought on the volume of wheat exports. Supplementary funding has also been secured for 2007-08.

The EWC does not represent a collaborative partnership with industry as it fails one of the main criteria used to determine such partnerships ie joint ownership. Accordingly, EWC’s revenues fall within the scope of the cost recovery policy and have been subjected to the detailed requirements of the CRIS.

It should be noted that the current activities and arrangements are subject to the Government’s consideration of the wheat export marketing arrangements.

2.7 Australian Fisheries Management Authority

The Australian Fisheries Management Authority (AFMA) completed a separate CRIS in February 2004. A copy of the CRIS has been provided at Appendix A.
The Australian Fisheries Management Authority (AFMA) is scheduled to become a commission subject to the FMA Act and the Public Service Act 1999 from 1 July 2008. It will be reviewing its cost recovery activities prior to the development of the 2009-10 budget.

2.8 **AUSTRALIAN WINE AND BRANDY CORPORATION**

2.8.1 Wine Grape levy (approximately $2,500,000) and Export Charge Levy (approximately $3,000,000)

These revenues fund the development of national and international markets for Australian wines. The assessment against each of the three criteria to determine whether the activity falls within the cost recovery policy is as follows.

*Joint ownership without government funding*

Industry has a strong influence in the corporation through the nomination of board members. The Australian Wine and Brandy Corporation (AWBC) comprises eight non-executive members: a chairperson and seven ‘other members’. The Minister appoints the members. ‘Other members’ are appointed from people nominated by a wine-industry-based selection committee on the basis of expertise in winemaking, grape growing, marketing, finance, business management and administration, or government policy processes and public administration.

The board receives additional industry support through a number of key advisory committees. Those committees are chaired by board members, with other positions being filled by industry personnel.

*Activity at the behest of industry and prices set by industry*

The AWBC’s mission is to enhance the operating environment for the benefit of the Australian wine industry by providing the leading role in:

- market development
- knowledge development
- compliance
- trade and market access.

The corporation works with industry through advisory committees in these key functional areas, as well as with national, state and regional wine and brandy producer associations; wine-grape growers and their national, state and regional associations; wine and brandy producers; and exporters.
Changes in the rates of the Wine Grape Levy and the Wine Export Charge require a recommendation to the Minister of Agriculture, Fisheries and Forestry. The recommendation must have been passed at the annual general meeting of levy payers, at which all levy payers are eligible to vote.

**Transparency and accountability**

Documents produced and mechanisms in place to ensure transparency and accountability include:

- Corporate Plan
- Annual Operating Plan
- Statement of Expectations/Intent
- Annual Report
- AWBC and Wine Australia (multilingual) websites
- *Wine Australia* magazine and e-newsletter

The AWBC is also a major contributor to significant industry-based initiatives such as Directions to 2025, the Future Leaders Programme and the Drought Management Taskforce.

Based on this analysis, the corporation meets the criteria for an industry–government collaborative partnership. Therefore, the levy and charge activities are outside the scope of the Australian Government’s cost recovery policy.

**2.8.2 Wine Export Approval Fees (approximately $5,100,000)**

The AWBC is responsible for maintaining the regulatory framework for the Australian wine industry, improving access to overseas markets and promoting Australian wine and brandy in those markets. As part of meeting that responsibility, the corporation approves applications from Australian producers to export wines to international markets.

The revenues derive from the issuing of exclusive rights and privileges. Those activities are within the scope of the cost recovery policy and has been subjected to the detailed requirements of the CRIS.

**2.8.3 WINEFACTS Fees (approximately $170,000)**

The AWBC charges for its WINEFACTS statistics and information products.
The provision of an information product is within the scope of the cost recovery policy and has been subjected to the detailed CRIS process.

2.8.4 **Australian Wine Overseas Scheme (approximately $710,000)**

Revenues are received from embassies (both Australian and overseas) to purchase Australian wines under the Australian Wine Overseas Scheme promoted by the AWBC. The purpose of the scheme is to promote Australian wine overseas, which is consistent with AWBC’s primary objective. The AWBC imposes a per carton administrative fee to cover the cost of the staff member liaising with the embassies and Australian wineries consolidate the order and have it delivered in good time. The service is provided to the embassies, not to the wine producers.

Revenues comprise the cost of the wines, packaging, freight, insurance and the administration fees. Although the recovery of administration fees represents a cost recovery activity they represent a minor component of the overall arrangements which are outside the scope of the cost recovery policy. Accordingly it is not proposed to include this activity in the detailed CRIS processes.

2.9 **Cotton Research and Development Corporation**

2.9.1 **Funds from industry levies (approximately $2,200,000)**

Levies make up the industry contribution to the Cotton Research and Development Corporation (CRDC), which operates as an industry–government partnership. The assessment against each of the three criteria to determine whether the activity falls within the cost recovery policy is as follows.

**Joint ownership and partial government funding**

CRDC is accountable to industry through the Australian Cotton Growers Research Association (ACGRA). Through its representation on the Board Selection Committee, the ACGRA has a strong influence on the CRDC board—only the chairman (appointed by the Minister) and the Executive Director (who is appointed by the board) are not appointed by the Board Selection Committee.

The Australian Government matches levy funding.

**Activity at the behest of industry and prices set by industry**

All research activities are at the behest of industry, after consultation and planning with the ACGRA. Grower levies are based on a recommendation by the ACGRA to the Minister for Agriculture, Fisheries and Forestry. Levies require industry approval before
being changed.

_Transparency and accountability_

The CRDC undertakes extensive industry consultation in formulating the development of its five-year strategic R&D plans. Ongoing mechanisms that underpin transparency and accountability include:

- regular industry forums
- publicly available annual reports, annual operating plans and statements of intent
- formal meetings with the ACGRA and the Australian Government through the Parliamentary Secretary to the Minister.

Based on this analysis, the corporation meets the criteria for an industry–government collaborative partnership. Therefore, the levy activity is outside the scope of the cost recovery policy.

2.10 **Fisheries Research and Development Corporation**

2.10.1 **Funds from industry levies (approximately $130,000)**

The Fisheries Research and Development Corporation (FRDC) has one industry levy, from the Australian Prawn Farmers Association (APFA). The levy is an industry contribution to the FRDC, which operates as an industry–government partnership. The assessment against each of the three criteria to determine whether the activity falls within the cost recovery policy is as follows.

_Joint ownership and partial government funding_

FRDC is accountable to industry through the APFA. The Australian Government matches levy funding.

_Activity at the behest of industry and prices set by industry_

All research activities are at the behest of industry, after consultation and planning with the APFA. Farmer levies are based on a recommendation by the APFA to the Minister for Agriculture, Fisheries and Forestry. Levies require industry approval before being changed.

_Transparency and accountability_

The FRDC undertakes extensive industry consultation in formulating the development of its five-year strategic R&D plans. Ongoing mechanisms that underpin transparency
and accountability include:

- regular industry forums
- publicly available annual reports, annual operating plans and statements of intent
- formal meetings with the APFA and the Minister for Agriculture Fisheries and Forestry.

Based on this analysis, the corporation meets the criteria for an industry–government collaborative partnership. Therefore, the levy activity is outside the scope of the cost recovery policy.

2.10.2 Licence fees (approximately $100,000)

The FRDC receives licence fees for the use of its internally developed software. This is a business arrangement agreed with the licensees and is outside the scope of the cost recovery policy.

2.10.3 Voluntary contributions from states, territories, other Australian Government agencies and industry sources (approximately $9,000,000)

These funds are contributions to the FRDC, which operates as an industry–government partnership to fund R&D. The assessment against each of the three criteria to determine whether the activity falls within the cost recovery policy is as follows.

*Joint ownership and partial government funding*

Industry has a strong influence through the selection of all board members (except the chairman, who is appointed by the Minister, and the Executive Director, who is appointed by the board). Other board members are nominated by a committee representing industry, but appointed by the Minister. The Australian Government partly funds the activities of the FRDC.

*Activity at the behest of industry and prices set by industry*

All research activities are at the behest of industry and have wide industry support.

*Transparency and accountability*

Mechanisms in place to ensure transparency and accountability include:

- direct input to research priorities and project evaluation by a Fisheries Research Advisory Body in each of the states and the Northern Territory
- the annual report
• the statement of intent
• regular meetings with fishers’ organisations, government and research partners
• research and grower updates
• the FRDC website.

Based on this analysis, the corporation meets the criteria for an industry–government collaborative partnership. Therefore, the levy activity is outside the scope of the cost recovery policy.

2.10.4 Sale of publications (approximately $25,000)

The FRDC receives revenues from the sale of research publications.

This sale of information products is subject to the cost recovery policy and has been subjected to the requirements of the CRIS.

2.11 Grains Research and Development Corporation

2.11.1 Funds from industry levies (approximately $56,000,000)

Levies are the industry contribution to the Grains Research and Development Corporation (GRDC), which operates as an industry–government partnership. The assessment against each of the three criteria to determine whether the activity falls within the cost recovery policy is as follows.

**Joint ownership and partial government funding**

Industry has a strong influence on the GRDC through the selection of all board members (except the Chairman, who is selected and appointed by the Minister, and the Managing Director, who is appointed by the board). Other board members are appointed by the Minister and selected via a committee chosen by the Minister on advice from industry. The Australian Government partly funds the activities of the GRDC.

**Activity at the behest of industry and prices set by industry**

Research activities are at the behest of industry and have wide industry support. Levies are set each year by the Minister for Agriculture, Fisheries and Forestry based on a recommendation of the Grains Council of Australia (an industry body).
**Transparency and accountability**

Mechanisms in place to ensure transparency and accountability include:

- annual report and statement of intent
- Growers’ Report and Stakeholders’ Report
- five-year R&D plan
- regular formal meetings with grower organisations, government and research partners
- research and grower updates
- the GRDC website.

Based on this analysis, the corporation meets the criteria for an industry–government collaborative partnership. Therefore, the levy activity is outside the scope of the cost recovery policy.

### 2.11.2 Royalties (approximately $1,100,000)

The GRDC receives royalties on some of its commercialised intellectual property. Royalties are specifically exempted from the cost recovery policy.

### 2.11.3 Advertising (approximately $200,000)

These revenues are advertising fees charged on a commercial basis. The activity is supplied in a competitive or potentially competitive market and is outside the scope of the cost recovery policy.

### 2.11.4 Publications (approximately $100,000)

The GRDC receives publications revenues from an outsourced provider.

This sale of information products is subject to the cost recovery policy and has been subjected to the requirements of the CRIS.

### 2.11.5 Project refunds (approximately $3,150,000)

These revenues are refunds of unspent R&D grants and are outside the scope of the cost recovery policy.

### 2.11.6 Penalties (approximately $50,000)

Penalties are specifically excluded from the cost recovery policy.
2.12 **GRAPE AND WINE RESEARCH AND DEVELOPMENT CORPORATION**

2.12.1 *Funds from industry levies (approximately $10,500,000)*

Levies are the industry contribution to the Grape and Wine Research and Development Corporation (GWRDC), which operates as an industry–government partnership. The assessment against each of the three criteria to determine whether the activity falls within the cost recovery policy is as follows.

**Joint ownership and partial government funding**

Industry has a strong influence on the GWRDC through its selection of all board members (except the chairman) and the appointment of panel members to the Board Selection Committee. The Australian Government matches industry funding.

**Activity at the behest of industry and prices set by industry**

All research activities are at the behest of industry and have wide industry support. Levies require industry approval before being changed. The increase in the wine levy in 2005–06 demonstrates the continued strong industry support for R&D activities.

**Transparency and accountability**

The corporation consults extensively with industry in formulating the development of its five-year R&D plan. Ongoing mechanisms include regular industry forums, publicly available annual reports (which include full research project lists), and publicly available annual operational plans.

Based on this analysis, the GWRDC meets the criteria for an industry–government collaborative partnership. Therefore, the levy activity is outside the scope of the cost recovery policy.

2.13 **LAND & WATER AUSTRALIA**

2.13.1 *Contributions to research programmes/projects—2006/07—$21,477,000*

The major sources of income for Land & Water Australia (LWA) are appropriations and up-front partner contributions to research programmes and projects. Appropriation income funds the administrative costs of LWA, in addition to LWA’s contribution to collaborative programmes. Partner contributions from industry and government are applied to prospective programmes and projects on a collaborative funding basis, such that projects will not begin until they are fully funded or commitments to full funding have been received. Average contributions to programmes and projects are estimated to
be 30% from industry and 70% as intra-government contributions.

Revenues from industry are collaborative funding, rather than recovered costs for services provided by LWA. On this basis, the activity is outside the scope of the cost recovery policy.

2.13.2 Sale of publications and research material (approximately $6,000)

LWA receives income from the distribution of research material and research reports. This sale of information products has been subjected to the requirements of the CRIS.

2.14 Rural Industries Research and Development Corporation

2.14.1 Australian Government funding (approximately $16,400,000)

The Rural Industries Research and Development Corporation (RIRDC), which operates under the CAC Act, receives funding through DAFF to support new rural industry, national rural issues and some established rural industry R&D. The funding also supports the administrative and governance functions of the corporation.

The Australian Government also matches industry contributions (see below), based on the Primary Industries and Energy Research and Development Act 1989.

These are intra-government arrangements and are outside the scope of the cost recovery policy.

2.14.2 Levies from industry (approximately $2,100,000)

Levies from the many industries represented by the RIRDC contribute to its funding. The assessment against each of the three criteria to determine whether the activity falls within the cost recovery policy is as follows.

Joint ownership and partial government funding

The RIRDC is accountable to industry through the various industry groups with which the organisation works. The RIRDC board, which includes representatives of the significant industries, is skills based and represents the interests of industry stakeholders. The chairperson is appointed by the Minister, and the Executive Director is appointed by the board.

Activity at the behest of industry and prices set by industry

All research proposals are assessed by industry advisory committees appointed for each programme. The committees are representative of the industry stakeholders in each
programme and nominate the research activities required by industry. The committees’ recommendations are then approved by the management and board. Levies are set each year through a recommendation to the Minister for Agriculture, Fisheries and Forestry, based on recommendations from the industries involved.

*Transparency and accountability*

The RIRDC undertakes extensive industry consultation in developing its five-year strategic R&D plans. Ongoing mechanisms that underpin transparency and accountability include:

- regular industry forums
- the annual report
- the Statement of Intent
- regular formal meetings with grower organisations, government and research partners.

Based on this analysis, the corporation meets the criteria for an industry–government collaborative partnership. Therefore, the levy activity is outside the scope of the cost recovery policy.

**2.14.3 Sale of publications and research material (approximately $110,000)**

The RIRDC receives income from the distribution of research material and research reports. This sale of information products has been subjected to the requirements of the CRIS.

**2.14.4 Joint funding for projects and programmes (approximately $1,000,000)**

The RIRDC receives funding from other Australian Government departments and agencies to assist in specific projects (e.g. drought tolerance for rice) or to enhance research capacity for pre-existing programmes (e.g. engagement of extra research providers).

The are intra-government arrangements and are outside the scope of the cost recovery policy.

**2.14.5 Industry contributions (approximately $3,400,000)**

The RIRDC receives voluntary contributions from industry for specific research projects or industry-specific research. The corporation co-contributes to such projects, based on the merit of the project. These revenues are collaborative funding for current and future
projects and not recovered costs, and are therefore outside the scope of the cost recovery policy.

2.14.6 Other income (approximately $875,000)

Other income consists of research project refunds, royalties and interest. These revenues are specifically excluded from the cost recovery policy.

2.15 SUGAR RESEARCH AND DEVELOPMENT CORPORATION

2.15.1 Levies from industry (approximately $5,350,000)

Levies are the industry contribution to the Sugar Research and Development Corporation (SRDC), which operates as an industry–government partnership. The assessment against each of the three criteria to determine whether the activity falls within the cost recovery policy is as follows.

**Joint ownership and partial government funding**

The SRDC is accountable to industry representative organisations and the Australian Government. There is no government representative on the SRDC board, which is skills based. The Australian Government matches industry funding.

**Activity at the behest of industry and prices set by industry**

The SRDC consults extensively with industry in developing its five-year R&D plan, which sets the strategic direction for R&D. Research project proposals are considered by working parties at two stages:

- to consider and approve expressions of interest (October each year)
- to consider and approve full project proposals (March each year).

Each working party is chaired by the SRDC Executive Director and comprises relevant SRDC directors and investment managers, industry representatives, peer scientists and research providers. To change the rate of the levy, the corporation has a predefined process in which representative bodies submit a request to the Minister for Agriculture, Fisheries and Forestry.

**Transparency and accountability**

Ongoing accountability mechanisms include publishing research papers on the SRDC’s website and publishing the annual report.
Based on this analysis, the corporation meets the criteria for an industry–government collaborative partnership. Therefore, the levy activity is outside the scope of the cost recovery policy.
SUMMARY OF COST RECOVERY ACTIVITIES SUBJECT TO THIS CRIS

The results of the initial policy review show that the detailed requirements of this CRIS need to be applied to the cost recovery activities listed in Table 2.2. Part 3 of this CRIS provides cost recovery impact statements for all the activities listed in the table.

Table 2.2 Cost recovery activities requiring the application of detailed CRIS requirements

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<tr>
<td>FRDC</td>
<td>–</td>
<td>Sale of goods and services</td>
<td>Information product</td>
<td>Minor</td>
</tr>
<tr>
<td>GRDC</td>
<td>–</td>
<td>Publications</td>
<td>Information product</td>
<td>Major</td>
</tr>
<tr>
<td>LWA</td>
<td>–</td>
<td>Publications</td>
<td>Information product</td>
<td>Minor</td>
</tr>
<tr>
<td>RIRDC</td>
<td>–</td>
<td>Publications</td>
<td>Information product</td>
<td>Major</td>
</tr>
</tbody>
</table>
3 COST RECOVERY IMPACT STATEMENTS

3.1 DAFF—FOOD AND AGRICULTURE DIVISION

3.1.1 Quota Management Unit—$960,000 (major activity)

Description of the services provided

The Quota Management Unit administers the allocation and usage of quotas for Australian exports as defined in the AUSFTA (Australia – United States Free Trade Agreement) and World Trade Organization controlled markets. The unit currently administers quotas for high-quality beef, sheepmeat and goatmeat to the European Union (EU), beef to the United States, cheese to the EU and US, and quotas for dairy produce under the AUSFTA.

The Quota Management Unit collects export data for statistical purposes and manages 23 quota-controlled markets. The unit collects and maintains statistical information on meat and dairy exports. Aggregated statistical information is published on DAFF’s website and can be accessed free of charge. Additional statistical reports provided to non-quota holders and other individuals are cost recovered. Statistical reports are provided free of charge to ABARE, industry service companies and peak bodies.

Should the costs of the activities be cost recovered?

The activities of the Quota Management Unit involve the issuing of exclusive rights and privileges (a regulatory activity) and the provision of information products in the form of statistical data.

Quota allocation provides a limited number of commercial organisations with exclusive access to tariff-free or tariff-reduced overseas markets. Exclusive access results in those organisations receiving a capturable commercial benefit through extra profits generated when supply is artificially limited by an import quota. Therefore, the administrative costs of quota allocation should be cost recovered from the beneficiaries of the activity.

The unit also captures statistical data from the certification data on a weekly basis. The provision of this aggregated statistical data has some public good characteristics, in that its publication on the website means that:

- it is not rivalrous (that is, the results of the project can be used by other organisations)
- it is not excludable (no person or organisation can be excluded from using it).

However, because the beneficiaries are in a narrow, identifiable group (being either the quota holders or industry), the costs of the activity should be cost recovered.
The costs of the unit’s other statistical reports should also be cost recovered, for the following reasons:

- The reports do not involve public good characteristics, as they are rivalrous and excludable.
- There are no significant spillover benefits relating to the reports, as the results are not available to unrelated parties.
- The government does not require the reports to be provided free of charge for other policy reasons.

Which costs should be recovered?

The full administrative costs of issuing exclusive rights and privileges should be recovered from those beneficiaries receiving capturable commercial benefits.

The costs of the provision of aggregated statistical data should be recovered from the beneficiaries of the information product, as they are in a narrow, identifiable group.

Finally, the incremental costs of providing additional statistical data should be recovered from those organisations requesting that additional data and benefiting from it.

Actual cost recovery arrangements

Fees

When DAFF took over administration of the quota system in 1998, industry (through the Australian Meat Processor Corporation Ltd) agreed that the costs of its operations be fully recovered. In 2002–03, two major events resulted in significant increase in revenue over costs:

- The actual costs of newly developed software for quota management (including the provision for the development of a second phase) were approximately $1.5 million less than original forecasts.
- Increased exports to the United States led to the US beef quota coming under management for the first time. As this is a large quota, the existing rate of $0.008 per kilogram resulted in a substantial increase in income causing positive volume variances amounting to approximately $2.7 million.

Revenue in 2002–03 was about $4.2 million and operating costs were about $0.95 million, producing over-recovery of approximately $3.35 million, mainly in connection with the US beef quota. Following extensive consultations with the Australian Meat Processors Council, the National Meat Association and the Australian Meat Council it was agreed
that the surplus should be returned to industry in the form of a reduction of the fee paid by meat product quota holders from 0.0008 cents per kilogram to 0.0005 cents per kilogram.

The over-recovery related only to meat quotas (dairy quotas were managed by the Australian Dairy Corporation at that time). Accordingly, the per kilo fee for dairy products remained unchanged at $0.007.

The reduction in fees will remain in place until the 2002–03 over-recovery has been consumed by operating losses. A summary of the financial results since 2002–03 is shown in Table 3.1. The Quota Management Unit represents a separate cost centre in the department’s financial management system. The financial data included in the table represents the full costs of operations of the Unit.

**Table 3.1 Financial results, 2002–03 to 2007–08**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale of Goods and Services</td>
<td>4,217,382</td>
<td>376,062</td>
<td>292,895</td>
<td>359,081</td>
<td>475,815</td>
<td>484,277</td>
</tr>
<tr>
<td>Expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee expenses</td>
<td>419,644</td>
<td>429,669</td>
<td>445,573</td>
<td>325,537</td>
<td>279,910</td>
<td>289,338</td>
</tr>
<tr>
<td>Supplier expenses</td>
<td>445,971</td>
<td>317,443</td>
<td>335,756</td>
<td>499,157</td>
<td>429,301</td>
<td>367,035</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>55,281</td>
<td>225,026</td>
<td>237,748</td>
<td>284,372</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate expenses allocation*</td>
<td>36,938</td>
<td>13,872</td>
<td>24,009</td>
<td>21,177</td>
<td>63,532</td>
<td></td>
</tr>
<tr>
<td>Total Expenses</td>
<td>865,615</td>
<td>784,050</td>
<td>850,482</td>
<td>1,073,729</td>
<td>968,136</td>
<td>1,004,277</td>
</tr>
<tr>
<td>Surplus/(deficit) from sales of goods and services</td>
<td>3,351,767</td>
<td>(407,988)</td>
<td>(557,587)</td>
<td>(714,648)</td>
<td>(492,321)</td>
<td>(520,000)</td>
</tr>
<tr>
<td>Accumulated surplus brought forward</td>
<td>3,351,767</td>
<td>2,943,779</td>
<td>2,386,192</td>
<td>1,671,544</td>
<td>1,179,223</td>
<td>659,223</td>
</tr>
</tbody>
</table>

* Note: corporate expenses were only allocated to business units from 2003-04

With annual operating deficits in the order of $0.5 million per year, the over-recovery will be exhausted early in the 2009–10 financial year, at which time the fee per kilo for meat products will need to be increased. DAFF has forecast that it will release a CRIS before any change in fees.

Total revenues are dependant on a variety of factors and may be influenced by availability of product to export, the strength of the Australian dollar and prices that exporters may achieve in other non-regulated markets. On average, the volumes of
export produce subject to the charge is 320,000 tonnes of meat exports and 26,000 tonnes of dairy exports.

The arrangements comply with the design and operational principles contained in the Australian Government Cost Recovery Guidelines. In particular, the fee design ensures that the amount of fees paid is directly related to the benefits obtained from the fees. Authority for charging of the fees is via the Dairy Produce Act 1986 and the Australian Meat and Live-stock Industry Act 1997. The arrangements are subject to regular internal audits, which involve seeking the views of stakeholders. The beef and dairy industry peak bodies also consult with the Quota Management Unit as needed.

**Aggregated statistical data**

The main private-sector users of aggregated statistical data are the quota holders and industry bodies. Accordingly, the costs of providing aggregated statistical information are included in the cost pool recovered through the per kilo fees.

**Additional statistical data (approximately $5,000)**

The costs of providing additional statistical data to non-quota holders are recovered from individuals and organisations requesting the data. Fees recovered are based on an estimate of the resources required to comply with the request charged at a rate of $200 per hour plus GST. The charge rate is based on the charge calculator used by ABARE (discussed below) and reflects the equivalent competitive neutrality cost. A minimum charge of $200 is applied.

Under the cost recovery guidelines, the amount recovered should represent only the incremental costs of providing the service unless there are sound reasons for departing from that principle. The level of the fee is also designed to discourage vexatious requests, which is an acceptable reason for departure from the principle.

**Conclusion on compliance with the Australian Government’s cost recovery policy**

The review found that although over recovery is not appropriate, the remedial strategy to return surpluses to industry via reduced charges enables a conclusion that the cost recovery activity complies with the Australian Government’s cost recovery policy.

3.1.2 **Recovery of costs relating to the Dairy Industry Adjustment Package—$60,000 (minor activity)**

**Description of services provided**

DAFF is required to assist in governance aspects of the overall Dairy Industry
Adjustment Package, from its development, establishment and ongoing operations to its wind-up. Under Clause 79, Schedule 2 of the Dairy Produce Act 1986, the Commonwealth can seek reimbursement for the costs incurred in providing those services.

Cost recovery arrangements

Over the period of the package, the level of resources required to provide the services has varied depending on the stage of the package. Costs recovered include direct salary costs, on-costs, travel costs and legal costs. The package is now in its wind-up stage. The average staffing level (ASL) requirements have been estimated as shown in Table 3.2.

Table 3.2 Average staffing level

<table>
<thead>
<tr>
<th>Stage</th>
<th>ASL requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development and implementation</td>
<td>0.9 EL1 and 0.5 EL2</td>
</tr>
<tr>
<td>Ongoing operations</td>
<td>0.1 ASO6</td>
</tr>
<tr>
<td>Wind-up</td>
<td>0.4 EL1 and 0.1 EL2</td>
</tr>
</tbody>
</table>

The annual estimated costs of the resources estimated for the wind-up phase are shown in Table 3.3.

Table 3.3 Annual estimated costs of resources, wind-up stage

<table>
<thead>
<tr>
<th>Wind-up Stage</th>
<th>Salary and on-costs</th>
<th>Quantity</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EL 2 level</td>
<td>115,069</td>
<td>0.1</td>
<td>11,507</td>
</tr>
<tr>
<td>EL 1 level</td>
<td>96,543</td>
<td>0.4</td>
<td>38,617</td>
</tr>
<tr>
<td>Travel</td>
<td>n/a</td>
<td>n/a</td>
<td>2,000</td>
</tr>
<tr>
<td>Legal costs</td>
<td>n/a</td>
<td>n/a</td>
<td>8,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>60,124</td>
</tr>
</tbody>
</table>

Conclusion on compliance with the Australian Government’s cost recovery policy

The review concludes that the cost recovery activity complies with the cost recovery policy.
3.2 DAFF—INTERNATIONAL DIVISION

3.2.1 Shipping marks—$20,000 (minor activity)

Description of services provided

An Australian Government official must be present when shipping marks are attached to containers entering the United States. This occurs on an ad hoc basis when an Australian exporter either neglects to apply a mark or applies a mark incorrectly—in such instances, the goods are prohibited from entry into the United States. The department’s officers have authority under the *Australian Export Control Act* to perform this service.

Cost recovery arrangements

DAFF recovers the full costs incurred by its officers in performing this service. Costs are recovered from the United States importer, who agrees to full cost recovery before the service is performed. Costs recovered include certification fees at an hourly rate, all travel expenses and documentation preparation fees.

Conclusion on compliance with the Australian Government’s cost recovery policy

The cost recovery arrangements comply with the policy.
3.3 DAFF—AUSTRALIAN QUARANTINE AND INSPECTION SERVICE

3.3.1 Airports - $1,600,000 (major activity)

Description of services provided

Airports Programme fees are currently collected from four major activities:

- border processing at restricted airports
- treatments
- stowage
- compliance auditing.

Should the cost of activities be cost recovered?

The government requires border processing at unrestricted airports to be provided free of charge. Unrestricted airports are first ports of entry into Australia and are airports where customs, immigration and quarantine services are permanently located—they include Adelaide, Brisbane, Cairns, Coolangatta, Darwin, Hobart, Melbourne, Perth and Sydney airports.

Quarantine services required at restricted airports involve special circumstances, and are caused by identifiable clients or groups of clients. Therefore, the services do not have public good characteristics, which would normally allow their funding from general taxation. In these circumstances, the Australian Government Cost Recovery Guidelines dictate that the services be cost recovered.

It follows that the identifiable group that requires the regulatory service should pay for that service.

Which costs should be cost recovered?

The costs that should be recovered include the direct costs associated with the service. Overheads should not be recovered, as the volume of services at restricted airports is only about 1.5% of the total Airports Programme and the delivery of those services does not affect the overall level of overheads.

Actual cost recovery arrangements

Multiple charges may be recovered for these activities, including inspection time and
staff overtime. The basis of charges is as follows:

- fee for service – hourly rates ($144 per hour) supplemented by daily ($637) and weekly service fees ($2,218)
- treatments - $30 per treatment for fumigation and $60 per treatment for irradiation, and
- stowage – $30 per consignment.

Average activity units per annum are: approximately 7,500 fee for service, 9,200 treatments and 8,900 stowage.

In 2005, AQIS reviewed its airports cost recovery activity with a view to restructuring its fees and charges. The review found that the fee structure resulted in cross-subsidisation among fees for service, treatments and stowage services, and that there was an opportunity to simplify the fees structure. The extent of cross-subsidisation is shown in Table 3.4.

Table 3.4 Cross-subsidisation among services, 2004 to 2007

<table>
<thead>
<tr>
<th>Airports Revenue Stream</th>
<th>Actual revenue 2004/05 to 2006/07 3 years</th>
<th>Actual expenses 2004/05 to 2006/07 3 years</th>
<th>Variance</th>
<th>Average Yearly Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee for Service</td>
<td>2,388,627</td>
<td>1,255,253</td>
<td>1,133,374</td>
<td>377,791</td>
</tr>
<tr>
<td>Treatments</td>
<td>1,470,389</td>
<td>1,931,876</td>
<td>(461,487)</td>
<td>(153,829)</td>
</tr>
<tr>
<td>Stowage</td>
<td>152,917</td>
<td>96,945</td>
<td>55,972</td>
<td>18,657</td>
</tr>
<tr>
<td>Total</td>
<td>4,011,933</td>
<td>3,284,074</td>
<td>727,859</td>
<td>242,620</td>
</tr>
</tbody>
</table>

The review of fees did not proceed.

Surpluses are held in the Income Equalisation Account and are quarantined.

The legal authority for charging fees is section 86E of the Quarantine Act 1908; fees are set out in the Quarantine Services Fees Determination 2001.

**Conclusion on compliance with the Australian Government’s cost recovery policy**

The review concluded that the AQIS Airports Programme did not comply with the cost recovery policy in that:

- there was cross-subsidisation between user groups
- over-recovery occurred to a minor extent
• charges could be structured to be more efficient.

AQIS intends to undertake a full review of the cost recovery arrangements for the Airports Programme in 2008 to address the non compliance issues. The review will result in the issue of a separate CRIS.

3.3.2 Organics - $105,000 (major activity)

Description of services provided

The programme is responsible for the management of the Australian organic and biodynamic sector under a co-regulatory arrangement with seven AQIS approved certifying organisations. The services provided relate to the regulation of the certifying organisations and include:

• Processing and approving certification organisations applying for approval; and
• Auditing Approved Certification Organisations and Organic Operators to ensure ongoing compliance against legislation, the national standard and importing country requirements.

Should the costs of activities be cost recovered?

Under the Australian Government Cost Recovery Guidelines organisations creating the need for regulation should pay for the costs of regulatory services. The Guidelines also state that partial cost recovery is generally not appropriate. However, the government has agreed to fund 40% of the cost of AQIS’s export programmes on the basis that a proportion of the activities represent a public good.

Accordingly, the programme should seek to recover the cost of providing the regulatory services after taking to account any direct budget funding.

Which costs should be recovered?

As the Organic Programme is a stand alone programme all costs (including overheads) should be included in the cost base recovered from cost recovery charges and direct budget funding.

Actual cost recovery arrangements?

The organics programme has three types of fees as shown in table 3.5.
Table 3.5  Fee Schedule

<table>
<thead>
<tr>
<th>Fee Type</th>
<th>Current Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application fees</td>
<td>$7,100</td>
</tr>
<tr>
<td>Annual maintenance fees</td>
<td>$6,200</td>
</tr>
<tr>
<td>Audit fees</td>
<td>$270 per hour</td>
</tr>
</tbody>
</table>

These fees were originally set in 2003 and a new fee structure is to be introduced in 2007-08. A more detailed CRIS will be developed in respect to the new fees.

All fees are paid by Approved Certification Organisations which provide the certification services to industry, which in turn, have created the need for regulation. The financial results of the programme are shown in the table 3.6.
Table 3.6  AQIS Organics programme– financial results

<table>
<thead>
<tr>
<th></th>
<th>2004-05</th>
<th>2005-06</th>
<th>2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Revenues:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees and charges</td>
<td>104,990</td>
<td>104,520</td>
<td>109,512</td>
</tr>
<tr>
<td>Direct budget funding</td>
<td>78,703</td>
<td>74,138</td>
<td>82,008</td>
</tr>
<tr>
<td></td>
<td>183,693</td>
<td>178,658</td>
<td>191,520</td>
</tr>
<tr>
<td>Expenses:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee expenses</td>
<td>111,256</td>
<td>104,578</td>
<td>112,984</td>
</tr>
<tr>
<td>Supplier expenses</td>
<td>67,056</td>
<td>78,061</td>
<td>72,740</td>
</tr>
<tr>
<td>Corporate overheads</td>
<td>5,585</td>
<td>6,653</td>
<td>6,076</td>
</tr>
<tr>
<td></td>
<td>183,897</td>
<td>189,292</td>
<td>191,800</td>
</tr>
<tr>
<td>Operating surplus/(deficit)</td>
<td>(204)</td>
<td>(10,634)</td>
<td>(280)</td>
</tr>
</tbody>
</table>

An analysis of the operating result demonstrates that revenues approximate costs with the exception of the 2005-06 financial year. As with other AQIS cost recovery programmes any surpluses are transferred to an Industry Equalisation Account which is quarantined and used to fund deficits should they occur. Accumulated surpluses represented by the Income Equalisation Account are held in the Special Account ‘Australian Quarantine Inspection Service Account’ and are not available to the department.

The authority to charge fees is the Export Control Act 1982 and the Export Control (Orders) Regulations.

Stakeholder consultation is conducted on a regular basis via the Organic Industry Export Consultative Committee. The Committee comprises representatives of the certified organisations, peak bodies, state governments and AQIS. Agenda items include the financial performance of the programme and amendments to the fee structure.

Conclusion on compliance with the Australian Government’s cost recovery policy

The review concluded that the AQIS organics programme complies with the policy. However, a more formal and detailed review of the programme will be conducted in 2008.
3.4 DAFF—PRODUCT INTEGRITY ANIMAL AND PLANT HEALTH DIVISION

3.4.1 SafeMEAT—$200,000 (major activity)

Description of services provided

Through the Product Integrity Animal and Plant Health Division (PIAPH), DAFF provides secretariat services to SAFEMEAT, which was established in 1998 as a representative body of industry and government to:

- work with the objective of establishing world best practice in ensuring the safety of meat
- ensure that each industry sector implements sound management systems to ensure that safe and hygienic product is delivered to the marketplace
- ensure adequate and nationally consistent government standards and regulations relating to meat safety and hygiene
- ensure that effective crisis management strategies are in place
- manage food safety incidents affecting the red meat industry
- monitor industry meat safety performance.

The objectives of SAFEMEAT align closely to PIAPH's programme objectives.

Should the costs of the activities be cost recovered?

The costs of providing secretarial services should be recovered from the beneficiaries of the services, as the government does not require the services to be provided free of charge.

Which costs should be recovered?

The full costs of providing the secretarial services should be recovered.

Actual cost recovery arrangements

Funding is generally maintained at $200,000 per year. There are occasional variations depending on the timing of meetings and level of activity across years, but the rolling average reflects the general level of services provided.

The review calculated the resources required to provide secretariat services in a typical year. The resources were costed using the 2007–08 financial year. The results of that
analysis are shown in Table 3.7.

Table 3.7 Cost items and estimates, 2007–08

<table>
<thead>
<tr>
<th>Cost item</th>
<th>Cost estimates 2007-08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and on-costs</td>
<td>63,815</td>
</tr>
<tr>
<td>Executive chair</td>
<td>20,000</td>
</tr>
<tr>
<td>Travel</td>
<td>24,000</td>
</tr>
<tr>
<td>Venue hire</td>
<td>10,980</td>
</tr>
<tr>
<td>Catering (official hospitality)</td>
<td>9,471</td>
</tr>
<tr>
<td>Voice communication services</td>
<td>12,010</td>
</tr>
<tr>
<td>General Office supplies</td>
<td>10,804</td>
</tr>
<tr>
<td>Other Administrative</td>
<td>21,804</td>
</tr>
<tr>
<td>Overheads</td>
<td>19,990</td>
</tr>
<tr>
<td><strong>Total estimated costs</strong></td>
<td><strong>192,874</strong></td>
</tr>
</tbody>
</table>

It should be noted that communication costs, travel expenses, etc. may vary from year to year and depend on the level of emergency response activities undertaken in any given year.

The cost recovery activity represents a contractual arrangement between the department and SAFEMEAT and, as such, the fees do not require specific legislative authority. The amount of fees recovered closely approximates the costs of providing the secretarial services, and the consumer of the services pays for their provision.

**Conclusion on compliance with the Australian Government’s cost recovery policy**

The SAFEMEAT cost recovery arrangements comply with the cost recovery policy.

3.4.2 National Residue Survey—$8,500,000 (major activity)

**Description of services provided**

The National Residue Survey (NRS) provides residue testing services for meat, grain, horticulture and fish products. It provides scientific advice on residues and contaminants to the Australian Government and industry and maintains a database of residue test results for participating industries. The activities of the survey are predominantly funded by levies, although about 1% of activities are funded on a
fee-for-service basis.

**Should the cost of the activities be cost recovered?**

The activities benefit producers of the products tested by providing assurance to the market (particularly export markets) that the products do not contain unacceptable levels of contaminants or residues.

The NRS provides monitoring and compliance services under the *Australian Government Cost Recovery Guidelines*. The industries that require the regulatory activity are specific and identifiable. Because the government does not require the service to be provided free of charge and charging is cost effective, the activities should be cost recovered.

It follows that the identifiable group that requires the regulatory service should pay for that service.

**Which costs should be cost recovered?**

The NRS is a major activity of DAFF. Accordingly, the NRS should seek to recover the total costs of its operations, including overheads.

**Actual cost recovery arrangements**

The NRS sources most its revenues from levies; however, the revenues for about 1% of commodities are sourced via a fee for service.

Revenues are collected from industry by the Levies Revenue Service under arrangements agreed with each industry. Essentially, the arrangements involve industry agreeing a levy amount to cover the total costs of:

- research and development
- marketing and promotion
- plant and animal health programmes
- residue testing.

The proportion of the levy amount to be allocated to each recipient body is agreed with industry and codified through regulation. The *National Residue Survey (Customs) Levy Act 1998* and the *National Residue Survey (Excise) Levy Act 1998* authorise the collection of levies for residue testing.

The Levies Revenue Service manages the distribution of the total revenues collected to each body entitled to receive a levy amount. In most industries, the residue testing
component makes up between 1% and 5% of the total levy collected from industry.

The NRS has undertaken a comprehensive activity-based costing exercise and is able to attribute costs to each industry (or commodity project groups). The attribution of costs to commodity project groups is conducted through the Department’s corporate financial management information system and includes all costs, including corporate overheads. This system prevents cross-subsidisation among commodity project groups.

The operating result for each commodity group for each year is highly volatile in several respects:

- Revenues are subject to major seasonal fluctuations (in both quantity and value).
- Participating industries implement major industry quality assurance programmes related to residues and contaminants for which funding is sourced from the relevant NRS industry equalisation account (IEA) balance.
- Expenses may be affected by increased levels of testing or the introduction of new forms of testing.

Accordingly, the NRS established a policy of maintaining a prudential allowance of between 20% and 80% of the following year’s programme expenditure to provide against volatility, maintain operations and provide certainty to industry on the total amount of levies collected from them. The prudential reserve is held in an Income Equalisation Account (IEA) which quarantines these funds. The NRS is planning to review its ‘internal policy’ prudential allowance during 2008 to incorporate a tiered approach that considers the size of the programme and the extent of market access emphasis.

At the conclusion of the financial year, each IEA balance is compared to the NRS prudential allowance in the context of the respective programme’s budgeted expenditure for the following financial year.

The CRIS review has examined the average operating results for each commodity project group over the past three years, the balance of the IEA, the prudential allowance threshold (based on 80% of expenditures) and the extent that the actual balance exceeds the maximum NRS prudential allowance. The result of this analysis is shown in Table 3.8.

**Table 3.8 Operating results for commodity project group**
## Portfolio Cost Recovery Impact Statement

<table>
<thead>
<tr>
<th>Cost centre / project</th>
<th>3 Year Average</th>
<th>Industry Equalisation Account</th>
<th>Excess of IEA Balance over prudential allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revenue $</td>
<td>Expenses $</td>
<td>Operating result $</td>
</tr>
<tr>
<td>Beef</td>
<td>3,549,840</td>
<td>3,252,514</td>
<td>297,327</td>
</tr>
<tr>
<td>Sheep</td>
<td>1,785,190</td>
<td>2,201,332</td>
<td>(416,142)</td>
</tr>
<tr>
<td>Pork</td>
<td>885,654</td>
<td>816,464</td>
<td>69,190</td>
</tr>
<tr>
<td>Chicken</td>
<td>135,109</td>
<td>125,889</td>
<td>9,219</td>
</tr>
<tr>
<td>Horses</td>
<td>38,525</td>
<td>63,258</td>
<td>(24,733)</td>
</tr>
<tr>
<td>Deer</td>
<td>66,216</td>
<td>34,061</td>
<td>32,155</td>
</tr>
<tr>
<td>Goats</td>
<td>54,096</td>
<td>86,585</td>
<td>(32,488)</td>
</tr>
<tr>
<td>Ostrich</td>
<td>54,190</td>
<td>30,017</td>
<td>24,173</td>
</tr>
<tr>
<td>Kangaroo</td>
<td>34,769</td>
<td>28,837</td>
<td>5,932</td>
</tr>
<tr>
<td>Game Pig</td>
<td>37,756</td>
<td>40,914</td>
<td>(3,157)</td>
</tr>
<tr>
<td>Camel</td>
<td>4,766</td>
<td>1,640</td>
<td>3,126</td>
</tr>
<tr>
<td>Buffalo</td>
<td>14,668</td>
<td>7,796</td>
<td>6,872</td>
</tr>
<tr>
<td>Emu</td>
<td>(4,194)</td>
<td>12,501</td>
<td>(16,695)</td>
</tr>
<tr>
<td>Possum</td>
<td>917</td>
<td>121</td>
<td>797</td>
</tr>
<tr>
<td>Eggs</td>
<td>40,005</td>
<td>49,007</td>
<td>(9,003)</td>
</tr>
<tr>
<td>Honey</td>
<td>55,423</td>
<td>84,523</td>
<td>(29,100)</td>
</tr>
<tr>
<td>Fish</td>
<td>152,384</td>
<td>90,402</td>
<td>61,982</td>
</tr>
<tr>
<td>Proficiency Testing -</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funded</td>
<td>80,707</td>
<td>69,796</td>
<td>10,911</td>
</tr>
<tr>
<td>Grains</td>
<td>829,697</td>
<td>909,163</td>
<td>(79,465)</td>
</tr>
<tr>
<td>Apple/Pear</td>
<td>252,627</td>
<td>258,997</td>
<td>(6,370)</td>
</tr>
<tr>
<td>Onions</td>
<td>76,803</td>
<td>91,682</td>
<td>(14,879)</td>
</tr>
<tr>
<td>Macadamias</td>
<td>50,845</td>
<td>83,638</td>
<td>(32,793)</td>
</tr>
<tr>
<td>Blueberries</td>
<td>19,058</td>
<td>13,589</td>
<td>5,469</td>
</tr>
<tr>
<td></td>
<td>8,215,052</td>
<td>8,352,725</td>
<td>(137,673)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8,432,174</strong></td>
<td><strong>8,396,828</strong></td>
<td><strong>35,346</strong></td>
</tr>
</tbody>
</table>

The table shows that in 10 of 23 commodity project groups the NRS IEA is above the
NRS prudential allowance. An analysis of trading results over each of the past three years demonstrates the volatility of revenues and expenses within each commodity trading group that has an excess IEA balance, and that any excess IEA balance has been accumulated over a significant period of time (that is, the excess has not been caused by a single significant event within the past three years).

The analysis of the revenues and expenses for these commodity project groups over the three financial years to 30 June 2007 is shown in Table 3.9.

**Table 3.9  Revenues and expenses of commodity project groups, 2004–05 to 2006–07**

<table>
<thead>
<tr>
<th>Commodity project groups</th>
<th>2004-05</th>
<th>2005-06</th>
<th>2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revenue $</td>
<td>Expenses $</td>
<td>Operating result $</td>
</tr>
<tr>
<td>Beef</td>
<td>4,731,921</td>
<td>4,081,565</td>
<td>650,355</td>
</tr>
<tr>
<td>Sheep</td>
<td>2,247,429</td>
<td>1,906,620</td>
<td>346,799</td>
</tr>
<tr>
<td>Horses</td>
<td>57,565</td>
<td>43,140</td>
<td>14,126</td>
</tr>
<tr>
<td>Goats</td>
<td>16,883</td>
<td>58,817</td>
<td>(75,701)</td>
</tr>
<tr>
<td>Emu</td>
<td>15,415</td>
<td>12,577</td>
<td>(27,992)</td>
</tr>
<tr>
<td>Eggs</td>
<td>79,835</td>
<td>34,545</td>
<td>45,290</td>
</tr>
<tr>
<td>Honey</td>
<td>17,476</td>
<td>35,711</td>
<td>(18,235)</td>
</tr>
<tr>
<td>Fish</td>
<td>1,679,864</td>
<td>108,149</td>
<td>1,571,715</td>
</tr>
<tr>
<td>Grains</td>
<td>727,922</td>
<td>901,529</td>
<td>(1,629,406)</td>
</tr>
<tr>
<td>Onions</td>
<td>57,216</td>
<td>74,474</td>
<td>(17,257)</td>
</tr>
<tr>
<td>Macadamias</td>
<td>48,053</td>
<td>47,387</td>
<td>(95,442)</td>
</tr>
</tbody>
</table>

All industries receive an annual financial report after the NRS financial statements are cleared by the Australian National Audit Office. The financial statement clearly shows the closing balance of the industry account at 30 June that year.

The IEA balance is discussed with the individual industry groups on a regular basis in the ongoing review of residue testing programmes for the industry.

**Conclusion on compliance with the Australian Government’s cost recovery policy**

The review has determined that in 10 of 23 commodity group projects the NRS cost recovery arrangements do not appear to comply with the cost recovery policy, in that IEA balances are above the NRS prudential allowance of 80% of the following year’s project expenditure. However, although over-recovery has occurred over a significant period, the NRS has in place ongoing remedial strategies to address over-recovery and is in constant contact with relevant industry bodies about those strategies and the balances in the IEAs.
Remedial strategies

Overall

The NRS levy forms only a small proportion of the total levy amounts agreed with industry. This creates difficulties in reversing the over-recoveries through adjusting the total industry levy.

Accordingly, remedial strategies need to concentrate on either:

- increasing the level of NRS services to each industry
- reallocating part of the NRS component of the total levies to other functions (e.g. R&D activities).

Beef Commodity Project Group

Components of the cattle transaction levy are scheduled to be reviewed in 2010. In 2006, Meat and Livestock Australia (MLA), the Cattle Council of Australia and the Australian Lot Feeders’ Association (ALFA) sought an increase to the NRS levy from 12 cents to 29 cents to address a perceived decline in the NRS cattle IEA to unacceptable levels.

Before the 2010 review, the NRS will consult closely with the cattle industry to determine a levy rate that will both sustain the NRS beef programme in the longer term and provide adequate reserves to manage unforeseen events, such as adverse export market incidents.

In the shorter term, negotiations with the cattle industry (via the MLA, Cattle Council and ALFA) are currently underway to implement additional sampling and introduce a three-year National Vendor Declarations programme. The costs of those initiatives are estimated at $1.250 million per year. Further discussions will be held at the biannual Beef Industry Advisory Committee meetings convened by the NRS.

Sheep Commodity Project Group

Several of the levies relating to the Sheep Commodity Project Group are based on sales values rather than quantity. Accordingly, when sales values are high the amount of levies collected increases but costs remain relatively constant. This is a major reason for over-recovery.

The sheep industry, represented by the Sheep Meat Council of Australia, has been consulted about increased testing for EU markets. The costs of increased testing are subject to negotiation with AQIS and industry and have not been determined at this
stage.

The sheep industry is satisfied that the current balance can cover any unforeseen circumstances that may arise.

_Horse Commodity Project Group_

The Horse Commodity Project Group represents a small programme and is subject to seasonal fluctuations. Although the IEA balance exceeds the prudential allowance benchmark, the excess in dollar terms is not considered excessive in the context of seasonal fluctuations (noting that losses have occurred in the past two financial years). Furthermore, consultations will be undertaken in early 2008 to review this programme with the industry.

_Goat Commodity Project Group_

The Goat Commodity Project Group represents a small programme and is subject to seasonal fluctuations, as evidenced by the results over the past three years (two deficits and one surplus). The average result over the past three financial years is a deficit of approximately $32,000.

Although the IEA balance exceeds the prudential allowance benchmark, the excess in dollar terms is not considered excessive in the context of seasonal fluctuations (noting that losses have occurred in the past two financial years).

_Emu Commodity Project Group_

The Emu Commodity Project Group is also a small programme and is subject to seasonal fluctuation. The industry has been consulted and wishes to maintain a significant reserve to cover future contingencies.

_Egg Commodity Project Group_

Consultations are currently underway with Australian Egg Corporation Limited in relation to its testing programme. There is a possibility of additional testing requirements to meet EU market access rules. The estimated costs of increased testing are subject to agreement on the specific tests required and have not been calculated at this stage.

_Honey Commodity Project Group_

The Australian Honey Bee Industry Council has written to the Department requesting a reduction in the NRS levy from $0.003 cents per kilogram to $0.001 cents per kilogram
and a corresponding increase in the R&D levy.

The council has been consulted about whether the NRS should expand its current level of testing to include new chemicals. The estimated costs of increased testing are subject to agreement on the specific tests required and have not been calculated at this stage.

*Fish Commodity Project Group*

The NRS does not currently receive a fish levy. The fish industry has indicated that it wants current levels of testing to be funded from reserves. On this basis, the excess in the IEA will be eliminated within about three years.

*Grains Commodity Project Group*

A major reason for the extent of over-recovery in the grains industry relates to the design of the levy, which is based on value, whereas costs are driven by volumes. Consultation with the Grains Council of Australia has also indicated that further testing is required in the programme for certain residues not currently tested. The costs of increased testing are estimated at a minimum of $0.125 million per year.

The Grains Council of Australia has indicated that the high reserve is necessary for the planned expansion of the programme to meet growing market access requirements.

*Macadamia Commodity Project Group*

Macadamia production has increased significantly over the past three to five years, resulting in an increase in the levies collected. The Australian Macadamia Society is being consulted about additional testing in early 2008, to include direct grower sampling to support quality assurance initiatives. The costs of increased testing are subject to the final negotiation of the nature and scope of additional testing.

The Australian Macadamia Society is regularly consulted on its reserves.
3.5 DAFF—MANAGEMENT SERVICES DIVISION

3.5.1 Levies Revenue Service—$4,970,000 (major activity)

Description of services provided

The Levies Revenue Service (LRS) charges a fee for service to levy bodies for the effective administration, collection and disbursement of levies imposed by Commonwealth legislation on a range of rural commodities and products.

Levy collection activities include but are not limited to:

- processing return payments to corporations
- levy collection reports
- legislation interpretation and drafting
- compliance-based field audits
- account maintenance
- Australian Government matching of levies
- debt recovery
- education
- identification of new levy payers
- responding to industry representatives.

Should the cost of activities be cost recovered?

The costs of providing the collection service should be recovered from the consumers or beneficiaries of the service. The government does not require these services to be provided free of charge.

Which costs should be recovered?

The full costs of providing the LRS should be recovered.

Actual cost recovery arrangements

The LRS charges each levy body for the services it provides in respect to the levy on a fee-for-service basis. The fee for service is calculated and agreed with levy recipient organisations with reference to the number of hours taken up by compliance-based field
audits and associated activities, the volume and complexity of levy transactions, and any special projects requested by industry-related parties.

The costs recovered are based on full salary and on-costs (including superannuation) of staff involved in the administration of levies. In addition, the charge base includes allocations for departmental overheads, accommodation, computer services, depreciation, travel, administration and the support costs associated with the LRS.

Total fees may vary from year to year depending on the level of activity required. Specific figures detailing the level of collection activity and specific charges per activity or charge item are provided to all industry service bodies and relevant industry bodies on an annual basis.

There is a small allocation of funds covered by departmental appropriation for community service obligations, such as the processing of Australian Government matching payments.

An analysis of the financial performance of the LRS over the past two financial years and the budget for 2007–08 is shown in Table 3.10. The LRS represents a separate cost centre in the department’s financial management system. The financial data included in the table represents the full costs of operations of the LRS.

**Table 3.10 Levies Revenue Service financial performance, 2006–06 to 2007–08**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale of Goods &amp; Services</td>
<td>4,916,289</td>
<td>5,131,407</td>
<td>4,970,000</td>
</tr>
<tr>
<td>Appropriations Income - Bill 1</td>
<td>464,853</td>
<td>56,975</td>
<td>233,650</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>5,495</td>
<td>-1,043</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>5,386,636</td>
<td>5,187,339</td>
<td>5,203,650</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Expenses</td>
<td>3,185,937</td>
<td>3,112,169</td>
<td>3,418,255</td>
</tr>
<tr>
<td>Supplier Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IT Comms &amp; Office Equip</td>
<td>826,223</td>
<td>901,489</td>
<td>501,892</td>
</tr>
<tr>
<td>Property &amp; Accommodation</td>
<td>202,851</td>
<td>220,663</td>
<td>219,996</td>
</tr>
<tr>
<td>Other</td>
<td>386,092</td>
<td>426,832</td>
<td>426,201</td>
</tr>
<tr>
<td>Depreciation &amp; Amortisation</td>
<td>10,450</td>
<td>18,217</td>
<td>4,924</td>
</tr>
<tr>
<td>Corporate Expense Allocation</td>
<td>700,504</td>
<td>509,516</td>
<td>632,383</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>5,312,057</td>
<td>5,188,885</td>
<td>5,203,650</td>
</tr>
<tr>
<td>Operating Result</td>
<td>74,579</td>
<td>-1,545</td>
<td>0</td>
</tr>
</tbody>
</table>
The table demonstrates that the fees for LRS services closely match the costs of providing the services. Minor under- or over-recoveries are carried forward to succeeding financial years.

The LRS cost recovery procedures are consistent with the requirements and are in accordance with the:

- *Financial Management and Accountability Act 1997*
- *Primary Industries Levies and Charges and Collection Act 1991*
- *Dairy Produce Act 1996*
- other relevant disbursement legislation
- levy principles and guidelines.

The cost recovery activity represents a contractual arrangement between the department and levy recipient bodies and, as such, the fees do not require specific legislative authority.

All LRS cost recovery charges are agreed to by the relevant industry service bodies prior to invoicing. In addition, all charges are reported at commodity level on an annual basis in the Levies Revenue Service Business Plan and Report to Stakeholders. LRS maintains an ongoing relationship with relevant industries and industry service bodies to ensure that levy principles and guidelines are met, as well as to address emerging priorities.

**Conclusion on compliance with the Australian Government’s cost recovery policy**

The review concludes that the LRS complies with the cost recovery policy.
3.6 DAFF—AUSTRALIAN BUREAU OF AGRICULTURAL AND RESOURCE ECONOMICS

3.6.1 External consultancies (approximately $350,000; major activity)

Description of services provided

The Australian Bureau of Agricultural and Resource Economics (ABARE) conducts economic research projects for non-government clients on a fee-for-service basis.

Should the costs of the activities be cost recovered?

The costs of research projects for non-government clients should be cost recovered for the following reasons:

- The activities do not involve public good characteristics, as such projects are rivalrous (the results of the project can only be used by the organisation purchasing the project) and excludable (the purchaser can exclude others from using the results of the project).
- There are no significant spillover benefits relating to the projects, as the results of the projects are not available to unrelated parties.
- The government does not require the projects to be provided free of charge for other policy reasons.

Which costs should be recovered?

Economic research is conducted by both government and private sector firms. In this respect, there is actual or potential competition from the private sector. The cost recovery policy requires that, where products and services are provided by the Commonwealth in competition, or potential competition, with private sector providers the prices charged must be consistent with the Australian Government Competitive Neutrality Guidelines.

Those guidelines require that prices charged must be reflective of a cost base that eliminates any competitive advantage that may result from government ownership, such as:

- taxation neutrality—government does not pay income taxes and some state/territory taxes
- debt neutrality—government businesses, with their low risk profile, borrow at a rate
of interest that is generally lower than private sector equivalents

- regulatory neutrality—government businesses may accrue an advantage by not being subject to regulatory activity
- rate of return—government businesses must set prices to earn a commercial rate of return
- costing of shared services—prices must reflect full cost attribution for business activities.

In essence, the cost structures (and prices charged) must reflect those costs that a private sector competitor would incur in delivering similar services.

**Actual cost recovery arrangements**

Fees charged to non-government clients are based on hourly charge rates that recover:

- direct salaries of research officers and on-costs
- direct costs of support staff and on-costs
- operational costs (accommodation, depreciation, travel, etc)
- other direct expenses
- corporate overheads
- a fee-for-service charge (which takes to account the competitive neutrality adjustments for Commonwealth taxes, state taxes and return on investment).

No allowance is made for debt neutrality and regulatory neutrality, as those costs are not relevant to private-sector competitors operating in the economic research market.

**Conclusion on compliance with the Australian Government’s cost recovery policy**

The review concludes that the activity complies with the Australian Government’s competitive neutrality policy.

### 3.6.2 Publications and provision of data (approximately $15,000; minor activity)

**Description of services provided**

ABARE provides copies of publications and data to non-government organisations. Both types of product are the results of research projects funded from direct appropriations.
Actual cost recovery arrangements

ABARE aims to recover the postage and materials costs involved in the provision of the products. Current estimates for each revenue stream are:

- publications—$3,000
- data—$12,000.

ABARE is moving to supply a progressively greater proportion of these information products free of charge through electronic media, and the revenue stream is expected to reduce in future years in line with that policy.

Conclusion of compliance with the Australian Government’s cost recovery policy

Under the cost recovery policy, ABARE should aim to recover either the incremental or marginal costs of providing these information products, including salary costs for compiling publications and data.

However, it would be inefficient to alter the charging policy in the light of the new policy of providing these products through electronic media. That delivery mechanism involves minimal labour, and the costs of altering the arrangements at this time would outweigh the benefits. Therefore, the review concludes that the future charging arrangements comply with the cost recovery policy.
3.7 **EXPORT WHEAT COMMISSION**

3.7.1 Wheat Export Charges (levies) and Wheat Export Consent Fees (approximately $3,000,000; major activity)

The CRIS covers the financial 2004-05, 2005-06 and 2006-07 financial years. Over this period the Export Wheat Commission operated as the Wheat Export Authority and the CRIS refers to the activities and governance arrangements applicable to this period.

*Description of services provided*

The statutory functions of the Export Wheat Commission (EWC) before 27 August 2007 were to:

- monitor and report on the sales performance of AWBI under the ‘single desk’ policy
- control wheat exports through the processing and assessment of applications for consent to export wheat.

These functions are primarily funded through a levy of $0.22 per tonne of wheat exported and a fee of $50 for each application for wheat export consent. The *Wheat Marketing Act 1989* requires that those revenues be paid to the EWC Special Account, the purposes of which include the paying or discharging of the costs, expenses and other obligations incurred by the Australian Government in connection with the operation of the EWC.

Both the levy and the fee are prescribed by regulation.

The detailed CRIS review examined the 2004–05, 2005–06 and 2006–07 financial years. The Wheat Marketing Act is soon to be repealed. New legislation will result in the redesign of EWC’s current activities and arrangements. Also, the review has not examined a new function of implementing and monitoring a ‘non-bulk wheat quality assurance scheme’, which commenced from 27 August 2007. The new function was in force for only one month during the period reviewed.

*Should the costs of the activities be cost recovered?*

An underpinning principle of the *Australian Government Cost Recovery Guidelines* is that those who create a need for regulation should bear the costs, provided charging is cost effective and not inconsistent with policy goals.
Which costs should be recovered?

A review of the activities of the EWC indicates that all activities are integral to the role of the regulator; therefore, all costs should be recovered.

Who should bear the cost?

The *Australian Government Cost Recovery Guidelines* state that the individuals or groups that create the need for regulation should pay cost recovery charges. Therefore, wheat exporters should bear the costs of the EWC’s activities.

Actual cost recovery arrangements

The EWC funds its activities through:

- a levy of $0.22 per tonne of wheat exported
- a $50 fee for each application for consent to export wheat.

Levies and charges are authorised under the *Wheat Marketing Act* and are prescribed by regulation. The wheat export levy is charged to all wheat exporters. The application fee is charged to applicants.

Before 2004–05, the operations of the EWC (then called the Wheat Export Authority) were funded from $6,000,000 in contributed equity. Extracts from the financial statements of the EWC from 2004–05 that specifically compare cost recovery revenues to costs are shown in Table 3.11.
Table 3.11 Export Wheat Commission cost recovery, 2004–05 to 2006–07

<table>
<thead>
<tr>
<th></th>
<th>2004-05</th>
<th>2005-06</th>
<th>2006-07 (draft)</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000s</td>
<td>$000s</td>
<td>$000s</td>
<td>$000s</td>
</tr>
<tr>
<td><strong>Cost Recovery Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wheat Export Charge</td>
<td>3,480</td>
<td>3,275</td>
<td>2,208</td>
<td>2,988</td>
</tr>
<tr>
<td>Wheat Export Consent Fee</td>
<td>19</td>
<td>18</td>
<td>15</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>3,499</td>
<td>3,293</td>
<td>2,223</td>
<td>3,005</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee costs</td>
<td>1,164</td>
<td>1,516</td>
<td>1,808</td>
<td>1,496</td>
</tr>
<tr>
<td>Suppliers costs</td>
<td>1,996</td>
<td>1,211</td>
<td>1,654</td>
<td>1,620</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>36</td>
<td>47</td>
<td>171</td>
<td>85</td>
</tr>
<tr>
<td>Other costs</td>
<td>9</td>
<td>91</td>
<td>0</td>
<td>33</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>3,205</td>
<td>2,865</td>
<td>3,633</td>
<td>3,234</td>
</tr>
<tr>
<td><strong>Surplus/(deficit) from cost recovery activities</strong></td>
<td>294</td>
<td>428</td>
<td>(1,410)</td>
<td>(229)</td>
</tr>
</tbody>
</table>

The average column represents approximately 13.5 million tonnes of wheat exported and 340 applications for consent to export wheat.

A notable feature of the data in Table 3.9 is the volatility of revenues from the wheat export charge, which is based on tonnes of wheat exported. The EWC aims to post reasonable surpluses in normal export years to provide sufficient funds to cover its operating costs in years when export volumes decrease. Therefore, any assessment of whether the EWC under or over-recovers its costs needs to be based on long-term averages.

The wheat export charge was first recognised in the financial statements in 2004–05, which means that only three years are available on which to calculate averages. The draft 2007 financial results reflect the dramatic reduction in wheat exported due to reduced harvests caused by one of Australia’s longest droughts. This has caused a major volume variance, resulting in an operating loss from cost recovery revenues in 2006–07 of about $1.4 million. Because of the short period over which the levy has operated and the major volume variances in 2006–07, it is not possible to determine whether the revenue from the wheat export charge matches cost recovery revenues and expenses over the medium to long term.

It should also be noted that most of the 2006–07 loss was funded by direct government grants. The EWC has also secured direct government support for 2007–08 because of continuing drought.
Industry plays a fundamental role in setting the wheat export charge. The Minister for Agriculture, Fisheries and Forestry determines the rate after considering a recommendation from the Grains Council of Australia.

Ongoing stakeholder consultation was achieved through two board members nominated by the Grains Council of Australia. Other board members include a chairperson, an independent member and a government member. Each member is appointed by the Minister.

Future developments

It should be noted that the current activities and arrangements are subject to the Government’s consideration of the wheat export marketing arrangements.

Conclusion on compliance with the Australian Government’s cost recovery policy

Due to the limited periods over which the wheat export charge has been operating, it is not possible to determine whether the EWC complies with the fundamental principle of the cost recovery policy—that cost recovery revenues should not over- or under-recover the costs of activities. However, in all other respects, the activities of the EWC comply with the cost recovery policy.
3.8 AUSTRALIAN WINE AND BRANDY CORPORATION

3.8.1 Wine Export Approval Fees (approximately $5,100,000; major activity)

Description of services provided

The Australian Wine and Brandy Corporation (AWBC) regulates the export of Australian wine and brandy to protect the reputation of Australian wine by ensuring that it is ‘sound’ and ‘merchantable’, and to ensure that the products comply with wine label laws and with Australia’s obligations and undertakings under international wine agreements. The regulatory activity includes conducting integrity audits.

Should the costs of the activities be cost recovered?

The approval of the AWBC to export wines involves the issuing of an exclusive right or privilege, and the approved exporter will derive capturable commercial benefits from the sale of product to overseas markets. There are no negative spillover effects from the approval to export product, in that other firms cannot benefit from the approval process.

The Australian Government Cost Recovery Guidelines indicate that the beneficiaries of the regulatory activity should bear its cost. Therefore, the costs of the approval process should be cost recovered.

Which costs should be cost recovered?

The processing of applications for export approval makes up a significant proportion of AWBC’s total activities. Therefore, the AWBC should seek to recover the full cost of processing applications, including the costs of integrity auditing.

Who should bear the cost?

There are clearly identifiable beneficiaries to the regulatory activity, in that approved exporters acquire a capturable commercial benefit from the approval process. Therefore, applicants for export approval should bear the cost of processing applications.

Actual cost recovery arrangements

The AWBC has structured a set of fees for the various types of approval activities it undertakes. Fees are charged for:

- the issue and renewal of licences to export grape products
- the evaluation of wines for export approval
- the issue of export permits
- the issue of EU import permits.

Fees are charged under the authority of section 8 of the *Australian Wine and Brandy Corporation Act 1980*.

Table 3.12 summarises the financial performance of the export approval activity.

**Table 3.12 Financial performance: wine export approvals, 2004–05 to 2007–08**

<table>
<thead>
<tr>
<th></th>
<th>2004-05 (Actual)</th>
<th>2005-06 (Actual)</th>
<th>2006-07 (Actual)</th>
<th>2007-08 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operational Revenues</strong></td>
<td>4,130,124</td>
<td>4,559,653</td>
<td>5,125,562</td>
<td>5,265,928</td>
</tr>
<tr>
<td><strong>Expenses relating to processing applications:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee expenses</td>
<td>805,350</td>
<td>919,410</td>
<td>879,965</td>
<td>909,357</td>
</tr>
<tr>
<td>Accommodation Expenses</td>
<td>92,863</td>
<td>88,140</td>
<td>75,281</td>
<td>84,023</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>406,433</td>
<td>378,823</td>
<td>270,522</td>
<td>362,595</td>
</tr>
<tr>
<td>IT expenses</td>
<td>0</td>
<td>0</td>
<td>1,148</td>
<td>0</td>
</tr>
<tr>
<td>Fees and Charges</td>
<td>2,173</td>
<td>295</td>
<td>50</td>
<td>1,900</td>
</tr>
<tr>
<td>Promotional Expenses</td>
<td>7,473</td>
<td>486</td>
<td>247</td>
<td>0</td>
</tr>
<tr>
<td>Overhead allocation</td>
<td>967,450</td>
<td>1,300,799</td>
<td>1,056,097</td>
<td>1,022,632</td>
</tr>
<tr>
<td><strong>Total Expenses related to processing applications</strong></td>
<td>2,281,743</td>
<td>2,687,953</td>
<td>2,283,311</td>
<td>2,380,507</td>
</tr>
<tr>
<td><strong>Surplus from processing applications available for market development</strong></td>
<td>1,848,381</td>
<td>1,871,700</td>
<td>2,842,251</td>
<td>2,885,421</td>
</tr>
</tbody>
</table>

The summary shows that the fees charged for export approvals significantly exceed the costs of processing applications. The surplus is applied to the market development and information analysis programmes and to market access work. Those activities are funded mainly by levies and contributions from other agencies, such as the Grape and Wine RDC.

The fee-setting process and the application of the surplus from processing is transparent.
to industry through its representation on the AWBC board. Furthermore, the market development and information analysis programmes provide direct benefits to all exporters (including applicants for export licences).

The cost recovery arrangements have appropriate legal authority via Section 8(f) of the Australian Wine and Brandy Corporation Act, are designed so that the beneficiaries of the activity pay for its costs, and are efficient and cost effective.

**Conclusion on compliance with the Australian Government’s cost recovery policy**

The review found that the amount of revenues received for the processing of applications for wine export approval significantly exceeded the costs of processing the applications but that the surplus is applied to the same industry sub group for overseas market development, market access and information analysis activities.

Because there is no cross-subsidisation between industry sub groups, the review concluded that the activities complied with the Australian Government’s cost recovery policy. Accordingly, the AWBC intends to maintain the current arrangements, which have been communicated to and accepted by industry.

**Options to redesign the charging structure**

In considering whether to redesign the arrangements to address the over recovery issue, the AWBC has considered the following issues:

- A reduction in application fees would mean that the amount of the wine export charge (which is a levy on volumes of wine exported) would need to increase to fund the planned levels of market development and information analysis activities.

- The wine export charge and the export approval fee are recovered from the same industry sub sector (i.e. exporters of Australian wine and brandy).

- The arrangements are transparent to industry.

- Applicants for export approval derive direct benefits from the market development and information analysis activities.

Although over recovery is not appropriate, it is applied directly to the markets in which applicants will be exporting. Furthermore, if the AWBC is to maintain its current and planned levels of activity, a reduction in export application fees would need to be offset by an increase in the export charge, and both the fee and charge are targeted at the same industry sub sector. On balance, the AWBC intends to maintain the current arrangements, which have been communicated to and accepted by the industry.
3.8.2 WINEFACTS fees (approximately $170,000; major activity)

Description of services provided

The AWBC charges for its WINEFACTS statistics and information products. The WINEFACTS products are based on the extensive research and information collection capabilities of the AWBC.

Actual cost recovery arrangements

The collection, compilation, and analysis and interpretation of statistical information on the global wine sector is a core function of the AWBC’s market development work, and creates the corporation’s basic product set. The costs of those activities are funded from levies and from export approval applications.

The AWBC aims to recover the incremental costs (excluding corporate overheads) of disseminating the statistical information collected and has developed a comprehensive price list for the various products. Table 3.13 shows the financial results for this activity in 2006–07.

Table 3.13 WINEFACTS financial results, 2006–07

<table>
<thead>
<tr>
<th>WINEFACTS</th>
<th>2006-07 (Actual) $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
</tr>
<tr>
<td>Operational Revenues</td>
<td>169,582</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>169,582</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
</tr>
<tr>
<td>Employee expenses</td>
<td>147,508</td>
</tr>
<tr>
<td>Accommodation Expenses</td>
<td>17,633</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>40,334</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>205,476</td>
</tr>
<tr>
<td>Operating result</td>
<td>-35,893</td>
</tr>
</tbody>
</table>

Financial data for previous years and the forthcoming budget year is not readily available because of changes to the AWBC’s cost centre structure. However, the 2006–07 results show normal trading characteristics for the provision of information products and demonstrate that revenues and costs are broadly aligned.
The table shows that the WINEFACTS under recovers its costs. However, it should be noted that total revenues are based on the number of publications sold and it is difficult to accurately forecast volumes. Any shortfall between revenues and expenses is funded from the other revenue sources referred to above. As the majority of subscribers are from the wine industry, any subsidisation is from the same industry group which effectively precludes cross subsidisation across user groups. Furthermore, WINEFACTS plays an important general promotional role for the wine industry and it is reasonable that any shortfall in sales revenues be funded from reserves or surpluses from other activities. WINEFACTS fees and costs are transparent to industry through its representation on the AWBC board.

Subscriptions are charged under the authority of section 8 (g) of the Australian Wine and Brandy Corporation Act, 1980.

**Conclusion on compliance with the Australian Government’s cost recovery policy**

The review found that the AWBC complies with the cost recovery policy for the provision of WINEFACTS information products.
3.9  **FISHERIES RESEARCH AND DEVELOPMENT CORPORATION**

3.9.1  Sale of publications (approximately $25,000; minor activity)

*Description of services provided*

The Fisheries Research and Development Corporation (FRDC) receives income from the sale of its research publications.

*Actual cost recovery arrangements*

FRDC aims to recover the administrative costs of providing the publications, including the cost of clerical staff, packaging and postage. No additional printing costs are involved in the provision of these information products.

Prices charged represent the marginal costs of providing the products.

*Conclusion of compliance with the Australian Government’s cost recovery policy*

The review found that the activity complies with the cost recovery policy.
3.10 Grains Research and Development Corporation

3.10.1 Publications (approximately $100,000; major activity)

Dependent upon the type of publication/product and target audience the Grains Research and Development Corporation (GRDC) does charge for some publications and not others. In some instances where the production of a publication has been incorporated into the research project and funds have been allocated for that publication in that project - it will be distributed free. Where a large quantity of free publications have been ordered a distribution charge will apply. Many free publications are distributed to grain growers and industry through the GRDC’s bi-monthly newspaper *Ground Cover*. This eliminates additional postage costs.

- Depending upon the title and content of the publication it would be inappropriate to charge grain growers for the publication in some instances. For example the *Ground Cover* newspaper, the *Paddock Diary* titles in the supplement series and others with a national focus.
- As grain growers fund the GRDC through a levy, a balance needs to be established as to what publications are chargeable and what is free;
- GRDC surveys of grain growers have shown that they value a publication more where they have had to pay for it. For example, titles in the Ute Guide series all have a charge and growers are happy to pay;
- Where a publication is a joint initiative with other RDC partners and the printing costs have been incorporated into the project it is distributed free. An example would be the *Succession Planning* booklet where a number of RDCs distribute it through their own networks;
- On some occasions some research partners require the publication to be available free of charge;
- Advertising revenue in some instances will offset publication costs; and
- Where the contents of the publication become dated or obsolete that publication will, after a period of time, be available free.

In many instances publications are fee based where their production is costly. GRDC charges are designed to cover the incremental costs of each publication which include:

- Design costs;
- Editing costs; and
- Printing costs.

*Conclusion on compliance with the Australian Government’s cost recovery policy*
The review found that the GRDC complies with the Australian Government’s cost recovery policy in respect to the provision of information products.
3.11 **LAND AND WATER AUSTRALIA**

3.11.1 Publications (approximately $6,000; minor activity)

Land & Water Australia (LWA) charges for the distribution of its publications to non-programme partners to discourage vexatious requests for publications and to recover the incremental cost of providing the material. A significant proportion of publications is distributed via electronic media (such as compact disc), which means that there are no significant incremental costs such as printing, distribution, etc. The arrangements are cost effective, because the number of requests for publications from non-project partners is minimal.

*Conclusion on compliance with the Australian Government’s cost recovery policy*

The review concludes that the cost recovery activity complies with the cost recovery policy.
3.12 RURAL INDUSTRIES RESEARCH AND DEVELOPMENT CORPORATION

3.12.1 Publications (approximately $110,000; major activity)

Description of services provided

The Rural Industries Research and Development Corporation (RIRDC) receives income from the sale of its R&D publications. Although the value of these activities exceeds the $100,000 threshold and is classified as a major activity for the purpose of this CRIS, the revenues are not significant in respect to the totality of RIRDC’s total revenue base of approximately $18,500,000.

Actual cost recovery arrangements

The RIRDC maintains a comprehensive pricing list covering more than 1,300 separate publications. The pricing strategy is designed to cover the incremental costs of providing the product, including administrative costs, postage and handling. However, exceptions to the pricing strategy include the following:

- An allowance is made for the increased printing costs where particular industry publications require a higher level of presentation (e.g. publications relating to the horse industry).
- Web-based publications are provided free of charge.
- Publications relating to discharging the RIRDC’s accountability to industry for its primary functions are provided free of charge.
- Short reports are provided free of charge.

The prices do not cover the costs of the underlying research activity.

Ongoing stakeholder consultation occurs through the RIRDC board, which includes representatives of the significant industries and represents the interests of those industries.

The authority to charge for publications is Section 12(1)(e) of the Primary Industries and Energy Research and Development Act.

Conclusion on compliance with the Australian Government’s cost recovery policy

The review concludes that the cost recovery activity complies with the cost recovery policy.
4 ONGOING MONITORING AND PERIODIC REVIEW

4.1 SPECIFIC REVIEWS

The CRIS review highlighted a number of instances in which a separate CRIS has been scheduled for specific cost recovery activities. Those cases are listed in Table 4.1.

Table 4.1 CRIS reviews scheduled for particular activities

<table>
<thead>
<tr>
<th>Budget year</th>
<th>Agency and cost recovery activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008–09</td>
<td>AQIS—import clearance</td>
</tr>
<tr>
<td>2008–09</td>
<td>AQIS—organics</td>
</tr>
<tr>
<td>2008–09</td>
<td>AQIS—grains</td>
</tr>
<tr>
<td>2009–10</td>
<td>Australian Pesticides and Veterinary Medicines Authority</td>
</tr>
<tr>
<td>2009–10</td>
<td>AQIS—airports</td>
</tr>
<tr>
<td>2009–10</td>
<td>Export Wheat Commission</td>
</tr>
<tr>
<td>2009–10</td>
<td>Australian Fisheries Management Authority</td>
</tr>
<tr>
<td>2010–11</td>
<td>AQIS—international mail</td>
</tr>
</tbody>
</table>

The CRIS review also identified instances of non-compliance with the Australian Government’s cost recovery policy. In those cases, remedial strategies have been or are about to be implemented. Most relate to the National Residue Survey (NRS), which has been working closely with the relevant industries on remedial strategies. Assessments of remedial strategies relate to the cost recovery activities listed in Table 4.2.

Table 4.2 Remedial strategies underway or planned

<table>
<thead>
<tr>
<th>Agency</th>
<th>Cost recovery activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>DAFF—National Residue Survey</td>
<td>Beef Programme</td>
</tr>
<tr>
<td>DAFF—National Residue Survey</td>
<td>Sheep Programme</td>
</tr>
<tr>
<td>DAFF—National Residue Survey</td>
<td>Eggs Programme</td>
</tr>
<tr>
<td>DAFF—National Residue Survey</td>
<td>Honey Programme</td>
</tr>
<tr>
<td>DAFF—National Residue Survey</td>
<td>Grains Programme</td>
</tr>
<tr>
<td>DAFF—National Residue Survey</td>
<td>Macadamia Programme</td>
</tr>
<tr>
<td>DAFF—Food and Agriculture Division</td>
<td>Quota Management Unit</td>
</tr>
</tbody>
</table>
4.2 ONGOING MONITORING

4.2.1 Portfolio department

Most major cost recovery activities within DAFF are subject to yearly review with relevant industries as a formal component of the governance arrangements. These include the National Residue Survey, all AQIS programmes and the Levies Collection Service.

Other activities are subject to a formal review within five years from the date of this CRIS.

4.2.2 Other portfolio agencies

DAFF, as the portfolio department, will implement a formal certification process whereby portfolio agencies are required to confirm that their cost recovery activities comply with the Australian Government’s cost recovery policy. The certification will occur each year as part of the department’s certificate of compliance process.

Where non-compliance is identified, the agency involved will be required to identify and implement remedial strategies.
5 CERTIFICATION

The Chief Executive Officer of the Department of Agriculture, Fisheries and Forestry certifies that this CRIS complies with the Australian Government’s cost recovery policy.

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Dr Conall O’Connell

February 2008