



Australian Government

Department of Agriculture, Fisheries and Forestry
Australian Quarantine and Inspection Service

COST RECOVERY IMPACT STATEMENT

Amendment of Fees for the Live Animal Export Program

1 OVERVIEW

1.1 Purpose

The Beale review of Australia's quarantine and biosecurity arrangements recommended that the AQIS export certification function should return to 100 per cent cost recovery by 1 July 2009. This will remove the 40 per cent fee subsidy currently provided to the live animal export industry. This proposal involves the amendment of the current fees for the delivery of audit and inspection services for the Live Animal Export Program (the Program) to return the fees to 100% cost recovery. This Cost Recovery Impact Statement (CRIS) highlights the rationale for the amendments to these fees. To effect the fee changes, amendments will be required to the *Export Control (Fees Orders) 2001* and the *Australian Meat and Live-stock Industry (Export Licensing) Regulations 1998*.

1.2 Background

The Department of Agriculture, Fisheries and Forestry (the department) is responsible for a wide range of issues relating to agriculture, fisheries, forestry and food. The department's outcome is:

"Australian agricultural, fisheries, food and forestry industries that are based on sustainable management of and access to natural resources, are more competitive, self-reliant and innovative, have increased access to markets, are protected from diseases and are underpinned by scientific advice and economic research."

The department's outcome is delivered by two policy development and support divisions, five divisions implementing programs and policy, the Bureau of Rural Sciences, the Australian Bureau of Agricultural and Resource Economics and the Australian Quarantine and Inspection Service (AQIS).

1.2.1 Divisional contribution to the department's outcome

AQIS contributes to the department's outcome, in particular to market access and managing pest and disease risk by:

- Maintaining market access for agricultural products through Australia's export certification system by providing export inspection, auditing and certification services to the meat, horticulture, grain, fish, dairy, live animal exports and organic industries to ensure compliance with importing country requirements.
- Managing the risk of entry of exotic pests and diseases affecting Australia's agricultural, food, fisheries and forestry industries and human health by implementing appropriate quarantine controls at Australia's international border and through post-entry plant and animal quarantine arrangements.
- Inspecting imported food to ensure compliance with Australia's food safety standards.

The following priorities highlight the key areas of focus for AQIS for 2008-09 and assist in establishing the context for AQIS's risk management process include:

- ensuring we are keeping abreast and responding to the recommendations by the Quarantine and Biosecurity Review and the Government's response to the recently completed Commission of Inquiry into the Equine Influenza outbreak
- strengthening our governance and capability through the development and implementation of new governance arrangements for AQIS.

Maintaining access for Australian agricultural products to hundreds of overseas markets is essential. Export inspection, certification and audit services contribute to the annual generation of an estimated \$32 billion in exports by the meat, grain, fish, dairy, organic and live animal export industries. AQIS has a vital role in developing and delivering inspection, certification and auditing processes for exporting live animals in order to meet importing country requirements to maintain export markets.

1.2.2 Lapsing of the 40% Government Assistance to Export Programs by 30 June 2009

In November 2001, the Federal Government initiated a 40% contribution towards AQIS export charges. In accordance with Government policy, the costs of the services provided by the Program were met through:

- 60% cost recovery from industry
- 40% government contribution

The Government's 40% export contribution is calculated against revenues received by AQIS from industry. For every \$0.60 received from industry a Government contribution of \$0.40 applies. Together these revenues recover the cost of each dollar of service provided by the Program.

Prior to establishing fees and levies the costs of the regulatory activities are offset by any sources of internal and Government funded revenues, including the Government 40% export contribution. The remaining balance provides the total costs to be recovered from industry.

In early 2008 the Australian Government commissioned an independent review of quarantine and biosecurity arrangements to identify any areas for improvement. The review was conducted by an expert panel chaired by Mr Roger Beale AO. The government released the panel's final report, *One Biosecurity: a working partnership*, on 18 December 2008. The review panel recommended a significant package of reforms to Australia's biosecurity system including the following recommendation regarding the 40% government subsidy paid to offset AQIS export fees and charges – "Export certification functions should return to 100 per cent as scheduled at the beginning of July 2009."

The Government's preliminary response to the Beale Review made the following reference "In accordance with the principle of shared responsibility and the Commonwealth's Cost Recovery guidelines, and as recommended in the report, the 40 per cent export certification subsidy will lapse as scheduled on 30 June 2009. The report states that the 'policy objectives' for the subsidy are 'unclear'. Across the board, industry will benefit from improved regulatory arrangements, and more efficient allocation of resources, and increased resources."

The negotiation strategy employed by AQIS to transition industry sectors back to 100 per cent full cost recovery is as follows:

- Early engagement;
- Seeking to apply the charges to as broader base as possible (Beale recommendation 76 - Programs that currently use cost recovery should continue in this mode but charges for like activities should be aggregated, leading to significant reduction in the number of individual charges").
- Improve the previous complex charging structure directly targeted the individuals that receive the AQIS service.
- With all Industry Consultative Committees (ICCs)– AQIS is also seeking to exploring medium term strategies as to how its fees and charges can be reduced to offset their

impact. For example, AQIS is exploring with these ICCs how it can be more transparent in the services it provides and its associated costs, how clients and industry can reposition in partnership with AQIS to reduce inspection fees as a consequence of approved arrangements (i.e. audit services rather than direct inspection costs) subject to importing country requirements.

1.3 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. The underlying principle of the policy is that entities 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. Cost recovery policy is administered by the Department of Finance and Deregulation and outlined in the Australian Government Cost Recovery Guidelines (Cost Recovery Guidelines).

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. In line with the policy, individual portfolio ministers are ultimately responsible for ensuring entities' implementation and compliance with the Cost Recovery Guidelines.

2 Policy Review – Analysis of activities

Description of activity

The primary function of the program is to deliver inspection, certification and auditing services with respect to the export of live animals from Australia.

The nature of the services provided:

- Inspection of live animals and animal reproductive material for export and assessment of documentation to verify Australian legislative requirements and importing country requirements are met;
- Certify compliance with importing country requirements;
- Register and audit of premises for the assembly, isolation and quarantine of animals intended for export;
- Accredited and audit of AQIS approved veterinarians;
- Issue livestock export licenses; and
- Audit services to licensed exporters to ensure compliance with the Australia's legislative requirements.

Stakeholders

These costs are recovered through businesses and individuals who receive the service.

In the Program these clients include:

- Exporters of live animals and reproductive material;
- Registered premises operators; and
- Accredited veterinarians.

Conclusion

The major rationale for developing and implementing cost recovery is the 'beneficiary pays' principle, based on the attitude that those who benefit from the provision of a product / service should pay for it, thereby decreasing the tax burden on those who do not benefit.

AQIS has operated in a cost recovery environment since 1993, as stipulated in a Memorandum of Understanding (MOU) between AQIS and the then Department of Finance and Administration. In addition to the MOU, the Commonwealth Cost Recovery Guidelines for Information and Regulatory agencies now provide a sound framework for cost recovery practices.

The beneficiaries of the Program activities are the exporters of live animals and their reproductive material from Australia. International markets set strict guidelines and requirements in relation to the import of live animals and animal reproductive material into and across their borders. AQIS' regulatory involvement in the export of live animals and animal reproductive material benefits the live animals and reproductive material export industries by ensuring that these requirements are met prior to export, thus maintaining market access.

The Australian Government Cost Recovery Guidelines outlines the types of regulatory activities. The Program undertakes the registrations and approvals regulatory activity.

For registrations and approvals other clients will not be able to free ride on an approval of the first applicant, charging is consistent with policy goals and charging is efficient and cost effective allowing for cost recovery. For monitoring ongoing compliance with regulations the charging is consistent with policy goals and is efficient and cost effective, also allowing for cost recovery.

As cost recovery is appropriate for all the Program's regulatory activities the charges are based on fees that are efficient, cost effective and consistent with the policy objectives of the agency.

3 Design and Implementation

3.1 Basis of charging – Fee or Levy

The recipients of services provided by the Program are those that create the requirement for regulation. In accordance with the cost recovery arrangement's "beneficiary pays" clients who receive the Program's services are required to cover the associated costs.

This proposal is an adjustment to fees that are already imposed under the "beneficiary pays" principle. Under this arrangement the costs for providing services are recovered from individuals and businesses who receive the particular service rather than imposing a levy across industry sectors or across industry as a whole.

The Program provides inspection, certification and audit services to clients in order to facilitate the export of live animals and animal reproductive material. The costs of providing these services are easily identifiable as is the extent of client usage of the service. This allows for the establishment of fees that can be closely linked to the costs of providing the particular service. Therefore, fees are the most efficient and cost effective mechanism for the recovery of costs in relation to the delivery of audit, inspection and documentation services.

3.2 What are the legal requirements for the imposition of charges?

Export Control Act 1982

Subsection 25(1) of the *Export Control Act 1982* ("the Act") provides that the Governor-General may make regulations, not inconsistent with the Act, prescribing matters required or permitted by the Act or necessary or convenient to be prescribed for the carrying out or giving effect to the Act.

Paragraph 25(2)(d) of the Act allows regulations to be made for the imposition of fees in connection with the performance of services by authorised officers and the remission of fees so imposed. Paragraph 25(2)(g) of the Act provides that the Governor-General may make regulations empowering the Minister to make orders, not inconsistent with the regulations, with respect to any matter for or in relation to which provision may be made by the regulations.

Export Control (Fees) Orders 2001

The *Export Control (Fees) Orders 2001* details the fees imposed for the performance of services by authorised officers and the provision of documentation services.

Australian Meat and Live-stock Industry Act 1997

Section 11 of the *Australian Meat and Live-stock Industry Act 1997* sets out the requirements for an application for a licence to export live-stock from Australia. Subsection 11(1) provides that an application for an export licence must be made in accordance with the regulations. Subsection 11(2) provides that an applicant for an export licence must pay the prescribed fee in respect of the application.

Specific charges are contained in the *Australian Meat and Live-stock Industry (Export Licensing) Regulations 1998*. Regulation 15 deals with application fees for an export licence under the Act and provides for three specific components to the fee: (a) a lodgement component; (b) an external vetting agency component; and (c) an assessment component.

3.2.1 Which issues should the proposed legislation address?

The instruments above provide for the imposition of fees and charges in respect to the activities undertaken in the Program. The legislation will be amended to accommodate amendments to the existing structure so that the Program will be able to recover its costs over the medium term. Fee-for-service and certification fees will apply from 1 December 2009. The assessment component of the *Australian Meat and Live-stock Industry (Export Licensing) Regulations 1998* is anticipated to apply from 15 December 2009.

In accordance with AQIS policy, and in consultation with the live export industry, the cost recovery arrangements for the Program will be reviewed annually. The regular review of cost recovery arrangements will ensure that fees and charges imposed on participants remain relevant to the environment in which the industry operates and remain relevant to the functions and activities undertaken within the Program to service the requirements of the Industry.

The existing and proposed fee structure reflected in the *Export Control (Fees) Orders 2001* and the *Australian Meat and Live-stock Industry (Export Licensing) Regulations 1998* are listed at **Appendix 1**.

3.3 Costs to be included in Charges

AQIS seeks to meet the commitment to recover the Program's direct and indirect costs associated with managing the export inspection, certification and audit services in a manner that is fair and equitable across the various sectors of the industry.

Direct costs are directly attributed to the cost of providing the relevant service, these include:

- Staffing costs, which can be broken into two components:
 - o salaries and wages rates of staff expressed in annual, fortnightly, daily and hourly terms; and
 - o other staffing on-costs, such as allowances, shift/penalty payments, overtime, annual and long service leave, separation payments and superannuation costs.
- Accommodation costs, including rent, repairs and maintenance, cleaning and utility charges;
- Costs such as minor stores, communications, office machines, stationery, telephonic communications, advertising and insurance;
- Travel costs;
- The costs of materials and services such as stores, computer services (including outsourced provision) and services obtained on a contract basis;
- Provisions for bad and doubtful debts and Fringe Benefits Tax; and
- Capitalisation costs, including depreciation on plant and equipment.

Indirect costs form part of general user group costs and are not easily attributed to particular activities. Indirect costs are an allocation of DAFF and AQIS specific corporate costs (or overheads), including executive, financial, personnel, registry, library and audit services, internal audit fees. AQIS overheads are costs incurred by AQIS programs for services that support core business functions. These are allocated by cost drivers, in this case on an FTE basis across all program activities (**appendix 2**). Data was compiled in relation to each program activity and FTE's split accordingly to activity output.

Table 1: Cost components of activities

Cost Components			2008-2009	2009-2011
Employee expenses	Salaries and wages rates of staff and other staffing on-costs, such as allowances, shift/penalty payments, overtime, annual and long service leave, separation payments and superannuation costs.	Direct cost	\$3,550,000	\$7,514,265
Supplier Expenses	Costs represent the running of the program and include legal fees, HR services, travel, Temporary and contract staff, IT and office equipment, departmental overheads	Direct cost	\$1,457,000	\$3,023,582
Overheads (Special Category)	Costs incurred for services that support core business functions.	Indirect cost	\$586,000	\$1,217,302
Corporate Expense Allocation	Costs incurred by DAFF management services that support AQIS core business functions eg Human Resources, General Finance, Accounts Payable/Receivable, Governance	Indirect cost	\$178,000	\$370,144
Depreciation and Amortisation	Expenses included depreciation of capital assets. These are assets funded by the program for use by the program only.	Direct cost	Na	\$1,036
Write down of assets	Doubtful debts expenses	Direct cost	\$4,000	\$7,443

All direct and indirect costs have been identified to ensure that the fee and charging mechanisms in place will fully recover the costs of delivering the service at a user group level.

3.4 Outline of Charging Structure

Fees for the provision of services provided by the Program are structured so as to:

- reflect the actual cost of providing a particular activity
- ensure that individuals or firms using a particular service are those charged for that service
- encourage the most efficient use of resources by clients of the Program.

Fee for service charges correspond with the Program's service activities. These are set for the recovery of costs. Fee for service charges have increased due to a return to 100 per cent cost recovery and increased costs. Fees and charges for the program were last revised in 2006/2007. Since that time costs in the Program have risen as a result of increased salaries payable to staff (CA negotiated increases) and general costs increases associated to supplier expenses.

The income and expenditure for the last two financial years, 2007/08 and 2008/09, is:

	2007/2008
Total Revenue	\$5,636,000
Total Expenditure	\$4,838,000
Surplus / (deficit)	\$798,000
	2008/2009
Total Revenue	\$5,353,000
Total Expenditure	\$5,775,000
Surplus / (deficit)	(\$422,000)

The increase in expenditure from 2007/08 to 2008/09 is due to an increase in staffing and filling previously vacant positions. The increase in expenditure (3.2%) from 2008/09 to 2010 to 2012 period is to reflect the expected increases in employee costs and increases to general supplier expenses.

3.4.1 Fee for Service (FFS)

The Program's fees and charges are structured on a fee for service basis according to the programs activities:

- Livestock export by sea (*a. per head fee*);
- Livestock by air and all horse exports (*b. hourly base fee*);
- Document processing, administration and animal inspection (*c. hourly base fee*);
- Dispensation processing (*c. hourly base fee*);
- Registration of premise (*c. hourly base fee*);
- Accreditation of veterinarians (*c. hourly base fee*);
- Service provided at an outport (*d. outport fee*);
- Travel (*e. kilometre base fee*);
- Overnight costs (*f. overnight fee*);
- On-board veterinarians (*g. daily fee*); and
- Exporter licence (*h. licence fee*).

a) Per head fee for cattle, buffalo, sheep and goats exports by sea

For livestock exported by sea will remain as a per head fee. Different rates are applied depending on the type of livestock and the importing country (table 2). These were calculated on the following:

- The benchmark hours of AQIS involvement for consignments based on the country and livestock species;
- The number of livestock exports forecast for 2009/10; and
- The fixed costs are approximately \$4,236,189 for 2009-2011.

Table 2: Calculations for livestock per head fee 2009-2011

Market	Minimum number of exports	Hours per consignment	Average animals per consignment	Minimum hours per year per market	Approximate cost per head	Old Fee
Cattle tier 2	195,000	20	2000	750	\$3.90	\$2.51
Cattle tier 1	1,390,000	10	2000	2200	\$1.55	\$1.25
Sheep tier 2	1,800,000	34	50000	680	\$0.22	\$0.14
Sheep tier 1	5,700,000	25	50000	1500	\$0.20	\$0.12
total hours	-	-	-	5130	-	-

Estimated expenses for livestock exports by sea \$4,236,189

The per head fee was divided into tiers and species by the level of complexity of the importing country protocol (table 3) and therefore increases in associated inspection services. It includes overtime but not travel.

Table 3: Per head fee for livestock exports by sea

Tier	Species	Rate per head	Markets
1	cattle/buffalo	\$1.55	Middle East, South East Asia, Mexico, Mauritius
2	cattle/buffalo	\$3.90	Japan, China, Israel, Korea, Pakistan, Russia, Turkey
1	sheep/goats	\$0.20	Middle East, South East Asia, Mauritius
2	sheep/goats	\$0.22	Libya, Pakistan, Russia, Saudi Arabia, Turkey, breeder sheep/goats

An increase in the associated inspection services between tiers is demonstrated with the following examples. Feeder cattle to Indonesia (Cattle Tier 1) is a relatively simple process with a low number of properties from where the cattle are sourced, treatments prior to export involves only a simple vaccination and treatment for parasites undertaken at one location by generally one accredited veterinarian. The inspection process for feeder cattle involves checking only for health and fitness to travel. In comparison breeder cattle to China (Cattle Tier 2) is a more complex process. A large numbers of properties from where the cattle have been sourced, several tests on the farm of origin, quarantine in an AQIS registered premises and further tests and treatments whilst in quarantine performed by several accredited veterinarians. The inspection process includes checking for health and fitness to travel as well as ensuring each animal has passed every pre-export test prior to loading. This involves considerably time to process the large volume of documentation and inspection to confirm the eligibility of the cattle.

For the cattle/buffalo and sheep/goat tiers a base rate of hours required to ensure that the Australian Standards for the Export of Livestock, AQIS legislation and importing country requirements have been met was determined. If the base rate is exceeded by more than 10%, due to poor preparation or paperwork by the exporter, then an additional hourly charge of \$282 will be incurred (table 4).

This additional charge applies where, in the opinion of an authorised officer performing the inspection services, the period it is necessary for an officer to spend in conducting the inspection exceeds the base hours specified in Table 4 because the animals to be inspected, or the documentation in relation to the inspection, has not been prepared properly by the exporter.

Table 4: The base hours for per head category for livestock exports by sea

Species	Tier	Base hours	Base hours plus 10%
Cattle/Buffalo	1	10	11
Cattle/Buffalo	2	20	22
Sheep/Goats	1	25	28
Sheep/Goats	2	34	38

Clients will be able to accurately estimate AQIS fees and charges for each consignment and there will be consistent charging across all AQIS regions. The hourly rate is applied if the base rates are exceeded to encourage the livestock industry to improve and maintain efficiencies when preparing consignments, and reduce risk of unrecoverable AQIS involvement where poor preparation has occurred.

b) Hourly based fee for livestock exports by air and horse exports

The current fees for livestock export by air and horse exports were calculated in the fees review conducted in 2007. At the time of the review there was insufficient data available for these exports and the fees set did not fully cost recover costs mainly due to the large number of out of business hours service required. Subsequently other areas of the program are subsidising livestock export by air and horse exports.

Livestock exports by air and horse exports will remain on an hourly rate. This is due to the multiple export markets, variance in size, from a single animal to 800 head, and consistency of consignments.

A new time based fee of \$405.00 per hour will recover cost of services including all costs involved with the issuance of export documentation. This is an increase from the current fee of \$192.00 per hour. These services include all activities involved in the issuance of export documentation such as:

- Receiving and processing notification of intention to export documents;
- Examination of documentation and verifying to importing country conditions;
- Animal inspection;
- Preparation of export documentation; and
- Overtime.

Horse exports and livestock by air exports regularly require out of business hours service from AQIS staff. The additional costs to provide out of business hours services such as overtime has been reflected in the new time based fee. Table 5 demonstrates the hourly fee based on recoverable hours against expenses.

Table 5: Calculation of Hourly Fee

Recoverable Hours 2009/10 and 2010/11	Proposed Total Expenses 2009/10	Total \$ per hour
6,600	\$2,413,523 Direct Cost \$255,133 Indirect Cost	\$405

c) Hourly based fee is increased from \$192 per hour to \$282 per hour

A time based fee of \$282.00 per hour will recover cost of services for companion animals, reproductive material, deer and camelids by sea and new protocols for livestock by sea. It includes all activities involved in the issuance of export documentation such as:

- Receiving and processing notification of intention to export documents;
- Examination of documentation and verifying to importing country conditions;
- Preparation of export documentation, dispensations; and
- Animal inspections.

A time based fee of \$282.00 per hour will apply to assess applications and conduct audits on licensed exporters, AQIS accredited veterinarians and registered premises. The revised hourly fee has been determined on the basis of:

- The total number of recovered hours for 2008/2009, excluding travel time as this is incorporated below;
- The total proposed expense; and
- The proposed Program units and fees for 2009/10 and 2010/11 to be combined with the above calculations determine the hourly rate that will allow cost recovery, providing an hourly base rate of \$282 per hour (table 6).

Table 6: Calculation of Hourly Fee

Recoverable Hours 2009/10 and 2010/11	Proposed Total Expenses 2009/2010 and 2010/2011	Total \$ per hour
17,000	\$4,252,883 Direct Cost \$525,415 Indirect Cost	\$282

The cost model has been calculated over a period of two years, the revenue and IER balance will be monitored on a monthly basis.

d) Outport fee

The outport fee encompasses the travel costs for servicing exports from an outport. An outport is any seaport that is outside the metropolitan area of a capital city. A service fee per consignment is required for exports from outports to recover the travel related costs of the officer who is located in the capital city. This fee incorporates:

- Overnight stays;
- Hire car; and
- Travel allowance in accordance with Government rates (table 7)

Table 7: Components of outport fees

Outport	AQIS Regional Office	Travel Allowance	Accommodation	Hire car	Total
Pt Hedland	Perth	\$187	\$494	\$130	\$811
Geraldton	Perth	\$187	\$450	\$130	\$767
Broome	Darwin	\$187	\$346	\$130	\$663
Wyndham	Darwin	\$187	\$400	\$130	\$717
Portland	Melbourne	\$187	\$178	\$130	\$495
Weipa	Brisbane	\$187	\$200	\$130	\$517
Karumba	Brisbane	\$187	\$240	\$130	\$557
Townsville	Cairns	\$187	\$212	\$130	\$529
Mourilyan	Cairns	\$187	\$212	\$130	\$529
Mackay	Cairns	\$187	\$230	\$130	\$547

This allows a standardised travel cost allocation to clients for outports (table 8). If an officer proceeds to the outport by air the client must pay for the airfare as this is not included in the outport fee.

Table 8: Outport Fee

Outport	Travel Mode	Total Cost
Weipa - by air	air	\$517
Townsville	air	\$529
	land	\$853
Karumba	air	\$557
Portland	air	\$495
	land	\$872
Port Hedland	air	\$811
Geraldton	air	\$767
	land	\$1176
Broome	air	\$663
Wyndham	air	\$717
	land	\$1793
Mourilyan	air	\$529
	land	\$537
Mackay	air	\$547
	land	\$1380

The rate if an officer proceeds to the outport by land has been determined by the return distance from the outport to the regional office using the \$0.65 per kilometre rate (section e) in addition to overnight stays and travel allowance.

e) Kilometre based fee

The travel rate will be a kilometre based fee of \$0.65 per kilometre for all export related travel, such as a return trip from AQIS office to the wharf and the registered premises. This fee is based on the cost of AQIS vehicles to the program.

This will allow for a consistent fee to be charged that is not dependant on time taken to travel to a location. This will allow exporters to accurately estimate AQIS fees for travel and there will be consistent charging for the multiple journeys to the same destination.

Both travel and outport fees may be split between exporters when multiple exporters utilise ports or registered premises within the same region.

f) Overnight fee

When an officer travels to a location, that is not an outport, for the purposes of inspecting an export consignment or registration of a premise and is required to stay overnight an overnight fee of \$296.00 will apply. This fee is based on travel allowance of \$187 and accommodation rate of \$109 in accordance with the government rates. This fee may be split between exporters.

g) Daily fee

The on-board veterinarian fee is to allow AQIS to monitor shipments of livestock, when required, by placing a qualified AQIS veterinarian on board shipments. To allow AQIS to recover cost for this service a daily rate of \$1417.00 will apply. The fee is based on salary costs of a veterinary officer and the at-sea allowance.

h) Licence fee

The *Australian Meat and Live-stock Industry Regulations 1998* Section 15 sets a fee for the lodgement component of \$300, for the cost of processing the application for a livestock export licence.

3.5 Summary of Charging Arrangements

The schedule of fees for 2009 to 2011 is outlined in Table 9 and Table 10.

Table 9: Schedule of fees and charges- 2009/2010

Activity	Method of Recovery	Volume of Activity	Current Price	Cost Recovery Price	Total Cost Recovered for Activity (\$,000)	Total Cost of Activity (\$,000)
1 Sea Tier 1 cattle/buffalo	Fee for service	750,000 head	\$1.25 per head	\$1.55 per head	\$1,162,500	\$1,010,142
2 Sea Tier 2 cattle/buffalo	Fee for service	100,000 head	\$2.51 per head	\$3.90 per head	\$390,000	\$368,008
3 Sea Tier 1 sheep/goats	Fee for service	3,000,000 head	\$0.12 per head	\$0.20 per head	\$600,000	\$523,679
4 Sea Tier 2 sheep/goats	Fee for service	1,000,000 head	\$0.14 per head	\$0.22 per head	\$220,000	\$180,567
5 Livestock by air and all horse consignments	Fee for service	3,300 recoverable hours	\$192 per hour	\$405 per hour	\$1,336,500	\$1,311,333
6 Hourly rate	Fee for service	8,500 recoverable hours	\$192 per hour	\$282 per hour	\$2,397,000	\$2,348,517
7 Outport fee	Fee for service	130 visits		See table 8	\$86190	\$85000
8.1 Travel	Fee for service	189,000kms	\$0.50	\$0.65	\$122,850	\$120,996
8.2 Travel overnight costs	Fee for Service	0	\$173	\$296	\$0	\$0
9 Licenses-Exporters	Fee for service	54 applications	\$300	\$300	\$16200	\$16459
10 On-board veterinarian	Fee for service	0	\$850	\$1417	\$0	\$0
					Total fee for service	\$5,964,701
					Total levy recovered	-
					Total budget funded	-
					TOTAL	\$5,964,701

Table 10: Schedule of fees and charges- 2010/2011

Activity		Method of Recovery	Volume of Activity	Current Price	Cost Recovery Price	Total Cost Recovered for Activity (\$,000)	Total Cost of Activity (\$,000)
1	Sea Tier 1 cattle/buffalo	Fee for service	640,000 head	\$1.25 per head	\$1.55 per head	\$992,000	\$1,044,933
2	Sea Tier 2 cattle/buffalo	Fee for service	95,000 head	\$2.51 per head	\$3.90 per head	\$370,500	\$380,508
3	Sea Tier 1 sheep/goats	Fee for service	2,700,000 head	\$0.12 per head	\$0.20 per head	\$540,000	\$541,724
4	Sea Tier 2 sheep/goats	Fee for service	800,000 head	\$0.14 per head	\$0.22 per head	\$176,000	\$186,630
5	Livestock by air and all horse consignments	Fee for Service	3,300 recoverable hours	\$192 per hour	\$405 per hour	\$1,336,500	\$1,357,322
6	Hourly rate	Fee for service	8,500 recoverable hours	\$192 per hour	\$282 per hour	\$2,397,000	\$2,429,779
7	Outport fee	Fee for service	130 visits		See table 8	\$86190	\$87,125
8.1	Travel	Fee for service	189,000 kms	\$0.50	\$0.65	\$122,850	\$124,021
8.2	Travel overnight costs	Fee for Service	0	\$173	\$296	\$0	\$0
9	Licenses-Exporters	Fee for service	54 applications	\$300	\$300	\$16200	\$17028
10	On-board veterinarian	Fee for service	0	\$850	\$1417	\$0	\$0
						Total fee for service	\$6,169,070
						Total levy recovered	-
						Total budget funded	-
						TOTAL	\$6,169,070

The AQIS Fees and Charges Policy states that programs should endeavour to fully recover their costs in the year they are incurred. Full cost recovery in one year is however, weighed against the necessity for price stability and, in practice, it is unlikely to be possible to achieve full cost recovery in one year. Fees and charges are also set at a level to avoid sustained over or under recoveries in future years. Cost recovery outcomes are fully detailed in the AQIS Report to Clients, which is produced annually and is available on the AQIS website.

The AQIS Report to Clients provides the following information to clients:

- Current year results;
- Accumulated results taking into consideration prior years; and
- Details of any funds held in industry liability accounts.

Fees and charges have been formulated to properly reflect the costs of providing the activity (Table 11).

Table 11: LAE Program Results Based on Fee Review - 2009/2010 to 2010/2011

	2009/2010
Total Revenue	\$6,331,240
Total Expenditure	\$5,964,701
Surplus / (Deficit)	\$366,539
IEA balance	\$366,539

	2010/2011
Total Revenue	\$6,037,240
Total Expenditure	\$6,169,070
Surplus / (Deficit)	(\$131,830)
IEA balance	\$234,709

Based on the 2009/2010 financial year the Program expects to carry over \$366,539 in to the Industry Equalisation Account (account). However in the 2010/2011 financial year the Program expect a loss of \$131,830 therefore the balance of the account will be \$234,709 at the end of the 2010/2011 financial year.

The principal purpose of the income equalisation account is to enable AQIS and industry to overcome unforeseen fluctuations in the recovery of expenditure within each industry over a period of years. This account is designed to reduce the need for constant changes to fee/charging levels to accommodate unforeseen and often uncontrollable circumstances. Examples of unforeseen circumstances include results of severe climatic changes on production and exports or loss of major markets. IEA accounts are established with the agreement of industry through the program consultative committees.

Another fee review is planned for February 2011 to implement further fee amendments if necessary. However, should the program over or under recover significantly (variance of 10%) the fees review will be moved forward.

4 Ongoing Monitoring

4.1 Monitoring Mechanisms

Regular consultation with the livestock export industry on cost recovery and regulatory activity occurs at the Livestock Exporters Industry Consultative Committee (LEICC) meetings. This consultation provides a process for monitoring of fees charged on an on-going basis and provides information on the changing dynamics of the industry that may need consideration in the review of fees and charging structures. It allows AQIS to work in partnership with the industry to:

- review of AQIS activities and resources supporting export inspection and certification services for the industry,
- identify improved service delivery arrangements,
- ensure that risk is appropriately managed within the industry to the benefit of all stakeholders.

4.2 Stakeholder Consultation

Regular consultation with the live animal export industry on cost recovery and regulatory activity occurs through the Livestock Exporters Industry Consultative Committee (LEICC). LEICC is the principal advisory forum for AQIS and the livestock export industry to consult on all issues relating to Australia livestock exports.

The membership of LEICC comprises of representatives from key industry sectors:

- Australian Livestock Exporters' Council
- LiveCorp
- Cattle Council of Australia
- Sheepmeat Council of Australia
- Australian Veterinarians Association
- Australian Maritime Safety Authority
- Meat and Livestock Australia
- LiveShip
- AQIS and Department representatives.

LEICC meetings are conducted every six months. Through these meetings the program's cost recovery status is reported on. This provides a process for consultation with industry regarding fees charged on an on-going basis and provides information on the changing dynamics of the industry that may need consideration in the review of fees and charging structures.

AQIS has advised the Australian Livestock Exporters Council, Pet Industry Association of Australia, companion animal exporters, horse exporters and reproductive material exporters about the proposed fee structure.

AQIS proposal has been agreed to in principal by the Australian Livestock Exporters Council subject to *"a suitable process being implemented that supports the transparent review of AQIS activities and resources supporting export inspection and certification services for the industry, as well as identification of areas that will result in improved services for the industry as well as identification of areas that will result in improved services of reduced AQIS costs."* AQIS supports this proposed initiative as put forward by industry.

The Program will notify its clients of the revised fees and charges through advising all relevant industry bodies and updating the 'Fee and Charging Guidelines' on the internet.

4.3 Periodic Review

Fees and charges are reviewed on a regular basis as part of the routine governance of AQIS and the financial position of the Program is also reported at all LEICC meetings. Changes to the fees and charges must be consistent with the Australian Government Cost Recovery Guidelines.

LEICC will continue to convene and review the financial status of the program in line with trade and market volumes. This approach, which is supported by industry, has been taken on the basis that fees for the program are closely linked to the level of industry activity. On the basis of current industry forecasts, a further fee review is planned for early in the 2011/12 financial year to implement further fee amendments if necessary.

In addition to this, the Program will continue to monitor its performance against budget on a monthly basis and report on its financial position through established Governance processes such as the AQIS Finance sub-committee.

5 Certification

I certify that this CRIS applies the Australian Government Cost Recovery Guidelines.



Craig Burns
A/g Executive Director
AQIS
Department of Agriculture, Fisheries and Forestry

Date: 30/11/09

Appendix 1 - Existing and proposed fee structure
Appendix 2 - FTE split for program activities

LIVE ANIMAL EXPORT PROGRAM

FEE CATEGORY	Existing Rate including Govt 40% Contribution	Existing Rate without Govt 40% Contribution	Proposed Rate for 09/10	% change
Charge Description	A	B	C	C - A C - B
Unit				
Hourly rate - processing export documentation and audits	\$192	\$320	\$282	47% -12%
Travel	\$0.50	\$0.83	\$0.65	30% -22%
Travel - Overnight costs	\$173	\$288	\$317	83% 10%
Livestock Exports by sea				
Tier 1 Cattle/buffalo	\$1.25	\$2.08	\$1.55	24% -25%
Tier 2 Cattle/buffalo	\$2.51	\$4.18	\$3.90	55% -7%
Tier 1 Sheep/goats	\$0.12	\$0.20	\$0.20	67% 0%
Tier 2 Sheep/goats	\$0.14	\$0.23	\$0.22	57% -4%
Livestock exports by air	\$192	\$320	\$405	111% 27%
Horse exports	\$192	\$320	\$405	111% 27%
AQIS on-board Veterinarian	\$850	\$1,417	\$1,417	67% 0%
Livestock Export Licence - Application	\$300	\$300	\$300	0% 0%
Outport Fees				
Weipa - by air	\$266	\$443	\$517	94% 17%
Townsville - by air	\$234	\$390	\$529	126% 36%
Karumba - by air	\$234	\$390	\$557	138% 43%
Portland - by air	\$234	\$390	\$495	112% 27%
Portland - by land	\$410	\$683	\$872	113% 28%
Port Hedland - by air	\$270	\$450	\$811	200% 80%
Geraldton - by air	\$234	\$390	\$767	228% 97%
Geraldton - by land	\$435	\$725	\$1,176	170% 62%
Broome - by air	\$277	\$461	\$663	139% 44%
Wyndham - by air	\$234	\$390	\$717	206% 84%
Wyndham - by land	\$972	\$1,620	\$1,793	84% 11%
Townsville - by land	-	-	\$853	- -
Mourilyan - by air	-	-	\$529	- -
Mourilyan - by land	-	-	\$537	- -
Mackay - by air	-	-	\$547	- -
Mackay - by land	-	-	\$1,380	- -

Appendix 2:

2009/2010

Total

	Activity 1	Activity 2	Activity 3	Activity 4	Activity 6	Activity 7	Activity 8	Activity 11	Activity 12	Activity 13	Activity 14	Assumptions
	Sea Tier 1 Cattle/ Buffalo	Sea Tier 2 Cattle/ Buffalo	Sea Tier 1 Sheep/ Goats	Sea Tier 2 Sheep/ Goats	Air (inc All horses e: Consignments hourly	Dog / Cats per head	Companion Animals per head	Licencing	Travel cents per K/M	Output	AAV shipboard	

FTE	38.17	2.4	3.3	1	8	9.7	6.775	0.115	0	38.17		
Employee Expenses	3,683,463.01	219,994.72	330,197.94	103,281.43	880,408.21	885,091.93	618,195.65	10,493.36	-	-	-	Allocated by FTE's
Employee Remuneration	635,799.78	219,994.72	330,197.94	103,281.43	880,408.21	885,091.93	618,195.65	10,493.36	-	-	-	Allocated by FTE's
Overtime	457,760.78	159,683.99	219,565.49	66,535.00	532,279.98	645,389.48	450,774.61	7,651.52	-	-	-	Allocated by FTE's
Leave Entitlements	200,590.64	8,023.23	29,084.19	12,034.84	150,435.48	79,637.06	55,622.79	944.15	-	-	-	based on sea 47%, air 24%, other by hour 18% ho
Other Employee On Costs	313,375.92	19,704.01	27,093.02	8,210.01	65,680.05	34,807.17	24,311.19	412.66	-	-	-	Allocated by FTE's
Staff Training & Development	136,968.00	8,612.08	11,841.61	3,588.37	28,706.94	7,030.68	4,910.60	83.35	-	-	-	Allocated by FTE's
Superannuation	27,666.08	4,986.71	2,391.88	724.81	5,798.50	118,227.55	82,576.46	1,401.87	-	-	-	Allocated by FTE's
Supplier Expenses	465,231.52	83,856.24	40,221.75	12,188.41	97,507.26	447,884.47	316,642.88	5,402.55	120,996.12	85,000.00	-	Allocated by FTE's
Consultancy Services	2,094,263.60	340,641.03	177,316.07	72,386.64	391,737.11	179.60	152.10	2.58	-	-	-	Allocated by FTE's
General Office Supplies	856.90	154.45	74.08	22.45	7,449.39	9,032.38	6,308.70	107.08	-	-	-	Allocated by FTE's
Governance	3,325.10	209.07	287.47	87.11	696.90	845.00	590.19	10.02	-	-	-	Allocated by FTE's
HR Services	5,365.88	987.18	463.91	140.58	1,124.63	1,363.61	952.42	16.17	-	-	-	Allocated by FTE's
IT Comms & Office Equip	243,507.20	43,891.26	21,052.50	6,379.54	51,036.35	61,881.58	43,221.41	733.65	-	-	-	Allocated by FTE's
Legal	50,541.73	9,477.82	9,477.82	9,477.83	9,477.83	397.61	2,598.91	156.08	-	-	-	Allocated by FTE's
Memberships & Conferences	13,253.25	2,388.85	1,145.81	347.22	2,777.73	3,368.00	2,352.39	39.93	-	-	-	Allocated by FTE's
Official Hospitality	2,170.95	136.50	187.69	56.88	455.01	551.70	385.33	6.54	-	-	-	Allocated by FTE's
Other Administrative	97,922.35	17,650.14	8,465.91	2,565.43	20,523.42	24,864.64	17,380.77	295.02	-	-	-	Allocated by FTE's
Property & Accommodation	442,689.30	79,793.09	38,272.85	11,597.83	92,782.67	112,498.98	78,575.32	1,333.75	-	-	-	Allocated by FTE's
Purchase of Publications	858.95	154.82	74.26	22.50	180.03	218.28	152.46	2.59	-	-	-	Allocated by FTE's
Special Category	601,136.88	37,797.45	51,971.49	15,748.94	125,991.49	152,764.68	106,699.04	1,911.13	-	-	-	Allocated by FTE's
Technical & Field	2,906.90	523.96	251.32	76.16	609.25	738.72	515.96	8.76	-	-	-	Allocated by FTE's
Temporary & Contract Staff	291,835.95	52,602.34	25,230.77	7,645.69	61,165.51	74,163.18	51,799.54	879.25	-	-	-	Allocated by FTE's
Travel	181,353.25	17,287.32	17,287.31	17,287.31	17,287.31	4,956.35	4,958.34	-	-	-	-	Allocated by FTE's
Vehicles	120,996.13	32,946.71	15,802.93	4,788.77	38,310.13	46,451.04	32,443.89	550.71	120,996.12	85,000.00	-	based on 50% sea, 40% air, 10% other, 1% licenc
Corporate Expense Allocat	182,787.23	92.19	44.22	13.40	107.20	129.98	90.78	1.54	-	-	-	Allocated by FTE's
Depreciation & Amortisatio	511.48								-	-	-	Allocated by FTE's
Write Down of Assets	3,575.66								-	-	-	Allocated by FTE's
Total Expenses	5,954,700.95	1,010,142.24	523,676.94	180,566.56	1,311,533.02	1,380,431.50	938,025.92	16,459.23	120,996.12	85,000.00	-	Total expenses based on Jan-Dec 2008 actuals

Revenue	6,361,240.00	1,162,500.00	600,000.00	220,000.00	1,336,500.00	1,410,000.00	987,000.00	16,200.00	122,850.00	86,190.00	-	
Surplus/deficit	366,539.04	152,357.76	76,321.06	39,433.47	25,166.98	29,508.50	18,974.38	259.23	1,853.88	1,190.00	-	
Numbers		head	head	head	hourly	hourly	hourly	per hour	54	130	653.85	
		750000	3000000	1000000	3300	5000	3500	304.80	189000	0.64		
		1.35	0.17	0.18	397.37	276.10	276.58					

Based on Budget figures

Recoverable hours based on 800 other C/A consignments at 1 hour each

250 hours sea other

1000 repro, 1000 premise & licences, 450 accreditation

total recoverable hours 3500