



Australian Government

Australian Quarantine and Inspection Service

Cost Recovery Impact Statement Amendment of Fees for the Seaports Program

Purpose of Cost Recovery Impact Statement

This proposal involves the amendment of the current fee structure for the Seaports Program (the Program). This Cost Recovery Impact Statement (CRIS) highlights the rationale for the amendments to the fee structure. To effect these fee changes, amendments will be required to the Quarantine Fees Determinations 2001.

Initial Policy Review

Organisational Objectives

The Australian Government Department of Agriculture, Fisheries and Forestry (the Department) is responsible for a wide range of issues including:

- Quarantine, export inspection and certification based on monitoring of food safety standards, which are essential for the maintenance of Australia's highly favourable animal and plant health status, and support Australia's position in global trade.

The role of the Department is to assist the Government to achieve its policy objectives and administer legislation in these areas by contributing to the following Outcome identified in the Department's Business plan 2004 - 2005:

- Australian agricultural, fisheries, food and forestry industries that are based on sustainable management of and access to markets; are protected from diseases and are underpinned by scientific advice and economic research.

The Australian Quarantine and Inspection Service (AQIS) is an Output Group of the Department. AQIS contributes to the achievement of the Department's Outcome by meeting the following Output objective:

- To protect Australia's animal, plant and human health status and maintain market access through delivery of quarantine and export services.

AQIS provides the following performance information for the provision of effective quarantine services:

- quarantine intervention at the border;
- quarantine risk effectiveness at the border; and
- level of public awareness of AQIS quarantine services.

AQIS has a vital role in implementing and administering strict quarantine controls at Australia's borders to minimise the risk of exotic pests and disease incursions. With support from industry and the community, AQIS responds to potential quarantine threats to maintain Australia's animal, plant and human health status and protect Australia's agricultural industries.

The primary function of the Seaports Program is to ensure that all vessels arriving in Australia from overseas comply with International Health Regulations and to ensure that all quarantine risk posed by the vessel is adequately managed.

This is achieved by:

- assessing the quarantine risk of each vessel entering Australian waters; and

- taking all action necessary to ensure that the vessel does not introduce any exotic pests and diseases as determined by the risk assessment.

The nature of the services provided is:

- inspections of overseas vessels arriving at their first port of call in Australia to assess the hygiene of food preparation and storage areas and to ensure the vessel is not harbouring prohibited animals, quarantine risk material, quarantinable disease, vermin or exotic insects to enable the granting of pratique;
- inspection services for the issuance of de-rat certification;
- monitoring of ballast water management arrangements, waste disposal systems, animal and plants on board vessels and inspections for Asian Gypsy Moth and exotic bees;
- wharf surveillance activities, quarantine signage on wharves and port environs, onshore waste management and clearance of passengers from vessels; and
- vector monitoring around seaports for the entry of exotic mosquitoes that could be vectors of human disease, and other insects that pose threats to animal and plant health vectors (such as screw worm fly and bluetongue vectors (*Culicoides* spp)).

Should cost recovery be introduced?

AQIS has operated in a cost recovery environment since 1993, as stipulated in a Memorandum of Understanding (MOU) between AQIS and the Department of Finance and Administration (DoFA). 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 major rationale for developing and implementing cost recovery is the 'beneficiary pays' principles which is based on the principle 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.

The beneficiaries in this situation are shipping agents and importers and other parties in receipt of inspection and treatment services.

In accordance with Government policy, the cost of the services provided by the Seaports Program are met by:

- cost recovery; and
- budget funding of approximately \$90,000 per year.

The Program is allocated budget funding for a range of activities that AQIS performs as a direct service to Parliament, the Minister and the Government.

The following are examples of the types of activities undertaken by the Program:

- policy advice;
- Commonwealth Government reporting advice; and
- representations made to Parliament, the Minister and Government.

87% of the Seaports Budget is directly cost recovered.

The Program is seeking to realign fees that are currently being charged more closely to the cost of providing these services and to provide a sound, clear legislative basis for all fees and charges currently imposed by the Program.

Significant cost modelling analysis has been undertaken by the Program and AQIS Finance in an effort to calculate the precise costs of providing these services to industry. See Appendix A.

Mechanisms, including consultation, for monitoring ongoing efficiency and effectiveness of cost recovery arrangements

Regular consultation with the shipping industry on cost recovery and other matters occurs through the AQIS Industry Cargo Consultative Committee (AICCC). The AICCC is the principal advisory forum for AQIS and the cargo handling, logistics and importing industry to consult on all issues arising from the management of Australia's Import Clearance and Seaport quarantine strategy.

Membership of AICCC comprises representatives from key industry sectors:

- Industry Working Group on Quarantine (IWGQ)
- Regional cargo facilitation committees/councils
- Shipping lines
- Stevedoring/container terminal and depot operators
- Customs brokers
- Air/sea freight forwarders
- Importers/cargo owners
- Airlines/cargo terminal operators
- Air express operators/couriers and
- AQIS representatives.

Face to face meetings of the AICCC are conducted quarterly. Additionally, the AICCC Seaports Sub-Committee meets on an as-needs basis to work through Seaport specific issues.

This consultation provides a process for monitoring of fees charged on an on-going basis and provides valued information on the changing dynamics of the industry that needs consideration in the review of fees structures.

Future cost recovery review arrangements

Fees and charges are reviewed on a regular basis as part of the routine governance of AQIS. The financial position of the Program is reported to and discussed at all AICCC meetings as a standing agenda item.

Any change in fees and charges are underpinned by expert financial advice. On the basis of present forecasts, a further formal fee review is planned for June / July 2008. In addition to this, the Seaports 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 and Audit Committee (FAC).

Design and Implementation

Who should pay cost recovery charges?

In accordance with the user pays principle applicable to cost recovery arrangements, clients who receive Seaport Program services are required to pay associated fees.

The cost recovery arrangements for the provision of Program services include:

- the provision of vessel clearance (pratique);
- certification services;
- clearance of passengers and their baggage;
- vector surveillance and monitoring;
- human quarantine surveillance and assessment; and
- all routine surveillance activities at Australian Seaports.

Individual businesses and people who receive the service are required to pay the associated costs.

In the shipping industry, these people include:

- agents and importers and other parties in receipt of treatment and inspection services including:
 - commercial vessels that arrive into Australia from an international port, normally charged through their agents; and
 - recreational vessels that arrive into Australia from an international port.

Should cost recovery charges be imposed using fees or levies?

This proposal is an adjustment to fees that are already imposed under the "user pays" principle. In this way, the individual or business that is the recipient of the benefit of the service provided by the Program directly pays for the service rather than levying charges across an industry sector or the industry as a whole.

What are the legal requirements for the imposition of charges?

Section 86E of the Quarantine Act 1908 provides that the Minister may determine fees in respect of specified services provided under the Act. The current fees are set out in the *Quarantine Service Fees Determinations 2001*.

Which issues should the proposed legislation address?

The legislation will be amended to:

- further underpin current and proposed Program business practices;
- further clarify under what circumstances Program services will be cost recovered;
- simplify the wording of the Determinations to improve Industry and Program understanding and therefore consistency of the application of fees and charges; and
- accommodate the proposed fee structure so that the Program will be able to recover its costs.

The existing and proposed fee structure reflected in the legislation is at Appendix B – Quarantine Fees Determinations - Seaports Program Current and Proposed Fee Structure.

Which costs should the charges include?

AQIS seeks to meet the commitment to recover the Program's direct and indirect costs associated with managing the quarantine risks associated with international vessels and passengers in a manner that is fair and equitable across the various sectors of the industry.

How should the charges be structured?

Fee for Service (FFS)

The proposed changes to the Program's fees and charges will be structured to align more closely to the real cost of providing the service.

The categories of fees and charges affected are:

- a) Fee for Service half hourly and quarterly fee;
- b) Pratique of Vessels < 25mt;
- c) Pratique of Vessels >25mt;
- d) Clarification of the de-rat exemption fee.
- e) Daily and weekly rates
- f) Overtime
- g) Overnight Fee

a) ½ hourly rate - from \$68 to \$80

The increase equates to 15%.

- This increase is based on increased activity associated with post Increased Quarantine Intervention (IQI) administration, travel costs and employee expenses.

The proposed rate of \$80 will be the same as the Import Clearance ½ hourly FFS.

¼ hourly rate - from \$34 to \$40 per ¼ hour

The increase equates to 15%.

- This is in line with the ½ hourly increase.
- The proposed rate of \$40 will be the same as the Import Clearance ¼ hourly FFS.

b) Pratique of Vessels <25mt

From \$132 to a \$160 pratique

This is a direct increase based on the increase in the FFS rate from \$68 to \$80; the yacht inspection allows for ½ hour inspection and ½ hour documentation. As the entire hour allocated for the Yacht Pratique is not all undertaken on site, the continuation of a separate charge in the Determinations is recommended. This will provide our yachting clients with a consistent fee and also allow the Program to be able to monitor and report on yacht arrivals and compliance through its Vessel Monitoring System. The increase equates to a 17%.

c) Pratique of Vessels > 25mt

Increase of existing fee of \$680 to \$800 per vessel. This equates to a 15% increase and 5 hours FFS. The increase is due to increases related to:

- the Department's Certified Agreement (CA);
- normal CPI increases
- additional, ongoing Increased Quarantine Intervention (IQI) costs including:
 - costs associated with increased wharf surveillance and vessel waste management;
 - the additional cost of performing 2nd port inspections; and
- operational field resources that are required to enhance the management of quarantine risks posed by illegal foreign fishing vessels and marine pests including ballast water.

It is proposed to change the current 1.5 hours included in the Pratique fee to 2 hours. This would amalgamate the legislation with current industry practice, and in effect, lessen the impact on business. The additional ½ hour is a direct result of the introduction of mandatory ballast water management and allows additional time for quarantine officers to verify ballast water logs on the commercial vessels.

d) De-rat Exemption Fee

To simplify the Determinations, the old De-rat Exemption fee has been moved to Item 48 the more general 'Performance of a service in relation to a vessel, other than an aircraft, for which a fee is not mentioned in item 47'. The fee is applied in exactly the same way and is \$80 for the first half hour and \$40 for each quarter hour after the initial half hour.

e) Daily and Weekly Rates

It is proposed to increase the daily and weekly rates from \$605 and \$2107 to \$714 and \$2486 respectively. These increases are commensurate with the proposed increase in the half-hour fee-for-service rates and reflect the cost of providing these services.

f) Overtime and Overnight

The current shiftwork and overtime fees stated in the Determination are complex for clients to understand and for AQIS to administer. It is proposed to standardise these fees across quarantine programs within AQIS and to introduce a format that is clear, concise and

consistent in application. Shiftwork fees will be deleted, with the current overtime rates amended slightly. Veterinary and non-veterinary rates have also been combined.

It is proposed that the fees for overnight costs be increased from \$120.00 per night to \$150.00 per night, which better reflects the increased costs of overnight accommodation.

How should costs be calculated and allocated?

In determining the new mix of charges, all costs attributed to the Program have been allocated to various activities and the activities aggregated under one of the existing revenue streams based on validation by way of comparison with AQIS's activity assessment reports conducted by all AQIS staff. The core data for the review is based on 2003 / 04 budgeted costs and activity levels for 2002 / 03 which was an average year.

The AQIS Fees and Charges Policy states that programs should ideally 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 not be possible to achieve full cost recovery in one year. Fees and charges are also set at a level to avoid sustained over 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.

Outcomes of Consultation with Stakeholders

AQIS has consulted extensively with the AQIS / Cargo Industry Consultative Committee (AICCC) as part of the formal mechanism for reviewing charging arrangements and the proposed fees. The AICCC was established in 1993 to act as the peak industry consultative group between AQIS and the cargo handling / importing industry on all operational, policy, efficiency and strategic issues.

One of the key roles of the AICCC is the consideration of program budgets, cost recovery mechanisms and charging levels and key program performance issues such as efficiencies and effectiveness indicators.

Membership of the AICCC currently comprises representatives of component sections of the logistics and importing chain including shipping, air transportation, shore-based logistics, barrier clearance, international freight forwarding, express carriers, food and beverage importers and cargo owners.

Current membership of the AICCC includes representatives of:

- Customs Brokers and Forwarders Council of Australia Inc. (CBFCA);
- Australian Chamber of Commerce and Industry (ACCI);
- Food & Beverage Importers Association; (FBIA)
- International Air Couriers Association of Australia; (IACAA)
- Australian Air Transport Association; (AATA)
- Australian Container Depot Association Inc; (ACDA) this is changing
- Australian Federation of International Forwarders; (AFIF)
- Shipping Australia Limited ; (SAL) and
- Industry Working Group on Quarantine (IWGQ)

The above industry associations have significant membership. All sizes of business maintain representation, from large businesses through to individuals.

- The ACCI is the peak council of Australian business associations. It represents businesses through Chambers of Commerce in each State and Territory, and a nationwide network of industry associations. The ACCI operates at a regional, national and international level, ensuring the concerns of business are represented at a federal government level, and to the general public.
- The CBFCA, has approximately 70% membership of companies and approximately 80% membership of individual brokers employed by those companies within Australia. Membership encompasses individual brokers and small businesses as well as large multinationals.

A sub committee of the AICCC – the AICCC Seaports Program Working Group was formed in 2002. In 2003/04 the Program reviewed its expenditure and revenue activities through a formal Resource and Cost Allocation Review, conducted by an external contractor. The Review validated existing activities and the staffing levels needed to deliver these activities. The Review was endorsed by Industry at the AICCC Seaports Program Working Group meeting in April 2004. The findings of the Review have been further validated by AQIS Finance's cost modelling.

As previously indicated, the AICCC has been extensively consulted throughout the process of generating the new fees structure. It has endorsed the logical and rational approach to the calculation of the fees.

The Seaports Program will notify its clients of the revised fees and charges through the established process by issuing an Industry Advice to Agents and by updating the 'Fee and Charging Guidelines' on the internet.

The Program policy on transparency and of forewarning of scheduled changes has placed it in a good position to manage any future fee changes. The AQIS Finance team has ensured consistency policy application in the development of the charge structure across various programs.

I certify that this CRIS applies the Commonwealth Cost Recovery Guidelines for Regulatory Agencies.

MERYL STANTON
Executive Director
AQIS

Date:

APPENDIX A

Seaports - Revenue and Expenditure Analysis Fee Structure - 2005/2006 to 2007/2008						
Revenue Stream	Units	Expenditure	Current Fee Structure		Proposed Fee Structure	
			Fee		Fee	Revenue
Commercial Vessels						
- initial fee	34,757		680	23,634,760	800	27,805,600
- additional fee	5,196		34	176,664	40	207,840
Commercial Vessels Sub Total		28,203,801		23,811,424		28,013,440
Yachts						
- initial fee	2,418		132	319,176	160	386,880
- additional fee	333		34	11,322	40	13,320
Yachts Sub Total		430,219		330,498		400,200
Fee for Service						
- initial fee	18,873		68	1,283,364	80	1,509,840
- additional fee - 1/4 hour	27,342		34	929,628	40	1,093,680
- additional fee - day	714		605	431,970	714	509,796
- additional fee - week	12		2,107	25,284	2,486	29,832
FFS Sub Total		3,302,255		2,670,246		3,143,148
Passenger Processing & Foreign Fishing Vessels						
		4,319,545		4,223,582		4,477,680
Overtime/Shiftwork						
		1,673,234		1,749,250		1,749,250
Total Revenue				32,785,000		37,783,718
Total Expenditure		37,929,054		37,929,054		37,929,054
Surplus/(Deficit)				-5,144,054	**	-145,336
IER Balance/ (Deficit)				-4,800,054	**	198,664

**** The proposed deficit of \$145k will be offset by funds in the IER.**

APPENDIX B

Quarantine Fees Determinations - Seaports Program – Current and Proposed Fee Structure

NEEDS TO BE UPDATED WHEN THE NEXT DRAFT OF THE DETERMINATIONS ARRIVE TO LRU

	2001 - Existing		2005 - Proposed	
			Part 5 Seaports Division 1 General	
c	Routine examination and clearance at first and subsequent seaports of call in Australia for each entry of:		44 Routine inspection for the purpose of granting pratique at the first seaport of call in Australia	
	(a) granting of pratique:		(a) for a vessel, other than an aircraft, that is longer than 25 metres	For each Officer performing the inspection:
	(i) with inspection of non-aircraft vessels in excess of 25 metres overall length	\$680 plus		(a) for any period up to 2 hours - \$800; and
		\$34 for each quarter or part thereof in excess of 1.5 hours of inspection for each officer performing the service		(b) for each quarter hour, or part of a quarter hour after the 2-hour period - \$40
	(ii) with inspection of non-aircraft vessels 25m or less in overall length	\$132 for the first hour or part thereof for each officer performing the service, then	(b) for a vessel, other than an aircraft, that is up to 25 metres in length	For each Officer performing the inspection:
		\$34 for each additional quarter hour or part thereof for each officer performing the service		(a) for any period up to an hour - \$160; and
				(b) for each quarter hour, or part of a quarter hour, after the first hour - \$40

b	(b) follow-up inspections	\$68 for the first half hour or part thereof for each officer performing the service, plus	45	Performance of a service in relation to a vessel, other than an aircraft, for which a fee is not mentioned in item 44	
a		\$34 for each additional quarter hour or part thereof for each officer performing the service		(a) for any of the following inspections: (i) follow-up inspections for a vessel other than an aircraft; (ii) inspections for the purpose of issuing a deratting exemption certificate; (iii) any other service	For each Officer performing the service: (a) for the first half hour, or part of a half hour - \$80; (b) for each quarter hour, or part of a quarter hour, after the first half hour - \$40
d					
d	Deratting certificate when not performed in conjunction with first port of call inspection	\$68 for the first half hour or part thereof for each officer performing the service, plus		DELETE	
		\$34 for each additional quarter hour or part thereof for each officer performing the service		DELETE	
	Performance of a non-aircraft vessel related service for which a fee is not set out in item 35 or 36:			DELETE	
	(a) for inspections or any other quarantine service	\$68 for the first half hour or part thereof for each officer performing the service, plus		DELETE	
		\$34 for each additional quarter hour or part thereof for each officer performing the service		DELETE	
e	(b) for the services of each inspector whose services	\$605 per day	45	(b) for the services of an Officer for 1 or more working	For each Officer performing the service - \$714 for each

	are required for a normal working day			days	working day
e	(c) for the services of each inspector whose services are required during normal working hours for a week	\$2,107 per week		(c) for services of an Officer for 1 or more working weeks	For each Officer performing the service - \$2486 for each working week
	Provision of a service through a third party, being a service not specified elsewhere in this schedule	a fee equivalent to the cost incurred by AQIS in connection with the provision of the service	46	Provision of a treatment or other service mentioned in the Act, that is arranged by AQIS, but provided by a third party	A fee equivalent to the cost incurred by AQIS in arranging and paying for the third party to provide the service
f	E. Shift work and overnight			Division 2 Additional fees for services performed at seaports outside ordinary hours of duty	
	When services are performed outside an officer's usual hours of duty, or an officer is required to perform shiftwork, an additional fee will be charged calculated at the following rates:		47	Performance of a service mentioned in an item of Division 1 on:	
	(a) time and a half:				
	(ii) for other officers	\$8.30 for each ¼ hour or part thereof. A minimum fee of \$144 applies when the services are performed non-continuously with ordinary duty		(a) a weekday (outside ordinary hours of duty)	For each Officer performing the service: (a) if the services are performed immediately before or immediately after the services performed by the Officer during ordinary hours of duty - \$10 for each quarter hour, or part of a quarter hour; or (b) in any other case (i) for any period up to 3 hours - \$120; and (ii) for each quarter hour, or part of a quarter hour, after the 3 hour period - \$10
	(b) double time:			(b) Saturday	For each Officer

				performing the service: (a) for any period up to 3 hours -\$120; and (b) for each quarter hour or part of a quarter hour after the 3 hour period - \$10
	(ii) for other officers	\$11 for each ¼ hour or part thereof. A minimum fee of \$177 applies when the services are performed non-continuously with ordinary duty	(c) Sunday	For each Officer performing the service: (a) for any period up to 3 hours - \$156; and (b) for each quarter hour or part of a quarter hour after the 3 hour period - \$13
	(c) double time and a half:			
	(ii) for other officers	\$14 for each ¼ hour or part thereof. A minimum fee of \$222 applies when the services are performed non-continuously with ordinary duty	(c) an AQIS holiday	For each Officer performing the service: (a) for any period up to 3 hours -\$192; and (b) for each quarter hour or part of a quarter hour after the 3 hour period - \$16
	(i) for shiftwork performed on a Monday, Tuesday, Wednesday, Thursday or Friday which is not a holiday	\$1 per quarter hour	REMOVED	
	(ii) for shift work performed on Saturday	\$3.50 per quarter hour	REMOVED	
	(iii) for shift work performed on Sunday	\$7 per quarter hour	REMOVED	
	(iv) for shift work performed on a public holiday during normal hours	\$10.60 per quarter hour	REMOVED	
	(v) for shift work performed on a public holiday outside	\$17.60 per quarter hour	REMOVED	

	normal hours				
	(e) for the performance of shiftwork by other officers:			REMOVED	
	(i) for shiftwork performed on a Monday, Tuesday, Wednesday, Thursday or Friday which is not a holiday	\$0.70 per quarter hour		REMOVED	
	(ii) for shift work performed on Saturday	\$2.30 per quarter hour		REMOVED	
	(iii) for shiftwork performed on Sunday	\$4.70 per quarter hour		REMOVED	
	(iv) for shiftwork performed on a public holiday during normal hours	\$7 per quarter hour		REMOVED	
	(v) for shiftwork performed on a public holiday outside normal hours	\$11.80 per quarter hour		REMOVED	
g	Overnight costs when an officer is required to stay overnight in order to perform services	\$120 per night	48	Performance of a service mentioned in an item of Division 1 or 2 in circumstances in which it is necessary for the Officer performing the service to stay overnight away from home in order to perform the service	For each Officer required to stay overnight - \$150 a night

AUSTRALIAN QUARANTINE AND INSPECTION SERVICE

COST RECOVERY IMPACT STATEMENT

AMENDMENT TO FEES FOR THE GRAIN EXPORT PROGRAM

PURPOSE OF COST RECOVERY IMPACT STATEMENT

This proposal involves amendment of the current fee structure for the Grain Export Program of Australian Quarantine and Inspection Service (AQIS) to introduce equitable travel charges and reduce documentation charges. The proposal will involve amending the *Export Control (Fees) Orders 2001*. These changes will align cost recovery mechanisms with contemporary inspection and industry practices. Existing tonnage and fee-for service charges will not be altered.

INITIAL POLICY REVIEW

Relevant Organisational Objectives

The Department of Agriculture, Fisheries and Forestry is responsible for a wide-range of issues including:

- Quarantine, export inspection and certification and food safety standards activities, essential for maintaining Australia's highly favourable animal and plant health status, and are also important parts of the international regulations governing the trade between nations.

The role of the Department is to help the Government to achieve its policy objectives and administer legislation in these areas by contributing to the following Outcome identified in the Department's Portfolio Budget Statements 2003-2004:

- 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 Australian Quarantine and Inspection Service (AQIS) is an Output Group of the Department. AQIS contributes to the achievement of the Department's Outcome by meeting its Output Objective which is:

- To protect Australia's animal, plant and human health status and maintain market access through the delivery of quarantine and export services.

The performance information relevant to the provision of effective export services is the:

- Number of consignments in export markets where facilitation of release of cargoes is attributed to AQIS involvement.
- Rate of rejections of export consignments.
- Level of awareness of AQIS export services.

Should Cost Recovery be Introduced?

In accordance with Government policy, 60% of the costs of activities for export services are cost recovered. The current cost recovery arrangements for services provided by the Grain Exports Program fall into the broad category recognised in the Commonwealth Cost Recovery Guidelines for Regulatory Agencies as fee for service.

Mechanisms, including consultation, for monitoring ongoing efficiency and effectiveness.

Regular consultation with the export grain industry on cost recovery and other matters occurs with industry through the AQIS/Grains Industry Consultative Committee (AGICC) comprising representation from various sectors within the industry. This consultation provides a process for monitoring of fees charged for grain exports.

Future Cost Recovery Review Arrangements

Fees and charges are reviewed on a regular basis. The fees and charges are discussed at all AGICC meetings during the reporting of the financial position of the Grain Export Program, which is a standing item on AGICC meetings held in May, August and December each year. AQIS is scheduled to review its existing cost recovery arrangements during 2004/05.

DESIGN AND IMPLEMENTATION

Who Should pay Cost Recovery Charges

In accordance with the user pays principle applicable to the current cost recovery arrangements applicable to grain/seed/field crop exports, the persons who receive the service are required to pay the fee. In the grain export industry, the persons who receive the service may include:

- Bulk handling companies
- Seed/grain merchants
- Grain marketers
- Stockfeed/fodder industry
- Grain cleaners-packers
- Container operators
- Cotton exporters

Should Cost Recovery Charges be Imposed using a Fee or Levy?

This proposal is an adjustment to fees that are already imposed under the user pays principle. In this way, the individual or business that seeks to benefit from the service pays directly for the service, rather than levying across an industry group.

What are the Legal Requirements for the Imposition of Charges?

The Department already charges fees under the *Export Control Act 1982* for services relating to the export of grains, seeds, field crops and other plant products. In accordance with current arrangements for cost recovery for grain exports, it is proposed to impose the charge by a fee for service rather than a tax. The current fees are set out in the *Export Control (Fees) Orders 2001*.

Which issues should the legislation address?

The existing Grain Export Program fees structure reflected in the *Export Control (Fees) Orders 2001* is provided at Attachment 1. There are three problems that have been identified with the current fee structure:

- (i) the socialisation of costs between bulk loading and containerised loading services no longer provided equity throughout the industry;
- (ii) the amount of chargeable time spent by AQIS inspectors at each appointment has declined; and
- (iii) the cost of issuing manually generated certificates and electronically generated certificates is lower than the revenue generated by the current charge.

The structure of the grain and plant products industry has changed from a limited number of exporters to increased competition consisting of individual companies and commodity sectors. The industry has two distinct sectors, the bulk loading sector and the containerised loading sector. Under the current system, AQIS recovers its costs through both volume and time-based inspection charges and per-certificate documentation charges that favour exporters of high volume commodities. In addition, the higher cost of servicing locations remote from AQIS offices is socialised across the two sectors. This was the accepted and preferred method by the grains industry when the majority of exported grain was handled through a central storage and handling system. This meant that the AQIS charges were incurred by a limited number of exporters, notably the Australian Wheat Board and State Statutory Marketing Boards. However, with increased competition within the grains industry, individual companies and commodity sectors are now seeking differential charges to reward and encourage efficiencies. The socialisation of costs

between the bulk loading and containerised loading sectors no longer provides equity throughout the industry. Industry, through the AQIS / Grain Industry Consultative Committee (AGICC) has requested that the cost of service to clients, especially travel costs and documentation costs, should be borne by the individual incurring the expense and not socialised across the current fee for service and tonnage charges.

In accordance with sub-orders 25(e) and 25(h) of the *Export Control (Fees) Orders 2001*, AQIS presently charges \$29 for phytosanitary certificates and export permits, and \$58 for certificates of condition. Some consignments require all three certificates however certificates of condition are less frequently required. The charges for phytosanitary certificates and export permits are high compared to the estimated \$10-15 cost per certificate incurred by AQIS to complete the documentation. The current charges disadvantage exporters of low volume commodities such as seed for sowing, as the cost of a certificate is the same regardless of the volume of grain exported. For example, the time taken to verify and endorse certificates for seed for sowing is the same for a 10 gram packet of seeds as it is for a 50,000 tonne bulk shipment. The reduced documentation charge for each consignment will reflect the true cost of verifying data and issuing the certificates. The retention of the documentation charges at current rates will maintain the existing inequity for low volume clients, and will continue the disproportionate recovery of revenue over costs for this activity.

The use of electronically generated export documents (EXDOC) for certification is the preferred method of issuing certificates because it is more efficient in the use of staff. Currently there is no financial incentive to use this method.

AQIS also recovers costs through inspection fees. These are currently structured to ensure equity between the bulk and containerised sectors, with the cost of travel by AQIS officers to service clients, currently included in the following base charges:

- (i) Tonnage charges under the *Export Inspection (Quantity Charge) Act 1985*; and
- (ii) Fee-for-service under the *Export Control (Fees) Orders 2001*.

The tonnage fee (\$0.77 per 10 tonne) incorporates all of the costs of AQIS inspection services except overtime and documentation into a base charge and is applied across the bulk loading sector

(>400 tonnes per hour loading capacity). There are also tonnage fees (\$0.023 per tonne for >400 tonnes per hour loading capacity and \$0.26 per tonne for <400 tonnes per hour loading capacity) for export consignments prepared under a certification assurance arrangement. The bulk loading sector handles 85% of export volume and utilises 55% of AQIS resources in the inspection and certification process. The fee-for-service (\$20 per ¼ hour or part there of) charge is a time-based fee calculated on the actual period of AQIS inspection time. This fee is applied to the containerised loading sector of the grains and plant products industry, which handles 15% of export volume and utilises 45% of AQIS resources in the inspection and certification process.

In recent years, the Grain Export Program has developed both full and partial co-regulation options that have been implemented in whole or in part by a significant proportion of the industry. The full co-regulation option involves training exporters to inspect their own goods and auditing them twice a year to ensure compliance. The partial co-regulatory arrangement involves inspecting samples provided by exporters on a regular basis. This option involves checking the key activities conducted by designated industry personnel on each visit by AQIS inspectors. As these options have been progressively taken up by industry, the number of appointments and the amount of chargeable time spent by AQIS inspectors at each appointment has declined (Table 1). For example, in the time based fee-for-service (mainly container loading) sector the percentage of chargeable time per full time equivalent (FTE) of AQIS inspectors performing inspection and certification services has dropped from 49% in 2000/2001 to 28% in 2002/2003. Therefore the revenue return from the inspection charges is no longer covering the cost of providing the service.

Table 1. The percentage per full time chargeable time equivalent of AQIS inspectors:

	1999-2000	2000-2001	2001-2002	2002-2003
Period 1	23%	54%	59%	30%
Period 2	37%	48%	31%	32%
Period 3	70%	60%	38%	28%
Quarter 1	44%	54%	42%	30%
Period 4	52%	48%	35%	30%
Period 5	49%	58%	39%	25%
Period 6	43%	38%	29%	22%
Quarter 2	48%	48%	34%	26%
Period 7	44%	54%	32%	23%
Period 8	39%	27%	34%	24%
Period 9	53%	44%	34%	22%
Quarter 3	45%	41%	33%	23%
Period 10	37%	38%	31%	23%
Period 11	54%	67%	38%	26%
Period 12	61%	46%	35%	N/A
Quarter 4	51%	51%	35%	N/A

Reducing the documentation charge and introducing a travel charge under the *Export Control (Fees) Orders 2001* will produce the outcome required to improve equity in the grain industry and improve the uptake of the co-regulation options and electronically generated certificates (EXDOC).

Which Costs should the Charges Include?

AQIS seeks to meet their commitment to recover the Grain Export Program's operational costs in a manner that is fair and equitable to industry by:

- a) Fully recovering the costs of the program and ensuring anticipated revenue is set at a level sufficient to cover anticipated expenditure for the next two to three years;
- b) More closely aligning the cost of servicing clients in their location by reducing documentation charges per consignment;
- c) More closely reflecting the cost to AQIS of servicing clients in remote locations by introducing a travel charge;
- d) Retaining an in-office time based fee for service charge for manually issuing documents to cover the cost of maintaining staff at AQIS offices specifically for this function; and
- e) Providing incentives to industry to make efficient use of AQIS services to the benefit of all clients and stakeholders of the program.

Implementing this cost-recovery option will reflect the actual cost of providing the service as shown in Attachment 2. This model is based on the export in an average year of 23 million tonnes of grain. In a "bad" year usually around 17 million tonnes of grain is exported with around 26 million tonnes being exported in a "good" year. Under recovery will be managed from the Income Equalisation Reserve (IER) allowing the program to cover any budget deficits. Over recovery is managed by distributing the money to the IER, Industry Initiative Fund for research that benefits industry and can also be refunded to industry.

How Should the Charges be structured?

The current fee structure will be amended to include a travel charge of \$0.50 per kilometre and to amend the documentation charges for phytosanitary certificates and export permits to reflect a document charge of \$10 for each consignment. The proposed changes are outlined in Table 2.

Table 2: Proposed fee changes for the inspection of product requiring certification and auditing establishments with AQIS accredited quality assurance arrangements.

SUB-CATEGORY	DESCRIPTION	UNIT	PROPOSED FEE (\$)	EXPORT CONTROL (FEES) ORDERS Required action
Fee for service charges – travel charge				
Travel charge	Per kilometre rate	Kilometre	0.50	Amend Order 21(2)
Documentation				
Document	Phytosanitary certificate	Consignment	10.00	Amend Schedule 5 Item 27
Document	Export Permit	Consignment	10.00	Amend Schedule 5 Item 29 & 37
Document	Other Documents	Consignment	10.00	Amend Schedule 5 Item 30 & 38

An amendment to the fees structure, as shown in Table 2, to reflect the true cost of delivering services would remove the cross-subsidies that exist in the current fees structure and provide incentives to industry to adopt co-regulatory arrangements and the use of electronically generated export documents (EXDOC) for certification.

How should costs be calculated and allocated?

The travel charge is based on the costs of running the AQIS fleet of vehicles. This fee is intended to cover the travel time by AQIS inspectors and the full cost of running vehicles used to provide service to clients (including inspection services provided by contract staff). The travel charge is a per kilometre charge. The introduction of the travel charge will provide consistency between the

grains and horticulture export programs as an AQIS inspector may conduct inspections for both programs.

The current charges for phytosanitary certificates and export permits are high compared to the estimated \$10-15 cost per certificate incurred by AQIS to complete the documentation. The proposed reduced documentation charge for each consignment will reflect the true cost of verifying data and issuing the certificates.

Outcomes of Consultation with Stakeholders

All clients (exporters, handlers and packers of grain and plant products) will be affected by the introduction of the travel charge and reduction in documentation charges. Those clients that are remote from an AQIS office and require on-site attendance by an AQIS officer will be the most affected by the new travel charge. However, there are adequate co-regulation arrangement options available to reduce/minimise the travel costs to these clients. Exporters will also be able to reduce the impact of the travel charge by sharing the costs with nearby exporters if the inspections are carried out on the same day. All clients who require an export permit and/or other certification from the Government will benefit from the proposed reduced document fee. The proposed document fee will also benefit the exporters of small quantities of specialised seed and product of no commercial value.

AQIS, in consultation with AGICC, aims to set the fee structure for the grain industry on a three year cycle so that clients who 'forward sell' product know their approximate AQIS costs and can build these into their contracts. AQIS started negotiations with industry in November 2001 on a proposed fee increase.

AQIS presented a number of papers to AGICC outlining the options available and the outcome of each option. A recommendation from the full meeting was to form a sub-committee of AGICC to discuss the options available. The sub-committee discussed the issues at a teleconference on 18 March 2003. The sub-committee recommendations were tabled at the full committee meeting on 1 May 2003. The recommendations were discussed and endorsed by the full committee.

Some members of the committee (Seed Industry Association Australia and Pulse Australia) expressed concerns about the travel charge and its affect on clients in regions away from an AQIS

office, but considered that there are ample opportunities for these clients to reduce their cost through co-regulation arrangement options provided by AQIS.

Consultation was limited to AGICC. It was deemed that they had a very good understanding of the issues facing the majority of clients and the options available to reduce costs. The members of the committee discussed the proposed charging structure with the sectors of their industry that they represent.

I certify that this Cost Recovery Impact Statement applies the Commonwealth Cost Recovery Guidelines for Regulatory Agencies.



MERYL STANTON
Executive Director
AQIS
Date:..... 10 . 11 . 03

Attachment 1. Current basic charges for the inspection of product requiring certification and auditing establishments with AQIS accredited quality assurance arrangements.

SUB-CATEGORY	DESCRIPTION	UNIT	FEE (\$)
Quantity charges - tonnage charges - grains loaded at > or = 400 tonnes/hour			
Quantity	Grain that is: a) shipped for export b) loaded at a rate of at least 400 tonnes per hour c) not prepared for export using a system implemented under a certification assurance arrangement.	10 tonnes	0.77
Quantity charges - grain loaded under a Certification Arrangement (CA), > or = 400 tonnes/hour			
Quantity	Grain that is shipped for export in an establishment using a system implemented under a certification assurance / compliance agreement arrangement that loads at > or = 400 tonnes/hour.	10 tonnes	0.23
Quantity charges - CA overhead charge for grain loaded at < 400 tonnes/hour			
Quantity	Grain that is: a) shipped for export at less than 400 tonnes/hour and b) prepared for export using a system implemented under a certification assurance / compliance agreement arrangement.	tonne	0.26
Fee for service charges - bagged/containerised/bulk grains (field, ship and in office)			
Fee for service	Inspection/audit (for out of office a minimum of two ¼ hour charges shall apply)	¼ hour	20.00
Fee for service	Inspection/audit - daily rate	day	353.95
Fee for service	Inspection - weekly rate	week	1231.20
Fee for service	Inspection - four weekly rate	4 weeks	4822.20
Fee for service	Inspection - annual rate	annual	55763.10
Overtime, shiftwork (non-veterinary officer)			
Overtime	Time and half - continuous	¼ hour	7.00
Overtime	Time and half - non-continuous	minimum	122.00
Overtime	Double time - continuous	¼ hour	9.40
Overtime	Double time - non-continuous	minimum	150.00
Overtime	Double time and a half - continuous	¼ hour	11.80
Overtime	Double time and a half - non-continuous	minimum	188.00
Travel costs	Overnight	night	100.00
Documentation			
Document	Phytosanitary certificate	Certificate	29.00
Document	Certificate as to Condition	Certificate	58.00
Certificate	Export Permit	Certificate	29.00
Document	Other Document	Document	29.00
Shiftloading	Weekday	¼ hour	0.70
Shiftloading	Saturday	¼ hour	2.30
Shiftloading	Sunday	¼ hour	4.70
Shiftloading	Public holiday (normal hours)	¼ hour	7.00
Shiftloading	Public holiday (outside normal hours)	¼ hour	11.80



Australian Government

Department of Agriculture, Fisheries and Forestry

FINAL

COST RECOVERY IMPACT STATEMENT

on the

PROPOSED REVISED COST RECOVERY FRAMEWORK

for

**THE NATIONAL REGISTRATION SCHEME FOR AGRICULTURAL
AND VETERINARY CHEMICALS**

March 2005

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