



**Australian Government**

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

**COST RECOVERY IMPACT STATEMENT**

**Amendment of Fees and Charges for the Seafood  
Export Program**

**OVERVIEW**

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**Purpose**

This proposal involves the amendment of the current fees and charges for the delivery of inspection and certification services for the Fish Export Program (the Program).

In November 2001 the Government introduced a 40% contribution toward the costs of AQIS Export activities. Since the introduction of the contribution AQIS Export Programs have operated under a 60% cost recovery arrangement, with the remaining 40% of costs met by the Government Contribution. This funding is due to lapse on the 30<sup>th</sup> June 2009 and will require that fees and charges for AQIS Export Programs return to a 100% cost recovery arrangement. Also, fees and charges for the Program were last adjusted in 2007/2008. Since that time the costs in the Program have increased and the level of industry activity has changed. As a result the current fees and charges for the Program are no longer sufficient to meet its costs and are in need of review.

This Cost Recovery Impact Statement (CRIS) present the outcomes of this review, highlighting the rationale for the amendments to these fees and charges and demonstrating compliance with the *Australian Government Cost Recovery Guidelines*.

To effect the fee changes, amendments will be required to the *Export Control (Fees Orders) 2001* and *Export Inspection (Registration Establishment Charges) Regulations 1985*.

**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 to support:

*"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).

## **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.

AQIS's priorities for 2008-09 will include:

- ensuring AQIS keeps abreast of and responds to the recommendations arising from 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.

AQIS has a vital role in developing and delivering audit and inspection processes for exported foods in order to mitigate food safety risks and meet importing country requirements to maintain access to export markets. Maintaining access for Australian agricultural products to hundreds of overseas markets is essential. Export inspection, auditing and certification 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.

### **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.

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 that AQIS' "Export certification functions should return to 100 per cent as scheduled at the beginning of July 2009."

In its preliminary response to the Beale Review the Government made the following observation "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;
- Reviewing the base of charging to ensure the recipients of the Program's services are captured in its charging arrangements and to further ensure that changes in the costs of delivering the Program, or changes in the level of activity within the Fish Export Industry, are not disproportionately borne by any particular participant or group of participants.
- Improve the complexity of the current charging arrangements to reduce administrative burden and costs and to reduce the potential for confusion among the Program participants.
- AQIS is also seeking to explore medium term strategies as to how its fees and charges can be reduced to offset their impact with the Seafood Export Consultative Committee (SECC). For example, AQIS is exploring with SECC 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.

### Program's present financial position

The annual financial outcomes for the Program since the last review of fees and charges are presented in the table below;

Fish Export Program			
	2007/2008	2008/2009	2009/2010
Revenues	5,246,968	5,172,537	2,803,745
Expenditure	5,041,867	5,237,044	4,668,229
Surplus / (Deficit)	205,101	(64,507)	(1,864,484)

Industry Equalisation Reserves			
	2007/2008	2008/2009	2009/2010
Opening Balance	27,993	151,054	112,349
Transfers			
Industry	123,061	(38,704)	(1,864,484)
Government	-	(25,803)	N/A
Closing Balance	151,054	112,349	(1,752,135)

The current fees and charges were calculated against Program costs in 2007/2008 and against the level of industry activity of the time. Since the last review of fees and charges in 2007/2008 the Program has experienced increases in the costs of delivering its services against a varying level of activity in the Fish Export Industry.

In 2009/2010 costs in the Program are estimated to decrease by \$373,638 or 7.4% since the last revision of fees and charges. Decreases in the estimated costs are primarily driven by the disaggregation of activities relating to the certification of non-prescribed goods from the Program's financial arrangements. These activities do not directly relate to the export of fish

or fish products and are not considered to be appropriately housed within the Program<sup>1</sup>. Despite the apparent reduction in overall costs the Program has been subject to increases in costs associated to its fish export activities. The increased costs are attributed to additional employee expenses resulting from increased salaries and allowances payable to staff in accordance with the Department's collective agreement. The Program has also experienced an increase in its supplier expenses and an increase in the overheads passed through to it by AQIS and the Department.

Industry activity in the Program has also shifted significantly since the last review of fees and charges with an 11.5% decrease in the number of registered establishment and a 17% decrease in the number of documents issued.

With the changes to costs and activity described above and with the lapsing of the 40% Government Export Contribution the Program would expect to record a revenue shortfall of \$1,864,484 by the end of 2009/2010. The fees and charges presented in this CRIS are calculated so as to correct this shortfall in revenues.

### **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.

### **Policy Review – Analysis of activities**

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#### **Description of activity**

The primary function of the Program is to deliver certification in relation to the export of fish and fish products from Australia. Export certification is required by overseas government authorities to verify the exported product's compliance with their respective import requirements. In order to provide this certification the Program conducts regular audits of premises registered to produce and store fish and fish products for export and provides particular inspection services in relation to fish and fish products prepared for export to ensure the continued integrity of the export system.

The nature of the services provided:

- audit of export registered establishments undertaking the preparation of fish and fish products for export to assess the hygiene of food preparation and storage areas and their compliance with importing country requirements.
- inspection of fish and fish products prepared for export
- issue of export documentation for fish and fish products to certify compliance with importing country requirements.
- administration and maintenance of records for establishments registered with AQIS for export.
- communication of information in relation to known requirements for export of fish and fish products.

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<sup>1</sup> Data for prior year activity against non-prescribed goods is unavailable  
CRIS: Amendment of Fees for the Fish Export Program

## Stakeholders

Costs associated to activities undertaken in the Program are recovered by those businesses and individuals who create the need for those activities. For the Program these clients include:

- occupiers of Establishments registered with AQIS to process and store fish and fish products for export
- freight forwarders, agents, processors and exporters who request documentation to confirm that exported product complies with Australian export requirements and importing country requirements
- exporters of fish and fish products

## 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 or service should pay for it, thereby decreasing the tax burden on those who do not derive a measurable benefit. Cost recovery arrangements also provide an important means of improving the efficiency with which Australian Government products and services are provided and consumed.

The beneficiaries of the Program's regulatory activities are the participants in the Australian Seafood Export Industry. The activities undertaken by the Program play an integral role in ensuring that fish and fish products prepared for export comply with the food safety requirements stipulated by the *Export Control (Fish and Fish Products) Orders 2005* and that those products also meet the requirements imposed by international markets in relation to the import of products into and across their borders.

The costs incurred by the Program in delivery of its regulatory activities are accurately identifiable. A separate budget is maintained for the Program and monthly financial reporting provides opportunity for ongoing detailed review and analysis of revenues and expenses. Costs associated to the delivery of particular service, and the prices derived from those costs, are formulated under an Activity Based Costing methodology. The ability to accurately identify the costs associated to the functions of the Fish Export Program and the further ability to accurately identify costs associated to particular activities undertaken by the Program provides a reliable basis for the determination of cost recovery charges.

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 provides a sound framework for continued cost recovery practices.

## Design and Implementation

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### Basis of charging – Fee or Levy

The fees and charges detailed in this statement are imposed under the "beneficiary pays" principle. Under this arrangement the costs for providing services are recovered from individuals and businesses that derive a measurable benefit from the Program's particular activities rather than imposing a levy across industry sectors or across industry as a whole.

The major activities undertaken in the Program are;

- The development, implementation and monitoring of operational policy and systems that ensure compliance with Australian export regulations and that satisfy the requirements of importing countries. These activities serve to maintain the eligibility of commodities for export from Australia and serve to ensure that access to particular markets is maintained.

- The provision of particular services including the granting of an exemption from the Export Control Orders, the review of export documentation procedures, attendance at export load-out events and other services made available at the request of clients in relation to the export of fish and fish products from Australia.
- The provision of inspection services to registered establishments to rectify instances of non-compliance with prescribed conditions in relation to the preparation of fish and fish products for export.
- The issuance of certification regarding the export eligibility and compliance with importing country requirements in relation to the export of fish and fish products from Australia.

The costs of providing these services are easily identifiable as is the extent of client of usage of the service. This allows for the establishment of fees that can be closely linked to the costs of providing the particular service. Fees are therefore the most efficient and cost effective mechanism for the recovery of costs in relation to the delivery of audit, inspection and documentation services.

## **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 and charges 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 fees imposed for the provision of export certification.

### ***Export Inspection (Establishment Registration Charges) Act 1985***

The *Export Inspection (Establishment Registration Charges) Act 1985* imposes charges in relation to the registration of export establishments. These export establishments must be registered with AQIS for operations associated with the preparation of a prescribed commodity.

### ***Export Inspection (Establishment Registration Charges) Regulations 1985***

The *Export Inspection (Establishment Registration Charges) Regulations 1985* details the specific charges relating to the registration of export establishments for prescribed commodities.

## **Which issues should the proposed legislation address?**

The instruments listed above already 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 short to medium term. Fee-for-service and Certification fees described in this statement are anticipated to apply from the 1<sup>st</sup> of December 2009, Registration charges described in this statement are anticipated to apply from the 15<sup>th</sup> of December 2009.

In accordance with AQIS policy, and in consultation with the Seafood 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 Seafood Export Industry operates and remain relevant to the functions and activities undertaken within the Program to service the requirements of the Seafood Export Industry.

The existing fees and charges, as reflected in the *Export Control (Fees) Orders 2001* and the *Export Inspection (Establishment Registration Charges) Regulations 1985*, and the proposed fees and charges are listed at **Appendix 1**

### **Costs to be included in Charges**

AQIS, together with the Seafood Export Industry, seeks to meet the commitment to recover the direct and indirect costs associated with managing the export inspection, administration, audit and certification services in a manner that is fair and equitable across the various sectors of the industry. To that end the fees and charges applied by the Program reflect the recovery of the costs associated to the regulation of the Seafood Export 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 payable to staff
  - 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;
- Provisions for bad and doubtful debts and Fringe Benefits Tax; and

Indirect costs form part of general user group costs and are not easily attributed to particular activities. Indirect costs include:

- an appropriate allocation of indirect costs (or overheads), including executive, financial, personnel, registry, library and audit services, internal audit fees and other corporate costs;
- Technical and Operational costs such as AQIS Executive, AQIS' Electronic Documentation System (EXDOC), training and public awareness.

All costs incurred by the Program are allocated to the various activities under an Activity Based Costing methodology. AQIS undertakes regular activity reporting against all functions undertaken in the Program. Analysis of the results allows for the effective identification and allocation of direct and indirect costs for each of the Program's services.

Program services are organised into the following functions:

- **Program Management** – relating to the administration and implementation of policy objectives. These costs are fixed and do not vary with industry activity.
- **Fee-for-service** – relating to the inspection of product, and services made available at the request of individuals or companies to address compliance with food safety and importing country requirements.
- **Certification** – relating to the issuance of export permits and the provision of export documentation

All Program costs are assessed against the results of the activity analysis to obtain the total cost of providing a particular function. This process ensures that the total costs for each function, upon which cost recovery charges are to be based, accurately reflects the cost of undertaking the particular activity.

The cost component of each cost recovered activity for the Program is outlined in Table 1.

**Table 1: Cost components of activities**

<b>Fish Export Program - Cost Components</b>			
Expense Category	Description	Expense Type	Estimated Expense (\$'000)
Employee Expenses	Includes salaries and wages payable to staff other staffing on-costs, such as allowances, shift/penalty payments, overtime, annual and long service leave, separation payments and superannuation costs	Direct Cost	\$971
Temporary and Contract Staff Expenses	Includes staff engaged on a temporary basis	Direct Cost	\$60
Miscellaneous Supplier Expenses	Includes costs of items such as; general office supplies, computers and office equipment (including support costs), property and accommodation, travel and vehicles	Direct Cost	\$276
Food Service Delivery Expenses	Includes costs allocated to the Program by the Food Service Delivery Group for the provision of inspection and auditing services to the Program.	Direct Cost	\$1,908
Food Documentation Services	Includes costs allocated to the Program by the Food Certification Services group for the provision of certification services to the Program	Direct Cost	\$460
EXDOC	Includes usage costs for the AQIS Electronic Export Documentation System (EXDOC)	Direct Cost	\$331
Establishment Register (ER)	Includes usage charges for the AQIS Establishment Registration System (ER)	Direct Cost	\$58
Export Strategic Initiatives	Includes costs allocated to the Program by the Strategic Initiatives Group for the development of strategic projects that will improve AQIS' regulatory involvement with the industry	Indirect Cost	\$50
Food Safety and Traceability	Includes costs allocated to the Program by the Food Safety and Traceability Group to maintain and enhance the through-chain integrity of products exported by the industry	Indirect Cost	\$164
AQIS Overheads	Includes costs of executive management, training and development, systems support, finance and administrative support for the Program	Indirect Cost	\$313
Corporate (AGDAFF) Overheads	Includes costs of human resource management, departmental financial management, accounts receivable and payable, records management and governance	Indirect Cost	\$68
Depreciation, amortisation and Write down of assets	Includes costs associated to the depreciation and write down of assets and amortisation of software developments	Indirect cost	\$10

Analysis of the Program's costs against these categories since the last review of fees and charges is provided at **Appendix 2**.

## **Outline of Charging Structure**

Following the announcement that the 40% Contribution to AQIS Export Fees and Charges would lapse on 30 June 2009 the Program has undertaken a comprehensive review of its costs and recovery structures.

The review has helped to ensure that fees and charges outlined in this proposal are structured so as to:

- reflect the actual cost of providing the particular service
- minimise the extent of administrative and compliance costs, particularly through a reduction in the number of unique fees and charges where appropriate
- 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.

The following categories, corresponding with the Program's service delivery elements, will continue to apply to the allocation and recovery of costs:

- Establishment Registration Charges – for the recovery management and administrative costs associated to the implementation and maintenance of policy objectives to support the ongoing eligibility of Export Establishments registered with AQIS for export into overseas markets. Establishment Registration charges also recover the costs of overheads incurred by the Program
- Fee-for-service fees – for the recovery of auditing and inspection services and services made available at the particular request of a company or individual
- Export Certification fees – for the recovery of certification services
- Overtime fees – for the recovery of services provided outside of normal duty

Prices are established by assessing the calculated costs against an anticipated volume or level of activity for the particular function. The anticipated levels of activity are based on trends presented by the Program's prior year results. These trends are further tested against the knowledge and expectations of industry representatives through the SECC Finance sub-Committee. In this manner the Program ensures that the costs of providing a particular function are completely recovered against the forecasted activity.

It should be noted that under the current structure the 40% contribution is not equally applied to all fees and charges. At the time the 40% Export Contribution was introduced Government policy stated that the 40% was to be implemented in a manner that would maintain incentives for the efficient use of AQIS services. This was generally interpreted that fees relating to the provision of services should be maintained at as close to 100% of the actual costs of providing services as possible and the 40% was thus intended to apply to the Program's fixed infrastructure costs.

The fixed infrastructure costs in the Fish Export Program are allocated to Registration activities and are recovered through Registration charges; subsequently the 40% contribution is applied to these charges. The current fees and charges carry the following discounts from the 40% contribution;

- Establishment Registration Charges – 61.5%
- Fee-for-service – 0%
- Certification – 0%

The varied application of the 40% contribution (described above), structural reform for the delivery of inspection and documentation services and changing levels of activity all contribute

to the an inconsistent increase in the fees and charges outlined in this proposal for the for the various activities undertaken in the Program.

The AQIS Food Export Program's have also undertaken significant reform against the way in which service delivery is undertaken. Previous arrangements required Programs to directly engage resources for the delivery of audit, inspection and documentation services. These resources were engaged independently of the other Food Export Programs and required the Program to meet the full costs of the resource including, significantly, any excess capacity that may be carried. In 2009/2010 Food Export Programs will be operating under a new service delivery framework in which audit and inspection activities have been disaggregated from the traditional structures and amalgamated into a Food Service Delivery unit that will provide services to the Program as required. A similar approach has been taken with the documentation functions for the Programs with resources being amalgamated into the Food Documentation Services group. The restructure of these aspects of the Program will lead to improved capacity utilisation for audit, inspection and documentation resources and will allow the Programs to enjoy the economies of scale presented by these new arrangements.

### Establishment Registration Charges

Facilities are registered with AQIS to ensure that the premises construction, equipment and processes are suitable for the preparation of prescribed goods for export as food. The conditions of registration establish and confer responsibilities on occupiers to meet all of the requirements of Export Control Orders relating to the products they wish to prepare for export. These are essential requirements to satisfy importing authorities that particular standards are met prior to the export of goods to their respective countries and to maintain the highly favourable export status of Australian foods. Export registration is initiated by companies or individuals that occupy premises that are intended to produce, prepare or store fish and fish products for export.

A summary of the Program revenues and expenditure for Registration since the last review of fees and charges is provided in Table 2 below.

**Table 2: Program Registration results since last review of fees and charges<sup>2</sup>**

Fish Export Program - Registration			
	2007/2008	2008/2009	2009/2010
Revenues			
Industry	982,258	1,084,226	1,970,050
Govt Contribution	654,839	722,817	-
Expenditure	2,902,964	3,076,322	1,969,649
Surplus / (Deficit)	(1,265,867)	(1,269,278)	401

Registration costs for the Program are expected to decrease by \$933,315 since the last review of fees and charges. This increase results from changes in Program costs and a review of the drivers that allocate costs to the Program's registration activity.

Cost drivers for the Program's registration cost have been reviewed. The outcomes of this review have resulted in the following adjustments;

- General cost driver – this driver represents the level of effort directed by Program staff towards Registration activities. The adjustment to this driver includes the disaggregation of non-prescribed certification activities from the Program's financial arrangements. This driver has been adjusted from 61.6% at the last review of charges to 42.2% for the charges presented in this statement.

<sup>2</sup> Costs are allocated based on the drivers calculated at the last review of fees and charges in 2006/2007.

- Establishment Registration System (ER) – this driver represents the level of system usage and support required by the Program from the system and support staff. This driver has been adjusted from 10% to 24.3%

Since the last review of fees and charges the Program has been subject to increases in employee expenses, as a result of increases payable to staff under the Departmental collective agreement, increases in general supplier expenses including temporary and contract staff, travel and vehicle expenses, and increases in overheads costs<sup>3</sup>.

The costs allocated to Establishment Registration and the changes that have resulted from the increased costs and review of drivers are;

- Employee expenses – \$971,141, representing a \$702,251 decrease
- Temporary and Contract staff - \$59,928, representing a \$70,958 decrease
- Supplier expenses - \$275,730, representing a \$335,277 decrease
- Establishment Registration System (ER) - \$57,841, representing a \$39,587 increase
- AQIS Overheads<sup>4</sup> - \$526,650, representing a \$162,825 increase
- Corporate Overheads - \$68,055, representing a \$36,040 decrease
- Depreciation, Amortisation and Write-down of Assets - \$10,304, representing a \$8,801 increase

Against the modelling undertaken for 2009/2010 the Program will require an additional \$987,792 in industry contributions. This additional contribution is comprised of the following;

- \$401 (0.04%) in contributions to the industry equalisation reserves
- \$987,391 (99.96%) to cover the lapsing of the Government 40% Export Contribution

Since the last review of fees and charges the Program has also experienced a 11.5% decrease in the number of export registered establishments. As the costs relating to Program Registration activities are largely fixed the reduced number of establishments has the effect of increasing the price for those participants who remain registered.

Charges for the recovery of Registration services already exist within the Program's current charging structure. This proposal seeks to amend the rates for those charges (Table 2A).

**Table 2A: The current and proposed Registration charges**

FEE CATEGORY	Unit	Existing Rate (\$)	Proposed rate for 09/10 (\$)
<b>REGISTRATION</b>			
Storage Establishment – Fish; or Land establishment partial process/live	annual	949	1,703
Vessel <15m processing and/or pack; or Land establishment < 1-line process and /or pack	annual	1,281	2,298
Vessel >15m processing and/or pack; or Land establishment > 1-line process and /or pack	annual	1,469	2,636
Vessel partial preparation	annual	543	974

<sup>3</sup> Overhead cost increases are largely due to increases in employee expenses in the overhead programs that have arisen from increases payable to those staff under the Departmental collective agreement.

<sup>4</sup> Includes costs of Food Safety and Traceability and Export Strategic initiatives. Prior to 2009/2010 these functions were partly performed within the Program. These functions have been transferred from the Program to the newly formed Food Safety and Traceability Group and Export Strategic Initiatives Group. The increase in these costs is offset by reduced employee expenses in the Program that has resulted from the transfer of these functions.

Registration application	application	334	600
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The anticipated costs for Registration in 2009/2010 are assessed against the number of establishments anticipated to require registration in the period. In this manner the Program is able to determine the prices that are required to recover the costs of this function.

Further detail on this assessment is provided against the Program's Summary of Charging Arrangements below.

### Fee for Service

AQIS provides audit and inspection services to export establishments for registration purposes and to ensure fish and fish products comply with the *Export Control (Fish and Fish Products) Orders 2005* and any specific importing country requirements that may apply to the export of fish and fish products for human consumption.

Inspection services are provided to the Program by the AQIS Food Service Delivery Group. Service requirements are determined by the Program based on an anticipated level of activity and the Food Service delivery group allocates costs to the Program for the provision of those services. Additional services, such as the granting of an exemption from the Export Control Orders and attendance at load-out events are also provided to exporters.

A summary of the Program revenues and expenditure for fee-for-service activity since the last review of fees and charges is provided in Table 3 below;

**Table 3: Program Fee-for-Service results since last review of fees and charges<sup>5</sup>**

Fish Export Program - Fee-for-Service			
	2007/2008	2008/2009	2009/2010
Revenues			
Industry	874,625	798,632	1,328,618
Govt Contribution	583,083	532,421	-
Expenditure	1,078,539	1,141,303	1,324,615
Surplus / (Deficit)	379,170	189,750	4,003

Fee-for-service costs for the Program are expected to increase by \$246,076 since the last review of fees and charges. This increase results from changes in Program costs and a significant review into the delivery of audit and inspection activities in the Program.

Prior to 2009/2010 Program audit and inspection activity was provided directly from the Program. In late 2008/2009 audit and inspection arrangements were reviewed across all Food Export Programs<sup>6</sup> leading to the establishment of a new Food Service Delivery Group. From 2009/2010 this new group will now provide audit and inspection services across all the Food Export Programs. These new arrangements will enhance the productive capacity of AQIS Food Auditors and provide the Program with economies of scale that will ultimately reduce its costs for audit and inspection activities.

Service requirements are determined by the Program based on anticipated level of activity and the Food Service delivery group allocates costs to the Program for the provision of those services. The extent and nature of changes introduced to the Program's audit and inspection

<sup>5</sup> Costs are allocated based on the drivers calculated at the last review of fees and charges in 2006/2007.

<sup>6</sup> Food Export Programs include the Meat Export Program, the Dairy Export Program and the Fish Export Program.

arrangements prevents meaningful or effective comparison of detailed historical costs and no such analysis is offered in this statement.

The costs associated to Fee-for-Service charges are;

- Food service delivery expenses – 69.4%<sup>7</sup> or \$1,324,615

Against the modelling undertaken for 2009/2010 the Program will require an additional \$453,993 in industry contributions. This additional contribution is comprised of the following;

- \$246,076 (54.2%) in increased costs
- \$4,003 (0.9%) in contributions to the industry equalisation reserves
- \$203,914 (44.9%) to cover the lapsing of the Government 40% Export Contribution

The previous fee structure differentiated between services performed at an AQIS office (in-office) and services performed elsewhere (out-of-office). A higher rate was applied to out-of-office inspection services to reflect the additional costs incurred to travel to and from the location of the inspection. The variability of travel costs in the Program makes the maintenance of an appropriate travel loading in the fee-for-service charging structure highly problematic. Also, the volume of activity charged at the "in-office" rate Program represents only 11% of the Program's total inspection activities.

Under this proposal the number of fee-for-service rates is reduced from two to one. The consolidation of the fee-for-service rates will streamline charging arrangements for the Program. The streamlined charging arrangements and will ultimately lead to a reduction the effort involved in the management of the Program's finances and reduction in the associated overhead costs.

Fees for the recovery of inspection services already exist within the Program's current charging structure. This proposal seeks to amend the rates for those fees (Table 3A).

**Table 3A: The current and proposed Fee-for-Service fees**

<b>FEE CATEGORY</b>	<b>Unit</b>	<b>Existing Rate (\$)</b>	<b>Proposed rate for 09/10 (\$)</b>
<b>FEE FOR SERVICE</b>			
Fee-for-Service	¼ hour	26 or 43 <sup>8</sup>	40

The anticipated costs for Fee-for-Service in 2009/2010 are assessed against the number of audits expected to be undertaken in the period. In this manner the Program is able to determine the prices that are required to recover the costs of this function. An increase in the volume of audit activity, along with the enhanced capacity utilisation that is presented by the consolidation of services into the Food Service Delivery Group has mitigated the impact of the increase in costs and has contributed to a reduction in price.

Further detail on this assessment is provided against the Program's Summary of Charging Arrangements below.

<sup>7</sup> The percentage of Food Service Delivery costs allocated to Fee-for-service represents the inspection activity provided by the group relating to the Program's inspection requirements

<sup>8</sup> Previous fee-for-service rates distinguished between services provided at an AQIS office and services provided elsewhere. The current proposal no longer seeks to apply this distinction

## Export Certification Charges

AQIS provides Export Certification to facilitate the entry of product into overseas markets. Export Certification is delivered both electronically, through the AQIS export documentation system (EXDOC), and manually, by Food Documentation Services staff out of the AQIS Regional Offices.

A summary of the Program revenues and expenditure for Certification since the last review of fees and charges is provided in Table 4 below;

**Table 4: Program Certification results since last review of fees and charges<sup>9</sup>**

Fish Export Program - Certification			
	2007/2008	2008/2009	2009/2010
Revenues			
Industry	1,201,080	1,158,215	1,335,755
Govt Contribution	800,720	772,143	
Expenditure	1,014,231	985,909	1,335,755
Surplus / (Deficit)	987,569	944,449	0

Certification costs for the Program are expected to increase by \$321,524 since the last review of fees and charges. This increase results from changes in Program costs, a significant review into the delivery of certification activities in the Program and a review of the cost drivers for the EXDOC system.

Prior to 2009/2010 Program certification activity was provided directly from the Program. In late 2008/2009 certification arrangements were reviewed across all Food Export Programs<sup>10</sup> leading to the establishment of a new Food Documentation Services Group. From 2009/2010 this new group will now provide certification services across all the Food Export Programs. These new arrangements will enhance the productive capacity of AQIS certification staff and provide the Program with economies of scale that will ultimately reduce its costs for certification activities.

Service requirements from the new Food Documentation Services Group are determined on the basis of client servicing requirements, and costs are allocated to the Program to reflect that requirement. EXDOC costs are allocated on the basis of usage by the Program which is determined by the number of export permits issued by the system and the level of system support required by the Program. The driver for EXDOC system costs to the Program has been adjusted from 12.5% to 21.6%.

With the exception of costs relating to EXDOC the extent and nature of changes introduced to the Program's certification arrangements prevents meaningful or effective comparison of detailed historical costs and no such analysis is offered in this statement.

The costs associated to Certification charges are;

- Food Service Delivery – 28.6%<sup>11</sup> or \$545,194
- Food Documentation Services - \$459,796
- EXDOC - \$330,765, representing a \$33,643 increase

<sup>9</sup> Costs are allocated based on the drivers calculated at the last review of fees and charges in 2006/2007.

<sup>10</sup> Food Export Programs include the Meat Export Program, the Dairy Export Program and the Fish Export Program.

<sup>11</sup> The percentage of Food Service Delivery costs allocated to Export Certification represents the audit activity provided by the group relating to the Program's certification requirements

Against the modelling undertaken for 2009/2010 the Program will require an additional \$134,675 in industry contributions. This additional contribution is entirely attributed to increased certification costs for the Program.

The charging structure for certification is based on the level of intervention required to issue the certification. This approach is taken to allow charges to reflect the costs associated to the varying degree of effort required in their delivery. Three categories of documentation are proposed:

**Electronic certification**

Requires *little* direct intervention; information is received, assessed, processed and sent electronically.

**Manual certification**

Requires *total* direct intervention; all information is received, assessed, processed and sent manually.

**Replacement certification**

This involves the replacement of certification previously issued. The circumstances surrounding the request for replacement certification must be assessed on a case by case basis with considerations given as to why the original certificate has not been used. The replacement process is the most resource intensive of all certification services.

The previous current charging structure applied two rates for certification issued through the EXDOC system. This differentiation sought to apply an additional loading (equivalent to one unit of fee-for-service) to those electronic documents issued that required some intervention from AQIS prior to the permit being issued. The inclusion of this loading was intended to provide incentive to those requiring electronic export certification to become more self-reliant thereby reducing AQIS' regulatory costs in relation to electronic export certification. The administration of this arrangement has been somewhat problematic as the loading does not always reflect the degree of intervention and often requires the further application of fee-for-service charges. Also, the usage of the two rates has shifted significantly towards electronic certification that does not require the intervention of AQIS with electronic certification requiring AQIS intervention representing only 8% of the certification issued by the Program.

Under this proposal the number of rates relating to the issuance of electronic certification is reduced from two to one. The consolidation of the certification rates will streamline charging arrangements for the Program. The streamlined charging arrangements and will ultimately lead to a reduction the effort involved in the management of the Program's finances and reduction in the associated overhead costs.

The Program has experienced a substantial reduction in the number of certificates issued since the last review of fees and charges recording a 17% decrease in the volume of certificates issued. The reduction in certification volumes has reduced the base over which the costs can be recovered and is a significant influence on the required increase to documentation prices.

Fees that recover the costs of Certification already exist within the Program charging structure. This proposal seeks to amend the rates for those fees (Table 4A).

**Table 4A: The current and proposed Certification fees**

FEE CATEGORY	Unit	Existing Rate (\$)	Proposed rate for 09/10 (\$)
<b>CERTIFICATION</b>			
EXDOC Permit	permit	16 or 42 <sup>12</sup>	40
Manual Document	document	60	100
Replacement Certificate	certificate	202	500

The anticipated costs for Certification in 2009/2010 are assessed against the number of documents expected to be issued in the period. In this manner the Program is able to determine the prices that are required to recover the costs of this function.

Further detail on this assessment is provided against the Program's Summary of Charging Arrangements below.

**Overtime Charges**

At a client's request AQIS may be required to provide services outside of the normal working hours. Officers who provide services outside of normal working hours attract overtime penalties and generate additional costs for the Program. Overtime fees are imposed to recover the additional costs.

A summary of the Program revenues and expenditure for Certification since the last review of fees and charges is provided in Table 5 below;

**Table 5: The current and proposed Overtime fees**

Fish Export Program - Overtime			
	2007/2008	2008/2009	2009/2010
Revenues			
Industry	49,684	26,040	38,485
Govt Contribution	33,123	17,360	
Expenditure	46,133	33,509	38,210
Surplus / (Deficit)	36,674	9,891	275

AQIS also maintains provisions to set a minimum charge for services provided that are not continuous with ordinary duty. The minimum rates are increased in line with the increases for related overtime and shift fees (Table 5A).

<sup>12</sup> Previous certification charges distinguished between EXDOC certificates that required manual assessment before issuance. The current proposal no longer seeks to apply this distinction  
 CRIS: Amendment of Fees for the Fish Export Program

**Table 5A: The current and proposed Overtime fees**

<b>FEE CATEGORY</b>	<b>Unit</b>	<b>Existing Rate (\$)</b>	<b>Proposed rate for 09/10 (\$)</b>
<b>CERTIFICATION</b>			
Time and a half continuous with ordinary duty	qtr hour	12.60	12.00
Time and a half not continuous with ordinary duty	minimum	151.20	142.00
Double time continuous with ordinary duty	qtr hour	16.80	16.00
Double time not continuous with ordinary duty	minimum	201.60	189.00
Double time and a half continuous with ordinary duty	qtr hour	21.00	20.00
Double time and a half not continuous with ordinary duty	minimum	252.00	236.00

Overtime fees for the Program have been recalculated against the current average salary cost. The reduction in overtime rates for the program reflects a reduction in the average salary cost for the delivery of inspection services to the Program.

### Summary of Charging Arrangements

A summary of the Program's charging arrangements are provided in the table below;

<b>FISH EXPORT PROGRAM ACTIVITY 2009/2010</b>							
Description	09/10 Modelled Expenditure	Sale Unit	Current Charge	Proposed Charge	Projected Units for 09/10	Projected Revenue	Surplus/Deficit
<b>REIGISTRATION</b>	<b>1,969,649</b>					<b>1,970,050</b>	<b>401</b>
Storage Establishment - Fish		year	949.00	1,703.00	82	138,825	
Vessel<15m processing and/or pack		year	1,281.00	2,298.00	84	194,099	
Vessel>15m processing and/or pack		year	1,469.00	2,636.00	340	895,769	
Land est.< 1-line process and /or pack		year	1,281.00	2,298.00	92	212,155	
Land est.>1-line process and /or pack		year	1,469.00	2,636.00	156	411,640	
Vessel partial preparation		year	543.00	974.00	4	3,826	
Land est. partial process/live		year	949.00	1,703.00	67	113,736	
Registration application		application	334.00	600.00	-	-	
<b>FEE FOR SERVICE - FIELD</b>	<b>1,324,615</b>					<b>1,328,618</b>	<b>4,003</b>
Fee-for-Service		1/4hr		40.00	33,215	1,328,618	
<b>OVERTIME</b>	<b>38,210</b>					<b>38,485</b>	<b>274</b>
Time & Half - continuous		1/4hr	12.60	12.00	37	446	
Time & Half - non-continuous		min	150.80	142.00	89	12,590	
Double Time - continuous		1/4hr	16.80	16.00	-	-	
Double Time - non-continuous		min	201.10	189.00	24	4,453	
Double Time & Half - continuous		1/4hr	21.00	20.00	33	657	
Double Time & Half - non-continuous		min	251.40	236.00	86	20,338	
<b>CERTIFICATION</b>	<b>1,335,755</b>					<b>1,335,755</b>	<b>0</b>
EXDOC Documentation		permit	16.00	40.00	31,644	1,265,760	
Manual Documentation		document	60.00	100.00	420	41,995	
Replacement Certificate		certificate	202.00	500.00	56	28,000	
<b>Total Expenditure</b>	<b>4,668,229</b>				<b>Total Revenue</b>	<b>4,672,908</b>	<b>4,679</b>

## Ongoing Monitoring

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### Monitoring Mechanisms

Regular consultation with the Seafood Export Industry on cost recovery and regulatory activity occurs through the Seafood Export Consultative Committee – Finance sub-Committee. This consultation provides a sound process for monitoring of fees and charges on an on-going basis and provides opportunity for information on the changing dynamics of the industry that to be communicated and considered against future cost recovery proposals. The regular consultation 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 that may lead to further cost-minimisation,
- ensure that risk is appropriately managed within the industry to the benefit of all stakeholders.

### Stakeholder Consultation

Regular consultation with the Seafood Export Industry regarding the Program's administration of cost recovery arrangements and the delivery of its regulatory responsibilities occurs through the Seafood Exports Consultative Committee (SECC). The SECC comprises representatives from key industry sectors and is the principal consultative forum for AQIS and the Seafood Export Industry regarding all issues arising from the management of Australia's export strategies for fish and fish products. Face to face meetings of the full Committee are scheduled twice per year.

More frequent and detailed consultation regarding the Program's cost recovery activity and financial performance occurs through the SECC Finance Sub-Committee. Consultation through this forum provides additional opportunity for the Program to keep industry participants abreast of the Programme's ongoing financial position and strategies. This forum also provides AQIS with a valuable opportunity to receive information on the changing dynamics and challenges facing the industry for consideration in the review of charges and associated recovery structures.

Broader communication regarding the amendments to fees and charges is managed through Fish Industry Advice Notices and a website is maintained that includes information on fees and charges and the policy and procedures through which they are applied.

The fees and charges proposed in this statement have been presented to the SECC. The SECC have been closely engaged throughout the modelling of the fees and charges presented in this statement and have endorsed the outcomes presented in this statement.

As part of its response to concerns raised about the lapsing of the 40% contribution the Government has established Ministerial Taskforces for all export Programs. Each task force has been given the responsibility of developing a reform agenda that explores alternatives for efficient and effective structural arrangements for the delivery of government inspection activities. The membership of these taskforces has been determined by industry to ensure that the discussion benefits from broad industry representation. The Ministerial Taskforce for Fish Exports has also been heavily consulted on the fees and charges and has endorsed the outcomes presented in this statement.

## Periodic Review

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 on a monthly basis through internal governance procedures and is also communicated to the SECC Finance sub-Committee on a monthly basis. Detailed reporting, analysis and discussion occurs quarterly with the SECC Finance sub-Committee. All proposed amendments to Program fees and charges are reviewed against the Australian Government Cost Recovery Guidelines to ensure they remain consistent with the principles outlined in the Guidelines.

A formal review of Program fees and charges will be conducted in the last quarter of 2009/2010 with further amendments proposed for 2010/2011 if required.

## Certification

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



Craig Burns

A/g Executive Director  
Australian Quarantine and Inspection Service  
Department of Agriculture, Fisheries and Forestry

Date: 30/11/09

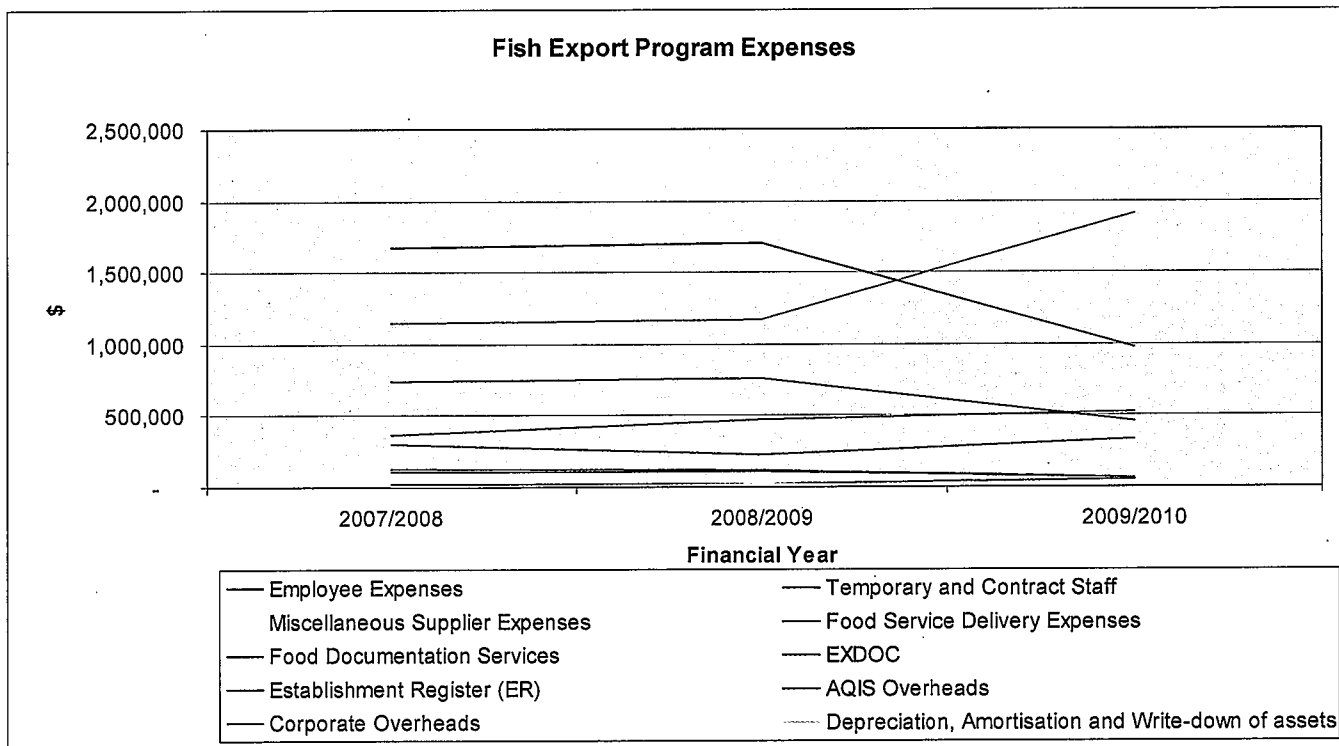
**APPENDIX 1 – TABLE OF FEES AND CHARGES FOR THE FISH EXPORT PROGRAM**

<b>FISH EXPORT PROGRAM</b>				
<b>FEE CATEGORY</b>	<b>Existing Rate</b>	<b>Proposed rate for 09/10</b>	<b>\$ increase</b>	<b>% increase</b>
<b>REGISTRATION</b>				
Storage Establishment - Fish	949	1,703	754	79%
Vessel<15m processing and/or pack	1,281	2,298	1,017	79%
Vessel>15m processing and/or pack	1,469	2,636	1,167	79%
Land est.< 1-line process and /or pack	1,281	2,298	1,017	79%
Land est.>1-line process and /or pack	1,469	2,636	1,167	79%
Vessel partial preparation	543	974	431	79%
Land est. partial process/live	949	1,703	754	79%
Registration application	334	600	266	80%
<b>FEE FOR SERVICE</b>				
FFS other than ordinary place of work	43	-	-	N/A
FFS ordinary place of work	26	-	-	N/A
FFS <sup>1</sup>	-	40	-	N/A
<b>CERTIFICATION</b>				
EXDOC docs without manual authorisation	16	-	-	N/A
EXDOC docs with manual authorisation	42	-	-	N/A
EXDOC Certification <sup>2</sup>	-	40	-	N/A
Manual Certification	60	100	40	67%
Replacement Certificate	202	500	298	148%
<b>OVERTIME</b>				
Time & Half - continuous	12.60	12.00	- 0.60	-5%
Time & Half - non-continuous	150.80	142.00	- 8.80	-6%
Double Time - continuous	16.80	16.00	- 0.80	-5%
Double Time - non-continuous	201.10	189.00	- 12.10	-6%
Double Time & Half - continuous	21.00	20.00	- 1.00	-5%
Double Time & Half - non-continuous	251.40	236.00	- 15.40	-6%

<sup>1</sup> This charge replaces current 'ordinary place of work' and 'other than ordinary place of work' FFS charges

<sup>2</sup> This charge replaces current 'EXDOC with manual authorisation' and 'EXDOC without manual authorisation' charges

## APPENDIX 2 – CHANGES IN PROGRAM EXPENDITURE CATEGORIES



Expense Category	2007/2008	2008/2009	2009/2010
Employee Expenses	1,673,392	1,707,089	971,141
Temporary and Contract Staff	130,886	115,592	59,925
Miscellaneous Supplier Expenses	611,007	632,151	275,730
Food Service Delivery Expenses	1,124,672	1,174,812	1,908,019
Food Documentation Services	717,109	758,840	459,796
EXDOC	297,122	227,069	330,765
Establishment Register (ER)	18,254	23,739	57,841
AQIS Overheads	363,825	475,762	526,650
Corporate Overheads	104,096	105,784	68,055
Depreciation, Amortisation and Write-down of assets	1,503	16,205	10,304
<b>Total</b>	<b>5,041,867</b>	<b>5,237,043</b>	<b>4,668,226</b>

### Notes:

**Employee Expenses** – The changes in these costs relate to the transfer of audit and inspection activities from the Program to the Food Service Delivery Group. The changes are also partly related to the transfer of activities relating to the certification of non-prescribed goods out of the Program’s financial accounting arrangements.

**Food Documentation Services** - The changes these costs result from a review of the cost drivers for the activity. The volume of manual certification for the Program has decreased since the last review of charges; this translates to a reduced service requirement from the Food Documentation Services group and a reduced cost.

**Food Service Delivery** – The changes in these costs relate to the transfer of audit and inspection activities from the Program to the Food Service Delivery Group.