



Australian Government  
Department of Agriculture,  
Water and the Environment

# Cost recovery implementation statement: horticulture exports 2021–22



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### Cataloguing data

This publication (and any material sourced from it) should be attributed as: DAWE 2021, *Cost recovery implementation statement: horticulture exports 2021–22*, Department of Agriculture, Water and the Environment, Canberra, April. CC BY 4.0.

ISBN 978-1-76003-402-3

This publication is available at [haveyoursay.awe.gov.au/export-cost-recovery-implementation-statements](https://haveyoursay.awe.gov.au/export-cost-recovery-implementation-statements).

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# 1 Introduction

## 1.1 Purpose of this CRIS

This cost recovery implementation statement (CRIS) provides information on how the Department of Agriculture, Water and the Environment implements cost recovery for the horticulture cost recovery arrangement. It also reports financial and non-financial performance information for horticulture and contains financial forecasts for 2021–22 and 3 forward years and details the cost base and pricing structure. It includes updates on the impacts of the Busting Congestion for Agricultural Exporters package and the More Efficient and Sustainable Export Regulation measure announced in the 2020–21 Budget.

The government is investing in modernising and reforming export regulatory services which will impact the cost of delivering those services (known as the cost base) over time. Agriculture and food exporters and producers will be assisted through the modernisation and reform process with a freeze in fees and charges in 2020–21, and stepped increases from 2021–22 to 2023–24. The Australian Government has committed \$71.1 million to improve the financial sustainability of export certification services by returning to full cost recovery. A stepped return to full cost recovery will enable reforms to be rolled out while maintaining existing systems.

The key purpose of this CRIS is to:

- update the Horticulture cost recovery arrangement cost base.
- describe the fees and charges for 2021–22 through to 2024–25.

From 2021, the CRIS will be updated annually as described in [section 2](#).

## 1.2 Summary of horticulture exports regulatory reforms

These reforms are an opportunity for government and industry to work in partnership to lower the cost base of export arrangements. While possible efficiency measures have been identified, the cost reduction of these measures needs to be monitored as measures are implemented and will only be achieved with ongoing efforts from the department and industry. This will require an iterative approach to manage the cost base over the forward estimates. We will work with industry to achieve these outcomes.

Table 1 shows the impact to expected cost recovered revenue. A permanent reduction in the cost base of \$0.9 million from 2021–22 has been identified since the 2020–21 CRIS. This includes the total additional cost reduction from revised activity and depreciation.

**Table 1 Horticulture export cost recovery arrangement cost base adjustments**

Cost base	Unit	2021–22	2022–23	2023–24	2024–25
2020–21 CRIS starting expense	\$	13,075,516	13,348,988	13,695,103	13,964,917
Cost reductions identified previously	\$	(757,277)	(847,038)	(1,314,162)	(1,338,421)
2020–21 CRIS expense	\$	12,318,239	12,501,950	12,380,941	12,626,496
Additional cost reductions	\$	(784,680)	(797,449)	(814,282)	(831,282)
Depreciation adjustment	\$	(123,724)	(110,782)	(112,827)	(114,911)
2021–22 CRIS expense	\$	11,409,835	11,593,719	11,453,832	11,680,303

Cost base	Unit	2021–22	2022–23	2023–24	2024–25
Cost recovered revenue	\$	8,992,859	10,420,789	11,425,834	11,741,496
Appropriation funding	\$	2,416,976	1,172,930	n/a	n/a
<b>Total revenue</b>	<b>\$</b>	<b>11,409,835</b>	<b>11,593,719</b>	<b>11,425,834</b>	<b>11,741,496</b>
Appropriation funding as % of expenses	%	21	10	n/a	n/a

n/a Not applicable.

### 1.3 Path to full cost recovery

The More Efficient and Streamlined Plant Export Regulation measure which is part of the Busting Congestion for Agriculture Exporters package, provides The government is investing \$71.1 million over 3 years from 2020–21 to 2022–23 to maintain essential export regulatory services across all export cost recovered arrangements while prices are gradually increased.

From 2021–22, prices will be gradually increased to return all arrangements to full cost recovery in 2023–24. This is part of a \$328 million investment over 4 years from 2020–21 that also includes reforms to deliver an estimated annual cost reduction of \$21.4 million from 2023–24 across all export cost recovery arrangements.

### 1.4 Reforms: Busting congestion for all agricultural exports

In the 2020–21 Budget, the Australian Government announced the Busting Congestion for Agricultural Exporters package which includes reforms to slash unnecessary red tape to get products to export markets faster and support jobs in rural and remote Australia.

The package, worth over \$328 million over 4 years from 2020–21, includes the following measures that are relevant to this CRIS:

- Digital services to take farmers to markets measure - this measure, will invest \$222 million to modernise Australia's agricultural export systems. The focus will be on helping exporters experience faster and more cost-effective services by transitioning our systems online and providing a single portal for transactions between exporters and government.
- Improving regulation post-COVID-19 including targeted interventions for seafood and LAE - the Improving Regulation Post-COVID-19 measure will capitalise on new ways of working that were developed during the government's response to COVID-19.
- Harmonised and streamlined plant export regulation measure will invest \$10 million to simplify processes for plant product exports, making it easier, cheaper and quicker for plant exporters to get their produce into overseas markets. It will also harmonise regulation for plant industries and streamline plant export audit intervention, making the rules easier to navigate and more consistent. Projected cost reduction for both plant arrangements will amount to \$2.6 million, over 3 years to 2023–24.

## 2 CRIS updates

In accordance with the Australian Government Charging Framework, the horticulture exports CRIS will be updated annually to report on financial and non-financial performance and revised 4-year forecasts. This annual update will provide an opportunity to measure progress of the reforms as they become quantifiable and to account for any external factors, for example, projected demand for activity.

The department will also report in-year financial performance within the CRIS, periodically reporting performance against the CRIS and explaining any variances. This will provide transparency in reporting for all exporters.

There may be other significant developments warranting a broader review of the cost base or charges. These could include:

- changes to the regulatory settings of the arrangement, for example through a government policy change or the introduction of new systems or infrastructure.
- changes to demand for regulatory activity, for example, due to a large part of industry changing its business model or significant change in terms of trade.
- significant changes to financial inputs, for example changes to the bond rate impacting departmental leave provisions, changes to the department's Comcare premiums or a change to accounting standards.

Where a CRIS update reveals that the existing fee or charge structure no longer meets the financial or regulatory requirements of the arrangement, the department may propose revised fees and charges. In this circumstance, the CRIS update will be the first step in consultation on changes to prices, followed by opportunities for stakeholder engagement.



## 3 Policy and statutory authority to cost recover

Under the Australian Government charging framework (charging framework), cost recovery requires both policy approval and statutory authority. This chapter provides information on government approval of regulatory charging for export regulatory activities and the legislation that enables the department to collect fees and charges.

### 3.1 Why cost recovery is appropriate

Cost recovery (regulatory charging) falls within the Australian Government's broader charging framework. Other charges in this framework include commercial charges and resource charges. The type of charge is determined by the characteristics of the activities as described in the charging framework. This provides the overarching framework under which government entities must design, implement and review cost recovery.

Regulatory charging is appropriate because plant export certification activity is provided to a clearly identifiable group – individuals and organisations that participate in the plant export supply chain.

There are additional benefits to funding export certification through regulatory charging. When a business pays for the activities it receives, the government has an obligation to justify the prices it charges. Regulatory charging also raises awareness of regulated entities of how much a regulated activity costs.

For these reasons, the government has determined regulatory charging to be the most appropriate mechanism for funding plant export certification. Regulatory charging of export regulatory activities is consistent with the charging framework.

### 3.2 Government policy approval to cost recover the regulatory activity

Policy authority for regulatory charging for export certification activities was reaffirmed in the 2020–21 Budget when the government announced the Busting Congestion for Agricultural Exporters package. The package sets out a period of partial cost recovery from 2020–21 to 2022–23 before a return to full cost recovery by 2023–24, while a series of reforms to improve efficiency and lower costs are implemented.

### 3.3 Statutory authority to charge

#### 3.3.1 New legislative framework

The *Export Control Act 2020* commenced on 28 March 2021, consolidating export functions from the *Export Control Act 1982* and *Australian Meat and Live-stock Industry Act 1997* into a new legislative framework. The new legislation supports existing policy, while providing flexibility for different approaches to the regulation of exports in the future.



### **3.3.2 Cost recovery charges**

Cost recovery charges are imposed under these Acts:

- *Export Charges (Imposition – General) Act 2015*
- *Export Charges (Imposition – Customs) Act 2015*
- *Export Charges (Imposition – Excise) Act 2015*

Details of specific price points and charges payable are included in these regulations:

- *Export Charges (Imposition – General) Regulations 2021*
- *Export Charges (Imposition – Customs) Regulations 2021*

### **3.3.3 Cost recovery fees**

Section 399 of the *Export Control Act 2020* provides that the rules may prescribe fees that may be charged in relation to fee-bearing activities carried out by, or on behalf of, the Commonwealth in the performance of functions or the exercise of powers under the Act. The specific fees and price points are set out in the *Export Control (Fees and Payments) Rules 2021*.

## 4 Cost recovery arrangement for horticulture exports

This section describes the horticulture exports cost recovery arrangement cost base.

### 4.1 Description of the regulatory activity

Plant export is regulated in accordance with the export legislative framework (see [section 3.3](#)). Plant export certification activities undertaken by the department involves inspection, audit and certification activities with respect to the export of grain and horticulture products. Grain and horticulture products specified in the legislation are:

- prescribed grain
- prescribed hay and straw
- fresh fruit
- fresh vegetables
- other plants or plant products for which a phytosanitary certificate or any other official certificate is required by an importing country authority (for example, timber products, nuts, nursery stock, tissue cultures, cotton and other grains and seeds not listed here).

The grain and horticulture exports cost recovery arrangements are separate. Our Plant Export Operations branch undertakes export certification activities under both cost recovery arrangements.

Exporters of plants and plant products must obtain an export permit prior to the departure of prescribed goods from Australia. Overseas government authorities may require additional certification to verify that the exported products comply with their respective import conditions:

- developing, implementing and monitoring of operational policy and systems that ensure compliance with Australian export controls and any importing country requirements. These activities serve to maintain the eligibility of commodities for export from Australia and to protect and promote Australia's reputation for premium agricultural goods, while maintaining existing and seeking increased market access opportunities.
- providing inspection, auditing, and enforcement activities to ensure that the production, storage, handling and transportation of grain and horticulture products intended for export comply with the conditions of the Australian export controls and any additional requirements imposed by an importing country.
- issuing permits, phytosanitary certification, and other documentation necessary to confirm compliance with Australian export controls and any additional importing country requirements.
- providing support through our overseas counsellors relating to detained consignments, government certification and other issues that result in goods being held at the border.

- providing scientific and technical advice to improve, maintain or restore market access to demonstrate adherence to export requirements.
- enforcing regulation of certified organic goods exported from Australia.

For more information, see [Export goods controlled by the department](#).

Plant export certification occurs across both the grain and horticulture cost recovery arrangements.

## 4.2 Cost base

Table 2 shows the horticulture arrangement cost base for 2021–22. See Table 3 for an overview by cost type for 2021–22.

A detailed description of cost activities and methodology for attributing costs to these activities is provided at [Appendix A](#).

### 4.2.1 Cost base assumptions

The cost base has been modelled to reflect the full costs of the delivery of regulatory services to support the horticulture industry. The 2018–19 budget has been used as the starting point for determining the cost base in this CRIS. To project the cost base over the next 4 years, adjustments have been applied to capture expected changes to the costs including:

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

### 4.2.2 Projected cost base

The cost base for 2021–22 for the horticulture exports cost recovery arrangement is \$11.410 million (Table 2), made up of:

- \$7.214 million in charge-related activities
- \$4.196 million in fee-related activities.

**Table 2 Cost base for horticulture exports cost recovery arrangement, 2021–22**

Charge type	Activity group	Activity	Expense (\$)	Cost recovery charge
Charges	Program management and administration	Workforce and business administration	7,213,935	Annual registration, export documentation, throughput, application and organic certification
		Business system administration		
		Stakeholder engagement		
		Policy and instructional material		
		Business improvement		
	Assurance	Risk management		

Charge type	Activity group	Activity	Expense (\$)	Cost recovery charge
		Verification		
		Surveillance		
	Incident management	Incident management		
		Investigative support		
		Corrective action		
<b>Fee for service</b>	Intervention	Assessment	3,218,150	Assessment
		Inspection	179,892	Inspection
		Audit	797,857	Audit
<b>Total cost base</b>			<b>11,409,835</b>	<b>-</b>

Table 3 provides a breakdown of expenses of the horticulture exports cost recovery arrangement in 2021–22.

**Table 3 Cost type breakdown for horticulture exports cost recovery arrangement, 2021–22**

Expense	Forecast (\$)
<b>Direct</b>	<b>7,451,541</b>
Employee	6,388,926
Operating	1,053,209
Other	9,405
<b>Indirect</b>	<b>3,959,846</b>
Assurance and Legal	262,026
Corporate Strategy and Governance	453,143
Finance & Business Support	698,761
Information Services	1,444,743
Property	1,099,621
<b>Total</b>	<b>11,409,835</b>

For more information on how expenses are allocated see [section 5](#).

## 4.3 Changes to the cost base

This CRIS includes adjustments to the horticulture exports cost base since 2015-16, when the previous CRIS was implemented.

### 4.3.1 Expanded cost recovery measure from the 2018–19 Budget

Expanded cost recovery activities announced in the 2018-19 Budget were implemented from 1 July 2019. This provided authority for additional cost recovery regulatory activities including enforcement, scientific and technical advice, and support for detained consignments which increased the cost base by \$1.533 million indexed annually from 1 July 2019. Charges will recover for:

- enforcement activities that are directly related to regulatory functions to ensure industry compliance with international import conditions (\$0.125 million indexed annually from 1 July 2019)

- scientific and technical advice related to supporting industry to improve, maintain or restore market access (\$1.225 million indexed annually from 1 July 2019). Note this activity has since reduced, as described below.
- the cost of the department's overseas counsellor network assisting industry to meet export requirements for detained consignments or during trade disruptions (\$0.182 million indexed annually from 1 July 2019).

#### **4.3.2 Reductions to the cost base since the 2020–21 CRIS**

The horticulture exports 2020–21 Cost Recovery implementation Statement (CRIS) is used as a starting position for the proposed 2021–22 CRIS cost base. These reductions to the cost base are proposed:

- Inspection volumes have decreased as industry continues to adopt the use of third-party authorised officers to under inspections under the Authorised Officer program. This has decreased the inspection capability and capacity required to be maintained in the department, which has reduced the cost of horticulture inspection allocated to the arrangement.
- The export arrangements' use of the department's client contact group is lower than previously modelled. All export arrangement cost bases have been reduced to reflect usage.
- Cost reductions implemented in the 2019–20 internal budget have permanently reduced resourcing against some functions. Fewer officers are now working on maintaining, improving and restoring market access than estimated in previous CRIS, reducing expense from this function.
- Following the department's future department review, a number of structural changes were made to the department that saw some efficiencies created in management lines and oversight. By consolidating operations and integration coordination within the plant exports business structure some efficiencies have been gained and have reduced the expense to the horticulture arrangement.
- Corporate and indirect expenses have been reduced in line with the reduction in direct expense. Depreciation expense has also been adjusted to reflect the timing of planned project rollouts.

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

Table 4 outlines the changes to the forecast cost base for 2021–22.

**Table 4 Changes to cost base for horticulture exports, 2021–22**

Adjustment to cost base	Impact on cost base	Unit	Forecast (\$)
<b>Total baseline expense, 2020–21 CRIS</b>	<b>n/a</b>	<b>\$</b>	<b>12,318,239</b>
Additional cost reduction - revised activity levels:			
Reduction in inspection volumes - transition to Authorised Officer program	Decrease	\$	(304,200)
Reduction in general enquiry hotline usage	Decrease	\$	(90,000)
Reduction in market access facilitation capacity	Decrease	\$	(235,000)
Efficiency gains in combining operations management and coordination	Decrease	\$	(39,000)
Reduction in corporate and indirect expenses	Decrease	\$	(116,480)
Total cost reduction due to revised activity levels	Decrease	\$	(784,680)
Depreciation adjustment	Decrease	\$	(123,724)
Total adjustments to cost base	Decrease	\$	(908,404)
<b>Adjusted cost base</b>	<b>n/a</b>	<b>\$</b>	<b>11,409,835</b>
Change in expense	Decrease	%	(7.4)

**n/a** Not applicable.

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

## 4.4 Reforms from 2020–21

### 4.4.1 New export control legislation

As noted at [section 3.3.1](#), the *Export Control Act 2020* commenced on 28 March 2021, consolidating export functions from the *Export Control Act 1982* into a new legislative framework. No changes to the cost base have been identified at this time as a result of the implementation of the new legislative framework, but changes to our regulatory approach could affect cost recovery. Any impacts will be reviewed when or if changes are implemented.

## 5 Design of regulatory charges

### 5.1 Changes to regulatory fees and charges

No changes to the types of fees and charges or charge points are proposed as part of this CRIS. Most charges are proposed to increase proportionate to the increased expense required to meet the proportion of cost recovery required in each year under the government's More Efficient and Sustainable Export Regulation measure which is part of the Busting Congestion for Agricultural Exporters package.

### 5.2 Horticulture exports fees and charges

The amount payable for 2021–22 to 2024–25 is shown in Table 5 to Table 8.

**Table 5 Fees, charges and volumes for horticulture exports cost recovery arrangement, 2021–22**

Category	Charge title	Unit	Price (\$)	Estimated volume	Total revenue (\$)
<b>Charges</b>	Establishment registration – grower or exporter	Annual	913	71	64,823
	Establishment registration– simple	Annual	4,565	152	693,880
	Establishment registration– complex	Annual	9,130	146	1,332,980
	Authorised officer approval	Annual	727	206	149,762
	Establishment application (one-off)	Per initial establishment application	581	45	26,145
	Phytosanitary certificate	Per document	58	40,233	2,333,514
	Export volume rate – non-protocol rate	Per tonne	0.99	515,066	509,915
	Export volume rate – protocol rate	Per tonne	1.98	286,247	566,769
<b>Fees – audit and inspection</b>	Audit	Per Quarter Hour	35	17,967	628,845
	Core inspection	Per Quarter Hour	35	4,051	141,785
	Additional inspection	Per Quarter Hour	73	-	-
<b>Fees – documentation</b>	Document – Electronic	Per Document	18	110,985	1,997,730
	Document – Manual	Per Document	152	2,700	410,400
	Replacement certificate	Per Document	533	10	5,330
<b>Fees – authorised officer (AO)</b>	AO application fee	Per Application	242	45	10,890
	AO approval	Per AO Approval	242	148	35,816
	AO Learning and Assessment	Per person delivered training	1,695	45	76,275



Category	Charge title	Unit	Price (\$)	Estimated volume	Total revenue (\$)
	Additional Learning and Assessment	Per additional person delivered training	1,937		
<b>Organics a</b>	Organic certifying organisation	Annual	8,000	1	8,000
<b>Total</b>					<b>8,992,859</b>

**a** Organic certifiers support a small number of exporters in all of the export arrangements (excluding Live Animal Exports) and therefore the expense has been reflected in each CRIS.

Note: Prices have been rounded. The annual charge will be rounded upwards to the nearest dollar, with the exception of throughput, which will be rounded upwards to the nearest cent.

**Table 6 Fees, charges and volumes for horticulture exports cost recovery arrangement, 2022–23**

Category	Charge title	Unit	Price (\$)	Estimated volume	Total revenue (\$)
<b>Levies</b>	Establishment registration – grower or exporter	Annual	1,049	71	74,479
	Establishment registration– simple	Annual	5,245	152	797,240
	Establishment registration– complex	Annual	10,489	146	1,531,394
	Authorised officer approval	Annual	873	206	179,838
	Establishment application (one-off)	Per initial establishment application	698	45	31,410
	Phytosanitary certificate	Per document	66	40,668	2,684,088
	Export volume rate – non-protocol rate	Per tonne	1.14	515,066	587,175
	Export volume rate – protocol rate	Per tonne	2.27	286,247	649,781
<b>Fees – audit and inspection</b>	Audit	Per Quarter Hour	42	17,323	727,566
	Core inspection	Per Quarter Hour	42	4,051	170,142
	Additional inspection	Per Quarter Hour	87	-	-
<b>Fees – documentation</b>	Document – Electronic	Per Document	21	112,074	2,353,554
	Document – Manual	Per Document	175	2,700	472,500
	Replacement certificate	Per Document	552	10	5,520
<b>Fees – authorised officer (AO)</b>	AO application fee	Per Application	291	45	13,095
	AO approval	Per AO Approval	291	148	43,068
	AO Learning and Assessment	Per person delivered training	2,037	45	91,665

Category	Charge title	Unit	Price (\$)	Estimated volume	Total revenue (\$)
	Additional Learning and Assessment	Per additional person delivered training	2,328	–	–
<b>Organics a</b>	Organic certifying organisation	Annual	8,274	1	8,274
<b>Total</b>					<b>10,420,789</b>

**a** Organic certifiers support a small number of exporters in all of the export arrangements (excluding Live Animal Exports) and therefore the expense has been reflected in each CRIS.

Note: Prices have been rounded. The annual charge will be rounded upwards to the nearest dollar, with the exception of throughput, which will be rounded upwards to the nearest cent.

**Table 7 Fees, charges and volumes for horticulture exports cost recovery arrangement, 2023–24**

Category	Charge title	Unit	Price (\$)	Estimated volume	Total revenue (\$)
<b>Levies</b>	Establishment registration – grower or exporter	Annual	1,157	71	82,147
	Establishment registration– simple	Annual	5,785	152	879,320
	Establishment registration– complex	Annual	11,571	146	1,689,366
	Authorised officer approval	Annual	964	206	198,584
	Establishment application (one-off)	Per initial establishment application	771	45	34,695
	Phytosanitary certificate	Per document	73	41,102	3,000,446
	Export volume rate – non-protocol rate	Per tonne	1.25	515,066	643,833
	Export volume rate – protocol rate	Per tonne	2.51	286,247	718,480
<b>Fees – audit and inspection</b>	Audit	Per Quarter Hour	46	15,035	691,610
	Core inspection	Per Quarter Hour	46	4,051	186,346
	Additional inspection	Per Quarter Hour	96	–	–
<b>Fees – documentation</b>	Document – Electronic	Per Document	23	113,162	2,602,726
	Document – Manual	Per Document	193	2,700	521,100
	Replacement certificate	Per Document	563	10	5,630
<b>Fees – authorised officer (AO)</b>	AO application fee	Per Application	321	45	14,445
	AO approval	Per AO Approval	321	148	47,508
	AO Learning and Assessment	Per person delivered training	2,248	45	101,160
	Additional Learning and Assessment	Per additional person delivered training	2,570	–	–

Category	Charge title	Unit	Price (\$)	Estimated volume	Total revenue (\$)
<b>Organics a</b>	Organic certifying organisation	Annual	8,439	1	8,439
<b>Total</b>					<b>11,425,834</b>

a Organic certifiers support a small number of exporters in all of the export arrangements (excluding Live Animal Exports) and therefore the expense has been reflected in each CRIS.

Note: Prices have been rounded. The annual charge will be rounded upwards to the nearest dollar, with the exception of throughput, which will be rounded upwards to the nearest cent.

**Table 8 Fees, charges and volumes for horticulture exports cost recovery arrangement, 2024–25**

Category	Charge title	Unit	Price (\$)	Estimated volume	Total revenue (\$)
<b>Levies</b>	Establishment registration – grower or exporter	Annual	1,180	71	83,780
	Establishment registration– simple	Annual	5,900	152	896,800
	Establishment registration– complex	Annual	11,799	146	1,722,654
	Authorised officer approval	Annual	983	206	202,498
	Establishment application (one-off)	Per initial establishment application	786	45	35,370
	Phytosanitary certificate	Per document	75	41,102	3,082,650
	Export volume rate – non-protocol rate	Per tonne	1.28	515,066	659,284
	Export volume rate – protocol rate	Per tonne	2.56	286,247	732,792
<b>Fees – audit and inspection</b>	Audit	Per Quarter Hour	47	15,035	706,645
	Core inspection	Per Quarter Hour	47	4,051	190,397
	Additional inspection	Per Quarter Hour	98	-	-
<b>Fees – documentation</b>	Document – Electronic	Per Document	24	113,162	2,715,888
	Document – Manual	Per Document	197	2,700	531,900
	Replacement certificate	Per Document	574	10	5,740
<b>Fees – authorised officer (AO)</b>	AO application fee	Per Application	328	45	14,760
	AO approval	Per AO Approval	328	148	48,544
	AO Learning and Assessment	Per person delivered training	2,293	45	103,185

Cost recovery implementation statement: horticulture exports 2020–21

Category	Charge title	Unit	Price (\$)	Estimated volume	Total revenue (\$)
	Additional Learning and Assessment	Per additional person delivered training	2,621	–	–
<b>Organics a</b>	Organic certifying organisation	Annual	8,608	1	8,608
<b>Total</b>					<b>11,741,496</b>

**a** Organic certifiers support a small number of exporters in all of the export arrangements (excluding Live Animal Exports) and therefore the expense has been reflected in each CRIS.

Note: Prices have been rounded. The annual charge will be rounded upwards to the nearest dollar, with the exception of throughput, which will be rounded upwards to the nearest cent.

## 6 Stakeholder engagement

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

### 6.1 Stakeholder engagement strategy

#### 6.1.1 Purpose

This stakeholder engagement strategy for the cost recovery of horticulture exports regulatory activities outlines the engagement principles, method and approach. The purpose of the strategy is to work with industry to update the CRIS as needed and provide information on the performance of the cost recovery arrangement.

This strategy helps us to plan, design, undertake and evaluate stakeholder engagement activities.

It has been designed to meet the requirements of the:

- Australian Government Charging Framework
- Australian Government Guide to Regulation
- APS Framework for Engagement and Participation.

#### 6.1.2 Principles

Our principles for engagement are to listen and engage meaningfully.

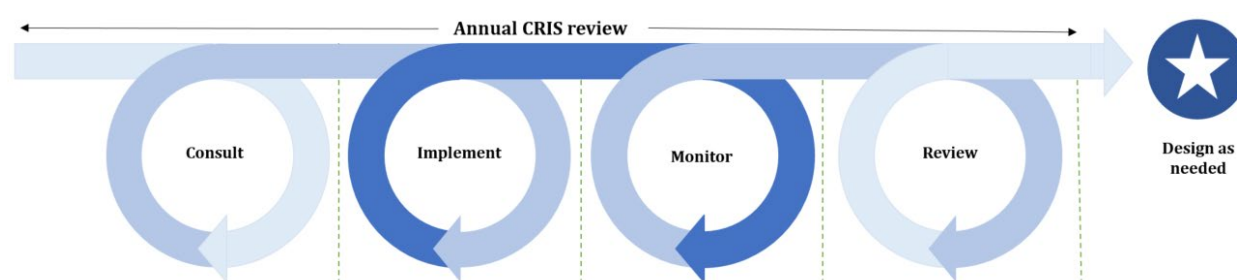
We will achieve this by:

- clearly explaining the objective and context of stakeholder engagement
- being honest about what is on the table that is, what is yet to be decided and what has already been decided
- providing sufficient time for stakeholders to engage in consultation processes
- ensuring information that is essential to participant's roles is made available to them
- providing feedback on how feedback has been taken into consideration.

#### 6.1.3 Method

We plan to consult on, implement, monitor, and review regulatory charging through annual CRIS reviews.

We will also design revised fees and charges in the CRIS documents as needed.

**Figure 1 Engagement process**

Throughout this process, we'll use 2 different levels of engagement:

- 1) share – when government needs to tell the public about a government initiative
- 2) consult – when government gathers feedback from specific industry groups about a problem or a solution.

### 6.1.4 Approach

Our engagement approach is outlined in Table 9.

**Table 9 Our approach to stakeholder engagement for regulatory charging**

Category	Consult annually	Implement annually	Monitor annually	Review annually	Design as needed
<b>Objective</b>	Public consultation to seek feedback on annual updates to the proposed cost base, fees and charges in the draft CRIS.	Publish public information to prepare stakeholders for upcoming changes to regulatory charging.	Publish information on prior year financial and non-financial performance of regulatory charging.	Consultation to seek feedback on regulatory charging performance and stakeholder engagement.	Targeted consultation to seek advice and input on behalf of their industries to develop volume, expense and pricing models.
<b>Level of engagement</b>	Consult	Share	Share	Consult	Consult
<b>Timing</b>	Annually in first quarter of the year.	Annually in June.	Annually in October.	As needed or for the Portfolio Charging Review in 2023.	As needed.
<b>Stakeholders</b>	Industry Consultative Committees (ICCs). All industry participants. Peak industry bodies.	All industry participants. Peak industry bodies.	Industry consultative committees (ICCs). All industry participants. Peak industry bodies.	Industry consultative committees (ICCs). All industry participants. Peak industry bodies.	Industry consultative committees (ICCs). Peak industry bodies.
<b>Method</b>	Online – Have Your Say. Face to face.	Industry advice notices (IANs). Online – department website.	Online – department website.	Online – Have Your Say.	Face to face. Teleconference.

## 6.2 Industry engagement

The department has been reviewing the CRIS since 2018–19 including public consultation on a draft in 2019–20 during which the department has consulted with the Horticulture Export Industry Consultative Committee (HEICC) on development of the draft CRIS.

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

- the cost base
- the volume of activities
- the proposed fee and charge structure
- the proposed rates of the fees and charges.

We consulted widely on the development of a draft CRIS during 2019–20, including through engagement with key stakeholders, a public submission process and face-to-face meetings with stakeholders. For a detailed summary of horticulture stakeholder feedback see [Appendix B](#).

In addition to feedback from industry, the department also commissioned an independent review of the efficiency and effectiveness of the department's delivery of export regulatory services. The independent review and the department's response have now been finalised and are available at [Independent review of the cost of export certification](#). The independent review was conducted as a survey of both internal and external stakeholders.

The independent review was delivered to the department in March 2020. The review found the department's staff to be committed and passionate, working diligently to achieve positive outcomes for industry. It also found that external stakeholders were somewhat satisfied with the department's services and that overarching export market and legislative objectives were often met. A range of recommendations were made to improve efficiency and effectiveness, with each requiring an investment of resources, effort, funding and time to fully implement.

Key messages from stakeholders and the review were:

- Industry wants the department to work to create efficiencies to lower costs.
- Antiquated systems were impeding efficient processing of export consignments.
- The department needed to focus on improvements while still delivering routine regulatory activities.
- Smaller exporters are finding it difficult to enter and compete on the global market without assistance from the government.
- Industry predict increases could cause significant hardships for producers and exporters who are recovering from a period of severe drought and natural disasters.
- If prices need to rise, they should do so in a stepped way, to prevent shocks to business.

Since release of the draft CRIS for public consultation in October 2019, the new Department of Agriculture, Water and the Environment was created in February 2020 through a machinery of government change. As part of this change the department undertook an internal 'Future Department Review' to identify how to maximise the capability of the new department and fully realise the opportunities it presents. A subsequent change process is now underway.



### **6.2.1 Horticulture exports stakeholder engagement**

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

#### **Past financial performance**

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

#### **Cost base and charging structure**

- Industry has clearly stated its opposition to the 2018-19 Budget measure to expand cost recovery to include scientific, technical and enforcement activities, and expressed concerns as to whether the department is applying sufficient downward pressure on expenses to reduce the cost base.
- Industry representatives sought clarification on whether the CRIS charging model sought to recover historical under-recoveries, noting that the department had previously agreed that it would not do so because it would be inequitable to recover historical costs from current exporters and because it would have a significant financial impact on the industry. The department clarified that government has not taken a decision as to how the deficit for the arrangement would be treated. The department will seek a decision following public consultation on the CRIS. The cost base presented in this CRIS does not include historic deficits.
- HEICC members have requested additional modelling and the department will continue to engage with industry representatives throughout the public consultation period. The department has continued engagement with the HEICC and while the pricing option proposed by HEICC is not viable at the time, the committee has supported the inclusion of option 2 in the draft CRIS.

#### **Cost recovery reserve and use of remissions**

- Industry representatives expressed concern regarding the department's proposal to set the legislated price at the highest modelled price over the 4-year outlook and then remit to align revenue with expense each year. The primary concern was that delays between over recoveries occurring and the remittance of over-recovered funds could result in remissions benefiting people who had not contributed to the surplus position in the reserve.
- The department proposed setting remissions in advance annually based on forecast expense and revenue, rather than implementing remissions after the fact or retrospectively. The remission would be monitored and adjusted on an ongoing basis, reducing the likelihood of over-recoveries. HEICC representatives stated that they disagreed with this approach, noting that industry would be uncomfortable with the remissions being entirely at the department's discretion.

## 7 Risk assessment

A charging risk assessment (CRA) is required for any regulatory charging policy proposal, such as a CRIS. It helps to identify and analyse regulatory charging risks. The Minister for Agriculture, Drought and Emergency Management must agree to release the final CRIS given the CRA indicates that it is medium risk.

The CRA has identified 2 implementation categories that are considered high risk:

- the percentage change in annual cost recovery revenue is greater than 10%
- the introduction of new cost recoverable activities.

The remaining implementation categories are considered low to medium risk:

- the total annual cost recovery revenue is greater than \$10 million but less than \$20 million
- the types of charges used include fees and charges
- the imposition of the cost recovery charges involving an act of parliament
- the proposal including no involvement with other Commonwealth, state or local government entities.
- the expected impact of cost recovery on payers
- stakeholder sensitivity about the proposed changes.

In addition to the CRA, we have also considered a number of risks associated with cost recovering horticulture exports certification activities and how we will manage these risks (Table 10).

**Table 10 Risks – horticulture exports cost recovery arrangement**

Risk	Management
The cost of export certification affects industry competitiveness.	We are implementing a range of reforms to deliver efficiencies in export certification processes.
The fee and charge structure does not support future regulatory reforms.	The CRIS will be reviewed annually which will provide an assessment as to whether fees and charges should be revised.
Changes to Government policy and activities.	Regular assessments of the arrangement will inform whether a cost recovery review is required.
Importing countries change export certification requirements – the cost of providing certification no longer reflects forecast effort.	Regular assessments of the arrangement will inform whether a cost recovery review is required.
Deficit occurs. For example, unfavourable farming conditions.	We will engage with industry to discuss options to reduce expenses through adjustments to services or service standards.
Significant surplus occurs. For example, entry to a new market or favourable farming conditions.	Subject to approval, collection of revenue in surplus of expense may be managed through remittance, or investment initiatives directly benefiting activities within the arrangement. An alternative approach may be agreed with industry within policy guidelines.

Cost recovery implementation statement: horticulture exports 2020–21

Risk	Management
Changing events impact actual revenue versus forecast revenue.	We will update the CRIS annually to monitor changes in activity and effort and assess the need for consequential changes in the cost and price.

## 8 Financial estimates

### 8.1 Financial estimates

Table 11 shows the financial estimates of the horticulture exports cost recovery arrangement.

There will be no change to the cost recovery reserve for the duration of the busting congestion package. The reserve deficit will be carried forward until a government decision is taken to address it.

**Table 11 Financial estimates for horticulture exports cost recovery arrangement**

Finance element	2021–22 (\$)	2022–23 (\$)	2023–24 (\$)	2024–25 (\$)
Revenue = X	8,992,859	10,420,789	11,425,834	11,741,496
Expenses = Y	11,409,835	11,593,719	11,453,832	11,680,303
<b>Balance = X – Y</b>	<b>(2,416,976)</b>	<b>(1,172,930)</b>	<b>27,998</b>	<b>(61,193)</b>
Appropriation funding	2,416,976	1,172,930	n/a	n/a
Balance after appropriation	-	-	27,998	(61,193)
Forecast opening cost recovery reserve balance	(8,766,095)	(8,766,095)	(8,766,095)	(8,727,568)
Transfer	-	-	27,998	(61,193)
<b>Forecast closing cost recovery reserve balance</b>	<b>(8,766,095)</b>	<b>(8,766,095)</b>	<b>(8,738,097)</b>	<b>(8,799,290)</b>

n/a Not applicable.

### 8.2 Cost recovery reserve

A cost recovery reserve is maintained for each of the agriculture and food exports charging arrangements. The department's policy is to maintain a balance of between zero and five percent of annual program expenditure in the reserve for each arrangement. Close management of the financial performance of arrangements may lead to more frequent adjustments to charges, including to reduce a reserve surplus.

At the time of CRIS release, the horticulture exports reserve is in deficit. Fees and charges have not been modelled to recover this deficit. The More Efficient and Sustainable Export Regulation measure provides investment of \$71.1 million over 3 years from 2020–21 to 2022–23 to maintain essential export regulatory services across all export cost recovery arrangements while prices are gradually increased. This will maintain the deficit at its current level until the arrangement returns to full cost recovery.

## 9 Financial and non-financial performance

Both the ANAO report and the independent review made recommendations about improving our performance reporting. The department is committed to consulting with industry stakeholders on performance indicators to assist in evaluating the performance of our regulatory arrangements. We will use the benchmarking framework provided by the independent review to engage with industry on development of financial and non-financial Key Performance Indicators (KPIs).

### 9.1 Financial performance

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

The financial performance for the horticulture exports cost recovery arrangement are provided in Table 12.

**Table 12 Financial performance for horticulture exports cost recovery arrangement, 2017–18 to 2020–21**

Finance element	2017–18 (\$)	2018–19 (\$)	2019–20 (\$)	2020–21 f
Revenue = X	7,867,794	8,399,981	7,893,802	6,970,625
Expenses = Y	9,383,098	9,896,460	10,361,950	10,613,821
<b>Balance = X – Y</b>	<b>(1,515,304)</b>	<b>(1,496,479)</b>	<b>(2,468,148)</b>	<b>(3,643,196)</b>
Remissions, rebates and adjustments = Z	(11,374)	n/a	n/a	3,643,196
Net balance = balance + Z	(1,526,678)	(1,496,479)	(2,468,148)	-
<b>Cost recovery reserve balance</b>	<b>(4,801,468)</b>	<b>(6,297,947)</b>	<b>(8,766,095)</b>	<b>(8,766,095)</b>

n/a Not applicable. f Forecast.

Note: Revenue has increased since 2015–16 due to steady annual growth in the horticulture exports industry. Increased expenses have primarily been driven by increased program management and administration costs, including information services costs associated with our service delivery modernisation program, corporate costs and property costs. This has been partially offset by lower inspection costs being allocated to the arrangement resulting from higher industry use of third-party authorised officer to undertake inspections under the Authorised Officer program. This has decreased the inspection capability and capacity required to be maintained in the department, which has reduced the cost of horticulture inspection allocated to the arrangement. From 1 July 2019, \$1.553 million for regulatory activities for enforcement, scientific and technical advice and detained consignments was added to the arrangement indexed and ongoing.

### 9.2 Non-financial performance

Over the life of this CRIS, the department intends to consult with industry stakeholders on non-financial performance indicators to assist in evaluating performance of the cost recovery

arrangements administered. This CRIS will be updated as performance indicators are refined and further developed.

# 10 Key dates and events

Regular reviews of financial performance are undertaken and regular stakeholder engagement activities are conducted throughout the CRIS cycle in line with the stakeholder engagement strategy documented in [Section 6](#). Key forward dates for regulatory charging for horticulture exports certification activities are documented in Table 13.

**Table 13 Key forward dates and events**

Key forward events schedule	Next scheduled update
Annual CRIS update to forward estimates	May 2021
Updated fees and charges implemented	1 July 2021
Annual CRIS updates to financial and non-financial performance for 2020–21	October 2021
Annual CRIS update to forward estimates	February 2022
Updated fees and charges implemented	1 July 2022
Annual CRIS updates to financial and non-financial performance for 2021–22	October 2022
Portfolio charging review to be undertaken	2023
Annual CRIS update to forward estimates	February 2023
Updated fees and charges implemented	1 July 2023
Annual CRIS updates to financial and non-financial performance for 2022–23	October 2023
Portfolio charging review outcomes to be brought forward in Budget	2024–25



# Appendix A: Cost recovery model

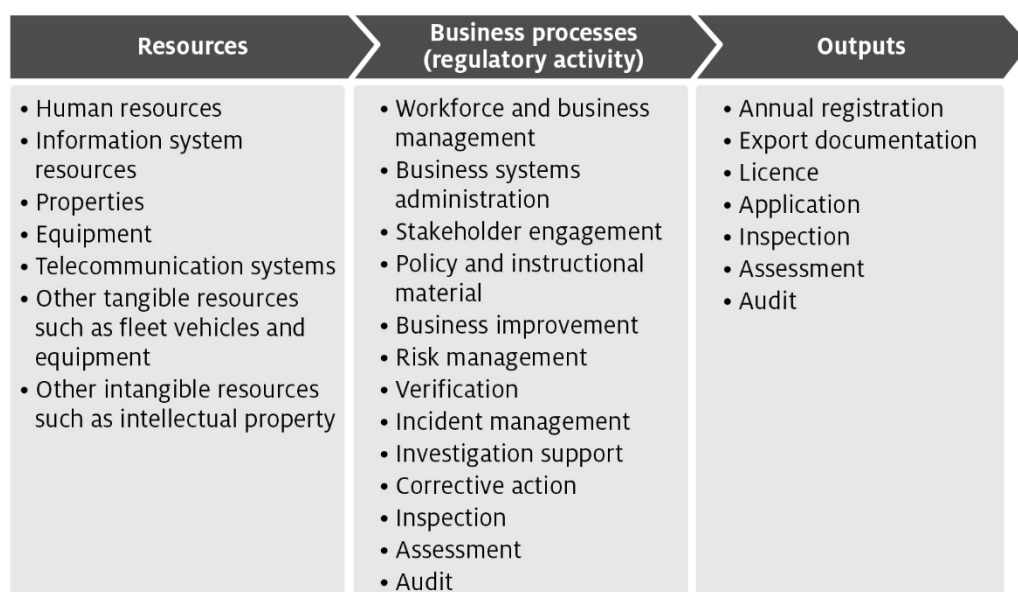
## Outputs and business processes of the regulatory charging activity

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

- safeguard Australia’s animal and plant health status, to maintain overseas markets and protect the economy and environment from the impact of exotic pests and diseases. This will be achieved through risk assessment, inspection and certification, and the implementation of emergency response arrangements for Australian agricultural, food and fibre industries
- support more sustainable, productive, internationally competitive, and profitable Australian agricultural, food and fibre industries through policies and initiatives that promote better resource management practices, innovation, self-reliance and improved market access.

Our cost recovery arrangements describe how we use resources (such as people, IT, property and equipment) to undertake business processes (regulatory activities), which enable us to provide the outputs that meet our policy objectives (Figure 2).

**Figure 2 Outputs and business processes of our regulatory charging activity**



The processes listed in Figure 3 are described below and are grouped into 4 categories of activities:

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

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

## Costs of regulatory charging activity

### Cost allocation process

To determine the cost of regulatory activities, we use an activity-based costing (ABC) system. The ABC cost allocation methodology reflects costs incurred through usage of regulatory activities. This provides a transparent allocation of costs that is also efficient and effective to administer.

The 2 expense categories are:

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

The cost allocation process apportions the costs of support functions (indirect expense) and direct expense to the processes/activities defined below under [Description of cost model activities](#). We include indirect expenses in the cost base to reflect the systems and processes that exist to help with efficient administration, which the cost-recovered arrangements benefit from. This is the same methodology employed for allocation of indirect costs to appropriated activities, in line with our cost allocation policy.

The ABC system allocates costs in a staged approach:

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

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

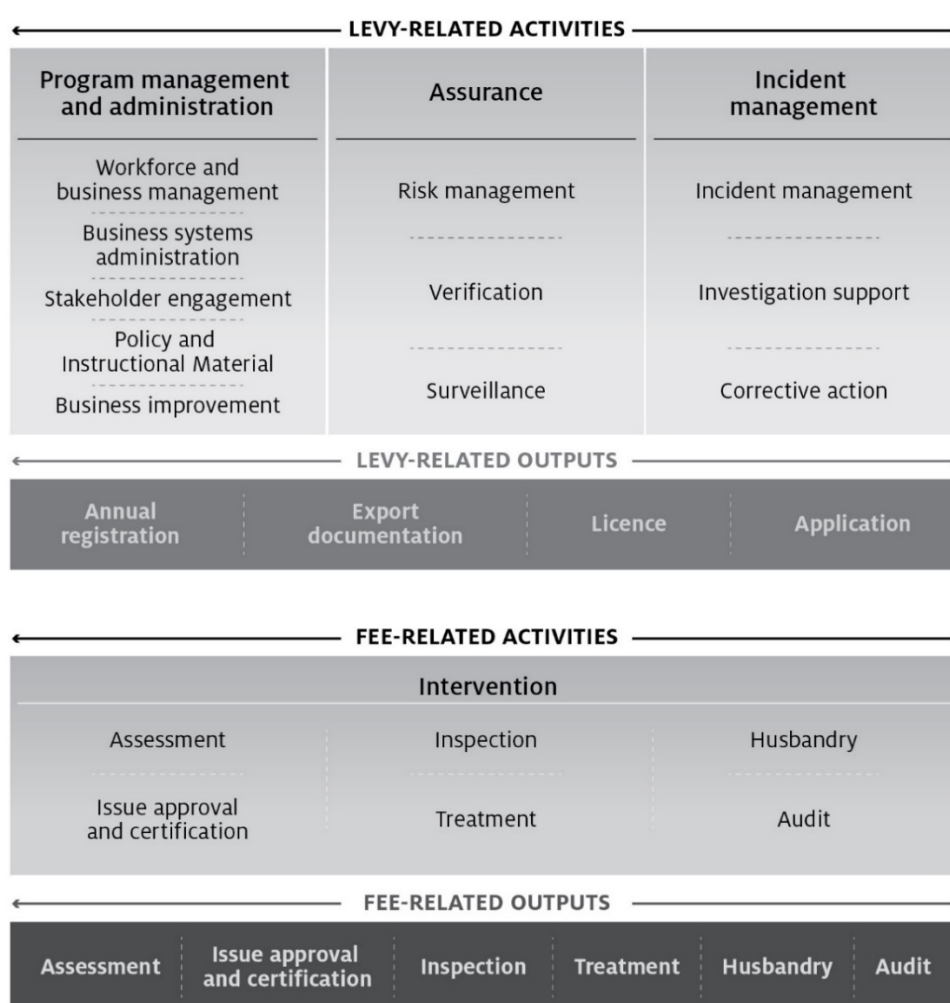
- 2) Direct costs (including the indirect costs allocated in step 1) are allocated to the activity and cost-recovered arrangements that best reflects the activity undertaken. Time recording systems allow the accurate allocation of effort to specific activities and arrangements, particularly to intervention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

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

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

- 3) Activity/arrangement costs (from step 2) are allocated to charge points which identify the cost associated with that charge. We use a combination of cost recovery fees and charges. Figure 3 shows how we categorise cost-recovered charge and fee activities and outputs.

**Figure 3 Categories of activities**



## **Description of cost model activities**

This section provides details of the cost model activities undertaken in the departments cost recovery arrangements.

### **Program management and administration activities**

#### **Workforce and business management**

This activity comprises 4 categories:

- 1) Workforce management activities include staff supervision, allocating workforce resources, managing employee performance, leave, training and other conditions, managing Work, Health and Safety requirements, recruitment and termination.
- 2) Business management activities include business planning and continuity; requesting legal advice; procurement and contracts; program and project administration, assurance, design and management; management of fixtures, facilities, equipment, supplies and logistics.
- 3) Financial management activities include billing and accounting, budgeting, charges and payments, collections and receivables, debt management, financial accounts, reporting and policy development.
- 4) Information management activities include data management, information and records management, and information sharing and collaboration.

#### **Business systems administration**

Includes developing, acquiring, testing, implementing and supporting applications and business systems. It encompasses technical support and maintenance of all business systems including information and communications technology.

#### **Stakeholder engagement**

Involves proactive engagement with any person, business, or organisation including any associated travel. This includes, engaging with peak industry bodies, secretariat support and attendance at industry consultative committee meetings, consultation on new standards and requirements, publishing website content and other information.

#### **Policy and instructional material**

Includes developing, maintaining and communicating the department's policy and instructional material, such as operational and corporate policies, scientific advice, departmental guidelines and work instructions, and associated training development and delivery. Examples include responding to changes in importing country requirements developing or revising policy processes and instructional material.

#### **Business improvement**

Includes assessment, monitoring and development of initiatives to improve performance. Examples include adjustments to improve program and service delivery, business performance reports against KPIs and similar activities.

## **Assurance activities**

### **Risk management**

Involves assessing and managing the risks posed to Australia's ability to maintain market access. This includes communicating results of risk analysis, modelling and forecasting to operational areas and the collection, receipt and use of reliable compliance data to meet the department's compliance objectives. This work also includes any associated travel and client assistance work.

### **Verification**

Includes assurance activities to provide stakeholders and the departmental executive with confidence that departmental controls of its systems and processes are operating in accordance with their intended design and associated documentation. This includes assurance activities provided to trading partners.

### **Surveillance**

Includes formal and informal monitoring to detect issues that may affect onshore production for export, such as changes in Australia's pest or disease status or food safety concerns. Surveillance differs from an inspection because it is not done for a specific client.

## **Incident management activities**

### **Incident management**

The coordination and management of any incident, including post-border detection and export incidents. This includes all associated preparatory work and post work, travel and client assistance in relation to an incident.

### **Investigation Support**

Involves providing support for enforcement activities relating to an alleged breach of portfolio legislation, including any related client assistance and travel. This also includes enforcement activities that ensure compliance with Australian regulation and international import conditions such as investigations and engagement with clients about compliance.

### **Corrective action**

Includes actions taken in response to non-compliance or contravention of legislation that is not required to be reported to enforcement officers. Corrective action activities includes all preparatory work and post work, travel and client assistance in relation to the enforcement process.

## **Intervention activities**

### **Assessment**

Involves assessing information to determine if it meets Australian standards and legislation, international conventions and importing country conditions. This includes all preparatory work (such as confirming importing country or export requirements) and post work (such as assessment report preparation), travel and client assistance in relation to the assessment. Examples include assessments of licenses, permits, registrations or accreditations.

### **Issue approvals and certification**

Includes issuing of a decision in relation to an assessment for cargo, vessels, plants, animals, food, biological and genetic material. This includes the work from the end of the assessment period to the completion of the decision notification process to support issuance of appropriate export documentation.

### **Inspection**

Involves the physical examination and supervision of an export consignment of plants or plant products to determine compliance with Australian standards and legislation, international conventions and importing country conditions.

### **Treatments**

Includes the physical treatment of cargo, vessels, plants, animals, food, biological and genetic material, other conveyances or premises to prevent an adverse biosecurity outcome from occurring and to meet relevant importing country requirements.

### **Husbandry**

Includes activities relating to the care of plants and animals that the department is responsible for, including transport of plants and animals, housing, daily monitoring, feeding, cleaning of facilities, administering of medication, bookings and client assistance.

### **Audit**

Includes the systematic and functionally independent examination of industry systems and processes to determine whether activities and related results comply with legislative or documented requirements. This includes all preparatory work and post work, travel and client assistance in relation to the audit.

# Appendix B: Summary of horticulture exports stakeholder feedback from 2019–20 consultation

Consultation on the draft CRIS involved engagement with industry consultative committees and targeted discussions with industry stakeholders. A draft CRIS was released in October 2019 for public consultation and submissions closed in January 2020. During this period the department received 69 submissions across all export cost recovery arrangements and held 13 face to face or teleconference meetings.

During consultation on the horticulture exports cost recovery arrangements multi options were discussed including:

- Option 1– increase the phytosanitary certificate, tonnage and establishment registration levies in proportion to the prices that were proposed in the 2017–18 draft CRIS that was previously released for public consultation. This approach sets prices at the level necessary to recover the cost of horticulture exports certification while retaining a charging structure that industry is familiar.
- Option 2– introduction of a new charging structure through the introduction of an export permit charge, tiered phytosanitary charge (with and without attestation) and a single export tonnage charge.

Key theme	Department response
<b>1) Opposition to full cost recovery</b> The government has endorsed the goal of making agriculture a \$100 billion industry by 2030. The CRIS, which promotes full cost recovery, will not help achieve this goal. The benefits of exports to the broader community need to be recognised by partially funding exports through appropriation and policy functions should be funded by government to remove the cost from industry. The CRIS is a strong disincentive to export and will have a significant negative effect on the international competitiveness of Australian exporters. With DAWE already recovering nearly half of its costs directly from exporters and producers, an increase to full cost recovery is not sustainable. Current exporters should not be penalised for the department under-recovering costs from previous periods. The rate of DAWE cost recovery is proportionally much higher than other Commonwealth departments and New Zealand counterparts, with Australian horticulture one of the least subsidised industries in the OECD.	<p>The Australian Government's policy on cost recovery is articulated in the <a href="#">Australian Government Charging Framework</a>.</p> <p>The Charging Framework state that Australian Government entities should generally set charges to recover the full efficient cost of providing specific activities. Recovering the full costs means the full efficient costs which are defined as the minimum costs necessary to provide the activity while achieving the policy outcomes and legislative functions of the government. Further, the Charging Framework state that the full costs include the costs of all the activities that can be reasonably attributed to an individual/organisation or group of individuals/organisations receiving the service. Our fees and charges are designed to reflect as closely as possible the actual cost of delivering these important regulatory activities. The model seeks to recover costs from each participant based on regulatory effort and consumption of departmental resources.</p> <p>The department's cost recovery charges for export certification increase the cost of exporting, but the impact on competitiveness of agricultural exporters is limited. The ABARES investigation of other countries' cost recovery arrangements suggests that differences,</p>



Key theme	Department response
<b>2) Greater transparency and clarification needed on increased costs</b>	and impacts on competitiveness, are generally small. ABARES analysis suggests that the impact on value of exports is small – less than 1 % for each commodity considered.
<p>This CRIS does not address industry’s call for greater transparency and clarification. There is no evidence of harmonisation across arrangements when horticulture increases range between 45 and 277 %. As price takers, exporters and producers will need to absorb on-costs across differently regulated, subsidised, protocol and non-protocol markets which they cannot afford. Increased on-costs are not explained or substantiated and are applied inefficiently. The socialisation of scientific research, technical advice and travel costs should not be cost-recovered from private enterprises. Activities that are of a broader national benefit such as enforcement should also not be cost-recovered from private enterprises.</p>	<p>We will be making improvements to increase the transparency of the CRIS in the future based on stakeholder feedback as well as the independent review. This may include a benchmarking framework and cost object diagram.</p> <p>As part of the 2018–19 Budget, government decided to stop funding the regulatory activities through appropriation and recover the costs of those activities from the industries that create the need for those services. This decision is consistent with the Charging Framework.</p>
<p><b>3) Stakeholder engagement process</b></p> <p>This CRIS warrants extensive consultation which has not occurred. Greater notice of the specific details of engagement sessions was needed. Repeated changes to consultation timelines and insufficient communications with both industry representative bodies and affected businesses has led to extreme confusion regarding the submission process. Engagement sessions are not easily accessible for rural and regional communities.</p>	<p>The department notes this feedback and will be making improvements to the stakeholder engagement process in the future.</p>
<p><b>4) Timeframe of the consultation and submission period</b></p> <p>The findings of the Ernst and Young (EY) report should have been released to stakeholders prior to the call for submissions on the draft CRIS. The EY report should identify areas of the department where process improvements could lead to increases in both efficiency and effectiveness. The cost of the EY report cannot be justified without a commensurate revenue value-add.</p>	<p>The department continues to be committed to extensive engagement with stakeholders, through the consultative committees and public consultation. The department further notes extensive consultation has occurred to date on the expenditure, volumes and pricing models with the HEICC.</p> <p>The public consultation was undertaken parallel to the independent review to avoid delays in implementing new fees and charges and restoring the financial sustainability of our export certification cost recovery arrangements.</p> <p>The feedback from public consultation on the CRISs and recommendations of the independent review will be considered in the development of the final plant export certification CRIS document.</p>
<p><b>5) Impact of CRIS on the Authorised Officer (AO) model</b></p> <p>This CRIS threatens the viability of the Authorised Officer (AO) model. Audit requirements, cost apportion, and the duplication of federal and state government audit activities act as barriers to exporters and producers. The outsourcing of the audit process to a private competent third party will achieve greater efficiencies and cost savings.</p>	<p>The Charging Framework state that where a regulatory function is provided to an identifiable group that group, and not general taxpayers, should bear the associated costs. Export certification services are provided to a clearly identifiable group – individuals and organisations that participate in the plant export supply chain.</p> <p>Certification rules and requirements are set based on what importing countries require. In setting requirements, many overseas governments will only accept Australian Government certification, rather than from non-government individuals and businesses. We try to negotiate the acceptance of third-party regulation,</p>

Key theme	Department response
<b>6) Detained consignment cost</b> Consistent with other industry views, detained consignment costs should be recovered from the shipper where the shipper is found to be at fault.	<p>but ultimately it is a decision for importing countries as to what they will accept. certification, underpinned by assurance activity, ensures markets remain open and exporters can confidently plan their business models.</p> <p>Due to the highly reactive, uncertain and expensive nature of managing detained consignment, it is important that there is certainty for funding these activities while ensuring the most effective and efficient cost recovery arrangements are in place. The department recover costs of managing these incidents through levies imposed on users of the export certification system.</p> <p>Cost recovery is considered appropriate as industry benefits by having a system in place that allows the department to manage detained cargo situations when they arise. Activities undertaken by the department in cases of detained cargo include: working with foreign governments and agricultural posts; identifying new markets for the detained cargo; and issuing certificates to meet new importing country requirements.</p>
<b>7) Negative impact on small exporters</b> The CRIS will have a negative impact on small exporters because certification costs are prohibitive to small exporters entering new markets. The government should consider a transition period of lower costs for small exporters while they establish and grow their business.	<p>The busting congestion package will provide a transition full cost recovery for all exporters.</p> <p>The base level of effort required to provide regulatory activity to small and emerging exporters is the same as provided to others and our registration charges reflect this. Tonnage charges are used to ensure that the additional regulatory effort associated with larger scale export operations is reflected.</p>
<b>8) Introduction of efficiency dividend as cost increased too high</b> Industry cannot continue to absorb increased costs without efficiency gains and/or improved services.	<p>During consultation on developing revised charges, industry have requested the introduction of an efficiency dividend. Following this feedback, the department is assessing if and how a productivity measure could be included in this CRIS review. Further details will be discussed with the industry consultative committee after the department has finalised its assessment.</p>
<b>9) No formal feedback on pricing models</b> Industry representative groups made the representation that no model would be acceptable where total cost recovery increases to the magnitude proposed.	<p>In the absence of industry advice, the department prefers the second proposed pricing model as the introduction of a charge on permits will better capture the effort on all export consignments. This will better drive the costs of the regulatory service to each charge point. This has been reflected in the prices proposed in this CRIS.</p>