



Australian Government

**Department of Agriculture Fisheries & Forestry
Australian Quarantine & Inspection Service**

*Import Clearance Program Fees Including those for Imported Food
Services
July 2009*

COST RECOVERY IMPACT STATEMENT

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1. OVERVIEW

1.1 Purpose

This Cost Recovery Impact Statement (CRIS) outlines the Australian Quarantine and Inspection Service's (AQIS) proposal to amend fees in relation to Import Clearance Program services from 1 July 2009. The services provided include those administered under the *Quarantine Act* for biosecurity and those under the *Imported Food Control Act* for compliance of imported food with Australian food standards. This CRIS demonstrates the compliance of AQIS's cost recovery with the Australian Government's cost recovery policy set out in the *Australian Government Cost Recovery Guidelines (2005)*.

The amendment to the Import Clearance Program service fees will necessitate an amendment to the *Quarantine Service Fees Determination 2005* and the *Imported Food Control Regulations 1993*.

The fee changes proposed in this CRIS will ensure the government's cost recovery objectives are pursued for AQIS's Import Clearance Program in 2009/10. The changes will improve user-pays equity at the 'activity' level within the programs.

1.2 Background

The Department of Agriculture, Fisheries and Forestry (DAFF) is responsible for a wide-range of matters. The department's outcome statement is:

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

AQIS is one of the divisional units within the DAFF and contributes to the department's outcomes by managing biosecurity controls at Australia's borders to minimise the risk of exotic pests and diseases entering the country. AQIS also provides import and export inspection and certification to help retain Australia's highly favourable animal, plant and human health status and wide access to overseas export markets. AQIS also inspects imported food for compliance against Australian food standards.

The Import Clearance Program of AQIS manages the plant, animal and human biosecurity risk associated with imported cargo and packaging and is responsible for preventing the introduction of exotic pests and diseases through risk management arrangements, stakeholder engagement and partnership whilst focusing resources on its cost-effectiveness and its management of imported cargo and related goods.

The Import Clearance Program also has a number of stakeholder programs which predominantly have responsibility for permit issuing and policy development and equate to approximately \$9 million of the overall Import Clearance Program budget. The Imported

Food Program is one of these stakeholder programs and is responsible for developing policies and procedures that are effective in ensuring imported food complies with Australian food standards and the requirements of public health and safety. This is achieved through inspection and analysis of consignments of imported food, in accordance with advice provided by Food Standards Australia New Zealand (FSANZ).

The major activities undertaken by the Import Clearance Program of AQIS include:

1. administration of an import permit regime;
2. entry management and risk management in relation to the clearance of goods including issuing food control certificates; and
3. treatment, analysis and inspections of imported cargo to manage biosecurity risks and requirements stipulated in the Australia New Zealand Food Standards Code.

The Import Clearance Program is funded (99.6 percent) by direct charges on industry under the government's cost recovery policy with the remainder (approximately \$0.6 million) coming from a small government appropriation used to provide increased quarantine intervention and the provision of imported food policy work. Additionally, this funding is also provided to allow AQIS Western Australian regional staff to perform work on behalf of the Department of Transport and Regional Affairs (DOTARS). These cost recovery arrangements are well-established and are applied not as a levy, but as fees for service.

In 2008-09, the program's expenditure budget is \$127.444 million. The program is staffed by approximately 958 full time equivalents and 77 contractors, which represents 30 percent of AQIS staff and is equivalent to 20 percent of DAFF staff.

The program's business is mainly driven by the following activities:

- Granting of import permits — approximately 21 000 per annum.
- External inspection of 100 percent of all sea cargo containers arriving in Australia — approximately 1.9 million per annum.
- External inspection of air cargo containers — approximately 390 000 per annum.
- Inspection of "high volume low value" (HVLV) cargo consignments — approximately 2.3 million per annum.
- Self Assessed Clearances (SACs) (typically couriered items with a value of less than \$1000) — approximately 4.3 million per annum, of which 385 000 per annum are referred to AQIS.
- AQIS Import Management System (AIMS) entries, including issuing Food Control Certificates — approximately 505 000 per annum (including Imported Food entries).
- Treatment and inspections — approximately 69 990 treatments performed/supervised per annum (including Imported Food inspections).
- Quarantine Approved Premises (QAPs) — approximately 2555 premises.

1.3 Australian Government Cost Recovery Policy

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

The policy applies to all Financial Management and Accountability Act 1997 (FMA Act) agencies and to relevant Commonwealth Authorities and Companies Act 1997 (CAC Act) bodies that have been notified. In line with the policy, individual portfolio ministers are ultimately responsible for ensuring entities' implementation and compliance with the Cost Recovery Guidelines.

2. POLICY REVIEW – ANALYSIS OF ACTIVITIES

2.1 Activity basis for cost-recovery mechanisms

AQIS has operated in a cost recovery environment since 1993. In accordance with a key principle of the government's cost recovery policy, cost recovery for AQIS's import clearance activities is undertaken on an 'activity/activity group' basis and not against the Agency as a whole. This activity/activity group classification approach occurs within the Import Clearance Program level—where three main activities/activity groups have been identified in relation to import clearance regulatory activities.

Although the boundaries of all activities are not clearly discernable (i.e., where the duties of an officer stop and start in respect of the activities), the main Import Clearance Program activities provide an appropriate basis for identifying and then making arrangements (through fee structures) for recovering the costs from the beneficiaries of those activities.

The three Import Clearance Program activities are:

1. Permit granting

The Import Clearance Program administers an import permit regime. These activities includes the receipt, evaluation and issuing of all entry permits on specified goods, and the development and implementation of biosecurity in the form of import permit conditions. The key recipients of these services are generally importers of goods subject to import permit requirements.

2. Treatments and Inspections

This activity includes the physical inspection and treatment of higher risk cargo and imported food, including bulk, containerised, unaccompanied personal effects, cargo and food, the supervision of treatments undertaken by third parties, all Increased Quarantine Intervention (IQI) activities such as external inspection of air and sea containers, HVLV examination, screening, and surveillance activities such as Import Clearance Effectiveness (ICE) surveys. Agents and importers are the main client groups for the activity.

3. Import Operations

This activity includes activities associated with front counter processing, the documentary biosecurity clearance of all commercial cargo, the documentary clearance for imported food including issuing Food Control Certificates and biosecurity risk profiling activities relating to cargo SACs, the development and implementation of operational biosecurity policy not specifically related to import permits and imported foods policy, Quarantine Approved Premise (QAP) and Compliance Agreement (CA) registration, and development and implementation of measures by third parties to mitigate biosecurity risks. The beneficiaries of this activity are the barrier clearance industries, importers and QAP operators.

This approach broadens the revenue base, maintains equity in cost recovery between user groups and provides the base for acceptance of recommendation 76 of the Beale Review which covers aggregation of revenue items. Additionally, this provides more flexibility for the program to redirect resources to manage risk pre and post border, but importantly, it still properly reflects the program's quarantine and imported food compliance management processes.

Because the agency's core finance and budgeting systems are not structured around the above mentioned activities, the Import Clearance Program employs a human resource utilisation model—the National Resource Model (NRM) to account for staff activities in relation to each of the activity classifications. The NRM data allows direct resource costs such as wages to be determined/allocated and it forms the basis of drivers for the allocation of indirect costs. An overall resource utilisation table from the NRM can be found at [Attachment A](#) along with an example of a more detailed resource utilisation analysis that flows from the NRM as examples of the level of examination AQIS performs in relation to staffing costs costs.

The Import Clearance Program provides services on a fee-for-service basis. The program undertakes these services and collects fees and charges across the cost recovered activities, which has been endorsed by the program's peak industry consultative body, the AQIS/Industry Cargo Consultative Committee (AICCC).

2.2 Stakeholders

The stakeholders affected by the imposition of fees for the provision of Import Clearance Program services have been briefly mentioned above in relation to each activity. Stakeholders include:

- Importers requiring import permits in accordance with quarantine legislation;
- Importers requiring food control certificates in accordance with imported food legislation;
- Shipping organisations;
- Agents/importers of containerised and non-containerised sea cargo goods;
- Air cargo operators and air couriers;
- Agents/importers of containerised and non-containerised air cargo goods;
- Agents/importers lodging quarantine entries;
- Operators of Quarantine Approved Premises; and
- Agents/importers and other parties in receipt of treatment and inspection services.

It is not uncommon for the same person to incur charges across the activity areas through the importation of a 'good'. Although the same person may not be charged directly by AQIS because the complex nature of importation requires 'specialist' logistics assistance (eg, an agent), charges are passed on, so that ultimately, the same person pays fees across several import clearance activities.

As a result of the challenges presented in dealing with a very large and diverse importer stakeholder group, in 1993 AQIS established the AICCC to act as the peak industry consultative group between AQIS and the cargo handling/importing industry on all

operational, policy, efficiency and strategic issues.

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

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

Membership of the AICCC comprises of representatives from:

- Australian Quarantine and Inspection Service
- Customs Brokers and Forwarders Council of Australia Incorporated (CBFCA)
- Australian Chamber of Commerce and Industry (ACCI)
- Food and Beverage Importers Association
- International Air Courier Association of Australia
- Australian Air Transport Association
- Australian Federation of International Forwarders
- Shipping Australia Limited
- Stevedores, and Immediate Land Infrastructure
- Industry Working Group on Quarantine whose membership is open to all stakeholders through their national associations e.g.
 - Australian Air Transport Association
 - Australian Chamber of Commerce & Industry
 - Australian Federation of International Forwarders
 - Australian International Movers Association
 - Australian Timber Importers Federation
 - Customs Brokers & Forwarders Council of Australia Inc.
 - Fertiliser Industry Federation of Australia Inc.
 - Food & Beverage Importers Association
 - Port of Melbourne—Cargo Facilitation Committee
 - Conference of Asia Pacific Express Couriers
 - Secretariat
 - Sydney Ports Cargo Facilitation Committee
 - Patrick Terminals
 - Australian Paper Industry Association
 - DP World Australia
 - Shipping Australia Limited
 - Federal Chamber of Automotive Industries

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

The CBFCA has approximately 70 percent membership of companies and approximately

80 percent membership of individual brokers employed by those companies within Australia. Membership encompasses individual brokers and small businesses as well as large multinationals.

The ACCI is the peak council of Australian business associations. It represents businesses through chambers of commerce in each state and territory, and a nationwide network of industry associations. The ACCI operates at a regional, national and international level, ensuring the concerns of business are represented at a federal government level, and to the general public.

The AICCC Finance sub-committee is comprised of executive level representatives from AICCC peak member bodies. One of the key terms of reference of this committee is to review existing charging and revenue collection arrangements for the Import Clearance Program, including the establishment of new fees and fee structures.

2.3 Conclusion

The cost recovery arrangements for Import Clearance Program services, including those for imported food, are well-established. This proposal is an adjustment to fee structures in the relevant legislation (*Quarantine Services Fees Determination 2005* and *Imported Food Control Regulations 1993*) that are already in place under the user-pays principle. Both the current and the proposed fee structures require clients that seek to benefit from the services provided by AQIS's Import Clearance Program to pay directly for the service.

The changes to fees outlined in this CRIS are changes that are required to keep pace with increasing costs that have occurred since 2005.

3. DESIGN AND IMPLEMENTATION

3.1 Basis of Charging – Fees

Section 86E “Fees and deposits” of the *Quarantine Act 1908* (the Act) allows the minister to make determinations for the purpose of a fee. Activities that are identified in the Act as a fee for service are as follows:

- specified examinations or services carried out or provided under the Act; and
- the issue by quarantine officers of specified certificates under the Act; and
- the management and maintenance of animals at a quarantine station in Australia, in the Cocos Islands or in Christmas Island or at a place approved under section 46A of the Act (i.e., at quarantine approved premises); and
- the giving of approvals by a Director of Quarantine under subsection 44A(5) or 46A(1) of the Act (i.e., certain specified places and quarantine approved premises);
- the giving of permissions and permits under this Act; and
- the entering into compliance agreements.

Section 43 (Regulations) of the *Imported Food Control Act 1992* (the Food Act) provides that the Governor-General may make regulations prescribing matters required or permitted to be prescribed by this Act; or necessary or convenient to be prescribed for carrying out or giving effect to this Act. Section 36(1) prescribes that a person for whom a chargeable service is provided is liable to pay to the Commonwealth such amount (payable amount) in respect of the provision of that service as is prescribed. Section 36(11) states a chargeable service, in relation to food to which this Act applies, means:

- an inspection, or inspection and analysis of the food; or
- the arrangement by an authorised officer of an analysis of the food to be carried out by another person; or
- the issue of relevant documentation in respect of the food; or
- the supervision of the treatment, destruction or re-exportation of the food; or
- the entering into a compliance agreement in respect of the food; or
- the provision of any other service that is prescribed for the purpose of this definition.

3.2 Legal Requirements for the Imposition of Charges

Whilst section 86E of the Act provides the power for the minister to make determinations for the purpose of a fee, it is these determinations that impose the fees on people in relation to biosecurity services. Relevant biosecurity service fees are set out in the *Quarantine Service Fees Determination 2005* (the Determination). The Determination contains a range of fees in relation to services provided under the Act after 30 March 2007. The fees include all fees in relation to import clearance activities, as well as those in relation to the quarantining of plant and animals, and biosecurity services undertaken at airports and seaports. The Determination specifies the services carried out under the Act to which the Determination does not apply (eg, the importation into Australia of disability assistance dogs) and other matters such as late

payment fees.

Section 43 of the *Imported Food Control Act 1992* provides the power for the Governor-General to make regulations for the purpose of a fee. It is these regulations that impose fees in relation to services to check imported food meets requirements stipulated in the Australia New Zealand Food Standards Code. Relevant imported food fees are set out in the *Imported Food Control Regulations 1993* (the Regulations). The Regulations contain a range of fees in relation to services provided under the *Imported Food Control Act 1992* after 1 July 2005. The fees include all fees in relation to clearance activities for imported food and its compliance against Australian food standards.

3.3 Costs to be Included in Charges

In meeting its commitment to manage the plant, animal and human biosecurity risk and food safety concerns associated with imported food, cargo and packaging, and to prevent the introduction of exotic pests and diseases into Australia via these pathways, the program seeks to recover its direct and indirect costs in a fair and equitable way across the various sectors of the industry.

Since the setting of a broad schedule of fees in 2005, the Import Clearance Program's fees (predominantly permit assessment fees) have been amended once due to increases in trade which increased the revenue collected via the Import Clearance Program biosecurity service fees, but in addition, increased service delivery costs (through wage and other cost increases). Imported Food fees have not been amended since 2005.

In March 2007, the program commenced an initial review of its fees and charges. Whilst the program considered the 'level' of cost recovery to be adequate at the commencement of the review, the program recognised that there may be room to harmonise the balances between the activities and their associated revenues, through fee adjustments.

To that end, in April 2007, the Import Clearance Program, in consultation with the AICCC commenced a formal review of the import clearance biosecurity service fees. The AICCC recognised that there was no pressing need to alter fees to increase the revenue base, but to undertake the review with the objective to ensure future cost recovery arrangements were more in line with activity and revenue streams.

The amended fees (predominantly permit assessment fees) were introduced on 12 August 2008 for a one year period and the program continued to monitor cost recovery arrangements with the intention of conducting a further fee review during the 2008/09 financial year.

At the end of the 2007/08 financial year the Import Clearance Program's financials were in 'good health', finishing that year with a net surplus of \$2.689 million. When that surplus was added to the carryover surplus from the previous year of \$4.636 million, the 2008/09 financial year commenced with an opening surplus of \$7.325 million. This good financial position lessened the imperative to make further changes to Import Clearance fees, including those for imported food, at that time.

The total budgeted cost of the Import Clearance Program in the 2008/09 financial year is \$127.4 million, including costs to administer the *Imported Food Control Act*. Apart from a \$0.579 million government appropriation the Import Clearance Program will recover its entire operating costs through fee for service charges.

At the beginning of the current financial year, the program's budget included operating expenses of \$127.4 million and revenue of \$124.7 million. With a projected operating deficit of \$2.8 million and an opening Industry Liability Account (ILA) (which is used to 'manage' under and over recoveries from one financial year to the next) of \$7.3 million, the notional 2008/09 closing balance of the ILA would be \$4.5 million.

Since the onset of the global economic crisis in the first half of the 2008/09 financial year, there has been a significant reduction in revenues generated through Formal Import Declarations (sea and air) lodged in the Integrated Cargo System (ICS). Whilst the July–October 2008 throughputs showed similar, but generally higher monthly trends than the same periods in 2006/07 and in 2007/08 (refer Figures 1–3 in [Attachment B](#)), significant declines in declarations have occurred since October 2008. These trends are ongoing and adversely affect cost recovery in other activity areas such as Cargo Risk Management, Treatment and Inspections, Entry Management and Permits. The January 2009 and February 2009 declarations in these categories are lower than the same period for both 2006/07 and 2007/08.

The decline in import declarations has had a direct negative impact on all areas of program revenue, including imported food revenue. The November 2008 financial result showed the significance of the economic downturn, with actual revenue down by 14 percent for the period against budget. The December 2008 and January 2009 results were worse, coming in at 18 and 23 percent lower than budget respectively.

The January 2009 mid year review of the program and AQIS finances indicates that the program could finish the 2008/09 financial year with a \$16 million deficit which would result in an ILA deficit of \$9 million.

Fundamental to the review of the Import Clearance Program's cost recovery arrangements is the basis by which the programs attribute expenditure to the activity categories. In August 2007, the AICCC endorsed a set of cost attribution rules. The key aspects of the cost attributions are that:

- Activity costs that can be identified in full, through AQIS's financial accounting system (TM1) are isolated (eg, AQIS permit granting activities, which occur predominately in the central office);
- Traditionally accounted direct costs such as employee remuneration are attributed to activities according to the full-time-equivalent (FTE) 'usage' in respect of each activity recorded in the national resource model (NRM); and
- Indirect costs are attributed according to either clearly identified beneficiary activities (set proportionate attribution—e.g., 'Overheads for Co-regulation') or FTE 'usage' (e.g., 'office supplies').

The program then undertook further activity based cost modelling, incorporating the latest available ‘throughput’ information (to the end of period 6-2008/09). The model’s parameters are broadly:

- The staff utilisation pattern exhibited for each activity in the first six months of 2008/09 will be broadly applicable to 2009/10;
- The increase in all costs will be about 5 percent in 2009/10; and
- Most throughputs will decrease to levels commensurate with those in 2006/07 in 2009/10 (approximately a 5 percent decrease on 2007/08 throughputs).

Activity based cost modelling for the Import Clearance Program predicts that the net 2009/10 financial year result, without any revision to the current set of fees, will be a deficit of \$26.952 million. The results of this modelling are summarised in Table 1 below.

Table 1: Effect of no fee increase in 2009/10 on cost recovery position.

Activity	2009-2010		Balance
	Revenue	Expenditure	
Permit Granting	\$ 6,575,529	\$ 6,821,595	(-) \$ 246,067
Import Operations	\$ 51,433,897	\$ 60,885,003	(-) \$ 9,451,106
Treatments & Inspections	\$ 57,854,688	\$ 66,109,949	(-) \$ 8,255,261
Total	\$ 115,864,114	\$ 133,816,547	(-) \$ 17,952,433
opening ILA balance			(-) \$ 9,000,000
notional closing ILA balance			(-) \$ 26,952,433

To smooth out variations in the net annual cost recovery position, the Import Clearance Program, in agreement with the AICCC uses an ‘account’ to manage for over/under recovery from one financial year to the next. This is the industry liability account (ILA), where the industry-AQIS agreed policy is to maintain the account at 2–10 percent of budgeted expenditure for the relevant year in ‘reserve’ to provide a buffer. The primary reason for the establishment of the ILA was to prevent the need for constant fee changes by selectively growing and shrinking the ILA between years.

Given the projected ILA deficit at the end of 2008/09 is \$9 million, which is roughly 7 percent of that year’s budgeted expenditure, and is outside the industry-agreed policy to maintain a level of 2–10 percent of budgeted expenditure in ‘reserve’, the AICCC agreed that it would be prudent to increase relevant Import Clearance Program service fees for quarantine and imported food.

The program’s ran activity based cost modelling using a number of different fee combinations to achieve a balance in the net position of the program’s finances (to meet the minimum ILA), and to achieve acceptable balances between the ‘profit/loss’ within each activity category. The model’s outputs under several fee scenarios were put to the AICCC’s Finance Subcommittee in March 2009. The subcommittee endorsed the program’s preferred fee schedule for implementation from 1 July 2009, and for a one year period.

The manifestation of the economic downturn on importing activity and AQIS revenue may not be fully realised for several months. And, although the eventual recovery of the economy is widely predicted to occur in the second half of the 2009/10 financial year, it may well be protracted and its commencement could occur later. The current situation therefore presents a great deal of uncertainty in activity based cost modelling for the purposes of determining fee and charges. Even with a recovery in the economy predicted to occur in the second half of 2009/10, industry parties have suggested that the overall level of import activity (that generates Import Clearance costs and revenue) in 2009/10 may only be equivalent to 2006/07.

Since the increased quarantine intervention (IQI) initiative in 2001, there has been a considerable increase in staff and the scope of activities undertaken by AQIS. This increase has coincided with annual growth in import trade. The continued increase in trade has placed demands on resources which were met through deferral of training and other initiatives aimed at better risk based service delivery. Although it may be expected that there will be a decrease in staff in periods of decreased trade due to decreased demand for services etc, such a decrease would need to be sustained for a considerable period for the workforce to be adjusted permanently.

The continued employment of the National Resource Model (NRM) will provide detailed monitoring in regard to human resource applications within the activities. This will allow the program to monitor and pursue improvements in efficiencies. Periodic reporting of NRM through the AICCC will continue to provide transparency and an opportunity for industry to provide input into the utilisation of resources and provision of services.

Under the fee changes endorsed by the AICCC, the activity based cost model puts the 2009/10 expenditure at \$133.816 million and revenue at \$147.676 million. The closing notional ILA balance is \$4.859 million, which provides a buffer if program costs exceed the estimated 5 percent increase from 2008/09 to 2009/10 or activity levels fall below those expected. Further detail for each activity is included in Table 2 below.

On balance, the program and the AICCC Finance subcommittee consider the modelling approaches used here to be conservative rather than optimistic. If the current economic situation improves above the expectations of the future revenue scenario, the programs will initiate actions to reduce fee(s) as necessary. Relative to the need to increase fees to redress under recovery of costs, that process is quicker.

It should also be recognised that the modelling is based on finishing the 2008/09 financial year with an ILA deficit of \$9 million, which assumes there is no change to fees before the end of the financial year. If it is possible to implement the fee changes sooner than 1 July, this would 'improve' the financial position by around \$4.5 million for each month, and this would be carried over to 2009/10 and add to that year end projected position.

Table 2: Effect of proposed fee increases in 2009/10 on cost recovery position.

Activity	2009-2010	With proposed fee changes	
	Revenue	Expenditure	Balance
Permit Granting	\$ 7,019,009	\$ 6,821,595	\$ 197,413
Import Operations	\$ 68,221,027	\$ 60,885,003	\$ 7,336,024
Treatments & Inspections	\$ 72,436,312	\$ 66,109,949	\$ 6,326,363
Total	\$ 147,676,347	\$ 133,816,547	\$ 13,859,800
opening ILA balance			(-) \$ 9,000,000
notional closing ILA balance			\$ 4,859,800

Given the indistinct boundaries between some activities, and the imprecision of the cost attributions, the program considers a variance of +/-15 percent of the expenditure on the balance line for each activity as being an appropriate balance in the pursuit of cost recovery objectives for the Import Clearance Program's activities.

In this model the surplus from each activity shows variances of roughly 3 percent, 12 percent and 9 percent respectively for Permit Granting, Import Operations and Treatments and Inspections respectively. The actual results for 2009/10 are subject to variation due to the assumptions used to undertake the modelling. The actual results in 2009/10 (i.e. surplus/deficit in each activity) however, will be used to make adjustments to modelling in relation to each activity area in subsequent years.

As mentioned previously, the closing notional ILA balance for 2009/10 is budgeted to be \$4.859 million, which is 3.6 percent of budgeted expenditure for that year. Given the policy objective is to maintain a net surplus for each financial year, it is expected that in the long term, the revenue in respect of each activity will contribute equitably to the overall surplus, which assists to avoid cross subsidisation between activities.

However, it should be noted that cross subsidisation between users is not considered a significant issue as the same direct users of import clearance services can be affected by each activity, and similarly, there is a degree of commonality in the cost bearers (due to the pass-on of costs) of the import clearance services in relation to each of the activities. It should also be noted that the surplus variances between activities account for the disproportionate effect each activity has had on current financial year deficits as a result of the downturn in world trade as demonstrated by Figures 1–3 in Attachment 1.

The one year period for the application of the fees set out in this CRIS (as opposed to a two or three year period) takes into consideration the potential issues facing AQIS through the downturn in world trade and AQIS's response to the Review of Quarantine and Biosecurity Arrangements.

AQIS, in consultation with the AICCC, intends to undertake an in-depth examination of issues that affect cost recovery in early 2009/10. This review will inevitably result in the implementation a new set of fees for a longer period (perhaps two to three years) from

1 July 2010.

3.4 Outline of Charging Structure

The program's charging structure is well-established and stems from the Import Clearance Program's activity classification structure. Despite the commonality of stakeholders across the activities, the activity structure currently in place serves as a good framework for managing the program's core business activities and monitoring finances in consultation with the AICCC.

Under the activity based costing, each unit based fee reflects the relative time (or costs) to undertake the various quarantine services compared to the standard fee for service charge. For example, the fee for service charge currently stands at \$35.50 per quarter of an hour, and the document assessment fee stands at \$30 (which was increased from \$27 in August 2008) per unit. The unit charge indicates that the average time to undertake the document assessment process is generally a little less than a quarter of an hour.

Because some fees are used only occasionally (e.g., offshore inspection application fee) or contribute relatively insignificantly to the \$120+ million in revenue to the program compared to other fees, they are not shown as part of the financial modelling. However, with the fees and charges structured relative to the time taken to undertake the particular service, the outcome (i.e., magnitude of adjustment) of the fee modelling can be applied to those less commonly used fees. This does not cause any substantive increase in the actual revenue collected.

3.5 Summary of Charging Arrangements

The following Table (Table 3) sets out the proposed changes to the charging arrangements to be applied from 1 July 2009.

Tables 4 to 6 set out the projected fee throughputs under each activity and their associated projected expenditure and revenue for the 2009/10 financial year. An explanation of the proposed fee changes is provided after each activity table.

Table 3: Current and proposed fees to apply from 1 July 2009

COMPARISON OF CURRENT AND PROPOSED FEES FOR 1 JULY 2009				
Activity Stream	Fee Description	Proposed Fee	Current Fee	% Change
Permit Granting	Manual Permit Application / Application for Amendment	\$150.00	\$130.00	15.38%
	Electronic Application	\$85.00	\$75.00	13.33%
	Category 1 Permit Assessment	\$40.00	\$40.00	0.00%
	Category 2 Permit Assessment (up to 1 hour)	\$80.00	\$80.00	0.00%
	Category 3 Permit Assessment (up to 2 hours)	\$160.00	\$140.00	14.29%
	Category 4 Permit Assessment (up to 3 hours)	\$240.00	\$200.00	20.00%
	Category 5 Permit Assessment (up to 4 hours)	\$320.00	\$260.00	23.08%
	Additional 1/4 Hour Fee-For-Service	\$40.00	\$35.50	12.68%
Import Operations	Import Declaration - AIR	\$15.00	\$10.00	50.00%
	Import Declaration - SEA	\$14.00	\$10.00	40.00%
	Assessment of Import Declaration - CA Lodgement	\$8.00	\$6.00	33.33%
	Import Declaration - Electronic Lodgement	\$9.00	\$7.00	28.57%
	Import Declaration - Manual Lodgement	\$15.00	\$12.00	25.00%
	Import Declaration - SAC	\$25.00	\$20.00	25.00%
	Assessment of Import Declaration	\$40.00	\$30.00	33.33%
	QAP Registration - 12 Months	\$1,200.00	\$900.00	33.33%
Treatments & Inspections	Inspection of Container - Less than a Container Load	\$6.00	\$4.00	50.00%
	Inspection of Container - Full Container Load	\$24.00	\$16.00	50.00%
	Inspections In-Office	\$40.00	\$35.50	12.68%
	Inspections Out-Office 1st 1/2 Hour	\$90.00	\$80.00	12.50%
	Inspections Out-Office Additional 1/4 Hour	\$45.00	\$40.00	12.50%
	Inspections Day Rate	\$900.00	\$714.00	26.05%
	Overtime - Weekday	\$16.00	\$15.00	6.67%
	Overtime - Weekday Non-Continuous 3 Hour Minimum	\$192.00	\$135.00	42.22%
	Overtime - Non-Weekday	\$24.00	\$23.00	4.35%
	Overtime - Non-Weekday Non-Continuous 3 Hour Minimum	\$288.00	\$176.00	63.64%
	Timber Inspection	\$2.40	\$2.20	9.09%

Table 4: Permit Granting Activity in 2009/10.

Fee Type	Fee	Expenditure	Projected Activity	Revenue	Balance
Category 1 Assessment	\$40.00		5,843	\$233,738	
Category 2 Assessment (up to 1 hr)	\$80.00		18,955	\$1,516,428	
Category 3 Assessment (up to 2 hrs)	\$160.00		1,175	\$188,024	
Category 4 Assessment (up to 3 hrs)	\$240.00		8,805	\$2,113,332	
Category 5 Assessment (up to 4 hrs)	\$320.00		811	\$259,616	
Manual Lodgement/Amendment	\$150.00		12,463	\$1,869,458	
Electronic Lodgement	\$85.00		9,762	\$829,787	
Fee for Service (per qtr hour)	\$40.00		216	\$8,626	
Total		\$6,821,595		\$7,019,009	\$197,413

Without any change to the fees in relation to this activity, the revenue for 2009/10 is expected to be \$6.575 million (refer Table 1). This would result in an under-recovery position of \$0.054 million. The effect of the proposed fee changes to the net cost recovery position of the Permit Granting activity at the end of 2009/10 is predicted to result an over-recovery of \$0.197 million (refer Table 4).

Two permit assessment fees remain unchanged while all other lodgement, variation and assessment fees have increased. These increases are required to recover the costs of managing AQIS' s import permit activities. The degree of increase within the permit assessment categories was to align costs and time taken so that the Category 3 Assessment (up to two hours) charge of \$160 is equivalent to two times the Category 2 Assessment (up to 1 hour) charge of \$80 and similarly for Categories 4 and 5 ($\$240 = 3 \times \80 , $\$320 = 4 \times \80).

Table 5: Import Operations Activity 2009/10.

Fee Type	Fee	Expenditure	Projected Activity	Revenue	Balance
CA Lodgement	\$8.00		60,269	\$482,152	
Manual Lodgement	\$15.00		41,407	\$621,101	
Electronic Lodgement	\$9.00		451,750	\$4,065,756	
SAC Lodgement	\$25.00		38,171	\$954,299	
Import Declaration Assessment	\$40.00		458,815	\$18,352,632	
QAP 12 Month	\$1,200.00		2,057	\$2,469,240	
Import Declaration - Sea	\$14.00		1,416,568	\$19,831,949	
Import Declaration - Air	\$15.00		1,429,593	\$21,443,899	
Total		\$60,885,003		\$68,221,027	\$7,336,024

The Import Operations activity is a significant part of the Import Clearance Program's functions. Without any alteration to the fees, the cost recovery position of this activity at the end of 2009/10 is expected to be \$6.504 million in deficit (refer Table 1). Under the proposed fee changes for 2009/10, this under recovery position would improve substantially to an over-recovery of \$7.336 million (Table 5).

It is proposed Import Operations fees increase to:

- the fee for processing an entry made on an AQIS entry management system if the goods mentioned in the entry are subject to a compliance agreement with AQIS from \$6.00 to \$8.00;

- the fee for making a manual quarantine entry on an AQIS entry management system from \$12.00 to \$15.00;
- the fee for making an electronic entry on an AQIS entry management system from \$7.00 to \$9.00;
- the fee for self assessed clearance upgrade on an AQIS entry management system from \$20.00 to \$25.00.
- the fee for processing an entry (including an imported food entry) made on an AQIS entry management system if the goods mentioned in the entry are not subject to a compliance agreement with AQIS from \$30.00 to \$40.00; and
- the fees applicable for the renewal of a quarantine approved premises will move from \$900 for twelve months to \$1200 for twelve months;
- the fee for an import declaration (AIR) from \$10.00 to \$15.00; and
- the fee for an import declaration (SEA) from \$10.00 to \$14.00.
- the fee for assessing information in an entry relating to a consignment of food that is made on an AQIS entry management system, other than an assessment as part of an inspection under item 1, for inclusion in a food control certificate for an import entry to which a recognised foreign government certificate relates from \$35.50 to \$40.00
- the fee for assessing information in an entry relating to a consignment of food that is made on an AQIS entry management system, other than an assessment as part of an inspection under item 1, for inclusion in a food control certificate from \$27 to \$40.

Consideration was given to applying a fee to Universal Loading Devices (approximately 400,000 units per year) as this would be equivalent to the sea container charge. However, the idea was abandoned because administration to implement the change was likely to be complex and not cost effective. The alternative approach adopted was a higher fee for import declaration air than the import declaration for sea cargo.

Issues have been raised in relation to the charge for the assessment of an entry lodged on an AQIS entry management system, the “Import Declaration Assessment Fee” and the amount of assessment time this fee covers. The proposed fee is \$40 and although AQIS can charge an additional \$40 where additional documentation is required to process an entry this is only when the assessment process is required to be started again. Some assessments take significantly more time than others, and no additional charges can currently be applied. Some complex entries in specific areas such as biological and food clearance in particular can take well in excess of the time taken for routine entries.

The fee was originally based on assessments taking, on average, 15 – 30 mins. It follows that assessments that take longer should be subject to the fee for service charge in addition to the standard fee. This approach is already followed for permit assessments that take longer than a defined amount of time and are covered by an initial assessment fee. The program therefore proposes to apply the fee for service charge in the quarter hour multiples to import declaration assessments that take longer than 30 minutes.

Table 6: Treatments & Inspections Activity 2009/10.

Fee Type	Fee	Expenditure	Projected Activity	Revenue	Balance
Container Inspection (LCL)	\$6.00		348,415	\$2,090,492	
Container Inspection (FCL/FCX)	\$24.00		1,528,561	\$36,685,474	
In-Office Inspection 1/4hr	\$40.00		254,750	\$10,190,004	
Un-Manned Inspection (1st 1/2 hr)	\$90.00		133,395	\$12,005,568	
Un-Manned Inspection (1/4 hr thereafter)	\$45.00		154,412	\$6,948,542	
Daily	\$900.00		3,821	\$3,438,810	
Overtime – Weekday (cont.)	\$16.00		11,785	\$188,571	
Overtime – Weekday (non-cont.)	\$192.00		424	\$81,533	
Overtime – Non-Weekday (cont.)	\$24.00		5,402	\$129,664	
Overtime – Non-Weekday (non-cont.)	\$288.00		1,753	\$505,066	
Timber	\$2.40		71,912	\$172,589	
Total		\$66,109,949		\$72,436,312	\$6,326,363

The Treatments and Inspections activity is also a significant part of the Import Clearance Program's functions. Without any alteration to the fees, the cost recovery position of this activity at the end of 2009/10 is expected to be \$5.021 million in deficit (refer Table 1). Under the proposed fee changes for 2009/10, this under recovery position would improve substantially to an over-recovery of \$6.326 million (Table 6).

It is proposed to increase the fees associated with the importation of containers from \$4.00 to \$6.00 and from \$16.00 to \$24.00. Recently AQIS agreed with industry to rationalise the existing complex overtime charges and replace the weekday, Saturday, Sunday and public holiday overtime charges with simply weekday and non weekday rates. These changes have been included in the modelling presented here.

Following consultation with the AICCC last year, it was agreed the Program would commence charging through the application of an in-office fee for service charge per ¼ hour for several services which had not previously incurred charges. In addition to the in-office fee, overtime fees were also applicable on any services listed above which are provided outside AQIS's ordinary hours of duty.

4. ONGOING MONITORING

4.1 Monitoring Mechanisms

The Import Clearance Program monitors costs recovery formally through tri-annual AICCC meetings and informally through reports to the Cargo Management Committee (CMC), of which the AICCC Secretariat is a member.

4.2 Stakeholder Consultation

Regular consultation with the logistics and import cargo industry on cost recovery and other matters occurs through the AICCC. This consultation provides a process for monitoring the impact of fees charged for services provided by Import Clearance Program.

Financial reports on cost recovery are regularly tabled at AICCC meetings, which are held tri-annually. In addition financial reports are also provided out of session, which provides members with an opportunity of reviewing revenue and the link to associated costs.

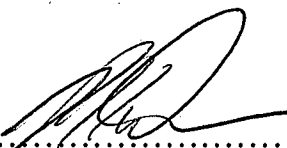
The program employs the AQIS website to communicate matter of interest to stakeholders. Targeted communication and consultation occurs through the program's *Notices to Industry* and its *Cargo eBulletin*.

4.2 Periodic Review

The fees outlined in this CRIS are intended to apply for the 2009/10 financial year. The Import Clearance Program, in concert with the AICCC intends to undertake an additional review of matters in relation to the cost recovery of Import Clearance activities throughout 2009/10, with the view to set new fees for 2010/11.

5. CERTIFICATION

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


..... ROB DELANCEY
Executive Director AQIS

Date: 14/5/09

6. COST RECOVERY LINKS

- The Australian Government Cost Recovery Guidelines and the accompanying Finance circular can be found at;

<http://www.finance.gov.au/financial-framework/financial-management-policy-guidance/cost-recovery.html>

- For proposals that involve regulation or amendment to regulation that affects business, a Regulation Impact Statement is required. Contact the Office of Regulation Review for further information below

<http://www.finance.gov.au/obpr/index.html>

ATTACHMENT A

NRM Allocation Table for Cost Modelling

Activity Stream	Standard FTE	Overtime	Contractors
Permit Granting	30.67	0.00	3.99
Import Operations	420.88	1.41	5.65
Treatments & Inspections	516.70	47.84	90.36
TOTAL	968.25	49.25	100.00

NRM Categories	Standard FTE	Overtime	Contractors
PE Permit Issuing	30.67	0.00	3.99
PE Permit enquiries, administration and assessment	25.02	0.00	3.99
PE Permit authorisation and verification	5.66	0.00	0.00
EM Entry Management	209.90	1.28	5.32
EM All Entry Processing Total	203.89	1.28	3.32
EM Initial Processing	146.54	1.28	3.32
EM EM Enquiry management	15.24	0.00	0.92
EM Entry Management Supervision	16.78	0.00	1.00
EM Training	3.77	0.00	0.00
EM Co-Reg/Industry Partnerships	33.35	0.00	0.33
EM Compliance Agreement Auditing Activities	5.00	0.00	0.00
EM Compliance Agreement Non-Auditing Activities	5.10	0.00	0.33
EM QAP Auditing Activities	17.35	0.00	0.00
EM QAP Non-Auditing Activities	5.90	0.00	0.00
EM Entry Management Process	8.28	0.00	1.07
EM Electronic system administration	8.28	0.00	1.07
EM BAS random referrals	2.15	0.00	0.00
EM Entry Processing:	66.97	1.27	0.00
EM Init. entry proc - Imp. Food Front counter	9.75	0.25	0.00
EM Init. entry proc - Imp. Food Zetafax	3.72	0.00	0.00
EM Init entry proc - all other Front counter	23.34	0.79	0.00
EM Init entry proc - all other Zetafax	30.16	0.23	0.00
EM Further and Final Processing	41.41	0.00	0.00
EM Further/final EP - Imp Food Front counter	0.52	0.00	0.00
EM Further/final EP - Imp Food Zetafax	1.74	0.00	0.00
EM Further/final EP - Imp Food Other	8.51	0.00	0.00
EM Further/final EP - All other Front counter	14.64	0.00	0.00
EM Further/final EP - All other Zetafax	11.72	0.00	0.00
EM Further/final EP - All other Other	4.28	0.00	0.00
EM Debt Recovery	15.95	0.00	0.00
EM Managing Outstanding Entries - Incl SACs and FIDs	15.95	0.00	0.00
EM =====> Canberra Only <=====	6.00	0.00	2.00
EM Act Unit	2.57	0.00	0.00
EM Electronic Systems	3.44	0.00	2.00

TI Treatments & Inspections	323.44	38.87	3.59
TI Enquiry management	9.07	0.00	1.03
TI T&I Supervision/Management	39.64	0.00	0.00
TI Training	12.37	0.00	0.00
TI Centralised Appointments	15.72	0.00	0.00
TI Imported Food Inspections	17.58	0.10	0.00
TI Imported Food Inspections	17.58	0.10	0.00
TI In Office Inspections	53.29	25.66	0.00
TI In Office Inspections - Fresh produce	34.77	19.43	0.00
TI In Office Inspections - Nursery Stock	10.83	0.38	0.00
TI In Office Inspections - Live Fish	5.73	0.74	0.00
TI In Office Inspections - Live Horses	1.96	5.11	0.00
TI Out of Office	126.72	12.44	2.55
TI Offshore Inspections	8.12	0.67	0.00
TI Manned depot inspections	40.80	0.00	0.00
TI =====> Canberra Only <=====	0.13	0.00	0.00
TI Act Unit	0.13	0.00	0.00
TI Manned Depots Number of Manned Depots	20.00	0.00	0.00
TI Manned Depots FTEs in all manned depots	47.50	0.00	0.00
I ICE	26.77	0.00	0.00
I CEF	4.18	0.00	0.00
I Follow Up Inspections	16.49	0.00	0.00
I Supervision/Management and administration	6.10	0.00	0.00
CR Cargo Risk Mgt Supervision/Management	18.83	0.10	0.00
CR Cargo screening	12.07	0.00	0.00
CR SAC Profiling and Screening - Air and Sea Cargo	9.42	0.00	0.00
CR FID Profiling - Air and Sea Cargo	2.65	0.00	0.00
CR IQI Activities	138.89	8.91	86.78
CR Air cans (ULD's)	12.29	0.75	3.03
CR ECIR	97.20	7.88	83.74
CR HVLV	29.40	0.28	0.00
CR Total Surveillance	15.73	0.07	0.00
CR Cargo Surveillance	15.73	0.07	0.00
CR Total PQD	10.33	0.00	0.00
CR PQD management	10.33	0.00	0.00
CR =====> Canberra Only <=====	1.53	0.00	0.00
CR ACT Unit (Excluding Air Cargo time already entered above)	1.53	0.00	0.00
PM Program Management	88.37	0.00	0.33
PM Program Management	88.37	0.00	0.33
GB Government Business	91.71	0.03	0.00
GB Government Business	9.08	0.03	0.00
GB Total PQD	3.22	0.00	0.00
GB PQD management (not incl Operational Science)	3.22	0.00	0.00
GB Leave	79.41	0.00	0.00

Analysis of Supervision within the Treatment and Inspection Activity Stream

FTE's - Treatments & Inspections (T & I) Supervision/Management									
	NSW	VIC	SEQLD	WA	NT	SA	TAS	FNQ	All
Sep 2008	11.36	7	12	3.5	0.2	2.25	0.1	0.5	36.91
Oct 2008	18.1	7	13.8	3.5	0.2	2.25	0.1	0.5	45.45
Nov 2008	11.36	7	7	3.5	0.25	2.1	0.1	0.8	32.11
Dec 2008	11.36	7	7	4.5	0.25	2.1	0.1	0.9	33.21
Total FTE's - T & I									
	NSW	VIC	SEQLD	WA	NT	SA	TAS	FNQ	Regional
Sep 2008	101.32	91.55	76.4	41.22	3.87	21.05	4.3	10.92	350.63
Oct 2008	105.06	84.97	83.47	42.03	3.85	24.77	3.74	12.51	360.4
Nov 2008	104.55	85.56	78.94	37.67	5.42	20.1	3.59	11.12	346.95
Dec 2008	104.32	85.6	76.15	39.01	3.79	19.94	3.59	10.98	343.38
% Supervision/Management									
	NSW	VIC	SEQLD	WA	NT	SA	TAS	FNQ	All
Sep 2008	11.21%	7.65%	15.71%	8.49%	5.17%	10.69%	2.33%	4.58%	10.53%
Oct 2008	17.23%	8.24%	16.53%	8.33%	5.19%	9.08%	2.67%	4.00%	12.61%
Nov 2008	10.87%	8.18%	8.87%	9.29%	4.61%	10.45%	2.79%	7.19%	9.25%
Dec 2008	10.89%	8.18%	9.19%	11.54%	6.60%	10.53%	2.79%	8.20%	9.67%

ICS information

Figure 1:

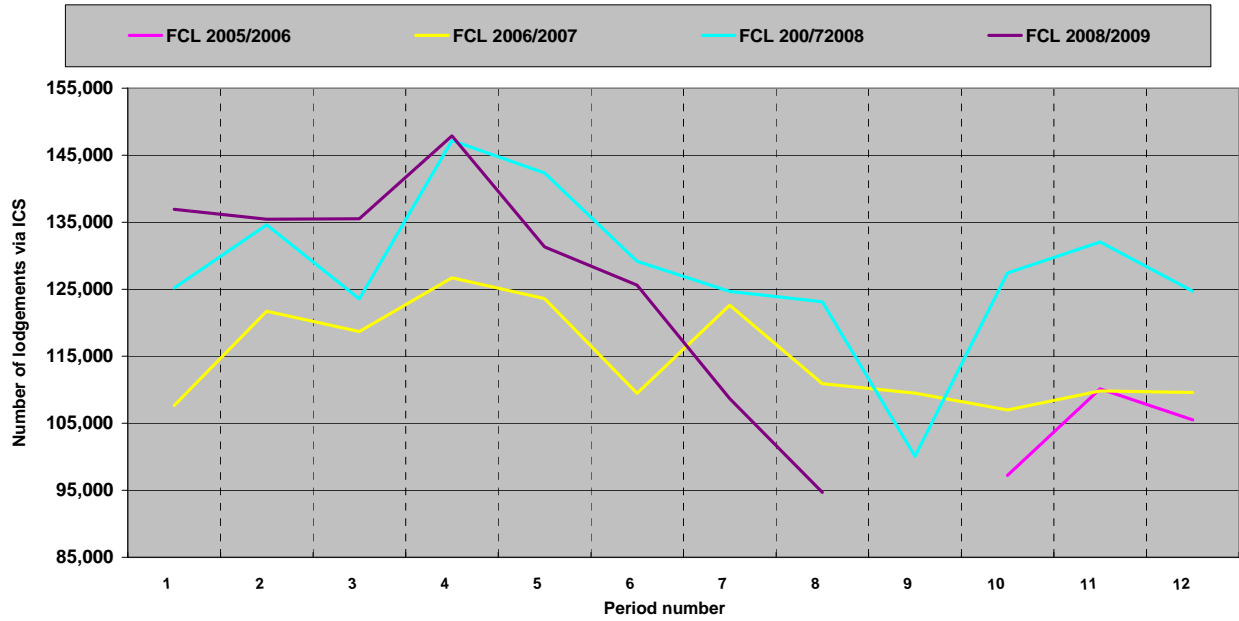


Figure 1. Monthly full container load declarations lodged in the Integrated Cargo System. Figures are derived from daily financial receipts

Note: Period number = month, where period 1 = July

Figure 2:

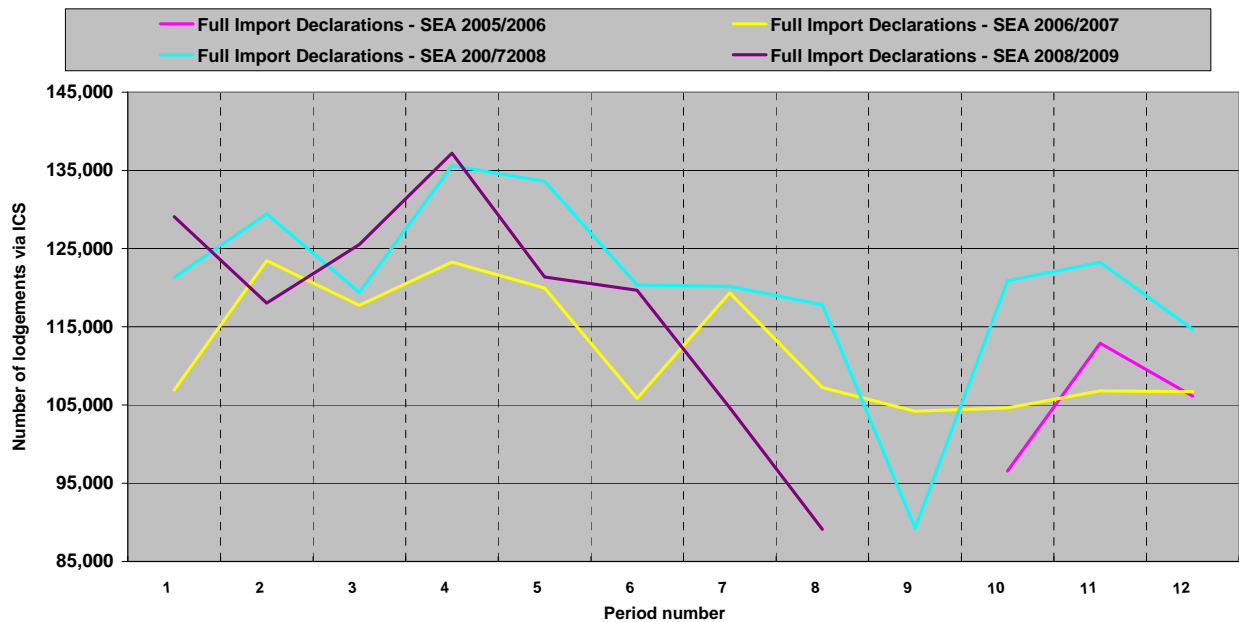


Figure 2. Monthly full import declarations (SEA) lodged in the Integrated Cargo System. Figures are derived from daily financial receipts

Note: Period number = month, where period 1 = July

Figure 3:

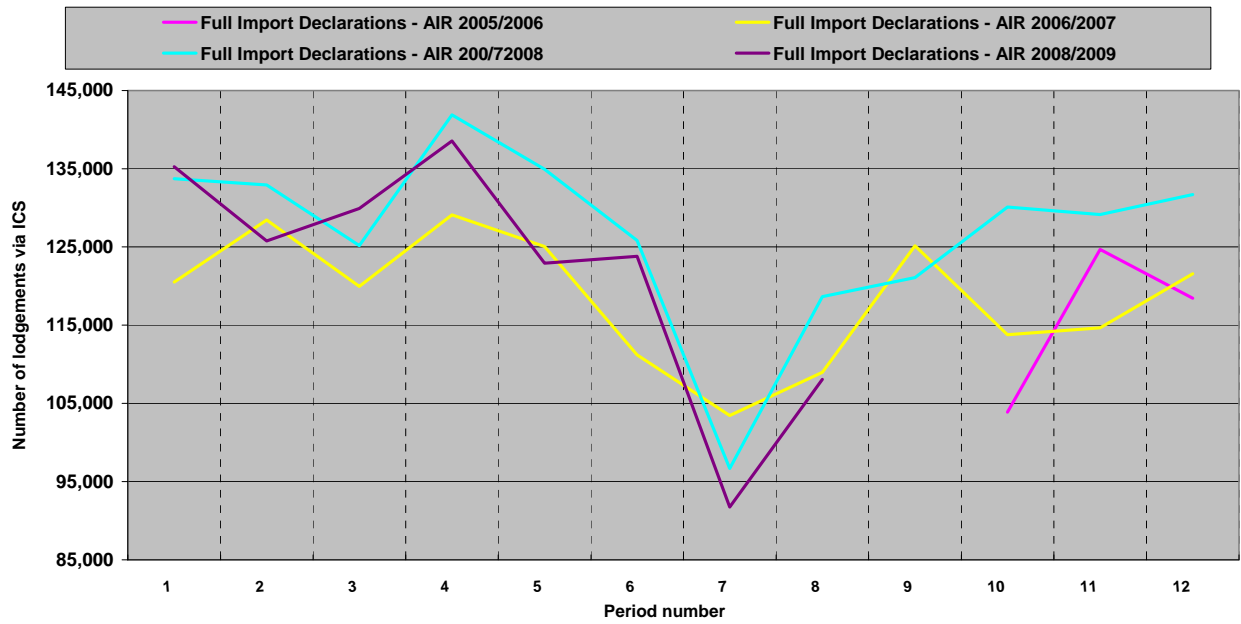


Figure 3. Monthly full import declarations (AIR) lodged in the Integrated Cargo System. Figures are derived from daily financial receipts

Note: Period number = month, where period 1 = July