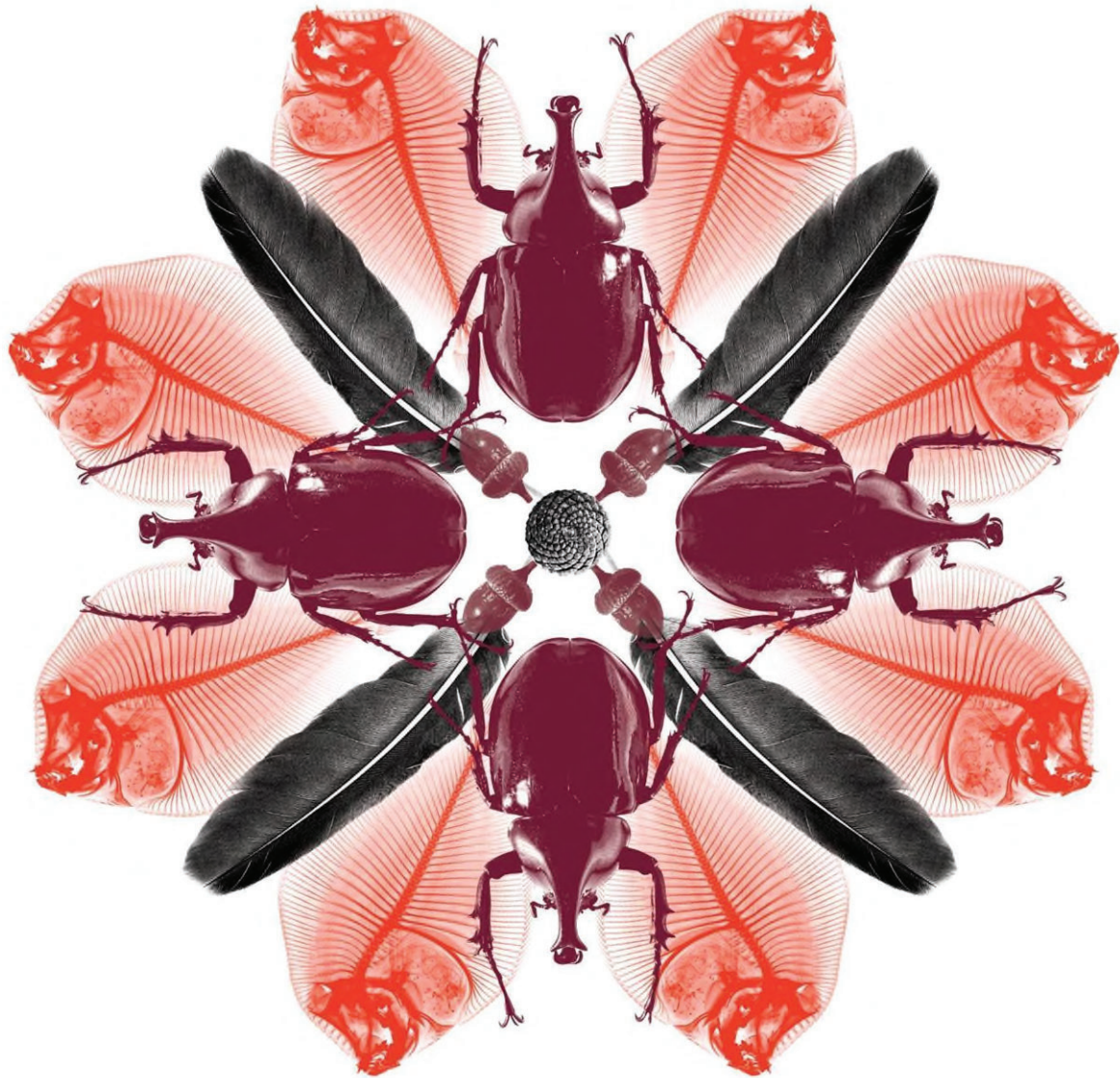




Australian Government
Department of Agriculture

Cost recovery implementation statement: biosecurity 2019–20



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1 Introduction

1.1 Purpose of the cost recovery implementation statement

This cost recovery implementation statement (CRIS) provides information on how the Department of Agriculture implements cost recovery arrangements for biosecurity regulatory activities (including imported food).

In particular, this CRIS update describes changes to the cost model and pricing presented in the previous CRIS, published in 2015, to implement the November 2019 government decision to expand regulatory charging for biosecurity activities on a cost recovery basis. This CRIS update should be read in conjunction with the [Cost Recovery Implementation Statement Biosecurity 2015-16](#).

This CRIS update also contains new financial estimates for 2019–20 to 2023–24. Performance of the arrangement since 2015 has shown that expense and revenue have grown together over time. The cost and pricing model is fundamentally sound and an immediate review of the full pricing model is not required to ensure financial sustainability of the biosecurity cost recovery arrangement.

This CRIS update changes 4 charges. A full review of regulatory charging for biosecurity activities on a cost recovery basis will be undertaken in 2020-21.

The CRIS will be updated annually and will remain in force until superseded or withdrawn.

1.2 Description of the regulatory activity

Biosecurity activity is regulated in accordance with the biosecurity legislative framework (outlined in [section 2.2](#)). We undertake regulatory activities to assess and manage the biosecurity risks arising from people, goods and vessels (sea and aircraft) entering Australia. These activities also include assessing compliance of imported food with relevant food standards and public health and safety requirements.

These essential activities, which occur onshore, offshore and at the border, are a major part of our day-to-day business. During 2018–19, we assessed and cleared more than 120 million international mail articles and 18,500 international vessels and aircraft at international airports and seaports around the country. Around 14,500 import permit applications were received, and 6,400 animals were processed at the post-entry quarantine (PEQ) facilities.

This CRIS covers our cost recovery of biosecurity activities. These are provided to 4 key groups: importers, vessel operators, approved arrangement participants and, to a limited extent, passengers.

We provide the following key biosecurity activities to the regulated entities:

- Importers—assessment and management of the biosecurity risks associated with imported goods and packaging (including air and sea cargo, international mail, food, live animals and plants). This also includes husbandry activities, undertaken by the department, associated with the PEQ of live animals and plants prior to release into Australia (such as horses, dogs, cats, hatching eggs, birds, ruminants, bees, nursery stock and viable seeds).
- Vessel operators—assessment and management of the biosecurity risks of sea vessels and aircraft entering Australia. This includes assessments and inspections to manage the risks posed by the vessel itself, contaminants on the vessel, human biosecurity risks, ballast water and biofouling on sea vessels, and aircraft disinsection.
- Approved arrangement participants—administering arrangements, managing compliance regimes and setting standards for various third party arrangements managed by the department, such as quarantine approved premises, compliance agreements and imported food compliance agreements.
- Passengers—assessment and management of biosecurity risks posed by accompanied passenger’s baggage. Activities such as inspection and assessment of baggage are only cost recovered where provided outside of designated international airports or seaports.

1.3 Why cost recovery is appropriate

Cost recovery fees and levies fall 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 Australian Government Charging Framework (‘charging framework’).

Regulatory charging is appropriate because biosecurity regulatory activity is provided to a clearly identifiable group—individuals and organisations that participate in the import supply chain. If it were not for the business activities of this group, much of the biosecurity activities would not be required.

There are additional benefits to funding biosecurity activities 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 increases the cost consciousness of clients of how much a government activity actually costs.

For these reasons, the government has determined regulatory charging to be the most appropriate mechanism for funding biosecurity activities. We have updated regulatory charging of biosecurity activities, consistent with the charging framework. This provides the overarching framework under which government entities must design, implement and review cost recovery.

2 Policy and statutory authority to cost recover

Under the charging framework, cost recovery requires both policy approval and statutory authority. The following section provides information on government approval of regulatory charging for biosecurity activities and the legislation that enable us to collect fees and charges.

2.1 Government policy approval to cost recover the regulatory activity

Since the previous CRIS was released on 1 December 2015, the Australian Government has confirmed policy authority for continued regulatory charging of biosecurity activities by approving 4 changes to biosecurity cost recovery charges (further details at section 4.4).

In November 2019, the government decided to expand cost recovered regulatory activities to include \$23.0 million per year of biosecurity activities. These directly relate to the regulatory framework. Implementing this decision is the purpose of this CRIS update.

From 1 January 2020 regulatory activities to be included in the regulatory charges will be expanded to include:

- assurance and verification activities to provide confidence in compliance controls and support enforcement of regulation, contributing to the efficiency and effectiveness of the biosecurity system that facilitates importers to bring goods safely into Australia. This activity includes:
 - applying best practice regulatory procedures and monitoring their implementation to verify ongoing effectiveness of regulatory activity
 - implementing and maintaining a decision making tool that allows us to calculate benefits and risks of change in regulatory activity
 - investigations of importer compliance with biosecurity regulation to maintain the integrity of the system, including provision and monitoring of corrective actions
- increased analytics and intelligence activities, including the use of data to identify trends to inform intervention and compliance activities. This will minimise the risk of incursions and prevent harm to Australia’s agricultural production and environment. These activities include the application, maintenance and refinement of algorithms and work processes that analyse biosecurity data and inform coordination of biosecurity risk management measures and compliance controls. The intelligence helps us identify which imports are most likely to expose Australia to exotic pests and/or diseases. This allows for more targeted risk management activities that streamline the border experience for importers, and reduces intervention with importers with minimal risk.
- the provision of technical and scientific advice to maintain up to date biosecurity risk management information within our Biosecurity Import Condition (BICON) system. Through BICON, we provide a single source of truth for biosecurity officers and importers to quickly and easily identify goods, relevant import conditions and further biosecurity risk management options for the safe import of goods.

- import pest and disease risk mitigation planning, which ensures that we have the capability to mitigate the impact of pest and disease incursions that result from the import of goods. The activities include the development and maintenance of risk mitigation processes and plans, including the maintenance of the capability required to implement actions in those plans, which facilitates the import of goods. Importers will be able to either choose to rely on publically available plans or choose to develop their own plans subject to the department granting a permit.

In October 2018, the Australian Government approved a change to regulatory charging for biosecurity-approved arrangements. As part of this change, a new throughput charge was introduced, together with remissions for the annual charges payable by some industry participants.

- The new throughput charge applies to each entry made under the Automatic Entry Processing (AEP) for Commodities (AEPCOMM). A rate of \$18 is charged for each entry by a person covered by an approved arrangement, for goods to be brought or imported into Australian territory.
- The annual charge for biosecurity-approved arrangements is set at \$2,900 per year. As part of the introduction of the throughput charge, the annual charges payable for some industry participants have been able to be reduced by remission.
 - Biosecurity approved arrangements operated at a single site – \$2,500
 - Biosecurity approved arrangements operated as an AEP Broker only – \$500. These operators will also pay a throughput charge of \$18 for each AEP entry they process.

The number of international vessels actually arriving in Australia in 2016 and 2017 was below the arrival volumes forecast in the 2015 CRIS and there was an under-recovery of expenses in the seaports program. The Australian Government as part of the 2017-18 Budget measures directed us to increase the international vessel arrival charge to address the volume forecast and cost recover the expenses of the expanded ballast water biosecurity activities. The international vessel arrival charge for vessels over 25 metres in length increased from \$720 to \$920, with effect from April 2018.

In 2016, the Australian Government approved the provision of enhanced passenger clearance activities at international airports. We will enter into contractual arrangements with the operators (or other service providers) for the provision of personnel to participate in the premium traveller activities, which will set out the agreed fee to be paid by the operator (or other service providers). The agreements will set out the agreed amount to be paid by the airport (or other service provider) subject to fee parameters.

- The premium traveller service is offered to operators of landing places or ports (or other service providers) on a voluntary basis. International travellers who do not wish to use the premium traveller activities are still subject to existing customs, immigration and biosecurity inspections and aviation security screening.
- Similar fees have been implemented by the Department of Home Affairs for the customs and immigration related components of the proposal through amendments to the Migration Regulations 1994 and the Customs Regulations 2015.

- No contracts are presently in place at any airport for these passenger clearance activities — and as a result, the volumes forecast in this CRIS for that activity have been set at zero.

2.2 Statutory authority to charge

Fees and levies for biosecurity activities are recovered under separate statutory authorities.

2.2.1 Cost recovery fees

The [Biosecurity Act 2015](#) is the primary piece of biosecurity legislation in Australia. Subordinate legislation and supporting policies includes regulations affecting the management of ballast water, approved arrangements and import risk analysis. The [Biosecurity Regulations 2016](#) provides fees for different biosecurity activities.

2.2.2 Cost recovery levies

Cost recovery levies as described in the charging framework are implemented through the biosecurity and imported food charging acts and associated delegated legislation, which provide powers to impose and collect charges for biosecurity and imported food compliance-related activities:

- *Biosecurity Charges Imposition (Customs) Act 2015*
- *Biosecurity Charges Imposition (Excise) Act 2015*
- *Biosecurity Charges Imposition (General) Act 2015*
- *Imported Food Charges (Imposition—Customs) Act 2015*
- *Imported Food Charges (Imposition—Excise) Act 2015*
- *Imported Food Charges (Imposition—General) Act 2015*
- *Imported Food Charges (Collection) Act 2015*
- Biosecurity Charges Imposition (Customs) Regulation 2016
- Biosecurity Charges Imposition (General) Regulation 2016

Amendments to the existing regulations, or new regulations, will provide for the fees detailed in this CRIS to be established.

Under the legislative framework for biosecurity cost recovery, charges are imposed under both the *Biosecurity Charges Imposition (Customs) Act 2015* and the *Biosecurity Charges Imposition (General) Act 2015*. These Acts provide the taxing legislation framework necessary to support cost recovery charges.

Specific charges are prescribed in the Biosecurity Charges Imposition (Customs) Regulation 2016 and the Biosecurity Charges Imposition (General) Regulation 2016.

For the avoidance of any doubt as to the technical classification of the charge in the customs and taxation context, all charges appear in identical form in regulations made under each of the Acts.

3 Cost recovery model

3.1 Outputs and business processes of the regulatory charging activity

The key policy objectives for our regulatory charging 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, through risk assessment, inspection and certification, and the implementation of emergency response arrangements for Australian agricultural, food and fibre industries.
- support 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.

The regulatory activities are described in [Appendix A](#) and are grouped into four categories of activities:

- 1) Program management and administration—administrative activities that support us to deliver our biosecurity regulatory activities.
- 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 import requirements.

3.2 Costs of regulatory charging activity

3.2.1 Cost allocation process

To determine the cost of regulatory activities, we use an activity based costing (ABC) system. The ABC allocation methodology we employ reflects effort incurred through delivery of regulatory activities to the individual or entity. This provides an accountable and transparent allocation of costs that is also efficient and effective to administer.

The 2 two 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, which includes plant, property and depreciation.
- 2) indirect expenses—these support but 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, which includes plant, property and depreciation.

The cost allocation process apportions the costs of support functions (indirect expense) and direct expense to the processes and activities defined in [Appendix A](#). 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. The steps are:

- 1) Indirect costs such as property, finance, information technology, human resources and divisional executives are allocated to direct cost centres using a cost driver that estimates the relative usage of each of the corporate activities. Cost drivers for corporate activities 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 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 (which at this point include 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.

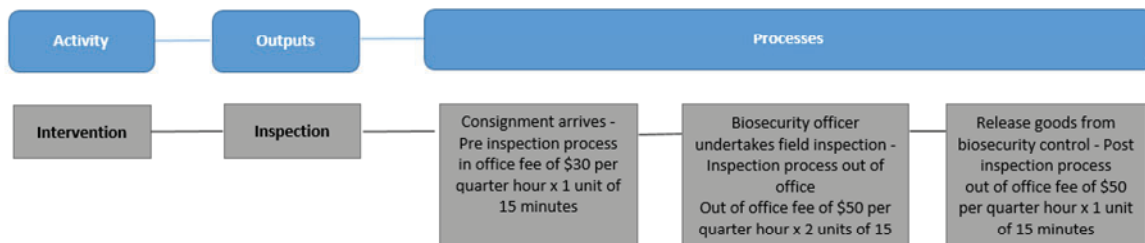
For example, auditors undertake audits across multiple arrangements. We forecast the number of audits and average time for an audit for each arrangement. The associated costs are allocated to the arrangements and audit function based on total audit hours.

- 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 regulatory fees and charges. Figure 1 shows how we categorise cost recovered activities as attributed to either levy or fee charge points. Figure 2 Activity based cost model provides an example of cost associated with an activity subject to inspection fees. Regulatory charges are detailed further in [section 3.3](#).

Figure 1 Levy and fee related activities

LEVY		
Program management and administration	Assurance	Incident management
Workforce and business management	Risk management	Incident management
Business systems administration		Investigation support
Stakeholder engagement	Verification	Investigation support
Policy and instructional material	Surveillance	Corrective action
Business improvement		Corrective action
FEE		
Intervention		
Assessment	Inspection	Husbandry
Issue approval and certification	Treatment	Audit

Figure 2 Activity based cost model



3.2.2 Financial management strategies

We are committed to managing costs in an efficient and effective manner in line with our responsibilities as an administrator of public resources. We monitor costs on a monthly basis and set tolerance levels for variances between budgeted and actual expense. We regularly review and improve our workforce models, systems and processes.

3.3 Design of regulatory charges

We determine appropriate regulatory charges after establishing activity costs and volumes. We use a combination of regulatory fees and charges depending on the beneficiary of a particular activity. Fees are used to recover the costs of direct intervention and certification activities undertaken for particular importers or regulated entities. Regulatory levies are imposed when activities are provided to a group of individuals or organisations. This recovers costs not directly linked to a specific individual or organisation but form part of the costs of the overall system of

biosecurity regulatory system. Our charging framework ensures that all user groups contribute to the biosecurity regulatory system, while recognising user groups that use more regulatory resources contribute more to the regulatory framework, reflecting their higher usage of the system.

We model prices in each year of the CRIS to balance revenue against expenses. For 2019–20 yearly prices, see the schedule of charges at Table 4.

We maintain a cost recovery reserve to assist with managing the alignment of revenue and expenses. Our cost recovery reserve policy outlines that a balance of 0–5 per cent of annual program expense be maintained. Subject to approval, over-recoveries may be managed through remittance or investment initiatives. Under-recoveries will result in the arrangement not recovering the expenses of the relevant regulatory functions. This in turn will result in the arrangement operating at a loss, and adversely impact on the reserve balance for the arrangement at year's end. Ongoing under recovery in an arrangement will lead to the need for a further review of the cost recovery arrangement to ensure its return to sustainable recovery of all regulatory costs. A single reserve is maintained for each cost recovery arrangement.

4 Changes to biosecurity cost recovery arrangement

The following section provides information on changes to the biosecurity activities we provide and the impact this will have on the cost base. These activities underpin our biosecurity system. All importers use this system, regardless of the contents of their consignments. Therefore, it is appropriate that all importers pay for these activities. As these activities are provided to all regulated entities, these costs will be funded through both Full Import Declaration (FID) charges and Vessel Arrival Charges.

4.1 Design of cost recovered charges

The design of regulatory fees and charges is not changing as part of the expansion of cost recovery decided in November 2019. There will be increases to 4 charges, on consignments of goods valued over \$1,000 and international vessel arrivals, reflecting the increased expense base.

4.2 Cost base

This CRIS update reflects the government's decision to expand cost recovery for some biosecurity activities as decided in November 2019. To efficiently implement this decision, the cost base and pricing model presented in the [Cost Recovery Implementation Statement Biosecurity 2015-16](#) has been used as the starting point for determining the cost base and prices in this CRIS for 2019–20. The historical performance of the pricing model demonstrates that where revenue has matched expense, changes in volume of regulatory activity has seen revenue respond accordingly. We are confident that the pricing model is performing well and is a solid base for implementing this pricing update. The pricing model is reflected in the financial estimates described in Table 6.

Performance of the arrangement has shown expense and revenue growing together over time and an immediate review of the arrangement is not required to ensure financial sustainability of the biosecurity cost recovery arrangement.

Additional expense added to the cost base implements the November 2019 government decision to expand the activities being cost recovered. Additional expense has only been added as described in Table 3.

We intend to conduct a full review of this biosecurity CRIS in 2020–21 because a number of expected and emerging changes in the import supply chain and biosecurity regulatory system will need further analysis. This includes government decisions such as the implementation of a new PEQ facility, new trends in importing business practices and the advent of biosecurity threats like Asian swine fever and the Brown marmorated stink bug.

4.2.1 Projected cost base for 2020-21

The updated cost base for the biosecurity cost recovery arrangement is \$279.3 million for 2020–21. This is made up of:

- \$200.5 million in levy-related activities (including expanded cost recovery of \$22.9 million)
- \$78.8 million in fee-related activities.

Table 1 provides a breakdown of modelled cost base of the biosecurity cost recovery arrangement by activity type.

For a detailed description of cost activities, see [Appendix A](#). The methodology for attributing costs to these activities is provided in [section 3](#).

Table 1 Cost type breakdown for biosecurity cost recovery arrangement

Charge type	Activity group	Activity	Expense (\$)
Charges	Program management and administration	Workforce and business administration	119,864,259
		Business system administration	4,666,638
		Stakeholder engagement	8,903,430
		Policy and instructional material	15,947,442
		Business improvement	5,426,091
		Subtotal	154,807,860
	Assurance	Risk management	19,646,952
		Verification	15,143,281
		Surveillance	7,343,212
		Subtotal	42,133,445
	Incident management	Incident management	2,177,723
		Investigative support	513,814
		Corrective action	843,931
		Subtotal	3,535,467
		Total charges	200,476,773
Fee for service	Intervention	Assessment	21,321,518
		Issue approvals/certification	396,760
		Inspection	47,870,403
		Treatment	1,635,825
		Husbandry	2,935,340
		Audit	4,648,060
		Subtotal	78,807,906
		Total fee for service	78,807,906
Total cost base			279,284,678

For more information on how expenses are allocated see [section 3](#).

Table 2 provides a cost breakdown for each output contribution to recover direct and indirect costs for 2020–21. The 2018–19 cost base presented in the Biosecurity CRIS 2015 has been used as the starting point for determining the cost base in this CRIS for 2019–20 and beyond. 2020–21 is presented here as the first full year of the expanded activity.

Table 2 Biosecurity cost recovery arrangement cost breakdown 2020–21

Cost recovery charges	Direct costs (\$)	Indirect costs (\$)	Total (\$)
Levy	129,074,508	71,402,264	200,476,773
Full import declaration charges	105,419,139	58,941,844	164,360,983
Approved arrangement	3,861,503	2,128,115	5,989,619
Vessel arrival charges	12,328,449	6,330,422	18,658,871
Permit Application	1,096,169	604,111	1,700,280
PEQ importation charge	6,369,248	3,397,772	9,767,020
Fee for service	35,950,457	42,857,449	78,807,906
Assessment	9,670,130	11,651,387	21,321,518
Issuing approvals or certification	179,946	216,814	396,760
Inspection	21,711,073	26,159,330	47,870,403
Treatment	741,910	893,916	1,635,825
Husbandry	1,539,323	1,396,017	2,935,340
Audit	2,108,074	2,539,986	4,648,060
Total	165,024,965	114,259,713	279,284,678

4.2.2 Changes to the cost base

Table 3 provides a list of adjustments to the cost base arising from the November 2019 government decision and their impact on revenue.

Table 3 Changes to biosecurity arrangement cost base

Adjustment to cost base	Impact on cost base	Forecast (\$)
Total baseline expense	na	256,396,802
1 Assurance and verification	Increase	11,792,473
2 Scientific and technical advice	Increase	718,732
3 Biosecurity predictive analytics and intelligence	Increase	7,519,045
4 Risk Mitigation / Preparedness Planning	Increase	2,857,626
Total adjustments to cost base	Increase	22,887,876
Adjusted cost base	na	279,284,678
Change in expense	Increase	8.93%

na Not applicable.

Additional reforms to charging may be identified through the charging review, which will be conducted in 2020. These have not been included in the expense base because their financial impact cannot be quantified at this point. Specific examples that will be considered as part of the 2020 review include the cost of PEQ activity in the light of the opening of the new Mickleham PEQ facility and needs for increased analytical capability to manage rapidly growing biosecurity risk.

4.3 Industry-specific feedback

4.3.1 Import stakeholder engagement

In November 2019 the Australian Government decided to expand cost recovery for biosecurity activities, from 1 January 2020 (see [section 2.1](#)). This CRIS implements this decision.

As announcement of the measure is only a few weeks out from implementation of the new charges, we have not undertaken our customary industry engagement on a draft CRIS or proposed charging models prior to publishing this document. Industry have been informed of the price increases through public announcement and the issuing of Industry Advice Notices (IANs).

The department will engage with the relevant industry representatives through established consultative forums, such as the Department's Cargo Consultative Committee (DCCC), as soon as possible following publishing of this CRIS.

To provide opportunity for stakeholders to provide their views on this CRIS and future charges, we will conduct a full review of regulatory charging for biosecurity in 2020-21.

4.4 Biosecurity fees and charges

The amounts payable are shown in Table 4. The effect of the government's decision to expand cost recovery for biosecurity activities is to increase the following 4 charges:

- Full Import Declaration charge—air was \$33, modelled at 37.34, rounded to \$38.
- Full Import Declaration charge—sea was \$42, modelled at 48.45, rounded to \$49.
- Vessels greater than or equal to 25 metres—arrival charge was \$920, modelled at \$1053.09, rounded to \$1054.
- Vessels less than 25 metres—arrival charge was \$100, modelled at \$119.79, rounded to \$120.

Table 4 Fees, charges and volumes for biosecurity cost recovery arrangement, 2019–20 to 2020-21

Type of charge	Estimated total cost (\$)	Charge point	Unit	Price (\$)	Estimated volume (units)	Estimated total revenue (\$)
Charges – increased	80,509,095	Full Import Declaration charge – air	Per import declaration	38	2,156,041	81,929,553
	83,851,888	Full Import Declaration charge – sea	Per import declaration	49	1,730,586	84,798,735
	18,586,999	Vessel (≥25m) arrival charge	Per vessel	1,054	17,650	18,603,100
	71,872	Vessel (<25m) arrival charge	Per vessel	120	600	72,000
Charges – no change	1,700,280	Permit application charge	Per application	120	14,169	1,700,280
	1,820,052	Approved arrangement – AEPCOMM	Per item	18	101,114	1,820,052
	2,831,667	Approved arrangement – single site	Per item	2,500	1,133	2,831,667
	1,148,400	Approved arrangement – multi site	Per item	2,900	396	1,148,400
	189,500	Approved arrangement – broker	Per item	500	379	189,500
	1,150,200	PEQ importation charge – horses or ruminants or other animal >25 kgs	Per animal	3,000	426	1,150,200
	8,126,400	PEQ importation charge – cats or dogs or other animal ≤25 kgs	Per animal	1,200	6,772	8,126,400
	2,460	PEQ importation charge – bees	Per bees consignment	2,500	1	2,460
	73,980	PEQ importation charge – avian (fertile eggs)	Per hatching egg consignment	31,304	2	73,980
	26,560	PEQ importation charge – avian (live bird)	Per live bird consignment	11,240	2	26,560
387,420	PEQ importation charge – plants	Per m2	110	3,522	387,420	
Fee for service – assessment, approval, inspection, treatment and audit	37,760,994	In-office fee	Per 15 minutes	30	1,258,700	37,760,994
	38,111,572	Out-of-office fee	Per 15 minutes	50	762,231	38,111,572

Cost recovery implementation statement: biosecurity 2019–20

Type of charge	Estimated total cost (\$)	Charge point	Unit	Price (\$)	Estimated volume (units)	Estimated total revenue (\$)
Fee for service – husbandry	316,680	PEQ husbandry fee – horses or ruminants or animal >25 kgs	Per animal per day	60	5,278	316,680
	2,107,865	PEQ husbandry fee – cats or dogs or animal ≤25kgs	Per animal per day	29	72,685	2,107,865
	33,600	PEQ husbandry fee – avian (fertile eggs)	Per egg consignment per day	200	168	33,600
	10,500	PEQ husbandry fee – avian (live birds)	Per live bird consignment per day	150	70	10,500
	560	PEQ husbandry fee – bees	Per bee consignment monthly	280	2	560
	70,440	PEQ husbandry fee – plants	Per m2 monthly	20	3,522	70,440
	395,695	Diagnostic testing fee	Per unit	20	19,785	395,695

5 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 of Finance must agree to a CRIS if the CRA indicates that it is high risk.

The CRA has identified 4 implementation categories that are considered high risk:

- the percentage change in annual cost recovery revenue is greater than 10 per cent
- the total annual cost recovery revenue is greater than \$20 million
- the introduction of new cost recoverable activities
- stakeholder sensitivity about the proposed changes.

The remaining implementation categories are considered low to medium risk:

- the type of cost recovery charges being used
- the legislative requirements for imposition of the cost recovery charges
- the impact of cost recovery on payers
- the required level of involvement with other Commonwealth, State, Territory or local government entities

In addition to the CRA, we have also considered a number of risks associated with cost recovering biosecurity activities and how we will manage these risks (Table 5).

Table 5 Risks for biosecurity cost recovery arrangement

Risk	Management
The cost of biosecurity affecting industry competitiveness.	We will continue to deliver efficiencies and productivity improvement in the way we undertake biosecurity activities.
The fee and levy structure does not support future regulatory reforms.	The fee and levy structure has been designed to take into consideration future reforms, where known. The CRIS will be reviewed if required.
Changes to Government policy and activities.	Regular assessments of the arrangement will inform whether a cost recovery review is required.
Biosecurity risk level changes—the cost of undertaking biosecurity activities no longer reflects forecast effort.	Regular assessments of the arrangement will inform whether a cost recovery review is required.
Under-recovery occurs (for example, as a result of a reduction in the level of import activity).	We will engage with industry to discuss options to reduce expenses through adjustments to services or service standards.
Over-recovery occurs (for example, as a result of a greater than anticipated level of import activity).	Subject to approval, over-recoveries 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.
Changing events impacts actual revenue verses forecast revenue.	We will update the CRIS annually to reflect changes in activity and effort and describe any consequential changes in the cost and price.

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 affect their businesses. This means they can help us design efficient cost recovery frameworks for these activities.

6.1 Industry engagement

We have established industry consultative committees to represent industry views in relation to biosecurity and imported food. We consult with these committees on a number of different activities. The consultative committees include:

- The Department's Cargo Consultative Committee
- Biological Consultative Group
- Imported Food Consultative Committee
- Horse Industry Consultative Committee
- Post Entry Plant Consultative Committee
- Avian, Cats and Dogs representatives

The requirement to implement the November 2019 government decision concerning biosecurity cost recovery from 1 January 2020 necessitated a streamlined industry engagement model for the final published CRIS, in this instance. As mentioned in previous sections, no stakeholder consultation has been possible on the draft CRIS. However, once the CRIS is announced and published, streamlined engagement is expected to be undertaken comprising information sharing and Q&A sessions with affected stakeholders via face-to-face as well as teleconference modes. Engagement will be targeted and intense to allow affected stakeholders to understand and implement the changes required of them, for example changing their payment systems to cater for the new charge amounts.

6.2 Ongoing engagement strategy

Feedback from industry and recommendations of the Australian National Audit Office's [Application of cost recovery principles](#) (report no. 38 2018–19) suggest we review our engagement approach with industry, to better communicate efficiency and effectiveness of our regulatory activity to industry.

We currently undertake a number of activities to engage with our stakeholders, including:

- Engaging with industry consultative committees in accordance with agreed terms of reference.
- Reporting quarterly on the cost recovery performance, including explanations for material variances between budgeted and actual positions.
- At the commencement of every budget cycle, reviewing and updating the CRIS to report on significant changes to revenue or expenditure or to relevant legislation. This will include any material variances highlighted throughout the year.

- Communication with industry consultative committees on changes to the CRIS. This will occur before any revisions or updates are made.
- Opening the CRIS for public consultation if any key changes result in price adjustments.
- We will undertake a portfolio charging review every 5 years in line with the schedule published by the Department of Finance. The next review is scheduled for 2023–24.

During the life of this CRIS, we will review these arrangements and where appropriate adjust them to ensure we are efficiently and effectively engaging with affected stakeholders. This will include greater use of this CRIS itself for ongoing engagement through updates to the forecasts and reporting of actual annual results. We will also develop appropriate performance indicators and benchmarks to be included in a future CRIS update.

7 Financial estimates

A summary of the annual forecast operating position for the biosecurity cost recovery arrangement is provided at Table 6.

The baseline expense used for this forecast is \$279.3 million for a full year, based on 2019–20 departmental budget plus the additional expense from the expanded measures. With commencement of the measure on 1 January 2020, 2019-20 only reflects a half year increase, with 2020-21 being the first full year of the increased cost base. This represents the baseline expense for delivery of biosecurity regulatory activities.

The impact of inflation, depreciation and reforms have been excluded for 2021–22 onwards in the forecast because these are yet to be quantified. A comprehensive review of the CRIS will be undertaken in 2020–21 and will include this analysis.

The department will closely monitor performance of the arrangement and where revenue exceeds expense will consider implementation of a remission program to adjust the price in response to expense base or volume changes (Table 6). This is reflected in Table 6 to highlight this intent. Any adjustment will be made in consultation with industry, with time for industry to respond to a change in price.

Table 6 Financial estimates for biosecurity cost recovery arrangement, 2019–20 to 2023–24

Finance element	2019–20 (\$)	2020–21(\$)	2021–22(\$)	2022–23(\$)	2023–24(\$)
Revenue = X	268,482,847	281,668,212	281,668,212	281,668,212	281,668,212
Expenses = Y	267,840,740	279,284,678	279,284,678	279,284,678	279,284,678
Balance = X – Y	642,107	2,383,534	2,383,534	2,383,534	2,383,534
Remission	-642,107	-2,383,534	-2,383,534	-2,383,534	-2,383,534
Estimated opening cost recovery reserve balance	36,318,932	36,318,932	36,318,932	36,318,932	36,318,932
Transfer	0	0	0	0	0
Estimated closing cost recovery reserve balance	36,318,932	36,318,932	36,318,932	36,318,932	36,318,932

8 Financial and non-financial performance

8.1 Financial performance

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

We continue to consult with key industry stakeholders on financial performance indicators to assist in evaluating the performance of our cost recovery arrangements. Table 7 will be updated as performance indicators are refined and further developed.

Table 7 Financial performance for biosecurity cost recovery arrangement, 2015–16 to 2018-19

Finance element	2015–16 (\$)	2016–17 (\$)	2017–18 (\$)	2018–19 (\$)
Revenue = X	227,632,889	242,848,584	252,808,952	267,836,074
Expenses = Y	226,650,724	237,203,357	237,982,050	252,843,610
Balance = X – Y	982,165	5,645,227	14,826,902	14,992,464
Remissions, rebates and adjustments = Z	0	0	285,000	1,504,470
Net balance = balance – Z	982,165	5,645,227	14,541,902	13,487,994
Cost recovery reserve balance	2,643,810	8,289,036	22,830,938	36,318,932

Explanation for changes: Increased volume of activity of imported goods and services has resulted in higher revenue and expense. Consistent growth in volume has included FIDs – Air and Sea, vessel arrivals, import permits, assessment, inspections and treatments. We have made changes to the biosecurity activities and this resulted in an impact to the expense base. This includes:

a) Improved biosecurity business processes and client services. This include better use of modern service delivery arrangements such as giving clients greater access to online services, better client experience for lodging documents, appointment bookings, paying invoices and mobile devices (tablets) for staff. b) Expansion of border surveillance and intelligence activities. This includes additional general surveillance, enhanced trapping and testing, and the implementation of a nationally consistent regime for collecting, analysing and disseminating biosecurity intelligence. c) Expansion of pre-border compliance and verification activities – including increased assessment and audit of the systems that manage biosecurity risk in exporting countries.

8.2 Non-financial performance

Over the life of this CRIS we intend to consult with key industry stakeholders on non-financial performance indicators to assist in evaluating performance of the cost recovery arrangements we administer. This CRIS will be updated as performance indicators are refined and further developed.

Table 8 provides key non-financial performance indicators for the biosecurity cost recovery arrangement, consistent with the Australian Government Regulator Performance Framework. Additional key non-financial performance measures available in our annual report 2018–19 are also listed in Table 8.

Table 8 Non-financial performance measures for biosecurity cost recovery arrangement, 2018–19 to 2023–24

Performance indicators	2018–19 performance	2019–20 performance	2020–21 performance	2021–22 performance	2022–23 target	2023–24 target
Maintained or improved effectiveness and efficiency in managing biosecurity risk	Achieved	Update in 2020	Update in 2021	Update in 2022	Update in 2023	Update in 2024
Effective intervention on compliance pathways	Achieved	Update in 2020	Update in 2021	Update in 2022	Update in 2023	Update in 2024
Regulatory practices seek to minimise the impact of regulation on clients and stakeholders	Achieved	Update in 2020	Update in 2021	Update in 2022	Update in 2023	Update in 2024
Business processes and services are improved through the better use of modern technology and improved work practices	Achieved	Update in 2020	Update in 2021	Update in 2022	Update in 2023	Update in 2024

For performance measures, see the [Department of Agriculture Annual Report 2018–19](#).

9 Key dates and events

We undertake regular reviews of our financial performance and conduct regular stakeholder engagement activities throughout the CRIS cycle. Key activities for the biosecurity arrangement are:

- Monthly executive reporting of financial results including actual expense and revenue compared with forecast. Where a significant variance is identified, we may engage with industry.
- We will make quarterly reporting on financial performance available to industry, including actual results and updated forward estimates if required.
- We will undertake stakeholder engagement with relevant consultative committees on a regular basis or as agreed with industry.
- We will undertake broad public consultation prior to any significant updates of the 2019–20 CRIS, or prior to the development of the 2023–24 CRIS in line with the charging framework.
- In 2020-21, we will undertake a full review of this CRIS. This will necessarily include a number of industry and stakeholder consultation and engagement activities.

10 CRIS approval and change register

The Secretary certified this CRIS before presenting it to the Minister for Agriculture for approval and the Minister for Finance for agreement. It will be reviewed annually as recommended by the Australian Government Charging Framework. The change register will allow us to track changes to the CRIS.

Table 9 will provide a record of future changes and updates to this CRIS.

Table 9 Change register

Date of CRIS change	CRIS change	Approver	Basis for change
To be updated	Certification of the CRIS	To be updated	To be updated
To be updated	Agreement to the CRIS	To be updated	To be updated
To be updated	Approval for the CRIS release	To be updated	To be updated
To be updated	Update of financial estimates	To be updated	To be updated

Appendix A: Description of cost model activities

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

Program management and administration activities

Workforce and business management

This activity comprises 4 categories:

- 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.
- 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.
- Financial management activities include billing and accounting, budgeting, charges and payments, collections and receivables, debt management, financial accounts, reporting and policy development.
- 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 our policy and instructional material, such as operational and corporate policies, scientific advice, 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 key performance indicators and similar activities.

Assurance activities

Risk management

Involves assessing and managing the risks posed to Australia's biosecurity and imported food systems. This includes communicating results of risk analysis, modelling and forecasting to operational areas and the collection, receipt and use of data, information and intelligence to meet our compliance objectives. This work also includes any associated travel and client assistance work. This includes assessment of risks associated with cargo, vessels, plants, animals, food, biological and genetic material.

Verification

Includes activities that provide our executive and stakeholders with confidence that our systems and processes are operating in accordance with their intended design and associated documentation. For example, internal quality assurance systems and verification activities to ensure officers are following procedures, processes or instructional material and are making appropriate decisions.

Surveillance

Includes formal and informal monitoring to detect changes in Australia's pest or disease status, or the presence of food safety concerns which may affect imports and onshore production. Surveillance differs from an inspection as it is not done for a specific client.

It includes all pre and post work, travel and client assistance in relation to surveillance. Examples include deploying detector dogs, wharf surveillance, vector monitoring at proclaimed ports, new car surveillance, break bulk surveillance, monitoring the entry of exotic pests, weeds and disease across passenger and cargo pathways, monitoring of animal welfare issues and monitoring for microbiological or chemical hazards in food.

Incident management activities

Incident management

Includes the coordination and management of any incident including post border detections and biosecurity and imported food incidents. This includes all associated pre and post work, travel and client assistance in relation to an incident. It excludes cost sharing for emergency responses under the formal national disease and pest response arrangements.

Investigation Support

Involves providing support for enforcement activities relating to an alleged breach of portfolio legislation, including any related client assistance and travel. It does not include the work of the enforcement officers. Examples of investigation support include data extraction and analysis to support an investigation.

Corrective action

Includes actions taken in response to non-compliance or contravention of legislation or procedures that are managed without a formal investigation by an Enforcement officer. Corrective action activities includes advice and support to operational staff and clients on the management of non-compliance and the development of options to effectively manage the risk.

Intervention activities

Assessment

Involves assessing information to determine if it meets the department's requirements. This includes the assessment of import related documentation for cargo, vessels, plants, animals, food, biological and genetic material, including administration of applications.

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.

Inspection

Includes the physical examination (and supervision of a physical examination) of cargo, vessels, plants, animals, food, biological and genetic material to determine compliance with biosecurity and food safety requirements. Inspections also include activities related to post quarantine detections of biosecurity risk goods.

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.

Husbandry

Includes activities relating to the care of plants and animals that we are 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 desktop audits, site audits (including travel), reviews of standard operating procedures for new and existing quarantine approved premises, overseas manufacturing facilities and pre-export quarantine facilities and their procedures.