



Australian Government

Australian Quarantine and Inspection Service

16 March 2009

Dear Client

RE: Proposed Fee Model for Horticulture Exports Program from 1 July 2009

I am writing to seek your input as a client of the AQIS Horticulture Export Program on changes to the cost recovery arrangements for Horticulture Exports.

As you are aware the 40% government assistance for export certification will be allowed to lapse on 30 June 2009. This means that AQIS is required to implement this decision and return all AQIS exports programs to full cost recovery on 1 July 2009.

The new cost recovery model will be required to recover expenses (approx. \$7.4 million per year in 2009/2010), repay the deficit of \$800,000 from 2007/2008, and provide for a 10% buffer fund in an Income Equalisation Reserve over 3 years.

The cost recovery model must also comply with the government's cost recovery principals of:

- Directly recovering the cost of providing the service, ie. is not a tax, and
- Fairness and Equity – no subsidisation of activities of a particular sector.

In addition, clients have sought a simplified more predictable model with standardised inspection fees.

The current model falls short of some of these principals and is not being considered as the basis for future charges. Additionally, the charging guidelines are complex and onerous for AQIS and clients to implement, adding inefficiencies to the system.

The Horticulture Exports Program is proposing three new models for cost recovery. In many cases, the new models reduce costs of services when compared to 100% cost recovery under the current scheme. The Horticulture Exports Consultative Committee (HECC) has had input into the proposals, but does not endorse any particular model.

Full details of these models are attached to this letter : Attachment 1: Fees Models; Attachment 2: Charging Guidelines; Attachment 3: Table for Determining Commodity /Country Export Charges; Attachment 4: Examples of how the new charges will be applied.

In **Model 1** charges for inspection and certification services are applied per inspection lot. The fees for each inspection lot are charged based on the time taken to undertake the inspection, the inspection sample eg. 2% or 600 units, and costs of providing certification activities such as registrations, treatments and monitoring by overseas inspectors. One of three standard fees will be charged, depending on the commodity/country destination. This fee is allocated by the "Table for Determining Commodity /Country Export Charges" provided by HECC. A documentation charge is applied for permits and certificates. There are no travel or volume charges. The cost of travel is included in the inspection charges. An additional service charge will be applied for very long inspections outside of the standard fee.

This model meets costs recovery principals, is equitable because costs are strongly aligned to the complexity of the export and is predictable.

In **Model 2** charges for inspection and certification services are applied per phytosanitary certificate. The fees for each phytosanitary certificate are based on the time taken to undertake the inspection, the inspection sample eg. 2% or 600 units, and costs of providing certification activities such as registrations, treatments and monitoring by overseas inspectors, averaged for each phytosanitary certificate. One of three standard fees will be charged, depending on the commodity/country destination. This fee is allocated by the "Table for Determining Commodity /Country Export Charges". No separate documentation charge applies for exports requiring a phytosanitary certificate. For non – phytosanitary destinations, a documentation charge applies. There are no travel or volume charges. The cost of travel is included in phytosanitary certificate charges. An additional service charge will be applied for very long inspections outside of the standard fee. This model meets costs recovery principals, is equitable because costs are aligned to the complexity of the export, and is predictable.

In **Model 3**, fee categories are similar to those in Model 2 but some costs are offset by an additional tonnage charge. A tonnage charge is considered a tax or levy and inconsistent with the cost recovery principals set out for export programs by the Department of Finance and Regulation. This is why no tonnage charge fee is included in Models 1 or 2.

To understand how the different models might be applied, proposed fees have been calculated for four scenarios in Attachment 4:

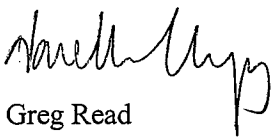
- export permit only, citrus to Hong Kong/Singapore
- citrus exports to USA
- cherry exports to Taiwan (sea freight), and
- rockmelons to New Zealand.

I would appreciate your feedback on these proposals and an indication of your preferred option by Monday 23 March 2009. Please respond to horticultureexportsprogramact@aqis.gov.au or if you have any questions or would like further information please contact the Program Manager, Jeanine Crowther on 02 62725776 or Assistant Program Manager Ray Elson on 02 6272 4216.

I apologise for the short timeframe given for your comments. AQIS has discussed options with the HECC on six separate occasions since January 2009; however, due to the wide range of views on the committee, consensus could not be reached on a preferred model. The committee agreed the best course of action was to seek broader industry input.

I would like to take this opportunity to thank you for your participation in the consultative process for the fees and charges review.

Yours sincerely



for Greg Read
Executive Manager
Exports Division