

# **Imported Food Control Amendment Regulations 2002 (No. 1) 2002 No. 242**

## **EXPLANATORY STATEMENT**

### **Statutory Rules 2002 No. 242**

Issued by the authority of the Minister for Agriculture, Fisheries and Forestry

*Imported Food Control Act 1992*

Imported Food Control Amendment Regulations 2002 (No. 1)

Section 43 of the *Imported Food Control Act 1992* (the Act) provides that the Governor-General may make regulations, not inconsistent with the Act, prescribing all matters which by this Act are required or permitted to be prescribed or which are necessary or convenient to be prescribed for carrying out or giving effect to this Act.

Subsection 36 (1) of the Act provides 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. Subsection 36 (2) provides that the payable amount in respect of a particular service must not exceed the direct and indirect costs that are properly attributed to the provision of that service in accordance with ordinary commercial principles.

The purpose of the Regulations is to increase the payable amount for chargeable services provided under the Act in relation to imported food, to make some changes to the description of the services for which amounts are payable and to amend the definition of 'ordinary hours of duty' to correspond to the period in which those services are provided at no additional fee.

The increase in the payable amount applies to all chargeable services provided under the Act. These services are:

- inspection, or inspection and analysis of the food;
- arrangement by an authorised officer of an analysis of the food to be carried out by another person;
- issue of relevant documentation in respect of the food;
- supervision of the treatment, destruction or re-exportation of the food;
- making of an import entry; and
- assessment of information for inclusion in a food control certificate.

The payable amount for a chargeable service includes an additional fee when the chargeable service is provided by an officer outside the officer's 'ordinary hours of duty'. The amendment to the definition of 'ordinary hours of duty' expands the daily period for provision of chargeable services during 'ordinary hours of duty' by two hours.

The Regulations increase the current fees to reflect the actual cost to deliver chargeable services for imported food. The Regulations also make changes to the description of the services provided in order to correctly define the elements of the activity associated with the payable amount and align the definition of ordinary hours of duty with the definition in the Agriculture Fisheries and Forestry - Australia (AFFA) Certified Agreement 2000 - 2003

Details of the amendment are set out below:

Regulation 1 provides that the Regulations are named the *Imported Food Control Amendment Regulations 2002 (No. 1)*.

Regulation 2 provides that the Regulations commence on gazettal.

Regulation 3 provides that Schedule 1 of the Regulations amends the *Imported Food Control Regulations 1993*.

### Schedule 1

Item 1 inserts a new definition for **Joint Entry Management System**. The effect of this amendment is to define the computerised import control system known by this name and used jointly by the Australian Customs Service and the Australian Quarantine and Inspection Service (AQIS).

Item 2 inserts a new definition for 'ordinary hours of duty'. The new definition defines ordinary hours of duty as beginning at 6.30 am and ending at 6.30 pm and aligns the definition of ordinary hours of duty to the Agriculture Fisheries and Forestry - Australia (AFFA) Certified Agreement 2000 - 2003. This amendment expands the daily period for provision of AQIS inspection services during ordinary hours of duty by two hours.

Item 3 replaces part of the current chargeable service definition for inspecting imported food. This minor amendment will ensure that the elements involved in the delivery of service to inspect imported food are correctly described.

Item 4 inserts the fee of \$714 for the delivery of service to inspect imported food in ordinary hours of duty. This is an 18% increase of the fee and reflects the actual cost to the program for the provision of delivering this service.

Item 5 inserts the fee of \$80 for the delivery of inspection service to inspect imported food during ordinary hours of duty for the first half hour, or part of a half hour. This is an 18% increase in the fee and reflects the actual cost to the program for the provision of this service as a time portion of the cost for providing this service on a daily fee.

Item 6 inserts the fee of \$40 for the delivery of service to inspect imported food during ordinary hours of duty after the first half hour (described in item 5), for each subsequent quarter hour or part of a quarter hour. This is an 18% increase for providing the service for this item and reflects the actual cost to the program for the provision of this service. It is a portion of the cost for providing this service on a half hour fee provided for in item 5 and daily fee for service provided for in item 4.

Item 7 substitutes a revised fee structure reflecting the actual cost to provide the service of an assessment of information provided for a consignment of food which a recognised foreign government has certified, where certain information on the food control certificate is not supplied, or where the information that is supplied requires verification. The revised structure is based on a fee for each quarter hour, or part of a quarter hour of service delivery instead of the per consignment unit. This revised structure reflects a more accurate cost for the provision of this service.

Item 8 inserts the fee of \$80 per half hour of service for the service to supervise the treatment, destruction or re-exportation of imported food during ordinary hours of duty for the first half hour, or part of a half hour. This 18% fee for service increase reflects the actual cost to the program for the provision of this service.

Item 9 inserts the new fee of \$40 per subsequent quarter hour or part of after the first half hour for the service to supervise the treatment, destruction or re-exportation of imported food during ordinary hours of duty after the first half hour. The increase in the fee for service is a

proportion of the cost for providing this service after the time identified in item 8 has elapsed and reflects the actual cost to the program for the provision of this service.

Item 10 provides a fee for the making an import entry in the Joint Entry Management System (JEMS). JEMS is the computerised import control system for processing information from importers or their agents used jointly by the Australian Customs Service and AQIS. This fee is \$8 per AQIS import entry. AQIS import entries that are not be processed through JEMS will attract a fee of \$14 to recover the cost of processing this type of import entry.

Item 11 inserts the fee of \$8.30 for each quarter hour, or part of a quarter hour of service outside ordinary hours of duty for the delivery of services where the officer delivering the service is entitled to remuneration at the rate of time and a half. The increase of the fee is 18%, rounded to the nearest ten cents and reflects the actual cost to the program for the provision of this service outside ordinary hours of duty.

Item 12 inserts the fee of \$144.00 as the minimum charge for the delivery of services for service started outside ordinary hours of duty and where the officer delivering the service is entitled to remuneration at the rate of time and a half. The increase of the fee is 18% and reflects the actual cost to the program for the provision of this service that is started outside ordinary hours of duty.

Item 13 inserts the fee of \$11.00 for each quarter hour, or part of a quarter hour of service outside ordinary hours of duty for the delivery of services where the officer delivering the service is entitled to remuneration at the rate of double time. The increase of the fee is 18% and reflects the actual cost to the program for the provision of this service outside ordinary hours of duty.

Item 14 inserts the fee of \$177.00 as the minimum charge for the delivery of services for service started outside ordinary hours of duty and where the officer delivering the service is entitled to remuneration at the rate of double time. The increase of the fee is 18% and reflects the actual cost to the program for the provision of this service that is started outside ordinary hours of duty.

Item 15 inserts the fee of \$14.00 for each quarter hour, or part of a quarter hour of service outside ordinary hours of duty for the delivery of services where the officer delivering the service is entitled to remuneration at the rate of double time and a half. The increase of the fee is 18% and reflects the actual cost to the program for the provision of this service outside ordinary hours of duty.

Item 16 inserts the fee of \$222.00 as the minimum charge for the delivery of services started outside ordinary hours of duty and where the officer delivering the service is entitled to remuneration at the rate of double time and a half. The increase of the fee is 18% and reflects the actual cost to the program for the provision of this service that is started outside ordinary hours of duty.

The Regulations would commence on gazettal.

A Regulation Impact Statement, agreed by the Office of Regulation Review, accompanies this explanatory statement.

# AUSTRALIAN QUARANTINE AND INSPECTION SERVICE

## CARGO MANAGEMENT GROUP

### AMENDMENTS TO THE QUARANTINE FEES DETERMINATION

### AND THE IMPORTED FOOD CONTROL REGULATIONS 1993

#### REGULATION IMPACT STATEMENT

#### 1. INTRODUCTION

The Australian Quarantine and Inspection Service (AQIS) Import Clearance Program is responsible for maintaining border integrity through delivery of effective quarantine and food safety services for imported cargo and food product. These services are provided for the purpose of protecting Australia's agricultural industries and general population from exotic pests and diseases. The *Quarantine Act 1908*, the *Quarantine Regulations 2000* and the *Quarantine Proclamation 1998* provide for the legislative support for the quarantine services of the program. Legislative support for food safety concerns is provided by *The Imported Food Control Act 1992*, the *Imported Food Control Regulations 1993* and the *Imported Food Control Order 2001*.

Fees associated with quarantine and food safety inspection services are provided for in the *Quarantine Fees Determinations* and the *Imported Food Control Regulations*. This RIS presents amendments to fees for both pieces of legislation.

#### Current Charging Arrangements

The Import Clearance Program operates in an environment of full cost recovery for the inspection and surveillance services it performs as required by Government policy. AQIS fees for treatments and inspections, made pursuant to section 86E of the *Quarantine Act* and section 36 of the *Imported Food Control Act*, have been imposed to recover direct and indirect costs associated with provision of inspection staff to perform the services required. Import Clearance collects its fees and charges across four separate revenue streams. The following fees and charges are currently collected within each of the four following activity streams.

**Table 1 Current Fees**

<b>ACTIVITY</b>	<b>FEES</b>	<b>DEFINITION</b>	<b>INDUSTRY SECTOR</b>
<b>Permit Issuing</b>	Various	Includes receipt, evaluation and issuing of all entry permits on specified goods, as well as the implementation of quarantine policy in the form of import permit conditions.	Importers
<b>Cargo Risk Management</b>	Sea - Container Fee (\$12.50) <b>Compile</b> - (\$3). Split \$2 to CRM and \$1 to Entry Management  <b>Air</b> - Compile - (\$3).	Cargo Risk Management (CRM) addresses quarantine concerns of a non-commodity specific nature such as packaging, soil and other contaminants. Activities in CRM - Sea include: wharf surveillance and external inspection of containers, surveillance activities at Quarantine	Sea - Shipping Companies/Customs Brokers COMPILE - Brokers, Importers of Record, Importers

	Split \$2 to CRM and \$1 to Entry Management HAWB Fee (\$1) Compile HVLV Fee (\$7.50)	Approved Premises (QAP's) associated with sea and air cargo, wharf and depot surveillance of break bulk cargo. Activities in CRM - Air include: internal and external inspection of air containers, surveillance of under bond cargo, inspection of HVLV air cargo consignments and surveillance at cargo terminal operators and air couriers.	Air - Importers, Air Couriers
<b>Entry Management</b>	<b>Compile Fee - (\$3).</b> Split \$1 to Entry Management and \$2 to CRM. Lodgement Fees - manual (\$12) JEMS entries (\$6) QAP registration (\$550)	Includes activities associated with the quarantine clearance of all commercial cargo on the basis of commodity, including screening on the basis of packaging declarations and destination. The COMPILE fee also provides for the development and administration of co-regulation initiatives. Also includes the development and implementation of operational quarantine policy not specifically related to import permits.	COMPILE - Brokers, Importers of Record, Importers  QAP - Premise Owners
<b>Treatment and Inspections</b>	Various Fees for Service and overtime provisions (\$30) - (\$68)	Includes staff engaged in providing physical inspection of all manner of cargo including bulk, containerised, personal effects, cargo requiring treatment and the supervision of the treatments.	Brokers and Importers in Receipt of Treatment and Inspection Services

\* See Attachment 1 for fee definition

## 2. THE PROBLEM

Specific Import Clearance fees were increased on 20 June 2001 to cover the immediate effects of increased quarantine initiatives (IQI) announced by Government as part of the 2001 Budget. During 2001-02 the Import Clearance Program recovered the costs of providing services,

including for IQI activities, however, in achieving this result, it was necessary to utilise \$0.2 million of previously over-recovered funds.

Apart from the fee adjustments to achieve the revenue required by Government to offset the costs of IQI activities, there have been no general fee increases in the Import Clearance Program for four years. General fee increases for the Program were considered by AQIS in consultation with industry in 2001 and agreed in principle, and the quantum of most increases at that time was agreed. AQIS's response to the foot and mouth disease outbreak in Europe and increased activity due to meeting IQI initiatives precluded progressing adjustments to non-IQI related activities during 2001.

For 2002-03 the Program is forecasting additional costs arising from the full implementation of IQI activities as well as developing a number of new initiatives agreed with industry to boost quarantine integrity at the border.

These initiatives include the establishment of co-regulatory arrangements to address the quarantine risk of empty containers and packaging associated with some imports.

While there are costs associated with developing and implementing these arrangements, these initiatives will lead to increases in quarantine integrity in the most costs efficient manner for both AQIS and industry,

An assessment of AQIS fees and the impact that they have on overall industry costs is difficult to quantify due to the various activities that AQIS provides to different industry sectors. However AQIS estimates the costs of its services as an overall component of the cost of importing goods is comparatively small. As a comparison, an AQIS COMPILE fee is \$3 whereas the Customs COMPILE fee is \$29.65, an AQIS external container fee is \$12.50 and a Stevedore fee for handling a container on the wharf is \$50, an AQIS Quarantine Approved Premise fee is \$550 and a Customs Depot fee is \$4000.

Currently only 12% of imports are subject to quarantine and subsequent quarantine charges.

The Import Clearance Program is now a \$65 million per annum. Program employing over 650 full time equivalent staff and contractors at all cargo entry points to Australia. This is an increase of some 85%, or around \$30 million, on the situation prior to IQI. This substantial growth together with the natural cycle of business has added to pressures on the cost structure of the Program that have been evident for some time. The aggregate effect of these additional costs is expected to result in a 14% increase in total Program expenses. The revenue or fee adjustments required for this will vary because of the way different fees are applied and also to take account of industry views.

Revenue from the provision of goods and services is projected to increase by just \$0.6m or 1%, based on existing fees and 2001/2002 activity levels. Activity for 2002/03 is expected to be similar to 2001/02 with no expected growth due to the current world economic climate.

In this event the Import Clearance program is projecting a deficit of around \$7.5m if no remedial action is instituted (See Table 2). Without fee increases, current activity levels will result in the Program moving into an unsustainable deficit situation during 2002-03.

Table 2 below compares the revenue and expenditure of 2001/02 with the projected revenue and expenditure for 2002/03.

**Table 2 Summary of 2001/02 and 2002/03 Operating Outcomes**

	<b>2001/02</b>	<b>2002/03</b>
<b>Total Revenue</b>	\$57m	\$57.6m
<b>Total Expenditure</b>	\$57.2m	\$65. 1m
<b>Operating Outcome</b>	<b>\$(0.2)m</b>	<b>\$(7.5)m</b>

### **3. OBJECTIVE**

The objectives of this exercise are to enable the Import Clearance Program to maintain quarantine integrity at the border whilst effecting full cost recovery arrangements for the Program in accordance with the Government's user pays principle.

### **4. OPTIONS**

#### **Proposed Arrangements**

Option 1: No fee increases.

Option 2: An increase in fees to recover the costs associated with each activity stream within the Program.

Option 3: Fee amendments that result in full cost recovery at the Program level.

### **5. IMPACT ANALYSIS**

#### **Option 1**

##### **Government**

The Import Clearance Program is projecting a significant deficit for 2002/03 in the absence of fee increases. A failure to fully recover the costs associated with the running of the Program would result in a substantial decline in the ability of the Program to maintain border integrity and delivery of effective quarantine and food safety services for imported cargo and food product.

##### **Industry Clients**

To continue to deliver an efficient and effective service to its clients it is imperative that the Import Clearance Program is fully cost recovered. An inability to recover the projected deficit will result in delays in clearing imports through quarantine. These delays ultimately translate to increased costs for importers and their agents.

Furthermore, AQIS in close cooperation with industry is developing a number of new initiatives to boost quarantine integrity at the border. The funding of these initiatives is reliant on the Program being fully cost recovered in 2002/03.

##### **Consumers**

There is no net impact on consumers resulting from AQIS charges however there may be an impact due to possible delays in clearing imports through quarantine.

#### **Option 2**

Option 2 proposes the recovery of the costs associated with each of the four revenue streams by increasing fees according to the under recovery projected for each stream in a user pays model.

The underlying basis for apportioning costs in this Option relates to full time equivalents (FTE's) as the primary driver. Therefore all direct and indirect costs are apportioned on the basis of FTE numbers required to service each revenue stream. The ability to distribute the increases between the revenue streams is severely restricted and some fees rise considerably whilst others are not affected. For example fee for service would rise by 60% while some fees would not increase.

Option 2 would result in the following fee increases outlined in Table 3.

**Table 3 Impact of Fees- Option 2**

	<b>Current</b>	<b>Proposed</b>
<b>Permit Application Fee</b>	\$60.00	\$75.00
<b>Permit Assessment Fee</b>	N/A	\$0-\$2,500 Four categories of fees have been developed reflecting the complexity of assessment.
<b>Container Fee</b>	\$12.50	\$15.00
<b>QAP Registration</b>	\$550.00	\$960.00
<b>Treatments &amp; Inspections</b>		
<b>Fee for Service &amp; Overtime</b>	Various	Increased by 60%
<b>Timber</b>	\$1.10m <sup>3</sup>	\$1.95 m <sup>3</sup>

**Government**

Option 2 would result in full cost recovery for the Import Clearance Program and would allow the Program to continue to deliver an effective quarantine and food safety service for imported cargo and food product. Current initiatives to boost quarantine integrity at the border would also be possible.

**Industry Clients**

The implementation of Option 2 would affect some industry sectors more so than others. Customs brokers and importers that are in receipt of treatments and inspection services would be the most affected with a 60% increase in fee for service and overtime rates.

The AQIS Industry Cargo Consultative Committee (AICCC) has expressed concerns that the basis for apportioning costs in this Option does not accurately reflect the costs of providing the service.

Similarly, concerns have been raised by industry that the current HVLV<sup>1</sup> charge is not reflective of the associated costs within the Cargo Risk Management - Air activity stream. The introduction of this fee attracted criticism from the HVLV industry when it was introduced in 2001. HVLV under this option would remain at \$7.50 to ensure full cost recovery of the Program as a whole. However maintaining this fee at \$7.50 would result in a significant over-recovery for this revenue stream \$2.5m, see Table 5.

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<sup>1</sup> HVLV is high volume low value imports of documents defined under the *Customs Amendment (No 1) Act 2000*

Representatives of the timber importing industry expressed opposition to an increase of 77% in the timber inspection fee.

**Consumers**

Some 12% of total imports are subject to quarantine and consequently quarantine fees and charges. It is expected that all industry groups who pay AQIS fees will ultimately pass these costs on to the end consumer.

**Option 3**

Option 3 is also a user pays model however the calculation of the underlying cost drivers differs from Option 2. Firstly all indirect costs were reviewed to determine whether they could be considered as direct costs. All relevant direct costs were then apportioned to the appropriate

revenue stream. After the application of direct costs against activity streams, remaining indirect costs and overheads were apportioned on the basis of FIEs.

The result of this allocation is an increase in a broad range of fees that distributes the burden of fee amendments more evenly across all industry sectors and at the same time ensuring that full cost recovery was achieved.

The application of direct costs was made in consultation with the AICCC and this approach had in principle support of the AICCC.

Option 3 has an impact on all industry sectors although the impact is positive for air couriers and importers where there is a fall in HVLV fees fall from \$7.50 to \$6.00.

The subsequent amendments to fees are outlined in Table 4 below.

**Table 4 Impact of Fees - Option 3**

	<b>Current</b>	<b>Proposed</b>
<b>Permit Application Fee</b>	\$60.00	\$80.00
<b>Permit Assessment Fee</b>	N/A	\$0-\$2,500 Four categories of fees have been developed reflecting the complexity of assessment
<b>Container Fee</b>	\$12.50	\$15.00
<b>QAP Registration</b>	\$550.00	\$960.00
<b>Treatments &amp; Inspections</b>		
<b>Fee for Service &amp; Overtime</b>	Various	Increased by 18%
<b>Timber</b>	\$1.10m <sup>3</sup>	\$1.70m <sup>3</sup>
<b>COMPILE</b>	\$3.00	\$4.00
<b>Lodgement Fees</b>	\$6.00, \$8.00, \$12.00	\$8.00, \$10.00, \$14.00
<b>HVLV</b>	\$7.50	\$6.00

### **Government**

Option 3 would also result in full cost recovery for the Import Clearance Program and would allow the Program to continue to deliver an effective quarantine and food safety service for imported cargo and food product. Current initiatives to boost quarantine integrity at the border will also be possible.

### **Industry Clients**

Option 3 results in a more accurate application of the costs associated with providing an activity. As a result fees are more widely spread across the industry and this is illustrated by comparing Table 4 with Table 5. To facilitate full cost recovery fee for service and overtime rates would rise by 18%, lodgement fees would rise by \$2.00 and the COMPILE fee would increase by \$1.00. The permit fee structure has been revised to reflect the complexity of assessment. Other fee increases would be consistent with Option 2. This option would also allow for the HVLV charge to be reduced from \$7.50 to \$6.00 to more accurately reflect the cost of the service.

AQIS has not been advised of any objections from industry as a result of the increase to a broad range of fees spread more evenly across all industry sectors.

The AICCC has indicated this would be the preferred option.

### **Consumers**

Some 12% of total imports are subject to quarantine and consequently quarantine fees and charges. It is expected that all industry groups who pay AQIS fees will ultimately pass these costs on to the end consumer.

## **6. CONSULTATION**

AQIS has consulted with the AICCC as part of the formal mechanism for reviewing charging arrangements. The AICCC was established in 1993 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 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.

Current membership of the AICCC includes representatives of: Customs Brokers and Forwarders Council of Australia Inc. (CBFCA), Australian Chamber of Commerce and Industry (ACCI), Food & Beverage Importers Association, International Air Couriers Association of Australia, Australian Air Transport Association, Australian Container Depot Association Inc., Australian Federation of International Forwarders, Shipping Australia Limited and the Sydney Ports Cargo Facilitation Committee.

The above industry associations have significant membership. Representation is particularly high for large and medium businesses, however small business and individuals also have a sizeable membership.

The Australian Chamber of Commerce and Industry is the peak council of Australian business associations. It represents 350,000 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 to government at the federal level, and to the community at large.

The CBFCA, has approximately 70% membership of companies and 80% membership of individual brokers employed by those companies within Australia. Membership encompasses individual brokers and small businesses as well as large multinationals.

Through a separate forum, agreement has been reached with the Biological Consultative Group concerning increases to permit fees. Membership of the consultative group is as follows: Veterinary Manufacturers and Distributors Association, National Association of Crop Protection and Animal Health, Pet Food Industry Association of Australia, Australian Pharmaceutical Manufacturers Association, CBFCA, Medical Industries Association of Australia and Science Industry Australia.

The AICCC sub committee 'Working Party on Revenue Collection and Charging Arrangements' was established in 1998. One of the key terms of reference of this committee was to review existing charging and revenue collection arrangements for the Import Clearance Program, including the establishment of new fees and fee structures.

On the information provided, the AICCC sub committee was not opposed to the fee increases and was actively involved in discussions with AQIS concerning the impact that these increases would have on industry.

## **7. CONCLUSIONS AND RECOMMENDATIONS**

Option 1 is considered the least appropriate Option as AQIS is a cost recovered organisation and there would be a significant impact on current AQIS activities and industry agreed initiatives. The level of service provided to AQIS clients would decrease significantly if this Option were adopted.

Option 2 has been unambiguously opposed by industry who argue it does not accurately reflect the costs associated with providing each activity.

Option 3 is considered the most appropriate Option as it enables AQIS to maintain quarantine integrity at the border, improve its business activities whilst adhering to the principles of cost recovery according to Government policy. Costs, where possible have been applied directly to the appropriate activity stream and the outcome is a more widespread application of fee increases. Peak industry representatives through the AICCC and the Biologicals Consultative Committee have advised that on the information provided they do not oppose amendments to fees as outlined in Option 3.

Table 5 below illustrates the comparison between Options 1 and 3.

**Table 5 Impact of Fees - Option 3 on Operating Outcome**

<b>Revenue Stream</b>	<b>2002/03 Expenditure Budget</b>	<b>2002/03 Projected Revenue No Fee Increase</b>	<b>2002/03 Projected Revenue Fee Increase Option 3 (9 mth impact)</b>	<b>Variance No Fee Increase</b>	<b>Variance With Fee Increase</b>
Permit Issuing	\$2,000,856	\$1,671,078	\$2,231,930	\$(329,778)	\$231,074
Cargo Risk Management					
- Air	\$8,052,082	\$10,606,893	\$9,811,471	\$2,554,811	\$1,759,389
- Sea	\$14,336,659	\$14,084,164	\$15,865,414	\$(252,495)	\$1,528,755
Entry Management	\$18,605,227	\$12,559,751	\$17,499,619	\$(6,045,476)	\$(1,105,608)
Treatments & Inspections	\$22,131,780	\$18,678,451	\$20,805,748	\$(3,453,329)	\$(1,326,032)
<b>NET</b>				<b>\$(7,526,267)</b>	<b>\$1,087,578</b>

## **8. IMPLEMENTATION AND REVIEW**

Amendments to the Import Clearance Program fee structure as provided by the preferred Option 3 are outlined in Table 6 below.

The proposed implementation of the preferred Option 3 is for early October 2002. Therefore any increase in revenue expected for 2002/03 for the Import Clearance Program will be for a 9-month period only.

The appropriate legislative instruments for introducing the fees are the *Quarantine Determinations* under the *Quarantine Act (1908)* and the *Imported Food Control Regulations* under the *Imported Food Control Act*.

Table 6 provides a comparison of the current fee, the proposed fee, the variance that is projected due to the amended fee arrangements and the date that the fee was last amended.

**Table 6 Proposed Import Clearance Fees**

<b>Service</b>	<b>Current</b>	<b>Proposed Fee</b>	<b>Projected</b>	<b>Date Fee Last</b>
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	Fee		Variance due To Additional Revenue (9 months)	Amended
COMPILE Charge	\$3	\$4	\$2,214,479	2nd July 2001 \$1.00 to \$3.00
Timber (non-containerised)	\$1.70 per cubic meter	\$1.70 per cubic meter	\$87,105	16th December 1997 \$1.62 to \$1.10
Container Fee (full)	\$12:50	\$15	\$1,781,250	2nd July 2001 \$7.50 to \$12.50
Document Assessment Fee (18% increase and amendment to charging policy)	\$30 (114 hour in-office fee)	\$35.50	\$2,079,894	27th June 1997 \$25.00 to \$30.00
Permit	\$60-\$360	Application fee \$80 Assessment fees (4 categories to reflect complexity of assessments) \$20 - \$180 - quotation	\$560,852	27th June 1997 various increases across all categories
Compile HVLV Fee	\$7.50	\$6.00	\$(795,422)	Introduced 2nd July 2001 \$7.50
Lodgement Fees	\$6 (JEMS entry) \$12 (Manual entry) \$8 (processing entry with compliance agreement)	\$8 \$14 \$10	\$604,905	27th June 1997 \$5.00 to \$6.00, \$10.00 to \$12.00 and \$7.00 to \$8.00
Fee for Service (18% increase for all FFS and overtime services)	\$30 (1/4 hour in-office fee) \$34 (1/4 hour fee) \$60 (1/2 hour fee manned depot) \$68 (1/2 hour fee) \$605 (daily rate)	\$35.50 \$40 \$71 \$80 \$714	\$2,040,193	15th April 1998 \$32.00 to \$30.00, \$36.00 to \$34.00 \$60.00 New Fee Dec 1999 \$72.00 to \$68.00 and \$637.00 to \$605.00
Quarantine Approved Premise Registration Fee	\$550	\$960 This fee will apply in 2002/03 to new registrations only. The full effect of this increase will occur in 2003/04.	\$40,590  (new registrations)	15th April 1998 \$560.00 to \$550.00
<b>Additional Revenue DEFICIT (if</b>			<b>\$8,613,846</b>  <b>(\$7,526,268)</b>	

**no remedial  
action taken)  
Projected Net  
Result  
2002/03**

**\$1,087,578**

## **Proposed Import Clearance's Fees and Charges**

### **1. Treatment and Inspection**

The fee for service (FFS) level was last amended in 1998 when the half hour fee was reduced from \$72 to \$68 or 5.5%. The proposed increase of 18% is for all FFS and overtime rates. For example, this will result in the half hour (out of office) fee moving from \$68 to \$80 and the time and a half overtime rate will increase from \$7.00 to \$7.30. Inspections of non-containerised timber will increase from \$1.10m<sup>3</sup> to \$1.70m<sup>3</sup>. The effect on the Treatment and Inspection revenue stream will be a net increase in revenue from 2001/02 - 2002/03 of \$2,127,298 increasing from \$18.6m to \$20.8.

### **2. Entry Management**

There are a number of fee increases proposed in this revenue stream as outlined below.

#### **2.1 COMPILE Fee**

To cover the increases in overheads it is proposed to increase the COMPILE charge by \$1 per entry lodged, resulting in a fee increase from \$3 to \$4. The overall \$4 COMPILE charge is apportioned as follows: Entry Management \$2.00, Cargo Risk Management - sea and air, \$2.00.

#### **2.2 QAP Registration Fee**

It is proposed to increase the current Quarantine Approved Premises registration fee from \$550 to \$960. The fee was calculated on the basis of the cost of registering, auditing and administering QAPs nationally. The fee includes two half hour audits; any additional audits will be performed on a fee for service basis. The increased fee will apply in 2002/03 to new registrations only. It is expected to result in a net revenue increase of \$40,590 in the current financial year. The full effect of this increase will occur in 2003/04 and result in a net increase in revenue of \$851,160 from 2001/02. It is likely that this figure will increase if additional premises seek registration.

Whilst the current recommended fee increases appear significant for QAP Registrations, this is due to the fact that current fees have not been adjusted for a considerable time and do not currently reflect the actual costs incurred, primarily as a result of changing the registration criteria and other operating conditions.

#### **2.3 Entry Lodgement Fees (Documentation)**

Entry lodgement fees have been at their current level since 1997. It is proposed to increase these fees by \$2 which would result in the JEMS lodgement fee increasing from \$6 to \$8, the manual entry fee from \$12 to \$14 and the \$8 fee for processing entries associated with compliance agreements would increase to \$10. The net effect of increasing the lodgement fee is an additional \$604,905.

#### **2.4 Document Assessment Fee (Documentation)**

The document assessment fee is equivalent to the quarter hour "in house" fee for service and would increase in line with this fee by 18% from \$30.00 to \$35.50.

### **3. Cargo Risk Management**

### 3.1 Air Cargo

The Cargo Risk Management - Air Cargo revenue stream had projected an over-recovery of \$2.5m. It is proposed to reduce the HVLV charge from \$7.50 to \$6; thereby reducing the over-recovery to a projected \$1.7m, a net reduction of \$795,422 from 2001/02 to 2002/03.

### 3.2 Sea Cargo -Container Fees

The existing container fee covers expenses for container inspection and surveillance inspection of non-containerised cargo and packaging associated with certain cargo. In reviewing the initial assumptions regarding the costs of providing this service it became evident that there were a number of expenses that were not taken into account when the fees were initially developed. Requests for servicing additional terminal wharf gates and provision of services such as rail inspections on weekends and midnight shifts resulted in some 20 extra staff being required than originally budgeted in the fee of \$12.50. Service facilities at a cost of \$350,000 for inspection staff on location were also not initially included in setting the fee. It is proposed to increase the container fee from \$12.50 to \$15 for AQIS to provide these inspection services during the hours of 06:30am and 11:00pm.

### 4. Permits

All applications will be charged an application lodgement fee (\$80). Applications requiring assessments will also be charged an assessment fee that varies according to the complexity of the work involved. There will be four assessment fee levels based on the time required to assess the product ranging from \$20 for simple permit assessments to \$2500 for complex veterinary assessments.

The increase in revenue for 2002/03 against the previous year is projected to be \$560,852.

### 5. New Fees

#### 5.1 Proposed Fees for Off-shore Services

AQIS will charge an application fee for all offshore inspection activities requiring an AQIS officer. Offshore inspection activities can include, and are not restricted to, inspections, site audits, area assessments and risk evaluations. The first week (5 days - 7.5 hours) will be charged at a rate equivalent to 8 days to recover the costs for the total number of days the officer will be absent from the office. In addition to the time taken to conduct the activity, the offshore inspection fee will include the days the officer spends travelling and the leave days the officer is entitled to for travel overseas under the AFFA Certified Agreement. Table 7 outlines the proposed fees for offshore inspection.

**Table 7**

<b>Description</b>	<b>Unit</b>	<b>Fee</b>
Off-shore Inspection Rate 1st Week, (subsequent rates based on daily or weekly rates)	8 Days	\$5712 (8*\$714)
Application for Offshore Activities	Per Travelling Officer	\$120

The revenue expected from this activity is expected to be low in 2002/03 (some 20 30 applications) but should continue to increase in line with the requests for service.

#### 5.2 Passing on Actual Cost

There are a number of charges that AQIS is currently not charging, and it is proposed that these costs be passed on to the appropriate client. For example, AQIS is absorbing the cost of government-to-government certifications relating to imported food. Similarly, assessments of

timber treatments are currently outsourced to expert providers, however AQIS currently has no ability to pass the direct costs on to the applicant.

Instances when AQIS might pass on the actual cost of service will be developed in consultation with the AICCC.

## **9. REVIEW**

Industry has requested and AQIS has agreed to review the amended fees in April 2003.

## Attachment 1

### Definition of Fees:

COMPILE Fee	applies to importers or their agents who lodge sea or air cargo entries on the Australian Customs COMPILE entry management system.
HVLV COMPILE Fee	applies to importers or their agents importing high volume low value air cargo consignments that are registered as a "special reporter" (HVLV importer) under the <i>Customs Amendment (No. 1) Act 2000</i> who lodge air cargo entries on COMPILE. These consignments are confined to documents and related material.
House Airway Bill Fee	applies to importers or their agents importing non commercial air cargo who lodge a house or (HAWB) straight line airway bill.
Container Fee	applies to imported full shipping containers (not empty containers) discharged at a first port of call from their vessels.
Fee for Service	is an AQIS time or unit based charging applying to the inspection and supervision of treatment of imported goods.
Joint Entry Management System (JEMS)	JEMS is a computer facility contained in, and utilised by, COMPILE users when they lodge an entry.
Quarantine Approved Premises (QAP)	Premises approved by the Director of Quarantine for the performance of quarantine under section 46A of the <i>Act</i> .