

30 October 2015

Cost Recovery Task Force
Department of Agriculture
GPO Box 858
Canberra ACT 2601

Dear Sir/Madam,

Re: Dept. of Agriculture and Water Resources DRAFT Charging Guidelines 2015 - 2016

Grain Trade Australia (GTA) provides this submission in response to the Draft Charging Guidelines 2015/2016 released on 26 October 2015 and for which industry was asked to supply comment by 30 October 2015, i.e. a four day industry consultation time frame.

This submission **expressly incorporates** the previous GTA submissions on fees and charges and which can be accessed on the GTA website:

- GTA Supplementary submission – DA Biosecurity revised fees and changes, dated 4 September 2015/August 2015;
- GTA submission - DA Biosecurity - IN CONFIDENCE, dated 8 August 2015; and
- GTA submission - DA Biosecurity CRIS Consultation draft, dated 8 August 2015

GTA stands by the commentary contained in the previous submissions and repeats their requests of 4 September 2015 and re-emphasises that due to a total lack of agreement between the grain industry and the DA Cost Recovery Task Force on the major issues and the lack of industry confidence in the process, that:

1. the current fees and charges schedule is maintained;
2. an independent review of the Grain Export Program is conducted to align revenue categories to identified cost centres associated with the conduct of the Grain Export Program; and
3. the financial reporting of the Grain Export Program is not aggregated with the Horticultural Export Program.

GTA members look forward to continuing the dialogue with the Department to develop a transparent and equitable fees and charges model for the inspection and certification services conducted by the Department for the export grain sector.

Yours sincerely



Geoff Honey
Chief Executive Officer

Executive summary

Previous submissions – stand in their entirety

This submission **expressly incorporates** the previous GTA submissions on fees and charges and which can be accessed on the GTA website:

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- GTA submission - DA Biosecurity CRIS Consultation draft, dated 8 August 2015

GTA repeats the request that:

1. the current fees and charges schedule is maintained;
2. an independent review of the Grain Export Program is conducted to align revenue categories to identified cost centres associated with the conduct of the Grain Export Program; and
3. the financial reporting of the Grain Export Program is not aggregated with the Horticultural Export Program.
4. To demonstrate an real desire to adhere to financial stringency, GTA would recommend that the title of the document be changed to:
“Schedule of Fees and Charges 2015/2016 to 2018/2019”.

GTA’s lack of confidence in the process is based on:

Time to comment

Industry were give four days in which to review and submit on the Draft Guidelines. This is a totally inappropriate length of time and exposes the Department to criticism that the Department is not interested in feedback. It then follows that the Department could report to the Minister that industry has been consulted and provided little to no comment.

The absence of a budget for the Grain Export Program – 15/16

At the time of writing, the Grain Export Program has **not** released a budget for 1 July 2015 to 30 June 2016. There were assurances given at the Grain & Plant Product Export Industry Consultative Committee on 3 September 2015 that the release of the budget was imminent.

Lack of confidence in the process – movement in the value of the tonnage rate

The movement in the above tonnage values (11 to 22 to 20 to 16 then to settle at 15) could not have been based on financial analysis. One can only assume the values moved in an attempt to sooth industry angst.

1 Current position

Due to a total lack of agreement between the grain industry and the DA Cost Recovery Task Force on the major issues and the lack of industry confidence in the process, that:

1. the financial reporting of the Grain Export Program is not aggregated with the Horticultural Export Program;
2. an independent review of the Grain Export Program is conducted to align revenue categories to identified cost centres associated with the conduct of the Grain Export Program; and
3. the current fees and charges schedule is maintained.

2 Summary of issues prosecuted in previous submissions

2.1 Proposed aggregation of the Grain Export Program with the Horticultural Export Program.

- Grain, horticulture and organics are not a “logical aggregation of agency items”¹.
- Aggregating the financial reporting of grain, horticulture and organics is in direct contravention of the Australian Government Cost Recovery Guidelines.
- GTA repeats that the financial arrangements for the grain export program must continue to be reported separately from the horticulture and organic industries.

2.2 Independent verification of the process to set fees and charges

- The process adopted as part of the Grain Ministerial Task Force activities should be repeated. Completion of this review would clearly identify the costs associated with the conduct of the various components of the Grain Export Program and enable a set of fees and charges to be set accordingly.
- That the cost of the review process is borne by the Grain Export Program.

2.3 Fees and charges

- There have been multiple revisions to the fees and charges since the release of the Cost Recovery Implementation Statement – Consultation Draft – Plant Export Certification, 2015/16.
- Clearly, these changes are not based off the expenses associated with conducting an activity within a particular commodity sector rather they are the Departments attempt to “shoe horn” a fee or charge to the satisfaction of the horticulture and grain industries commodity groupings.
- GTA submits that in the absence of a complete lack of confidence in the methodology to determine the fees and charges that the current fees and charges remain in place.

2.4 The Cost Recovery Task Force is in breach of the Australian Government Cost Recovery Guidelines - Resource Management Guide No. 304, July 2014 – Third edition by:

- aggregating the financial reporting of the grain and horticulture export programs leading to the cross subsidisation between the grain and horticulture sectors;
- allocating fees and charges to fit a combined horticulture/grain CRIS model rather than aligned to the actual costs that should be allocated to the grains sector.

3 Additional commentary

3.1 Lack of confidence in the process – consultation time

Industry were given four days in which to review and submit on the Draft Guidelines. This is a totally inappropriate length of time and exposes the Department to criticism that the Department is not interested in feedback. It then follows that the Department could report to the Minister that industry has been consulted and provided little to no comment.

3.2 Lack of confidence in the process - budget for the Grain Export Program – 15/16

At the time of writing, the Grain Export Program has **not** been released a budget for 1 July 2015 to 30 June 2016. There were assurances given at the Grain & Plant Product Export Industry Consultative Committee on 3 September 2015 that the release of the budget was imminent.

¹ Department of Agriculture Cost Allocation Policy

The Grain Export Program operates on a full cost recovery basis, i.e. as close to a commercial basis as could be reasonably expected in a government setting and sound process would indicate that as part of the budgeting process that expenses would be determined and allocated to cost centres and fees & charges determined accordingly.

Four months into the financial year and no budget is not sound process.

3.3 Lack of confidence in the process – movement in the value of the tonnage rate

The following table tracks the movement on the tonnage charge on a cents per tone basis.

| Timing/document release | Proposed tonnage charge / cents |
|--|---------------------------------|
| • Current rate | 11 |
| • DA/industry meeting – 20 July 2015 | 22 |
| • Proposed rate in the Cost Recovery Implementation Plan (CRIS) – Consultation Draft, Plant Export Certification | 20 |
| • Proposed rate in the alternative plant exports cost recovery model released on 28 August 2015 | 16 |
| • Draft Fees and Charges Guidelines | 15 |

The movement in the above tonnage values (11 to 22 to 20 to 16 then to settle at 15) could not have been based on financial analysis. One can only assume the values moved in an attempt to soothe industry angst.

This type of reaction to find a number that will fit, does not demonstrate an organisation with a sound handle on its financial affairs.

3.4 Lack of confidence in the process – the conclusion

A short time frame for comment, shackled with the lack of a budget for the Grain Export Program plus the undisciplined movement in the tonnage charge does not engender confidence in the process.

Accordingly, the Department has no alternative other than to retain the current fees and charges until an appropriate and disciplined financial analysis is undertaken in line with previous recommendations and repeated as follows:

“The requirement for the independent verification of the process to set fees and charges

GTA requests that the process adopted as part of the Grain Ministerial Task Force activities is repeated. Completion of such a review would clearly identify the costs associated with the conduct of the various components of the Grain Export Program and enable a set of fees and charges to be set accordingly.

The cost of the review process is borne by the Grain Export Program.”

Reference page 4, Alternative plant exports cost recovery model released 28 August 2015, dated 4 September 2015

4 Nomenclature – “CHARGING GUIDELINES 2015–16”

The term “Guidelines” does not engender any confidence that the fees and charges, particularly for the forward years are anything other than ‘aspirational’.

To demonstrate a real desire to adhere to financial stringency, GTA would recommend that the title of the document be changed to:

“Schedule of Fees and Charges 2015/2016 to 2018/2019”.