Australian Government

Department of Home Affairs

Cargo and Trade Related Activities

COST RECOVERY IMPLEMENTATION STATEMENT

2024

Charging for regulatory activity involves government entities charging individuals or organisations in the non-government sector, some or all of the minimum efficient costs, of a specific government activity. The Australian Government Charging Policy, which includes the Cost Recovery Policy sets out the policy under which government entities design, implement and review charging for regulatory activities. The Cost Recovery Implementation Statement (CRIS) is the public document to ensure the transparency and accountability for the level of the charging and to demonstrate that the purpose for charging, as decided by Government, is being achieved.

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1. INTRODUCTION

1.1. Purpose of the CRIS

This Cost Recovery Implementation Statement (CRIS) provides information on how the Department of Home Affairs (Home Affairs), including the Australian Border Force (ABF), implements cost recovery charging for cargo and trade-related activities. These activities are undertaken by the ABF, which sits within Home Affairs and is Australia's frontline border security agency and customs service. It reports actual financial and non-financial performance information for cargo and trade-related activities and contains financial and demand forecasts for 2024-25 and three forward years. The ABF is responsible for managing these activities, including:

- import processing charges (IPCs) including import declaration processing charges and warehouse declaration processing charges;
- broker, depot, and warehouse licence charges; and
- overtime fees and location fees for instances where an officer of customs is requested to perform functions outside normal hours or normal locations.

1.2. Description of Regulatory Activity

1.2.1. Description of Import Processing

The purpose of import processing is to facilitate trade while protecting Australia from threats at the border. Goods imported into Australia are subject to customs control until released into home consumption or otherwise treated. Import declarations are used to clear goods from customs control. Imported goods may arrive in Australia by air or by sea. An individual can bring goods with them to Australia from overseas, or they may be imported via international mail, or air or sea cargo. Regardless of the entry pathway, all goods must be assessed by the ABF for community risks, permit and approval requirements, and relevant taxes and charges (e.g., customs duty, Goods and Services Tax (GST), etc.).

While all goods imported into Australia (including online purchases) need to be cleared by the ABF, only certain goods require the lodgement of an import declaration to assist in the clearance process. The full import declaration (FID) threshold is $1,000. Goods imported into Australia via air or sea with a value of $1,000 or less require the lodgement of a Self-Assessed Clearance (SAC) declaration. Goods imported in Australia with a value of more than $1,000 require an FID to be completed and lodged, and are subject to payment of duties, taxes and other charges, including an import declaration charge. These declarations provide information about the goods, including:

- details of the importer;
- details of the owner of the goods;
- the value of the goods;
- the method by which the goods arrived in the country; and
- community protection information associated with the goods.

Further information about importing goods is available on the ABF website at import-processing-charge. When goods are to be imported into an Australian warehouse, the owner of the goods is required to communicate a warehouse declaration to the ABF. This can be done in document form or electronically and must adequately identify any required permissions for the goods, as well as the identity of the permission holder, for the purposes of any law of the Commonwealth. Once a declaration has been made, a one-off warehouse declaration processing charge is to be paid by the owner of the goods. After payment, no other owner of the goods is liable to pay the charge in respect of the declaration. If the declaration is withdrawn before it is finalised, the owner of the goods is not liable to pay the declaration processing charge.

To ensure effective border management, Home Affairs undertakes a number of activities on these import declarations, including:

- provision of advice to industry on the import and export environment;
- processing of import declarations and document receipting;

- design and development of profiles and targeted compliance activities;
- analysis of intelligence leading to strategic, operational or tactical services in relation to import processing;
- cargo examinations and inspections;
- determination of risks associated with transactions / threats and border controls; and
- investigation and prosecution of serious breaches of legislation.

The cost of undertaking these activities for importers is recovered through a cost recovery levy applied under the *Import Processing Charges Act 2001*.

1.2.2. Description of Overtime and Location Fees

To facilitate trade and movement across the Australian border, the ABF avails officers to perform relevant functions outside their core hours or at locations where the ABF does not usually operate. This approach ensures minimal disruption to importers and maintains effective regulatory oversight.

Overtime Fees: Overtime fees cover the additional costs associated with performing regulatory activities outside normal working hours. These fees include:

- additional pay rates for staff working beyond their standard hours.
- costs related to managing regulatory functions during evenings, weekends, or public holidays.
- travel expenses if an officer is required to perform a function outside the prescribed hours.

To arrange for an officer to be available outside their standard hours, the requesting party must pay Home Affairs an overtime fee, which includes any relevant travel costs.

Location Fees: Location fees are charged for regulatory activities conducted at locations where the ABF does not typically operate. These fees cover:

- travel and accommodation costs for staff.
- extra logistical support required to perform functions away from standard facilities.

If an officer is requested to perform a function at a non-standard location, the requesting party must pay Home Affairs a location fee, which also includes relevant travel costs.

The application of overtime and location fees ensures that the ABF can maintain high standards of regulatory oversight while accommodating trade and movement needs. These fees help manage the additional costs and resources required for out-of-hours or off-site operations, ensuring minimal disruption to importers and other stakeholders.

Fees are determined based on the specific requirements of the regulatory activity, including the duration of overtime and the nature of the location. The fee structure is designed to cover all relevant costs, ensuring transparency and effective cost recovery for Home Affairs.

1.2.3. Description of Licensing

The international supply chain is a dynamic and complex environment. The ABF monitors and regulates goods entering into Australia to manage risks on behalf of the Australian Government and those inherent in international trade.

A key regulatory approach the ABF employs to manage and facilitate legitimate cross-border trade is to issue licences to individuals and businesses that deal with imported goods. The ABF’s cross-border regulatory framework maintains a Customs licensing regime to regulate licensed Customs brokers, depots and warehouses to support managing the risks associated with the unlawful movement of goods.

The licensing of entities within the supply chain plays a pivotal role in supporting other the Government's cross-border regulatory arrangements including schemes administered by the Home Affairs, Department of Agriculture, Fisheries and Forestry (DAFF), and the Australian Taxation Office (ATO).

The licensing requirements and arrangements are designed to ensure that all parties involved are qualified, vetted and capable of fulfilling their responsibilities effectively. This includes regulatory compliance, revenue collection, physical security and safeguarding against criminal infiltration. Furthermore, the licensing framework provides a mechanism for sanctions and compliance actions against licensees found to be in breach of their conditions and obligations.

The ABF licences customs brokers, depots, and warehouses (including duty-free operators, catering bonds and provedores), enabling them to facilitate trade activities. Under delegation, the ATO manages Excise Equivalent Goods (EEGs) stored in warehouses licenced under the *Customs Act 1901* (Customs Act), on behalf of the ABF.

Customs brokers provide professional services to exporters and importers by arranging the clearance of goods on their behalf. They are responsible for clearing these goods through the ABF before they reach the Australian market. There are three categories of customs brokers:

- **Corporate:** A licensed corporate customs broker is a company or partnership that acts on behalf of owners of imported goods. They must employ a 'nominee customs broker' to lodge import declarations.
- **Sole Trader:** A sole trader is an individual licensed to act on behalf of owners of imported goods. Sole traders may employ nominee customs brokers but cannot be employed by corporate customs brokers.
- **Nominee:** A nominee is a natural person licensed to act as a customs broker, but only as an employee of a corporate or sole trader customs brokerage. Nominees may be employed by multiple corporate or sole trader brokerages simultaneously.

Depots are licensed to allow importers to move goods away from the wharf or airport for short-term storage and unpacking/deconsolidation. Once all legislative requirements are met, the goods can be released for home consumption or moved to a licensed warehouse for long-term storage. Depot licence holders may use the premises for:

- holding of imported goods subject to customs control;
- unpacking of imported goods subject to customs control;
- holding of goods for export subject to customs control; and/or
- packing of goods for export subject to customs control into containers.

Warehouse licences, granted by the ABF, allow importers or owners to store goods pending their entry for home consumption (excluding EEGs). Categories of warehouse licences include:

- **Private Warehouse**: The licence holder is the owner of the warehoused goods;
- **General Warehouse**: The licence holder stores goods on behalf of other owners;
- **Providores and Flight Catering Bonds**: The licence holder stores goods which are then supplied to international aircraft or vessels as aircraft or ships stores; and
- **Duty Free Store**: The licence holder is permitted to sell goods to relevant travellers in a retail-type environment.

Warehouse licences for EEGs are administered by the ATO under the Customs Act following the delegation of responsibilities from the (then) Australian Customs and Border Protection Services in July 2010. This includes granting, renewal, variation, suspension and cancellation of licences for warehouses that store EEGs. These licences are required for the storage of imported goods including:

- EEGs (excluding tobacco products), whether packaged or bulk;
- EEGs (excluding tobacco products) and other imported goods (non-EEGs);
- non-EEGs and are operated by an entity that operates other premises that deal with EEGs;
- excise-licensed places where EEGs (excluding tobacco products), are used in the manufacture of excisable goods; and

- private or general warehouses licensed to store EEGs (excluding tobacco products).

The ABF (and ATO for EEGs-related licences) undertakes a number of activities in relation to licence application processing and ongoing compliance monitoring of licensed brokers and establishments. These activities include:

- desktop assessment of applications;
- interviews with prospective broker licence applicants;
- fit and proper checks;
- site inspections of warehouse and depot facilities;
- granting of licences;
- ongoing compliance program of site visits for warehouses and depots;
- ongoing monitoring of broker licensing;
- corporate support and infrastructure in support of licensing staff, systems, and processes; and
- renewal processing and invoicing.

The cost of these licensing activities is recovered through a cost recovery fee for licence applications and variations, and a cost recovery levy for the granting or renewal of a licence.

2. POLICY AND STATUTORY AUTHORITY TO CHARGE (COST RECOVER)

2.1. Background

2.1.1. Import Processing

Cost recovery of selected cargo and trade related activities was initially introduced in the 1996-97 Federal Budget to recover costs borne by the Government in conducting the commercial customs activities required to process imports. While initially the charges were set to only recover the cost of providing cargo reporting and import entry processing services, a number of changes have occurred since then.

Since the introduction of IPCs in the 1996-97 Federal Budget the following changes have occurred:

- In the 2001-02 Federal Budget, the Government announced an increase in IPCs for all air cargo and postal imports. This increase was intended to fund the inspection of 100% of high-volume, low-value air cargo and mail entering Australia and to address the rising costs of processing entries and screening cargo. The additional costs were driven by Australia’s enhanced biosecurity measures in response to the threat of the introduction of Foot and Mouth Disease. These changes were formalised in the *Import Processing Charges Regulations 2001*.
- In the 2003-04 Federal Budget, the Government agreed to establish Container Examination Facilities (CEFs) at major Australian ports, enhancing security by allowing x-ray examination of shipping containers. This led to an increase in the IPC for sea cargo, aiming to recover two-thirds of the total logistics costs of these facilities.
- In 2005, the Government raised the threshold for entry charge and Fully Import Declaration (FID) from $250 to $1,000. Consequently, importers of consignments valued at $1,000 or less were no longer required to lodge an FID, but instead lodged a self-assessed clearance, as per amendments to the *Customs Act 1901*.
- As part of the 2013-14 Federal Budget, the Government announced full cost recovery for all import-related cargo and trade functions, including community protection activities. This broadened the cost base of the import processing charge, resulting in increased fees to recover all costs associated with trade and cargo activities. This included costs for cargo screening, targeting and risk assessment, compliance, investigations, and prosecution.

2.1.2. Licensing

Cost recovery of selected cargo and trade related activities was initially introduced in the 1996-97 Federal Budget to recover costs borne by the Government in conducting the commercial customs activities required to process imports. While initially the charges were set to only recover the cost of providing cargo reporting and import entry processing services, there have been a number of changes occur since then.

Since the Government's announcement in the 1996-97 Federal Budget, cost recovery charges for licencing have remained relatively stable, with a few exceptions:

- **Warehouse Licences:** Charges for warehouse licences were increased once, effective from 1 July 1998. This adjustment aimed to align charges with the cost of administering licences and to reflect the ACBPS' heightened emphasis on self-assessment and risk-assessment in client interactions.
- The *Customs Amendment (Strengthening and Modernising Licensing and Other Measures) Act 2024,* the *Customs Licensing Charges Amendment Act 2024*, and the Customs Amendment *(Renewal of Warehouse Licences) Regulations 2025* (collectively known as the Customs Amendment Legislation) commenced into force on 5 March 2025. The Customs Amendment Legislation removed the option for quarterly instalments of the licensing grant and renewal fee with the view of aligning all licence payments to an annual structure.
- On 1 July 2024, the *Excise and Customs Legislation Amendment (Streamlining Administration) Act 2024* amended two Commonwealth Acts: *Excise Act 1901* and *Customs Act 1901* (Customs Act) and streamlined excise administration of fuel and alcohol.
- **Depot Licences:** A depot licence variation fee was introduced starting July 2001.
- **Customs Broker Licences:** Charges for customs broker licences were increased effective from 1 January 2001. This change reflected an extension in the duration of customs broker licences from one year to three years.

2.2. Government Policy Approval

On 17 September 2014, the Government announced the Joint Review of Border Fees, Charges, and Taxes (Fees Review). The review, initiated prior to the 2015-16 Federal Budget, aimed to streamline, and optimise charging arrangements to better support future border operations and industry outcomes.

The goals of the review included:

- Explore deregulation opportunities to minimise, where possible, the administrative burden for industry and government and to consider better aligning border charges levied by the Commonwealth;
- Achieve at a minimum a revenue neutral position, balancing user charging arrangements for the management and protection of our border without unduly impeding economic growth and Australia's international competitiveness;
- Explore opportunities to consolidate the number of border fees, charges, and taxes, and reduce complexity associated with their collection;
- Incentivise industry towards efficient and compliant behaviour while ensuring an appropriate distribution of costs across the users of Australia's border; and
- Align fees and charges with future border initiatives, new services being requested by industry and longer-term objectives.

A key element of the review was consideration in the operational environment managed by then the Department of Immigration and Border Protection (DIBP). The most significant of these challenges was the substantial increase in the volume of cargo traffic across the border, the increasing complexity of supply chains, and the growing sophistication of serious and organised crime. Changes in the border environment also meant that the client base was expanding. The increasing trend of internet shopping resulted in the emergence of new consumers and merchant types, expanding the client base with which the then DIBP interacted, further increasing the complexity of the operating environment.

Following the completion of the Fees Review, in the 2015-16 Federal Budget, the Government announced the restructuring of IPCs and licence charges, effective from 1 January 2016. The measures specifically related to IPCs included:

- a modest increase to help fund critical cargo and trade-related reforms;
- removal of the price differential between air, post and sea cargo pathways to better reflect the similarities in risk and volume profiles across the pathways and improve consistency of cost sharing associated with processing imports; and
- the introduction of a consistent price differential between electronically and manually lodged declarations to encourage electronic lodgements and better reflect the additional work required by the then DIBP to manually enter and process these documents

The measures relating to licensing charges were:

- introducing an application charge for broker and warehouse licences with a commensurate reduction in the licence grant fee for warehouses licenses. It was envisaged that this would reduce the cost burden on the licensing program by charging all applicants, regardless of the application outcome.
- introducing a variation charge for warehouse licences; and
- implementing a modest increase to customs broker licence charges to partially address the under-recovery of the cost of these activities at that time.

In the 2018-19 Federal Budget, the Government decided to recover additional cargo clearance-related operating and capital expenditure through the IPC. Previously, IPC rates had been set to recover depreciation costs. From 2018-19 onwards, the agreed IPC cost base consists of a combination of capital expenditure (the cost of agreed new investments spread over four years, represented by the depreciation of these capital items) and operating expenditure (to cover the cost of existing cargo clearance operations). A portion of the cargo clearance operating expenditure is subject to efficiency dividends, while other components are exempt. The Home Affairs Portfolio does not retain the revenue related to depreciation for funding sustainment.

2.3. Statutory Authority to Charge

The legislation which imposes cost recovery charges for cargo and trade related activities is detailed below. The *Import Processing Charges Act 2001*[1] and the *Customs Licensing Charges Act 1997*[2] are the separate taxation acts that provide the statutory basis for charging a cost recovery levy in relation to import processing and licensing activities.

Customs Act 1901[3]

- Sections 71B and 71DI state that when an import or warehouse declaration is communicated to Home Affairs, the owner of the goods becomes liable to pay the processing charge in respect of the declaration.
- Section 71BA states that an owner of warehoused goods who makes an import declaration in respect of the goods is liable to pay a fee for the processing of the declaration.
- Subsection 71BA (2) states the amount of the warehoused goods declaration fee dependent on the method of lodgement.
- Sections 77H, 80 and subsection 183CA (1) state that a charge applies to the application for a depot, warehouse or customs broker licence.
- Sections 77U, 85 and 183CJA state that a charge applies to the grant or renewal of a depot, warehouse or customs broker licence.
- Sections 77LA and 81B state that a charge applies to an application for the variation of a depot or warehouse licence.

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[1] Federal Register of Legislation - *Import Processing Charges Act 2001*

[2] Federal Register of Legislation - *Customs Depots, Warehouse and Customs Brokers Licencing Charges Act 1997*

[3] Federal Register of Legislation - *Customs Act 1901*

- Section 28 states that charges apply for overtime and travel related to border regulatory activities.

Customs Regulation 2015

- Section 35 state the charges payable in relation to a warehouse.

Customs Licensing Charges Act 1997

- Section 5 states the charge payable for the applicant for a depot licence.
- Section 6 states the charge payable for the granting or renewal of a depot licence.
- Section 6A states the charge payable by the applicant for a variation of a depot licence.
- Section 6C states the charge payable for the applicant for a warehouse licence.
- Section 6D states the charge payable for the granting or renewal of a warehouse licence.
- Section 6F states the charge payable by the applicant for a variation of a warehouse licence.
- Section 6H states the charge payable by the applicant for a customs broker licence.
- Section 6J states the charge payable for the granting or renewal of a customs broker licence.

Import Processing Charges Act 2001

- Section 5 states the amounts payable for import and warehouse declaration processing. Charges are dependent on the value of the consignment and the method of lodgement (either electronic or manual).

In addition to Australian legislation, Home Affairs has obligations under the General Agreement on Tariffs and Trade (GATT), which is a multilateral agreement that regulates international trade. Article VIII (a) of the GATT limits fees and charges imposed on importation or exportation to the approximate cost of services rendered. By aligning the revenue and expenses for cargo and trade related activities, Australia complies with its international obligations under the GATT.

The current schedule of fees and charges is contained in section 3.6.1 of this CRIS.

3. CHARGING (COST RECOVERY) MODEL

3.1. Activities, Outputs and Business Processes

There are several cargo and trade events that trigger the application of cost recovery charges, as detailed in section 3.6.1, and include:

Import processing:

- communication of an import declaration
- communication of a warehouse declaration
- communication of a warehoused goods declaration

Licensing:

- application for a licence;
- granting of an application for a licence;
- renewal of an existing licence; and
- variation request for an existing licence.

Further information on the business processes for Import Processing and Licensing can be found at **Attachment A**.

4-25:

The revenue recovered from these charges supports the following programs outlined in Department of Home Affairs' Portfolio Budget Statement for 2024-25:

3.1 Trade Facilitation and Industry Engagement:

- support the facilitation of legitimate movement of goods
- provide expert advice, support, and guidance materials for industry
- assist in the import of legitimate goods.

3.2 Border Management:

- ensure community protection
- manage cargo processes and information systems effectively
- conduct risk-based compliance activities regarding the movement of goods
- issue broker, depot and warehouse licences.

3.3 Border Revenue Collection:

- administer border revenue, including refunds, concessions, and exemptions
- perform risk-based investigations and compliance activities.

3.4 Border Enforcement:

- conduct inspection and examination activities in international mail, air cargo, and sea cargo environments
- detect and prevent the import and/or export of prohibited items
- control the movement of restricted items.

3.2 Import Processing

IPCs are levied on the communication of an import, warehouse, or warehoused goods declaration, aimed at recovering costs associated with a wide range of Home Affairs functions (including the cost of managing SACs where the consignment value is less than $1,000):

- **Cargo operations** – Cargo processing, examinations and inspections;
- **Intelligence and compliance** – Cargo intelligence collection, dissemination, analysis and support, and cargo compliance, detained goods management, referrals, penalties, investigations and prosecutions;
- **Business support** – design and implement domestic and international cargo policy and legislation, and cargo industry engagement, external relations, revenue management and support of legitimate trade; and
- **Registrations and permits** – Cargo and trade related registrations and permits.

3.3 Overtime and location costs

Overtime and location costs incurred as part of import processing and/or licensing are recovered through the following key activities of identifying and approving the need for overtime and location fees. Calculating and documenting overtime hours and/or location-specific costs and then invoicing relevant applicants or stakeholders. In the spirit of transparency and accountability the ABF reports on overtime costs and expenditures.

Key outputs derived from this activity are detailed records of overtime and location fees and reports summarising the expenses incurred and cost recovery status.

Key business processes include the approval and tracking of overtime and location fees and the specific invoicing and the collection of fees accurately.

3.4 Licensing

3.4.1 Application for Depot Licence:

- The application is checked for completeness, and additional information is requested if needed.

- Fit and proper checks are conducted for all management. control and operations personnel.
- A site visit ensures the security and compliance of the proposed premises.
- A compliance recommendation is made to Customs Licensing within the ABF for a decision.

3.4.2 Variation Request for a Depot Licence:

- involves changes in location or licensed area.
- completeness is checked, and additional information is requested if needed.
- fit and proper checks and assessments are conducted as required.
- A compliance recommendation is made to the Licencing business area within the ABF for a decision.

3.4.3 Grant or Renewal of Depot Licence:

- The charges cover ongoing activities such as processing and issuing licences, conducting compliance checks, providing advice and support, preparing briefs and policy advice, and suspending or cancelling licences of non-compliant businesses.

3.4.5 Application for a Warehouse Licence:

- The application is checked for completeness, and additional information is requested if needed.
- Fit and proper checks are conducted for all management, control and operations personnel.
- A site visit ensures the security and compliance of the proposed premises.
- A compliance recommendation is made to Customs Licensing within the ABF for a decision.

3.4.6 Grant or Renewal of a Warehouse Licence:

- The charges cover ongoing activities such as processing and issuing licences, conducting compliance checks, providing advice and support, preparing briefs and policy advice, and suspending or cancelling licences of non-compliant businesses

3.4.7 Variation Request for a Warehouse Licence:

- Involves changes in location or licensed area.
- Completeness is checked, and additional information is requested if needed.
- Fit and proper checks and assessments are conducted as required.
- A compliance recommendation is made to the Licensing business area within the ABF for a decision.

3.4.8 Application for a (Corporate, Sole Trader, or Nominee) Broker Licence:

- Completeness checks, fit and proper checks, and referral to the National Customs Broker Licensing Advisory Committee (NCBLAC) are conducted.
- NCBLAC reviews the application, interviews the applicant and recommends to the delegate in the ABF whether a licence should be granted.
- The ABF advises the applicant of the decision.

3.4.9 Grant or Renewal of a Customs Broker Licence:

- The charges cover ongoing activities such as processing and issuing licences, providing advice and support, preparing briefs and policy advice, conducting compliance checks, administering NCBLAC investigations, monitoring the Continuing Professional Development (CPD) program for brokers, and suspending or cancelling licences of non-compliant brokers.

3.5 Costs of Activities, Outputs and Business Processes

Home Affairs utilises an internal cost allocation model to assign direct and indirect costs to cargo and trade-related activities. This model ensures transparency and aligns with the government's cost-recovery principles.

Direct costs include employee salaries, supplier payments, and operational expenses directly linked to specific cargo and trade functions. These costs are allocated based on resource requirements for each function, with higher resource utilisation attracting proportionately higher costs.

Indirect costs include expenses that support organisational operations but cannot be directly attributed to specific activities. These cover corporate functions (e.g., IT and finance), infrastructure costs (e.g., system maintenance), and property expenses. Cost drivers, such as Full-Time Equivalent (FTE) metrics, are used to equitably allocate these costs across activities.

3.5.1 Costs of Import Processing

IPCs are levied on the submission of import, warehouse, or warehoused goods declarations. These charges recover costs associated with processing imports and managing flow of goods into and out of Australia.

IPC funding supports:

- processing and verifying import, warehouse, and warehoused goods declarations.
- conducting compliance checks and risk assessments.
- maintaining and upgrading IT systems used for import management.

Activities not covered by IPC funding include passenger processing, maritime response, border security, surveillance, and GST collection-related tasks, which are funded through government appropriations.

3.5.2 Costs of Licensing

The ABF (and ATO for warehouse licences for EEGs) licences customs brokers, depots, and warehouses, including duty free operators, provedores and catering bonds, so they can carry out their import and export roles. Costs recovered represent the total cost base for delivering activities associated with the licencing function.

Licensing fees recover the costs of processing licence applications and renewals; monitoring compliance and conducting inspections; and supporting IT systems and infrastructure used for licensing activities. This cost-recovery approach ensures the sustainability of the licensing framework while aligning with government guidelines.

3.6 Design of Cost Recovery Charges

Home Affairs cost recovery charges for cargo and trade related activities include a combination of cost recovery fees and levies based on the different services being provided.

3.6.1 Design of Import Processing Charges

IPCs recover the costs of delivering cargo and trade related activities to importers over a four-year period. This is structured as a cost recovery levy with charges linked to the value of the consignment, the method of importation and lodgement type. Individual charges have been set to reflect the similarities in risk and volumes across the pathways, to better reflect the additional work required for manual lodgements, and to improve the consistency of cost-sharing associated with processing imports.

The costs associated with IPCs are calculated using an activity-based costing methodology. Each cost centre owner is required to allocate their costs to a set of predefined functions. These allocations are reviewed and scrutinised annually by Home Affairs Finance Division, and budgets are represented by the budget year and three forward years. Import declaration volumes are forecast by the Home Affairs statistics area using accurate regression analysis of recent historical volumes. To determine IPC prices, the four-year costs are divided by the four-year volumes, ensuring that revenue approximately equals costs over the period.

Fees and charges related to cargo and trade-related activities for the full year are detailed in the tables below. Further information on fees and charges related to cargo and trade-related activities are available on the Home Affairs and ABF websites.

Table 1: Current IPC Charges

Item	Lodgment Type	Consignment Value	Cargo Channel	Charge	Fee or Levy
Communication of Import Declaration (N10) Warehouse Declaration (N20)	Electronic	< $1,000	Sea / Air	Nil	Levy
		> $1,000 - < $10,000	Air / Post	$50.00	Levy
			Sea		Levy
		≥ $10,000	Air / Post	$152.00	Levy
			Sea		Levy
	Documentary	> $1,000 - < $10,000	Air / Post	$90.00	Levy
			Sea		Levy
		≥ $10,000	Air / Post	$192.00	Levy
			Sea		Levy
Warehoused Goods (N30)	Electronic	All	N/A	$23.00	Levy
	Documentary	All	N/A	$63.00	Levy

3.6.2 Design of Overtime and Location Fees

Charging for overtime and location fees for border regulatory activities involves applying hourly charges based on the specific conditions under which services are provided. Two distinct charges are applied:

- **Overtime Charge:** $43.35 per staff member per hour for functions performed outside designated work hours. This rate reflects the additional costs associated with having staff work beyond their standard hours, including any necessary overtime pay and associated expenses.

- **Location Charge:** $40.10 per staff member per hour for functions performed outside designated work locations. This rate covers the costs related to performing regulatory activities at non-standard locations, including travel and logistical expenses.

These charges ensure that Home Affairs can recover the additional costs incurred for providing essential services outside regular working hours or at locations not typically used for such activities.

3.6.3 Design of Licensing Charges

Licensing Charges: These include a cost recovery fee for applications and variations, as these activities are provided at the request of an identifiable recipient who is the sole beneficiary of the service. Individual costs are aligned with the resources required to undertake these activities and are calculated by reviewing the costs and effort required in each step of the application process.

Activities Associated with Licensing: The granting and renewal of a licence involves ongoing program management and compliance activities provided to industry participants. These costs are calculated using an activity-based costing methodology, whereby each cost centre owner associated with the Licensing program allocates their costs to a set of predefined functions. The costs of these activities are recovered via a series of cost recovery levies.

Budget Forecasting: All licensing budgets include the budget year and three forward years. Licence volumes have been relatively stable over the past four years, and it is assumed they will continue to stay stable over the next four years.

Fees and charges related to cargo and trade-related activities are detailed in the table below. Further information on fees and charges related to cargo and trade-related activities is available on the ABF website for warehouses, depots and customs brokers.

Table 2: Current Depot, Warehouse and Broker Licensing Charges

Depot and Warehouse Licences	Charge	Fee or Levy
Depot licence application	$3,000	Fee
Warehouse licence application	$3,000	Fee
Depot licence grant	$4,000	Levy
Warehouse licence grant	$4,000	Levy
Dual Licensed Warehouse Application	$1,000	Fee
Depot licence variation	$300	Fee
Warehouse licence variation	$300	Fee
Annual depot licence renewal (large)	$4,000	Levy
Annual depot licence renewal (small)	$1,500	Levy
Warehouse licence renewal	$4,000	Levy
Broker Licences	**Charge**	**Fee or Levy**
'Nominee' broker's licence application	$130	Fee
'Nominee' broker licence grant or renewal (every three years)	$240	Levy
'Sole Trader' or 'Corporate' broker's licence application	$1,300	Fee
'Sole trader' or 'Corporate' broker licence grant or renewal (every three years)	$2,400	Levy

4. RISK ASSESSMENT

4.1 Risk Management

The factors that influence cost recovery include complexity, materiality and sensitivity and are discussed in more detail below. The risks associated with these factors for cargo and trade-related cost recovered activities have been assessed as high.

Complexity

The complexity of a cost recovered activity relates to the structures, processes, and implementation of the specific activity. The risks identified that relate to the complexity of cargo and trade-related activities are detailed in Table 3.

Table 3: Complexity Risks for IPCs and Licensing

Risk	Cause	Management Strategy
Charges may under or over recover the costs associated with administering and delivering required services.	The cost base and volume of cargo and trade activities may not be accurately forecast.	Undertake an annual review, using a standard cost allocation methodology and establish a repeatable process for reviewing costs.
The appropriate charge is not collected by Home Affairs.	The complexity associated with the number of factors used to determine when charges are payable.	Establish controls for collection of revenue through ICS and review volumes with business areas to ensure accuracy of collected revenue.
Complex charge structure is difficult for licence applicants and holders to understand.	Different charges (application, grant, renewal, and variation charges) associated with licensing activities.	Clearly document charges and make these publicly available. Hold adequate consultation with stakeholders to ensure charge structure is understood.
The importer is inappropriately burdened with additional costs.	Customs brokers act as agents for importers, often paying charges on behalf of them. This creates a gap between Home Affairs and the eventual payer of IPCs.	Make publicly available the complete charge and price list so importers are aware of Government costs. Use compliance program to review brokers as appropriate.
Stakeholders are not aware of the difference between a cost recovery charge and taxes/ duties applied at the border.	Taxes, duties, and cost recovery charges are often applied at the same time, adding to confusion.	Ensure transparency of import processing cost recovery program through the CRIS process.
The cost base of IPCs and licensing activities is not well understood or accepted by stakeholders.	Multitude of activities and functions that make up trade and cargo costs.	Hold transparent discussions with stakeholders to ensure relevant activities and costs are understood.
Consultation does not reach all stakeholders.	There are many stakeholders involved in cargo and trade related activities.	Ensure that all relevant industry peak bodies are involved and contacted throughout stakeholder engagement which is to be undertaken as part of the CRIS process.

Materiality

As the amount of revenue recovered through cargo and trade-related activities is significant, careful controls must be in place for accounting and collection of revenue. Controls must also be adequate for tracking and budgeting costs The volumes of imports and licences are challenging to forecast and can vary substantially from year to year. This can have an impact on budgets and cost forecasts. Home Affairs undertake an annual review of expenses and revenue to appropriately to mitigate and manage this risk.

Sensitivities

The sensitivity of cost recovered activities relates to the level of interest in the activity from government stakeholders, non-government stakeholders, the media and Parliament. Given the breadth of people impacted by any changes to IPCs and Licensing charges, there is a risk that any increase to charges without appropriate consultation will raise concerns.

4.2 Charging Risk Assessment (CRA)

Overall CRA Rating: The overall CRA rating for the changes implemented is assessed as Medium. While the adjustments and revenue implications are significant, the overall risk remains manageable. This is attributed to the minimal impact on payers, the absence of major legislative changes, and the lack of significant concerns raised during consultations.

The CRA (**Attachment B**) will be updated as required to reflect any changes and ensure continued alignment with risk management strategies.

5 STAKEHOLDER ENGAGEMENT

5.1 Stakeholder Engagement

Stakeholder engagement is integral to the development of cost recovery arrangements, ensuring diverse perspectives are considered and the impacts of regulatory activities on industry are identified and addressed.

Direct consultation with industry stakeholders has not been undertaken in relation to the CRIS, as there have been no changes to the existing cost recovery arrangements. Should cost recovery arrangements be reconsidered, comprehensive sector-based industry engagement will be undertaken to ensure a variety of views are obtained on any changes to charging arrangements.

Information about current fees and charging arrangements is published on the ABF website, including fees administered by the ABF on behalf of the Government and other agencies.

6 FINANCIAL ESTIMATES

Table 4 provides an overview of the projected financial outcomes for import processing and licensing activities over the next four financial years. This includes anticipated revenue streams, expense allocations, and resulting balances, reflecting the financial impact of both ongoing operations and reform initiatives. Key insights focus on material variances and strategies for managing balances to ensure long-term financial sustainability and alignment with strategic objectives.

Table 4: Financial Projections for Import Processing and Licensing Activities[4]

	2024-25 ($m)	2025-26 ($m)	2026-27 ($m)	2027-28 ($m)
Estimated Expenses	**512.0**	**524.7**	**538.0**	**551.4**
Estimated Revenue	458.0	462.0	466.5	466.5
Balance	-54	-62.7	-71.5	-84.9
Cumulative Balance	-54	-116.7	-188.2	-273.1

[4] Estimates of forward expenses and revenue have been based on historical trends, with expense trends calculated at an average of 2.5 per cent per annum. Revenue estimates have been averaged at 1.0 per cent per annum.

7 FINANCIAL PERFORMANCE

The financial performance of import processing and licensing activities, as presented in Table 5, has been negatively affected by the ongoing mismatch between revenue and escalating costs. Both programs continue to experience under-recovery, resulting in negative balances. The following analysis provides a breakdown of expenses, revenue, and balances, along with an explanation of the material variances observed over the years.

Table 5: Financial Performance for Import Processing and Licensing

Financial Category	2021-22 ($m)	2022-23 ($m)	2023-24 ($m)
Expenses	475.4	487.3	499.3
Revenue	457.6	454.8	455.3
Balance	-17.8	-32.5	-44
Cumulative Balance	-17.8	-50.3	-94.3
Explain material variance	The combined under-recovery of import processing and licensing activities is primarily due to revenue failing to cover the increasing costs of service delivery. This has resulted in negative balances each year, with the cumulative under-recovery growing from -$17.8 million in 2021-22 to -$94.3 million in 2023-24. Structural changes in pricing and cost management will be necessary to address this persistent financial gap.		

8 NON-FINANCIAL PERFORMANCE

8.1 Metrics for Non-Financial Performance

To ensure the efficiency and effectiveness of cargo and trade activities, Home Affairs monitors a range of non-financial performance metrics. These indicators are designed to assess various aspects of processing and compliance, ensuring that border management operates smoothly and aligns with government objectives. The key performance indicators include:

- proportion of customs broker, depot, and warehouse licence applications processed in accordance with client service standards.
- number of customs broker, depot, and warehouse licence applications received and issued, along with the associated revenue.
- activities relating to compliance assurance-related activities, such as:
  - number of imported air cargo consignments reported.
  - number of customs import declarations finalised.
  - number of targeted import declarations assessed pre-clearance.
- volume targets for the inspection and examination of sea and air cargo and mail.

These metrics help evaluate the timeliness of processing licence applications, the adequacy of import inspections, and the accuracy of border-related revenue collection.

8.2 Performance against Metrics

The performance of Home Affairs against these non-financial performance measures is detailed in the annual reports. These reports provide a comprehensive overview of how well Home Affairs has met its targets and standards for the fiscal year. Specifically, for the 2023-24 period, the performance data includes:

- the effectiveness of compliance activities, including remediation action for Australian Trusted Traders and revenue leakage
- the provision of advice for industry and provisioning refunds in a timely manner
- the achievement of volume targets for cargo clearance, inspections and examinations.

Further detail of the review of the 2023-24 performance is available in Home Affairs 2023-24 Annual Report

8.3 Date Metrics Were Last Reviewed

The performance measures and associated statistics are subject to an annual review to ensure they remain relevant and effective. The most recent review of these metrics can be found in the Department of Home Affairs 2023-24 Annual Report, which provides a detailed assessment of how Home Affairs has performed against its non-financial performance measures.

9 KEY FORWARD DATES AND EVENTS

To keep the Cargo and Trade CRIS up-to-date and relevant, the following table provides a schedule for planned updates and reviews, ensuring it reflects necessary changes and continues to meet regulatory and operational needs.

Table 6: Key Forward Dates and Events

Key Forward Dates	Event Description
2025	Portfolio Charging Review of Home Affairs charging activities
2026-27	Report relevant Cargo and Trade outcomes of Portfolio Charging Review to Government in Budget context

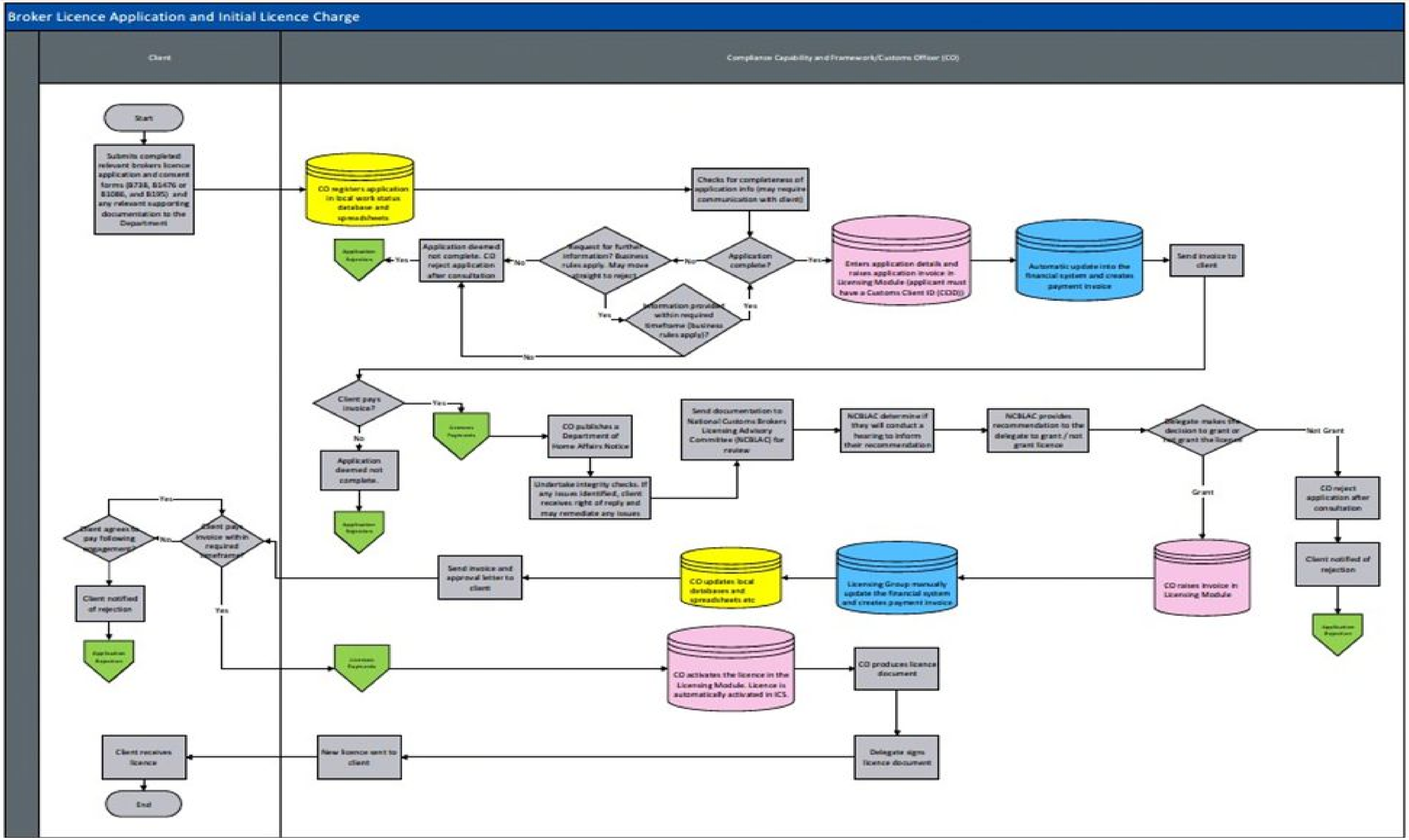
10 CRIS APPROVAL AND CHANGE REGISTER

The CRIS requires that an Approval and Change Register is maintained to track changes resulting from adjustments to the cost recovered activity. Table 7 is dedicated to retaining a history of key changes to the Cargo and Trade CRIS.

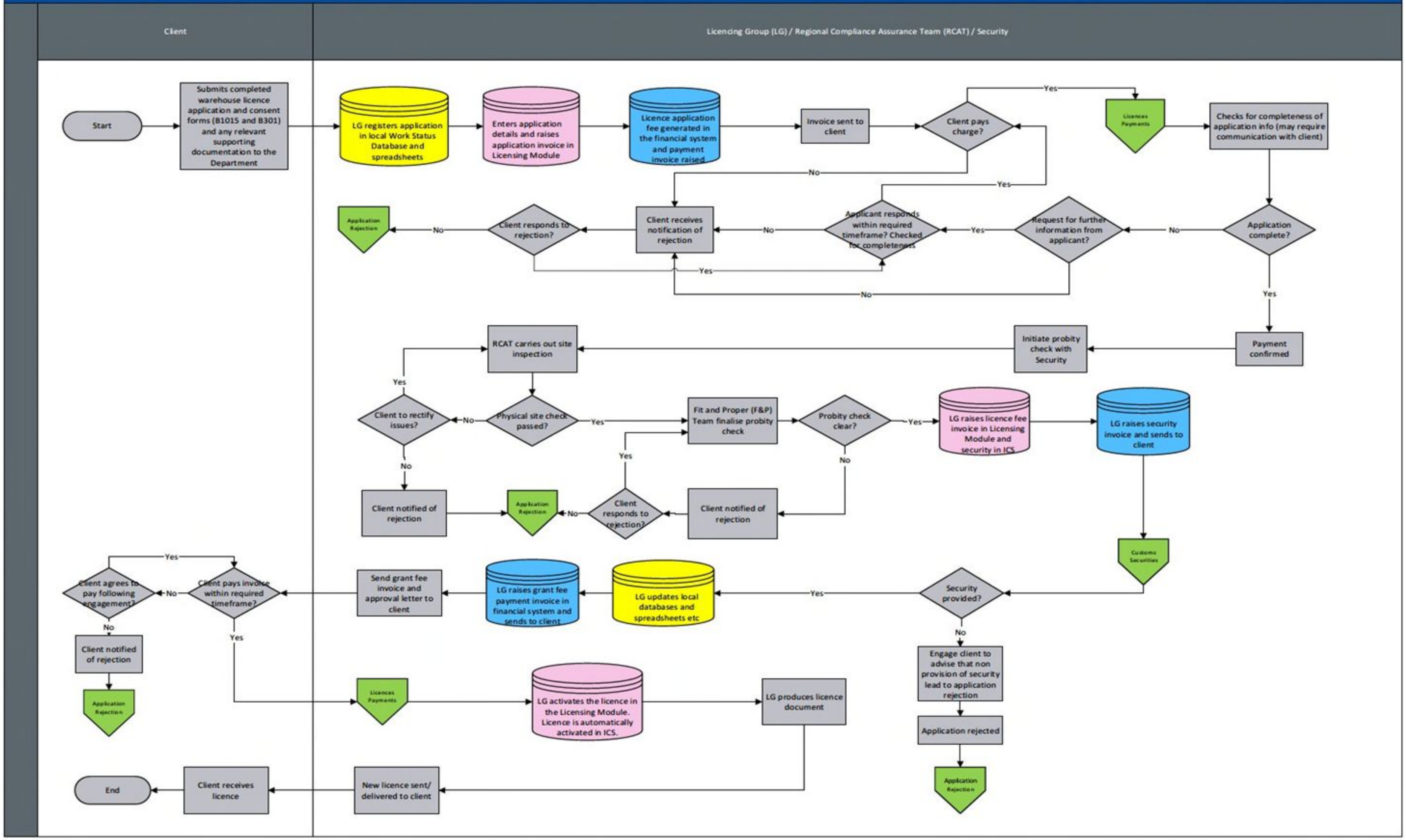
Table 7: CRIS Approval and Change Register

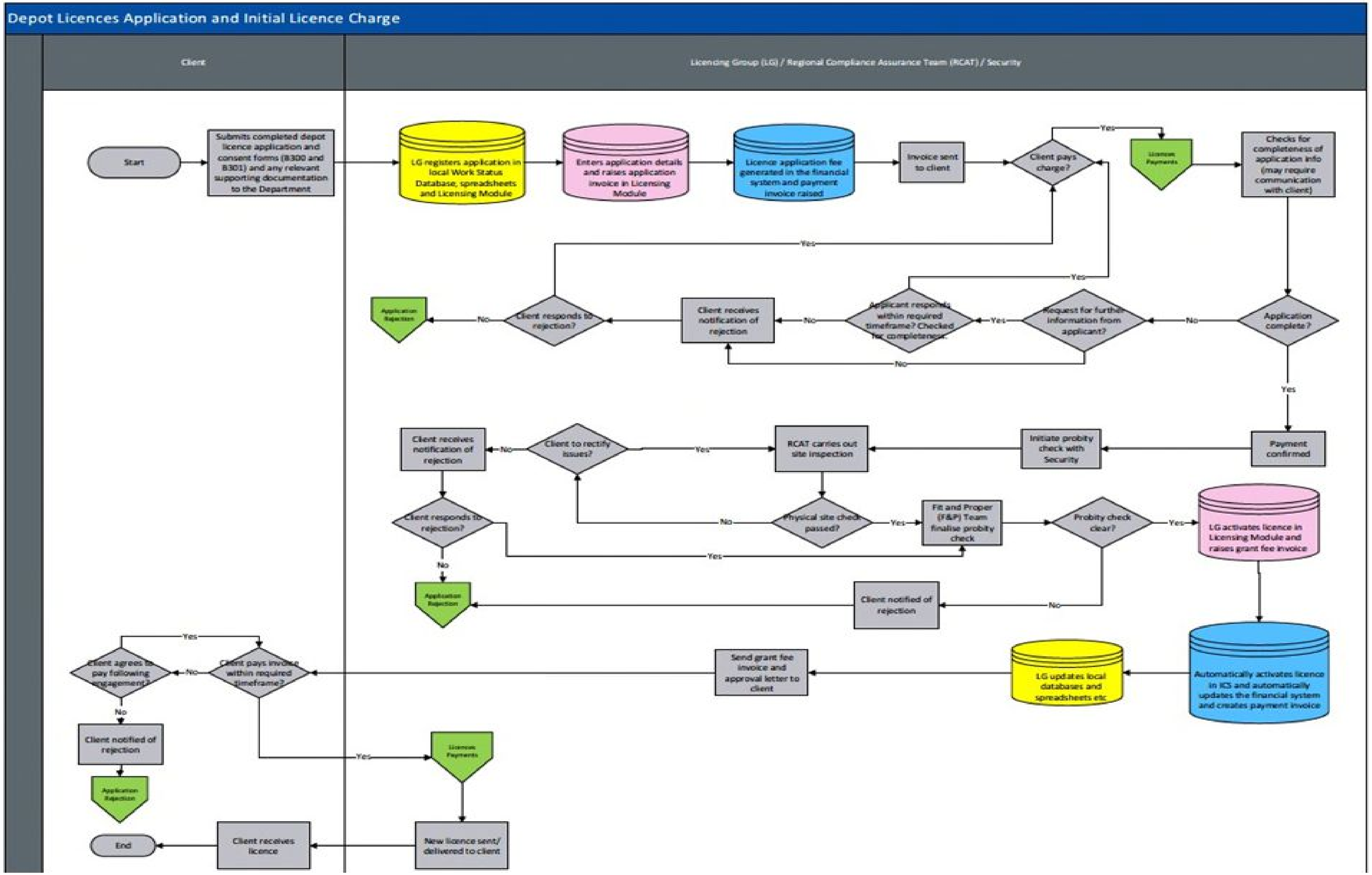
Date of CRIS change	CRIS change	Approver	Basis for change
November 2025	Certification of the CRIS	Accountable Authority/Chief Financial Officer	CRIS updated to meet the requirements of the AGCP.

Attachment A: Licence Business Processes

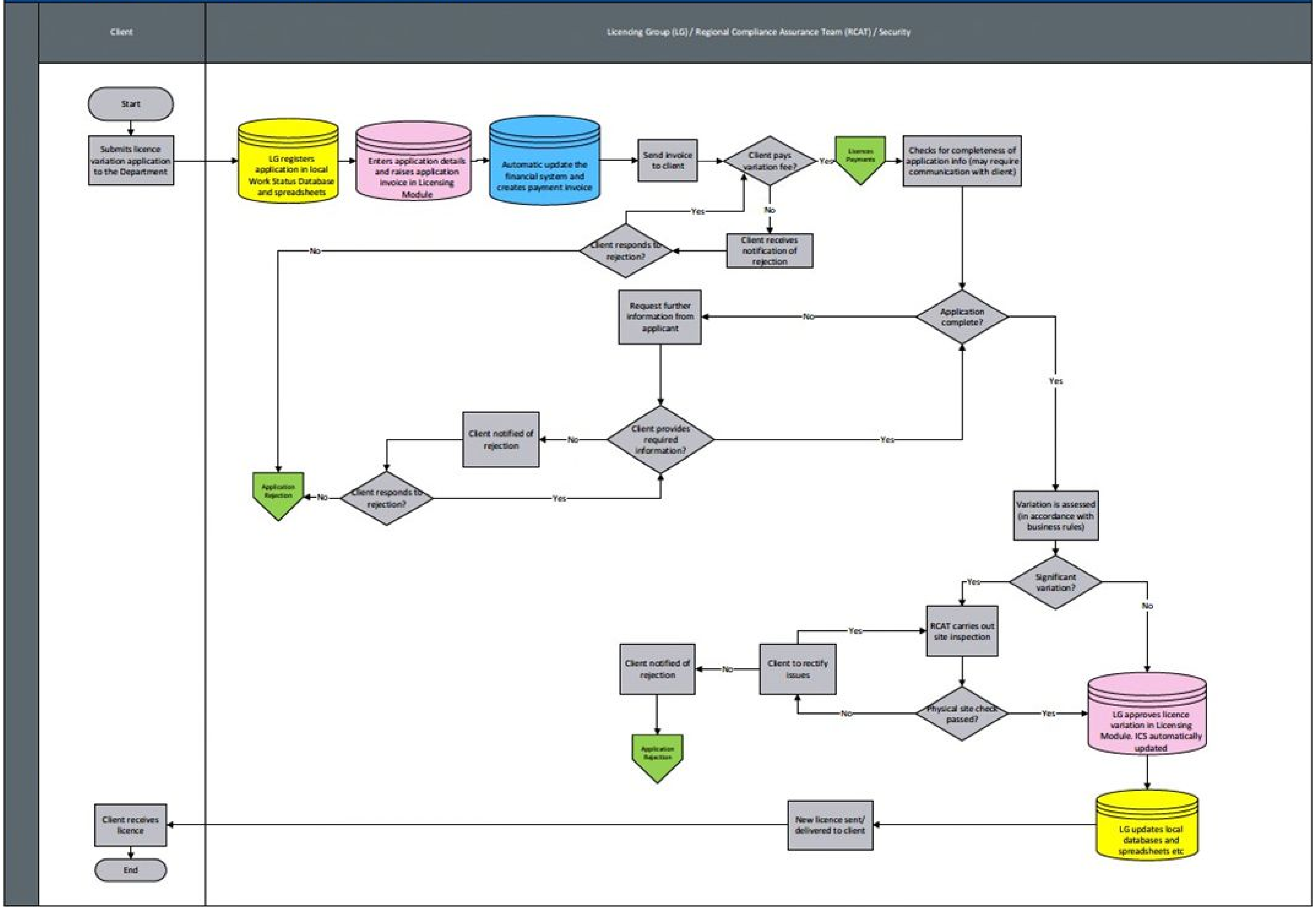


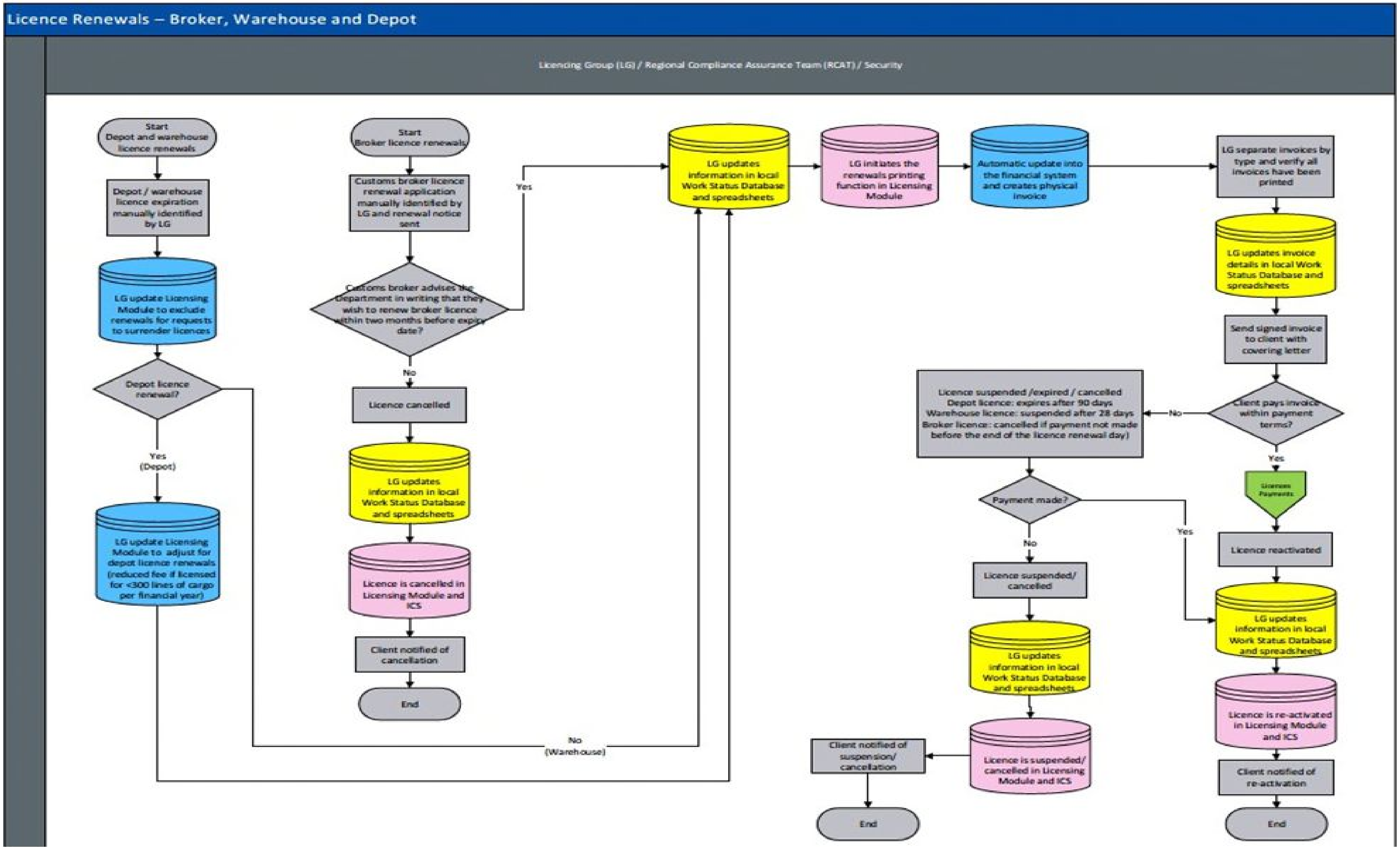
Warehouse Licence Application and Initial Licence Charge (excludes EEG licences)

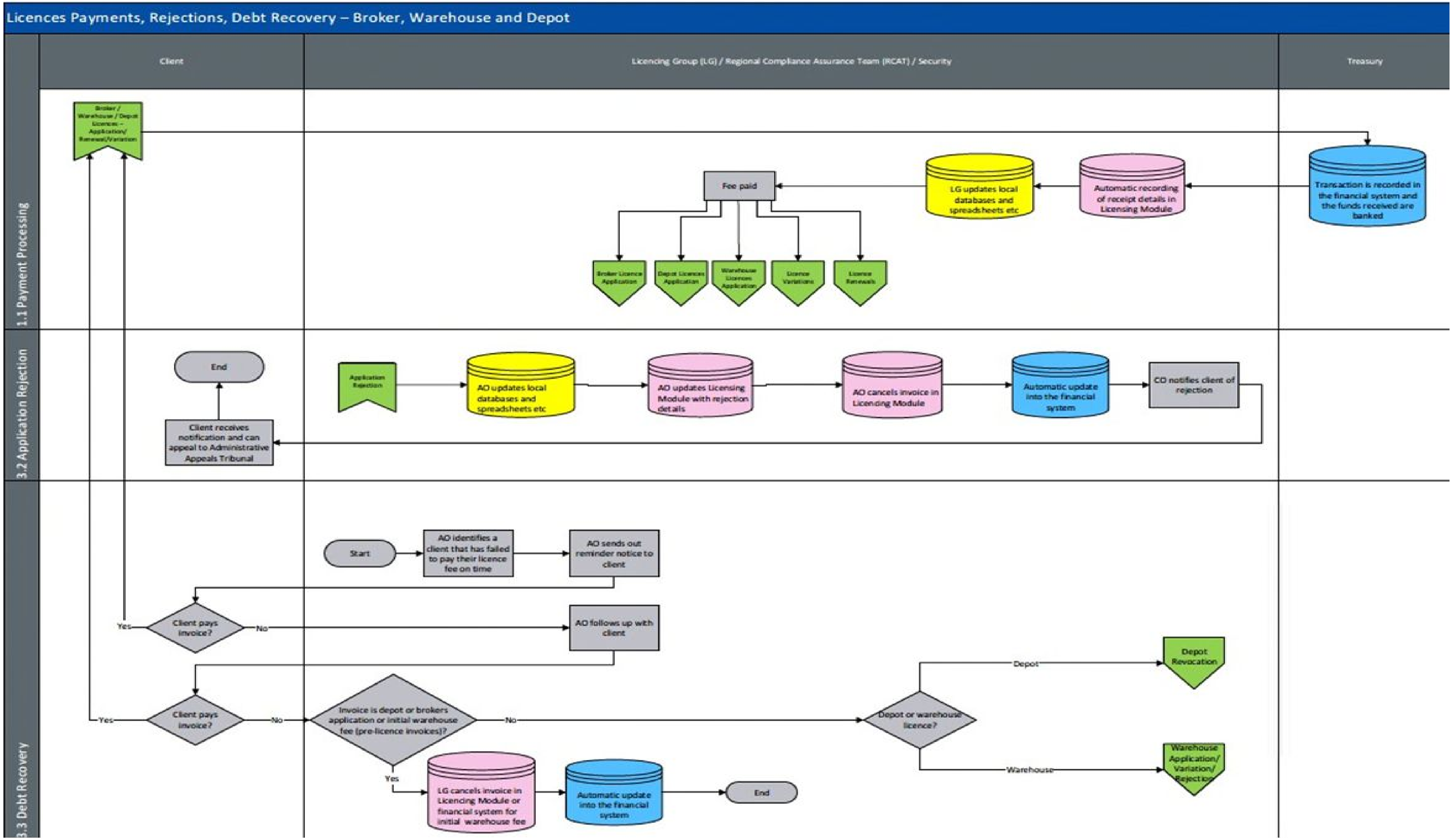



Depot Licences Application and Initial Licence Charge
Client
Licencing Group (LG) / Regional Compliance Assurance Team (RCAT) / Security
Start
Submits completed depot licence application and consent forms (B300 and B301) and any relevant supporting documentation to the Department
LG registers application in local Work Status Database, spreadsheets and Licensing Module
Enters application details and raises application invoice in Licensing Module
Licence application fee generated in the financial system and payment invoice raised
Invoice sent to client
Client pays charge?
Yes
Licences Payments
Checks for completeness of application info (may require communication with client)
Application complete?
No
Request for further information from applicant?
Yes
Applicant responds within required timeframe? Checked for completeness
No
Client receives notification of rejection
Client responds to rejection?
Application Rejection
Payment confirmed
Initiate probity check with Security
RCAT carries out site inspection
Client to rectify issues?
Client receives notification of rejection
Client responds to rejection?
Physical site check passed?
Fit and Proper (F&P) Team finalise probity check
Probity check clear?
LG activates licence in Licensing Module and raises grant fee invoice
Client notified of rejection
Automatically activates licence in ICS and automatically updates the financial system and creates payment invoice
LG updates local databases and spreadsheets etc
Send grant fee invoice and approval letter to client
Client pays invoice within required timeframe?
Client agrees to pay following engagement?
Client notified of rejection
New licence sent/ delivered to client
Client receives licence
End

Licence Variations – Depot and Warehouse (no variation for Broker)




Licence Renewals – Broker, Warehouse and Depot
Licencing Group (LG) / Regional Compliance Assurance Team (RCAT) / Security
Start Depot and warehouse licence renewals
Depot / warehouse licence expiration manually identified by LG
LG update Licensing Module to exclude renewals for requests to surrender licences
Depot licence renewal?
Yes (Depot)
LG update Licensing Module to adjust for depot licence renewals (reduced fee if licensed for <300 lines of cargo per financial year)
No (Warehouse)
Start Broker licence renewals
Customs broker licence renewal application manually identified by LG and renewal notice sent
Customs broker advises the Department in writing that they wish to renew broker licence within two months before expiry date?
Yes
No
Licence cancelled
LG updates information in local Work Status Database and spreadsheets
Licence is cancelled in Licensing Module and ICS
Client notified of cancellation
End
LG updates information in local Work Status Database and spreadsheets
LG initiates the renewals printing function in Licensing Module
Automatic update into the financial system and creates physical invoice
LG separate invoices by type and verify all invoices have been printed
LG updates invoice details in local Work Status Database and spreadsheets
Send signed invoice to client with covering letter
Client pays invoice within payment terms?
No
Yes
Licence suspended /expired / cancelled
Depot licence: expires after 90 days
Warehouse licence: suspended after 28 days
Broker licence: cancelled if payment not made before the end of the licence renewal day)
Payment made?
Yes
No
Licence suspended/ cancelled
LG updates information in local Work Status Database and spreadsheets
Licence is suspended/ cancelled in Licensing Module and ICS
Client notified of suspension/ cancellation
End
Licence reactivated
LG updates information in local Work Status Database and spreadsheets
Licence is re-activated in Licensing Module and ICS
Client notified of re-activation
End



Licences Payments, Rejections, Debt Recovery – Broker, Warehouse and Depot
Client
Licencing Group (LG) / Regional Compliance Assurance Team (RCAT) / Security
Treasury
1.1 Payment Processing
Broker / Warehouse / Depot Licences – Application/ Renewal/Variation
Transaction is recorded in the financial system and the funds received are banked
Automatic recording of receipt details in Licensing Module
LG updates local databases and spreadsheets etc
Fee paid
Broker Licence Application
Depot Licences Application
Warehouse Licences Application
Licence Variations
Licence Renewals
3.2 Application Rejection
End
Client receives notification and can appeal to Administrative Appeals Tribunal
Application Rejection
AO updates local databases and spreadsheets etc
AO updates Licensing Module with rejection details
AO cancels invoice in Licencing Module
Automatic update into the financial system
CO notifies client of rejection
3.3 Debt Recovery
Start
AO identifies a client that has failed to pay their licence fee on time
AO sends out reminder notice to client
Client pays invoice?
Yes
No
AO follows up with client
Client pays invoice?
Yes
No
Invoice is depot or brokers application or initial warehouse fee (pre-licence invoices)?
No
Yes
LG cancels invoice in Licencing Module or financial system for initial warehouse fee
Automatic update into the financial system
End
Depot or warehouse licence?
Depot
Warehouse
Depot Revocation
Warehouse Application/ Variation/ Rejection

Attachment B: Charging Risk Assessment

Implementation risks	Low		Medium		High	
1. What is the expected percentage change in total annual revenue after the proposed changes?	☒	0 to 10%	☐	11 to 20%	☐	>20%
2. What is the expected change in total annual revenue after the proposed changes?	☒	0 to $10m	☐	$11m to $20m	☐	$20m+
3. What is the highest percentage increase in price a payer† may experience?	☒	0 to 5%	☐	6 to 10%	☐	>10%
4. What type of charges are changing?	☐	Fees only	☒	Levies only or fees and levies	☐	Fees, levies and other charges†
5. What does the revised proposal involve?	☐	Change in the level of existing regulatory charges only	☒	Change in the structure of existing regulatory charges and/or composition of payees	☐	Commencing charging for an existing activity (or some of its components)
6. Does the revision require legislative changes? • *Primary legislation (enabling Act or taxation Act)* • *Subordinate legislation (Regulations, Determinations)*	☒	Existing legislative mechanisms are in place and only requires a change to subordinate legislation to specify the $ value of fees and/ or charges	☐	Requires a change to existing legislative mechanism/s	☐	Requires a new primary legislative mechanism or new subordinate legislative mechanism
7. What will the impact on payers†† be? *Have you considered:* • *The number of people affected* • *The nature of who will be charged (individuals, S/M/L business)*	☒	Low	☐	Medium	☐	High / Unknown
8. Does the proposal involve working with other Commonwealth, State/Territory and/or local government entities?	☐	No	☒	Other Commonwealth entities only	☐	Commonwealth, State/Territory and/or local government entities
9. What consultation has occurred with payers and other stakeholders about the proposed charges?	☒	Consulted - no significant issues raised Indexation/admin changes previously consulted on.	☐	Consulted – issues raised but can be addressed	☐	Not consulted or consulted and significant issues raised but ongoing sensitivities
Overall CRA rating:	☐	**LOW** **(all "Low")**	☒	**MEDIUM**	☐	**HIGH** **(three or more "High")**

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