



Draft cost recovery implementation statements 2026–27: overview of Activity Based Costing model

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Overview

The Department of Agriculture, Fisheries and Forestry supports industry to realise the economic potential of trade by delivering critical export regulatory services, negotiating technical rules and standards and engaging internationally to advance the interests of Australian agriculture.

As a regulator, we have an obligation under the Australian Government Charging Framework to recover the minimum efficient cost for providing effective regulatory services.

Reviewing our funding model

Over the past 2 years, we have analysed and modelled our functions and cost centres, underlying funding mechanisms, and pressures and drivers of costs. Using the government-approved Activity Based Costing (ABC) model, we compared the results of our analysis to government and department policies to determine where service costs would appropriately fall for each cost recovery arrangement.

As a result, we have developed a sustainable export trade funding model to address a long-term funding gap driven by more international compliance requirements, inflationary pressures and increased demand for regulatory services.

Activity Based Costing model

The ABC model enables activity prices to be based on the minimum efficient cost for the delivery of an activity, not based on the average cost. We have used this model to develop our sustainable export trade funding model.

The ABC model allows the attribution of corporate costs (or indirect costs) and direct costs (or functional costs) to determine the true cost of a regulatory activity. These resources support the delivery of regulatory activities to help industry meet legislative requirements:

- Indirect costs – organisational running costs, including finance, property and security, people services, information technology and digital systems, legal and assurance, and insurance.
- Direct costs – regulatory activity costs, including inspections, export documentation, audits and assessments, licensing and annual registrations.

Using the model

The ABC model uses 4 steps to produce fees and charges:

1. Budgets are established by business areas to reflect the minimum efficient cost or level of resourcing required to deliver the relevant activities. This is done at the expense level.
2. Corporate costs are allocated to the area's export regulatory functions based on budgeted resource drivers, which reflect utilisation of corporate services and are underpinned by our Cost Allocation Policy. This stage establishes a full cost of each business area.
3. Direct expenses are allocated using custom drivers based on indicators of the effort associated with staff, supplier and other cost-centre activities. Where the distribution of effort spans multiple cost recovery arrangements, the cost centre's effort is converted into percentage allocations for each arrangement.
4. The activity and arrangement costs are allocated to cost recovery pools and divided by forecast volumes to determine the unit pricing required to recover expenses.

More information

Learn more about [export cost recovery reform](#).

Web agriculture.gov.au/about/fees/export-cost-recovery-reform-sust-trade-funding

Email ExportsFunding@aff.gov.au

Acknowledgement of Country

We acknowledge the continuous connection of First Nations Traditional Owners and Custodians to the lands, seas and waters of Australia. We recognise their care for and cultivation of Country. We pay respect to Elders past and present, and recognise their knowledge and contribution to the productivity, innovation and sustainability of Australia's agriculture, fisheries and forestry industries.

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