



Canadian Grain Commission
Commission canadienne
des grains



Canadian Grain Commission's Proposal to Parliament for User Fees and Service Standards

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1. Executive Summary

The Canadian Grain Commission (CGC) is the federal agency responsible for establishing and maintaining Canada's grain quality standards. Its programs result in shipments of grain that consistently meet contract specifications for quality, safety and quantity. The CGC regulates the grain industry to protect producers' rights and ensure the integrity of grain transactions.

Since it began in 1912, the CGC has charged fees to recover at least a portion of the costs of providing services to the Canadian grain sector and regulating grain handling in Canada. However, most of the CGC's user fees have not been updated since 1991. Since then, the cost of providing the organization's services has continued to rise. This means that the revenues from user fees now cover approximately 50 percent of the cost of service provision; whereas revenues represented approximately 90 percent of the costs of the services when fees were last updated in 1991. Canadian taxpayers have borne a larger share of the costs of providing these services, and the CGC faces ongoing challenges in securing enough funding to provide services and perform its regulatory functions.

In 2010-11, the CGC conducted extensive user fees consultations, which proposed to update user fees for services required by the *Canada Grain Act* (CGA). One of the major themes of feedback the CGC received was that the CGA and the CGC's services needed to be modernized before its user fees are updated. Based on this feedback, the Government of Canada introduced amendments to the CGA as part of the *Jobs and Growth Act, 2012*, which Parliament passed and received Royal Assent on December 14, 2012. The amendments streamline the operations of the CGC and reduce the CGC's costs and thus the fees to stakeholders. For example, prior to the changes to the CGA, costs for the CGC's services were forecast to be about \$93 million. With the changes to the CGA, costs for the CGC's services are forecast to be less than \$60 million for 2014-15. In November 2012 the CGC conducted another 30 day consultation on its user fees to reflect an updated cost structure resulting from the amendments to the CGA.

This Proposal would increase user fees for outward inspection, reinspection, licensing, producer cars and grading of submitted samples to reflect the costs of providing the services on August 1, 2013, the start of the 2013-14 crop year. As a consequence of the amendments to the CGA, this Proposal would eliminate user fees for inward inspection, inward weighing, registration and cancellation; replace the outward official weighing fee with a lower fee for monitoring of outward official weighing; and create a new fee for third-party authorization of inward inspection or weighing. Finally, this Proposal would also consolidate the number of fees in the CGC's fee schedule from 52 to 18 in order to simplify and make it easier to use and administer due to its shorter length.

Under this Proposal, the CGC's annual regulatory user fees revenues would increase to \$53.99 million in 2014-15, the first year of full implementation, from the approximately \$35.71 million it receives currently. Under this Proposal, the CGC would continue to receive annual appropriation of \$5.42 million¹. This would bring the cost sharing ratio to

¹ It is important to note that annual appropriation is adjusted each year for changes to employee benefit contributions. As a result of these adjustments, the annual appropriation amount differs from the

approximately 91 percent cost-recovered and 9 percent borne by taxpayers². This funding would contribute to a stable funding platform to provide important programs and services to the grain sector and Canadians. The CGC will use the resources to support grain quality and quantity assurance, grain research, producer protection and the CGC's regulatory oversight role.

The CGC is not alone in charging fees for the costs of providing its grain related services and regulating grain handling. Regulators in both Australia and the United States also charge fees for similar types of services, as the grain sector derives significant private benefit from many of their services and programs. The CGC found that proposed changes to the CGC's user fees are in line with user fees charged for similar types of services in the United States and Australia.

The revenues from this cost recovery proposal would finalize the transition to sustainable funding for the CGC along with recent public investments in the CGC. The public investments from Budget 2012 will make up for the shortfall in fee revenue until user fees can be updated on August 1, 2013 as is described in this Proposal.

2. Introduction

For over 100 years the CGC has been the federal agency responsible for grain quality assurance, protecting producers' rights and ensuring the integrity of grain transactions.

This Proposal contains information regarding the legislative authorities for conducting the fee activities described here, provides the rationale for fee increases and how those fees were developed. Appendices are included that outline the proposed fees and accompanying service standards. Lastly, a number of documents are provided in a Background Binder, outlining consultations.

2.1 Canadian Grain Commission Services

In this Proposal, the CGC is seeking cost recovery on a wide range of services and programs. Examples include outward official inspection of grain, monitoring of outward official weighing of grain, reinspection of grain, third-party authorization of inward inspection or weighing, licensing of elevators and grain dealers, producer car applications and grading of submitted grain samples.

2.2 Cost Recovery Background on Canadian Grain Commission Services and Programs

The CGC has charged fees to recover at least a portion of the costs of the services it provides since its inception in 1912. In 1965 and 1974, the CGC's fees were significantly increased in response to Auditor General reports indicating that the CGC was not

projected annual appropriation identified in the CGC's *User Fees Consultation and Pre-proposal Notification* document (November 2012) (Background Binder Tab A). These adjustments do not result in changes to the CGC's proposed user fees.

² Based on the first full year of implementation with a normal grain volume year, where the CGC inspects 23.3 million tonnes of grain on outward inspection.

recovering the full costs of inspection and weighing. These were the only fee increases between 1949 and 1974.

The 1985 Federal Government Budget changed the cost recovery target to total CGC costs. Following consultation with the grain industry, the CGC increased some fees, reduced other fees and over a three-year period moved towards the full cost recovery target.

In 1991, some fees were further increased by three to seven percent and revenues were intended to cover approximately 90 percent of the costs of the services. These fee changes in 1991 represented the last major increase for most CGC services. In 1995, the CGC introduced a new fee for “submitted samples” and in 1998 decreased the fee for official weighing of grain received at licensed terminal elevators by 60 percent due to technology improvements.

While most of the CGC’s fees have not increased since 1991, by the late 1990s, user fees revenues were no longer covering the costs of providing CGC services. In 1999, the CGC was provided with four years of ad hoc funding to address accumulated deficits. The Minister of Agriculture and Agri-Food (the Minister) was directed to develop a cost-recovery strategy for the CGC that took into account changes in the grain sector. In April 2002, the Minister engaged an independent Review Panel to recommend any changes required to the *Canada Grain Act* (CGA) to ensure that the CGC continues to be an effective organization. The Review Panel submitted its report to the Minister in fall 2002.

In May 2003, the Minister advised that broader work needed to be undertaken in the context of the environment being altered by Bill C-212 (now the *User Fees Act*), the Treasury Board user-fee policy review (now the *Policy on Service Standards for External Fees*), consecutive droughts in 2001 and 2002, and development of the Agricultural Policy Framework (APF).

In 2005, an independent and comprehensive review of the CGA and the CGC was legislated by Parliament. This delayed the establishment of a recommendation on an appropriate cost recovery level as it would be seen as presumptuous of the report’s findings. COMPAS Inc., contracted by Agriculture and Agri-Food Canada, completed this review and tabled its report in the House of Commons in September 2006. The Standing Committee on Agriculture and Agri-Food was asked to study the COMPAS report and in December 2006 tabled its own Report outlining twelve all-party unanimous recommendations.

Following this Report, Bill C-39, *An Act to Amend the Canada Grain Act* was introduced in Parliament in December 2007. Bill C-39 had only reached second reading when Parliament was dissolved on September 7, 2008.

In February 2009, Bill C-13, *An Act to Amend the Canada Grain Act*, was introduced. Bill C-13 was similar in content to the prior Bill C-39. Bill C-13 died on the Order Paper when Parliament was prorogued on December 30, 2009.

Budget 2010 provided the CGC with \$56.2 million on a cash basis (\$51.7 million on an accrual basis) for the 2010-11 and 2011-12 fiscal years, which combined with fee revenue, has allowed the CGC to deliver mandated services and operations. In the context of Budget 2010, the Minister committed to conducting user fees consultations and proposing a sustainable funding model for the CGC. These consultations were conducted in fiscal years 2010-11 and 2012-13 and this Proposal makes up the other part of the commitment.

The CGC's 2010-11 user fees consultations proposed to update user fees for services required by the CGA. One of the major themes of feedback the CGC received was that the CGA and the CGC's services needed to be modernized before its user fees are updated. Based on this feedback, the Government of Canada introduced amendments to the CGA as part of the *Jobs and Growth Act, 2012*, which Parliament passed and received Royal Assent on December 14, 2012. The legislative changes are part of an ongoing transformation of the Western Canadian grain sector and complement the elimination of the Canadian Wheat Board's monopoly for marketing wheat and barley, as well as the introduction of the *Fair Rail Freight Service Act* bill and the Red Tape Reduction initiative.

The changes to the CGA streamline the CGC's operations by removing it from the provision of certain mandatory services no longer required in today's grain sector. Specifically, with the coming into force of these amendments, mandatory inward inspection and weighing services conducted by the CGC, along with their complementary requirements such as registration and cancellation of elevator receipts and weigh-overs, will be eliminated, and the producer payment protection program will be modified to reduce costs for producers and grain handlers. This reduces the CGC's costs and the overall fees that the CGC proposed in its 2010-11 consultations. For example, prior to the changes to the CGA, costs for the CGC's services were forecast to be approximately \$93 million. With the changes to the CGA, costs for CGC services will be reduced to less than \$60 million.

In November 2012, the CGC conducted a 30 day consultation on its proposed user fees to reflect an updated cost structure resulting from the amendments to the CGA. Specifically, the CGC consulted on eliminating the proposed fees for inward inspection and weighing and registration and cancellation; reducing the proposed fees for CGC licences significantly from the amount that was proposed in 2010-11; and increasing the proposed fees for outward official inspection. Proposed fees for outward official inspection are higher because some of the CGC's core activities such as grain quality functions, research and standard setting remain essential to the CGC's outward inspection operations and thus a portion of those activities must be funded through the outward official inspection fees.

The CGC also consulted on updating user fees for reinspection, producer cars, and grading of submitted samples; replacing the official outward weighing fee with a lower fee for monitoring of outward official weighing; and creating a new fee for third-party authorization of inward inspection or weighing. The culmination of this work has resulted in this User Fees Proposal (Proposal), which sets out an updated fee structure based on

the costs of the services and current annual appropriation levels. The Proposal establishes a viable platform for the CGC to continue its operations into the future.

Budget 2012 provided the CGC with \$43.55 million for the 2012-13 and 2013-14 fiscal years. The CGC is using \$26.8 million of this in 2012-13 and the remaining \$16.75 million in 2013-14. This, along with access to the CGC's accumulated surplus of \$15.45 million in 2012-13, will afford the CGC with sufficient funding to implement the proposed updated user fees and sustainable funding model in fiscal year 2013-14 as is described in this Proposal. If user fees are modernized as described in this Proposal, it is projected that the CGC will receive approximately \$53.99 million annually in revenues from regulatory user fees³. This would represent a cost sharing ratio of approximately 91 percent funded through user fees and 9 percent funded through federal appropriation.

3. Legislative and Policy Framework

The CGC's authority to establish or amend the CGC's user fees can be found in Paragraph 116(1)(r) of the CGA, which states that

the Commission may, with the approval of the Governor in Council, make regulations, fixing, or prescribing the manner for determining, the fees for any service performed by or on behalf of the Commission and the fees for any licence issued by the Commission and prescribing the time and manner of payment of those fees.

The CGC's fees are listed in Schedule I of the *Canada Grain Regulations* (CGR). The CGC's authority for the services and licences related to the fees are also found in the CGA.

While the CGA provides the legal framework for the development and implementation of user fees by the CGC, the *User Fees Act* (UFA), March 2004, created a legal framework within which federal entities are required to manage user fees, including the establishment and reporting of service standards. The current fees charged by the CGC were established prior to the enactment of the UFA. However, if increases were to be made to CGC fees, they would be subject to the UFA. Under the UFA, a user fee is defined as

a fee, charge or levy for a product, regulatory process, permit or license, facility, or a service that is provided only by a regulating authority, that is fixed pursuant to the authority of an Act of Parliament and which results in a direct benefit or advantage to the person paying the fee.

The CGC and other federal government departments that undertake cost recovery are also guided by the following documents from the Treasury Board of Canada Secretariat:

- *User Charging in the Federal Government – a Background Document;*
- *Guide to Costing;* and
- *Policy on Service Standards for External Fees.*

³ Based on the first full year of implementation with a normal grain volume year, where the CGC inspects 23.3 million tonnes of grain on outward inspection.

This Proposal was developed, and is being tabled, in compliance with all of the previously-cited authorities and guidelines.

4. Rationale for Proposal

This Proposal has been developed to:

- Create fair and consistent user fees and service standards that reflect the costs of providing the services and licences;
- Make user fees-related consequential amendments to the CGR to align them with amendments to the CGA contained in the *Jobs and Growth Act*, 2012;
- Construct a user fees cost recovery structure that eliminates the CGC's dependence on annual ad hoc funding and provides a more stable funding environment for the CGC;
- Ensure that the CGC can continue to meet its strategic outcome that Canada's grain is safe, reliable, marketable and Canadian grain producers are protected; and
- Develop a consolidated user fees schedule.

4.1 Canadian Grain Commission Services and Activities

Since most of the CGC's user fees were adjusted in 1991, the grain sector has evolved significantly, leading to equally significant shifts in costs and revenue. For example, the CGC issues far fewer licences currently to fewer grain companies than it did in the past due to grain companies consolidating operations over the years. In 1991, the CGC licensed 1,539 primary elevators. As of August 1, 2012, the CGC only licensed 344 primary elevators. The number of CGC licensed process elevators has increased to 43 in 2012 from 26 in 1991. Terminal and transfer elevators have decreased to 29 in 2012 from 38 in 1991.

Significant changes have also taken place in the grain sector at large since fees were last adjusted over twenty years ago. In 1995, the Government repealed the *Western Grain Transportation Act*, which ended the Government's subsidization of western Canadian grain exports by railway cars. In 2000, the Government replaced maximum railway freight rate scales for grain transportation with an annual revenue cap on the railways for grain transportation. On August 1 2012, the Canadian Wheat Board lost its single desk for sales of western Canadian wheat and barley. All of these significant changes have affected and will continue to affect the amount of grain that the CGC inspects and weighs as well as the cost structure and revenue of providing its services.

In 2012, Parliament passed amendments to amend the CGA to streamline the CGC's operations by removing CGC services that are mandated by the CGA, but do not need to be delivered solely by the CGC in today's grain sector. With the coming into force of these amendments, mandatory inward inspection and weighing services conducted by the CGC, along with their complementary requirements, will be eliminated, and the producer payment protection program will be modified to reduce costs for producers and grain handlers.

The following sections provide a summary of the CGC's activities for the 2011-12 fiscal year.

4.1.1 Quality Assurance

During 2011-12, the CGC provided the following inspection and testing services as per ISO 9001:2008 Standards in support of the Quality Assurance Program:

- Inward inspection - inspected 311,911 railway cars upon receipt at licensed terminal and transfer elevators (compared to 290,471 in 2010-11),
- Outward inspection - inspected 30,587,132 tonnes of Canadian grain for export from licensed terminal and transfer elevators (compared to 29,566,354 tonnes in 2010-11), and
- Submitted samples - certified 1,534 samples submitted by producers for grading (compared to 2,601 in 2010-11) and 12,461 samples submitted by grain companies (compared to 14,841 in 2010-11).⁴
- Reinspection - there were 8,659 grade changes on official reinspection (of inward inspection results) representing a CGC inspection accuracy rate of 97.2 percent.

4.1.2 Quantity Assurance

During 2011-12, the CGC provided the following weighing services as per ISO 9001:2008 Standards in support of the Quantity Assurance Program:

- Inward weighing - officially weighed and certified 316,247 railway car unloads upon receipt at licensed terminal and transfer elevators (compared to 300,567 railway car unloads in 2010-11),
- Outward weighing - monitored and certified 30,587,132 tonnes of grain prior to export from licensed terminal and transfer elevators (compared to 29,566,354 tonnes in 2010-11),
- conducted 508 weighing system device inspections to verify the accuracy and reliability of licensed terminal and transfer elevator weighing equipment.

4.1.3 Grain Quality Research

⁴ The number of samples submitted by producers and grain companies for grading by the CGC tends to be inversely related to annual harvest quality. For example, in years when harvest quality is good, the number of samples submitted for grading tends to decrease.

The CGC's Grain Research Laboratory's (GRL) research supports the grain quality assurance system. The GRL's Crops Section scientifically assesses the annual quality of the Canadian grain harvest, assesses how grading factors affect end-use qualities, researches new uses for Canadian grains, and assesses new and improved methods for evaluating and measuring end-use quality factors for all grains. In addition, new varieties are assessed for quality as part of the variety registration process.

The GRL's Technologies Section studies and develops technologies and methods to assess the quality and safety of Canadian grains. Research efforts are aimed at developing new and improved methods for evaluating and measuring grain quality and grain safety to increase efficiency, reduce costs and enhance the testing capabilities of the CGC and the Canadian grain industry.

4.1.4 Producer Protection

The CGC is mandated to serve producer interests by administering the CGA and as such has implemented a number of programs and safeguards to ensure the fair treatment of Canadian grain producers. These include the licensing and security program, allocation of producer cars for producers that wish to ship their own grain, and producer liaison measures including a grain grade appeal system. In addition, the CGC collects and updates grain quality data and grain handling information to facilitate producer sales and marketing decisions.

During 2011-12:

- Licensing - the CGC issued licences for 345 primary elevators, 44 process elevators, 15 terminal elevators, 13 transfer elevators, and 73 grain dealers. Licensed elevators and grain dealers are required to post security with the CGC to cover their liabilities to producers in the event a company does not pay a producer for grain they have delivered.
- Producer cars - the CGC received and processed applications from 14,300 producers for producer cars.
- Submitted samples - grain producers submitted 224 samples to the CGC for quality determination under "subject to inspector's grade and dockage". This service allows producers to ask the CGC to determine grade and dockage and make a binding decision in the event there is a disagreement upon delivery at a primary elevator.

Communication activities also continued to play a key role in promoting the activities and services provided under the Producer Protection Program. As part of its communications activities, the CGC designed new information products for grain producers and expanded the trade exhibition program. In addition, the CGC continued to collect and update grain quality data and grain handling information and make it available to producers and other interested parties to facilitate producer sales and marketing decisions.

4.2 Provide stable funding for the regulatory process and contribute to the Canadian Grain Commission's strategic outcome, i.e., "Canada's grain is safe, reliable and marketable and Canadian grain producers are protected"

This user fees Proposal aims to update fees to reflect the current costs associated with providing the aforementioned services, and to update the public-private cost share. As a result of this, total user fees revenues will fund approximately 91 percent of the costs of CGC services⁵, which is comparable to other countries. The revenues will provide the CGC with sufficient resources and a stable funding platform to provide its mandated services and contribute to its strategic outcome of ensuring Canada's grain is safe, reliable and marketable and Canadian grain producers are protected. The new revenues would also support the CGC in meeting its service standards, thereby allowing the organization to provide predictable service for the grain sector.

5. Development of the Proposal

The Proposal aims to update the user fees associated with the CGC's services for outward official inspection, reinspection, licensing, producer cars and grading of submitted samples to reflect the costs of providing the services. As a consequence of the amendments to the CGA, the Proposal would eliminate user fees for inward inspection, inward weighing, registration and cancellation; replace the official outward weighing fee with a lower fee for monitoring of outward official weighing; and create a new fee for third-party authorization of inward inspection or weighing. Finally, the Proposal would also consolidate the number of fees in the CGC's fee schedule from 52 to 18 in order to simplify and make it easier to use and administer due to its shorter length. In support of this, the Proposal addresses fee structures, costing methodology, criteria for including activities for fees, impacts on the grain sector, annual fee adjustments, and service standards. The proposal has been developed using an activity-based costing model and in consultation with stakeholders.

In the development of the Proposal, the UFA requires the CGC to:

- Take reasonable measures to notify clients / users;
- Give users a reasonable opportunity to provide ideas / proposals for ways to improve the services to which the user fee relates;
- Conduct an impact assessment to identify relevant factors, and take into account its findings in a decision to fix or change the user fee;
- Explain clearly how the user fee is determined and identify the cost and revenue elements of the user fee;
- Establish standards which are comparable to those established by other countries with which a comparison is relevant and against which the performance of the regulating authority can be measured;
- Establish an independent advisory panel to address complaints (if applicable).

⁵ For a normal grain volume year, where the CGC inspects 23.3 million tonnes of grain on outward inspection.

5.1 Activities Eligible for Cost Recovery

The CGC reviewed all of its services and activities to determine which were appropriate for cost recovery. In order to be eligible, services and activities had to be legitimate and necessary functions of the Government of Canada, consistent with government commitments and result in a direct benefit to an identifiable external party. The organization also analyzed the feedback it received on the subject during its user fees consultations, and considered the cost-sharing ratios used by its key international counterparts in Australia and the United States.

5.2 Cost-sharing Ratio

To achieve an appropriate balance between funding sources (user fees revenues and public funding), a cost-sharing ratio was developed based on the relative benefit received by industry in relation to the public benefit derived from the activity. Factors such as grain quality and safety, grain standards and grades, statistics, and ensuring compliance were assessed. With the understanding that what is not covered by user fees revenues must be funded through the CGC's appropriation, fees were defined accordingly.

Based on current annual appropriation levels, 91 percent of the CGC's activities constitute a private benefit to individual stakeholders while 9 percent of the organization's activities provided public benefits to Canadian as consumers of grain products⁶.

5.3 International Comparisons

The UFA requires a regulating authority to establish user fees that are comparable to those established by other countries with which a comparison is relevant and, against which the performance of the regulating authority can be measured. If the amount of the user fee being proposed is higher than the fee in the country being compared, reasons for the difference must be given. Although in this case an international comparison is limited due to countries having different resource and service levels, service delivery models, user profiles, regulatory objectives, and sources of revenue, the CGC found that the United States and Australia had the most comparable regulatory regimes and grain sectors. As a result, the CGC reviewed user fees and service standards in these two countries and found that regulators in the United States and Australia also charge fees for their services, specifically in the areas of inspection and weighing of grain and licensing of elevators and grain dealers.

It was found that the proposed changes to the CGC's user fees are in line with user fees for similar types of services in the United States and Australia. The CGC's proposed fees for official inspection and licensing appear to be comparable or somewhat higher than those charged in the United States. This is likely due to the different amount of federal appropriation that each respective organization receives. Approximately 9 percent of the CGC's revenue is from annual federal appropriation whereas in 2011 the United States' Federal Grain Inspection Service received approximately 37 percent of its budget in

⁶ For a normal grain volume year, where the CGC inspects 23.3 million tonnes of grain on outward inspection.

annual federal appropriation. The CGC's proposed service standards are in line with those established by the Federal Grain Inspection Service.

Australia increased their user fees in July 2012 to recover 100 percent of the cost of their services. As a result, the CGC's proposed fees for inspection, overtime and licensing appear to be comparable or somewhat lower than those charged in Australia. The Australian Quarantine and Inspection Service no longer receives federal government appropriation for its services. The CGC's proposed service standards are also commensurate to those in Australia.

A more detailed analysis of cost recovery and service standards in the United States and Australia has been prepared and is included in the CGC's *User Fees Consultation and Pre-proposal Notification* (Background Binder Tab A).

5.4 Consultation with Stakeholders

The CGC has conducted extensive user fees consultations. First, in November 2010, a producer poll was conducted, followed by the release of the CGC's *User Fees Consultation Document* (Background Binder Tab B) in December 2010. In January 2011, the CGC held information sessions for interested stakeholders and in March 2011 released the *Individual Fees Consultation (Pre-proposal Notification)* (Background Binder Tab C). Based on the feedback received from these phases, the Government introduced amendments to the CGA through the *Jobs and Growth Act, 2012*, which Parliament passed and received Royal Assent on December 14, 2012.

The CGC started 30 day consultations on its user fees again in November 2012 by releasing the *User Fees Consultation and Pre-proposal Notification* (Background Binder Tab A) to reflect an updated cost structure resulting from the amendments to the CGA. The following section provides results from the 2010-11 and 2012 consultations.

5.4.1 Producer Survey

As part of the consultations on the CGC's proposed user fees, Ipsos Reid, on behalf of the CGC in 2010, conducted a telephone poll with over 500 grain producers across Canada to partially fulfill the consultation requirement of the UFA. Results from the poll provided information on the perceptions and impressions of Canadian grain producers regarding the CGC, satisfaction levels with CGC services and support for cost recovery and user fees adjustments.

Some of the highlights of the responses from the producer survey with respect to cost recovery and user fees are as follows:

- 76% of producers agree with the idea of grain companies paying higher fees for CGC sampling, inspection and weighing services.
- 78% of respondents would support increases in CGC fees if they were in line with those charged by other comparable regulatory bodies in the United States, and Australia.

- 78% of respondents are aware that increased fees to grain companies will likely translate into higher user fees for producers.
- When asked to choose between fee increases to maintain service levels, a reduction in services rather than an increase in fees, or a measured increase in fees phased in over time, 46% of producers surveyed opt for a phased-in approach.
- When they considered costs for the grain quality assurance system on a per bushel basis:
 - 62% of respondents say the cost seems reasonable.
 - 32% of respondents consider costs to be high, giving scores of somewhat high, high and extremely high.
 - 4% of respondents consider costs to be somewhat low, low or extremely low.
 - 2% of respondents did not know.

The final report and detailed findings of the CGC Producer Survey 2010 are available at Library and Archives Canada's website⁷.

5.4.2 2010-11 User Fees Consultations

A *User Fees Consultation Document* regarding the CGC's approach to changing its user fees was released on December 14, 2010 (Background Binder Tab B). Stakeholders had until January 31, 2011 to provide written submissions regarding the document. The CGC held consultation sessions in Montreal, Guelph, Winnipeg, Regina, Saskatoon, Edmonton and Calgary in January 2011.

On March 1, 2011, the CGC released the *Individual Fees Consultation Document*, which outlined proposed individual fees, service standards and performance measures (Background Binder Tab C). Stakeholders had until March 31, 2011 to provide written submissions regarding the document. Both consultation documents were based on 100 percent cost recovery for the amount the CGC expects to spend in a normal year of providing service, where the CGC inspects and weighs 50.6 million tonnes of grain.

A total of 76 people from 49 different organizations participated or observed during the cross country consultation sessions. The CGC received many comments and questions from engaged stakeholders at the consultation sessions. Forty-eight formal written submissions were received from external stakeholders in total from both phases (28 in Phase 1, and 20 in Phase 2). The CGC provided written responses to each stakeholder that made a written submission to the CGC.

The following list highlights the most common comments and questions received through both phases:

- The CGA and the CGC's services need to be modernized before the CGC increases any of its user fees.
- Some of the CGC's services and activities provide a public benefit. Therefore, some of the costs of these services should be funded by federal appropriation.

⁷ <http://www.porr-rrop.gc.ca/index-e.html>

- It is very important that the CGC and its services be efficient.
- Fee increases should be phased in over time as opposed to a large increase.
- CGC inward inspection and weighing should be optional.
- The CGC grading structure should be reviewed.
- The licensing and security program should be retained and/or improved.
- Funding for research should be maintained or increased.
- The CGC's governance structure should be reviewed.
- The CGC provides valuable services to producers and industry.
- For those CGC services that are mandatory, it is important that there be alternative service providers to deliver them.
- The CGC's fees may need to be raised for services that are for the private benefit as it has been over 20 years since they were last increased.
- The magnitude of the potential increases to user fees is worrisome to producers and the grain industry in general.
- Producers will ultimately pay for any fee increases to CGC services, (through higher tariffs, which result in lower grain prices) even if the grain companies initially pay user fees.
- CGC fees need to be in line with those in the United States, Australia, grain producing countries in the European Union and private industry.
- Funding associated with the CGC's quality assurance system is non-trade distorting, and therefore, may be considered as a green-box subsidy under World Trade Organization rules.
- The CGC's proposed service standards and performance measures are not competitive with private industry.
- The CGC's services contribute to Canada's brand reputation for producing high-quality food.
- Feedback from the producer poll and the first round of the consultations should have been incorporated into consultations on individual fees.
- The CGC may not have the authority to fully recover the costs of mandatory services.
- The CGC should conduct a full cost-benefit analysis for fee increases.
- An independent review of the CGC and the CGA should be conducted.
- There is a conflict of interest when a regulatory body is seeking 100 percent cost recovery on mandatory services because it has the incentive to generate revenue instead of creating the appropriate regulatory environment.

5.4.2 2012 User Fees Consultation and Pre-proposal Notification

On November 1, 2012, the CGC released the *User Fees Consultation and Pre-proposal Notification* document (Background Binder Tab A), which outlined proposed individual fees, service standards and performance measures. Stakeholders had until November 30, 2012 to provide written submissions regarding the document.

This document was emailed directly to all industry and producer stakeholders, including all CGC licensees, producer organizations, industry organizations and relevant government organizations. At the same time, the CGC sent a news release to its media

contacts. The CGC posted the document on its external website and arranged for it to be posted on Service Canada's Consulting with Canadians website.

Eighteen formal written submissions as well as one submission by phone were received from external stakeholders. The CGC provided written responses to each stakeholder that made a written submission to the CGC.

The following list highlights the most common of those comments received from the consultation:

- The CGC should be allocated funding in excess of the \$5.42 million it presently receives to fully reflect the public benefit activities it undertakes on behalf of all Canadians.
- Public benefit appropriation should increase annually with inflation; otherwise, producers would be paying an increasing share of costs.
- Amendments to the CGA that were included in the *Jobs and Growth Act, 2012* are a good first step to modernizing the CGC; however, further amendments to the CGA are required.
- The magnitude of the proposed increases to user fees is significant and too high.
- The CGC and its services must be as efficient as possible.
- Fee increases should be phased in over time as opposed to a large increase on August 1, 2013.
- The CGC provides valuable services and functions to producers, industry and Canadians.
- Producers will ultimately pay for any CGC fee increases (through higher tariffs, a lower basis or lower grain prices), even if the grain companies initially pay user fees.
- CGC fees need to be in line with those in the United States, Australia, other grain producing countries and the private industry; otherwise, Canadian producers will be at a competitive disadvantage.
- Fees may need to be raised for services that are for the private benefit as it has been over 20 years since they were last increased. As noted above, however, most were opposed to the magnitude of the proposed fee increases.
- Fee cost calculations go beyond what a reasonable person would consider a direct benefit to the person paying the fee. Therefore, the changes to the CGC's user fees are not supported by the UFA.
- There is a conflict of interest when a regulatory body is seeking cost recovery because it has the incentive to generate revenue instead of creating the appropriate regulatory environment.
- Outward inspection should be optional.
- The CGC's governance structure requires updating.
- Further information is required about the proposed insurance-based security program.
- The CGC should play an increasing role to help maintain a transparent, well-functioning sector by collecting and making available additional grain sector related data and information.

- The use of CGC services may become less attractive and decline as a result of user fee increases.

5.5 Complaints

The UFA requires a department to establish, if required, an independent advisory panel to address complaints pertaining to proposed fees or service standards. In response to the 2011 Pre-proposal Notification, the CGC received two requests to consider complaints from the Grain Growers of Canada and the Western Canadian Wheat Growers Association. The complaints largely surrounded the complainants' desire to have the CGA modernized before CGC user fees are adjusted in order to eliminate unnecessary mandatory services and costs for producers from the grain sector.

The CGC resolved the complaints informally by meeting and writing to the complainants to address some of their concerns. Both complainants decided to withdraw their complaints without requesting a panel as per the UFA. However, both organizations continued to urge the Government to modernize the CGA before the CGC's user fees were updated and offered to work with Government to help modernize the Canadian grain sector. In 2012, Parliament passed amendments to the CGA as part of the *Jobs and Growth Act*, 2012.

The CGC did not receive any requests for an independent advisory panel as a result of its 2012 *User Fees Consultation and Pre-proposal Notification*.

5.6 Impact Assessment

5.6.1 Producers and Grain Companies

Canada exported approximately \$13.75 billion in grain during 2011⁸. If the CGC's proposed user fees are fully implemented, the revenue from the CGC's proposed user fees would amount to a small portion of Canada's exports, approximately 0.4 percent of sales of Canadian grain for export. This is significantly lower than the impact would have been from the fees that were proposed before changes to amend the CGA were passed by Parliament in December 2012.

The proposed user fees would consolidate the number of fees in the CGC's fee schedule from 52 to 18 in order to simplify and make it easier to use and administer due to its shorter length. Schedule I of the CGR currently has 52 fees and the proposed Regulations would reduce that number to 18.

The proposed user fees changes would result in increased CGC user fees for producers, grain companies and grain marketers. However, grain companies indicated during the CGC's user fees consultations that producers will end up bearing the burden of increases in CGC fees. Therefore, it is assumed that producers would most likely ultimately pay for any fee increases as grain companies will likely pass their increased costs onto producers

⁸ Source: Statistics Canada, May, 2012

through lower grain prices or through higher elevator tariffs⁹. The proposed regulations will predominately affect western Canadian producers as the majority of grain that falls under the CGC's jurisdiction is grown by western Canadian producers.

The total estimated cost of moving wheat from a mid-prairie point to export position via the St. Lawrence ports was approximately \$93.33/tonne in the 2010-11 crop year. The total estimated cost of moving wheat from a mid-prairie point to export position via the Pacific seaboard was approximately \$83.44/tonne in the 2010-11 crop year. This includes costs such as primary elevator costs, railway freight, marketing costs, terminal elevator costs and transportation costs. CGC fees are built into these costs.

The CGC's proposed fees are approximately \$1.82/tonne or 1.9 percent of the total cost of moving wheat from a mid-prairie point to export position via the St. Lawrence ports or 2.2 percent of the total cost of moving wheat from a mid-prairie point to export position via the Pacific seaboard¹⁰. This is significantly lower than the impact of fees the CGC proposed before changes to streamline the CGC's operations were passed by Parliament in December 2012. Prior to the introduction of these changes, costs for CGC regulatory services would have been approximately \$3.07/tonne or 3.3 percent of the total cost of moving wheat from a mid-prairie point to export position via the St. Lawrence ports or 3.7 percent of the total cost of moving wheat from a mid-prairie point to export position via the Pacific seaboard.

5.6.2 Canadians

The CGC's proposed user fees are based on the organization retaining its annual appropriation of \$5.42 million¹¹. This will hold the cost to the federal government, and ultimately Canadian taxpayers, at \$5.42 million annually as a result of the recognition of the CGC's public benefit activities. Spread over approximately 16.9¹² million taxpayers, or 34.5¹³ million Canadians annually, this works out to \$0.32 per taxpayer or \$0.16 per Canadian for the amount of public benefit they receive from the CGC's grain quality and

⁹ An elevator tariff is a deduction an elevator may charge a producer for providing a service such as elevation, cleaning, storage, and drying.

¹⁰ The proposed fee of \$1.82/tonne includes outward inspection, monitoring of outward weighing and licensing.

¹¹ It is important to note that annual appropriation is adjusted each year for changes to employee benefit contributions. As a result of these adjustments, the annual appropriation amount differs from the projected annual appropriation identified in the CGC's *User Fees Consultation and Pre-proposal Notification* document (November 2012) (Background Binder Tab A). These adjustments do not result in changes to the CGC's proposed user fees.

¹² Taxable returns to Canada Revenue Agency for 2008. <http://www.cra-arc.gc.ca/gncy/stts/gb08/pst/fnl/html/tbl1-eng.html>

¹³ Canada's population as of the second quarter of 2011. <http://www.statcan.gc.ca/daily-quotidien/110928/dq110928c-eng.htm>

safety assurance activities. This amount is low given that many Canadians consume at least one of the 21 regulated grains under the CGA on a daily basis¹⁴.

The CGC's need for annual ad hoc appropriation has ranged from \$14.75 million to \$36.90 million per year over the 1999-00 to 2011-12 fiscal years. The proposed updates to user fees will eliminate the CGC's need for federal ad hoc appropriation. This will free taxpayer resources for other priorities that benefit all Canadians.

6. Costing and Fee Structure

6.1 Costing

The CGC used an activity-based costing approach to identify full costs, consistent with the Treasury Board of Canada Secretariat's *Guide to Costing*. To find the full cost of services, the CGC:

1. Determined the activity or service for which fees are charged
2. Identified all of the costs for each activity or service
3. Classified each cost as direct or indirect
4. Allocated direct and indirect costs for each activity or service
5. Reviewed and confirmed results

The CGC identified the direct costs of each service and distributed the proportion of indirect costs related to each service on the basis of objective criteria about the relevant cost driver, such as salary costs. Indirect costs include laboratory services, equipment and capital, facilities, management, program evaluation, finance and audit.

Cost calculations were based on:

- Information about the amount the CGC expects to spend on services in a normal year
- A capital asset replacement factor
- Average grain volumes inspected by the CGC¹⁵
- Service standards the CGC was committed to providing its users

6.2 Fee Structure

The Proposal would consolidate the number of fees in the CGC's fee schedule to simplify it and make it easier to use and administer due to its shorter length. Fees were consolidated when it was determined that the costs of providing a particular service were the same as another and of a similar nature. The CGC currently has 52 fees in the CGR and is proposing to consolidate the number of fees to 18. Under each group, there may be multiple fees that have similar costs, fees, service standards and performance measures.

¹⁴ The 21 regulated grains are: barley, beans, buckwheat, canola, chick peas, corn, fababeans, flaxseed, lentils, mixed grain, mustard seed, oats, peas, rapeseed, rye, safflower seed, solin, soybeans, sunflower seed, triticale and wheat.

¹⁵ On average, the CGC inspects 23.3 million tonnes of grain annually on outward inspection.

The CGC broke its services and activities down into seven groups. Costs to be recovered were determined based on the costing method described above. Then, based on the relative level of benefit received by the user in relation to the level of benefit derived from the regulatory activity by the public, a cost sharing formula was applied to each fee category.

The resulting fee categories are as follows:

- Outward Official Inspection
- Reinspection
- Monitoring of Outward Official Weighing
- Third-Party Authorization – Inward inspection or weighing
- Licensing
- Producer Cars
- Submitted Samples

7. Proposed Fees, Activity Costs and Revenue Estimates

The following sections provide a description of the current and proposed fees and outline activity costs and estimated revenues for each regulatory fee category for 2014-15, the first full year of implementation. Activity costs will be subsidized with transition funding provided in the 2012 Federal Budget for part of 2013-14, until August 1, 2013 when the CGC can implement updated fees. Therefore activity costs and revenue estimates for 2014-15 are more illustrative of a typical year than cost and revenue estimates for 2013-14. Proposed fees for each of the CGC's regulatory user fees and a forecast of the CGC's full budget for 2014-15 may be found in Appendix A.

7.1 Outward Official Inspection

Outward official inspection is the official inspection of grain exported from Canada by ships, railway cars, trucks or containers. It also may include the official inspection of railway cars, trucks and containers loaded out for use at domestic mills, feed plants and end-use processors. A grade certificate or Certificate Final is issued certifying the quality of the grain depending on customer requirements. Outward official inspection includes approving and monitoring sampling equipment, ongoing incremental analysis of the grain being loaded, establishing grain grades, and investigating complaints from customers after export. In 2009, the CGC exempted by regulation all requirements for official inspection and weighing on grain destined to the United States. Outward official inspection makes up an important part of Canada's grain quality assurance system, which assures consistent and reliable grain quality that meets the needs of international markets.

Fee Name	Unit (per)	Current Fee	Proposed Fee for 2013-14	Activity Costs for 2014-15	Revenue Estimates for 2014-15
Outward Official Inspection - ships	Tonne	\$0.51	\$1.60	\$42.16M	\$36.85M

Fee Name	Unit (per)	Current Fee	Proposed Fee for 2013-14	Activity Costs for 2014-15	Revenue Estimates for 2014-15
Outward Official Inspection - railway cars, trucks or containers	Inspection	\$29.00	\$143.99	\$0.86M	\$0.75M

A portion of the CGC's costs of providing outward official inspection services are the costs of the CGC's public benefit research (see section 4.1.3). As such, some of the costs of providing outward official inspection are covered by the CGC's annual appropriation.

7.2 Reinspection of Grain

Reinspection of grain by the Chief Grain Inspector for Canada following a disagreement from inward inspection; or a disagreement from the grading of a submitted sample.

The estimated full cost of these services is dependent on its usage and may vary from year to year due to the average quality of the crop. In poor quality crop years, the numbers of reinspections tend to increase. The fee is based on the average time to perform a reinspection.

Fee Name	Unit (per)	Current Fee	Proposed Fee for 2013-14	Activity Costs for 2014-15	Revenue Estimates for 2014-15
Reinspection of grain	Re-inspection	\$7.50 - \$25.00	\$70.48	\$0.34M	\$0.34M

The CGC currently charges different fees for different levels of reinspection services. Changes to the CGA will result in one level of reinspection.

7.3 Monitoring of Outward Official Weighing

Monitoring of outward weighing is the facilitation of official weighing of grain exported from Canada by ships, railway cars, trucks and containers in accordance with the CGC's bulk weighing procedures and documentation policies. It may also include the facilitation of official weighing of railway cars, trucks and containers loaded out for use at domestic mills, feed plants and end-use processors. A grade certificate or Certificate Final is issued certifying the quantity of the grain depending on customer requirements. Official weighing includes the approval and monitoring of weighing devices, establishing grain weight, and investigation process for cargo weight complaints from customers after export. In 2009, the CGC exempted by regulation all requirements for official inspection and weighing on grain destined for the United States. Monitoring of outward official weighing makes up an important part of the Canadian grain quantity assurance system, which assures the weight of grain to meet the requirements of international customers.

Fee Name	Unit (per)	Current Fee	Proposed Fee for 2013-14	Activity Costs for 2014-15	Revenue Estimates for 2014-15
Monitoring Outward Official Weighing - ships	Tonne	\$0.27	\$0.15	\$3.60M	\$3.60M
Outward Official Weighing - railway cars, trucks or containers	Railway car, truck or container	\$18.00	\$13.87	\$0.04M	\$0.04M

7.4 Third-Party Authorization – Inward Inspection or Weighing

Third-party authorization of inward inspection or weighing involves the CGC processing an authorized service provider application for a third-party to become a CGC authorized service provider for the inward inspection or weighing of grain.

The estimated full cost of these services is dependent on its usage and may vary from year to year. The fee is based on the administrative costs to process an application.

Fee Name	Unit (per)	Current Fee	Proposed Fee for 2013-14	Activity Costs for 2014-15	Revenue Estimates for 2014-15
Third-Party Authorization Application	Application	N/A	\$140.97	\$0.001M	\$0.001M

7.5 Licensing

Licensing involves ensuring that applicants satisfy licensing and security requirements. Main purposes are:

- Ensuring producer protection
- Facilitating operation of quality and quantity assurance system
- Regulating grain handling system

Generally, the following grain companies must hold one or more licences:

- Those that deal in or handle grain grown in Western Canada
- Those that are located along the St. Lawrence Seaway
- Those that are located along the Great Lakes

Fee Name	Unit (per)	Current Fee	Proposed Fee for 2013-14	Activity Costs for 2014-15	Revenue Estimates for 2014-15
Full-term licence	Month	\$5 or \$100	\$276.00	\$1.54M	\$1.54M
Short-term licence	Month or partial month	N/A	\$353.00	\$0.14M	\$0.14M

The CGC currently charges \$5 per month for a full term primary elevator licence and \$100 per month for full term process, terminal and transfer elevator and grain dealer licences. The CGC is proposing to have one fee for all types of licences since the costs of providing each licence are the same.

7.6 Producer Railway Cars

Producers apply for railway cars to directly load and ship their grain. Producer cars are an alternative to the licensed elevator handling system. Producer car services include receiving and processing producer car applications, and allocating producer cars.

Fee Name	Unit (per)	Current Fee	Proposed Fee for 2013-14	Activity Costs for 2014-15	Revenue Estimates for 2014-15
Producer Railway Cars	Car	\$20.00	\$26.50	\$0.32M	\$0.32M

7.7 Inspection of Submitted Samples

Submitted Samples

- Producers or grain companies may submit grain samples for grading and receive a certificate that shows grading information.
- One form of submitted sample is “Subject to inspector’s grade and dockage”.
- Submitted samples fees are included in the “Other Inspection Services” category in the appendix containing the forecast CGC budget framework.

Fee Name	Unit (per)	Current Fee	Proposed Fee for 2013-14	Activity Costs for 2014-15	Revenue Estimates for 2014-15
Submitted Sample	Sample	\$15.10-\$24.47	\$46.99	\$2.08M	\$2.08M

The CGC currently charges different fees for submitted samples of different types of grain. The CGC is proposing to have one fee for all types of submitted samples since the costs of providing each are the same.

7.8 Annual Fee Adjustments

The Proposal would provide an annual adjustment of all fees by 1.6 percent for the 2014-15 to 2017-18 fiscal year period as presented in the CGC’s *User Fees Consultation and Pre-proposal Notification* document in 2012. The annual increase would sustain service

standards for grain quality, quantity and safety assurance, producer protection and grain transaction integrity.

The 1.6 percent annual adjustment of fees is based on estimated future capital and operating costs and increases to capital and operating costs over the last 20 years. The CGC will review the annual adjustment of fees as part of its five year review cycle to ensure that an annual 1.6 percent increase remains appropriate.

7.9 Total Projected Costs and Revenues

If user fees are modernized as described in this Proposal, and applied against the average annual grain volume inspected on outward official inspection over the last 15 years, the expected new regulatory user fees revenues will represent an increase of approximately \$16.0 million annually from current annual revenue. The CGC's total expected regulatory user fees revenues in the first full year of implementation will be approximately \$53.99 million¹⁶. With costs projected to be \$59.41 million for 2014-15, the cost-share ratio with full implementation of this Proposal would be 91 percent user fee revenue and 9 percent appropriation, which is changed significantly from the current approximate 50 percent cost recovered.

The following table provides the CGC's regulatory activity costs and regulatory revenue estimates for the 2013-14 through 2016-17 fiscal years.

Fiscal Year	Activity Costs	Revenue Estimates	Annual Appropriation ¹⁷	Transitional Funding from Budget 2012
2013-14	\$70.02M	\$47.85M	\$5.42M	\$16.75M
2014-15	\$59.41M	\$53.99M	\$5.42M	\$0
2015-16	\$60.32M	\$54.90M	\$5.42M	\$0
2016-17	\$61.00M	\$55.58M	\$5.42M	\$0
2017-18	\$61.68M	\$56.26M	\$5.42M	\$0

*Activity costs and revenue estimates include costs incurred and revenue generated from fees that are not subject to the UFA or the government's regulatory process. This includes fees for some optional services, analytical testing services and documentation fees. However, this information is provided to illustrate the CGC's full sources of revenue.

8. Conclusion

The Proposal would increase user fees for outward inspection, reinspection, licensing, producer cars and grading of submitted samples to reflect the costs of providing the

¹⁶ Based on the first full year of implementation with a normal grain volume year, where the CGC inspects 23.3 million tonnes of grain on outward inspection.

¹⁷ It is important to note that annual appropriation is adjusted each year for changes to employee benefit contributions. As a result of these adjustments, the annual appropriation amount differs from the projected annual appropriation identified in the CGC's *User Fees Consultation and Pre-proposal Notification* document (November 2012) (Background Binder Tab A). These adjustments do not result in changes to the CGC's proposed user fees.

services. As a consequence of the amendments to the CGA, the Proposal would eliminate user fees for inward inspection, inward weighing, registration and cancellation; replace the outward official weighing fee with a lower fee for monitoring of outward official weighing; and create a new fee for third-party authorization of inward inspection or weighing. Finally, the Proposal would also consolidate the number of fees in the CGC's fee schedule from 52 to 18 in order to simplify and make it easier to use and administer due to its shorter length.

The CGC conducted consultations with stakeholders following the requirements of the UFA and other government guidelines. The Proposal will also keep Canadian fees in line with grain sector regulatory fees in the United States and Australia, recognizing the differences in resource and service levels, service delivery models, user profiles, regulatory objectives and sources of revenue. Updated fees would provide stable and sustainable resourcing of these services and regulatory programs for the grain sector and Canadians. These efforts will relieve the general Canadian taxpayer of the burden of subsidizing activities for which industry receives direct benefits.

Appendices

Appendix A – Proposed Canadian Grain Commission User Fees

Fee No.	Fee name	Unit (per)	Proposed fee by fiscal year				
			2013-14	2014-15	2015-16	2016-17	2017-18
Outward Official Inspection							
1	Outward Official Inspection - ships	Tonne	\$1.60	\$1.63	\$1.65	\$1.68	\$1.70
2	Outward Official Inspection - railway cars, trucks or containers	Inspection	\$143.99	\$146.29	\$148.63	\$151.01	\$153.43
Reinspection							
3	Reinspection of grain	Re-inspection	\$70.48	\$71.61	\$72.76	\$73.92	\$75.11
Monitoring of Outward Official Weighing							
4	Monitoring of Outward Official Weighing – ships	Tonne	\$0.15	\$0.16	\$0.16	\$0.16	\$0.16
5	Monitoring of Outward Official Weighing – railway cars, trucks or containers	Railway car or truck or container	\$13.87	\$14.09	\$14.31	\$14.54	\$14.78
Third-Party Authorization – Inward Inspection or Weighing							
6	Third-Party Authorization	Application	\$140.97	\$143.22	\$145.52	\$147.84	\$150.21
Supplementary fees for Outward Official Inspection							
7	Travel and Accommodation (outward)	Actual	Cost calculated in accordance with the rate set out in the <i>Travel Directive</i> of the National Joint Council of the Public Service, or if no rate is set, actual cost.				
8	Time and One-half Overtime (outward)	Hour/ employee	\$64.50	\$65.53	\$66.58	\$67.65	\$68.73

Fee No.	Fee name	Unit (per)	Proposed fee by fiscal year				
			2013-14	2014-15	2015-16	2016-17	2017-18
9	Double Time Overtime (outward)	Hour/employee	\$86.00	\$87.38	\$88.77	\$90.19	\$91.64
10	Time and One-half Overtime – Cancellation (outward)	Employee/reporting	\$193.50	\$196.60	\$199.74	\$202.94	\$206.18
11	Double Time Overtime – Cancellation (outward)	Employee/reporting	\$258.00	\$262.13	\$266.32	\$270.58	\$274.91
12	Standby (outward)	Hour/employee	\$43.00	\$43.69	\$44.39	\$45.10	\$45.82
Licensing							
13	Full-term Licence	Licence/month	\$276	\$280	\$285	\$289	\$294
14	Short-term Licence	Licence	\$353	\$358	\$364	\$370	\$376
Producer Cars							
15	Producer car application	Car	\$26.50	\$27.00	\$27.50	\$28.00	\$28.50
Grading of Submitted Samples							
16	Grading of submitted sample – unofficial sample	Sample	\$46.99	\$47.74	\$48.51	\$49.28	\$50.07
17	Grading of submitted sample – Certified Container Sampling Program	Sample	\$46.99	\$47.74	\$48.51	\$49.28	\$50.07
18	Grading of submitted sample – Accredited Container	Sample	\$46.99	\$47.74	\$48.51	\$49.28	\$50.07

Fee No.	Fee name	Unit (per)	Proposed fee by fiscal year				
			2013-14	2014-15	2015-16	2016-17	2017-18
	Sampler Program						

Appendix B – Proposed Service Standards for Canadian Grain Commission User Fees

Fee No.	Fee name	Service standard
Outward Official Inspection		
1	Outward Official Inspection - ships	<ul style="list-style-type: none"> When grain being loaded is other than grade ordered, the Canadian Grain Commission will inform the elevator staff by form IW-7. Applicable documents for final outward inspection will be issued within two business days after all of the following has been met: <ul style="list-style-type: none"> a) completion of loading; b) receipt of final documentation request from the shipper / exporter; and c) completion of all required analytical testing results. Grades are accurate (based on the official sample).
2	Outward Official Inspection – railway cars, trucks or containers	<ul style="list-style-type: none"> When grain being loaded is other than grade ordered, the CGC will inform the elevator staff by form IW-7. Applicable documents for final outward inspection will be issued within two business days after all of the following has been met: <ul style="list-style-type: none"> a) completion of loading; b) receipt of final documentation request from the shipper / exporter; and c) completion of all required analytical testing results. Grades are accurate (based on the official sample).
Reinspection		
3	Reinspection of grain	<ul style="list-style-type: none"> Reinspection by the Chief Grain Inspector for Canada will be complete and results will be available within ten business days of the reinspection request.
Monitoring of Outward Official Weighing		
4	Monitoring of Outward Official Weighing – ships	<ul style="list-style-type: none"> Applicable documents for final outward weighing will be issued within two business days after all of the following has been met: <ul style="list-style-type: none"> a) completion of loading; b) reporting of weights and documentation to the CGC; c) receipt of final documentation request from the shipper / exporter, and

Fee No.	Fee name	Service standard
		d) completion of all required analytical testing results.
5	Monitoring of Outward Official Weighing - railway cars, trucks or containers	<ul style="list-style-type: none"> Applicable documents for final outward weighing will be issued within two business days after all of the following has been met: <ul style="list-style-type: none"> a) completion of loading; b) reporting of weights and documentation to the CGC; c) receipt of final documentation request from the shipper / exporter; and d) completion of all required analytical testing results.
Third-Party Authorization – Inward Inspection or Weighing		
6	Third-Party Authorization	<ul style="list-style-type: none"> A decision will be made with respect to the authorization of a service provider within ten business days of receiving a complete application form. The applicant will be notified within one business day of authorization being given. The Canadian Grain Commission's website is updated within three business days of the effective date of the change on the status of an authorized service provider.
Supplementary fees for Outward Official Inspection		
7	Travel and Accommodation (outward)	<ul style="list-style-type: none"> Refer to the applicable service standards for outward inspection.
8	Time and One-half Overtime (outward)	<ul style="list-style-type: none"> Refer to the applicable service standards for outward inspection.
9	Double Time Overtime (outward)	<ul style="list-style-type: none"> Refer to the applicable service standards for outward inspection.
10	Time and One-half Overtime – Cancellation (outward)	<ul style="list-style-type: none"> Refer to the applicable service standards for outward inspection.
11	Double Time Overtime – Cancellation (outward)	<ul style="list-style-type: none"> Refer to the applicable service standards for outward inspection.
12	Standby (outward)	<ul style="list-style-type: none"> Refer to the applicable service standards for outward inspection.
Licensing		

Fee No.	Fee name	Service standard
13	Full-term Licence	<ul style="list-style-type: none"> • Licensees will be sent licence renewal packages three months prior to the annual licence renewal date. • After the renewal deadline and prior to the renewal date, a decision will be made with respect to the issuance of a licence. • The licensee will be notified within one business day of the licence being issued. • The licence will be mailed to the licensee within five business days from the effective date of the licence. • The Canadian Grain Commission's website will be updated within three business days of the effective date of a change in the status of a licensee. • Licensee inquiries will receive a response within one business day. • Publication of grain elevator, grain handling and elevator tariff reports.
14	Short-term Licence	<ul style="list-style-type: none"> • Licensees will be sent a short-term licence notification within five business days from the effective day of the licence. • After the renewal deadline and prior to the renewal date, a decision will be made with respect to the issuance of a licence. • The licensee will be notified within one business day of the licence being issued. • The licence will be mailed to the licensee within five business days from the effective date of the licence. • The Canadian Grain Commission's website will be updated within three business days of the effective date of a change in the status of a licensee. • Licensee inquiries will receive a response within one business day.
Producer Cars		
15	Producer car application	<ul style="list-style-type: none"> • Written acknowledgement of the receipt and processing of a complete producer car application will be mailed by the end of the next business day.
Grading of Submitted Samples		
16	Grading of submitted sample - unofficial sample	<ul style="list-style-type: none"> • An I-126 submitted sample certificate will be issued within five business days of receiving the sample and completion of all required analytical testing results, depending on operational commitment. • Grades are accurate (based on the submitted sample).

Fee No.	Fee name	Service standard
17	Grading of submitted sample – Certified Container Sampling Program	<ul style="list-style-type: none"> • An I-125 submitted sample certificate will be issued within five business days of receiving the sample and completion of all required analytical testing results, depending on operational commitment. • Grades are accurate (based on the submitted sample).
18	Grading of submitted sample – Accredited Container Sampler Program	<ul style="list-style-type: none"> • An I&W 3 official inspection certificate will be issued within five business days of receiving the sample and completion of all required analytical testing results, depending on operational commitment. • Grades are accurate (based on the official sample).

Appendix C – Example illustrating how the Canadian Grain Commission determined costs for a forecast average year 2014-15 budget for costing purposes

	Outward Inspection*	Monitoring Outward Weighing*	Licensing	Producer Cars	Other Inspection Services**	Documentation**	Totals
	Dollars \$						
Direct Costs							
Salaries, Overtime and Benefits	12,782,863	415,120	575,479	133,842	2,375,295	327,282	
Travel	544,223	14,322	12,904	5,161	133,668	23,870	
Rent	1,277,647	33,622	45,663	32,509	313,809	56,037	
Information technology	994,593	488,035	168,476	7,020	178,555	31,885	
Other non salary operating costs	855,382	14,497	5,833	0	135,305	24,161	
Licensing/producer cars	0	0	223,467	21,838	0	0	
Sub-total Direct Costs	16,454,709	965,596	1,031,822	200,370	3,136,631	463,235	22,252,363
Program Support and Divisional Support Costs							
Program support	3,165,166	1,498,745	0	0	777,409	138,823	
Divisional support	1,265,625	33,306	0	0	310,855	55,510	
Sub-total Program and Divisional Support Costs	4,430,791	1,532,051	0	0	1,088,264	194,333	7,245,438
Grain Research Laboratory (GRL) Costs							
GRL program support	4,071,552	0	0	0	168,313	0	
GRL grain standards costs	178,577	0	0	0	0	0	
GRL general research allocation	5,014,128	0	0	0	0	0	
IT- GRL support	0	0	0	0	0	0	
Sub-total GRL Costs	9,264,257	0	0	0	168,313	0	9,432,571
Capital expenditures/Amortization							
Direct capital costs	1,022,347	318,362	0	0	251,103	0	
GRL direct inspection capital costs	890,303	0	0	0	0	0	
Grain standards capital costs	39,049	0	0	0	0	0	
GRL general research allocation	1,299,185	0	0	0	0	0	
IT capital costs allocated	222,692	5,860	9,768	3,907	54,696	9,768	
Sub-total Capital Costs	3,473,575	324,222	9,768	3,907	305,799	9,768	4,127,038
Internal Services							
Governance and management	3,151,691	222,366	67,752	27,101	379,412	67,752	
Resources management	8,399,462	592,620	540,888	72,225	1,011,158	180,563	
IT general support	821,888	57,769	17,664	7,065	98,917	17,664	
Asset management	494,338	34,877	10,627	4,251	59,510	10,627	
Sub-total Internal Services Costs	12,867,379	907,632	636,932	110,642	1,548,998	276,607	16,348,190
Full Cost	46,490,712	3,729,502	1,678,521	314,919	6,248,005	943,942	59,405,600

*The full cost of outward inspection and weighing include the recoverable costs of overtime and travel. These costs are recoverable directly through separate fee codes and are included in this table for illustrative purposes but have not been included in the tables in section 7 of this Proposal due to the separate fee codes. Refer to the reconciliation table below for more information.

**Some of the costs in the Other Inspection Services and Documentation categories are to be covered by charges that are not subject to the UFA or the government's regulatory process. This includes fees for some optional services, analytical testing services and documentation fees. However, this information is provided to illustrate the CGC's full costs. Refer to the reconciliation table below for more information.

2014-15 Reconciliation Table*

	Outward Inspection	Monitoring Outward Weighing	Licensing	Producer Cars	Other Inspection Services	Documentation	Totals
	Dollars \$						
Recoverable Costs / Revenue**	3,473,036	91,396	-	-	-	-	
Net Non-Regulatory Costs / Revenue***	-	-	-	-	3,824,337	943,942	
Total	3,473,036	91,396	-	-	3,824,337	943,942	8,332,710
Net Regulatory Costs	43,017,676	3,638,106	1,678,521	314,919	2,423,668	-	51,072,890
Appropriation****	5,415,251	-	-	-	-	-	5,415,251
Net Regulatory Revenue	37,602,425	3,638,106	1,678,521	314,919	2,423,668	-	45,657,639
Full Cost / Revenue							59,405,600

*Slight number rounding differences may exist between this reconciliation table and the tables shown in section 7 of this Proposal.

** Overtime and travel costs and revenue.

*** Some of the costs in the Other Inspection Services and Documentation categories are to be covered by fees that are not subject to the UFA or the government's regulatory process. This includes fees for some optional services, analytical testing services and documentation fees. However, this information is provided to illustrate the CGC's full costs.

**** It is important to note that annual appropriation is adjusted each year for changes to employee benefit contributions. As a result of these adjustments, the annual appropriation amount differs from the projected annual appropriation identified in the CGC's User Fees Consultation and Pre-proposal Notification document (November 2012) (Background Binder Tab A). These adjustments do not result in changes to the CGC's proposed user fees.

Background Binder Tabs

A – User Fees Consultation and Pre-proposal Notification,
November 2012

B – User Fees Consultation Document, December 2010

C – Individual Fees Consultation Document (Pre-proposal
Notification), March 2011