



Spiess - Australia

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Minutes of Meeting

Meeting:	Meeting for further processors (Re: AEMIS Impact on Industry)		
Date:	Monday, 7 November 2011		
Chair:	Greg Read, AQIS Executive Manager Food Division		
Organized by:	Greg Read Ann McDonald Duane Roberts	AQIS AQIS AQIS	Executive Manager Food General Manager ...
Attendees:	Andreas Dubs Peter Gray Corey Evans Steve Martyn John Langbridge Brett McDonald Tony Klausner Peter Smith Kim Leighton	ACMF ACMF ACMF AMIC AMIC HEMC SPIESS APL AFGC	Aust. Chicken Meat Federation Inc. Inghams Enterprises Pty Inghams Enterprises Pty Australian Meat Industry Council Australian Meat Industry Council Homebush Export Meat Co. P/L Smallgoods Manufacturers Australian Pork Limited Australian Food and Grocery Council (teleconference)
Minutes written by:	Tony Klausner, Wednesday, 9 November 2011		
Minutes endorsed by:	These minutes have been endorsed by all industry representatives who have attended this meeting and are listed above under "Attendees".		

Disclaimer:

The following minutes have been produced to the best of our knowledge and understanding but do not claim to be exhaustive. The minutes were produced independently of AQIS but represent the common understanding of the outcomes of the meeting and are endorsed by all industry representatives present during the meeting.

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1. OPENING STATEMENT BY GREG READ (AQIS)

Greg Read opened the meeting by briefly explaining how we got to where we are today. Detailed information about the history surrounding the reforms leading to up to AEMIS, which date back to January 1991 when the government made the decision to contribute to the cost of export certification by the payment of a 40% rebate on the full cost. In December 2008 the Government repealed that decision announcing a return to full cost recovery from July 2009. Negotiations with industry (AMIC) and a disallowance of new fees and charges in the Senate delayed the implementation of full cost recovery until October 2011. Fees and charges for the meat export program, can be found in attached document "Cost Recovery Impact Statement" which is published on the AQIS webpage.

Greg Read finished his opening statement by putting the question to the industry representatives present "what are our major concerns and issues relating to the introduction of full cost recovery"

2. ISSUES RAISED BY INDUSTRY REPRESENTATIVES

The major issues raised and discussed were;

- The significant increase of the export registration fees for further processor. The increase being;

Current Registration Fee (per annum):

\$2,817 (including 4 quarterly ATM audits at 4 hours each)

New Registration Fee (per annum):

\$15,000 (not including 4 quarterly ATM audits at 4 hours each)

\$6,912 (4 quarterly ATM audits at 4 hours each at \$432/hr)

\$21,912 (comparable total new fees under AEMIS)

+ 778% Increase in costs imposed on each further processor licence holder

- Options to reduce the costs on an ongoing basis (change of fee model)
- Possibility of receiving government subsidies (transitional funding) for the further processors
- The poor communication & consultation with the industry prior to the introduction of full cost recovery
- The effect on the fees, AQIS budget and level of AQIS services if the industry rationalises as a result of the imposition of these fees.
- The question was raised about how AQIS will ensure that state jurisdictions keep their regulations consistent especially for processors that operate in a number of states.



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3. SOLUTIONS OFFERED BY GREG READ IN REPLY TO ABOVE RAISED ISSUES

3.1 TIER 1 STATE ARRANGEMENT (CHANGE OF FEE MODEL)

AQIS (Greg Read) acknowledged industries first concern and indicated the following option as possible solutions in response to the cost increases;

The main idea to reduce the costs to our industry sector (further processors) is to move us into what AQIS calls a "Tier 1 State Arrangement". This would mean our businesses would no longer be registered with AQIS in the same way as it is today but instead we would primarily be registered with the relevant state regulator and only be registered in the "background" with AQIS.

In his plan, AQIS would no longer audit our businesses but the audits would instead be carried out by the state regulator. The state regulator would cover "additional" audit criteria's such as "market access requirements" based on each businesses individual listing. AQIS would still have to verify that the state regulator was fulfilling their obligations in assessing and reporting compliance with the relevant requirements.

Greg Read dismissed concerns relating to foreign market access acceptance of his plan and assured us full market access integrity. Even export listings for markets such as Japan, EU, US, UAE and Singapore (all of which were mentioned during the meeting) could be covered under the new Tier 1 State Arrangement.

Under this new system the \$15,000 annual registration fee for AQIS would no longer apply and we would no longer be audited by AQIS ATM's at the rate of \$432/hr. However Greg Read could not say how this transition will affect the costs currently charged to our businesses by the state regulators. He made it clear though that he would expect the additional cost to be significantly less than the achieved savings. He referred to the much larger infrastructure available to the state regulators which led him to the conclusion that the additional cost implications caused by transferring auditing responsibilities from AQIS to the state regulators would be marginal.

He thinks that there will be some AQIS component added to the current state charges to cover annually conducted "verification audits" of the state regulators by AQIS and some funding towards "back office services". He also thought that audits conducted by other independent agencies (eg non AQIS vets who have attended appropriate training courses run by AQIS/DAFF) may also be able to be recognised by AQIS as long as they complied with the relevant standards. He also put forward the possibility that processors with a good track record may need fewer audits or less intense ones. The amount of prescribed audits (4) may be reduced.

Greg noted that AQIS is currently undertaking an "exchange of letters" negotiating with New South Wales Food Authority over the roles and responsibilities of AQIS and jurisdictions, and once arrangements are successfully concluded with NSW then it will fairly quickly roll out to other jurisdictions.

AQIS intends to have MOU's (memorandum of understanding) in place with the state regulators by January 2012 (in about 6 weeks).

3.2 TRANSITIONAL GOVERNMENT FUNDING (SUBSIDY)

Greg Read indicated that further processors could expect some sort of transitional government funding (subsidy) to help with the increased costs imposed on their businesses. This subsidy is intended to be directed to further processors in addition to any cost savings resulting as a



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consequence of potentially changing the registration model as outlined under point 3.1 Tier 1 / State Arrangement.

Even though Greg Read did not confirm any figures, he did indicate these subsidies to be in the proximity of \$2 Million (approx 30%), which would make them proportional to the ~20 Million granted to the abattoirs and fully integrated meat works establishments.

Any assistance package would be "back dated" and become effective as of 01.10.2011 and end in December 2013 when the next fee review will be due (also election time). It would also include the continuation of the 40% between 1 July and 1 October 2011 as negotiated by AMIC.

AQIS will provide detailed information about transitional government funding within the next 6 weeks.

3.3 EXTENSION AND "HOLD" PERIODS OF AQIS FEE INVOICES

Greg Read will arrange (confirmed) for the following extensions and hold periods for AQIS Registration fee invoices;

- No late payment penalties will be applied to the "Registration Fee October" Invoice which has already been sent out. The payment extension applied at this stage is 30 days.
- No further "Registration Fee" invoices will be sent out until a solution is found and agreed upon in relation to point 3.1 and 3.2

4. COMMUNICATION AND CONSULTATION WITH INDUSTRY

The industry representatives clearly expressed their disappointment about the lack of communication and consultation with the industry. It was made clear that a majority of business in our sector were not informed at all about these "reforms" until after full cost recovery had actually become effective.

AQIS did promise to improve its communication network and set up an email network and also agreed to provide the industry representatives with minutes of this meeting in an effort to increase transparency in this matter.

In reply to the expressed industry concerns about what will happen if the industry rationalises as a result of the new fees (businesses not renewing their export licences), Greg Read response was that he would shift his staff to where they were needed and dismissed concerns of further increases (...)

Kind Regards,

[May be signed by any industry representative who has endorsed these minutes]

A handwritten signature in black ink, appearing to read 'Tony Klausner'.

Tony Klausner
Spiess Australia Smallgoods
Representing various Smallgoods Manufacturer

Final

Minutes

Meeting between DAFF and the further meat processing industry

Date: 7 November 2011
Time: 10.30 am – 12.30 pm
Location: Qantas meeting rooms, Sydney Airport

Attendees

Greg Read	DAFF
Ann McDonald	DAFF
Duane Roberts	DAFF
Steve Martyn	Australian Meat Industry Council
John Langbridge	Australian Meat Industry Council
Andreas Dubs	Australian Chicken Meat Federation
Brett McDonald	Homebush Export Meat Company- Australian Meat Industry Council
Peter Smith	Australian Pork Ltd
Corey Evans	Ingham Enterprises
Peter Gray	Ingham Enterprises
Tony Klausner	Speiss Australian Smallgoods
Kim Leighton	Australian Food and Grocery Council (by teleconference)

1. Opening

The meeting was opened by the chair, Greg Read, who welcomed industry members to the meeting.

2. Overview of the new export meat fees and charges

The chair:

- advised that regulatory costs had been reduced from around \$83 million to around \$56 million for the export meat program

- noted that the government had provided \$25.8 million to support the industry as it implements the reforms, made up of \$5.8 million to provide a 40% rebate on export certification costs from 1 July 2011 until 30 September 2011 across all registered meat export sectors and \$20 million to assist with the cost of verification activities until December 2013
- advised that attention has now turned to other export meat industry sectors, including the cold stores and freight forwarders, to consider options to reduce costs- meetings had been held with the poultry processing industry, the cold stores and freight forwarders and the export casings industry
- undertook to work with the further meat processing industry to develop appropriate cost reduction options

3. Options to reduce costs

The chair noted that a great deal of effort had gone into market access work thus far in the export meat industry reforms, particularly in gaining the acceptance of alternative inspection arrangements by trading partners.

Attention had now turned to activities to reduce costs in the non-slaughter sector.

The chair advised that some options to reduce costs discussed at meetings of other non-slaughter export meat sectors were also relevant to this sector.

Options that may potentially reduce costs for this sector included:

- Better utilisation of existing state systems to monitor the further meat processing sectors- tier 1 arrangements (Inghams noted that this was already the case in NSW)
- For those establishments who wished to remain under the direct control of DAFF, consideration would be given to:
 - o Using Food Safety Meat Assessors (FSMAs) to conduct audits, where possible, and therefore reducing the cost of audits since the fee-for – service for DAFF veterinarians is higher than for FSMAs
 - o Recognising sustained good performance through reduced audit frequency
- Consideration of the use of AQIS Authorised Officers to undertake regulatory activities where possible, for example supervision of load outs where supported by importing country requirements
- Consideration of the use of authorised competent veterinarians, where veterinarians are required and where supported by importing country requirements.

In response to an industry query (Inghams), the chair confirmed that the authorised veterinarian would not be employed by DAFF and could be a company veterinarian. The authorised veterinarian would need to be trained, meet 'fit and proper' person requirements and be aware of importing country and export legislative requirements.

In response to an industry comment (Speiss Australian Smallgoods) regarding the increasing costs for this sector, the chair replied that his experience has been that exporters in countries where export costs are not fully recovered do not have any incentive to be efficient and innovative. This works against those industries.

The chair also advised attendees that previous fees and charges did not reflect the efforts of the Department.

DAFF oversight versus tier 1 or state oversight would be dependant on importing country requirements and whether state regulatory authorities were interested in this role.

The Department presented a proposal, 'without prejudice', that a figure of around \$2 million may be an appropriate amount to provide across the non-slaughter export meat sectors as a rebate on registration fees until December 2013. This would reduce the amount payable by the further meat processing sector. Any subsidy agreed would be applied retrospectively, back to 1 October 2011.

DAFF would also withhold invoices for 30 days to allow the options to be better investigated. There will be no late penalties for those invoices already issued.

The Department undertook to develop a concept paper that covered the range of options discussed and cost modelling for expected costs. The paper was to be developed in 4-6 weeks and DAFF would then schedule another meeting.

The Department also undertook to improve consultative arrangements with the industry by developing an email network with all registered exporters in the sector.

4. Summary of outcomes

The Department will write to all export registered further meat processors to:

- advise the outcomes of the meeting
- seek current email addresses to develop an email network for future consultation
- advise that a concept paper is being developed over the next 4-6 weeks for industry consideration and discussion at a future meeting

The Department will develop the concept paper and provide it to the industry.

5. Meeting closed 12 noon