



AGRIBUSINESS RESEARCH & MANAGEMENT

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ARM NOMINEES PTY LTD ATF ARM UNIT TRUST ACN 073204921

3 November 2008

The Hon. Tony Burke MP
Minister for Agriculture, Fisheries and Forestry
PO Box 6022
Parliament House
CANBERRA ACT 2600

Dear Minister,

Allocation of the AQIS Post Entry Plant Quarantine Anti-smuggling Subsidy

We are writing to advise you that the distribution of the commonwealth's one million dollar anti-smuggling subsidy to customers of post entry plant quarantine (PEQ) services has had an unfair effect on Western Australian importers of high risk plant material and is forcing the Department of Agriculture and Food Western Australia (DAFWA) to consider closing its AQIS accredited post entry quarantine service.

PEQ is a Commonwealth responsibility, undertaken by the Commonwealth and States to reduce the threat of incursion of exotic pests and diseases. The Commonwealth provides a \$1m 'anti-smuggling' subsidy to AQIS which then provides funds to importers to subsidise the cost of using the service.

Minimising the risk of entry of new pests and diseases is extremely important to the Western Australia agricultural industries and it is of paramount importance that we have efficient and effective protection mechanisms that prevent accidental entry and also deter people from bringing in material illegally.

The competitive advantage of the horticultural and viticultural industries, as with most crops, is highly dependent on having the very best genetic material available to both minimise production costs increase yields and quality and satisfy market trends.

We have recently met with representatives of DAFWA and AQIS (Mr Peter Liehne) and discussed six alternative models for service delivery. These included service delivery through AQIS's eastern states based PEQ facilities, dividing the time in quarantine across facilities located in east and west Australia to satisfy the requirements of national and state quarantine, and outsourcing the service in Western Australia. These alternatives are unacceptable because they increase the physical risk to germplasm during transport, increase the risk of importing diseases not present in Western Australia or compromise client confidentiality.

The presence of a quarantine facility in WA minimises risk and also allows multiplication of the material in the final stages of the quarantine process. An acceptable alternative to DAFWA operating a PEQ in Western Australia is for AQIS to



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operate a facility in Western Australia that specialises in pome fruit and grapes and other species where WA has regional quarantine requirements. Material that goes through a WA AQIS facility can then go direct to other states. Conversely if material enters Australia through an eastern states AQIS facility, to enter WA it has to undergo interstate quarantine adding up to an additional 24 months to the process taking importation from 2.5 years to 4.5 years.

We understand that AQIS distributed the \$1 million anti-smuggling subsidy in 2007/8 in the following manner:

- \$392,000 offsets a component of the AQIS Operational Science Program.
- \$608,000 subsidises care and maintenance of high risk plant material across the network of Commonwealth and State government plant quarantine stations.

Subsidy payments to the six State and Territory run PEQ facilities is pegged to \$50,000 in total and allocated in proportion to the utilisation of the State PEQ facilities in 2004-05 on the basis of high risk plant material including seed lines. DAFWA's share of the anti-smuggling subsidy for its customers is only \$9,500 or 0.95% of the total.

We believe that it is inappropriate to allocate nearly 40 per cent of the anti-smuggling subsidy to the AQIS Operational Science Program. This diverts funds that might otherwise reduce the cost to importers of importing material through post entry quarantine and achieve the anti-smuggling objective.

On the basis of available figures it appears that the two AQIS facilities are able to allocate \$558,000 of the subsidy to their clients. AQIS distribute its share of the anti-smuggling subsidy to importers of high risk plants, excluding high risk seed lines, using its facilities at Knoxfield and Eastern Creek at the rate of \$1.35 per square metre per day. When the Western Australian service allocates its proposed share of the anti-smuggling subsidy over the same species as AQIS (i.e. excluding seed lines) it can only pass on a reduction of 46 cents per square metre per day. This is clearly inconsistent with any reasonable attempt to provide equitable access and charging for PEQ services across Australia.

The ceiling on the anti-smuggling subsidy for importers using State and Territory run PEQ facilities is unacceptable. The resulting increase in cost to Western Australian PEQ users resulting from the reduction of the subsidy will encourage some to circumvent the quarantine import process and thus substantially increase the risk of exotic pest and disease incursions. The AQIS decision to reduce the share of subsidy to State-run facilities has the potential to expose Australia to high level of risk of unauthorised importation of plants mainly due to non-availability of AQIS PEQ facilities in Western Australia.

DAFWA currently meets a substantial proportion of the overall PEQ facilities cost. The unfair allocation of anti-smuggling subsidy compounds the situation. It is highly likely



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that the AQIS approach on this matter will result in closure of the Perth facility. Western Australian importers will agree to substantially increase our contributions to preserve this important service but to increase the fees to fully recover DAFWA's cost would result in a fee 66% higher than AQIS operated facilities charge and will encourage smuggling. A single serious exotic disease incursion costs industry and government millions of dollars in lost productivity, eradication or control measures, cancelling out any benefit from increasing fees. The PEQ service offers cheap insurance in comparison.

We believe the anti-smuggling subsidy should be allocated equitably regardless of which Government facility importers use. The anti-smuggling subsidy quantum has not been increased in 10 years resulting in competition for scarce funds between service providers and compromising effective quarantine.

We, the below signed users of post entry quarantine services request a review of the quantum, allocation of the anti-smuggling subsidy and the return of inappropriately diverted funds to WA importers. We look forward to receiving your feedback.

Yours sincerely

Neil Delroy,
MD, ARM Nursery

and on behalf of the undersigned:

David Bazzani, MD, Olea Nurseries
Allan Price, Secretary, Table Grapes WA Inc
Jim Campbell-Clause, Chairman, Western Australian Vine Improvement Association
Reece Thomas, Viticulturist, Constellation Wines (WA) representing The Wine Industry Association of WA
Allan Hill, Executive Officer Western Australian Fruit Growers Association.