



AUSTRALIAN HORTICULTURAL
EXPORTER'S ASSOCIATION

SUBMISSION TO

THE AUSTRALIAN SENATE

STANDING COMMITTEE ON RURAL AFFAIRS AND TRANSPORT
REFERENCES COMMITTEE

RE: INQUIRY INTO BIOSECURITY AND
QUARANTINE ARRANGEMENTS
PUBLIC HEARING – 7 JULY 2011

Presented by:
Alastair Scott - Executive Member
David Minnis – Public Officer

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OVERVIEW HORTICULTURAL MINISTERIAL TASK FORCE EVENTS

THE FORMATION OF THE HORTICULTURAL MINISTERIAL TASK FORCE FOR EXPORT CERTIFICATION REFORM WAS GREETED WITH MUCH ENTHUSIASM BY THE AHEA AND INDUSTRY MEMBERS ALIKE WHEN IT WAS FORMED APPROXIMATELY 20 MONTHS AGO. THE INDUSTRY PARTICIPANTS ACCEPTED THE PROPOSAL FROM THE MINISTER OF AGRICULTURE FOR A PERIOD OF REVIEW TO PURSUE POSITIVE CONSTRUCTIVE REFORM INCLUDING EFFICIENCIES IN THE AQIS PHYTOSANITARY CERTIFICATION PROCESS AND COST SAVINGS IN THE EXPORT PATHWAY PROCESS. ACCORDINGLY INDUSTRY AND AHEA MEMBERS FREELY OFFERED THEIR TIME AND CONSIDERABLE EXPERTISE KNOWING THEY WOULD NOT BE PAID FOR THEIR INPUT DIRECTLY, RATHER COMPENSATED THROUGH SAVINGS AND EFFICIENCY GAINS IN THE FUTURE VIA THEIR EXPORT ACTIVITIES. THESE BENEFITS WOULD BE EQUALLY ENJOYED BY THE REST OF THE HORTICULTURAL INDUSTRY.

THE HIGH HOPES OF CONSTRUCTIVE CONSULTATION AND POSITIVE REFORM SOON DISSIPATED AS THE AHEA MEMBERS REALISED THEY WERE BEING USED BY AQIS/DAFF TO ACHIEVE ITS PRE-ORDAINED OUTCOMES.

AQIS/DAFF HAVE RELENTLESSLY PURSUED THE CONCEPT OF TRANSFERRING PHYTOSANITARY CERTIFICATION FROM THE GOVERNMENT SECTOR TO PRIVATE ENTERPRISE EVEN WHEN THIS HAS BEEN POINTED OUT AS INAPPROPRIATE OR NOT COST EFFECTIVE.

THIS UNDERLYING AGENDA OF AQIS/DAFF DURING THIS MTF COUPLED WITH AN INTRANSIGENT APPROACH TO CONSULTATION AND THE CONTINUED PURSUING OF OUTCOMES AQIS/DAFF REGARDED AS "BENEFICIAL" CORRUPTED THIS MINISTERIAL TASK FORCE AND ESSENTIALLY RENDERED IT A WASTE OF TIME AND MONEY, YIELDING NO CONSTRUCTIVE POSITIVE OUTCOMES NOR SAVINGS.

A BRIEF SUMMARY OF SOME OF THE EVENTS OF CONCERN THAT TRANSPIRED DURING THIS MTF ARE;

THE MINISTERIAL TASK FORCE WORK PLAN

WE SPENT MUCH TIME DETAILING AREAS WE REGARDED AS THOSE OFFERING CONSIDERABLE IMPROVEMENT AND METHODS TO ACHIEVE THESE OUTCOMES.

THESE WERE IGNORED AND MANIPULATED WHENEVER IT SUITED AQIS/DAFF. THUS SIGNIFICANT AREAS OF REFORM INDUSTRY WANTED TO PURSUE WEREN'T ABLE TO BE ACHIEVED.

IN PRINCIPAL AGREEMENT BETWEEN INDUSTRY MEMBERS AND AQIS/DAFF FOR THE INVESTIGATION OF AUTHORISED AQIS OFFICERS (AAO'S)

THE MTF AGREED TO AN "IN PRINCIPAL AGREEMENT" THAT AQIS/DAFF COULD INVESTIGATE THE AAO MODEL AND HOW APPLICABLE IT WAS TO HORTICULTURE INCLUDING ITS USABILITY IN TERMS OF SUCH AAO'S WHICH ARE NON-GOVERNMENT PHYTOSANITARY CERTIFICATION CERTIFIERS.

AQIS/DAFF TOOK THIS IN PRINCIPAL AGREEMENT AND HAVE IGNORED THE FACT THAT THE MTF DID NOT AGREE TO THE ROLLOUT OF AAO'S AS AQIS/DAFF HAVE EMBARKED UPON AND ADVISED THE GENERAL HORTICULTURAL INDUSTRY.

THE MTF WAS WAITING FOR AQIS/DAFF TO BE ABLE TO DELIVER ITS ASSURANCES THAT AAO'S WOULD BE ABLE TO PROVIDE PHYTOSANITARY CERTIFICATION TO ALL THE MORE SENSITIVE MARKETS, INCLUDING JAPAN, SOUTH KOREA, CHINA AND TAIWAN AND THAT THESE MARKETS WOULD BE AWARE AND ACCEPT THIS NEW FORM OF PHYTOSANITARY CERTIFICATION.

THIS WAS ESPECIALLY OF CONCERN AS AQIS/DAFF HAD EARLIER ADVISED THAT THESE COUNTRIES WOULD NOT ACCEPT NON-GOVERNMENT INSPECTORS UNDER HISTORICAL APPROVED ARRANGEMENTS FOR PHYTOSANITARY CERTIFICATION. ACCORDINGLY THE AHEA WAS SCEPTICAL AS WERE MANY OTHER MTF INDUSTRY MEMBERS THAT AQIS/DAFF COULD DELIVER ON THEIR ASSURANCES THAT THESE MARKETS WOULD ACCEPT THESE NEW AAO'S.

TO DATE AQIS/DAFF HAS NOT ADVISED THAT ANY OF THESE SENSITIVE MARKETS HAVE ACCEPTED THE AAO MODEL OF "NON-GOVERNMENT INSPECTORS".

THUS THE ROLLOUT OF THE AAO MODEL BY AQIS/DAFF WAS NEITHER AGREED NOR CONDONED BY THE HORTICULTURAL MTF.

THE VALUELESS HYPOTHESISING OF WHAT WILL BE ACHIEVED IN THE FUTURE WITH RESPECT TO AAO'S BY AQIS/DAFF IS NOT SUFFICIENT GROUNDS FOR THE MTF TO AGREE WITH AQIS/DAFF'S ROLL OUT OF THEIR DESIRED AAO'S.

THE CONCERNS OVER PROPER USE OF AAO'S.

AHEA MEMBERS HARBOUR THE VERY REAL CONCERN THAT HAD THEY NOT RAISED CONCERNS ABOUT COUNTRIES NOT ACCEPTING "NON-GOVERNMENT INSPECTORS" (AAO'S) AQIS MAY HAVE ENABLED AAO'S TO PHYTOSANITARY CERTIFICATION INSPECTIONS TO THESE COUNTRIES. THIS COULD HAVE BEEN THE CASE AS THE ELECTRONIC PHYTOSANITARY CERTIFICATES WITH AN "ELECTRONIC SIGNATURE" OFFER NO TRANSPARENCY TO THE PERSON(S) WHO PERFORMED THE QUARANTINE INSPECTIONS. THE BASIS FOR THIS CONCERN STEMS FROM THE EXECUTIVE MANAGER BIOSECURITY FOOD HAVING BEEN MADE AWARE THAT "NON GOVERNMENT INSPECTORS" ARE PERFORMING PHYTOSANITARY INSPECTIONS FOR VEGETABLE EXPORTS TO JAPAN YET AS FAR AS WE ARE AWARE DONE NOTHING TO CORRECT THIS PROCESS THAT HAS BEEN ADVISED AS UNACCEPTABLE TO JAPAN MAFF.

OBVIOUSLY IF FOREIGN NATIONAL PLANT PROTECTION ORGANISATIONS FOUND OUT ABOUT THIS UNACCEPTABLE PHYTOSANITARY CERTIFICATION PROCESS OF THE USE OF NON-GOVERNMENTAL INSPECTORS THAT THEY HAD PREVIOUSLY ADVISED AS UNACCEPTABLE THERE WOULD BE SIGNIFICANT NEGATIVE TRADE ACCESS IMPLICATIONS.

ERNST & YOUNG BENEFITS REPORT

THE SUGGESTED SAVING REPORTED BY ERNST & YOUNG MUST BE SET ASIDE AS LACKING SUBSTANTIAL DETAIL AND FOUNDATION TO BE CREDIBLE.

AQIS/DAFF ADVISED ERNST & YOUNG THAT AN ASSUMPTION FOR THEM TO WORK ON WAS THAT AAO'S WOULD BE TAKEN UP BY AT LEAST 80% OF THE HORTICULTURAL INDUSTRY IN TERMS PHYTOSANITARY CERTIFICATION.

WE KNOW THAT JAPAN, SOUTH KOREA, TAIWAN AND CHINA WILL NOT ACCEPT "NON-GOVERNMENT PHYTOSANITARY CERTIFICATION INSPECTORS (AAO'S)".

ACCORDINGLY WE DON'T UNDERSTAND HOW AQIS/DAFF COULD SUGGEST SUCH A MISLEADING PREMISE TO ERNST & YOUNG. IN ADDITION TO THIS THERE WAS NOT A FUTURE FEES AND CHARGES SCHEDULE FOR COMMONWEALTH AQIS SERVICES TO BE COMPARED WITH AAO'S COSTS OF CARRYING OUT SIMILAR TASKS.

THE AHEA STRENUOUSLY PROTESTED TO AQIS/DAFF TO HAVE A MEETING WITH ERNST & YOUNG TO DISCUSS THEIR "BENEFITS REPORT" AND IT SHOULD BE NOTED THAT THE AHEA BELIEVES WITHOUT THE LETTER OF CONCERN SENT TO THE SECRETARY OF DAFF, APPENDIX 2, WE MAY NOT HAVE BEEN AFFORDED A MEETING AS SOME AQIS/DAFF MEMBERS ON THE MTF WERE HIGHLY OBSTRUCTIVE TO ORGANISING THIS MEETING.

WHEN INDUSTRY DID FINALLY HAVE A MEETING WITH ERNST & YOUNG REPRESENTATIVES REGARDING THEIR "BENEFITS REPORT", IT BECAME IMMEDIATELY APPARENT THAT THEIR FORECASTED "SAVINGS" WERE NOTHING OTHER THAN "HOPEFUL OUTCOMES" RATHER THAN ROBUST QUANTIFIABLE ASSESSMENTS.

WHEN AHEA MEMBERS ASKED AQIS/DAFF IF ERNST & YOUNG COULD CORRECT/IMPROVE THEIR FORECASTED SAVINGS WITH THE BENEFIT OF THE KNOWLEDGE THEY HAD GAINED FROM OUR MEETING – AQIS/DAFF ADVISED THAT ANY IMPROVEMENTS TO THEIR NUMERICAL ASSESSMENTS COULD NOT BE EFFECTED IN THEIR REPORT, INSTEAD ONLY PERMITTING A STATEMENT OF CONSTRAINTS. THIS WE REGARD AS MOST UNFORTUNATE AS AQIS/DAFF ARE CONDONING AND MANAGING A FLOW OF INFORMATION THAT IS FUNDAMENTALLY FLAWED AND NOT BASIS A FOR OPTIMAL DECISION MAKING.

THE AQIS BUDGET OF EXPENSES

THERE HAVE BEEN NO IMPROVEMENTS IN EFFICIENCIES OFFERING COST SAVINGS FROM A BUDGETARY REVIEW. REDUCTIONS IN THE COST OF THE AQIS BUDGET HAVE PRIMARILY COME FROM THE REMOVAL OF SERVICES AND LOWERED STAFFING LEVELS. AQIS/DAFF MANAGED THE REVIEW OF THEIR BUDGET COSTS IN A WAY THAT PREVENTED THE AHEA FROM REVIEWING THE BACKGROUND COSTS CONSTRUCTS TO THEIR BUDGET FROM THE GREATER POOL OF AQIS/DAFF COSTS/RESOURCES.

THIS WAS UNFORTUNATE AS THERE IS NO WAY OF KNOWING WHETHER AQIS/DAFF IS MANAGING ITS POOL OF STAFF OPTIMALLY ACROSS AREAS OF RELATIVELY EASY TRANSFER, (IE THE GRAINS PROGRAM, THE HORTICULTURAL EXPORT PROGRAM, AIRPORT PASSENGER QUARANTINE AND GENERAL QUARANTINE).

AQIS/DAFF EFFORTS TO REMOVE RFP'S (REQUESTS FOR (EXPORT) PERMITS)

AQIS ATTEMPTED TO REMOVE RFP'S FROM THE HORTICULTURAL EXPORT PROGRAM WITHOUT DISCUSSING WITH THE MTF.

AQIS/DAFF ADVISED THAT THEY WEREN'T NEEDED IN THE GRAIN PROGRAM AND WERE GOING TO BE REMOVED FROM THE LEGISLATION FOR HORTICULTURE.

THE AHEA WAS MOST CONCERNED AQIS/DAFF WANTED TO DO THIS WITH NO CONSULTATION WITH THE MTF. WE PROTESTED THIS AND ADVISED THAT THESE RFP'S WERE REMOVED WE WOULD NOT HAVE ANY TRACEABILITY OF SHIPMENTS TO NON-PHYTOSANITARY MARKETS. WITHOUT TRACEABILITY WE COULD NOT DEFEND AUSTRALIA'S REPUTATION IF CONTAMINANTS SUCH AS E.COLI OR LISTERIA WERE FOUND IN OVERSEAS MARKETS.

THAT IS THERE WOULD BE NO PROCESS TO TRACE IF AN ISSUE DID ACTUALLY COME FROM AUSTRALIA OR NOT AND MAKE CORRECTIONS IF NECESSARY.

THE AHEA REGARDED THE APPROACH OF AQIS/DAFF IN THIS REGARD AS VERY SHORT SIGHTED AND HAD TO "PUSH VERY HARD" TO HAVE THEM RETAINED.

FEEES AND CHARGES FOR FUTURE AQIS SERVICE DELIVERY

THE PROCESS OF ATTEMPTING TO GENERATE A BILLING STRUCTURE THAT ASSUMED A HOLISTIC APPROACH TO THE HORTICULTURAL INDUSTRY IN TERMS OF AN EVEN AND APPROPRIATE DISTRIBUTION OF COSTS WAS IMPAIRED AND FRUSTRATED BY THE CONDUCT OF AQIS/DAFF.

ALL TOO OFTEN THE FORECASTED INPUTS AS TO LIKELY UNITS OF RECOVERY FOR EACH DESIGNATED FEE AND CHARGE WOULD BE CHANGED BY AQIS/DAFF. THIS

ESSENTIALLY DERAILED INDUSTRY EFFORTS FOR MANY MONTHS TO COME UP WITH A SOLUTION.

AQIS/DAFF DOGGEDLY PURSUED THEIR OWN SET OF FEES AND CHARGES AS DEEMED SUITABLE TO THEM WHICH IF PERMITTED TO BE SCHEDULED WOULD HAVE CONTRIBUTED TO DECLINING EXPORTS (FAR TO HIGH REGISTERED PACKING ESTABLISHMENT REGISTRATION FEES) AND FEE PAYMENT EVASION RESULTING IN YEAR ON YEAR ACCRUED LOSSES TO THE HORTICULTURAL EXPORT PROGRAM BUDGET.

AQIS/DAFF ALSO ADVISED THE MTF WHEN A PROPOSED CONSTRUCT OF FEES AND CHARGES WASN'T TO THEIR LIKING, THAT SUCH A CONSTRUCT WASN'T POSSIBLE GIVEN LEGISLATIVE CONSTRAINTS – THIS WAS CHALLENGED AND AFTER ROBUST AND PROBING CORRESPONDENCE THE “LEGISLATIVE CONSTRAINTS” WENT AWAY!

AQIS/DAFF ADVISED US THAT FOR EACH HOUR INSPECTION/AUDIT THERE WERE FOUR HOURS OF TRAVEL. THIS INFORMATION WAS ATTAINED BY AQIS ASKING ITS STAFF THEIR WORK ACTIVITIES AND THAT THIS TRAVEL TIME (WHICH WE REGARD AS COVERING MORE THAN AN AQIS INSPECTOR GETTING FROM ONE JOB TO THE NEXT), IS TO BE SOCIALISED AS A COST ACROSS THE PROGRAM. THIS IS A MAJOR CONSIDERATION FORCED UPON THE MTF.

ON THE 29TH OF JUNE AQIS/DAFF PRESSURED THE INDUSTRY MEMBERS OF THE MTF TO AGREE TO A MODEL OF FEES AND CHARGES DURING THEIR MEETING.

THE AHEA PROTESTED THIS WAS NOT SENSIBLE AS AQIS/DAFF HAD NOT BEEN ABLE TO PRESENT THE MTF WITH A SET OF AQIS UNITS INVOICED FOR EACH CATEGORY OF CHARGES AND FEES FOR THE YTD 2010/2011 THAT AQIS COULD ASSURE US WAS ACCURATE.

THE AHEA PROTESTED THAT WITHOUT ACCURATE MOST RECENT HISTORICAL DATA, IT WAS NOT PROFESSIONAL FROM A FORECASTING APPROACH TO FORCE THE MTF TO ACCEPT ONE MODEL OF CHARGING OVER ANOTHER.

NONETHELESS, AQIS/DAFF PURSUED AN OUTCOME.

THE IRONY OF THIS BEING THAT WHILE A MODEL THAT IS A CONSTRUCT OF CHARGING WAS PREFERRED THERE WERE NO MONETARY FIGURES AGREED AS TO INDIVIDUAL CHARGES FOR EACH CATEGORY TO CONTRIBUTE TO THE RECOVERY OF THE AQIS BUDGET OF EXPENSES.

MINUTES OF MEETING IMPROPERLY KEPT

THE RECORDING OF MINUTES BY AQIS/DAFF DURING THIS MTF WERE MOST UNPROFESSIONAL.

THERE WERE MINUTES/RECORDS MADE BY AQIS/DAFF OF COMMENTS AND OUTCOMES THAT WERE SIMPLY NOT CORRECT IN ADDITION TO SIGNIFICANT OMISSIONS OF IMPORTANT CONTENT.

ALL TOO OFTEN THE AHEA REGARDED THE CONTENT OF AQIS/DAFF GENERATED MINUTES WAS TO SUBSTANTIATE THEIR OWN DESIRED POSITION AND DESIRED OUTCOMES INTO THAT OF THE MTF.

THE “INACCURATE” RECORDING OF MINUTES BECAME INTOLERABLE TO THE AHEA, TO AN EXTENT WHERE WE FELT SUBSTANTIAL MISREPRESENTATIONS WERE BEING DETAILED.

ACCORDINGLY A FORMAL COMPLAINT WAS LODGED WITH THE DEPUTY SECRETARY OF DAFF. THIS COMPLAINT IS PROCEEDING AND IT IS A MOST UNDESIRABLE STATE OF AFFAIRS FOR A MTF (SEE APPENDIX 3).

WHAT HAS BEEN ACHIEVED

IT IS MOST UNFORTUNATE THAT NOTHING OF MERIT HAS BEEN ACHIEVED IN TERMS OF AQIS BUDGETARY MATTERS AND IMPROVED EFFICIENCIES TO THE EXPORT PATHWAY EXCEPT FOR THE DOCUMENT "MARKET ACCESS AND MARKET INTELLIGENCE RESEARCH PROJECT".

AQIS HAVE ROLLED OUT AAO'S THAT OFFER NO MARKET ACCESS BENEFITS IN TERMS OF PHYTOSANITARY CERTIFICATION COMPARED WITH EXISTING APPROVED ARRANGEMENTS.

THE AQIS ROLLED OUT AAO'S ARE IN FACT A LESS DESIRABLE MODEL FOR "NON-GOVERNMENT" PHYTOSANITARY CERTIFICATION FOR BUSINESS THAN THE EXISTING APPROVED ARRANGEMENTS.

THIS IS BECAUSE AAO'S ARE INDIVIDUAL AGREEMENTS FOR INDIVIDUALS WHEREAS AA'S ARE COMPANY BASED ARRANGEMENTS. THAT IS IF AN AAO LEAVES A COMPANY THE COMPANY IS LEFT WITH NOTHING WHERE AS WITH AN APPROVED ARRANGEMENT (AA) THE STRUCTURE OF THE PHYTOSANITARY CERTIFICATION REQUIREMENTS REMAINS WITH THE COMPANY AND THUS LESSEN THE "REBUILDING" COSTS WHEN STAFF LEAVE.

ACCORDINGLY, AA'S OFFER A MORE STRAIGHTFORWARD PROCESS OF BRINGING ON NEW STAFF HAVING THEM TRAINED AND AUDITED.

AQIS HAVE ADVISED INDUSTRY THAT NO MORE AA'S WILL BE ISSUED AND THAT THEY WILL BE PHASED OUT IF NOT "STRONGLY SUPPORTED".

THEREFORE IT IS REASONABLE TO SAY THAT AQIS HAVE INSTIGATED A PROCESS OF INCREASED REGULATION IN TERMS OF PHYTOSANITARY CERTIFICATION AND COMPLIANCE COST TO INDUSTRY WITH THEIR DESIRED ROLL OUT OF AAO'S WITH NO IMPROVEMENT IN MARKET ACCESS, COMPARED WITH WHAT WAS HISTORICALLY AVAILABLE.

THIS IN ADDITION TO SPENDING IN EXCESS OF A\$1.5M DURING THIS MTF REVIEW PERIOD IS MOST ALARMING.

IN SHORT THE HORTICULTURAL INDUSTRY WOULD HAVE BEEN BETTER OFF DEMANDING THE TOTAL AMOUNT OF MONEY MADE AVAILABLE TO THE HORTICULTURAL MTF BE REMITTED TO THE AQIS STAKEHOLDERS AND NOT WASTED THE TIME OF THE AHEA NOR MANY OTHER INDUSTRY MEMBER PARTICIPANTS OVER THE PAST 18 MONTHS WITH THIS MTF PROCESS.

FOR THE REASONS DESCRIBED, AQIS/DAFF ESSENTIALLY HIJACKED THIS MTF RUINING ITS CHANCES OF SUCCESS, CULMINATING IN DISCORD AND DISTRUST BETWEEN AQIS/DAFF AND THE AHEA WHICH SHOULD NOT HAVE HAPPENED.

WHERE TO FORM HERE

GIVEN THE HORTICULTURAL MTF EFFORTS FOR REFORM WERE COMPROMISED, THE AHEA WOULD LIKE:-

1. EITHER THE CONTINUATION OF THE 40% SUPPORT MECHANISM FOR AQIS COSTS OR ALL OF THE CENTRAL OFFICE FUNCTIONS (INCLUDING EXDOC) AND MARKET ACCESS MAINTENANCE FUNCTIONS OF AQIS PAID FOR BY THE COMMONWEALTH GOVERNMENT.
2. THE UNRESERVED CONTINUATION OF APPROVED ARRANGEMENTS FOR PHYTOSANITARY CERTIFICATION AND PROCESS APPROVED ARRANGEMENTS, WITH COMPLIANCE ARRANGEMENTS AS HAS BEEN HISTORICALLY REQUIRED (NOT THE NEW AQIS DESIRED VERSION).

3. A REVIEW OF AAO'S AS TO WHETHER THEY SHOULD BE DISMANTLED IF THEY CANNOT IMMEDIATELY DEMONSTRATE SUBSTANTIAL PHYTOSANITARY CERTIFICATION MARKET ACCESS IMPROVEMENTS TO MANY NEW MARKETS PREVIOUSLY NOT ACCESSIBLE WITH APPROVED ARRANGEMENTS.

Emails of concern with respect to AQIS concept roll out of AAO's and lack of information provided by AQIS to Industry.

**APPENDIX 1A – EMAIL & ATTACHMENTS SENT TO
AQIS / DAFF 21/12/2010**

From: Alastair Scott

Sent: Tuesday, 21 December 2010 2:33 PM

Cc: Calhoun, Kylie; Read, Greg; Elson, Ray; ann.mcdonald@aqis.gov.au; 'Andre Mayne'; Solorzano, Carlos; Johnston, Greg; Stewart, Glen; Plunkett, Peter; Welk, Nathan

Subject: AQIS New Service Delivery Model - Will Industry suffer the Consequences ? A must read for all Exporters

Dear Kylie Calhoun (AQIS),

AQIS are pursuing the process of pushing Industry into more Approved Arrangements (AA's) for Phytosanitary Inspections of Fresh Produce via the Ministerial Task Force (MTF), as this was an initiative of AQIS prior to the MTF being convened.

This has simply been rebranded as AQIS Approved Officers (AAO's) but in essence the same process.

It is worth considering at the start of the MTF's life it was in the MTF's Work Plan that prior to AQIS pursuing greater Industry commitment to AA's (or AQIS Approved Officers AAO's) that a survey of whether more Industry Stakeholders wanted to take up AA's (or AAO's) than currently use them was to be conducted, to determine if this was an appropriate course of action.

This has not happened and this is most concerning, why hasn't this happened ?

Surely all good service delivery businesses ask what their customers want or disproportionately risk failure?

I believe AQIS should be putting out a costing model with sufficient detail for Individual Industry Participants to work out if this AAO is a viable option for Individual Packhouses/Exporter Entities prior to the Roll Out of this Service Delivery Model.

AQIS haven't done this and they should.

Please ask AQIS to put out a costing model suitable for Individual Industry's Participant's to workout all the costs associated with their generation of an AAO, including but not limited to scenarios regarding, necessary training programs, Audit fees and Audit schedules, failures with overseas interceptions, fields to include Exporter Staffing wages etc.

I suggest it is highly likely that once many Seasonal Industry producers/exports cost the process for AAO's they would decline this Phytosanitary Inspection process and prefer instead the Commonwealth AQIS Officer to carry out Inspections as is the case now.

Of increasing concern is the sophistication of Overseas (Importing) Country's Quarantine Services coupled with their reporting of Quarantine

Pest Interceptions found during their Quarantine Inspections on arrival of our produce and reporting these findings to AQIS.

Such Interception reports will trigger a flag within AQIS and an Audit of the AAO responsible for the Phytosanitary Export Inspection will be carried out – at A\$700 – 1,200 per Audit (this is with no amendments/corrective actions necessary post Audit) this will quickly erode any potential financial benefits of the AAO.

Consideration should also be given to the scenario of if suspensions are generated all the expenses incurred in the training and registration of an AAO will be lost.

Lets put this in perspective – there are plenty of Foreign Quarantine Interceptions of AQIS Officers Phyto Inspections now, please advise Industry how many there were to this year to, New Zealand/Thailand/Taiwan just to give some basis of understanding of these numbers and likelihood of suspensions.

This is a dangerous time for our Industry in terms of where we are going with this as if we don't protest to ensure the security of the existing Commonwealth AQIS Quarantine Inspection Service at Inspection Charge Rates that are within sensible bounds of the AQIS Horticultural Program Budget, we will find AAO's shoved down Industry throats and the nasty costs and processes associated with them will be unavoidably that of Industry for the foreseeable future.

There are no guarantees that the AQIS Cost budget for delivery of the Horticultural Program will go down with the Implementation of AAO's, they will still have to be audited and the Staffing necessary and AQIS will have lost some of the recovery basis (profit) of staff in the field to the program. So we may well find in the long run Industry is carrying out the Phyto Inspections and the same historical cost burden of the AQIS Horticultural Program is simply levied over the other parts of the AQIS Service – Phyto Certificates, some Commonwealth AQIS Inspection Fees, Registered Establishments Fees, Higher Auditing costs for AAO's etc.

I costed this Quarantine Export Inspection model for my own business and found I wouldnot be financially better off (assuming the 100% recovery of AQIS Fees) especially if there were over a year a 4-8 audits for Importing Countries Quarantine Interceptions reported back to AQIS and I had no other deficiencies. I have "process AA's" in my business (fumigation treatments etc) so I know the costs and processes well.

I strongly request AQIS provide a simple costing model and provide to all Stakeholders (AQIS Service users) to decide if it is advantageous to pursue AAO's so informed decisions can be made now prior to this Service Delivery

Model being cast in stone. That is AQIS can survey its Stakeholders and be informed as to likely uptake.

I am most concerned this Service Model will become a Millstone for all of Industry going forward if we aren't careful and protect a fallback position of Commonwealth Inspection Officers able to carry out the Quarantine Inspection at a "reasonable fee".

Please confirm how AQIS intend to protect the cost provision of this Quarantine Inspection Service for Exporters whom prefer not to take up the AAO option.

Regards,

Alastair Scott

Hannay Douglas Pty Ltd

TEL: 61 7 3426 5600

FAX: 61 7 3426 5699

MOB:0419 999 791

ps AA's have been available for a long time – the rebranding into AAO's will not make them any cheaper, I am concerned that Section 5 "Benefits to Industry" in the third attachment above, at no stage is there a reference to this being cheaper or saving Industry money – so why do it and accept the costs and risks of this process



Communiqué 2: Horticulture Ministerial Taskforce

Joint Horticulture Industry/Australian Quarantine and Inspection Service (AQIS) Export Certification Reforms

Proposed new service delivery model

The attached document provides you with details of the proposed new service delivery model for the Australian horticulture industry. I invite you to submit feedback to the Joint Horticulture Industry/AQIS Ministerial Taskforce (Horticulture MTF) as part of the final round of consultation on the preferred service delivery model.

The Horticulture MTF was set up to improve delivery arrangements for the AQIS horticulture export service. It recently reviewed Australia's current service delivery model. The Horticulture MTF also engaged a consultant to map the export supply chain and recommend improvements to increase efficiencies across the supply chain for AQIS and industry.

The attached service delivery model, developed from this work, recommends expanding and strengthening the role of AQIS Approved Officers (AAOs). The new model will give your business:

- more flexibility and control over timings of inspections
- less dependence on end-point goods inspection.

AQIS will continue to provide inspection and regulatory services to exporters who do not wish to use AAOs.

The MTF will continue to consult with you through the development of implementation plans. AQIS will develop training and provide advice and support to you in the transition to this new model. We will continue to provide you with information as the model is rolled out. Answers to frequently asked questions are also attached. You can keep up-to-date with the work the Horticulture MTF is progressing by regularly visiting www.daff.gov.au/ecrp-horticulture.

Your response to the recommendations contained in this paper is sought by close of business Tuesday, 4 January 2011.

Please address your response in writing or by email to:
Horticulture Ministerial Taskforce
c/- Kylie Calhoun
General Manager
Plant Export Operations Branch
Biosecurity Services Group
GPO Box 858
Canberra ACT 2601
Email: horticuluremtf@daff.gov.au

Or if you prefer, contact one of your Horticulture MTF representatives listed below:

Australian Horticultural Exporters Association (Co-chair)	Maxwell Summers	ahea@ahea.com.au
Fellsdale Pty Ltd	Mark Chown	fellsdale@bigpond.com
Mango Exports	Peter Delis	peter.delis.australia@gmail.com
SA Citrus Industry Development Board	Andrew Green	andrew.green@adelaide.on.net
Fruit Growers Tasmania	Lucy Gregg	bdm@fruitgrowerstas.com.au
Australian Horticulture Exporters Association	David Hunt-Sharman	dhs@rietteexport.com
Ironbark Citrus & Grapes, AHEA, CAL, Grow Com	Allen Jenkin	awjenkin@bigpond.com
Nursery and Garden Industry Australia	Anthony Kachenko	anthony.kachenko@ngia.com.au
Antico International Pty Limited, AHEA member	Hugh Molloy	antico@antico.com.au
Horticulture Australia Limited	Wayne Prowse	wayne.prowse@horticulture.com.au
SA Citrus Industry Development Board	Peter Walker	walker@riverland.net.au
Center West Exports	Peter Wauchope	peter@centerwest.com.au
The La Manna Group, AHEA member	Tony Walsh	tonyw@lamanna.com.au
Global Fruit Exchange	Stephen Smith	Stephen@costagroup.com.au
A S Barr Group, AHEA member	Joe Saina	joe@asbarr.com

QUESTIONS AND ANSWERS

Question 1: Will AQIS continue to provide inspection and regulatory services?

Answer: Yes. AQIS will continue to provide inspection and regulatory services to exporters who do not wish to use AQIS Approved Officers (AAOs). The cost for this will be met by the exporter. Export facilities wishing to shift to using AAOs may continue to use AQIS inspectors when required.

Question 2: What is an AQIS Approved Officer (AAO)?

Answer: Under the proposed service delivery model, an AQIS Approved Officer is a suitably trained, competent person approved to undertake export regulatory functions in accordance with the relevant export legislation. An AAO will be directly responsible to AQIS for any export certification activities. Becoming an AAO will involve training, a formal accreditation process and verification to ensure ongoing competency.

Question 3: If I choose to take the AAO option, do I have a deadline for when I must have an AAO in place?

Answer: There will be no deadline. Introduction of AAOs will be a gradual process largely dependant on business readiness and requirements. AQIS will work with establishments to determine individual plans for introducing AAOs. The MTF will keep you up-to-date on the progress of these reforms.

Question 4: How will I find out about training?

Answer: Once the service delivery options are finalised by the Horticulture MTF, AQIS will coordinate a training package for industry and AQIS staff. The Department will advise you in writing when this will take place, costs involved, what it will cover and logistics.

Question 5: When will these recommendations take effect?

Answer: Government funding for the reform process ends on 30 June 2011. Once the Horticulture MTF receives general consensus on the recommendations, work will begin on the legislative amendment process. This may not be completed until after 30 June 2011.

Question 6: I operate a business in a remote location. How will I get access to an AAO at a reasonable cost?

Answer: A good option for you may be to have a person within your business trained as an AAO. The scope of work your AAO could be trained to undertake includes: registration processes, inspecting goods and/or undertaking required audit activities. Having someone in your business undertaking these tasks will benefit your business. You will have the flexibility to load containers according to your operational timeframes and demands.

Question 7: I am happy with how the current system is. Why change it?

Answer: You can continue to use the current system. See Section four of the service delivery paper for more detail. The proposed system (option two in the service delivery paper) which expands the role of AAOs will give your business more flexibility and control over timing of inspections with less dependence on end-point inspections. It will also provide industry and AQIS with flexibility, so that future reforms and efficiencies will be able to be more readily adopted because we will have a modern legislative framework.

Question 8: If I now pay directly for an AAO, who will fund the day-to-day operations of the AQIS horticulture exports program?

Answer: All exporters will continue to pay for services such as AQIS verification, and Government certificates. The cost for all activities performed by the AQIS horticulture exports program will met by industry fees and charges.

Question 9: Where do I get more information?

Answer: More information about the Export Certification Reform Package (ECRP) can be found at www.daff.gov.au/ecrp. Horticulture-specific information and reform updates will be posted at www.daff.gov.au/ecrp-horticulture. New questions and answers may arise as the reform process progresses. These will be posted on the website.



Australian Government
Department of Agriculture,
Fisheries and Forestry

Export Certification Reform Package

Horticulture

**Joint Horticulture Industry/Australian
Quarantine and Inspection Service
(AQIS)
Ministerial Taskforce**

Export Certification Reforms

Proposed service delivery model

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1. INTRODUCTION

The joint Horticulture Industry/AQIS Ministerial Taskforce (MTF) was established to improve delivery arrangements for the AQIS horticulture export service. The objective of the MTF is to recommend changes to Australia's current export certification model and export legislation—ensuring it is transparent, up-to-date, flexible, and consistent with industry practices and market requirements.

Any recommended changes to legislation and export certification models should not put existing market access at risk — while still meeting International Plant Protection Convention (IPPC) obligations and importing country requirements.

This paper outlines the proposed service delivery model the MTF is recommending for consideration by industry. The purpose of this paper is to seek your feedback on the reforms to the certification model, so the MTF can move forward with implementation plans.

The MTF believes this new model will improve the current export plant product inspection system and bring benefits to the Australian horticulture industry by increasing the flexibility of the system to meet market demands. See Section 5 for more details.

2. DEFINITIONS

AQIS approved officer/s (AAO): suitably trained, competent person/s approved to undertake export regulatory functions in accordance with the relevant export legislation.

Registered establishment/s using AAO/s: export registered establishment/s engaging one or more AAOs to undertake export regulatory functions.

3. POLICY PRINCIPLES FOR FUTURE SERVICE DELIVERY

Industry and the MTF agree that the objectives of the export legislation must be maintained. That is, to ensure:

1. prescribed goods (plants and plant products) exported from Australia comply with the requirements of the *Export Control Act 1982* and subordinate legislation (*Export Control (Prescribed Goods – General) Order 2005*, *Export Control (Plant and Plant Products) Orders 2005*, *Export Control (Plant and Plant Products Amendment) Orders 2007*)
2. prescribed goods comply with importing country phytosanitary requirements
3. AQIS maintains its reputation as a reliable certifying body to support continued market access for Australian horticulture exports.

To meet international obligations under the World Trade Organisation's Sanitary and Phytosanitary Agreement and the IPPC, responsibility for issuing export permits and government-to-government certification must remain with the National Plant Protection Organisation (Department of Agriculture, Fisheries and Forestry). AQIS remains responsible for these functions.

3.1 AQIS Approved Officers (AAOs) to conduct export activities

Inspection, audit and registration functions will be performed by officials approved by the Australian Government known as AAOs. These officials will be subject to verification against nationally defined competencies set by AQIS. Performance will be monitored through verification conducted by AQIS and will be actively managed to ensure only suitable plant products are certified and exported.

3.1.1 Qualifications of AAOs

AAOs will need to receive formal training and be assessed as competent in the designated inspection and audit tasks. They will be required to maintain current knowledge of Australian legislative and importing country requirements in the context of their accredited tasks. Refresher training for AAOs will be required at regular intervals.

3.1.2 AAOs acting as Australian Government officials

AAOs are approved under legislation by AQIS to perform export certification functions and are considered to be Australian Government officials for the performance of these tasks. The following conditions apply:

1. The instrument of appointment will limit the official activities of AAOs to undertaking inspection, audit and registration activities for plant products.
2. Applicants must sign a legally binding deed of obligation which specifies their responsibilities.
3. AAOs must comply with the Australian Public Service (APS) values and code of conduct when conducting functions on behalf of the Australian Government.
4. AAOs must be fit and proper persons as defined under legislation.
5. Official activities are undertaken in accordance with AQIS Standard Operating Procedures and Work Instructions.
6. AAOs are assessed against and must consistently meet objective inspection performance standards set by AQIS.
7. AAOs can have their approval revoked for breaching the code of conduct or if they are unable to consistently meet performance standards.
8. Registered establishments using an AAO must specify that:
 - a. the AAO is responsible to AQIS for the performance of their official function
 - b. company staff will support and/or not interfere with the AAO in the performance of their official function
 - c. where AAOs also perform non-inspection and audit related tasks in conjunction with their official activities, the official functions take priority over these other activities.

3.1.3 Verification of AAOs by AQIS

Robust verification of the performance of the AAOs will be required.

- An AAO will be required to maintain records of the inspections and audits and provide evidence to AQIS in the form of reports (and in some instances visual evidence) of inspection and audit results. Records of inspections and audits must be retained and made available to AQIS for verification at any time. There is scope in the

Service delivery model

reform process for the development of new technologies and methodologies to assist the verification process.

- AQIS will formally verify an AAO's performance annually. This will involve a verification visit of the AAO and the registered establishment in which they operate.
- An AAO's performance will also be monitored on an ongoing basis. AQIS will regularly analyse the inspection and audit data entered into AQIS IT systems by the AAO. This data will be compared against national performance standards and objective measures. A number of circumstances could trigger a performance investigation. For instance, if an AAO's consignment has been rejected overseas or a number of non-compliances occur, an AAO may be subject to increased AQIS verification activities. This could result in suspension of accreditation, additional verification or drop-in verifications where samples are drawn from an inspected lot and results compared. Sanctions for non-compliance will apply to the AAO and/or the registered establishment depending upon the evidence of fault.

Recommendation 1

It is recommended the export legislation be reviewed and amended if necessary to provide for an expanded role for AQIS Approved Officers (AAOs). An expanded role for AAOs will include a transitional period to allow AQIS to reallocate resources from audit and inspection tasks to concentrate on verification, governance, training and facilitation of registered establishment/s using AAO/s. This will enable industry to engage AAOs to undertake inspection and audit tasks within export facilities.

[Please note: AQIS will continue to conduct inspections and all regulatory activities for exporters who do not use AAOs.]

4. DELIVERY OF REGULATORY ACTIVITIES

Option 1: AQIS continues to provide all export regulatory activities

AQIS will continue to conduct inspections and all regulatory activities for exporters who do not use AAOs. Existing AQIS inspector resources will primarily be used in the development of national standards, training courses, and verification and audit activities. They will also provide a facilitation role during the transition period.

Option 2: Registered establishments using AAOs

AAOs will conduct inspections, audits and other export regulatory activities.

Recommendation 2

It is recommended that two options for regulatory export services are available to registered establishments:

Option one — AQIS conducts inspections and all regulatory activities

Option two — registered establishments use AAOs.

5. BENEFITS TO INDUSTRY

Once implemented, these improvements are expected to bring significant benefits to the Australian horticulture industry. These benefits will be derived from increasing the flexibility of the system to meet market demands and could include:

1. flexible, responsive systems that support industry's operating hours
2. national standards to improve inspection consistency
3. amended orders and schedules to remove prescriptive elements and become outcomes focussed
4. quicker integration and adoption of alternative inspections technologies and techniques.

6. COST TO INDUSTRY

The resources required to staff and implement options one and two of the new service delivery model, as outlined in section 4, will be met by industry from 1 July 2011.

7. NEXT STEPS

As the MTF has now endorsed the broad concepts of this service delivery model, work can begin on:

- analysing the cost associated with the revised options
- changing legislation to accommodate proposed arrangements
- developing performance and verification tools
- reviewing future information technologies and data interchange
- developing comprehensive training modules to underpin the reform process
- developing transitional arrangements from current service delivery models (AQIS or current approved arrangements) to proposed arrangements.

Industry will continue to be consulted about the implementation plans. This will include advice about:

- registration and training for AAOs
- timelines for the introduction of new arrangements
- how to schedule AQIS to work with establishments to determine individual plans for introducing AAOs
- costs and implications for exporters under various scenarios i.e. remote locations, existing approved arrangements, etc.

The MTF will keep you up-to-date on the progress of these reforms via the website and industry communications.

More information about the Export Certification Reform Package (ECRP) can be found at www.daff.gov.au/ecrp. Horticulture-specific information and reform updates will be posted at www.daff.gov.au/ecrp-horticulture.

APPENDIX 1B – EMAIL REPLY FROM AQIS / DAFF 5/1/2011

From: Read, Greg [mailto:Gregory.Read@aqis.gov.au]

Sent: Wednesday, 5 January 2011 9:31 AM

Cc: Calhoun, Kylie; Elson, Ray; McDonald, Ann; Mayne, Andre; Solorzano, Carlos; Johnston, Greg; Stewart, Glen; Plunkett, Peter; Welk, Nathan

Subject: RE: AQIS New Service Delivery Model - Will Industry suffer the Consequences ? A must read for all Exporters [SEC=UNCLASSIFIED]

Happy new year to everyone....

Alastair – thanks for the thoughts, had this response ready prior to Christmas but got caught up with a few other issues.

Just to clarify a couple of points. The below email is framed on the belief that the use of the proposed AQIS Authorised Officers (AAOs) and the current Approved Arrangements are in some way similar – this is not the case.

To be clear – under the proposed new delivery model I see little use of what is currently called approved arrangements. These arrangements operated on the basis that regulatory requirements are embedded into the quality system of the company to ensure importing country requirements are sustainably met, with audits conducted by AQIS to confirm this outcome. One of the greatest impediments of AAs in my view is their cost, what they actually deliver, limited verification, and the lack of acceptance by importing countries – ie these models are seen as the company certifying its own product. Under the new model the company will be required (through a deed or otherwise) to commit that it will not fetter the regulatory obligations of the AAO, and the AAO can be either AQIS or non AQIS employed. I don't see any audit connected with this obligation – if there is an issue in this area its a compliance issue not an audit issue.

The AAO will need to be found fit and proper by the commonwealth and to be as competent as the current AQIS inspectors prior to them being delegated AAO status. They will also need to have in place deeds of obligations with the commonwealth committing to a range of obligations ie code of conduct, professionalism etc. Once these instruments are in place they are for all intensive purposes be AQIS regulatory officers fulfilling inspection obligations required to ensure product meets the requirements of importing countries. All AAOs whether industry or AQIS employed will be subject to monitoring and verification, and will be required to enter inspection data into the AQIS Audit Management System. When non AAOs put on the regulatory AQIS AAO hat they for all intensive purposes be one of our inspectors, and this position is what is reflected to our trading partners.

Under the proposed reform companies have the option of using an AQIS or non AQIS employed AAO. One non AQIS AAO can service more than one company. There are clearly some commercial benefits in a company having one of its exiting people where they meet the prerequisite requirements being recognised as an AAO, and being in the business of horticulture I would have expected most people to be competent in their business. The marginal cost of companys/business utilising existing people in these positions will be minimal and I would expect would parallel QA roles that presently operate.

We need to survey the industry but I would expect that the above model would result in not as many AQIS employed AAOs being required, which will impact on the total cost of this program. In addition, improvements to national data capture, improved market access conditions etc will also reduce the cost burden on industry.

From a program perspective it needs to ensure that the services it provides are clear and transparent. I suspect as with many AQIS programs they are responding to a range of requests free of charge (as a socialised benefit to free riders) – that need to be considered in the new fee and charge regimes. Also verification audits of the AAOs is another area that needs to be reflected in the new fee and charge arrangements. This area also potentially will have significant benefits in reduced program costs to the industry.

To confirm the benefits of this new model to the industry we have commissioned an EY assessment of the economic benefits of this model to the industry that will be ready in the near future.

Your assessments that you have made regarding your own business and this model are probably inaccurate as you don't have a complete enough understanding of the new model. I agree that this information needs to be more fully disseminated, with costing models available for businesses to determine if they wish to pay for an AQIS inspector or not. Again much of the detail that underpins the above new model is still under develop ie verification procedures, specific regulatory tasks of the AAO etc, but it is in this detail that the majority of benefits to the industry can be realised.

The MTF and the program need to push forward with this development in close consultation with industry , and its in this light that your communication is appreciated. Alastair always happy to take a phone call from you to discuss your concerns but I feel the above communication is useful to the broad list of stakeholders included to keep them in the loop. It would also be beneficial for AHEA members of the MTF to bring your concerns to our meeting so that we can ensure they are addressed and well communicated.

Greg Read

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APPENDIX 1C – EMAIL REPLY TO

AQIS / DAFF 5/1/2011

From: Alastair Scott

Sent: Wednesday, 5 January 2011 11:49 AM

Cc: Calhoun, Kylie; Elson, Ray; McDonald, Ann; Mayne, Andre; Solorzano, Carlos; Johnston, Greg; Stewart, Glen; Plunkett, Peter; Welk, Nathan

Subject: RE: AQIS New Service Delivery Model - Will Industry suffer the Consequences ? A must read for all Exporters [SEC=UNCLASSIFIED]

Dear Greg and All,

Your suggestion that AAOs and Phyto Certification AAs have no parallels in my opinion is a fallacy and misleading the Industry to get this “Service delivery Model Over the Line” without the robust analysis necessary on a user by user basis.

You comment below; “To confirm the benefits of this new model to the industry we have commissioned an EY assessment of the economic benefits of this model to the industry that will be ready in the near future.”

This is a Macro Review of your Proposal and not a Micro Analysis which is necessary for Industry to assess viability on a user by user basis of the AAOs – accordingly your suggestion is risking the cart before the horse. Incidentally (if my information is correct) this EY assessment was told to Industry MTF members was to happen, not asked, nor were the parameters of engagement of this Assessment discussed – hardly desirable consultation.

You are painting with a broad brush without the detail, lets get to the costing detail so accurate assessments can be made, not just be offered some grandiose macro plan that you expect Industry consideration of without numerical validation.

Without numerical assessments by Individuals nor projections from Industry to review this really amounts to “spin” in terms of “appropriateness”/“savings”.

AAOs may work for some sectors of our Industry but we need to be able assess whom and for whom this will not suit and is there a benefit or a cost.

I am interested in the detail (not the spin) as having “process” AAs for many years I am well versed in the Auditing procedures, the doctrine of strict compliance and all the costs associated using Regional Staff to achieve this and there will be many parallels if Industry (third party or in-house) engage in AAOs in terms of cost engagement. To suggest otherwise I regard as a red herring – if not state the detail.

If AQIS cannot build a model for cost analysis suitable for Industry (third party and or in-house) to assess the viability of AAOs and the suitability of AAOs for their business, then for heavens sake get the people at Ernst & Young to do it asap, as this is what the Govt funding of the MFT was ideally designed for. Then give this template out to Industry Stakeholders so they can fill it in and make an informed decision.

This would be good governance and reduce the likelihood of Industry being sent up a dry gully.

There will be substantial auditing of the AAOs as this is the way for AQIS to “verify” if they are carrying out the task appropriately and to suggest otherwise is folly.

Accordingly it is imperative that you address to all of Industry how many Quarantine Interceptions in Overseas markets were reported to AQIS last year by foreign NPPOs.

This is essential as where there was an interception report given to AQIS there is essentially a performance flag raised regarding the Phytosanitary Inspection.

This would in many/most instances produce an Audit of an AAO if they had carried out the Inspection – and the Audit costs generated by this Foreign report upon an AAO will be **????** – if an AAO gets two or three reported Interceptions in a relatively short period of time (not difficult if carrying out many inspections) when will a suspension come into play – what are the compliance and rectification processes/costs to resolve this? there is no point suggesting the merits of your proposal if you cannot answer in detail these questions for costing.

This Foreign NPPO Quarantine Interception reporting might sound odd but Australia is increasingly being advised of these matters as trading partners become more switched on in terms of Quarantine management. So giving Industry feed back as to this is imperative.

I have included the Advisory people at Ernst and Yung engaged historically and hope you find time to have produced a robust and accurate costing model using accurate data so Industry Entities can assess what is good for them, in addition to answers to the questions I have raised out to Industry. This is essential before you ask Industry to go ahead or condone your proposal of the New Service Delivery Model – anything other than this is not reasonable and shoving what you see fit down the throats of the AQIS Stakeholders.

At no time have you defined there will be AQIS Program Cost savings nor attempted to quantify the cost savings to the AQIS Hort Program Budget nor given us some sensitivity analysis, you can only do this if you know Industry uptake levels and Industry need the accurate costings to advise with any confidence one way or another.

This leads to the question of if some of Industry carry out the Phyto Inspections by its AAOs (where taken up) and the remaining costs of the AQIS Hort program are spread over the areas of collection (Reg Est Costs, Phyto Certs etc). If the net costs of running the AQIS Hort Program don't actually go down yet the revenue collect is reduced using the current charging sheet where will AQIS recover the additional revenue from?? It is worth remembering that with your proposed AAOs you are removing a potential source of Income/"profit" to the program so the non collected funds will have to be recovered elsewhere within the AQIS Charge Sheet via increases.

Show Industry the benefit – the reality is without the above you can't.

I look forward, as I'm sure most of Industry do, to some robust numerical detail, a template for costing an AAO in-house or for a third party provider and answers to the other questions raised.

Regards,

Alastair Scott

Hannay Douglas Pty Ltd

TEL: 61 7 3426 5600

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APPENDIX 2 – LETTER FROM MTF HORTICULTURAL DELEGATES TO DR. O’CONNEL - AQIS / DAFF 25/5/2011

Executive Secretary of DAFF
Dr Conall O'Connell
May 25th 2011

Dear Dr O'Connell,

Re: - Horticulture Ministerial Task Force – A Review of AQIS Service Delivery including Costs and Fees – Export Certification Reform

We are writing to outline our concerns and dismay at the “process” and “outcomes” associated with this Ministerial Task Force to date.

The Industry Members of this MTF believe their efforts to effect positive constructive change for their Industry within this period of review have been manipulated and disregarded whenever it suited DAFF, in order that DAFF might achieve its preordained agenda, primarily the roll out of Authorised AQIS Officer’s despite concerns expressed by Industry.

The Service Delivery Model currently pursued/rolled out by DAFF is being forced upon Industry and relies far too much on what we regard as misleading and unsubstantiated savings/costings. In the worst cases we would consider dangerous conduct has been engaged or is planned by DAFF to get their Model “over the line”. DAFF have used this Model to be seen to reduce their cost base as currently AQIS inspectors across the Horticultural Export Program are showing reportedly less than 30% billable utilisation. A fact that AQIS will attempt to use to demonstrate that they are passing on cost savings to Industry.

We hold grave concerns for our export future with DAFF’s Model and where DAFF wish to take this model into the future, so we are appealing for you for assistance in order to avoid DAFF instigating their processes which could put a wrecking ball through much of the Horticultural Export Industry in both the short and medium term.

This letter outlines our grievances.

It presents constructive goals which DAFF must accept and instigate within this MTF process.

Little time remains.

Matters of urgency requiring immediate attention follow;

1/ AQIS Budget for Service Delivery 2011/12

- a) Industry notes that the lower than expected AQIS's total Budget for next financial year (\$7.256m) is achieved in part by cost reductions of \$1.31M achieved through the removal of services to Industry and the Public rather than improvements in efficiency. (Refer Attachment 1).

This arbitrary removal of Services runs counter to the needs of Industry and the Public.

DAFF needs to detail how the export information previously disseminated by AQIS will be achieved in future.

Simply leaving a "service/information void" is unacceptable. It will lead to significant reductions in future exports, especially retarding the establishment of new horticultural export companies and entities and export efforts where changes in market access occur.

As to the Public responsibility of AQIS for Export Information DAFF are suggesting this no longer exists!

Is this possible within the Commonwealth's Government's Service Charter ??

- b) Fee for Service Model
DAFF provided a Fee For Service (Charge Sheet) that much of Industry does not believe appropriates the Costs to Fees of the AQIS Service accurately.
Components of the AQIS Model will encourage avoidance of payment and breaches of the Export Control Act.
Industry believes this is problematic and will cause the accumulation of losses in the forecasted Budget and if not corrected a reduction in exports.
Accordingly the AHEA has provided a break-up of AQIS's budget with a suggested Schedule of Fees (refer Attachment No 2) the AHEA regard will more accurately "payback" the cost centres of AQIS.
This will recover the money necessary to fund AQIS with less potential for Fee avoidance and the removal of incentives to breach the Export Control Act.

To date AQIS have not satisfactorily substantiated their claims to counter Industry's concerns nor the Fee Model Proposed by AHEA. This must be urgently addressed, so a consensus of what is acceptable to Industry can be pursued by the Industry Members of the MTF.

2/ Ernst & Young Forecasted Savings

“Export Certification Reform Package Program Benefits” – Ernst and Young March 2011 (refer Attachment No 3)

Industry does not accept the projected savings forecasted by Ernst & Young in the above Report with the changes in Service Delivery Model suggested by DAFF including the incorporating of Authorised AQIS Officers (AAO's).

The cost of the AQIS Budget hasn't been finalised/signed off nor the Fee for Service Charging Schedule finalise nor the Export Certification Arrangements including demand for AAOs, AA's, Commonwealth Export Inspectors finalised, yet Ernst and Young maintain they can forecast substantial savings.

Industry MTF representatives have only been given the summary pages of Ernst & Young's findings and at no time have Ernst and Young presented their findings to the Horticulture MTF for scrutiny and cross examination, nor has AQIS provided the MTF with the detailed Ernst & Young Report findings nor been prepared to answer all MTF questions.

Further to this Industry representatives cautioned the MTF and AQIS that they believed the uptake of AAO's would be small and that therefore there would be little benefit or savings from the introduction of AAO's to the horticultural industry. This was confirmed by AQIS in its own Industry survey.

This is totally unsatisfactory as the Industry Members do not expect the savings forecasted by Ernst & Young over time will eventuate. Accordingly the Ernst & Young scenario presents savings to a reader/The Minister that we regard are without foundation.

The lack of accountability/transparency of Ernst and Young's findings at this time permitted to the MTF Industry representatives by DAFF is totally unacceptable and this must be rectified immediately.

That is Industry require Ernst and Young to immediately present their findings to the Horticulture MTF including all their background assumptions and calculations.

The findings of Ernst and Young in this Report must be set aside and not presented to the Minister until the MTF are satisfied they are robust and the Horticultural MTF signs them off.

If this is not permitted to happen Industry regard the Ernst and Young document simply a set of figures modelled to suit the desired agenda of AQIS and the roll out of AAOs.

In addition the MTF has remained concerned at the original terms of appointment of Ernst & Young as AQIS represented Ernst & Young as the only Consultancy that met the service provision requirements at the time and to get another compliant consultancy would have taken too long to meet MTF timelines. Despite AQIS's endorsements Ernst & Young have continued to fail to meet all deadlines, and failed to deliver any Reports that are considered satisfactory and actionable by the MTF.

3/ AQIS's Proposed New Service Delivery Model – Authorised AQIS Officers AAOs etc

AQIS is vigorously preparing for the rollout of AAOs.

Industry is extremely concerned with this rollout by AQIS for the following reasons;

- a) At no time has Industry been provided with sufficient information regarding AAO's (necessary processes and costs) , which has been raised numerous times, and then surveyed by DAFF to understand if this Service Delivery Model was wanted by Industry – this is contrary to the guidelines that were set out in the Work Plan for the MTF where the consideration of this style of Certification Reform is detailed – this is detailed in the MTF Revised Hort Reform July 2009 Work Plan (refer Attachment Number 4) where AQIS wanted Approved Arrangements rolled out – AQIS then upgraded AAs to AAOs.

Accordingly this AQIS desired agenda and Phytosanitary Certification approach that runs the real risk of failed uptake because of AQISs lack of true and meaningful Consultation with Industry as what will work and what is needed. Industry protests in this regard have been ignored by AQIS and this is wrong.

A comment along the lines from a Senior DAFF MTF member regarding the introduction of AAO's of; "We need to get this over the line and once over the line we will fill in the detail later with a

shovel” has made sectors of Industry very worried that AAOs are going to be rolled out come what may and Industry forced myopically by AQIS to take up.

Industry wants a written assurance from DAFF/AQIS that it will not remove Commonwealth AQIS Inspectors from the AQIS Horticultural Program providing the service of physical produce Inspections necessary for Phytosanitary Certification anytime in the future.

Additionally Industry wants written assurance incorporated in the above to detail that the AQIS Fee for the provision of this inspection service accurately reflects the true and real costs of providing this physical Inspection service that is not loaded with other Program costs used to deter use.

Industry regards this as a must, as there have been multiple references made by Senior AQIS Staff that there are no guarantees that AQIS Phytosanitary Inspectors will be available in the medium term and Industry fears this is the only way AQIS will get AAOs to be taken up across the program.

- b) There has been no meaningful provision of costs for Industry participants to review the suitability of AAO's. AQIS has been asked repeatedly by Horticultural Industry participants for templates of costs for setting up an AAO and these requests have been ignored by AQIS. Industry asks why AQIS are avoiding this provision of costing models and believe it is primarily due to the costs of setting up an AAO being prohibitive for most Horticultural enterprises. The likely exception to this being large packing facilities of single lines (typically Southern Citrus Packers) as they don't suffer as significantly from production seasonality as with most other exportable Horticultural crops.

AQIS must promptly put out this costing model for Industry to circulate and calculate suitability for their business.

- c) AQIS plan to delete the availability of existing Approved Arrangements (AA's) for Phytosanitary Certification (and “process AA's”), replacing with AAO's or offering Commonwealth AQIS Inspectors in the short term.

The Horticultural MTF has been told that AQIS does not want to have AA's in place nor available in the Horticultural Program because the Grain Program does not want them.

The Horticultural Industry does not accept this reason as sufficient to delete a process that is tried, costed and working currently in the Horticultural Program.

As AAOs are untried and yet to be costed and their viability remains questionable for reasons detailed in this letter.

Industry wants AAs to remain as they are currently available with no phase out so Companies can continue as they do with the existing legislation in place – essentially there are no new cost implications with this as all the processes exist.

The current AAs in place do permit “non governmental entities” to perform Phytosanitary Certification for/ to many countries other than Japan, South Korea and Taiwan. However these phytosanitary certification AA’s are not accepted by Importing countries where access is via negotiated protocols/ mou’s including all protocol access produce lines to Japan, South Korea and Taiwan. “ Protocol lines” to these countries account for most horticultural exports in terms of tonnage and dollar values.

The AQIS requirements currently in place for AAs for the countries currently accessible are vastly more attractive to most of Industry cost and management wise than the proposed processes and structures and Industry forecasted costs of AAOs.

AQIS must accept the continuance of AAs as they currently exist without a sunset clause, as this is wanted by sectors of Industry Industry with a written assurance.

- d) Industry has had lingering concerns whether AAOs would be acceptable to countries such as Japan, South Korea and Taiwan for protocol access lines especially as Industry is aware that when DAFF approached them regarding the use of “non government” Phytosanitary Certification Inspectors (AAs) these countries would not accept this proposal and were very sensitive with respect to this issue.

AAOs are “non government individuals” although authorised by the government and AQIS expects them to perform Phytosanitary Certification Inspections of fresh produce for the destinations/countries detailed above including protocol access lines of produce.

Industry is concerned a primary reason AQIS/DAFF proposed AAOs was to circumvent the issue of some countries, especially

those detailed above, not accepting “non-government individuals” carrying out Phytosanitary Certification.

At the last Horticultural MTF meeting in Sydney, Industry asked AQIS/DAFF if they were going to ask countries if they would accept Phytosanitary Certification under their proposed AAOs. DAFF/AQIS replied they were not going to ask them if this was acceptable and went on to say they did not have to ask as they were satisfying their legal obligations.

Industry is horrified by this approach from AQIS/DAFF and doubts the validity of their comments above.

We believe this conduct by AQIS/DAFF is likely to be interpreted as “misleading” or deceptive by our trading partners, especially those having historically specified they will not accept this style of Phytosanitary Certification using “non governmental individuals”.

Basically they could interpret the efforts of AQIS/DAFF as playing with semantics.

Industry believes AQIS/DAFF are putting these export markets at risk and this is totally unacceptable.

DAFF has had a “tough enough time” relationship wise with Taiwan in recent years. The discovery by BAPHIQ of AAOs being used for Phytosanitary Certification of protocol lines could well precipitate access closure for all commodities to this Country until resolved.

Industry cannot afford this nor should it have to.

Japan, Taiwan and South Korea have signed Quarantine Agreements (MOUs) and they do not include the provision for AAO's.

If DAFF/AQIS are not prepared to ask these trading partners if they will accept AAOs, the question has to be asked, why? Industry believe DAFF/AQIS have not asked because they fear their request will be denied.

This will damage their agenda of rolling out AAOs and all the “savings” suggested by DAFF and E&Y via this process will be “lost”.

Industry insists that DAFF/AQIS either ask these trading partners if they will accept AAOs and advise Industry of the results or

declare to AQIS Stakeholders that these AAOs are not be used for these destinations.

Industry must be given written confirmation of the above clarifying the option taken by DAFF/AQIS and any results.

Furthermore AAO's are not a good fit with some of the horticultural Industry because increasingly Australian horticulture is more and more seasonal niche marketers and less and less year round volume or commodity exporters. And a majority of horticultural businesses are family businesses and the selection criteria for AAO's and which individuals can take this task up with respect to conflicts of interest means AAO's are often not feasible.

- e) Industry has repeatedly asked AQIS/DAFF for information regarding the number of consignments where Foreign National Plant Protection Organizations have advised AQIS of pest interceptions during their Import Quarantine Inspection/Clearance procedures. AQIS constantly avoid providing this information when Industry know they have it.

AQIS must provide this detail to Industry, as detailed by each country.

This lack of information is unsatisfactory as these numbers will detail in Horticulture Phytosanitary Certification even where dedicated Government Inspectors provide the end point Phytosanitary Certification Inspection, contaminants are found by Inspection Agencies overseas.

Yet AQIS in the medium term want to force all the Quarantine Inspection/Phytosanitary Certification Process onto private enterprise and will penalise by way of Audits of when these Foreign Interception reports are received.

The likely Audit/Suspension eventualities from the instigation of AAOs, will in many instances cause the exit of AAO providers, except for where they are involved in the Inspection of a few major "cleanable" "low risk" lines.

This will unsatisfactorily skew and reduce Horticultural exports in the future if AQIS have their way forcing the uptake of AAOs as the AAOs will refuse to inspect or not train to cover "higher risk lines".

The incidence of reporting by Foreign NPPOs of their contaminant interception findings to AQIS is increasing, especially as more of our markets become increasingly sophisticated in terms of their quarantine control and border protection measures.

This is another reason Industry wants the written assurance Commonwealth Quarantine Inspectors for Phytosanitary Certification Inspections will be maintained in the future.

4/ Other Issues

AQIS/DAFF have not rolled out the provision of Mojo Units as was requested across the Horticultural Program, this was avoided by AQIS contrary to Industry's requests.

Industry regarded Mojo Units as potentially one of the biggest savings in the export pathway to exporters removing much paperwork and congestion typically occurring at Region Service /Duty Desks.

AQIS/DAFF has made Industry aware there is new software coming into play in September of this year and that providing telephone line connectivity is available at the site of Inspection; equivalent release mechanisms for RFPs/Phytosanitary Certificates as with Mojo Units will be capable.

Industry accepts it is not worthwhile rolling out Mojo units at this time and instead wants a written assurance from AQIS that the suggestion above with respect to the new software and onsite release of RFPs/Phytos will be achieved in September.

Industry is concerned the policy AQIS/DAFF is rolling out without adequate consultation during this MTF process is fundamentally flawed in terms of Cost Benefit analysis to Horticulture.

All of the proposed hypothetical "savings and efficiencies" are merely a smoke screen for AQIS forcing the transfer of Phytosanitary Quarantine Inspections and Certification to the Private sector which in the vast majority of case is not what the Horticultural Industry wants.

This MTF was convened to improve the service delivery and where possible reduce real costs in AQIS's service delivery and strive to reduce costs in the export pathway for exporters.

Unfortunately AQIS/DAFF's hijacking of this MTF have prohibited any real benefits to date.

It is imperative AQIS/DAFF do as Industry requests in this MTF, as this is our Industry and AQIS/DAFF are the Service Provider.

We hope you can meaningfully engage with the relevant people within AQIS/DAFF to correct this situation and the problems detailed, so the MTF can generate some improvement in AQIS Service Delivery rather than produce a catastrophe.

Yours sincerely,

MTF - Horticulture Delegates

A.Scott: Australian Horticultural Exporters Association
Australian Tablegrape Growers Association
SummerFruit Australia (stonefruit)
L. Gregg: Fruit Growers Tasmania
S. Smith: Global Fruit Exchange
H. Molloy: Antico International

cc Senator Joe Ludwig Minister for DAFF
G. Read
K. Calhoun
Vanessa Findlay

**APPENDIX 3 – REPLY TO MTF LETTER FROM
AQIS / DAFF 6/7/2011**



Australian Government

Department of Agriculture, Fisheries and Forestry

Our Ref: MNMC2011-05637

Mr Alastair Scott
Australian Horticultural Exporters Association
621 Burwood Hwy
KNOXFIELD VIC 3180

Dear Mr Scott


Thank you for your correspondence of 25 May 2011 to Dr Conall O'Connell, Secretary of the Department of Agriculture, Fisheries and Forestry, also copied to Senator the Hon. Joe Ludwig, Minister for Agriculture, Fisheries and Forestry, raising a number of issues concerning the Export Certification Reform Program and the work of the Horticulture Ministerial Taskforce (MTF). The Secretary has asked me to reply on his behalf.

In response to your concerns, Dr O'Connell arranged for the Deputy Secretary Ms Rona Mellor to attend the MTF meeting of 29 June 2011. I also attended that meeting. Ms Mellor discussed the issues raised in your email to the Secretary, and in subsequent emails to Mr Greg Read on 15 June 2011 and to Ms Mellor on 28 June 2011, about the conduct of departmental officers and quality of minutes of MTF meetings. She informed you and the MTF members that a formal investigation into these matters would be instigated.

The formal investigation is being conducted by the department's Integrity Unit. Ms Mellor will advise you of the outcomes of the investigation once it is finalised.

Thank you again for your correspondence.

Yours sincerely


Narelle Clegg
A/g Executive Manager
Food Division

6 July 2011