



Inquiry into Biosecurity and Quarantine Arrangements

The Customs Brokers and Forwarders Council of Australia Inc. response to the *Senate Rural and Regional Affairs and Transport Reference Committee Terms of Reference 24 June 2010*

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1 INTRODUCTION

1.1 Customs Brokers and Forwarders Council of Australia Inc.

The Customs Brokers and Forwarders Council of Australia Inc. (CBFCA) is the peak industry association representing service providers in international trade logistics and supply chain management. The CBFCA represents its members and industry in a diverse spectrum of international trade logistic committees, forums and discussion groups.

1.2 Position Paper

The CBFCA Position Paper has been structured:

- in response to the key issues identified by the CBFCA on which it is of the opinion that relevant comment can be provided

1.3 Contact Details

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2 EXECUTIVE SUMMARY

The Senate Review represents to the Australian Quarantine and Inspection Service (AQIS) another opportunity to address as to how AQIS effectively, and efficiently, administers Government policy in relation to quarantine risk management at the border.

AQIS has experienced levels of review not seen in most other Federal regulatory agencies and the Customs Brokers and Forwarders Council of Australia Inc. (CBFCA) has noted this has created within AQIS an apparent paralysis as to process improvement.

Since the introduction of the Increased Quarantine Intervention (IQI) in 2001 (to meet the challenge of the outbreak of foot and mouth disease in Europe) process improvement within the AQIS import clearance process has been at best marginal. AQIS, based upon the then Government policy, worked towards a *nil risk* for arriving passengers and imported goods and as such AQIS has adopted a *barrier* approach rather than the more appropriately risk managed *filter* process at the border.

The AQIS focus on border *barrier* interdiction has created, and continues to create, international trade and transport distortions at the barrier / border and also gives rise to an unrealistic expectations (from the public and Government) as to the AQIS ability to deliver on a *nil risk* policy. This in turn, in the opinion of the CBFCA, has driven in AQIS a *risk adverse* culture which creates a lack of commitment to engage in import cargo process management.

Quarantine intervention in relation to commodity and non-commodity imports is now for industry one of the, if not the, greatest regulatory impediment at the border. While intervention levels may be a comfort to Australian domestic producers, the public and Government in that it gives a supposed level of security the reality is that the intervention is not cost efficient or cost effective and adds additional burden to end consumers while the true beneficiary(ies) of the outcomes remain cost neutral.

Since the introduction of IQI in the financial year 2001 / 2002 the cost to industry, based upon the AQIS user fee recovery together with business costs, is estimated to be well in excess of \$1 billion. A cost benefit analysis, so the CBFCA understands, has not been considered or undertaken by AQIS or Government on this intervention. It is estimated that a similar amount will be expended on AQIS cost recovery over the next five years.

The CBFCA is of the opinion that Australia not only requires, it indeed expects, that the quarantine challenge will be met by a regulatory agency which is:

- highly skilled
- regulatory and business focused, and
- information technology capable

all of which will underpin a risk mitigation strategy based upon a scientific risk assessment.

3 ASSOCIATION INTERFACE

The CBFCA has had a long and beneficial involvement with the AQIS. It has made submissions to, and participated in, Federal Government reviews / inquiries relating to animal and plant quarantine policy / procedures commencing with the then Minister for Primary Industries announcement of the major Quarantine Review of May 1987. The CBFCA notes that since 1987 there has been a high level of reviews of quarantine functions, services and other activities by Parliamentary committees, the Australian National Audit Office (ANAO) or other forums and it is perhaps timely that the Committee is again addressing quarantine issues.

As to the interface with AQIS the CBFCA undertakes bi-lateral policy and process discussions at both National and Regional levels and, through the AQIS Industry Cargo Consultative Committee (AICCC) (and through its membership of the Industry Working Group on Quarantine (IWGQ)), works at a multi-lateral level to provide industry guidance and direction as to cost effective and cost efficient AQIS processes.

The CBFCA through its Board and Administration has a comprehensive understanding of Australian quarantine policy and process as it relates to import and export cargo. In addition as a result of its membership of international and regional non-governmental associations such as the International Federation of Freight Forwarders Associations, Federation of Asia Oceania Customs Brokers Associations, the International Federation of Customs Brokers Association, membership of the Private Sector Consulting Group to the World Customs Organization and its work in bi-lateral arrangements with industry associations representing service providers in Canada, the United States of America, Japan, Korea and New Zealand the CBFCA would suggest to the Committee is in a position to comment on end-to-end supply chain quarantine biosecurity requirements within the *continuum of quarantine*.

3.1 Guiding Principle

In making this submission the CBFCA has focused on those areas of the Terms of Reference which the CBFCA, and its members, are able to provide appropriate and relevant comment. These comments relate to AQIS key process as they impact on the importation of goods rather than strategic quarantine policy.

The guiding principle for the CBFCA and its members is that Australia maintains the highest level of quarantine and biosecurity integrity so as to ensure Australia's position in international trade is maintained, and enhanced, by providing an Australian *quarantine differential* as to competing economies.

3.2 Australian Quarantine

The CBFCA philosophy and support to AQIS have been founded on the key issues from the Nairn Review¹ in particular:

- *a shared responsibility*
- *continuum of quarantine*
- resources and legislation

¹ P XI-XXII Australian Quarantine *a shared responsibility*, Department of Primary Industry and Energy, Canberra 1996

- risk analysis
- border activities, and
- consultation and decision making

As previously stated these founding principles remain as relevant in 2010 as they did in 1996

4 ISSUES

4.1 *Adequacy as to current biosecurity and quarantine arrangements, including resourcing*

AQIS intervention at the border and its related processes should not be, in the opinion of the CBFCA, a barrier but more a filter in that a *nil risk* approach is neither sensible nor achievable. Growth in international trade driven by the reduction in trade barriers, improving transportation, globalisation of industry and improvements in information technology all enhance economic competitiveness and Australia's AQIS and Australian Customs and Border Protection Service border intervention process must be efficient and effective.

In addressing the aspects of import and export trade it should be noted that containerised cargo, notwithstanding the global financial crisis, is projected to increase at a conservative annual rate of 5-6% to 2015. Supply chains, seaports, airport cargo terminals, intermodal hubs and transport links will be placed under business and regulatory pressure by these increased levels of international trade.

These pressures will be further compounded by the growing trends towards just-in-time delivery, as well as the burgeoning internet sector of consumer driven trade through express carriers and postal arrangements. Cost plays a pivotal role in the international supply chain and it is critical that AQIS works to meet this challenge, to develop strategies which focus on improving efficiency so that its cargo management process is appropriate as to regulatory intervention and does not negate competitive advantage from business improvements.

AQIS cannot hope to meet these challenges unless there is a clear set of agreed strategies as to process implementation. A reflective view of existing AQIS arrangements while appearing to be appropriate and adequate would suggest AQIS needs to meet the needs of risk assessment to quarantine intervention. In the past five years, AQIS cargo management processes have remained sluggish as to these demands and based on forecast growth in international trade (post the global financial crisis) AQIS will need urgent and sustained change to meet this challenge. Existing AQIS cargo management processes are, in the CBFCA's opinion neither efficient nor necessarily effective and a need exists for AQIS to focus on managing quarantine risk rather than on managing documentation.

There is, in the CBFCA's opinion, a lack of transparency in AQIS operations with a clear movement away over the last two years from meaningful dialogue to consultation for consultation sake. A lack of key performance indicators does not provide for AQIS or industry to determine the effectiveness of existing programs. These aspects are of particular interest to industry on the basis of the AQIS fee-for-service which is levied by AQIS in relation to services that it delivers. In essence those who pay for the service should have the right to have justified the cost and efficiency to effectiveness of that service delivery. Industry has no other option in relation to the AQIS monopoly service delivery. Such transparency needs to be reinvested.

4.2 *Projected demand and resourcing requirements*

Of particular interest and concern to industry is the methodology of determining the cost for delivery of user pays services. There have been significant increases in AQIS resource requirements and cost to deliver services to industry in the past five (5) years. However, from industry's review of information available it appears the business volumes under the respective programs have not increased at the levels of

the cost recovery arrangements and in the past year little, if any, information has been provided to industry, for it to make an objective assessment of the recovery of fee-for-service arrangements.

The CBFCA on behalf of its members who are, in the first instance, the recipients of and pay the fee-for-service (subsequent to a pass through to their respective clients) has not been satisfied with the transparency of data provided by AQIS in relation to fee variation. As the key industry association whose members are required to meet the demands of the user fees it referenced this issue to the Minister for Agriculture, Fisheries and Forestry in 2009. In relation to the fee change in 2009 the CBFCA notes in particular the Cost Regulatory Impact Statement (CRIS) and certain comments provided to the Senate Estimates in relation to that fee change. The CBFCA has difficulty in agreeing comments on some of the key issues noted in the CRIR and Senate Estimates Hansard.

4.3 Progress towards achievement of reform of Australia's Quarantine and Inspection Service export fee and charges

As referenced above the CBFCA's position in relation to the fee-for-service review is based upon what has it has noted over the previous two years as to a deterioration in the interface between AQIS and industry on a transparent and efficient import fee review process.

Industry in general and the CBFCA, in particular, have raised specific concerns on the imposition on industry of cost burdens which, in its opinion, do not meet the Productivity Commission's Report as to appropriate cost recovery mechanisms nor, in its opinion, the Department of Finance's cost recovery arrangements.

These aspects have been referenced in collective industry consultation with AQIS however issues still remain to be resolved.

4.4 Implementation of the Beale review recommendations

While the Beale Review was released in 2008 and the Government provided a commentary in relation to its agreement in principle to the Recommendations it is suggested that progress of the Recommendations has been, notwithstanding normal Government and regulatory processes, slow.

As each day progresses the impetus and bearing of the Beale Review continues to diminish. The CBFCA had hoped that the Beale Review and Recommendations would see significant process change however to date it could be suggested that the changes would give any encouragement to industry that the Recommendations, which impact on the risk return of AQIS, will be achieved.

4.5 Other Comments

The CBFCA perceives that a cultural change is needed in AQIS for it to become commercially focused as to enable it to work collaboratively with industry to achieve outcomes.

While it is understood that AQIS suffers the staff related issues of all large enterprises the CBFCA perceives that AQIS staff need to be confident in their risk assessment rather than fearful as to the consequences of their actions.

The CBFCA sees that staff morale and culture need to be addressed firmly and effectively by AQIS senior management and the constant change of AQIS Executive Directors over the past eight (8) years has not helped in such staff morale or industry confidence.

Staff resources need to be assessed to ensure there is an allocation based upon demand / volume to outcomes and a need exists to review staff accessibility and availability to industry. This aspect will be exacerbated in an industry where at a minimum operates 18/6 and in the near future a 24/7 operational pattern.

From a CBFCA perspective ongoing and effective consultation rather than consultation for consultation sake with industry is critical to meet quarantine objectives and only through working with industry will AQIS realise the implementation of Government policy and process on quarantine.

Consultation without deliverables is of no benefit to either party.