

**SUBMISSION TO THE SENATE RURAL &
REGIONAL AFFAIRS & TRANSPORT
REFERENCES COMMITTEE**

**REMOVAL OF FEE REBATE FOR
AQIS EXPORT CERTIFICATION
FUNCTIONS**

**HORTICULTURE AUSTRALIA COUNCIL
AUGUST 2009**



INTRODUCTION

Horticulture Australia Council (HAC) is the peak national industry body representing the Horticultural industries. Members of HAC are the national peak industry bodies (PIBs) for the Horticultural industries, and State grower organisations. Horticulture Australia Council (HAC) represents over 97% of the Australian horticulture industry, and its Member organisations include:

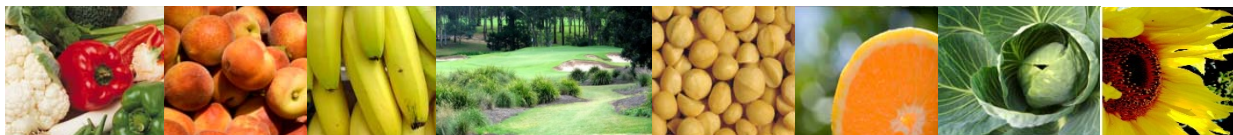
- Apple & Pear Australia
- Avocados Australia
- Australian Banana Growers' Council
- Australia Custard Apple Growers
- Australian Mushroom Growers Association
- Australian Nut Industry Council
- Ausveg
- Cherry Growers of Australia
- Citrus Australia
- Fruit Growers Victoria
- Growcom
- NSW Farmers' Association
- Northern Territory Horticulture Association
- Nursery and Garden Industry Australia
- Persimmon Industry Association
- Strawberries Australia

Horticulture in Australia

Horticulture in Australia is intensive, generally irrigated, agriculture. Horticulture is a diverse industry, spread across the continent in a wide array of climates. Horticulture is the second-largest and fastest growing industry in agriculture; with some 30,000 businesses nationally, and a farm-gate value of \$9 billion.

Total horticultural exports in 2006/07 were \$763 million. As the most labour intensive of all agricultural industries, Horticulture employs one-third of those employed in agriculture. The industry is the principal driver of many local communities and economies in rural and regional Australia.

HAC welcomes the opportunity to provide this submission to the Senate Rural and Regional Affairs and Transport References Committee, on behalf of the horticulture industries.



SUBMISSION

Response to Issues

A. The level of industry support for the removal of the 40% fee rebate prior to the implementation of comprehensive reforms of AQIS's export inspection and certification services

To the best of our knowledge, the potential removal of the rebate was first raised in the public arena with the publication in 2008 of the report of the Beale Review into Australia's Biosecurity and Quarantine Services.

It may have previously been raised with members of the Horticulture Export Consultative Committee (HECC). The use of the term 'consultative committee' here is an unfortunate misnomer, as it seems members of the Committee were required to sign confidentiality agreements which severely restricted their ability to consult with the industry they were supposed to be representing.

As background, it is our understanding is that the 40% fee rebate was introduced some 8 or 9 years ago. Exporting industries had for many years expressed concern in relation to perceived inefficiencies and lack of cost-effectiveness of AQIS as a service-delivery agency. The policy intent of the rebate was apparently to 'cushion' the impact on those exporting industries until the long-awaited reforms could be implemented.

It is hardly surprising, therefore, that agricultural exporting industries reacted with shock and dismay when the Government announced that the rebate was to be terminated in this financial year. It appeared that, unbeknownst to industry, there had always been a 'sunset clause' on the provision of the rebate.

Unfortunately, none of the desired reforms had yet been effected. As a consequence, industry felt understandably "cheated" – they were to be required to pay at a much higher rate, and none of the reforms was yet in train (though many were mooted in the Beale Review Report, yet to be given an implementation timetable).

Under the circumstances, the Horticulture industries vehemently opposed the (in our view) premature removal of the rebate, as we believe it is a poor policy response.

Independently of the issues emerging in relation to the proposed removal of the 40% rebate, HAC approached AQIS in March 2009 with a series of proposed reforms for the Horticulture Export Program. The key principles behind these reforms can be summarised as follows:

- ◆ AQIS is currently a service provider to the Horticulture industry, and charges on a cost-recovery basis
 - the Horticulture industry believes that there are significant benefits, in terms of both costs to the end-users (i.e. in terms of the viability of some markets), and resource savings for AQIS, in looking at other models.
- ◆ The Horticulture industry proposes a market-based approach
 - a revised, risk management approach to Export Inspection and Certification, including revised/expanded Approved Arrangements

- industry has existing mechanisms, which provide potential models for such an approach, which have been working well for many years.
- ◆ Horticulture proposes a self-regulated accreditation and auditing/certification system
 - with the training and audit of the 3rd party auditors undertaken by AQIS;
 - the proposed system would be a sliding-scale (perhaps 1-5), with the level of Certification and associated costs responding directly to the requirements of the importing country; for example:
 - Level 1 would relate to non-phyto-sanitary markets (Ex28, or RFP);
 - be based on minimum common phyto-sanitary and MRL standards (Level 2);
 - sub-levels may be required to reflect transport by air, sea, etc.;
 - certification (and costs) to be borne ONLY by those exporting that product to those importing countries.
- ◆ A centralised office in AQIS for electronic certifications and invoicing is critical and urgent; with extended hours (and covering weekends).
- ◆ Industry also proposes revised consultation mechanisms
 - including replacement of the existing HECC structure with a new, genuinely consultative, structure.

In early April, a HAC delegation met with senior AQIS officials, and agreed these key principles and this outline of the proposed Reform Agenda for the Horticulture Export Program. These were agreed to later that month by the Minister (for Agriculture, Forestry & Fisheries, The Hon. Tony Burke), and have formed the basis on which the Ministerial Taskforce developed the Workplan for the Horticulture Reform Program.

Subsequently, the Government offered the agricultural exporting industries a Reform Package of financial assistance to expedite the desperately-needed reforms across the sector. **The view of the Horticulture industries is that proceeding with the proposed reforms apace is the best, lasting, solution to this unfortunate situation; as we believe that the reforms should lead to significant efficiencies and cost-savings in the Horticulture Export Program, and thus improve the service delivery to end-users (growers, packers and exporters).**

B. The adequacy of consultation by the Government in the development of industry workplans

In our view, the Government took on board industry's concerns about the restrictive nature of the membership of HECC, and made an effort to ensure that membership of the Ministerial Taskforce was broadly based, and able to speak on behalf of a wide range of participants in the Horticulture Export Program.

Unfortunately, the nature of the development of the Workplans meant that there has been limited ability for Taskforce members to consult (eg on draft documents) with their constituents. Happily, the HAC Taskforce was in the fortunate position of having previously consulted with industry on the key principles and areas of reform, and so was well placed to build on this earlier work.

C. The capacity of the Government, including AQIS, to implement efficiency proposals

In our view, this is high for most of the proposed reforms.

AQIS have repeatedly assured us that the proposed reforms are possible, and that they are well-motivated to achieve them in the given timeframe – though the timeframes vary depending on the proposed reform (as some will require legislative changes, for example). We have also been given an assurance that the monies allocated for this financial year by the Government for the Reform Agenda will be available to complete the work (even if some of this is required into early next financial year).

The only caveat we have is that some of the proposed reforms (eg industry self-regulation and a market-driven approach to inspection and certification) are, however, dependent on the importing country's acceptance of the proposed approach. We expect AQIS's best efforts to secure such acceptance, but acknowledge that this is not within AQIS' control.

D. The adequacy of Government funding to implement industry workplans

Until the first steps, an audit of the existing cost structure and modelling of the proposed reforms, are completed, it is difficult to make a judgement on this issue. At this point, industry believes the funds allocated to the Horticulture Export Program will be adequate to effect the desired reforms.

E. The financial or other impact on industry sectors of the failure to meet reform targets

Clearly, the impact on industry will commence immediately upon the removal of the fee rebate, and will continue until the reforms can be progressed – a major incentive for industry to ensure that the reform targets are met in the shortest possible timeframe, as it is the end-users who will bear the burden.

Again, until the audit of the existing cost structure and modelling of the proposed reforms are completed, it is difficult to make pre-suppositions on the cost impact on industry.

Once the reforms are underway, however, it is our hope that the current AQIS fees and charges structure can be reviewed, and (where possible) revised in an iterative manner to take account of cost savings achieved thus far.