

SENATE STANDING COMMITTEE ON RURAL AND REGIONAL AFFAIRS AND TRANSPORT

Inquiry into the removal of rebate for AQIS export certification functions

SUBMISSION

SUBMISSION NUMBER: 14

SUBMITTER

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Date Received: 4/09/2009

Documents

Document	Type	Pages	Confidential
gam1664 abb submission senate inquiry aqis rebate august 2009.pdf	Submission	4	No



Ref: CSD/GAM1664/gam

31 August 2009

Committee Secretary
Senate Standing Committee on Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Sir/Madam

Inquiry into the removal of rebate for AQIS export certification functions

ABB Grain Ltd would like to make a submission to the Inquiry into the removal of rebate for AQIS export certification functions.

ABB Grain Ltd (ABB) is a leading member of the Australian grain industry, marketing, storing and processing millions of tonnes of grain annually. A publicly listed company based in South Australia, the company is one of the world's largest exporters of malting quality barley. ABB's Joe White Malting division being one of the world's top ten salesmasters.

ABB's extensive network of grain storage and handling facilities in South Australia includes one hundred and six storage facilities including seven export facilities (or ports). This network now extends to include a 50% interest in Australian Bulk Alliance Pty Ltd (ABA) silos in country Victoria and New South Wales, and a 25% interest in the Port of Melbourne grain terminal.

Our grain marketing business is one of the biggest in the nation with operations in all states, covering both export and domestic trade in a broad range of commodities including barley, wheat and other cereals, pulses, oilseeds and other agricultural commodities.

Issues for Review

ABB intends on commenting on issues a, b, c, d, e, f and g.

- a. ***the level of industry support for the removal of the 40 per cent rebate prior to the implementation of comprehensive reform of AQIS's export inspection and certification services;***

Prior to the announcement that comprehensive reforms to AQIS's export inspection and certification services were to be undertaken, ABB was opposed to the removal of the 40 percent rebate on the cost of AQIS operations.

We were concerned about the additional impost the extra charges would have on the grains industry, particularly with no means of mitigating those extra charges through improved efficiencies.

ABB welcomes and supports the Government's reform agenda and firmly believes industry will eventually have the choice of cheaper alternative service options. It is still an issue though that the realisation of these alternatives will not be available for some time. In the meantime industry is being asked to bear the increased charges for AQIS services.

b. *the adequacy of consultation by the Government in the development of industry work plans;*

The Government, through AQIS, have worked extremely hard to ensure there is good consultation with the grains industry in the development of work plans into the reform of AQIS's export services. AQIS worked very closely with a sub-group of the AQIS Grains Industry Consultative Committee (AGICC) to develop the preliminary work plans.

Industry Members of the Grains Industry Reform Task Force include;

Grains Council of Australia,
Grain Trade Australia,
Pulse Australia,
Australian Oilseeds Federation,
Australian Seed Federation,
ABB Grain Ltd,
Graincorp,
CBH Group
GrainPool,
AWB Ltd,
Sunrice,
A&B Grain,
Australia Fodder Industry Association, and
The Australian Grain Exporters Association.

The preliminary work plans are currently being developed and refined, with a very large emphasis on consultation with the broader industry through a combination of face to face meetings, industry workshops and surveys.

c. *the capacity of the Government, including AQIS, to implement efficiency proposals;*

Management within AQIS is working very closely with Industry through this process and any issues that may affect the implementation of the reforms should be addressed. At this stage AQIS management have demonstrated a strong desire to work with Industry in identifying areas where reforms and efficiencies and be implemented. Industry recognises that Australia has obligations to ensure exports comply with importing country regulations and the effect this may have on reforms.

d. *the adequacy of government funding to implement industry work plans;*

The Government has agreed to provide funding for the reform process of \$40 million in total, with \$3.95 million for the grains and plant products industries. We do not have any concerns in respect to the level of funding that the government has provided to allow reform items to be identified and implemented. Preliminary budgeting by the Grains Industry Task Force has identified that all the funding allocated will be needed in the implementation of our work plans.

There are however two areas of concern in respect to implementation;

1. The timelines for industry to be able to adequately consult with industry, develop alternative options, amend legislation and then implement the reforms, and
2. Industry having to bear the cost of the increased charges until the reforms are implemented.

Industry has been advised that the funding provided by government is only available until 30 June 2010. As the work plans are being developed we are concerned that the 30th June 2010 deadline is placing some extremely tight timelines to conduct adequate consultation, to properly investigation alternative inspection and / or certification options, to rewrite much of the legislation and to then implement the reforms. We believe that to do this task properly may take much longer than the current timeframes in which the task Force is being asked to work.

In respect to the second concern, industry is being asked to bear the increased costs of AQIS services before the reforms have been introduced. The capacity of many exporters to pass these costs on will be very limited, causing an additional cost squeeze that many can not afford.

e. *any progress on meeting targets in industry work plans;*

There has been significant work on the development of the industry work plans. This has however highlighted the complexity of the process and raised our concerns about the timelines available to complete the whole process effectively.

f. *the financial or other impact on industry sectors of the failure to meet reform targets;*

If the reform targets are not met, this would have two serious impacts.

1. The Government has indicated that funding will cease as of 30th June 2010. This would effectively stop the reform process.
2. Industry would have borne and will continue to bear the increased costs of AQIS services.

g. *any other relevant matter.*

ABB very strongly supports the reform process. Exports of grain products are extremely important source of export income for Australia and for Australia to remain competitive in the world market we need a range of flexible inspection / certifications options available to industry.

The reform process will allow industry to identify a range alternatives that will provide individual exporters the opportunity to choose the option that best suits their business. We are however dealing with a number of importing countries and we recognise that it is essential that we continue to meet our obligations in respect to the

certification of grain.

Through the Government's commitment to the reform process, we now have the opportunity to take a major leap forward in the delivery of inspection and certification services. It is essential that we do not lose this opportunity.

The critical issue is the time constraints to complete a truly effective review brought about by the time limitation of funding and the need for reforms to be introduced as quickly as possible to offset the increased costs.

A solution would be for the Government to provide support funding to AQIS services until the reforms are implemented. An alternative is for industry to use some of the reform funding as a rebate to industry. This would however be detrimental to the effectiveness of the reform process. It is important that the Government continues to provide the current level of funding, but potentially over a longer period of time.

Yours sincerely

Geoff Masters
QUALITY & TECHNICAL SERVICES MANAGER