Charles Armstrong
President

4 September 2009

Ms Jeanette Radcliffe
Committee Secretary
Senate Rural and Regional Affairs and Transport References Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Via email: rrat.sen@aph.gov.au

Dear Ms Radcliffe

Re: Management of removal of fee rebate for AQIS export certification functions

Thank you for your letter dated 26 August 2009 inviting the NSW Farmers' Association (the 'Association') to provide comments on the management of removal of fee rebate for Australian Quarantine and Inspection Service ('AQIS') export certification functions.

Exports are an essential component of the Australian and NSW agricultural industries. NSW agricultural exports in 2006/07 were valued at over $1billion. As such any changes to arrangements that impact on the earning capacity of farmers from exports will be of concern to the Association.

The Association has identified the following concerns regarding the removal of the 40% cost recovery for AQIS certification.

Benefits of improved efficiencies
The Government has indicated that there will be an increase in efficiencies within AQIS to counteract the 40 percent increase in export certification costs. The Beale Review also indicates that cost recovery arrangements would improve economic efficiency within AQIS.

The Association is supportive of measures that will promote efficiencies within AQIS however there are concerns that such efficiencies will be difficult to quantify. Furthermore, it is not clear that they will directly offset the increase in costs incurred by those required to pay the additional 40 percent inspection fees.

The Association is aware that actions are already being undertaken to realize efficiencies within AQIS. In light of this, the Association would appreciate a clear outline of measures taken, their costs savings and how this will flow through to exporters so there can be accountability and reconciliation of the costs savings. The

Association would also like to know why the efficiencies have not been created prior to the removal of the 40 percent cost recovery.

The Beale Review notes that as corollary to the recommendation on cost recovery there should be a focus on greater use of co-regulatory arrangements to reduce the

cost of the regulatory service wherever possible and that the Commonwealth should enhance efforts to defend Australia's export systems and gain additional market access. The report notes that these actions should be funded through the Government budget and not through cost recovery mechanisms. The Association would appreciate ongoing information on the status of these recommendations.

The Association has concerns regarding the implementation of the recommendations from the Beale Review and the timeframes that these will impact on producers. The removal of the export subsidy will have a direct effect on exporters and therefore producers. On the other hand, it is expected that the efficiency gains will be an ongoing process with gradual benefits over a number of years. Furthermore, these gradual benefits may only flow back to the producer in an indirect form, whereas the increase in export charges will be a direct immediate cost. The Federal Government should give consideration to the transition to the new system and, as identified in the Beale Report, timeframes need to be developed to ensure businesses have the ability to adapt and realize some of the benefits to neutralize the increased costs.

Extra costs on farmers
The Association is concerned that the removal of the subsidy will impose extra costs on exporters who will then pass these costs back to farmers. Based on the 2008/09 financial year forecasts, the subsidies to export industries were approximately $43 million. Through the cost recovery process this amount will have to be picked up by exporters. As producers in agricultural markets are price takers, the Association is concerned that producers will have to pay the additional costs through indirect means either in lower prices or higher charges.

The Association looks forward to the developments of this inquiry and would welcome an opportunity to provide further information at a later date.

Yours sincerely

Charles Armstrong
PRESIDENT