

3 September 2009

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

Dear Ms Radcliffe

RE: MANAGEMENT OF REMOVAL OF FEE REBATE FOR AQIS EXPORT CERTIFICATION FUNCTIONS

Thank you for the opportunity to comment on the Australian Government's management of removal of the 40 per cent fee rebate for the Australian Quarantine and Inspection Service export certification functions.

This is a joint submission on behalf of the Cattle Council and Sheepmeat Councils of Australia ("red meat producers"). Combined red meat and livestock exports (beef and sheepmeat / live cattle and sheep) are valued at A\$6.6 billion annually, all of which are subject to some form of export certification.

Summary Position

Red meat producers firmly believe in the need for modernisation of quarantine, inspection and certification systems to maximise our industry's competitiveness in international markets. Furthermore, red meat producers strongly support the involvement of industry in the development and implementation of work plans to improve the efficiency of export certification functions. In our industry, these work programs directly involve the meat processing and livestock export sectors.

Livestock exporters and meat processor/exporters do not have the ability to pass additional costs forward into the global marketplace. Therefore, any increases in costs are likely to be passed back to the production sector. These costs cannot be shared as they are transferred via reduced prices to livestock producers.

Red meat producers are strongly supportive of a comprehensive reform of AQIS services, with these reforms implemented as soon as possible.

With regard to the terms of reference being considered by the Committee, red meat producers offer the following comments

- 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.*

The removal of the Government's co contribution is an incentive to progress badly needed reform within AQIS. These reforms will understandably take

some time and continued Government funding is essential until the reform process is substantially completed.

b) The adequacy of consultation by the Government in the development of industry work plans.

We have no comment as we have not been involved in the development of industry work plans. This engagement has been managed by the Australian Livestock Exporters Council and the Australian Meat Industry Council.

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

We do not wish to comment in relation to point c other than to stress the need for continued Government funding until substantive implementation of the reforms.

d) The adequacy of government funding to implement efficiency proposals.

It is the understanding of red meat producers that cost savings made by Government through the removal of the 40 per cent rebate will be used to implement industry work plans. It is the view of red meat producers that a figure equivalent to these savings, estimated at \$32million per annum, should continue to be budgeted for and allocated to the reform process until export inspection and certification processes are modernised to a level that is satisfactory to industry.

e) Any progress on meeting targets in industry work plans.

We have no comment as we have not been involved in the development of industry work plans.

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

As indicated previously, primary producers (as price takers) are likely to be the final resting place of any increased cost of export certification that is passed on. It should be the intention of any reform agenda that the savings delivered should at least equal, if not surpass, the level of fee rebate that was removed on 1 July 2009.

We believe that if the 40 per cent fee rebate is removed without the necessary reforms being successfully implemented, Australia's red meat producers would be forced to shoulder the full cost of inefficiencies within Australia's monopoly export certification body. This outcome is unacceptable to red meat producers as it places Australian producers at a comparative disadvantage to our competitors in international markets who receive taxpayer funded certification services.

Yours sincerely



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Sheepmeat Council of Australia



Greg Brown
President
Cattle Council of Australia