

Chapter 5

Biosecurity and food safety

5.1 Biosecurity encompasses measures to mitigate and manage the risks arising from transmission of infectious diseases, pests, invasive species or organisms. While, in a broad context, biosecurity may also include issues such as the security of dangerous pathogens and toxins that exist in laboratories, the focus in this inquiry has necessarily been on biosecurity as it relates to food processing.

5.2 Inextricably linked to the issue of biosecurity in the food processing sector are matters concerning food safety. Food safety concerns the methods of producing, preparing, handling and storing food to ensure it remains safe for consumption. The specific issue of food safety is not dealt with in length in this chapter; rather, the chapter focuses on those aspects linked with biosecurity.

5.3 Throughout this inquiry, the committee heard that the key biosecurity and food safety issues that confront food processors, and which they view as impacting their ongoing viability, are cost recovery; the plethora of various audit, certification and quality assurance processes with which they are required to comply; and a concern that imports and exports do not compete on a level playing field. This chapter discusses these issues.

Background

5.4 Responsibility for biosecurity in Australia rests with the Department of Agriculture, Fisheries and Forestry (DAFF). In 2008, the Beale Review of Australia's biosecurity system recommended against a 'zero-risk' approach to biosecurity and concluded that the system should 'shift from zero-risk to managed risk, from barrier prevention to border management, from "no, unless..." to "yes, provided..."'.¹ The review also recommended structural changes to biosecurity regulatory authorities, proposing that the Australian Quarantine Inspection Service (AQIS), Biosecurity Australia, and segments of the Product Integrity, Animal and Plant Health Division in DAFF be combined.²

5.5 In response to the Beale Review,³ DAFF introduced a range of biosecurity reforms that included integrating AQIS, Biosecurity Australia and areas within DAFF

1 Beale et al, *One biosecurity: A working partnership – The independent review of Australia's quarantine and biosecurity arrangements report to the Australian Government*, 2011, p. xvii.

2 Beale et al, *One biosecurity: A working partnership – The independent review of Australia's quarantine and biosecurity arrangements report to the Australian Government*, 2011, p. xix.

3 Another response to the Beale review includes developing new biosecurity legislation to replace the *Quarantine Act 1908*.

into the Biosecurity Services Group,⁴ (referred to as DAFF Biosecurity in this report).⁵ In May 2011, the Australian Government announced that DAFF would continue to deliver biosecurity services, rather than establishing a separate statutory authority or commission.⁶

5.6 DAFF Biosecurity deals with matters including agriculture, pastoral issues, fishing, food and forestry industries; rural industries inspection and quarantine; primary industries research; administration of export controls on agricultural, fisheries and forestry industries products; and food security policy and programs.⁷ DAFF Biosecurity Australia also provides import and export inspection and certification services, and is responsible for quarantine controls at the Australian border.⁸

5.7 International arrangements, agreements and obligations also exist to work in concert with domestic biosecurity arrangements, including the World Trade Organisation (WTO) Agreement on the Application of Sanitary and Phytosanitary Measures.⁹ The WTO agreement requires all members of the World Trade Organisation, including Australia, to consider all import requests concerning agricultural products from other countries. Requests are assessed against Australia's biosecurity and quarantine policies, which are overseen by DAFF Biosecurity.

5.8 In April 2012, the Senate References Committee on Rural and Regional Affairs and Transport (RRAT References Committee) tabled its final report on its inquiry into Australia's biosecurity and quarantine arrangements.¹⁰ The RRAT

4 DAFF, *Annual Report 2009-10*, p. 115.

5 In some cases evidence from witnesses or submissions may have referred specifically to the separate organisations that previously existed.

6 DAFF, *Annual Report 2010-11*, p. 159.

7 *Administrative Arrangements Order*, Schedule, Administrative Arrangements, Part 1, 14 September 2010.

8 DAFF, *About Biosecurity Australia*, <http://www.daff.gov.au/ba/about> (accessed 8 August 2011).

9 The WTO Agreement on the Application of Sanitary and Phytosanitary Measures seeks to solve the following problem: How do you ensure that your country's consumers are being supplied with food that is safe to eat — "safe" by the standards you consider appropriate? And at the same time, how can you ensure that strict health and safety regulations are not being used as an excuse for protecting domestic producers? Source: World Trade Organisation, *Sanitary and Phytosanitary Measures*, http://www.wto.org/english/tratop_e/sps_e/sps_e.htm, (accessed 28 May 2012).

10 Further background on biosecurity and Australia's current approach to biosecurity and quarantine is summarised in that report, and includes: national administrative and legal arrangements; managing biosecurity risks; the appropriate level of protection; the risk assessment process; the emergency animal disease response agreement; cost of disease response; the national management group; the consultative committee on emergency animal diseases; and the emergency plant pest response deed. Source: Senate References Committee on Rural and Regional Affairs and Transport, *Australia's biosecurity and quarantine arrangements*, April 2012, pp. 8–17.

References inquiry addressed issues including the import risk analysis process and levels of resourcing. That committee made a number of recommendations, including giving higher priority to the Beale Review reforms, and committee scrutiny of the new biosecurity legislation.¹¹ In an interim report, the committee also recommended improvements in stakeholder consultation and administration, and continuation of the 40 per cent rebate on export cost recovery.¹² The RRAT References has signalled its interest in conducting a detailed examination of the Biosecurity Bill.¹³

5.9 There have also been a number of related parliamentary inquiries into biosecurity over the last six years.

The role of biosecurity

5.10 Australia's isolation has given it many advantages from a biosecurity perspective. The committee consistently heard that stakeholders understand the important role of biosecurity in protecting and promoting the food processing industry:

- Biosecurity plays a critical role in protecting the food supply, providing community as well as individual benefits. Any actions in this area need to consider all potential impacts, including human health impacts, socioeconomic costs from trade losses, and environmental damage. This includes achieving a biosecurity and quarantine system viewed by all as meeting the letter and spirit of World Trade Organisation agreements, and not as a trade barrier.¹⁴
- The food processing sector believes that a strong biosecurity regime is essential. While there is recognition that there is a higher cost associated with not being able to access cheaper ingredient/input products, in the long run strong biosecurity measures protects the local quality food chain for Western Australian consumers.¹⁵

5.11 The committee also received evidence that the current costs associated with biosecurity arrangements are an impost on the sector and, if not addressed, will continue to act as obstacles that impede its ability to compete domestically and in international markets. Evidence provided to the committee consistently identified (i) cost recovery; (ii) the need to harmonise the various audit, certification and quality

11 Senate References Committee on Rural and Regional Affairs and Transport, *Australia's biosecurity and quarantine arrangements*, April 2012, p. ix.

12 Senate References Committee on Rural and Regional Affairs and Transport, *Biosecurity and quarantine arrangement, Interim Report: the management of the removal of the fee rebate for AQIS export certification functions*, April 2012, p. vii.

13 Senate References Committee on Rural and Regional Affairs and Transport, *Australia's biosecurity and quarantine arrangements*, April 2012, p. 4.

14 Australian Dairy Industry Council, *Submission 47*, p. 27.

15 Food Industry Advisory Group of Western Australia, *Submission 15*, p. 6.

assurance processes with which food processors are required to comply; and (iii) the lack of a level playing field for imports and exports as the main hurdles they face when trying to comply with their biosecurity obligations in today's challenging market environment.

Cost recovery

5.12 Cost recovery broadly encompasses fees and charges related to the provision of government goods and services (including regulation) to the private and other non-government sectors of the economy.¹⁶

5.13 In December 2002, the government adopted a new broadly based cost recovery policy that was designed to improve the consistency, transparency and accountability of its cost recovery arrangements and promote the efficient allocation of resources.¹⁷

5.14 The effectiveness of the cost recovery policy introduced in 2002 has since been the subject of review.¹⁸ In November 2009, the Government announced an Export Certification Reform Package (ECRP), which included a 40 per cent offset of the full cost impact on export industries from 1 December 2009 to 30 June 2011. New export fees and charges, returning industry to full cost recovery commenced on 1 December 2009.¹⁹

5.15 In its 2010 incoming government brief, DAFF advised the Minister that:

16 Financial management Guidance No. 4, *Australian Government Cost Recovery Guidelines*, July 2005, pp 2–3.

17 The principles underlying the cost recovery policy include that: (i) agencies should set charges to recover all the costs of products or services where it is efficient and effective to do so; (ii) any charges should reflect the costs of providing the product or service and should generally be imposed on a fee-for-service basis or, where efficient, as a levy; and (iii) all agencies with significant cost recovery arrangements will need to prepare Cost Recovery Impact Statements (CRIS) where a Regulation Impact Statement has not addressed cost recovery. Source: Finance Circular No. 2005/09, *Australian Government Cost Recovery Guidelines*, Department of Finance and Deregulation, p. 1.

18 In 2008, an internal DAFF review of the cost recovery implementation found that in some cases cost recovery did not comply with the cost recovery policy. In 2009, the Productivity Commission noted that fees for importing food into Australia were generally higher than those faced by New Zealand importers, even with the benefit of a 40 per cent Australian government rebate and that the costs to business of AQIS services are higher than some comparable domestic services provided by other agencies. Source: Productivity Commission Research Report, *Performance Benchmarking of Australian and New Zealand Business Regulation: Food Safety*, December 2009, p. 329.

19 Government Response to Senate References Committee on Rural and Regional Affairs and Transport, *The removal of the fee rebate for AQIS export certification functions*, September 2009, p. 2.

The ECRP is expected to be fully implemented by 30 June 2011. It is a component of the broader reforms of Australia's quarantine and biosecurity system. In addition to the meat inspection reforms, the ECRP provides funding for reforms to export regulatory arrangements and the export supply chain and for fee rebates for the dairy, fish, grain, horticulture, live animal and meat export industries in the transition to full cost recovery for export certification services.²⁰

5.16 However, the committee consistently heard evidence that the cost recovery arrangements are a cause of concern to the food processing sector.

5.17 The Australian Meat Industry Council (AMIC) expressed concern at the 100 per cent cost recovery arrangements for AQIS certification charges:

While AMIC has entered into agreement with the federal government for the delivery of a new Australian Export Meat Inspection Service, commonly known as AEMIS, this is only the start of a drive for new efficiencies. Productivity gains from the system fell well short of what we negotiated originally and they fell well short of negating the impact of the costs associated with the removal of the 40 per cent contribution from government. Every Australian packer is paying more. We are also competing in an international marketplace with countries like the United States and Brazil that do not charge these government fees.²¹

5.18 Mr John Berry of JBS Australia explained the additional costs that the shift to a full cost recovery policy will have for its operations:

In our case, taking away the 40 per cent rebate has meant that overall costs for us in terms of our AQIS fees and charges have gone from \$6 million before the reform agenda to now \$10 million per year, based around the government's full cost recovery policy.²²

5.19 Summerfruit Australia also spoke of the disincentive the cost recovery presents to its activities:

The decision to remove the 40% AQIS Export rebate is a negative action by the Australian Government. Cost recovery is also a disincentive because the 'real costs of the service' are not being charged instead it is 'full cost recovery' that builds in a high level of variable costs that are not relevant to the service.²³

20 DAFF incoming Government Brief 2010, Volume 2 – urgent business, <http://www.daff.gov.au/about/publications/igb>, (accessed 29 May 2012), p. 60.

21 Mr Gary Burrridge, Chairman, Australian Meat Industry Council, *Committee Hansard*, 10 February 2012, p. 23.

22 Mr John Berry, Director and Manager, Corporate and Regulatory, JBS Australia Pty Ltd, *Committee Hansard*, 12 April 2012, p. 36.

23 Summerfruit Australia Limited, *Submission 13*, p. 8.

5.20 The Food Industry Advisory Group of Western Australia also suggested that the charges imposed do not represent value for money:

The changes to AQIS fee for service has been controversial and an additional cost impost on the food processing sector. Comments by processors suggest that they haven't seen enough changes to the regime to justify the 'fee for service' changes and that the charges are at a level which do not represent value for money.²⁴

5.21 Other submitters noted that in some cases, such as low value products, the AQIS charges can be a significant portion of the business costs, and in some cases greater than the value of the products a business is seeking to export:

- It is just sheer madness. The fact that AQIS have tried to go to full cost recovery is an impost that most of the companies cannot wear. We are selling a relatively high-value product into the Asian market and the Middle East, but it is only a very small part of our operation. Our operation is really profitable because of the Australian market, not because of export. But if you look at the poultry industry that are trying to sell low-value product, you will see that it does not even cover the costs. The value of that low-value product—let us say that it is the wings and the feet—going to Asia does not cover the cost of AQIS charges.²⁵
- Everyone is charged; there is no such thing as a free audit. Whilst the audits are undertaken at a charge, as I have indicated, one thing that really concerns us is the recent spike in AQIS charges. I presume you have come across this before. Significantly for us, our licence fee went from, I think, \$2,000 to \$14,000 a year and the increase in inspection service charges was about 400 per cent. Given that we do not export significantly a large volume of product into Singapore and Hong Kong it is a big chunk of any leftover profit for that little aspect of our business.²⁶

5.22 Chapter 4 of this report considered issues of competition and noted that a diversity of markets, including export markets, was a strategy to reduce trade exposure of food processors to the dominance of the major supermarkets. The committee believes that government can play an important role to ensure that access to export markets is well facilitated and that cost of access to these markets is not prohibitive. Greater effort in this policy area is imperative. In recent years, government action has

24 Chamber of Commerce and Industry WA and the Food Industry Advisory Group, *Submission 15*, p. 7.

25 Mr John Millington, Company Spokesman, Luv-a-Duck, *Committee Hansard*, 17 April 2012, p. 40.

26 Mr Murray Beros, Chief General Manager, Mrs Mac's Pty Ltd, *Committee Hansard*, 18 April 2012, p. 18.

increased the cost of accessing export markets through removal of AQIS fee rebates. There is little evidence of facilitation of additional market opportunities.

Committee view

5.23 The evidence presented to the committee is consistent with that raised in previous inquiries into Australia's biosecurity arrangements.

Recommendation 14

5.24 The committee recommends government develop a strategic focus on developing access to export markets for the food industry and facilitate an affordable cost environment for industry to access these markets.

Harmonisation of audit arrangements

Existing arrangements

5.25 The complexity of issues relating to food safety has increased with rapid globalisation of food processing, globalised retailing, consumer demand for more natural and more convenient products, and an overall increase in the population's susceptibility to food borne illness:²⁷

To respond successfully to these challenges, there is a need for international adoption of modern systems for the management of food safety risks. The key elements include risk-based preventative controls, programs to monitor their effectiveness, appropriate government oversight, and a strong program of research on emerging food safety issues.²⁸

5.26 As the Commonwealth does not have exclusive power under the Constitution to make laws in the area of biosecurity and quarantine, the administration of Australia's biosecurity and quarantine is, therefore, governed by both Commonwealth and state and territory laws:²⁹

Australia therefore has a collaborative, multi-jurisdictional approach to food regulation. The Australia/New Zealand Joint Food Standards System was established in 1996 by 'The Agreement between the Government of

27 M. Cole and G. Ball, *Global trends and opportunities in food and nutritional sciences*, 43rd Annual Australian Institute of Food Science and Technology Convention, Food Australia 62 (1), October 2010, p. 462.

28 M. Cole and G. Ball, *Global trends and opportunities in food and nutritional sciences*, 43rd Annual Australian Institute of Food Science and Technology Convention, Food Australia 62 (1), October 2010, p. 462.

29 The states and territories are, for example, responsible for the intra and inter-state movement of goods of quarantine concern. Source: Senate References Committee on Rural and Regional Affairs and Transport, *Australia's biosecurity and quarantine arrangements*, April 2012, p. 7.

Australia and the Government of New Zealand establishing a System for the Development of Joint Food Standards.³⁰

5.27 The *Agreement between the Government of Australia and the Government of New Zealand establishing a System for the Development of Joint Food Standards* (hereafter referred to as The Treaty) 'seeks to reduce unnecessary barriers to trade, to adopt a joint system of food standards, to provide for timely development, adoption and review of food standards and to facilitate sharing of information'.³¹

5.28 In addition to the Treaty, in July 2008 the Commonwealth, states and territories signed the 'Food Regulation Agreement', which was designed to provide safe food controls, cost-effective compliance and enforcement arrangements for industry, government and consumers and a nationally consistent regulatory approach.³²

5.29 The Australia New Zealand Food Regulation Ministerial Council is established under the Food Regulation Agreement, and has responsibility for the development of domestic food regulatory policy.³³ Food standards, which reflect the policy, are developed by Food Standards Australia New Zealand (FSANZ), and are set out in the *Australia New Zealand Food Standards Code*.³⁴

5.30 At the border, the *Imported Food Control Act 1992* authorises the inspection and control of intended food imports. Inspections are conducted by DAFF Biosecurity, which operates a 'risk-based' border inspection program known as the 'Imported Food Inspection Scheme'. While the inspections are carried out by DAFF Biosecurity, FSANZ advises on the risks posed by the food under inspection. Once in

30 Department of Health and Aging, *Food regulation secretariat*, <http://www.health.gov.au/internet/main/publishing.nsf/Content/foodsecretariat-system1.htm> (accessed 28 July 2011).

31 Department of Health and Aging, *Food regulation secretariat*, <http://www.health.gov.au/internet/main/publishing.nsf/Content/foodsecretariat-system1.htm> (accessed 28 July 2011).

32 *Food Regulation Agreement 2008*, clause A; available at: <http://www.health.gov.au/internet/main/publishing.nsf/Content/foodsecretariat-system1.htm>.

33 *Food Regulation Agreement 2008*, clause 3; available at: <http://www.health.gov.au/internet/main/publishing.nsf/Content/foodsecretariat-system1.htm>

34 Food Standards Australia New Zealand, *Australia New Zealand Food Standards Code*, <http://www.foodstandards.gov.au/foodstandards/foodstandardscode.cfm> (accessed 28 July 2011). The food standards are enforced under state and territory legislation. Source: Department of Health and Aging, *Food regulation secretariat*, <http://www.health.gov.au/internet/main/publishing.nsf/Content/foodsecretariat-system1.htm> (accessed 28 July 2011).

Australia, state and territory authorities have responsibility for monitoring food for sale, whether imported or produced within Australia.³⁵

5.31 The Productivity Commission, in its 2009 research report *Performance Benchmarking of Australian and New Zealand Business Regulation: Food Safety*,³⁶ noted that while standards for domestically produced food are uniformly adopted across Australian jurisdictions, there is no requirement to ensure consistent implementation and enforcement of these standards in the jurisdictions:³⁷

Businesses wishing to import food products to Australia are potentially faced with eight different approaches to implementing a food safety standard for a given product.³⁸

5.32 The findings of the Productivity Commission in December 2009, noting the complexity of the existing regulatory arrangements,³⁹ were also raised with the committee. The Australia Food and Grocery Council, commented on the current arrangements, and gave examples of other influences:

Biosecurity should be driven primarily by sound science and with risk analysis processes to provide rational assessments of potential impacts including economic impacts. AFGC considers that to a large extent the methodologies utilised by Biosecurity Australia and State and Territory agencies are generally consistent with this principle. Notwithstanding this AFGC is concerned this is not always the case with outcomes being inappropriate on occasions due to:

- 1) non-scientific, arbitrary regulatory requirements;
- 2) lack of funding; and

35 Australian Quarantine and Inspection Service, *Food*, <http://www.daff.gov.au/aqis/import/food> (accessed 28 July 2011).

36 The Productivity Commission released this report in December 2009.

37 Productivity Commission Research Report, *Performance Benchmarking of Australian and New Zealand Business Regulation: Food Safety*, December 2009, pp. 334–335.

38 Productivity Commission Research Report, *Performance Benchmarking of Australian and New Zealand Business Regulation: Food Safety*, December 2009, pp. 334–335.

39 The Productivity Commission found: Duplication in export and domestic regulation puts an undue compliance burden on some Australian primary product exporters, while the integrated regulatory structure in New Zealand means this is less of an issue there. The extent to which multiple and overlapping audits impose additional costs on businesses varies more between industries than jurisdictions. All Australian jurisdictions have memoranda of understanding between regulators to facilitate the recognition of audits and reduce business compliance costs. Compared with New Zealand, Australia's regulatory system for exports relies less on electronic processing to reduce business compliance costs and is less able to embrace improvements in the domestic food safety system associated with shifts toward outcome based standards. Source: Productivity Commission Research Report, *Performance Benchmarking of Australian and New Zealand Business Regulation: Food Safety*, December 2009, p. 329.

3) political intervention.⁴⁰

Commercial audits

5.33 In addition to audits arising from federal and state and territory regulatory requirements, customers of food processors also often impose their own food safety and quality assurance standards verified through third party audits. The Productivity Commission was advised that it is the view of industry organisations and businesses that there is overlap between AQIS/NZFSA audits and inspections and commercial audits required by supermarket chains and overseas buyers:

Some poultry processing plants in Australia have around 25 full-day audits per year. While two of these include the state health department (or equivalent) and another one or two per year are from AQIS, the remainder are private commercial audits [which are often]... directed at food quality rather than food safety.⁴¹

5.34 The Food Industry Advisory Group informed the committee that:

If you have Woolworth's accreditation, Cole's accreditation, Safe Quality Food (SQF) and Hazard Analysis Critical Control Point (HACCP), there is no room for local health departments any more. Our local health department audit is just a waste of time. Once you achieve a standard, it is like sending someone who has a PhD at university back to primary school. The health department comes in at a certain standard and they are really replicating something and the business is at a far higher standard.⁴²

5.35 Other submitters highlighted the impact of large companies pushing standards to a high level and that in some cases they have enough market influence to require their standards to be met:

- The retailers and others will push the standards to the highest level they can, because it makes it easier for them to guarantee product and get quality.⁴³
- If you are going to deal with Coles and you want their business, you have to play by their rules. If you are going to deal with Woolworths and you want their business, you have to play by their rules.⁴⁴

40 Australian Food and Grocery Council, *Submission 12*, p. 17.

41 Productivity Commission Research Report, *Performance Benchmarking of Australian and New Zealand Business Regulation: Food Safety*, December 2009, December 2009, p. 346.

42 Mr Richard Pace, Member, Food Industry Advisory Group, Chamber of Commerce and Industry of Western Australia, *Committee Hansard*, 19 April 2012, p. 13.

43 Mr Arthur Blewitt, Chief Executive Officer, AgriFood Skills Australia, *Committee Hansard*, 10 February 2012, p. 11.

44 Mr Richard Pace, Food Industry Advisory Group, Chamber of Commerce and Industry of Western Australia, *Committee Hansard*, 18 April 2012, p. 13.

5.36 The Tasmanian Department of Economic Development, Tourism and the Arts noted the interaction of the problems of the increased biosecurity cost recovery and the duplication of commercial and regulatory audits:

A further concern of industry is that it will have to pay for AQIS' functions as it moves to a cost recovery approach. Tasmanian Agricultural Productivity Group (TAPG) Board members believe that many QA functions achieve the same results as AQIS and that the government should explore systems to reduce duplication and adopt an outcome approach to compliance (for example, where a QA requirement and AQIS regulation are the same, then AQIS recognises that and accept its standards as met).⁴⁵

5.37 The Australian Dairy Industry Council raised similar concerns:

A truly national biosecurity system with adequate resources to cater for risk mitigation and border control, and to manage existing incursions would be a great step forward. While the dairy industry supports the consistency, we are concerned about directions in these negotiations towards cost shifting to producers for strategies fundamental to maintaining livestock industries and rural economies.⁴⁶

5.38 The committee heard from a witness, that while standards exist, there is constant pressure causing changes to those standards, resulting in additional costs in the supply chain:

The problem I see with the food safety situation in Australia is that all these big companies are on a path of continuous improvement. ... They are continually fiddling with those standards.

I supply to Nashi, McDonalds, Woolworths, Coles, Spotless and I do not know who else. Every single one of those companies now has taken that basic HACCP standard—or we operate off a British standard called the British Retail Consortium (BRC), which is the British supermarket or retail consortium—and fiddled with it and said, 'We want that, but we also want this bit', and (a) it is totally unnecessary and (b) half the time it is exactly the same thing.⁴⁷

The Global Food Safety Initiative

5.39 The committee considered the Global Food Safety Initiative (GFSI) which was created to harmonise food safety standards in order to reduce audit duplication throughout the supply chain:

GFSI therefore chose to go down the route of benchmarking, developing a model that determines equivalency between existing food safety schemes,

45 Department of Economic Development, Tourism and the Arts (Tasmania), *Submission 6*, p. 13.

46 Australian Dairy Industry Council, *Submission 47*, p. 27.

47 Mr Ben Allen, Food Industry Advisory Group, Chamber of Commerce and Industry of Western Australia, *Committee Hansard*, 19 April 2012, p. 14.

whilst leaving flexibility and choice in the marketplace. This benchmarking model is based on the GFSI Guidance Document, a multi-stakeholder document that was drafted with input from food safety experts from all over the world, and defines the process by which food safety schemes may gain recognition by GFSI and gives guidance to these schemes.⁴⁸

5.40 GFSI encourages companies buying food products to accept certification to GFSI recognised food safety schemes, thereby enabling their suppliers to have a more efficient audit process:

Under the umbrella of GFSI, many major retail, manufacturer and food service companies have come to a common acceptance of the GFSI recognised food safety schemes.⁴⁹

5.41 GFSI has set up sub-sectors of the food supply chain including Good Agricultural Practice (GAP), Good Manufacturing Practice (GMP), Good Distribution Practice (GDP), Good Catering Practice (GCP) and Good Retail Practice (GRP).⁵⁰ In the GAP sub-sector, a separate organisation—FoodPLUS GmbH—has developed a good agricultural practices standard, GLOBALG.A.P:

GLOBALG.A.P. is a pre-farm-gate standard, which means that the certificate covers the process of the certified product from farm inputs like feed or seedlings and all the farming activities until the product leaves the farm.⁵¹

5.42 In February 2009, the GFSI and GLOBALG.A.P announced the development of a joint approach to benchmarking standards.⁵²

5.43 When asked about simplifying the certification and audit processes, Woolworths noted the need to take care regarding competition laws:

It is very difficult for us to initiate any such change. We have to be careful that we do not go and breach any regulations in terms of collusive dealing in the marketplace. If there is some agency out there that can bring the various schemes together to a level that allows us to be satisfied with the outcome—that it is no less robust than the process we have in place today.

48 Global Food Safety Initiative Benchmarking, <http://www.mygfsi.com/gfsi-benchmarking-general.html>, (accessed 31 May 2012).

49 Global Food Safety Initiative Benchmarking, <http://www.mygfsi.com/gfsi-benchmarking-general.html>, (accessed 31 May 2012).

50 The Global Food Safety Initiative, *GFSI Guidance Document*, Sixth Edition, p. 62.

51 GLOBALG.A.P., http://www.globalgap.org/cms/front_content.php?idcat=2, (accessed 31 May 2012).

52 GLOBALG.A.P press release, *New GLOBALG.A.P and Global Food Safety Initiative (GFSI) Partnership to Further Effort on Food Safety Standard Harmonisation*, http://www.globalgap.org/cms/front_content.php?idcat=44&idart=749, (accessed 31 May 2012).

We do not seek to impose any additional costs on any of our suppliers because at the end of the day it gets passed on to the consumer. We would like to be as efficient and effective as possible. I am not sure what the mechanism is to reach that point, but we would support getting to a point that is more effective and efficient than today's.⁵³

5.44 The committee is encouraged by the potential the GFSI has to reduce costs through the food supply chain and noted that a range of companies operating in Australia are participating in the GFSI. This includes Woolworths, which has claimed commitment to world class quality assurance programs.⁵⁴

5.45 The committee also noted continuing efforts to align regulations across domestic jurisdictions. Therefore, a remaining significant source of duplicative audit requirements is the misalignment between commercial and regulatory standards.

Committee view

5.46 The committee endorses the Productivity Commission finding that to the extent that commercial requirements exceed the domestic and export standards enforced on businesses, the costs to business of separate audits by government agencies may be reduced.⁵⁵ The committee is therefore of the view that there is significant potential to reduce costs throughout the supply chain by moving to a more appropriate level of mutual recognition of commercial and regulatory audit standards, possibly through the use of the GFSI standards benchmarking process.

Recommendation 15

5.47 The committee recommends that the government take the lead in pursuing a more appropriate level of mutual recognition of commercial and regulatory standards and audit outcomes, possibly through the use of the Global Food Safety Initiative standards benchmarking process.

Import and export issues

5.48 Australian exports are required to satisfy importing country conditions to gain market access. Importing countries generally require agricultural commodities to be certified by the 'national competent authority, which issues certificates on a government-to-government basis. DAFF Biosecurity operates export inspection/auditing systems and provides export certification that reflects the requirements and expectations of importing country governments. Importing countries thereby rely on exporting countries to ensure that their standards are met. When

53 Mr Ian Dunn, Head of Trade Relations, Woolworths Ltd, *Committee Hansard*, 15 May 2012, p. 26.

54 Woolworths, Answer to Question on Notice, 15 June 2012 (received 4 June 2012).

55 Productivity Commission Research Report, *Performance Benchmarking of Australian and New Zealand Business Regulation: Food Safety*, p. 346.

import requirements have been set by a country, exporters are required to have specific arrangements to ensure compliance.⁵⁶

Export market access issues arising from biosecurity

5.49 The committee heard from witnesses who were seeking more assistance from DAFF Biosecurity in reopening markets (particularly overseas markets) following biosecurity incidents. The committee heard of issues with duck exports to both Indonesia and New Zealand. Mr John Millington of Luv-a-Duck outlined the issues his company faces:

- I think it is one of the areas where they could go into bat for us. Indonesia and New Zealand are two other areas that we have been trying to get into for nearly 10 years now. Since the Bali bombing we have not sold a duck into Indonesia; prior to that, we were selling quite well into there. ... There are artificial trade barriers created with Indonesia. We have not been able to get a straight answer as to why we cannot deal with that country....AQIS are the people that control the ability to export to those countries.⁵⁷
- We have been trying to get into New Zealand for five years. ... The excuse is that a disease occurs in poultry in Australia which does not occur in New Zealand. Our argument has been that that disease does not occur in ducks but does occur in chickens. We have been able to demonstrate that it is not in ducks. Still to this day we have not exported one bloody duck to New Zealand⁵⁸

5.50 The committee was informed that ways have been found around this issue for exports to other countries, such as Japan:

Japan have agreed that there is a problem with pigeons in Victoria, avian influenza in the case of the outbreak down just north of Melbourne. They say, 'We'll put a 50 kilometre exclusion circle around that. We'll trade from the rest of Victoria and the rest of Australia, but not within this 50 kilometre radius.'⁵⁹

5.51 AMIC suggested that portfolio responsibilities between trade and agriculture were unclear and were not leading to optimal market outcomes for Australian producers:

Having the same organisation deal with market access to international markets and market entry into Australia is creating problems for industry.

56 DAFF incoming Government Brief 2010, Volume 4 – story briefs, <http://www.daff.gov.au/about/publications/igb>, (accessed 30 May 2012), p. 26.

57 Mr John Millington, Luv-a-Duck, *Committee Hansard*, 17 April 2012, p. 37.

58 Mr John Millington, Luv-a-Duck, *Committee Hansard*, 17 April 2012, p. 40.

59 Mr John Millington, Luv-a-Duck, *Committee Hansard*, 17 April 2012, p. 35.

There should be two distinctly different bodies and people dealing with the two different market requirements.⁶⁰

Committee view

5.52 The committee acknowledges that there appear to be some tensions in the relationship between industry and DAFF Biosecurity. It considers that a strong relationship between these parties is vital to achieving growth in export markets, and appeals to industry and DAFF Biosecurity to work together to this end.

5.53 The committee is of the view that the federal government should consider the evidence provided to the committee with regard to international biosecurity trade barriers.

Recommendation 16

5.54 The committee recommends that industry and DAFF Biosecurity consider establishing a forum in which they can meet to discuss and resolve factors that inhibit export market access, growth and development.

Different standards applying to imported and domestic products

5.55 The committee was informed of concerns about different standards applying to imports, exports and domestic products. Commenting on the importance of biosecurity, Ms Jennifer Dowell, National Secretary of the Food and Confectionery Division of the Australian Manufacturing Workers Union, stated:

Food and biosecurity are very important to Australians, yet we know that the testing regime and standards applied to imported food goods are not necessarily as high as those applied to Australian-made goods. Many examples have been explained to us by our manufacturers and members of imported ingredients and goods that have been found to be unusable as they fail to conform to the appropriate standards. Nonetheless, the products have been allowed in and delivered to the local manufacturers.⁶¹

5.56 Coles raised related issues, but was also concerned to ensure that the problem was resolved without increasing trade barriers inappropriately:

Australian regulation in food safety and quality are amongst world's best practice. As cheaper food product imports increase into Australia, it is critical to ensure that these standards are applied universally to protect consumer safety (and not simply provide increased barriers to trade).⁶²

60 Summerfruit Australia Ltd, *Submission 13*, p. 7. South Australian Horticultural Services also raised this point in their submission to the inquiry – *Submission 14*, p. 6.

61 Ms Jennifer Dowell, Australian Manufacturing Workers Union, *Committee Hansard*, 10 February 2012, p. 2.

62 Coles, *Submission 22*, p. 63.

5.57 The Productivity Commission also considered this issue and was informed by industry that:

Industry in Australia has noted a number of areas in which domestic food safety standards are being implemented more stringently on domestic businesses than on competing import businesses. In some areas this may be due to the impact that differences in implementation of food safety requirements across jurisdictions has on the standards imposed on imports (as discussed above).⁶³

5.58 The Productivity Commission went on to make the following point:

Application of food safety requirements throughout the production chain for domestic businesses, but not for imported businesses, may unduly raise the opportunity costs of domestic businesses (unless similar requirements are made in the importer's home country) and has contributed to some products that are not approved for production nevertheless being imported.⁶⁴

5.59 The Productivity Commission also noted that 'for food importing businesses, these differing requirements have the potential to create confusion, necessitate contact with multiple jurisdictions/agencies and lead to additional costs in demonstrating compliance with food standards, both at border inspections and post-border'.⁶⁵

5.60 The 2008 Beale Review recommended that 'the Commonwealth's biosecurity legislation should provide that authority given by the Commonwealth to import goods into Australia also authorises the goods to be imported into a state or territory on the same conditions (if any)'. The government at the time (18 December 2009) agreed in-principle with the recommendation of the Beale Review and indicated that it intended to negotiate a new agreement with states and territories by the end of 2009.⁶⁶ In March 2012, the Government, in its update on the Beale Review, indicated that this would now be implemented in the new biosecurity legislation.⁶⁷

63 Productivity Commission Research Report, *Performance Benchmarking of Australian and New Zealand Business Regulation: Food Safety*, December 2009, pp. 336–337.

64 Productivity Commission Research Report, *Performance Benchmarking of Australian and New Zealand Business Regulation: Food Safety*, December 2009, p. 329.

65 Productivity Commission Research Report, *Performance Benchmarking of Australian and New Zealand Business Regulation: Food Safety*, December 2009, pp. 334–335.

66 Australian Government preliminary response to Beale et al, *One biosecurity: A working partnership – The independent review of Australia's quarantine and biosecurity arrangements report to the Australian Government*, 18 December 2009, p. 4.

67 Department of Agriculture, fisheries and Forestry, *Reform of Australia's Biosecurity system – An update since the publication of One biosecurity: a working partnership*, March 2012, p. 22.

Committee view

5.61 The committee notes the continuing concerns raised about differing standards and is keen to see this issue addressed. The committee suggests that it may be appropriate for the Senate RRAT committee to continue to monitor this matter through the passage of the new biosecurity legislation and its implementation.

Recommendation 17

5.62 The committee recommends that the Senate Rural and Regional Affairs and Transport References Committee examine the new biosecurity legislation to assess whether it will appropriately address the problems of different standards applying to imported and domestic products and consider monitoring the implementation of relevant measures.

