

# Chapter 1

## Introduction and background to the inquiry

### Terms of reference

1.1 On 23 June 2010, the Senate referred the following matter to the Senate Standing Committee on Rural and Regional Affairs and Transport for inquiry and report by 22 November 2011:

- (a) the adequacy of current biosecurity and quarantine arrangements, including resourcing;
- (b) projected demand and resourcing requirements;
- (c) progress toward achievement of reform of Australian Quarantine and Inspection Service (AQIS) export fees and charges;
- (d) progress in implementation of the 'Beale Review' recommendations and their place in meeting projected biosecurity demand and resourcing; and
- (e) any related matters.

1.2 The inquiry was subsequently re-adopted by the Senate Rural Affairs and Transport References Committee (the committee) in the 43<sup>rd</sup> Parliament.

1.3 On 22 November 2010, the Senate granted an extension of time for reporting until 28 April 2011. This reporting date was subsequently extended until 21 March 2012.

### Interim report

1.4 The inquiry was advertised in *The Australian* on 30 June 2010 and 13 October 2010. The committee also sought submissions from interested organisations, agencies and individuals. Notice of the inquiry was also posted on the committee's website. The committee received 79 submissions, including twelve supplementary submissions and two confidential submissions. A list of submissions is provided at Appendix 1.

1.5 As noted above, part of the terms of reference for the inquiry involved the examination of the 'progress toward achievement of reform of Australian Quarantine and Inspection Service (AQIS) export fees and charges'. Given the timing of these reforms, the committee resolved to inquire into the issues raised in term of reference (c) separately and table an Interim Report on its findings.

1.6 As part of its inquiry, the committee followed the progress of the AQIS reforms through the Senate Estimates process. In addition, the committee wrote directly to a number of key stakeholder groups, organisations and individuals seeking submissions in relation to term of reference (c).

1.7 On 7 and 8 July 2011 and 29 November 2011, the committee conducted public hearings specifically to take evidence regarding the impact of the removal of the fee rebate for AQIS export certification functions. A list of the witnesses who attended these hearings is provided at Appendix 2.

## **Background**

1.8 Since 2001, the Australian Government has provided a contribution toward the cost of providing export inspection and certification services to the meat, grain, fish, dairy, live animal and horticultural export industries. In accordance with Government policy, the costs of the services provided were met through 60 per cent cost recovery from industry and a 40 per cent government contribution.<sup>1</sup>

### ***Beale report***

1.9 In early 2008, the Government commissioned an independent review of quarantine and biosecurity arrangements which was conducted by a panel and chaired by Mr Roger Beale, AO. The final report, *One Biosecurity: A Working Partnership* (the Beale report) was released in December 2008. The Beale report proposed significant changes to Australia's biosecurity system and recommended a significant package of reforms, including that:

Export certification functions should return to 100 per cent cost recovery as scheduled at the beginning of July 2009, noting that this would require an early decision and announcement by the Government to allow businesses to prepare for the additional costs as well as for the necessary consultation on revised fee structures.<sup>2</sup>

1.10 The Beale report noted that the policy objectives of the 40 per cent subsidy of the costs of export inspection and certification (introduced in 2001) were 'unclear, and are unlikely to qualify as a community service obligation'. The report stated that:

[T]his change should be accompanied by greater use of co-regulatory arrangements, such as compliance agreements, to reduce the cost of the regulatory service wherever possible. In addition, the Commonwealth should enhance efforts to defend Australia's export systems and gain additional market access, including through technical market access and multilateral, regional and bilateral negotiations.<sup>3</sup>

1.11 The Beale report also noted that there were both efficiency and equity dimensions to the principle of cost recovery:

Efficiency considerations...mean that exporters must consider the costs of meeting biosecurity regulations imposed by importing countries, some of

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1 Senate Rural and Regional Affairs and Transport References Committee, *The removal of rebate for AQIS export certification functions*, September 2009, p. 2.

2 Roger Beale et al, *One Biosecurity: A Working Partnership*, December 2008, p. 215.

3 Roger Beale et al, *One Biosecurity: A Working Partnership*, December 2008, p. 195.

which are incurred in Australia. These costs may influence exporters to decide which export markets they should target. They also provide a motivation for those paying the relevant fees (such as customs agents, shippers or exporters) to probe the basis of cost recovery determinations and advocate more efficient ways of reducing costs and risks...

Equally, it means that Australian exporters who earn income from overseas markets because of regulatory services provided by the Australian government are not asking Australian taxpayers to fund the health and biosecurity protection of the citizens of other countries.<sup>4</sup>

### ***Regulations and Export Certification Reform Package***

1.12 The Senate Rural and Regional Affairs and Transport References Committee examined these issues as part of its 2009 inquiry into the removal of the rebate for AQIS export certification functions. The committee's report (tabled in September 2009) recommended that the Senate move to disallow the Export Control (Fees) Amendment Orders 2009 (No. 1)<sup>5</sup>. These regulatory changes were intended to facilitate the implementation of full cost-recovery for export certification.

1.13 Following the disallowance of the Orders on 15 September 2009, a series of negotiations resulted in the Government putting forward a \$127.4 million Export Certification Reform Package (ECRP) to support the reform process. The Government also reinstated the 40 per cent rebate until 30 June 2011.<sup>6</sup>

1.14 Specifically the ECRP provided:

- \$85.3 million for fee rebates to assist exporters to transition to the new fees and charges;
- \$16.1 million for reform of the regulatory and export supply chain; and
- \$26 million for meat inspection reform.

1.15 The disallowance of the Export Control (Fees) Amendment Orders 2009 was rescinded on 25 November 2009.

1.16 As part of the reform process, the Department of Agriculture, Fisheries and Forestry (DAFF) has worked with the commodity export industry through six Ministerial Taskforces (MTFs): meat, horticulture, grains, dairy, seafood and live animals. The MTFs are required to develop work plans with the aim of introducing

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4 Roger Beale et al, *One Biosecurity: A Working Partnership*, December 2008, pp 194-195.

5 Senate Rural and Regional Affairs and Transport References Committee, *The removal of rebate for AQIS export certification functions*, September 2009, p. 24.

6 Government response tabled in the Senate 10 February 2011, p. 1, available at [http://www.apf.gov.au/senate/committee/rrat\\_ctte/aqis/gvt\\_resp\\_100211.pdf](http://www.apf.gov.au/senate/committee/rrat_ctte/aqis/gvt_resp_100211.pdf) (accessed 1 November 2011).

efficiencies into the export certification process, primarily by reducing regulatory costs.<sup>7</sup>

1.17 Mr Greg Read, DAFF, described the objective of the reform process in the following way:

The mantra, if you like, at the onset of this process was to ensure the lowest regulatory cost model possible while not putting market access at risk. At the commencement of this, the drive was around the most effective and efficient model that did not require one dollar more of industry's resources than necessary while still meeting the requirements of importing countries.<sup>8</sup>

### **Acknowledgements**

1.18 The committee appreciates the time and effort of all those who provided submissions and attended public hearings. Their work has assisted the committee considerably.

### **A note on references**

1.19 References in this report are to individual submissions as received by the committee, not to a bound volume. The Hansard transcripts of the committee's hearings are available on the Parliament's website at [www.aph.gov.au](http://www.aph.gov.au). References to the Hansard throughout the report are to the proof transcript. Page numbers may vary between the proof and the official transcript.

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7 Department of Agriculture, Fisheries and Forestry, *Submission 65*, p. 2.

8 Mr Greg Read, Department of Agriculture, Fisheries and Forestry, *Committee Hansard*, 8 July 2011, p. 27.