

Chapter 3

Conclusions and Recommendations

3.1 As noted in the previous chapter, the Rural and Regional Affairs and Transport References Committee (RRAT References Committee) examined DAFF's implementation of the Export Certification Reform Package (ECRP) during its 2009 inquiry into the *Management of the removal of the rebate for AQIS export certification functions*.

3.2 Throughout the 2009 inquiry, the RRAT References Committee noted that overall, industry organisations were of the view that the reform process – particularly the consultation process – had been poorly designed. The RRAT Reference Committee's report also concluded that:

- whilst industry is prepared to engage in discussions with DAFF regarding the reform agenda, it is not prepared to pay what amount to significant additional costs for the Government to become more efficient (particularly when there is limited confidence that specific efficiencies can be delivered);
- the Government's decision to return to full cost recovery for AQIS services has the potential to have a significant negative impact on small to medium exporters – particularly in terms of regional exports and business development;
- whilst reforms to the AQIS Export Certification program may be necessary, they should be phased in, with additional funding provided where needed.

3.3 The committee notes that several of the concerns raised during the 2009 inquiry, and the conclusions reached by the RRAT References Committee, continue to be relevant, and a number of these issues have been re-examined during the committee's current inquiry process.

Consultation process

3.4 Evidence to the committee indicated that the efficacy of the Ministerial Task Force (MTF) model of consultation varied between sectors. For some sectors it has been successful, while for others, the model was not flexible or inclusive enough to allow for effective consultation with all stakeholders. Evidence also indicated that the level of consultation during the process has continued to vary dramatically from sector to sector.

3.5 The committee acknowledges the concerns of those industry representatives who indicated that they had been requested to maintain confidentiality regarding the MTF consultation process. The committee is concerned that this type of emphasis on confidentiality is not appropriate in these circumstances. The committee believes that

requesting MTF members to maintain confidentiality has the effect of stifling debate and wider discussion across industry sectors.

3.6 The committee notes that in maintaining its commitment to the sole use of the MTF process, DAFF is now facing the situation of undertaking one-on-one consultations with a number of industry sectors, organisations and small businesses that were not included in the primary negotiations or represented by peak industry bodies.

3.7 The committee received evidence to suggest that one of the reasons these small businesses and organisations were overlooked during the consultation process, is that DAFF currently does not have an appropriate system for communicating with all key stakeholders. The committee regards this as problematic, given that AQIS is moving toward becoming a more commercially focused operation and there will be a continual requirement to consult with industry and provide updates and advice regarding changes to policy, fees and charges etc.

3.8 The committee also believes that DAFF's current inability to quickly contact all members of a specific industry sector, brings into question DAFF's ability to respond to a potential disease outbreak. The committee is seriously concerned that in the event of an emergency – such as an outbreak of Foot and Mouth Disease – DAFF does not have the means to contact all stakeholders quickly and provide advice in a timely manner.

Recommendation 1

3.9 The committee recommends that DAFF develop and maintain a comprehensive database (which includes current email addresses) and provides the means of contacting all relevant stakeholders.

3.10 The committee notes that DAFF has previously given an undertaking to refine and review the current MTF consultation process – including the terms of reference and the scope of their membership. The committee is disappointed to note that, to date, it would appear that this review has not been conducted.

Recommendation 2

3.11 The committee recommends that DAFF review its current consultation model, with a view to developing a more flexible, more inclusive model that can be used into the future.

Small operators

3.12 The committee notes that it has been following AQIS' management of the removal of the fee rebate for AQIS export certification functions for some considerable time. From the beginning of the reform process, the committee has had specific concerns about the impact these changes will have on smaller operators, including smaller abattoirs, exporters and cold storage export facilities.

3.13 The committee also notes that it has voiced its concerns about the impact on small operators in various forums, including hearings for the 2009 inquiry, several Senate Estimates hearings and throughout its current inquiry.

3.14 The committee believed that consultation was taking place across all industry sectors. The committee also believed that all parties who would be impacted by reforms would be able to raise specific issues of concern during the primary consultation process and have time to make the necessary adjustment to their operations. The committee is therefore disappointed to learn the reforms (including increased fees and charges) appear to have come as a complete surprise to a number of companies and small businesses.

3.15 The committee notes AQIS' offer to meet with individual businesses to discuss their specific biosecurity and export certification requirements and negotiate possible reductions in fees and charges. The committee is concerned, however, that this commitment has been made only after there has been much angst created for the smaller, non-processing businesses.

3.16 The committee is concerned that AQIS' proposal to conduct one-on-one consultations with these smaller businesses may have come too late. The committee is also mindful that there is a possibility some businesses may experience financial difficulties – or be forced to close export premises – before they become aware that assistance is available.

3.17 The committee will continue to monitor the progress of these one-on-one discussions and negotiations to ensure that AQIS continues to consult effectively with all industry sectors. The committee believes that AQIS should accept responsibility for negotiating with all industry groups and individuals and find solutions before these businesses incur any additional costs.

Efficiencies

3.18 The committee recognises the concerns raised regarding the reform of export certification fees and charges prior to AQIS identifying substantial efficiencies or cost savings. The committee also notes evidence which suggested that the move to full cost recovery for export certification (without improvements to AQIS systems and processes) would significantly impact exporters.

3.19 The committee shares the concerns raised regarding the extent to which AQIS has been able to identify efficiencies and cost saving measures. The committee also shares the concerns of those who question whether there is currently sufficient incentive for AQIS to do so.

3.20 The committee notes, for example, the proposal put forward by Cherry Growers Australia (CGA). CGA suggested that an independent committee be appointed to review AQIS' structure and costs and make recommendations to industry

and government on actions to increase efficiency and reduce costs.¹ CGA also argued that the proposed AAO model should be 'put on hold' until DAFF has completed negotiations and the model has been accepted by the governments of key export markets.²

3.21 The committee strongly believes that it is preferable, and more equitable, to negotiate cost savings and efficiencies before businesses are charged additional fees.

Certification rates for small consignments

3.22 The committee notes that some industry sectors – particularly those that supply small, niche markets – frequently export small volumes of product via air freight. The committee also acknowledges the argument put by small exporters regarding the lack of flexibility within the new fee structure and the negative impact this is likely to have on users of air freight.

3.23 The committee notes the proposal put forward by small businessman Mr Greg Darwell. Mr Darwell suggested that the Government, through AQIS, should investigate the possibility of reducing the costs associated with Health Certificates and Halal Certificates where the quantity of product is less than 1,400 kg. Mr Darwell also suggested that, for small shipments, the fees should remain at the old levels.³

Recommendation 3

3.24 The committee recommends that DAFF investigate and report to the committee on the feasibility of the proposal put forward by Mr Greg Darwell to reduce the costs associated with multiple certifications for small air freight consignments. The investigation should define the eligibility criteria for 'small air freight consignments' and include a cost analysis for each of the Ministerial Task Forces to ensure equitable treatment across commodity groups.

Extension of transitional arrangements

3.25 The committee notes the views put forward by a number of submitters and witnesses who proposed that the 40 per cent rebate should continue, to allow a longer transitional period or until unresolved issues have been addressed.

3.26 The committee notes the suggestion from the Commonwealth Fisheries Association (CFA) who argued that the Australian Government should consider extending the rebate for another two years on either full or part of the 40 per cent.⁴

1 Cherry Growers Australia, *Submission 55*, p. 2.

2 Cherry Growers Australia, *Submission 55*, p. 2.

3 Mr Greg Darwell, Mulwarra Export, *Committee Hansard*, 29 November 2011, p. 24.

4 Commonwealth Fisheries Association, *Submission 51*, p. 4 and Mr Brian Jefferies, Commonwealth Fisheries Association, *Committee Hansard*, 7 July 2011, p. 2.

3.27 The committee also notes the views put forward by the following organisations regarding the extension of transitional arrangements:

- The Cattle Council of Australia (CCA): who suggest that the 40 per cent contribution to export certification fees should be maintained until the efficiencies and productivity gains of the reform process have been delivered;⁵
- AHEA: who argued that either the 40 per cent levy should be continued or all central office functions (including EXDOC and market access maintenance functions of AQIS) should be paid for by the Government;⁶ and
- The South Australian Department of Primary Industries and Resources: who noted that Biosecurity SA supports the principle of cost recovery at a national level, but also recommend that cost recovery for export certification should be extended to apply equitably to all risk creators and beneficiaries, and to include importers as well as exporters.⁷

Recommendation 4

3.28 The committee recommends that the 40 per cent rebate for AQIS export certification functions remain in place, and fee increases not be passed on, until negotiations with all industry sectors have been finalised and consultations with individual businesses have taken place.

Feedback

3.29 The committee is aware that there are some stakeholders who are reluctant to raise concerns, or voice complaints, regarding AQIS services and processes. The committee notes that one witness actually suggested that there were some stakeholders who feared some form of retribution on the part of AQIS should they 'speak up'.⁸

3.30 The committee is aware of several government agencies which have developed mechanisms for providing confidential feedback. The Australian Transport Safety Bureau (ATSB), for example has the Aviation Confidential Reporting Scheme which allows people to report safety related issues on a confidential basis.

5 Cattle Council of Australia, *Submission 67*, p. 2.

6 Mr Alastair Scott, Australian Horticultural Exporters Association, *Committee Hansard*, 7 July 2011, p. 17.

7 South Australian Department of Primary Industries and Resources, *Submission 39*, p. 4.

8 Mr Daryl Young, Australian Agricultural Commodities Pty Ltd, *Committee Hansard*, 29 November 2011, p. 33.

Recommendation 5

3.31 The committee recommends that DAFF explore the possibility of developing a mechanism whereby stakeholders can submit suggestions or complaints confidentially or anonymously.

Watching brief

3.32 As noted previously, the committee acknowledges that negotiations across some industry sectors are working toward (or have already reached) agreements that are claimed to be acceptable to all stakeholders.

3.33 However, the committee notes with some concern, for example, that the relationship between AQIS, AHEA and the Horticulture MTF appears to have broken down. The committee also notes that a second advisory group has been formed – Senior Horticultural Advisory Group (SEHAG) – and there appears to have been no overlap or communication between this new group and the MTF. As a result, negotiations in relation to the reform process for the horticulture industry have not progressed and agreement on key issues of specific importance to the horticulture industry has not been reached.

3.34 The committee intends to maintain a watching brief while negotiations and work plans for each of the six industry MTF's are finalised and reforms implemented.

**Senator the Hon. Richard Colbeck
Acting Chair**