

Senate Rural Affairs and Transport References Committee

**Questions on Notice – Friday, 8 July 2011
CANBERRA**

Inquiry into Biosecurity & Quarantine Arrangements

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**SENATE RURAL AFFAIRS AND TRANSPORT
REFERENCES COMMITTEE**

Inquiry into Biosecurity and Quarantine Arrangements

Public Hearing Friday, 8 July 2011

**Questions Taken on Notice – Department of Agriculture, Fisheries &
Forestry (DAFF)**

1. HANSARD, PG 41

Senator NASH: We need to determine exactly what they have been. Dr O'Connell, you were just talking about the significant efficiencies. Could you take it on notice to provide for the committee exactly what you see those efficiencies as being and provide the detail for the committee on the previous situation, what has actually happened, what the efficiency has been and what the benefit has been.

Dr O'Connell: The answer is yes, but I think Mr Read went through these, and I think we have provided these separately. But we will provide them again.

2. HANSARD, PG 45

Senator NASH: We touched on this earlier, but I would like a bit more detail. On notice, can you provide us the comparison of the export requirements in countries that are importing into Australia and our export requirements here? For all of those countries that export into this country, what are the export certification requirements in those countries?

Ms Mellor: Yes.

Mr Read: Senator, was that question about any particular commodity?

Senator NASH: The whole lot.

Dr O'Connell: That could be a very extensive piece of work. Can we scope that a little bit?

Senator NASH: I am trying to get an understanding of the comparison of the requirements in the other countries so that we can look at what the requirements are here and what the requirements are in the other countries. If you could give me some broad detail, across the commodities, of how they look in each of those countries—I do not want to create months of work for the department.

Dr O'Connell: We can give you a general picture which is sufficient.

Senator NASH: A picture with a reasonable amount of detail would be useful.

3. HANSARD, PG 45

CHAIR: You want to pick up whether there is any payback in the system. I go to the terms of reference and refer you to the 'adequacy of current biosecurity and quarantine arrangements' and the 34 containers of dirt. You may prefer to take some of this on notice or not. I have just spoken to the shipping agent and customs broker. ANL was the shipper and Ross Fehlberg was the shipping agent and customs broker, and a bloke called William Duggan was the importer who cleared it to the agent, which were Country Fertilisers. They say there is nothing happening. I understand it has been suggested to the shipping agent and customs broker that they are expected to re-export this product. As I said earlier, the cost of the holding charge is \$3,000 a day. The export cost, depending on what happens to it, is between \$200,000 and \$300,000. The import cost was \$300,000. It was done through a Chinese accredited website for imports and exports, which means, I presume, there would have been government to government accreditation of that site, or is that not true?

Dr O'Connell: I will take that on notice. We do not have the people here today. We understood that you were going to look at exports, but we can take those on notice.

CHAIR: Okay. Just so you know, it is within the terms of reference. There is an immediate problem which you may also choose to take on notice. GST was paid on this consignment of dirt, weeds and seeds. Customs have cleared the GST to be returned to the person who paid it, but AQIS are not agreeable to that.

Dr O'Connell: Again, we will take that on notice. I am not sure of the accuracy of that. Some of this would require us to talk with Customs to make sure that—

4. HANSARD, PG 46

CHAIR: What is the point of having trade arrangements between countries when a product of that process is a major fraud and all the governments say 'Ooh! That's someone else's issue'? What does that say about the accreditation between the countries?

Dr O'Connell: We have to go back and assess whether or not this was accredited through that process. We have to give you that information, which we said we will take on notice.

5. HANSARD, PG 47

Dr O'Connell: Senator, we would regularly have some problems with exports. Some of those ones we sort out with industry and with other governments. There is a vast amount of goods going backwards and forwards between countries and the vast majority of those go through well-controlled. The vast majority of the product coming from China comes through here with no trouble at all. We have an example here where we have got to sort one out. That is no different from our having examples of our own products—

CHAIR: Have we had examples of complete deception like this in what is allegedly exported?

Dr O'Connell: I would have to defer to those who have more history with this.

CHAIR: You might want to take it on notice.

Senator COLBECK: It might be appropriately taken on notice.

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Question: 1

**Division/Agency: BSG Food
Hansard Page: 41**

Senator Nash asked: We need to determine exactly what they have been. Dr O'Connell, you were just talking about the significant efficiencies. Could you take it on notice to provide for the committee exactly what you see those efficiencies as being and provide the detail for the committee on the previous situation, what has actually happened, what the efficiency has been and what the benefit has been.

Dr O'Connell: The answer is yes, but I think Mr Read went through these, and I think we have provided these separately. But we will provide them again.

Answer:

To date, with the partial roll out of meat inspection reforms developed by the ministerial task force, the export meat industry has received \$10 million in efficiencies through the removal of inspection of carcasses for tuberculosis (Australia is recognised as free from tuberculosis), removing excessive oversight of container loading and reducing overtime arrangements. In addition, allowing businesses to print their own certificates instead of needing to attend AQIS regional offices provides time and transport savings through the introduction of a remote printing functionality for export certificates.

Ernst and Young's Benefits Realisation Report estimated net savings across the meat, grain, seafood, dairy, live animal and horticulture export industries of \$15-\$17 million per year once all the reforms are implemented. The estimate does not include industry benefits that could not be quantified at the time of the report, such as increased industry self management and inspection/audit delivery flexibility, as well as improved market access through more effective performance reporting and data management.

Full uptake of flexible inspection across red meat processing establishments is expected to result in decreased regulatory costs from around \$80 million per year to approximately \$56 million.

Plant product exporters will benefit from new export plant legislation that will be less prescriptive and be more outcomes focussed. For example, clearing of grain consignments prior to consolidation will replace mandatory sampling and testing at

Please provide an estimation of hours spent on QON response for each officer involved.

Officer	DAFF Level	Hours spent on QON response
A	EL2	2
B	SES 1	1
C	SES 2	0.5
D		

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loading, minimising the risk of rejection at the time of loading if it does not meet a trading partner's phytosanitary requirements.

For dairy and seafood commodities, the ministerial taskforces improved the current arrangements by enabling, if the state regulatory authority agrees, competent commercial approved auditors to undertake audits of exporters' establishments, instead of state government auditors. Duplication of audits will be minimised as domestic audits will cover export regulatory requirements and vice versa. Each state regulatory agency will determine which industry sectors it will audit—dairy, fish or eggs—and the department will undertake the rest. These reforms will come into effect by November 2011.

The Audit Management System (AMS) will replace a paper system. AMS facilitates the management of audits, by storing and analysing key performance data on individual plants. Businesses will be able to benchmark their performance against agreed standards, and businesses demonstrating consistent compliance will be rewarded with fewer regulatory audits. The AMS analysis of Australian export performance will be used in market access negotiations to provide objective evidence to trading partners that Australian production systems meet their requirements. AMS has been rolled out to the meat industry, with the other industry sectors to follow, through to December 2011.

The Manual of Importing Country Requirements (MICO_R) stores and reports on importing country requirements, for all commodities, replacing three outdated database systems: Animex (live animal requirements), Phyto (plant requirements) and Volume 2 (meat requirements) as well as spreadsheets of import conditions for fish and dairy. The single system will reduce IT and administration costs associated with maintaining the three systems and spreadsheets and make researching importing country requirements easier for exporters and departmental officers. MICO_R is now available for meat exporters, with other commodity conditions progressively loaded over the next five months.

TRACE provides web based electronic information exchange between live animal exporters and the department, replacing a paper based system. It will provide savings in time and reduce record keeping costs for exporters and the department.

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Question: 2

Division/Agency: BSG Food

Hansard Page: 45

Senator NASH: We touched on this earlier, but I would like a bit more detail. On notice, can you provide us the comparison of the export requirements in countries that are importing into Australia and our export requirements here? For all of those countries that export into this country, what are the export certification requirements in those countries?

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Dr O'Connell: That could be a very extensive piece of work. Can we scope that a little bit?

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Dr O'Connell: We can give you a general picture which is sufficient.

Senator NASH: A picture with a reasonable amount of detail would be useful.

Answer

Australia and most of our trading partners are signatories to the World Trade Organization (WTO) *Agreement on Application of Sanitary and Phytosanitary Measures* (SPS Agreement). When importing products from other countries, the SPS Agreement requires WTO member countries to use international standards for animal, plant and human health established by the World Organisation for Animal Health (OIE), the International Plant Protection Convention (IPPC) and Codex Alimentarius Commission (Codex) respectively, unless the country's appropriate level of protection justifies higher standards.

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Officer	DAFF Level	Hours spent on QON response
A	EL2	4:00
B	SES 1	2:00
C	SES 2	0:30
D		

The OIE through the Terrestrial Animal Health Code (www.oie.int/international-standard-setting/terrestrial-code/access-online/) sets requirements for the export of land animals and their products. Chapter five covers trade measures, sets out requirements for acceptable certification for animals and their products, and for quarantine controls. Chapter six sets out requirements for acceptable veterinary services, requirements for veterinary oversight and standards for meat inspection to control animal and human health hazards. It also calls up the Codex code of hygienic practice for meat (CAC/RCP58-2005).

The IPPC through the International Standards for Phytosanitary Measures (ISPM) (www.ippc.int/index.php?id=2&L=0) develops standards for plant health. ISPM 1 sets out the requirements for international trade in plants and plant products. Codex (www.codexalimentarius.net/web/index_en.jsp) sets international standards for food safety, including contaminant and microbiological criteria in foods.

The OIE, IPPC and Codex require that national competent authorities be responsible for certification and ensure that declarations on certificates are valid and accurate. WTO member countries negotiate market access based on the equivalence of their production systems with international standards (OIE, IPPC and Codex).

When negotiating new or improved access for its exports, Australia's preferred position is for the importing country to accept Australia's domestic standards and systems, such as food standards and export legislative requirements, as sufficient to meet its requirements. Many importing countries accept this approach, others impose requirements that are additional to, or different from, Australia's proposed measures.

Over the last 18 months, DAFF has undertaken studies comparing the market access conditions for a number of Australian horticultural commodities with those of our primary competitors.

These studies found generally, that Australia achieves comparatively favourable outcomes for horticultural commodities by most criteria but that Australia's competitors have better market access, all other things being equal, where competing industries are well structured and regulated (either voluntarily or by government). Chile and New Zealand are strong competitors because of the strength of their verification and audit systems and the discipline in their production systems.

With reference to comparison of export/import requirements for Australian and United States (US) beef; Australia can export beef to the US as the US accepts Australia's existing and new export meat model as equivalent to its domestic system. Australia does not import beef from the US as the US does not meet Australia's bovine spongiform encephalopathy requirements. Australia's import conditions are available on the department's import conditions database available at: http://netprod.aqis.gov.au/icon32/asp/ex_querycontent.asp.

Some export conditions for products from Australia are available at:

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<http://netprod.aqis.gov.au/elmer3/vol2.html> (for meat exports)
www.daff.gov.au/aqis/export/dairy/country-requirements (dairy exports)
www.aqis.gov.au/animex/asp/search.asp (live animals)
www.aqis.gov.au/phyto/asp/ex_home.asp (horticulture and grains).

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A	EL2	4:00
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C	SES 2	0:30
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Question: 3

**Division/Agency: BSG Food
Hansard Page: 45**

Senator Heffernan asked: You want to pick up whether there is any payback in the system. I go to the terms of reference and refer you to the 'adequacy of current biosecurity and quarantine arrangements' and the 34 containers of dirt. You may prefer to take some of this on notice or not. I have just spoken to the shipping agent and customs broker. ANL was the shipper and Ross Fehlberg was the shipping agent and customs broker, and a bloke called William Duggan was the importer who cleared it to the agent, which were Country Fertilisers. They say there is nothing happening. I understand it has been suggested to the shipping agent and customs broker that they are expected to re-export this product. As I said earlier, the cost of the holding charge is \$3,000 a day. The export cost, depending on what happens to it, is between \$200,000 and \$300,000. The import cost was \$300,000. It was done through a Chinese accredited website for imports and exports, which means, I presume, there would have been government to government accreditation of that site, or is that not true?

Dr O'Connell: I will take that on notice. We do not have the people here today. We understood that you were going to look at exports, but we can take those on notice.

CHAIR: Okay. Just so you know, it is within the terms of reference. There is an immediate problem which you may also choose to take on notice. GST was paid on this consignment of dirt, weeds and seeds. Customs have cleared the GST to be returned to the person who paid it, but AQIS are not agreeable to that.

Dr O'Connell: Again, we will take that on notice. I am not sure of the accuracy of that. Some of this would require us to talk with Customs to make sure that—

Answer:

The 'Made-in-China' website is an on-line shopping site. There is no government accreditation of this site.

The GST refund was paid on Wednesday 20 July 2011.

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Officer	DAFF Level	Hours spent on QON response
A	SES B1	0:10
B	SES B2	0:10
C	EL2	0:40
D		

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Question: 4

**Division/Agency: BSG Food
Hansard Page: 46**

Senator Heffernan asked: CHAIR: What is the point of having trade arrangements between countries when a product of that process is a major fraud and all the governments say 'Ooh! That's someone else's issue'? What does that say about the accreditation between the countries?

Dr O'Connell: We have to go back and assess whether or not this was accredited through that process. We have to give you that information, which we said we will take on notice.

Answer:

This was solely a commercial transaction. The site does not have government accreditation.

Please provide an estimation of hours spent on QON response for each officer involved.

Officer	DAFF Level	Hours spent on QON response
A	SES B1	0:05
B	SES B2	0:05
C	EL2	0:20
D		

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Question: 5

**Division/Agency: BSG Food
Hansard Page: 47**

Senator Colbeck asked:

Dr O'Connell: Senator, we would regularly have some problems with exports. Some of those ones we sort out with industry and with other governments. There is a vast amount of goods going backwards and forwards between countries and the vast majority of those go through well-controlled. The vast majority of the product coming from China comes through here with no trouble at all. We have an example here where we have got to sort one out. That is no different from our having examples of our own products—

CHAIR: Have we had examples of complete deception like this in what is allegedly exported?

Dr O'Connell: I would have to defer to those who have more history with this.

CHAIR: You might want to take it on notice.

Senator COLBECK: It might be appropriately taken on notice.

Answer:

In 1993, an Australian exporter falsely described a consignment of lucerne seed for export. The matter was investigated and the exporter prosecuted under the provisions of the Export Control Act. The exporter was fined over \$14 000, and ordered to pay court costs.

In the early 1990s, an Australian exporter falsely described a consignment of split vetch to Saudi Arabia as lentils. The false trade description enabled the exporter to receive a premium price for vetch, a pulse normally grown for stockfeed, not human consumption. As a result of the false trade description, Saudi Arabia banned the import of lentils from Australia. The trade in lentils was reinstated by Saudi Arabia in July 2011.

Records show two exporters have been referred to the director of public prosecutions for false trade descriptions under the *Export Control Act 1982* associated with the export of lamb (2005) and abalone (2007).

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Officer	DAFF Level	Hours spent on QON response
A	SES	1:00
B	EL2	2:00
C	EL1	2:00
D	APS6	1:30