



Ms Jeanette Radcliffe
Committee Secretary
Senate Rural and Regional Affairs and Transport References Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Ms Radcliffe,

SENATE INQUIRY INTO BIOSECURITY & QUARANTINE ARRANGEMENTS

We refer to your letter of 19 July 2010 advising of the establishment of this Inquiry and requesting submissions by 5 August 2010.

We understand the Inquiry was suspended after Parliament was prorogued but that an interim submission from industry would be appreciated, pending further consideration of the inquiry after Parliament resumes.

The Industry Working Group on Quarantine (IWGQ) membership comprises those industry groups that are the key stakeholders in the Australian Quarantine and Inspection Service's (AQIS) major activity areas covering cargo, shipping, aviation and related issues. The attached list of members provides you with details of industry associations and organisations that collectively represent the bulk of Australia's international import trade and logistics capability.

The cargo and related AQIS activities are fully cost recovered from industry and appropriate Government guidelines apply

Under current charging arrangements, industry contributed around \$170million per year to AQIS for its services in 2009/10. Based on current trade trends over the next five

years industry will pay close to \$1 billion in fees set to recover the costs of the AQIS Cargo and related programs. Since 2005/6 industry has contributed around \$675mil in direct cost recovery fees

Apart from IWGQ's members' own commitment to protecting Australia's biosecurity, industry's funding of the AQIS cargo programs gives us a very real interest in seeing that Australia's Biosecurity and Quarantine arrangements are efficient and effective. Accordingly we have prepared an initial paper on issues relevant to IWGQ members.

We propose to provide a full submission when the progress of the Inquiry has been further considered by the Senate after Parliament resumes.

Yours Faithfully
Industry Working Group on Quarantine



Stephen J. Morris
Chair
Executive Committee
24th August 2010

ISSUES PAPER

INDUSTRY WORKING GROUP ON QUARANTINE SENATE INQUIRY INTO BIOSECURITY AND QUARANTINE ARRANGEMENTS

The IWGQ membership comprises those industry groups that are the key stakeholders in the Australian Quarantine and Inspection Service's (AQIS) major activity areas covering cargo, shipping and aviation logistics and related activities. A list of members is attached. Collectively, members represent the bulk of Australia's international import trade and logistics capability.

Over the next five years industry will pay close to \$1 billion to AQIS in fees that are set to recover the costs of the AQIS Cargo and related programs.

The IWGQ was formed in 1993 in response to major concerns about AQIS's operations and its dealings with industry.

Since its inception, the IWGQ has been a strong advocate for effective quarantine systems in Australia and through consultative processes has, in the past, initiated and funded significant measures to enhance our national quarantine systems. Examples include:

- Industry has enthusiastically embraced and supported the concept of co-regulation and has helped to drive the implementation of a number of substantial schemes such as the Broker Accreditation Scheme, Quarantine Approved Premises, and the Food Import Compliance Arrangements.
- The IWGQ has itself developed and funded an on-line training delivery system through which, since 2005 over 16,000 industry employees have undertaken quarantine awareness courses and other training associated with AQIS accreditation and re-accreditation programs that underpin the informed compliance principle of co-regulation and the "Shared Responsibility" concept.
- Industry is funding part of the ICON redevelopment project at a cost of close to \$30 million so far, notwithstanding that the development and dissemination of quarantine policy is surely a Government responsibility.
- Industry has developed information packages aimed at facilitation and promotion of offshore compliance with Australian Biosecurity conditions.
- Industry has promoted and is actively promoting biosecurity compliance throughout the international and national logistics and supply chains.

These and other developments in the Cargo and related programs have only been made possible and effective through the detailed knowledge of the industries that the IWGQ members have brought to the table in its dealings with AQIS.

Against that background, issues of concern to industry are set out under the respective terms of reference for the Inquiry as follows:

The adequacy of current biosecurity and quarantine arrangements, including resourcing

Industry considers that:

- AQIS cargo and related programs will not be effective, efficient and meet both AQIS and industry needs until there is a clear set of principles¹ agreed that governs the programs' designs and operations; and
- The adequacy of current arrangements should be critically assessed as a starting point to ensuring entrenched, robust and sustainable urgent reform.

Previous review processes have addressed these issues. In 2008 there was a joint QEAC²/AQIS/Industry review of the Import Clearance program but it appears that little progress on implementation of its recommendations has been made

Significant matters of concern include:

- AQIS does not appear to have any meaningful performance indicators that attest to the quarantine effectiveness of the current programs' arrangements;
- There is a lack of transparency in AQIS's operations;
- With a few exceptions, notably the fertilizer industry, AQIS does not engage in meaningful consultation with industry – there has been a substantial deterioration in this respect in recent times;
- There is not sufficient attention paid to shared responsibility and co-regulation;
- Many AQIS staff have little or no understanding of the cargo industries and the context that we operate in which may be attributable to constant staff rotation / changes and
- Because of the point above, AQIS appears to be increasingly focusing on processes rather than outcomes.

Projected demand and resourcing requirements

There have been substantial increases in industry charges in the Cargo and related programs. Over the period from 2001-02 to 2007-8 charges paid by industry in the Import Clearance program have increased by over 100% from \$ 55.4 million to \$115.2 million. Yet the business volumes under that Program have increased at less than half that rate. Further substantial increases in cost recovery were introduced in 2009/10 bringing the total budgeted charges to \$147.7mil to cover, inter alia, revenue shortfalls as a result of a decline in activities attributable to the Global Financial Crisis.

¹ See Attachment B for the seven principles that IWGQ recommends.

² QEAC – The former Quarantine and Exports Advisory Council

In the Seaports Program the cost recovery increased from \$7.9mil in 2001/2 to \$14.1mil in 2007/8 where it remained for the 2009/10 financial year.

It should be noted that the Import Clearance and Seaports programs have been combined on 2009/10 and are referred in this document as Cargo and related programs.

Significant matters of concern include:

- A lack of transparency
 - Financial and other relevant data previously freely available is now not being provided;
 - In the absence of detailed financial data being available, industry cannot be assured that cost recovered funds are not used for Community Service Obligation (CSO) activities.
- AQIS appears not to have applied the same efficiency objectives to the Programs under reference as has been applied by Government to all other budget-funded activities;
- The allocation of Department of Agriculture Fisheries and Forestry (DAFF) overhead costs and, AQIS overhead costs (especially given the Central Office staff structure);
- AQIS appears to have no short or medium term efficiency objectives or strategies for the import programs such as being considered in the export areas and
- Costs to industry of the impact of AQIS actions or inaction appear not to be considered by AQIS;

Some progress with the Beale recommendations would significantly assist in making the program more outcomes focused and assist in improving efficiency.

Progress toward achievement of reform of Australian Quarantine and Inspection Service export fees and charges

It is the firm view of the IWGQ that the same reform principles as applied to the export fees and services need to be applied to all of AQIS's programs referenced in this submission.

As noted earlier, IWGQ industries will provide close to \$1 billion over the next five years for activities of the programs under reference. Many of the goods that are imported are essential inputs to Australian agriculture and manufacturing industries including, for example, fertilizer, timber, mining machinery, components for local manufacture etc. Inefficient AQIS practices flow through directly to Australian industries and impact on their overall competitiveness.



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AQIS Industry Cargo Consultative Committee (AICCC)

IWGQ has for many years now raised with DAFF/AQIS the inequity of imposing on industry the cost burdens of what are clearly Government responsibilities (refer Productivity Commission Report 15), including:

- The cost of Joint Military Exercises
- The cost of generic quarantine Awareness Media campaigns
- DAFF Corporate overheads and
- CSO activities such as policy development and advice to the Minister

AQIS/DAFF has yet to address these issues despite undertakings to do so.

Progress in implementation of the 'Beale Review' recommendations and their place in meeting projected biosecurity demand and resourcing

The Beale Review was released in December 2008 and the Government announced its agreement in principle to the recommendations. Up until November 2009 Industry and AQIS had jointly monitored progress with the recommendations relevant to programs under reference. AQIS now appears to have moved away from direct consultation with industry on the recommendations that directly impact on the referenced programs.

Industry has yet to be provided with detailed implementation plans for the relevant recommendations some 18 months after the Report was tabled and accepted by Government.

Any related matters

The formal consultative arrangements between AQIS and Industry are conducted through the AQIS Industry Cargo Consultative Committee (AICCC). From its inception in late 1993 through to the mid-2000s the AICCC worked well. It was regarded as 'best practice' by the Nairn Review of Quarantine and the former Quarantine and Exports Advisory Council.

IWGQ members on the AICCC have become increasingly concerned at the lack of meaningful consultation with industry and the progressive reduction in transparency and accountability.

Response times from AQIS to issues raised are somewhat slow, for example:

- Industry funding of Joint Military Exercises, publicity campaigns and other CSO activities
- Extension of some co-regulation arrangements – raised from early 2000 onwards
- Machinery Accreditation arrangements for offshore inspections
- Giant African Snail (GAS) container onshore IT management system
- Introduction of risk based applications such as clearing vessels on documents in the Seaports area

It is apparent that some of AQIS's own initiatives are not progressed at a reasonable rate. For example, what should have been a straightforward revision of the AICCC initiated by AQIS has now been seven months in progress without being finalised.

The industry, by way of stable staff retention in senior positions, is able to offer AQIS access to extensive industry experience in the development of its programs and operations, including input from key staff that has an extensive knowledge and experience relating to many issues of relevance to programs under reference. On the other hand industry notes the impact of continuous changes in senior staff, for example from 1999 to date AQIS had some eight Executive Directors (including two persons in lengthy acting capacities)

Summary

Industry has become increasingly concerned at the quality and effectiveness of its relationship with AQIS.

We would appreciate the opportunity to provide a more detailed submission to the Inquiry if and when the Inquiry continues after Parliament resumes.

ATTACHMENT: A

Board of Airline Representatives (BARA)

Australian Chamber of Commerce & Industry (ACCI)

Australian Federation of International Forwarders (AFIF)

Australian International Movers Association (AIMA)

Australian Timber Importers Federation Inc (ATIF)

Australasian Paper Industry Association (APIA)

Conference of Asia Pacific Express Couriers (CAPEC)

Construction and Mining Equipment Industry Group (CMEIG)

Customs Brokers & Forwarders Council of Australia Inc (CBFCA)

DP World Australia

Federal Chamber of Automotive Industries (FCAI)

Fertilizer Industry Federation of Australia Inc (FIFA)

Food & Beverage Importers Association (FBIA)


Patricks Ports Logistics

Patrick Terminals

Shipping Australia Limited (SAL)

Sydney Ports Cargo Facilitation Committee (SPCFC)

Victorian Freight and Logistics Council (VFLC)



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ATTACHMENT: B

RECOMMENDED PRINCIPLES FOR IMPROVEMENT OF AQIS CARGO AND RELATED PROGRAMS

The IWGQ is firmly of the view that:

- It cannot hope to have a effective Cargo and related programs that meet both AQIS and industry needs until there is a clear set of principles agreed that governs the programs design and operation; and
- It cannot hope to achieve the wide-scale and urgent reform that industry considers is necessary until there is an open, transparent and critical assessment made of the adequacy of current arrangements.

Previous review processes have addressed these issues, including most recently, the joint QEAC/AQIS/Industry review of the IC program in 2008. Unfortunately it seems to have foundered in the increasingly project and task/process driven world of AQIS program management.

The IWGQ is now arguing for a comprehensive modernisation of the Cargo and relevant programs based on the recommendations in the Beale Review and guided by a set of principles to be mutually agreed by Industry and AQIS.

Principles to Underpin the Design and Operation of the AQIS Cargo and related programs

The IWGQ recommends that the cargo and related programs be underpinned by the following 7 principles:

1. *Demonstrable Quarantine Effectiveness* – there should be a means by which Government and industry can satisfy itself that the processes that AQIS has in place are achieving quarantine objectives and that over time, improvements in quarantine outcomes are being achieved. Industry also needs to be assured that the AQIS interventions and the resultant costs to industry are achieving important biosecurity objectives
2. *Interventions are Assessed on a Relative Risk-Return Basis* – The Beale Review recommended that risk-return assessments should be the basis on which strategies are determined and priorities set so that resources are directed to the areas of greatest priority.
3. *Effective Collaboration and Consultation* – AQIS has the legislative responsibility and capability to deliver on these objectives. Industry understands the business processes and logistics chains in ways that AQIS cannot and Industry staff handling cargo on a 24/7/365 basis are at the front line in greater numbers than

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AQIS can deploy. The two working together represents the potentially most effective means of achieving quarantine objectives. A disjointed approach where there is no common understanding and collaboration will mitigate against achievement of objectives.

4. *Program Delivery based on Quality Systems and Client Service Principles* – AQIS will achieve maximum effectiveness in its operations where “getting it right first time” is the underpinning of its systems and processes. This minimises the amount of re-work necessary to correct mistakes, respond to queries and manage secondary issues.
5. *Timely Delivery of Services* – Delays in any service delivery increase the exposure to potential quarantine risks and add costs to industry.
6. *Cost Efficiency* - Government needs to maximise the use of the resources available to it and to ensure that AQIS meets Whole-of-Government objectives in the efficient delivery of services and regulatory cost impacts on Industry.
7. *Transparency* – The interests of Government, of the wider community in relation to quarantine issues, and of industry are not mutually exclusive. Open communication between all the parties to ensure that there are common understandings will deliver optimum results. AQIS needs to be accountable for its performance and to satisfy all stakeholders that it has upheld the principles and met the objectives that have been determined for its programs.

Industry recognises that it also has obligations in this regard. In particular, where services are delivered through a Company based quality systems approach or other AQIS accredited model of service delivery, industry acknowledges that there must be a rigorous system of transparent verification in place to ensure that quarantine concerns are being addressed.

QLD0732-23-Aug-10.txt

DateTime	Name	UID	Price	SubMerchant	CardType	Transaction Type	Batch	Category
23/08/2010 4:13:41 PM	Knaggs Ross & Co (Aust) Pty Ltd	37995	1636.94		AMEX	PURCHASE		

Approved Transaction Listing for QLD0732
For the settlement day : 23-Aug-10
Produced by eMatters, 24/08/2010 3:22:02 AM

Value of sales to be settled today: 1636.94
Number of transactions to be settled today: 1
Value of Pre-Authorised transactions today: 0.00
Value of Refunds today: 0.00

End Of Report

This is not an invoice. This is a transaction listing generated by eMatters each day. It is automatically emailed to accounts@cbfca.com.au. If you do not want to receive this each day, please login to the eMatters Merchant Desk and change the setting of Daily CSV List to No