



Submission

To

The Australian Senate

**RURAL AFFAIRS AND TRANSPORT REFERENCES
COMMITTEE**

Inquiry into Biosecurity and Quarantine Arrangements

July 2011

Introduction

Cherry Growers Australia is the national peak industry body representing approximately 650 cherry growers across Australia. Significant new investment in the cherry industry over recent years is expected to increase production over the next three years from the current 10,000 tonnes to around 15,000 tonnes annually. The cherry industry provides a vital stimulus to several regional economies across five states of Australia.

The cherry industry is already heavily reliant on export in order to avoid over-supply in the Australian market. As production increases, export will become even more important in order to maintain a fair return on investment for growers.

The cherry industry has struggled to maintain export volume over recent years and has languished in several export markets due to Australia's lack of competitiveness compared to alternate southern hemisphere suppliers such as Chile and New Zealand. The high cost of labour in Australia is a major issue for the cherry industry and the increased value of the AU\$ has impacted heavily. **Despite the 40% rebate on AQIS inspection fees, the cost of quarantine inspections to fulfil protocols imposed by importing countries such as Taiwan, Japan, USA and Korea, is far higher in Australia compared to inspection costs in competitor countries.**

The Australian cherry industry has reached a tipping point whereby any further increase in costs will have a significant negative impact on export sales.

Issues of Concern

Cherry Growers Australia is extremely concerned about the return to full cost recovery on AQIS export inspection fees and charges in the absence of any demonstrated reduction in inspection costs. Industry has been of the understanding that \$127 million was provided by the Australian Government in 2009 to extend the 40% rebate payment period through to the end of June 2011 and to fund a reform process which would provide efficiencies and cost savings to replace the rebate. **It now appears that the reform process has failed and AQIS is simply attempting to shift costs to industry rather than introducing cost saving efficiencies.**

The cherry Industry wishes to raise the following points of concern.

- The consultation process surrounding the AQIS reform process has been inadequate with limited communication at peak industry body level
- The Horticultural Ministerial Task Force has been suppressed in communication with industry due to the imposition of confidentiality restrictions on Task Force Members

- Industry's concern regarding perceived cross-subsidisation of DAFF's administration and community service obligations from income derived from the export inspection service has not been satisfactorily investigated and communicated
- Several issues regarding the administration of the Hort Ministerial Taskforce as raised by former Task Force Members Mr David Minnis and Mr Alastair Scott in the Rural Affairs and Transport References Committee hearings on Thursday 7th July 2011 are of grave concern. These matters should be formally investigated by the Secretary of DAFF to ensure there has not been a breach of the Australian Public Service Code of Conduct. If the evidence provided by Mr Minnis and Mr Scott is proven to be correct, outcomes of the AQIS Reform Process of the past 18 months should be considered invalid and the process recommenced.
- The AQIS proposal to introduce a system of industry employed Approved AQIS Officers (AAOs) does not provide a resolution to the current high cost of inspection and will in fact incur higher costs for seasonal industries. There is also not agreement in place with the governments of major export markets such as Japan, Taiwan, Korea and China to accept inspection by AAOs. It is estimated that it will take 3 to 5 years of tough inter-government negotiation to gain acceptance of AAOs with the possibility that they will not be accepted at all.
- The return to full cost recover of AQIS fees and charges commenced on July 1 2011. It is understood that a new schedule of fees is to be applied by AQIS however, at the time of writing this submission, the new fee schedule has not been advised to industry.

Summary

The cherry industry is of the opinion that the AQIS reform process has been poorly managed and that the \$127 million investment by the Australian Government has been largely wasted. Introduction of AAOs will not allow export to key markets and costs to industry are likely to increase significantly.

Cherry Growers Australia wishes to make three recommendations to the Senate Inquiry.

- **The 40% rebate on export inspections fees should continue until the cost saving objective of the AQIS Reform Process is achieved.**
- **An independent committee should be appointed to review AQIS structure and costs and to make recommendation to government and industry on appropriate actions to increase efficiency and reduce costs.**
- **Roll-out of the proposed AQIS Approved Officer program should be put on hold until accepted by the governments of key export markets.**

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