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Senate Rural and Regional Affairs and Transport References Committee
P O Box 6100
Parliament House
Canberra, ACT 2600

**Inquiry into Biosecurity and Quarantine Arrangements
Management of removal of fee rebate for AQIS export certification functions**

A submission on behalf of the Ruminant Genetics Trade Advisory Group (RGTAG)

The National Herd Improvement Association Inc. (NHIA) is the co-coordinator of an industry group which has been set up to facilitate improved communication between the ruminant genetics industry and Biosecurity Australia/AQIS. This industry group is known as the Ruminant Genetics Trade Advisory Group (RGTAG).

The ruminant genetics industry is affected in this matter mainly through the export of bovine (cattle), caprine (goat) and ovine (sheep) genetic material in the form of semen and embryos.

Effect of Removal of 40% rebate on 1st July 2011

Prior to the removal of the export certification rebate, exporters of genetic/reproductive material were paying AQIS a net amount of \$42.30 per 15 minute time period – the equivalent of \$169.20 per hour – for processing of documentation and inspection of exports.

Following the removal of the rebate, exporters are now paying \$70.50 per 15 minute time period – equivalent of \$282.00 per hour for *exactly the same service*.

This represents a price increase of **67%** in AQIS fees and charges for export certification.

There are very few other organizations operating in Australia today that would be able to justify such a phenomenally high price increase for services rendered.

In addition, we make the point that exporters have absolutely no choice in this matter since AQIS is, essentially, a monopoly export certification body.

There is already some evidence that these increased fees have reduced the ability of exporters of genetic/reproductive material to be competitive in the global market.

As an example, one of our members supplied a small shipment of 400 units of bovine semen to a customer in Indonesia in May 2011 where AQIS documentation and inspection fees totaled \$583 or \$1.48/unit of semen. On visiting his customer in Indonesia, the Australian exporter was confronted with evidence of a similar size shipment from USA to the same Indonesian buyer where USDA fees for certification and inspections amounted to \$0.20 /unit of semen. And this was **before** the 67% AQIS price increase came on 1st July 2011. It is little wonder that the Indonesian buyer has indicated that his next shipment will come from USA due to lower costs than Australia.

What efficiencies?

In its preliminary response to the Beale Report, the Government noted that:

Across the board, industry will benefit from improved regulatory arrangements, and more efficient allocation of resources, and increased resources.ⁱ

At this time, members of RGTAG are not able to identify any efficiencies within the current AQIS systems and processes that have justified such a large price increase.

Whilst the NHIA is supportive of the need for AQIS to be adequately resourced, we are not in favour of underwriting the current inefficiencies inherent in AQIS especially when it comes to areas such as document processing and the current poor state of the ANIMEX system. If this move is about cost-recovery, and the new charges are based on real costs, then AQIS should be investigating the possibility of sub-contracting some of this work to organisations that have lower costs.

It seems to be unfair that efficiencies have been promised on the part of AQIS in return for the removal of the export rebate, and then these promises are unfulfilled at the time when the export rebate is removed. It is our strong position that the efficiencies should have been realised **before** the export rebate was removed. This would have given exporters some confidence in the AQIS reform process.

Losing Australia's competitive advantage

The global market for genetic/reproductive material from cattle (bovine), sheep (ovine), goats (caprine) and horses (equine) is very competitive. Australia's major competitors in this field are Canada, USA and New Zealand – and all three of these countries offer some element of subsidisation by their Government in the area of export certification.

Our position is that the export rebate was removed without a corresponding improvement in the systems and processes employed by AQIS to increase efficiency, and now places Australian genetics exporters at a severe disadvantage in the global genetics market. This will lead to a significant reduction in exports and revenue returned to the domestic genetics industry. By simply increasing the cost of certification and retaining current practices, AQIS will be jeopardising the level of genetic export trade from Australia and reducing economic activity, especially in regional areas.

Why does AQIS make exporting so difficult?

The observation of our members is that it appears that there is a culture that is endemic within AQIS that is determined to make exporting Australian products as difficult as possible. Not merely expensive (especially after the elimination of the export rebate) but difficult as well. To be an exporter of reproductive material in Australia requires a persistency and effort that sometimes can seem to be far in excess of the financial margins involved.

The irony for most exporters is that AQIS spends far more time inspecting export documentation with a fine tooth comb than the animal health authorities of the importing country. We would encourage AQIS to adopt a more efficient 'tick box', risk approach which would save time and costs and leave the importing country with the responsibility of checking documentation closely.

RGTAG is appreciative of the opportunity to make this submission and looks forward to further developments.

NHIA Contact

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ⁱ DAFF, *Cost Recovery Impact Statement: Amendment of fees for the Horticulture Export Program*, page 3