



**Parliament of Australia
The Senate Reference Committee on Rural and
Regional Affairs and Transport**

**Inquiry into
Management of removal of fee rebate for AQIS export
certification functions**

**A Submission by
Nursery & Garden Industry Australia (NGIA)**

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INTRODUCTION

Nursery & Garden Industry Australia is the peak national industry body representing producers, retailers and allied traders involved in the production of plants across all states and territories of Australia. In partnership with state and territory peak bodies, NGIA is responsible for overseeing the national development of the Australian Nursery Industry. The Nursery Industry is a significant sector of the Australian horticultural industry and employs over 45,000 people in over 20,000 small to medium sized businesses with a combined supply chain market value in excess of \$15 billion annually. Table 1 shows the wide range of end users supported by the Nursery Industry.

Table 1: National value of horticultural sectors supplied by production nurseries

| Production Nursery | Horticultural markets | Economic value |
|---|----------------------------------|--------------------------|
| Container stock ¹ | Ornamental/urban horticulture | \$2 billion retail value |
| Foliage plants ¹ | Indoor display/hire | \$87 million industry |
| Seedling stock ² | Vegetable growers | \$3.3 billion industry |
| Native and exotic forestry stock ³ | Plantation timber | \$1.7 billion industry |
| Fruit and nut tree stock ² | Orchardists (citrus, mango, etc) | \$5.2 billion industry |
| Landscape stock ¹ | Domestic & commercial projects | \$2 billion industry |
| Plug and tube stock ² | Cut flower growers | \$700 million industry |
| Revegetation stock ¹ | Farmers, Government, Landcare | \$109 million industry |
| Mine site revegetation | Mine site rehabilitation | Value unknown |
| Total Horticultural Market Value | | \$15.0 billion |

¹ Freshlogic (2008) Australian Garden Market Monitor for the Year Ending 30 June 2008

² Horticulture Australia Limited (2004) Australian Horticultural Statistics Handbook

³ Australian Bureau of Agricultural and Resource Economics (2008). Australian Forest and Wood Products Statistics

Nursery & Garden Industry Australia represents nursery businesses across Australia that export plant material to overseas markets. From January to December 2008, total plant exports amassed \$28.6 million. The majority of nursery businesses that export plants often export small quantities of plant material on a frequent basis with many consignments under 200 kg. Moreover, there are several nursery businesses that focus on export of plant material as their principle business actively. It is therefore imperative that all nursery

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businesses exporting plant material are adequately supported enabling development and growth in the global market.

At present, there is a distinct lack of industry confidence in the Australian Quarantine and Inspection Services (AQIS) controlled processes, due to the high frequency of change in documentation, inspection/quarantine processes, general protocol interpretation and minimal consultation with industry on matters that have financial ramifications on business sustainability, including fee reviews. This concern is warranted following the implementation of the removal of the 40 per cent fee rebate and revised fee schedule as of 1 July 2009. The ramifications to exporting nursery businesses as a result of these measures will result in many businesses being unable to absorb these added costs. This comes at a time where the value of nursery export has declined 20 per cent since 2004.

Nursery & Garden Industry Australia (NGIA) welcomes the opportunity to make a submission to the inquiry into *the management of removal of fee rebate for AQIS export certification functions*.

RESPONSE TO ISSUES

A) The level of industry support for the removal of the 40 per cent rebate prior to the implementation of comprehensive reform of AQIS's export inspection and certification services;

Nursery & Garden Industry Australia was never in support of the removal of the 40 per cent rebate. At a time where the Australian economy is tethering on the brink of recession, the thought of imposing additional fees on businesses, already suffering from the Global Financial Crisis, was viewed by industry as remiss and detrimental in sustaining nursery export in a highly competitive global market.

Industry was made aware of the potential removal of this rebate by the Beale Review released in late 2008. Specifically, recommendation Number 79 quoted 'Export certification functions should return to 100 per cent cost recovery as scheduled at the beginning of July 2009, noting that this would require an early decision and announcement by the

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Government to allow businesses to prepare for the additional costs as well as for the necessary consultation on revised fee structures.’ The Beale Review further indicated that ‘The policy objectives of the 40 per cent subsidy of the costs of export inspection and certification (introduced in 2001) are unclear, and are unlikely to qualify as a community service obligation.’

Australian Quarantine Inspection Services drafted 4 proposed fee models on 16 March 2009 that were sent to 400 exporters involved in horticultural export (response required by 30 April 2009). It should be noted that NGIA did not receive a copy of this proposal, despite a close working relationship and had to rely on industry sources to provide detail surrounding the proposals. In addition to this, the proposed timeframe for consultation was grossly inadequate for sufficient consultation with those businesses directly involved in the export of plants. Compounding this was the inadequate amount of time between the close of submissions and July 1 2009 where the new fees would take effect.

It should be noted that less than 20 per cent of exporters who received the correspondence associated with the proposed fee models replied, with the majority opposing any rise in fees. Despite this consensus, AQIS insisted that industry put forward an agreed model. On 1 April 2009, NGIA joined the Ministerial Task Force (Horticulture) to discuss the proposed changes to the export fee structure and to express opposition to these changes on behalf of constituents. Despite industry objections, it was apparent that there was minimal leverage to negotiate an outcome that would mutually satisfy AQIS (Australian Government) and industry. As a result, the Ministerial Task Force (Horticulture) reluctantly put forward a revised fee schedule based on the existing fee structure to satisfy the cost recovery requirements stipulated by AQIS.

On 13 May 2009 NGIA offered, in principle agreement to this fee structure on the provision that;

- ongoing consultation with NGIA is maintained as delivery arrangements for AQIS horticulture exports services in line with recommendations of the Beale Report are implemented;

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- ongoing consultation with NGIA on approved arrangements and how NGIAs on-farm biosecurity programs (BioSecure *HACCP*) may act as a vehicle for these arrangements;
- discussion continues on ways to promote efficiencies and improve productivity within AQIS which include, but are not limited to, uniformity and consistency with phytosanitary inspection of nursery stock for export;
- a redistribution arrangement of money to stakeholders in the event of over recovery and;
- a moratorium on any further fee increases (beyond the proposed 100 per cent% cost recover) until NGIA can assess what efficiencies the proposed new system can deliver.

It should be noted that the introduction of approved arrangements into the new fee schedule was seen by AQIS as a measure to “assist clients address any impact on their business from the new charges.” Until notification of the new fee structure was made public on 1 July 2009, industry was not in the position to evaluate how approved arrangements would serve as a vehicle to lessen the impact of the revised fee structure. Moreover, no information was supplied to industry advising how the approved arrangements would operate until requested by the Ministerial Task Force (Horticulture).

B) The adequacy of consultation by the Government in the development of industry work plans;

The timeframe provided to industry for consultation with constituents, in the development of the Horticultural Industry Work Plan, was insufficient in order to clearly articulate and express the needs of industry. Key areas raised by NGIA include:

- Inconsistent phytosanitary interpretation across AQIS field inspection officers
- Lack of uniform protocols within AQIS for export inspections of nursery stock
- Integrating industry on-farm biosecurity programs (BioSecure *HACCP*) into plant health certification without compromising plant health status or import/export regulations

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Consequently, the Horticultural Industry Work Plan was submitted to AQIS on July 31 2009. At this point it is important to note that the Horticulture Export Program was allocated \$2.485 million from the Australian Government to assist in the delivery of the Horticultural Industry Work Plan on the proviso that the allocation of funds was to be spent within 12 months from July 1 2009. These expectations are unrealistic for industry to successfully deliver the outcomes contained within the Horticultural Industry Work Plan. It is important that these changes are not implemented in haste to ensure the best possible outcomes for industry are achieved.

C) The capacity of the Government, including AQIS, to implement efficiency proposals;

Nursery & Garden Industry Australia express concern on the role Government and AQIS may have in the implementation of the proposed work reforms contained within the Horticultural Industry Work Plan. In order for these proposed reforms to translate into improved service delivery of the Horticulture Export Program, it is crucial that the Ministerial Task Force (Horticulture) drive these reforms independently and without undue influence from the Australian Government or AQIS.

D) The adequacy of government funding to implement industry work plans;

Nursery & Garden Industry Australia believes that the 40 per cent fee rebate should be reinstated on the provision that outcomes realised through implementation of the Horticultural Industry Work Plan will translate into efficiencies and cost savings required by this program. Furthermore, NGIA believes that the best way for this to be achieved is with the financial support of the \$2.485 million allocated from the Australian Government.

E) Any progress on meeting targets in industry work plans;

Over 4 weeks have passed since AQIS received the Horticultural Industry Work Plan and there has been minimal traction in meeting targets outlined within this document. Because of this delay, there are concerns that the 12 month time frame, as stipulated by the Australian Government in delivering the reforms, will not be met. A key aspect of these reforms relate to a forensic review of operating costs and cost

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contributions of the Horticulture Export Program and sensitivity analysis of AQIS cost distributions/necessary charges. These macro reforms are necessary in order to proceed with further macro and micro reforms listed within the Horticultural Industry Work Plan. These key reforms have not commenced.

F) The financial or other impact on industry sectors of the failure to meet reform targets;

Removing the 40 per cent fee rebate and failure to deliver on key reforms will add further pressure to an already declining nursery export sector and will limit the competitiveness of this industry in the global market. General fees and charges relating to the export of horticultural commodities have increased over the past 5 years to a level that in some instances reduces the financial viability of the activity for business. This is clearly evident by the 20 per cent fall in nursery export since 2004. Growth of the export sector is crucial to the long-term sustainability of Australian Horticulture.

Finally, should there be no change to the current removal of the 40 per cent fee rebate, it is imperative that any of the \$2.485 million unspent on the reforms listed within the Horticultural Industry Work Plan for the 09/10 period, be returned to the users/fee payers. Eligible businesses will be identified on the AQIS export system in the 09/10 financial year with processing of rebates due by the end of July 2010.



Robert Prince
Chief Executive Officer
Nursery & Garden Industry Australia
4/9/2009