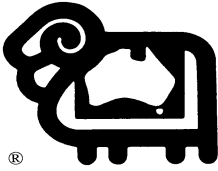


AUSTRALIAN COUNCIL of WOOL EXPORTERS & PROCESSORS INC



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3 September 2009

ACWEP-09-215

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

By E-mail: rrat.sen@aph.gov.au

Dear Ms Radcliffe,

Management of Removal of Fee Rebate for AQIS Export Certification Functions

Thank you for your advice of this Inquiry and the invitation to the invitation to Michael Avery for the Australian Council of Wool Exporters & Processors to make a submission.

Please find their submission attached.

Please do not hesitate to contact me at the above should you seek any further information or clarification.

Will there be any opportunity to make a personal submission to the Committee.

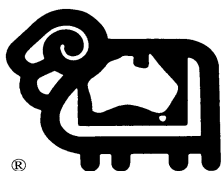
Yours sincerely,



Peter Morgan
Executive Director

cc Michael Avery, President Australian Council of Wool Exporters & Processors

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SUBMISSION TO SENATE RURAL AND REGIONAL AFFAIRS AND TRANSPORT REFERENCES COMMITTEE INQUIRY INTO MANAGEMENT OF REMOVAL OF FEE REBATE FOR AQIS EXPORT CERTIFICATION FUNCTIONS

Introduction

Australia exported wool valued at \$2 billion to 39 countries in 2008/09.

Most of these countries, including Australia's principal export destination, China, require that each consignment is accompanied by a Health Certificate issued by AQIS.

Wool exporters are not affected to the same extent as the food industries because there is no inspection of wool prior to export and its associated cost. Nevertheless, they have been impacted upon by very significant increases in charges for AQIS Health Certificates.

The Australian Council of Wool Exporters & Processors (ACWEP) submission will address each of the seven headings outlined in the letter of invitation to make a submission.

In making this submission, it is important to advise Members of the Committee that ACWEP was advised by AQIS that the wool industry would not be part of the Reform Review process and that the wool industry's interests would be attended to by changes made for the meat industry. With due respect to the meat industry, they will be more concerned with their own industry than the wool industry.

The wool industry made repeated requests to be included in the consultation process. All requests have been either denied or ignored.

(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

There is no support from wool exporters for this sequence of actions.

The decision to remove the 40% Rebate prior to the development and introduction of reform of AQIS's export inspection and certification services provided no time for either:

- * AQIS to undertake reform which would improve its delivery of services; and
- * created an unnecessary and premature increase in costs for exporters.

(b) The Adequacy of Consultation by the Government in the Development of Industry Work Plans

The wool industry notes that a number of industry Taskforces were established to liaise with AQIS on the development of industry work plans.

These appeared to be restricted to industries that would be most affected in terms of absolute increases in costs. The wool industry was not included.

While the rationale behind this approach can be understood, in practice it restricted the ability of the wool and other industries to have input into the planning process. The only consultation with the wool industry amounted to little more than to advise them of decisions that had already been made.

As mentioned above, with due respect to the industries represented on the Taskforces, their primary concern is for their own interests, not those of other industries.

(c) The Capacity of the Government, Including AQIS, to Implement Efficiency Proposals

ACWEP can only comment from an observer's view as its Members were not privy to any relevant information from AQIS or that may have been given to the Industry Taskforces regarding this matter.

This is big task. Intuitively, it is difficult to believe that it can be completed in a satisfactory and timely manner without the provision of additional resources to AQIS. Are they available?

Without being at all judgemental, another issue worthy of consideration under this heading is the willingness of AQIS to drive and implement the reforms deemed as necessary if AQIS is not comfortable with the potential outcomes.

(d) The Adequacy of Government Funding to Implement Industry Work Plans

As with the previous Section, ACWEP is not privy to any information which enables them to form an objective view on this issue.

(e) Any Progress on Meeting Targets in Industry Work Plans

ACWEP has not been provided with any information that enables it to provide a knowledge based response.

(f) The Financial or Other Impact on Industry Sectors of the Failure to Meet Reform Targets

Wool exporters were advised of two sets of revised charges for Health Certificates, as follows. The second were implemented on 1 July 2009, six days after official notice was received.

First Set of Charges:

	Moved From	To	% Change
Electronic Certificates (EXDOC)	\$16.00	\$99.00	+519%
Manual Certificates	\$31.00	\$450.00	+1,352%

Second Set of Charges (implemented on 1 July):

	Moved From	To	% Change
Electronic Certificates (EXDOC)	\$16.00	\$64.00	+300%
Manual Certificates	\$31.00	\$100.00	+223%

The impact of the first set of charges would have been to add \$900,000 to \$1,000,000 per annum to wool exporters' costs. The revised set of charges adds around \$580,000 to \$650,000 to their annual costs. The increase in costs to individual wool exporters varies according to the quantity of wool exported. Australia's largest wool exporter advises that the new charges will cost his company an additional \$120,000 per annum.

The additional costs are very difficult to recover as they represent less than 1¢ per kilogram on the weight of wool bought and exported. Hence, wool exporters are faced with the choice of either:

- * Attempting to absorb the additional costs; or
- * Reducing their bidding price in the auction room by 1¢ / kilogram and maintaining the expected sale price to their customers. This would add \$3,500,000 to wool industry costs.

Logic Behind the Increases

ACWEP has always had difficulty in understanding the logic behind the charge increases.

We were advised that the wool industry did not receive any benefit from the 40% subsidy. Hence we surprised at the size of the increases if the wool industry had not been a beneficiary.

When challenged on this basis, AQIS advised that there are some internal linkages between wool and meat within AQIS; and that the wool industry gained some flow-on benefits from the meat industry as an indirect beneficiary.

Also, when ACWEP questioned AQIS staff about the first set of charges, we were advised that the service had been costed correctly and that the charges were justified.

When ACWEP was advised of the second set of charges, AQIS was challenged along the lines of "How can the second set of charges be correct if the AQIS costings were correct when the first set of charges was announced?"

AQIS responded that a different Model (with less veterinary officer input) had been used to derive the second set of charges.

Members found this response somewhat incredulous and asked the question "How can we assume that the correct Model has been used if the results are so different?"

Unfortunately, ACWEP believes that it has never been told the full facts and that AQIS appears to amend its answers / provide new information according to the question.

(g) Any Other Relevant Matter

- * While ACWEP believes that the consultation process with the wool industry has been mostly to advise ACWEP of decisions made elsewhere, it is important to acknowledge one exception.

Namely, AQIS has agreed to ACWEP's request to work towards removing the need for Health Certificates and / or to replace them with a less expensive service. This can be regarded as part of the reform process. Work has not yet commenced.
- * ACWEP has advised both Minister Burke and AQIS that it cannot accept that the revised charges are correct, given that:
 - There is no physical inspection of the wool. AQIS relies on declarations by the wool exporter to issue the Health Certificate.
 - Most of the data entry necessary for an electronically produced electronic Health Certificate or the preparation for a "manually" produced Health Certificate takes place in the wool exporter's office.
 - ACWEP has a basis for comparison. The Australian Wool Testing Authority (AWTA) issues Test Certificate for Yield, Vegetable Matter Contamination and Fibre Diameter for "lots" of wool prior to sale. Their charge to supervise the sampling, conduct the physical and chemical testing, record the test data, certify the results and electronically transfer the data to their clients of an average sized lot is \$37.40 + GST, 42% less than the cost of an electronic Health Certificate.
- * ACWEP recommended to Minister Burke that any increase be staggered and that consideration be given to outsourcing the service. No response was received to these proposals.



Peter Morgan
Executive Director