

*Submission to Parliamentary Joint Committee of Public Accounts and  
Audit*

*on*

*Review of Australia's Quarantine Function*

by

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## *EXECUTIVE SUMMARY*

- The Australian Chicken Meat Federation welcomes the opportunity to contribute to this JCPAA Review. The ACMF will be glad to provide further elaboration and give evidence as required.
- The Australian Chicken Meat industry is a large and efficient meat and food industry. It has assets estimated at \$6 billion, annual turnover of \$3.5 billion and employs directly and indirectly 120,000 people. It is heavily concentrated in outer metropolitan areas and in rural and regional Australia.
- It is Australia's most efficient meat industry – out-performing beef, sheep meat and pork. In terms of absolute size the poultry industry is now second only to the beef industry.
- Strict bio-security and quarantine protection is an essential pre-requisite to the development and operations of all livestock and poultry industries world wide.
- Australia must maintain its strict bio-security and quarantine policies to protect its livestock industries, the chicken meat industry included, from devastating exotic disease out-breaks which would impose massive economic and environmental costs on Australia.
- ANAO Report No 47 provides a timely review of Australia's quarantine effectiveness. Its identification of deficiencies and recommendations to improve quarantine effectiveness are to be commended and have been largely adopted in the government's significant up-grading of quarantine announced in the 2001-02 Budget in May 2001.
- Strict bio-security and quarantine protection reflecting Australia's unique disease free status and natural environment is perfectly consistent with Australia's WTO obligations. The WTO SPS Agreement concluded as an integral element of the 1994 Uruguay Round makes clear that it is the sole prerogative of any country to determine its own level of quarantine protection. Australia's move to increase the level of its quarantine protection announced in the 2001-02 Budget in the light of Europe's FMD and BSE crises is to be commended and is perfectly legal under WTO Agreements.
- Quarantine protection should not be confused with economic protection such as tariffs, subsidies, domestic support and non-tariff barriers. As already noted all countries provide quarantine protection to their livestock industries which is perfectly allowable under WTO Agreements. The Australian chicken meat industry is unsubsidised and enjoys no economic protection unlike the situation in many other countries – most notably, in the case of major chicken meat exporting countries, the United States, Thailand, EU and Brazil who enjoy substantial subsidies.

- These aggressive chicken meat exporting countries wishing to gain access to Australian markets will, of course, lobby to have Australia's quarantine protection relaxed because it is to their commercial advantage. Such lobbying should be firmly rejected by Australia. Those same countries administer strict quarantine regimes to protect their own industries.
- Devastating exotic diseases plague world poultry industries. Australia is unique in being free of exotic strains of avian diseases such as Newcastle Disease, Infectious Bursal Disease and Avian Influenza. Relaxation of Australia's quarantine restrictions on chicken meat would have a high economic cost estimated conservatively at \$1.8 billion GDP lost, \$450 million household income lost and 17,700 job losses. These estimates do not include the substantial cost to Australia's environment and other industries.
- Australia should not "trade-off" its quarantine protection for commercial trade advantage in other areas in forthcoming trade negotiations. Quarantine protection should be a "non negotiable" item in multi-lateral and bi-lateral trade negotiations. It should not be on the table for negotiation.
- Australia should not entertain relaxation of the SPS Agreement in the forthcoming Doha WTO Round, nor in "Free Trade Agreements".
- Free Trade Agreements raise particular dangers for "trade-offs" and "side deals" on quarantine relaxation. The proposed Thai-Australia FTA demonstrates this danger most clearly. The Officials' Study Report released by DFAT on 7 May 2002 shows that Australian officials are actively signalling a willingness to resolve, be flexible and negotiate on quarantine. This seriously compromises the integrity of the very important IRA presently underway by BioSecurity Australia in regard to the import of raw chicken meat from Thailand, the US and EU in which ACMF has been participating in good faith.
- ANOA recommendations and AFFA's response to strengthen IRA processes (Para 32 and 33, ANOA Report) are supported by ACMF. Australia should not yield to other countries' pressure to "speed-up" or "short-cut" or compromise the due process our IRA's. Most particularly, Free Trade Agreement initiatives should not provide an avenue for "special deals" on quarantine which would have the effect of by-passing and compromising the integrity of the IRA process and Australia's hard won rights under the SPS Agreement.

## **Introduction**

The Australian Chicken Meat Federation (ACMF) welcomes this opportunity to participate in the Joint Committee of Public Accounts and Audit (JCPAA) Review of Australia's Quarantine Function in response to public advertisements on 12 April 2002.

A strong and efficient Quarantine Service which upholds Australia's very conservative and strict regime of quarantine protection in harmony with our nation's unique natural environment is an essential pre-requisite for the continued growth and viability of Australia's rural industries.

## **Quarantine in the new era**

This JCPAA review is timely since it provides a welcome opportunity for the Parliament to review quarantine issues since the present regime was set in place some years ago following the Quarantine Review Committee Report of 1996 which was undertaken in the early aftermath of the WTO Uruguay Round Agreements of 1994. The world has moved on, and changed profoundly, since that time and major events have impacted on Australia's bio-security. Most notably, of course, has been the devastating FMD outbreak in Europe and the BSE crisis. These events, amongst many others, have led Australia – quite properly – to tighten significantly its quarantine regime and adopt a more conservative quarantine policy. The ANOA Report No 47 of 7 June 2001 has played a useful part in assisting in the up-grading of Australia's quarantine protection.

## **Government tightening of quarantine**

The Government's announcement to move to a significantly more conservative approach to quarantine protection was announced in statements by the Treasurer, in the 2001-02 Budget Speech on 22 May 2001, and in Press Releases by the Minister for Agriculture, Forestry and Fisheries and the Minister for Trade, and ARMCANZ. They have underlined the over-arching importance of Australia's quarantine protection in the wake of serious international bio-security disasters. As the Treasurer said "*...Australia's farmers are the best in the world. We must help them stay that way. We must protect our country from the risk of plant and animal disease.*" Similarly, Mr Truss said in response to the Australian National Audit Office Report on AQIS "*...A formal review of the IRA process is underway. Changes have already been implemented to address the ANAO suggestions on transparency and in relation to the Biosecurity Australia's work program. A new version of the IRA handbook will be produced later this year.*"

*'This Government has been on the front foot on quarantine because it is so crucial to protecting Australia's important agricultural industries and our unique environment. The ANAO report confirms that the initiatives already undertaken have been an important improvement and are heading in the right direction.'*"

## **Quarantine protection should not be confused with economic protection**

It is important, as the Treasurer and other Ministers above have pointed out, to distinguish between a nation's quarantine protection – which is quite legitimate under WTO Agreements – and economic protection such as subsidies, tariffs, non-tariff barriers and domestic support. All countries with substantial agricultural industries administer appropriate quarantine and bio-security protection to their desired national standards as an essential pre-requisite for the existence of their agricultural industries. This is a proper role of governments and recognises not only the bio-security and environmental integrity of their nation but also the essential pre-requisites for viable investment, employment and growth of their agribusiness industries.

The WTO SPS Agreement recognises it is the sole prerogative of any country to determine its own level of quarantine protection.

## **Quarantine protection underpins Australian agricultural development**

Strict quarantine protection has underpinned the development of all of Australia's rural industries. This is particularly true of the Australian chicken meat industry which has grown from humble beginnings after World War II to the status of Australia's most efficient meat industry with assets of around \$6 billion, annual turnover of \$3.5 billion and employing directly and indirectly 120,000 people. Australia is now one of the highest per capita consumers of chicken meat in the world and with per capita annual consumption of around 33 kg per person is now challenging beef and veal at 37 kg per person as Australia's most preferred meat product.

The Australian chicken meat industry – now a very substantial industry and Australia's second largest meat industry - could not have developed without strict quarantine protection. Australia is free of devastating exotic diseases which plague world poultry industries. We are unique in being free of exotic strains of Avian diseases such as Newcastle Disease, Infectious Bursal Diseases and Avian Influenza.

## **Trade pressures trying to break down Australia's quarantine**

Not surprisingly, many other countries who are aggressive and subsidised exporters of agricultural products persistently lobby to break down Australia's quarantine barriers to their commercial advantage. This, of course, is not surprising. But such pressures from other countries should be firmly rejected. Such pressures often attempt to characterise Australia's legitimate quarantine protection as disguised economic protection. There are no grounds for such allegations. Australia has an open and transparent process of risk assessment conducted in conformity with the SPS Agreement of the WTO. The ANOP recommendations and AFFA's response (paras 32 and 33) to further improve IRA's will

enhance Australia's world leadership in the integrity and transparency of its quarantine processes.

### **No "trade-off" of quarantine**

Australia should not "trade-off" quarantine relaxation for other advantage in international trade negotiations either in the current Doha WTO Round or in bi-lateral "Free Trade Agreements" or similar deals.

Quarantine integrity should be regarded as a "non-negotiable" item by Australia and not an item to be mixed with economic issues such as market access, tariff reduction and domestic support reduction which are quite properly key agenda items for Australia in current trade negotiations.

Australia should preserve and vigorously defend its rights achieved in the SPS Agreement in the 1994 Uruguay Round.

### **Free Trade Agreement dangers**

ACMF is very concerned that "free trade agreements"(FTA's) could lead to a relaxation of Australia's conservative quarantine policy, and an erosion of its WTO rights in the SPS Agreement.

Countries who have long sought to break down Australia's strict quarantine barriers appear to be pressing for concessions as part of a "free trade agreement" package. For example, the *Official Study of an Australia-Thailand Free Trade Agreement* released by the Department of Foreign Affairs and Trade on 7 May 2002 contains numerous references to "genuine co-operation and resolution" of quarantine measures (5.5, p7; 7.2, p2; 7.2, p3). See DFAT Media Release of 7 May 2002 and the Study ([http://www.dfat.gov.au/trade/negotiations/thai\\_fta/index.html](http://www.dfat.gov.au/trade/negotiations/thai_fta/index.html)).

The apparent willingness of Australian officials to contemplate special bi-lateral deals on quarantine as part of a "free trade agreement" package is a very serious concern to the ACMF.

Currently an IRA of major importance is underway by BioSecurity Australia regarding the importation of raw chicken meat in response to requests from Thailand, the United States and the EU.

It is a matter of the most serious concern to the ACMF that the integrity of this current IRA is being compromised by simultaneous bi-lateral dealings and understandings on quarantine between Australian and Thailand officials.

This JCPAA Review should pursue the question of conflict between FTA's and Australia's quarantine policy and rights under the SPS Agreement of the WTO – and the status and integrity of import risk assessment as a matter of priority.

### **Cost of quarantine relaxation**

The massive economic cost to Australia's rural based industries from quarantine failure has been highlighted in numerous recent economic studies. For example, ARMCANZ has said:

*“...The Australian Bureau of Agricultural and Resource Economics has estimated that an outbreak of FMD would cost Australia \$5.8 billion in the first year. That is just the loss in export revenue and does not include the containment eradication costs, and the collateral impact on regional economies, which would likely triple the cost.*

*It would also result in a fall of about 3.5 per cent in GDP and a 1 per cent increase in unemployment, hitting our beef and dairy industries the hardest.”* (Source: ARMCANZ Communique, 9 May 2001).

A further comprehensive study of FMD Outbreak in Australia to include economic, social and environmental effects has been commissioned by the government and is presently underway ([www.pc.gov.au](http://www.pc.gov.au)).

Another estimate of quarantine cost has recently been published by the Queensland Department of Primary Industries. This Report *Foot-and-Mouth Disease Outbreak: Modelling Economic Implications for Australia* ([www.slobhan.dent@dpi.qld.gov.au](mailto:www.slobhan.dent@dpi.qld.gov.au)), concludes:

*“...The modelling in this paper highlights that more than half of the impacts of a major FMD outbreak would occur in industries (eg construction, financial business service, retail trade and hotels) other than the at risk livestock farming and livestock product industries. In Year 7 alone, real GDP was projected to be \$2,400 million below the base case, while employment was projected to be 22,000 people below the basecase. These losses are far greater than the projected Year 7 losses in the national livestock farming industry (\$700 million and 1900 people) and the national livestock product (mainly meat processing) industry (\$200 million and 5,100 people).”*

*The impact of the outbreak on Queensland, a major beef cattle state, was proportionally more severe than the national impact. Queensland employment was projected to be 33,900 people below the basecase and real GSP projected to be \$2 240 million below the basecase in Year 7 alone.*



*The Department of Primary Industries, Queensland estimated that a major FMD outbreak in Brisbane would incur total control costs of approximately \$500 million. The costs of control appear significant, but are only minor when compared to the likely loss to the national economy.”*

Economic modelling of quarantine relaxation in chicken meat was undertaken in the ACMF Report *Benchmarking and Value Chain On-going Study Program*, May 2000, copies of which will be provided separately to the JCPAA. The modelling undertaken by the National Institute of Economic and Industry Research (NIEIR) summarises employment impacts of quarantine relaxation in chicken meat as follows:

<b><i>Employment Losses by State: Quarantine Relaxation of Chicken Meat</i></b>			
<b><i>Import Penetration</i></b>	<b><i>10%</i></b>	<b><i>20%</i></b>	<b><i>40%</i></b>
NSW	3303	6578	13057
Victoria	2322	4623	9174
Queensland	1627	3238	6421
S A	736	1466	2908
W A	914	1820	3611
<b>Total</b>	<b>8902</b>	<b>17724</b>	<b>35170</b>

The modelling also shows the direct employment losses (excluding indirect flow-on employment effects) in twenty State Statistical Divisions for quarantine relaxation of chicken meat as follows:

<b><i>Direct Employment Loss: Top 20 Regions</i></b> (Statistical Division Code in Brackets)			
<b><i>Import Penetration</i></b>	<b><i>10%</i></b>	<b><i>20%</i></b>	<b><i>40%</i></b>
Newcastle (11005)	322	643	1278
Hunter (11010)	87	173	344
Mornington Peninsula (20590)	184	368	734
Brisbane City (30505)	94	184	358
Gosford Wyong (10570)	132	262	521
Moreton (31020)	130	259	516
WA North Metropolitan (50515)	116	230	455
WA SE Metropolitan (50525)	68	135	266

WA East Metropolitan (50510)	43	86	169
SW Outer Sydney (10530)	118	235	466
Yarra Ranges (20560)	100	200	399
Lower Murrumbidgee (15015)	91	182	362
Redland Shire (30550)	85	169	336
SE Outer Melbourne (20580)	74	148	293
Blacktown/Baulkham Hills (10550)	85	168	331
Fairfield Liverpool (10525)	72	144	283
Onkaparinga (41015)	41	82	164
Logan City (30530)	53	105	208
Richmond/Tweed (12010)	53	105	208
Northern Slopes NSW (13010)	46	91	181

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## **Conclusion**

The cost to Australia of relaxing our strict and conservative policy on quarantine would be very substantial.

The ANOP Report provides a timely review of the need for continued improvement and vigilance in our quarantine effort.

This JCPAA Review of the ANOP Report comes at an important stage in the context of Australia's trade policy developments including the possibility of "free trade agreements" and the heightened importance in all countries of bio-security integrity.