



HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON PRIMARY INDUSTRIES, RESOURCES AND RURAL AND REGIONAL AFFAIRS

Reference: Benefits of agricultural trade reform

CANBERRA

Wednesday, 11 March 1998

OFFICIAL HANSARD REPORT

CANBERRA

HOUSE OR REPRESENTATIVES
STANDING COMMITTEE ON PRIMARY INDUSTRIES, RESOURCES
AND RURAL AND REGIONAL AFFAIRS

Members:

Mrs Bailey (Chair)
Mr Adams (Deputy Chair)

Mr Andren	Mr Katter
Mr Causley	Mr Nairn
Mr Cobb	Mr O'Connor
Mr Fitzgibbon	Mr Stephen Smith
Mrs Gash	Mrs Stone
Mr Hawker	Mr Wakelin

Terms of Reference:

The committee is to inquire into the benefits for regional Australia and Australia's primary industries of, and further issues associated with, world trade reform, including the policy implications of:

- . the growing international demand for food, especially in Asia;
- . the opportunities for primary industries arising from international trade reforms globally, regionally and bilaterally;
- . factors affecting Australia's international competitiveness and capacity to realise these opportunities;
- . the treatment of non-tariff measures, including quarantine, within the World Trade Organisation and how these impact on Australia's primary industries; and
- . how the momentum for trade reform in the primary industries sector can be maintained and encouraged on a global, regional and bilateral level.

WITNESSES

HICKEY, Mr Paul, Executive Director, Australian Quarantine and Inspection Service, Department of Primary Industries and Energy, Edmund Barton Building, Barton, Australian Capital Territory 2600	119
IKIN, Dr Robert, Senior Manager, Plant Quarantine Policy Branch, Australian Quarantine and Inspection Service, Department of Primary Industries and Energy, Edmund Barton Building, Barton, Australian Capital Territory 2600	119
PATERSON, Mr Denis, Acting Director, Quarantine and Export Operations Review, Australian Quarantine and Inspection Service, Edmund Barton Building, Barton, Australian Capital Territory 2600	119
ROE, Dr Richard Treloar, Senior Principal Veterinary Officer, Animal Quarantine Policy Branch, Australian Quarantine and Inspection Service, Department of Primary Industries and Energy, Edmund Barton Building, Barton, Australian Capital Territory 2600	119

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Mr Adams (Acting Chair)

Mr Andren

Mr Nairn

Mr Causley

Mrs Stone

Committee met at 10.14 a.m.

Mr Adams took the chair.

ACTING CHAIR (Hon. D.G.H. Adams)—I declare open this public hearing of the inquiry by the Standing Committee on Primary Industries, Resources and Rural and Regional Affairs into the benefits of agricultural trade reform. This is the fifth hearing of our inquiry. Before proceeding, I advise the witnesses that the committee's public hearings are recognised as proceedings of the parliament and warrant the same respect that proceedings of the House of Representatives demand. Witnesses are protected by parliamentary privilege in respect of the evidence they give before the committee. Witnesses will not be asked to take an oath or make an affirmation. However, they are reminded that false evidence given to a parliamentary committee may be regarded as a contempt of parliament.

The committee prefers that all evidence be given in public but should witnesses at any stage wish to give evidence in private, they may ask to do so and the committee will give consideration to that request.

[10.15 a.m.]

HICKEY, Mr Paul, Executive Director, Australian Quarantine and Inspection Service, Department of Primary Industries and Energy, Edmund Barton Building, Barton, Australian Capital Territory 2600

IKIN, Dr Robert, Senior Manager, Plant Quarantine Policy Branch, Australian Quarantine and Inspection Service, Department of Primary Industries and Energy, Edmund Barton Building, Barton, Australian Capital Territory 2600

PATERSON, Mr Denis, Acting Director, Quarantine and Export Operations Division, Australian Quarantine and Inspection Service, Edmund Barton Building, Barton, Australian Capital Territory 2600

ROE, Dr Richard Treloar, Senior Principal Veterinary Officer, Animal Quarantine Policy Branch, Australian Quarantine and Inspection Service, Department of Primary Industries and Energy, Edmund Barton Building, Barton, Australian Capital Territory 2600

ACTING CHAIR—We have received a submission from you which we propose to receive as evidence and authorise for publication, unless you have any objections.

Mr Hickey—That is fine.

ACTING CHAIR—I call upon a member of the committee to accept that this submission from AQIS be received as evidence and authorised for publication.

Resolved (on motion by **Mr Causley**):

That the submission from AQIS be received as evidence and be authorised for publication.

ACTING CHAIR—Before we begin our questions, would you like to make a brief opening statement?

Mr Hickey—Only to indicate that we received a letter from the committee secretary dated 26 February 1998 which identified six matters that had been raised with the committee during the course of your inquiries to date. The submission you have just received goes briefly to those matters. We will be happy to speak to that submission and answer questions rather than running through the contents of it.

ACTING CHAIR—I think your submission deals with this, but one of the issues, to kick off, is the perceived inconsistency between the high standard required of Australian exports and the inferior standards of some import products. We have received this in evidence around the country. Would you like to give us your comments on that?

Mr Hickey—We can give you some general comments on that. It always helps with those sorts of comments that are made to the committee to look at the specifics of what they are, and we would be happy

to do that. In general terms, I will deal with the export certification side of the business in the first instance. What we are doing there is certifying two standards that either reflect international standards or, in the absence of international standards or where other circumstances require it, specify standards that are set by importing country authorities.

In those situations, the standards that are applied by AQIS as part of the certification process in some respects are out of our control. It is possible to attempt to influence importing country authorities where we consider that the standards are excessive or in excess of international norms. We do work within the international standard setting agencies to influence the standards setting processes. To that extent, we do have an influence on the matter.

In the absence of any specific standards—either through the international standards setting agencies or from the importing countries—we would generally apply the Australian standards as being the appropriate standards to which to certify. So there is that element of our export operations that is externally dictated if you like.

On the import side of it, we are looking for two matters primarily. One is public health issues and the other is animal and plant quarantine issues. On the public health side of it, the Australia New Zealand Food Authority sets the standards to which AQIS provides inspection services. They are the policy determining body in respect of public health issues and we provide the inspection services to those standards. Again, in that sense, the standards that we operate to are outside our direct control, although of course we have some influence on those processes.

On the quarantine side, the sorts of standards that we apply are consistent with our interpretation of government policy on conservative quarantine regimes for this country. The standards that are being applied are directly within our control.

That is the general framework within which we operate. To begin to look at particular matters we would need some detail of particular concerns that have been raised. But it is possible within that framework for there to be an apparent disjunction between the standards for exports on the one hand and imports on the other.

Mr CAUSLEY—I think the complaint was—it is across a number of industries; you could look at salmon, chicken meat or apples—that we seemed to be very strict in the controls that we place on exports. There is a perception that imports tend to be treated in a different manner and maybe there is nothing new in it. We know the marketplace and we know what the distortions have been in the marketplace with non-tariff barriers in the past. That was the perception—that we were very keen to adhere to the WTO regulations as far as we were concerned in Australia, but that was not necessarily the case with other nations that we were trying to export to.

Mr Hickey—That is a pretty broad canvass that could cover all sorts of issues to do with judgments about how the sanitary and phyto-sanitary agreements intended to operate. In large measure, that is still being played out in dispute processes that are going on in Geneva at the moment not just in relation to our decisions on salmon but on other matters as well. There is certainly some unclear territory within the WTO

rules and the SPS agreement in particular that are being tested at the moment.

ACTING CHAIR—But no case law.

Mr Hickey—There is some case law in relation to the European ban on access for meat products that contain hormonal growth promotants. That case law supports the fact that there has to be a comprehensive risk assessment that underpins a decision such as that ban. The finding of the dispute panel was that the European Union had not conducted such a risk assessment.

In relation to the salmon matter, which is currently before the dispute panels, one of the issues that is being tested there is the question of consistency of the rules that we apply in relation to that proposed import as against the rules that are applied to other fish products that come into this country. There will be over a period of time, as these sorts of cases go through the dispute processes, some case law established which will govern the operation of the SPS agreement. But that will take some time.

Mr CAUSLEY—What sort of standards would you set? Do you say, ‘Okay, to honour this agreement, which is very important to us as a trading nation, would we be prepared to take some risks on the importation of some of these products with diseases that could be detrimental to our industries?’

Mr Hickey—Not unless they fall within the broad terms of government policy. For every access request we do a specific risk assessment. The complexity of that depends on the complexity of the issues we are looking at and the judgment that is made is made solely on the merits of that case. The overriding principle that we have to have regard to is one of consistency. The SPS agreement requires that we be consistent in the application of risk in order that, for example, we could not accept a higher level of risk for products that we wanted in the country—genetic material, for example—and apply lower levels of risk for products that we did not want in the country, such as materials or food products that might be competing with local products or whatever.

ACTING CHAIR—That goes to the national interest. We cannot apply the national interest because we need a generic to start things off or to improve something. We have to be consistent in—

Mr Hickey—We have to be consistent in the application of risk. That is a qualitative judgment. There is no quantitative risk assessment methodology available anywhere in the world that governs those sorts of judgments to a fine degree. There has to be a judgment made about whether that represents a level of risk in relation to a particular product that is broadly consistent with the government’s policy. That is the judgment that often is in dispute when these decisions are made.

ACTING CHAIR—Has the government laid down any guidelines for you?

Mr Hickey—None other than that we are to continue to apply a conservative quarantine policy, which is spelt out in the government’s response to the Nairn report which was tabled last year. Again, it expressed in general terms that we will always require some sort of judgment about whether decisions are consistent with that general direction.

ACTING CHAIR—Do you lay down criteria for making those judgments?

Mr Hickey—The bases on which those judgments are made are spelt out through the risk assessment process which is identified in the report. Where necessary, where there are less formal matters that come to light, there are various consultative committees that we have with particular industry groups where those matters are discussed.

ACTING CHAIR—What is the name of the report?

Mr Hickey—*Australian Quarantine: A shared responsibility—A government response to the report of the National Task Force on imported fish and fish products in the Nairn review of quarantine.*

Mrs STONE—With issues like the BSE problem in Europe—while, as a country, we do not have BSE in our cattle population we were going to be caught up in that—what role does the quarantine service play in treating that sort of situation?

Mr Hickey—We have made a large number of submissions to the European Union authorities and to individual member states within the EU seeking to establish our BSE freedom status in order that meat and meat based products that we export into the EU will continue to have unimpeded access.

There has been a reluctance on the part of the EU itself as an organisation to grant freedom, although they have acknowledged submissions by both ourselves and New Zealand. I forget the precise words now, but they were basically saying that it is almost certainly that we are free but we cannot be absolutely 100 per cent positive about that. So they gave us a health status that was in advance of many other countries in the world through that process. But, at the same time, because the EU is not prepared to grant status of freedom from BSE to member states, the member states then collectively are not prepared to grant freedom as a status issue to any other country.

That matter is being played out in the EU at the moment and we continue to make direct submissions on technical matters or representations through the embassy in those areas. Potentially the impacts on our exports, not just direct to the EU but, for example, through further processed product in the United States and then on into the EU, could be quite substantial.

Mrs STONE—Given that this has taken time—and, of course, time can be used as part of a non-tariff barrier as a result of these issues—what can you do as a quarantine service or what can the government do to ensure that the time it takes to work through the process is not part of a barrier to trade or a chilling of trade? Where can we go if, for example, New Zealand and Australia are being blocked even though we can demonstrate a lack of BSE in those countries? What appeal mechanism or process is there for us? How effective is that given that this whole process in itself means that we are losing market share?

Mr Hickey—At the level of officials in our organisation dealing with other organisations, there is nothing in the WTO rules or SPS agreement that addresses the question of timeliness.

Mrs STONE—Really? There is nothing to do with timeliness?

Mr Hickey—The general expectations are that we will deal with these requests in a timely manner. As you would know, there are lots of concerns expressed by other countries about the timeliness with which Australia deals with requests. The Australian government's response to that has been to establish this process as being a disciplined, structured approach to risk assessment. The time that that would take will vary from case to case depending on the complexity of the issues, but it is a transparent process that both Australian interests and international interests can observe and question as necessary.

So there are no formal triggers in the agreements that enable us to raise those matters. The concerns about timeliness then ultimately become a question for government to government relations, bilateral trade negotiations and the like and, ultimately, representations direct from our ministers to their counterparts within the country we are seeking to export to. In the case of the European Union and our concerns about the BSE status issue, that would involve discussions between Mr Fischer and Mr Anderson and Commissioner Fischler within the EU.

Mr CAUSLEY—What you are saying to us is that we obviously abide by the rules and try to adopt a professional approach. What about other countries? Are they abiding by the rules and adopting a professional approach or are they using some of these processes as non-trade barriers?

Mr Hickey—As a general statement, I would say that the countries that we have a lot of dealings with who are signatories to the WTO like us are in the process of documenting their systems and procedures in a way that brings them into compliance with the intent of the SPS agreement. I think that is a fair statement to make. There have been access requests granted to Australia over the period since the agreement was signed that indicate that that is the case. We have certainly made progress on a number of access issues where the leverage of the SPS agreement has been, in our view, part of the reasons why we have been able to advance the matters.

There are countries outside the WTO, some of whom are seeking succession to the WTO and others who are still progressing towards that, whose risk assessment procedures we believe would not meet the conditions of the SPS agreement but whom we are continuing to seek to influence both at a policy level and on particular access issues to gain some ground. For those countries that are seeking excision, I think we are beginning to make some progress. But in some other markets it is certainly hard going.

Mr CAUSLEY—One of the complaints from the industry—and I was not at the meeting—seemed to be that we were prepared to accept disease free areas, such as that which can be declared for the orange industry, in other countries whereas other countries were not prepared to accept disease free areas in Australia.

Mr Hickey—Again, we would have to look at the specifics of the concern. It simply is the case, for example, that the regionalisation provisions within the SPS agreement have been very useful to Australia already and will be of much greater use to us when we can crack open things like our blue-tongue freedom status for live cattle exports from northern Australia.

To give you an example, the incursion of papaya fruit fly into North Queensland without the protection of the SPS agreement would have ultimately frozen trade in a large number of countries for any

fruit fly host material from anywhere in Australia. After some initial perturbations in a couple of markets, those restrictions were able to be limited to the quarantine zone that was set up in North Queensland and trade was able to continue freely from other parts of the country. We had to establish trapping networks in conjunction with state government authorities that provided us with data on which we mounted the case for area freedom. But ultimately they were accepted by the corner markets such as Japan and New Zealand.

So it is simply not the case that we are not able to mount those arguments. The debate tends to focus on whether we have sufficient technical data on which to substantiate the case for area freedom, and that can be a long process. We have been arguing now for a long time with a number of markets about access for live cattle from northern Australia based on work that has been done on blue-tongue virus. But we are still a long way off from resolving a number of those matters. That comes down to judgments on our part and judgments on the intended export markets part about whether we have been able to substantiate the case.

Mr CAUSLEY—I wish to explore that a bit further. We do accept disease free areas in other countries. What are the protocols that are put in place in other countries? Are they as vigilant as the protocols we put in place or are they putting pressure on us to say that they believe that we are not being vigilant enough to accept these disease free areas?

Mr Hickey—No, the expectations that we would have on other countries would be similar to the expectations that most other countries have of us in this regard. As an example, we were advised of an outbreak of a disease in pears in Japan which appeared to be fire blight. We imposed restrictions on access of all product from Japan until we had analysed submissions from the Japanese authorities about the status of that disease, its location and what controls they had in place to ensure that there was not any movement of product from the island where this disease was discovered to their other production areas from where we were importing product.

So we would expect, firstly, that a country would be able to substantiate the case for area freedom with technical and other data and have controls in place to prevent the spread of the disease. Secondly, we would conduct a process of assessment that would ultimately have to satisfy the test of government policy about whether we would continue to take product from those countries.

ACTING CHAIR—What does AQIS do? We have received a lot of evidence and there are a lot of people out there who I do not think understand how big a player we are in world trade. Sometimes some of our products are bigger than others. A lot of people do not understand the processes very well. Does AQIS go out at all and talk to people? Does it put out publications to indicate what it does and how it does it?

Mr Hickey—It does, but I would have to say to a reasonably limited extent until just recently. Budget restrictions being what they are, there has not been a great deal of activity as part of that. As a result of the government's response to the Nairn report, there have been funds provided for a communications program which explains the role of quarantine in a trade environment and what Australia's policy is and how that policy is administered at the operational level by AQIS. That campaign is currently being developed and will be presented to the government ministerial committee on communications in the next couple of months or so.

Mr ANDREN—There is a perception out there that our export standards are perhaps out of harmony with our import standards. I go back to the fire blight incident. Last year members of this committee spoke with some people from AQIS. I think we were alarmed at that point at what seemed to be the readiness by AQIS to accept tests on material that the New Zealanders had improperly taken back home. We were almost ready to accept their results on that. Doesn't such a situation demand independent assessment at all times if there is a conflict of opinion over something like this?

Mr Hickey—It demands assessment on the basis of any evidence that is available that is relevant to that matter. It is not always possible to have that research replicated in the Australian context. It is simply not the case that we would import exotic viruses to carry out the sort of testing that might be done here within Australia, even though that might be done in high security facilities and so on.

To a significant extent, we are dependent upon the professional reputation of other government services throughout the world for the quality of the research that they undertake. We do use that research quite extensively in forming our judgments. The real question is whether the potential risk at the time warrants immediate action or whether there is more time for a considered view to be reached without having to take any immediate action to impede trade one way or the other. That is a judgment that we have to take on a case by case basis whether it is in relation to exports or imports, depending on the issue.

Mr ANDREN—How do you react to the criticism or comment that AQIS is stricter on exports than it is on imports?

Mr Hickey—We touched on that earlier. There are other examples where there have been new diseases emerge in Australia, for example, where we have not taken immediate action to impede exports from Australia because, in our view, the issues have not been demonstrated to be of serious enough concern or because there are local control arrangements in place. An example of that would be a virus in pigs that emerged in Menangle last year. When the New South Wales authorities explained the restrictions that had been placed around the particular facility or farm in question, we saw no reason then to advise other countries or to initiate any sorts of controls. So it is a case by case judgment that is made.

Mr ANDREN—One other area I want to touch on is cost recovery. The Towac apple producers were suggesting that they were faced with separate rafts of costs for different personnel at different times. We also have the game meat exporter in Tasmania who believed he was prevented from increasing production activities from five to seven days a week because of weekend penalty rates applying. It seems, as a general feeling, that the cost of the inspection process is inhibiting trade.

ACTING CHAIR—On that question, there was an argument that AQIS has not got its operational efficiency up to what it should be to get its cost recovery and that by claiming full cost recovery, therefore, it is imposing a lot of cost back on industry.

Mrs STONE—How do you calculate your costs? Are they comparative with other equivalent nations like New Zealand in terms of inspection charges?

Mr Hickey—The starting point for us is government policy that says we have to recover 100 per cent

of our costs calculated on a full commercial basis. That is the policy framework within which we operate. We established 3½ years ago consultative committee arrangements with each of the major industry groups that we deal with, specifically to look at operational arrangements for AQIS—in other words, how do we go about delivering our services, how does the way in which we deliver impact on our cost structure, what are our total costs for various programs and how best should those costs be recovered by structuring our charges within the government's policy? Those sorts of discussions have been going on with each of the main industry groups that we deal with now. In my time in AQIS we set up those mechanisms over three years ago.

We put options to the horticultural industry 2½ years ago to adopt a third party or contestable service delivery model. There was a significant difference of view within the industry about whether that was a desirable path for us to go or not. Not surprisingly, most of the resistance came from those industries that were based remote from the major metropolitan centres where the upshot of such a system may have been increased charges from private providers of services who had to travel and who charged for their travel time, which we do not do. The support, not surprisingly, came from the bigger exporters based closer to the metropolitan areas who stood to gain some reduction in charges from the process. In the end, there were no conclusions reached about whether we should move to the system or not and, essentially, the system we operate now is as it was, with some minor modifications, three years ago.

The impact of the Asian currency crisis on the horticultural industry and horticultural exports is now clearly significant and that, in turn, has put us in a position where it is simply going to be impossible for us to recover our costs this year without imposing further substantial fee increases on the export industry, which I do not believe anyone would contemplate at this point in time, although that is a matter we have to resolve within the government. What it has done, however, is encourage the senior groups within the industry that we deal with to come back to this question of how we provide our services. They are now intimating to us that it is time to review the question about whether we could move towards contestable third party providers, and we will be happy to do that if importing country authorities will permit that to happen.

CHAIR—I think we had some evidence in Sydney about everybody has to go to the market—

Mr CAUSLEY—For flowers.

CHAIR—And it added a fair bit of cost on people who needed to do that. I guess you have covered that in your reply.

Mr Paterson—There is a very good example, if I might say so, where the cut flower section of the industry has picked up a quality assurance type arrangement. We have moved out of it and they are saving themselves considerable amounts of money. As you just said, the Asian crisis has brought a real focus to it. I was going to say that we had put some pressure on this industry, but I guess that would be too strong—we have strongly encouraged them. We have met with the key people in the industry in relatively recent times. We have met with the Horticultural Industry Consultative Committee about the crisis this has given them and us and they have certainly agreed that it is an appropriate catalyst for them starting to think about it. They are meeting as an industry group in Sydney today, I believe.

Mr Hickey—I believe there would be substantial efficiencies from an alternative system that would

be passed on to the industry, but there will be serious questions about growers and packers in remote areas of the country and how they get assured access to services as they require them. They are not going to be easy questions to resolve.

Mr CAUSLEY—Are there any duplications between AQIS and health or AQIS and Customs in those areas that add costs?

Mr Hickey—On the export side?

Mr CAUSLEY—Yes.

Mr Hickey—The comments that we have typically had from industry about duplication of effort with Customs have been in relation to the lodgment of various bits of information and data into our systems. As part of the Prime Minister's supermarket to Asia council, the government has agreed that there should be a single entry window for exporters which will provide the data that is required by quarantine on the one hand and Customs on the other.

CHAIR—Is it electronic?

Mr Hickey—Yes, and we are working jointly with Customs at the moment to build that single electronic window. On the export side in relation to health, no, I do not believe so. I cannot immediately think of any interface issues we have with the health portfolios that would cause us problems.

Mrs STONE—Clearly, one of our weapons in trying to ensure that we do not have non-tariff barriers directed against us in Australia is to know what other nations do and what is acceptable in terms of their quarantine services. To what extent do you benchmark what happens in Australia and compare it with our trading partners and competitors in terms of their quarantine services? For example, you know how we began to unravel when we talked about the private sector doing the meat inspections when we were trying to enter the US market recently and they were talking about moving further down the track. Have you got any indication of whether we are going to succeed, given what is acceptable in other countries in terms of their inspection services?

Mr Hickey—The meat inspection issue is one area where we have been pressing up against the limits of international practice. There is no doubt about that. We have gone about that consciously over a period of three years now to attempt to move international thinking in that area. It is clear now that the United States themselves are beginning to conduct trials that involve the transfer of some of the responsibilities from government inspectors to company personnel. In Canada, they are currently implementing trials of poultry inspection which are very similar to our model. At the moment, they are only doing that in plants that operate within the domestic market in Canada. They do not export into the United States, but that is the next step.

We have arrangements with New Zealand, the United States and Canada called quadrilateral meetings. We have quadrilateral meetings on food safety issues, which cover the inspection functions you were talking about. We have quadrilateral meetings on animal quarantine policy and plant quarantine policy. In those meetings, we share all of the information about the sorts of directions, standards or processes that we are

seeking to change. We have a good deal of support now from those countries and a large number of other countries for these changes to the meat inspection systems that we have traditionally operated.

CHAIR—How do our meat inspection costs compare with our competitors overseas?

Mr Hickey—Not very well, because we are one of the few countries that apply a strict 100 per cent cost recovery policy. In the meat area, New Zealand do also.

Mr CAUSLEY—I know the government pays for these things in other countries, but the question is about the comparison of what it costs us in Australia and what the government might pick up in America, et cetera.

Mr Hickey—Yes.

CHAIR—We need to do those analyses for the trade arguments.

Mr Hickey—Not really. The cost of providing services is not anything that is governed by the WTO or SPS agreements.

CHAIR—It is a subsidy.

Mr CAUSLEY—It is.

Mr Hickey—I will leave the trade policy experts to argue that with you. At the moment, I do not think it is recognised as being a subsidy and there would be a long argument involved in having it recognised as such. We know that other countries that compete with us in important meat markets have inspection systems that are inherently as inefficient as ours was. I would think, with the certified agreement that we have just concluded together with this move down the project two path, our systems would be far more efficient than they are in other countries, but the reality will always remain that we charge for that service. Other countries, like New Zealand, also charge. Some partially charge, like Canada. Others do not charge at all.

CHAIR—Argentina.

Mr Hickey—Right.

Mr CAUSLEY—So it would not be physically possible to pull out those figures from the budgets of some of those countries to try to get a comparison?

Mr Hickey—No, it is very difficult. We can get broad indicators. There were some studies done about four years ago which we could provide to you, but that is very old data now.

CHAIR—We would like to have it if that is possible. You are getting really client focused, you have been saying. If you inspect something that goes overseas and it is rejected, do you refund your fees to your

clients?

Mr Hickey—No.

CHAIR—Does the doctor give you your money back if you die on the operating table?

Mr Hickey—I have never had a refund from a doctor or a dentist yet and I have had fillings fall out. It is an interesting question. The reasons for rejection—I am just thinking of meat now, which is the commodity where we have the best data, if you like—

Mr CAUSLEY—Chlorofluazuron.

Mr Hickey—I do not know whether you could put that down to the AQIS systems being the reason for the problems arising. Certainly, if meat were rejected because of contamination, you could argue on the one hand that AQIS was meant to operate systems that provided absolute guarantees, but the reality is that, even under the traditional system, there were no such guarantees. I think Mr Causley touched on some of the reasons for that to do with work practices by inspectors. There will never be cast-iron guarantees given. We do not give them and we do not seek them.

CHAIR—Just to take one commodity, how much meat is rejected in a year overseas?

Mr Hickey—The only reliable figures we have are from the United States, and the acceptance rate for Australian meat into the United States is 99.75 per cent and rising. Of that 0.25 per cent, probably half would be for carton damage and transport problems. The other half would be for matters like pathology, contamination or off conditions.

CHAIR—That is pretty good.

Mr Hickey—Quite right. Of all the major countries that export meat into the United States, Australia has the lowest rejection rate, which is something we have only just achieved in the past six months and something we are working very hard on with the industry here, I must say. It has been driven to a large extent by the industry's own commercial interests to ensure that we maintain that position.

Mr CAUSLEY—On that rejection rate and with the contamination—and it is probably not entirely in your area, but going back to the chlorofluazuron—my understanding is that it was a technicality and the chemical was not toxic but, because it was not registered for a certain process in America, it had a zero residual level.

Mr Hickey—That is correct.

Mr CAUSLEY—Are we sorting some of those problems out so we do not get involved in that type of thing again?

Mr Hickey—Yes, we are. We are working through the Codex Alimentarius Commission—which is

the international standard setting agency for food safety issues—to have those sorts of tolerance setting procedures reviewed, but that will be a long process. We are also working bilaterally with our important markets to encourage them to set tolerances for chemicals that are used in Australia but not used in their own production systems—like CFZ and endosulfan. We have been successful now in having a number of markets agree to either set interim tolerances, which are based on the Australian tolerances where they have been set, or set their own tolerances. A number of our key markets have done that. We are happy to give you some more information on that.

Mr CAUSLEY—So that, if used, could not be used as a non-tariff barrier?

Mr Hickey—Potentially they can be, because it is a relatively simple matter for countries to put their hands up and say, ‘We have a zero tolerance for this chemical. Therefore, it may not come in.’ We would then argue with them that that is not consistent with the risk assessment requirements of the SPS agreement. If they set a very low tolerance, we would say that was not consistent with international standards or practices and we would mount the technical arguments.

Mr NAIRN—Peter mentioned before the fire blight episode in Victoria. Where is all that at now?

Mr Hickey—The spring surveys have not shown any evidence of the disease at all, and we are seeking to have ourselves declared free of the disease. There will be follow-up surveys conducted next spring—and there is ongoing survey work under way anyway—to pick up any possible signs of it. So we will be going through the processes of declaring ourselves free of the disease. Those follow-up surveys will be carried out for at least the next 12 months or so. There are ongoing discussions with, for example, Japanese authorities about access to Tasmanian apples, and it is important that we continue to carry out work that substantiates our access case there.

The question of the path of the introduction of the disease is something that is very uncertain. There are any number of potential pathways of how the disease entered the country. The DNA testing that is currently being carried out in the United States may give us some guide to that, but that will take some months to determine. Even then, the results may not point necessarily to the origin of the particular organism. So it is a very uncertain process, I am afraid.

Mr NAIRN—So there is a certain amount of scepticism about where it came from.

Mr Hickey—I am not inherently a sceptic.

Mr CAUSLEY—You are not game to answer.

Mr NAIRN—On a slightly related area, the New Zealanders have changed their administrative procedures. They have developed this industry for biosecurity and biosecurity councils. Do you have any comments to make about these bureaucratic structures? Is there anything Australia could pick up on?

CHAIR—Mr Hickey, have you had a look at it? Do you think it is worth while? Some of us feel we should be looking in a similar direction.

Mr Hickey—I have had it explained to me in general terms. Some of the other people here may be more familiar with the detail than I am. In some respects, the equivalent focus that has been directed at AQIS through the government response area is for a more direct and considered view of potential environmental issues to be taken into account in risk assessment processes.

CHAIR—This committee went to New Zealand after the fire blight to exchange promotion and to have a friendly chat. We felt that New Zealand would be a long way in front in using science with the direction they were going, that they were going to be in a position in negotiations on trade, and especially access issues, where they were going to have information in front of them and that we may be many years behind.

Mr Hickey—In some areas, I would accept that. They have been able to dedicate resources to particular aspects of research that they consider to be strategically important to their market access arrangements. By the same token, it is interesting to look at some of the protocols they have—for example, on their access for cooked chicken meat, which relied on data which we now know was not as reliable as it was assumed to have been.

I think, like any other quarantine service around the world, they are largely dependent on access to international scientific research in any number of these areas. They use basically the same tools as we do but, in some areas, there is no doubt that they have applied resources more strategically than we have. A good example of that would be in their forest portfolio, where they have done a lot of work on potential introductions of forest pests and diseases. We have lagged quite a few years behind in that respect.

Mrs STONE—Can I zip back to fire blight for a moment. You said that we are now looking at the declaration of disease free status. Who makes that decision? Is that a recommendation AQIS makes to someone, or does AQIS decide we have disease free status?

Mr Hickey—Dr Ikin can perhaps talk about the international plant protection convention arrangements but, essentially, we will declare ourselves free and we will expect our trading partners to accept that declaration.

Mrs STONE—So it is an AQIS declaration?

Mr Hickey—Yes. We would, through some process that I am not directly familiar with, notify the IPPC of that. We would expect to have other countries ask us whether we were able to substantiate that on the basis of technical evidence, which is the survey results we now have.

Mr ANDREN—How would that stack up at the WTO, if New Zealand took us there and claimed that we were hiding behind a quarantine barrier?

Mr Hickey—They would have to look at the technical structure of the survey work that has been done and claim that, somehow or other, it was flawed. We have had international experts advise us on the adequacy of the survey design, so we would be quite comfortable if that was the basis for any challenge.

Mrs STONE—When do you expect to make the statement that we are disease free—on the basis of this follow-up survey or in another year? When will that disease free status be reapplied?

Dr Ikin—We have made a declaration that we believe we are free and have met the conditions of the requirements for the establishment of pest free areas, which is an international standard which FAO has set. It is International Standard for Phytosanitary Measures No. 4. This is the basis of our submission to the Japanese with all the technical information that we believe we have in that data.

Mr Hickey—Have we formally notified that?

Dr Ikin—We have formally notified Japan on that.

Mrs STONE—When did we do that?

Dr Ikin—We wrote to them on 25 February.

Mrs STONE—Saying that we believe we are now disease free?

Mr Hickey—I would just need to check whether we have made a public announcement of that. We have certainly had ongoing discussions with the Japanese about the Tasmanian apple access issue.

Mrs STONE—I would like to tell my folks about that if it is ready to be announced, because it is important information for them.

Mr Hickey—Yes, can I come back to you this afternoon or tomorrow on that?

CHAIR—Yes. There are a couple more questions we want to ask you.

Mr CAUSLEY—I have one. This is not specifically in evidence but it is certainly of importance to my orchid growers.

CHAIR—You had better ask it then.

Mr CAUSLEY—I come from the north coast of New South Wales, which is a big orchid area. They are complaining about AQIS and the importation of other species of orchids into the country and the processing cost. They say it is expensive. I think you use methyl bromide to gas the orchids, which kills 50 per cent of them, and they claim that other countries do not require these types of controls for importation.

Dr Ikin—The treatment for orchids is generally that it depends on the imports being inspected. If we find insects, we always demand that fumigation be completed. There are certain species—and I could not reel them off for you—which we know are affected and they are given an alternative white oil and chemical dip. Certainly, the general recommendation is that, if we do find insects, we require fumigation because we do not believe that the alternative treatment is as effective as fumigation. So if people are bringing in susceptible varieties with insects, they could get fumigated, but if they are finding that they are getting more species or

particular varieties which are not on our list of alternatives, we have always been very pleased to get the names of those and do experiments. If they prove to be susceptible, then we will request that we change our policy and put in an alternative which is not as toxic as methyl bromide.

Mr Paterson—This has been a fairly difficult area for the industry and ourselves. We could provide you with the details, but there is a heavy level of infestation of imports. It is one that we have been working through with the industry a good deal, through the Horticultural Industry Consultative Committee in particular. Yes, there have been quite significant losses. The majority of those who are bringing them in are in the business for keeps and they are well aware of that. It is not an uncommon practice with respect to imports. I cannot say they get 50 per cent through but that has often been quoted to me. They are trying at the limits all the time in terms of some of the more sensitive ones.

The problem in the main is not with the bigger regular importers but with the smaller ones. They come in to it from time to time and are not as experienced, or they bring them out of high risk locations and do not have the experience or expertise with respect to Australian handling. Perhaps they do not even know much about the organisation, why we exist and what we do. We get a number of complaints from those who expect to be able to bring them straight through without any attention by us. It is a small niche market that requires a lot of work by the industry, and certainly we have been trying to do that with them.

Mr CAUSLEY—So generally it does not matter if it is this area or whatever, you are always dealing with the customer and trying to find cheaper and more efficient ways of importing into the country.

Mr Paterson—All the time. The trend these days—again, with our regular clients and stakeholders—is that we know when they want to bring them in well before they do that. Consultations go on all the time with respect to what has happened with previous treatments, levels of treatments, where they are coming from, the extent of the problem that was identified, whether they will try it again and whether they will go elsewhere. The bigger boys, so to speak, just do not turn up with a group of orchids. We know all about it. We have talked it through with them. Our professional people, our scientific people, have discussed previous out turns, so it is an ongoing dialogue.

Mr CAUSLEY—Do industry put to you from time to time what they think might be cheaper and more efficient but still adequate controls? Do you listen to those suggestions?

Mr Paterson—We do. I guess the best example is to say that the nursery industry in relatively recent times has become very active within the Horticultural Industry Consultative Committee on a whole number of fronts. They are acting very much as a mouthpiece for that side of the industry and coming forward with some very good suggestions, not just on orchids but on ornamentals and all sorts of other things.

Mr Hickey—We just had an approach meeting with a delegation from Western Australia in the last week or so. It was a cooperative of farmers, shippers and agents who were bringing fertiliser into the country. They are fully conscious of the concerns that led to the restrictions we put in place following the outbreak of karnal bunt in the United States. They put to us a series of measures that they have voluntarily implemented which adequately address the risks that we have been concerned about, so they have devised an alternative system of their own. We have been quite happy to look at that and agree to change our procedures

accordingly so we do not double up on inspection, if you like, at our end. There is always that opportunity for people to approach us with different ideas.

CHAIR—Just going on with the trade issue, can you explain to us your involvement with Foreign Affairs and Trade and how well that works?

Mr Hickey—It works at a number of different levels. Within Foreign Affairs and Trade, there is a group called the market development task force, which has established, in consultation with industry, key priorities for access issues that range over a whole series of trade policy areas, some of which include quarantine restrictions. We accept, as priorities for our work, areas that are identified by the market development task force as areas for priority attention. They go on our priority lists.

When we are dealing with processes of formal agreements with other countries—for example, a veterinary agreement with the European Union because it has treaty status—the Department of Foreign Affairs and Trade are involved with us in considering issues that arise from those negotiations. In this day and age, any multilateral or bilateral trade negotiations government to government involve technical issues, like quarantine issues, and we are either involved as part of technical working groups in the lead-up to those negotiations or involved in the negotiations themselves to deal with quarantine issues that may arise. When we get into formal processes in the WTO—like the dispute processes now in relation to our decision on salmon—we work jointly with the Department of Foreign Affairs and Trade in preparing our submissions to the dispute panel, so there is a very close working relationship there at a number of levels.

Mr CAUSLEY—On that, especially with the current situation of trade, how do we deal with the importation of grain into Australia as far as, say, fungal diseases which are very difficult to monitor, go? How do we know whether the grain is contaminated?

Mr Hickey—At this point, the importation of grain has been restricted to importation into metropolitan areas for further processing and treatment. The movement of untreated grain into country areas has been the subject of some assessment and transport trials up until now. It is now subject to a detailed risk assessment, specifically in relation to maize imports. All of the potential disease risks associated with that will be considered as part of the risk assessment.

Mr CAUSLEY—Because we have had some outbreaks of smut in maize; haven't we?

Dr Ikin—We have seen boil smut in Australia since the 1930s.

Mr CAUSLEY—I think in recent times there was also an outbreak of smut, or it might have been one of the other diseases of maize that might have come in in seed.

Dr Ikin—I think you are probably referring to the mildew of sorghum, which is in northern New South Wales and southern Queensland.

Mr CAUSLEY—No, this was in maize, actually. I cannot recall which disease it was.

Dr Ikin—I am not aware of it. I understand that boil smut is a disease which was quarantined in New South Wales for a number of years and it has gradually moved out from its area even though it was controlled. I believe that New South Wales has now relaxed all of the controls because it is appearing in new areas and spreading.

Mr ANDREN—In recent weeks and months I have been helping a venison operator that you may be aware of. Only this week AQIS was able to stitch up the EU arrangements for him. I have not brought the documentation with me. It seemed a very protected period. He built a new plant at Oberon, he invested a lot of money and he met all the requirements at his end. He was reaching a point where he was about to hit the wall. It looked like he was losing his clientele. What is a reasonable amount of time for these sorts of negotiations for a new exporter into Europe?

Mr Hickey—That is almost impossible to answer. Frankly, we are entirely in the hands of the EU authorities to take a reasonable and timely approach to dealing with those matters.

Mr ANDREN—Have you found any instances where they are unreasonable? Are they using these delays deliberately? Do you suspect any difficulties there?

Mr Hickey—There have been long delays in dealing with a number of access requests that Australia has had in a number of markets. Some of those are almost impossible for us to get at in a formal sense because a number of the markets are outside of the WTO. But, for example, there are cultural problems in a number of countries with eating kangaroo meat and getting access to game meat products in those countries is extremely difficult. It is dealt with on a case-by-case basis and it runs into quicksand, which we cannot quite fathom often. In the case of the European Union we should not have the same problem because dealing with game meat in the EU itself goes on to very substantial levels.

ACTING CHAIR—Does that quicksand have something to do with greensand?

Mr Hickey—No. In the case of the Asian market, it really is a cultural thing and the response has been, ‘Why don’t Australian authorities permit the consumption of dog meat within Australia?’ It is looked at at that level if you like.

Mr ANDREN—Did you want to follow that up?

ACTING CHAIR—No.

Mr ANDREN—Members are always bombarded with things called votergrams. But one which particularly took my eye was:

Aussie pork producers would like to know why the Australian pork industry has been subjected to importation of Canadian pork potentially infected with the economically devastating post-weaning multi-systemic wasting syndrome.

What is the situation with that?

Mr Hickey—We issued a statement late last year which explained the basis of the decision we reached in relation to that disease. At the same time, we had established a technical working party that Dr Roe chairs, so he can give you the latest in relation to the outcomes from that working party.

Dr Roe—The working party included representatives nominated by industry. They looked at the available information on this disease. It is a disease that appears to have a multifactorial aetiology. The precise cause has not been established. But, based on the prevalence of the disease in the affected countries, the lack of evidence of it being spread, it was concluded that it is not a significant disease at the national level. There have been no trade barriers on account of this disease imposed by any country, and Canada exports pig meat to 61 other countries. It was concluded by the working group that there was a negligible risk of this disease establishing in Australia as a result of the importation of pig meat.

Mr ANDREN—What is a multifactorial aetiology?

Dr Roe—There are a number of factors that contribute to the expression of the disease. It is not a one-to-one relation between infection of a virus or a bacteria and a disease. It appears that there are husbandry and possibly nutritional factors that contribute to the disease. It is occurring in Canada in what are termed high health status herds. One of the theories is that the organism that is causing the disease has been present for a long time but that changes in management factors and improvements in diagnostic techniques have allowed this disease to be identified as a specific disease.

Mr ANDREN—And specific to Canada at the moment?

Dr Roe—No, it has also been reported in France, Spain and the United States.

ACTING CHAIR—Does it have anything to do with increased growth hormones?

Dr Roe—There has been no association established with the use of things like growth hormones.

Mr ANDREN—So you would be comfortable that it does not constitute a risk to our industry, that it is an acceptable risk?

Dr Roe—I am quite satisfied that there is not a risk of this disease establishing in Australia as a result of the importation of pig meat.

ACTING CHAIR—We have asked questions in evidence about industry representatives being a part of negotiations on market access. Are industry representatives ever involved in that area?

Mr Hickey—Yes, they are. We have no objection to that at all. There have been a number of cases of joint missions and in some cases industry sponsored missions which AQIS has been a part of. In cases of formal government-to-government negotiations, we would seek the approval of the overseas government to have industry representatives present at those discussions. In some cases, that is not agreed. But, in cases where that is agreed, we are quite happy to invite industry representation along to those negotiations, and that

has happened.

ACTING CHAIR—Sometimes access is denied. How much do you think that is retaliation from another country against us because we have not let something in from that country? How often does that happen in your opinion?

Mr Hickey—I think you would be better off asking for the Foreign Affairs and Trade view because, through the embassy networks, they have a much closer link to the decision making process.

ACTING CHAIR—You must have an idea. Give us your general feeling about it.

Mr Hickey—I do not see a large number of examples of it, but I do see some coincidences in time between decisions that we make and actions taken by other countries.

Mr CAUSLEY—Canada has thrown a tantrum over salmon; haven't they?

Mr Hickey—All I can say is that our decision on Canadian salmon was fired by reductions in Australia's beef quotas. But that might be entirely coincidental.

ACTING CHAIR—Thank you very much.

Resolved (on motion by **Mr Andren**)

That, pursuant to the power conferred by paragraph (o) of standing order 28B, this committee authorises publication of the evidence given before it at public hearing this day.

Committee adjourned at 11.21 a.m.