

Joint Committee of Public Accounts and Audit: Review of Australia's Quarantine Function

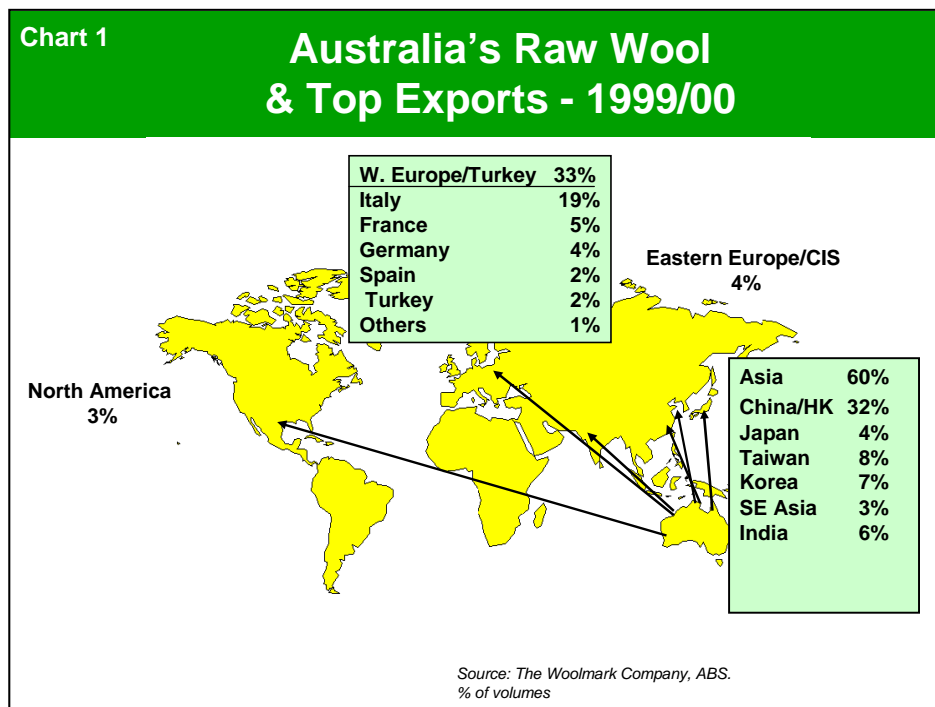
Submission by Australian Wool Innovation Limited

The Australian wool industry

Exports of wool earned around \$3.7 billion in 2000-01. That year, the wool industry earned Australia as much export income as wheat, 10% above beef or dairy, and twice that of cotton. The business of producing and exporting Australian greasy wool and scoured wool and tops, plus support industries, employs an estimated 200,000 Australians.

The degree to which wool undergoes early stage processing before export is increasing. Around 30% of the clip is now value-added in Australia, most of this undergoing semi-processing (scouring, carbonising or transformation to wool top). Approximately 70% of Australia's wool clip is exported in raw ('greasy') form.

Sixty percent of Australian wool moves first to Asia, predominantly China, while 33% is exported to Western Europe, predominantly Italy (chart 1). Over 98% of Australian wool is ultimately consumed overseas as finished products. The largest markets are Japan (16% of the clip) and North America (13%).



These facts are presented to make the following important points:

1. The wool industry is a major contributor to Australia's economy, and its interests must be a prime consideration in Australia's quarantine policies and operation.
2. The wool industry has a heavy reliance on export markets at all stages of the production and consumption pipeline. Access to export markets is critical to the industry's prosperity.
3. Underlining this point is that the preponderance of exported Australian wool is in raw and to a lesser extent semi-processed form. These are stages of the product most vulnerable to import restrictions on the basis that they pose a disease threat.

A disease outbreak could potentially halt greasy and possibly scoured and carbonised wool exports in the short and medium term, with major impacts on the industry.

Australian Wool Innovation Limited

Australian Wool Innovation Limited (AWI) is a private, wool producer owned research and development company. It is funded primarily by producers through a 2% levy on greasy, shorn wool sales. The Commonwealth Government provides a matching contribution of 0.5% of sales. Further detail on AWI can be found at www.wool.com.au.

Australian wool producers consistently rank animal health as a key area for R&D investment. This fact is reflected in the recently developed AWI Animal Health Strategic Plan 2002-2012.

AWI is taking a pro-active stance with regard to the industry's exotic disease preparedness. One of four subprograms defined under the Strategic Plan is 'Exotic diseases'. The goal of this subprogram is *'to ensure that Australian wool industry is protected from exotic animal diseases by vigilant quarantine and surveillance, as well as complete and thoroughly tested response plans supported by all necessary tools and infrastructure'*.

The subprogram primarily addresses the fourth of AWI's investment goals, ie to reduce threats and increase market access to Australian wool. This is primarily a defensive investment. The indicative allocation to 'Exotic diseases' over four years is \$2.4m, equating to \$600,000 per annum, from a total four-year Animal Health budget of \$12m.

The precise allocation will depend upon the merit of the individual projects under consideration. A series of recommendations for priority projects were identified for AWI in a review entitled 'Exotic disease: a blueprint for wool industry investment', a document made publicly available for review and comment in late 2001.

Response to terms of reference

Because of the delay in preparing this submission, AWI has had an opportunity to view submissions from other bodies, particularly the commodity groups. AWI generally endorses the views expressed particularly by Australian Pork Limited and Australian Dairy Council.

AWI believes that it is critical for Australia to strike an appropriate balance between protection of domestic industries and access to foreign markets in formulating its quarantine policy. The imposition of unduly restrictive import regulations will at the least encourage challenges through WTO and at worst encourage tit-for-tat restrictions on imports of Australian products.

The key to successful policy formulation is a clear goal, in the form of a defined appropriate level of protection (ALOP) for Australia, and rigorous and consistent application of scientific principles in an appropriate risk assessment framework to meet that ALOP.

This is the professed approach taken by AFFA. However, some deficiencies in the process have already been highlighted:

- Inadequate definition of the ALOP
- Inconsistent application of sanitary and phytosanitary import measures
- Slow development and inconsistent format of Import Risk Analyses.

The key requirement of AWI is that all AQIS activities, policies and advice are underpinned by sound, rigorous science. It is essential for Australian trade in wool and wool products that protocols relating to disease are not perceived, in any way, to be a trade barrier. Science underpinning policy and action is essential and it must be well communicated.

For example, AWI understands that a consignment of scoured carpet wool from the United Kingdom to Tasmania in February 2001 was initially rejected by a local inspector, but was later cleared after a review of the background science and of the specific circumstances.

AWI makes no judgment about the final decision made or indeed the process adopted by AQIS in arriving at that decision. The political environment was a very difficult one. Foot-and-mouth disease was rapidly spreading in the UK, local sheep producers naturally wished to keep the disease out of Tasmania, and emotions were high. Much of the debate between the Tasmanian Farmers and Graziers Association and AQIS appeared to take place through the press.

This situation may have been inevitable. However, it does highlight the need for pre-determined, clearly defined scientific assessments a robust system of consultation with all affected parties. The Tasmanian case also illustrates the balance of interests in the wool industry. Domestic demand for carpet wool is around 19.5 mkg, far exceeding local production of around 750,000 kg. Importation of wool is critical for the maintenance of local carpet manufacturing which in turn benefits local carpet wool growers.

AWI will be looking to work with AQIS to identify import and export measures with implications for wool, and to assess the state of the science on which such measures are based. Where the science is inadequate, AWI has a role in brokering appropriate research and development to redress the situation.