Submission to the Joint Committee of Public Accounts and Audit

Review of Australia's Quarantine Function

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1. Introduction

The last 30 years or so have been remarkable for the emergence of new infectious diseases. New zoonotic diseases have been emerging a rate of at least one per year, including Avian Flu, Nipah virus and Bovine Spongiform Encephalopathy (BSE). Increasing globalization of people movement and trade has resulted in diseases rapidly spreading across much of the world causing devastating losses to livestock industries and national economies. (FAO: 2001)

The World Trade Organisation (WTO), under the framework of the Sanitary and Phytosanitary Agreement (SPS), has provided Australia with not only scope for sustainable export growth, but also the defense of Australia's own market from unacceptable quarantine risk. However, it is of growing concern to the Australian pork industry that trade disputes often appear tightly linked to quarantine disputes. Accordingly, Australia needs to position itself within the WTO framework to strengthen our quarantine standards while reducing quarantine related trade disputes to a minimum. It is important that quarantine is not confused with economic protection.

The pork industry feels that Australia's current definition of its Appropriate Level of Protection (ALOP) it is too vague a concept, with no real guidance as to what it is and how it is determined. Credible ALOP assessment means that a range of important factors, including the ability of diseases to be contained or eradicated, the potential impact on industries, the environment and biodiversity would be taken into account as WTO rules allow.

2. Background to the Australian Pork Industry

Australian Pork Limited (APL) is the peak national body representing the interests of Australia's pork producers. It is a unique agricultural organization underpinned by legislation that enables the organization to combine the functions of marketing, research and strategic policy direction and implementation, supported by industry funds. There are currently 2,500 pork producers in Australia producing some 5 million pigs annually. APL's members own approximately 70% of the Australian pig herd.

Pork production in Australia is an important and growing industry that generates significant employment activity in rural and regional areas through value adding activities. The majority of farms are small to medium sized, family owned and run operations. Despite the family orientated structure of the industry, pork represents 2.5% of total farm production.

The trade impact of quarantine changes in the past decade has led to fundamental changes in the domestic market. As quarantine policy moved from 'no risk' to 'managed risk' in line with Australia's international obligations, pork imports surged causing serious injury to the industry. In response, the industry shifted focus and began to develop export awareness and activity as reflected in its strategic imperatives.

The industry's growing export markets are now valued at over $250 million per year compared to $24 million in 1997. Demand from overseas markets for Australian pork has increased substantially over the past four years, from just 2.6% of Australian pork production in 1997 to 13% in 2001. The industry now finds itself in a position where the demand for Australian pork, particularly in export markets, is outstripping the long run capacity of the industry to supply.

In the report commissioned by the Commonwealth Government, "Charter of Strategic Imperative for the Australian Pork Industry" it is acknowledged that the industry's key competitive advantages are its comparative freedom from diseases, proximity to Asia and capability to export fresh chilled pork to these Asian markets.

However, it is Australia's key competitive advantage, its unique and unparalleled quarantine and health status that underpin the future of the industry. Australia's quarantine, in combination with its preparedness and level of integrity with animal disease surveillance programs, facilitates industry investment and growth. The Australian pork industry is in the enviable position of having a national pig herd with a 'world's best' health status, which underpins pork exports and is vital to the competitiveness and growth of the industry.

It is therefore imperative that Australia's strategic competitive advantage: its clean green image and disease free status is maintained and, as recognized by the Government's own charter, it "…should be fiercely protected."

3. Key Issues For The Inquiry

3.1 Definition of Australia's Appropriate Level of Protection (ALOP)

The SPS Agreement recognizes that it is the sovereign right of a nation to determine its own ALOP, consistent with government policy and community expectations.

Australian industry, government and the community acknowledge the value of Australia's unique quarantine status. Australia is currently free from most of the world's serious pests and diseases that accordingly provides us with a competitive advantage and benefit in the world's international pork markets. Therefore, it is both recognized and in the interests of Australia to continue to take a 'very conservative' approach to determining the ALOP.

According to the FAO, the primary goal of any control program against transboundary pests or diseases are first, to establish the optimal level of disease or pest presence to meet a country's goals and, next, to choose the most cost-effective way of achieving that level of control. If we are to maximise the efficiency and cost effectiveness of quarantine, then a poorly defined ALOP will result in substantial inefficiencies, wastage or limited resources and increased quarantine risk.

In its report "Managing for Quarantine Effectiveness" Australian National Audit Office (ANAO) recommended that AFFA consider more effective means of communicating with stakeholders the concept, definition and application of Australia's appropriate level of protection in order to facilitate stakeholder understanding of the Import Risk Analysis (IRA) process and achieve better outcomes. Two senate enquiries have demonstrated that Biosecurity Australia (BA) is not too clear about the nature of ALOP. Currently, Australia's assessment of low risk is essentially qualitative which stems from BA's inability to define ALOP. A more quantitative definition would be consistent with the WTO rules.

In determining our ALOP, according to Article 5.3 of the SPS Agreement:

> ….Members shall take into account as relevant economic factors: the potential damage in terms of loss of production or sales in the event of entry, establishment or spread of a pest or diseases; the costs of control or eradication in the territory of the importing country; and the relative cost-effectiveness of alternative approaches to limiting risks.

Currently, Australia's IRA process involves only a scientific risk based approach, with a minimal economic cost-benefit and quantitative analysis as it relates to Article 5.3 regarding the loss of production, the establishment and spread of pests and diseases. There is no account made of the cost incurred to producers through

the introduction of diseases. Accordingly, a more quantitative definition of the ALOP, which takes into account the economic implications for producers is required if Australia is to obtain the welfare maximising level of protection. The economic implications should also differentiate between the effects on producers from the outbreak of a disease that can be eradicated, such as Foot and Mouth Disease (FMD), and the introduction of a disease that will cause constant losses, such as Porcine Respiratory and Reproductive Syndrome (PRRS) virus.

In the current IRA on porcine semen the economic implications of a disease outbreak as outlined above have not been assessed. While the risk of a disease outbreak may be theoretically low, the economic consequences of a disease such as PRRS are very high while the value to the industry from semen imports is negligible. Given that the long term economic costs outweigh the benefits from semen importation, it seems that in this case Australia has a suboptimal level of protection and it is questionable whether it positively reflects a "low risk approach.

3.2 Pre-border

Adequate measures pre-border are the most effective way to reduce the level of risk of a disease incursion into Australia.

3.2.1 Improved understanding and inspection procedures

The ANAO recommended that, in order to ensure appropriate management of quarantine risk offshore, AFFA strengthen its management of pre-cargo activities by:

- Clearly articulating government policy directions in operational targets and criteria to guide the use of pre-border arrangements; and
- Where pre-border strategies are found to be unreliable, AFFA act promptly to ensure quarantine risk is effectively managed.

The pork industry whole-heartedly supports these recommendations.

The Australian pork industry understands and appreciates that due to financial, information and time constraints Biosecurity Australia is more likely than not to conduct theoretical surveys and research regarding the risk of importing a certain commodity. However, in the case of porcine semen imports it became apparent that the assumptions that Biosecurity Australia had made about New Zealand's quarantine protocols and the actual protocols varied considerably. Previously, it was assumed that New Zealand's health status was equivalent to our own. In

fact it has recently been shown that NZ allowed swill feeding and until recently was importing uncooked pig meat, practices which Australia disallows. In the case of PMWS (Post weaning multi-systemic syndrome) Canada was presumed to have an efficient veterinary service, but was quite tardy in recognizing the nature of the disease when it first emerged, and in quickly and efficiently conveying the timely reporting of its existence.

The pork industry also has concerns that overseas certification for import is not being carried out in the required method, as detailed in the protocols. One such example of this is the importation of timber where "AFFA has been aware that fumigation certificates are not reliable, with live pests frequently discovered on shipments of timber certified as fumigated."

Such a situation reflects a difference from what is the actual level of protection provided to Australia by overseas export inspection services and what has been accounted for in theory. This situation is reflected in the lack of information available to the pork industry regarding benchmarking and performance measures of international veterinary services. An example of this is the United Kingdom. Prior to outbreaks of FMD and Swine Fever in the UK, the veterinary services' reputation would have been rated as equivalent to our own. However, the recent disease outbreaks have put this into question. Changes to the budget and composition of veterinary and quarantine services overseas have not been measured nor their efficiency determined in current assessment calculations.

The Australian pork industry and many other Australian industries have implemented quality assurance programs (QA) developed in accordance with the internationally recognized Hazard Analysis of Critical Control Points (HACCP) to minimize diseases risks in domestic and exported products. QAs can reduce risk by ensuring that all adequate steps available to minimize disease risk at the production stage are taken.

3.2.2 Greater International Involvement

Because of the cross border spread, effective protection is increased through a concerted and coordinated effort among neighboring and trading countries. The control efforts of individual countries may be continually frustrated by neighbors and trading partners not taking equivalent measures. An international approach allows better advantage to be taken of natural geographic

barriers and broader biological and epidemiological patterns. (FAO)

According, to the FAO this can be achieved through increased training, technical assistance, surveys and research in country of origin, network with officials and experts in origin areas of risk, and inspection in country of origin. Such action will reduce failures due to a lack of current and relevant information, failed treatment options, unrecognized pathways and inadequate modeling data.

AFFA should be commended for its current work on the Nipah virus in Indonesia.

3.3 Improved ability to monitor diseases

The spread of emergent diseases and invasive species has increased dramatically in recent years. It is becoming increasingly important to monitor diseases and the avenues of potential entrance into Australia.

The ANAO found that while all four key border programs collect output volume performance measures, only two of the programs (airport and mail) collect data on leakages rates, that is the percentage of items crossing the border which still contain seizable quarantine material. Comparable leakage data for cargo or vessels has not been collected. Accordingly, the two programs cannot be assessed for their effectiveness.

The effect is that the theoretical base upon which the Import Risk Analysis is based upon may differ from the actual risks. This again may mean that the current level of protection may differ from Australia's ALOP. This poses efficiency issues as investment in plant and animal protection should be proportional to the damage that would be caused in the absence of protection.

To facilitate appropriate monitoring capabilities, disease surveillance systems with good laboratory diagnostic support need to be maintained to ensure that disease outbreaks are detected early and contingency plans are in place to respond rapidly to an epidemic.

Equity demands that the burden of providing protection be borne by those who impose the risk or allow it to spread or those who benefit from protection or a combination of the two. Currently, this is only met by Australian industry which means importers may be taking greater than optimal risks.

3.4 International Agreements and Quarantine

Australia has based its quarantine process on agreements through the OIE and WTO, namely the Sanitary and Phytosanitary(SPS) agreement. It is therefore important that Australia maintain a strong representation in these organizations. Australia should not "trade off" its quarantine protection or quarantine processes, through relaxation of the SPS Agreement for improved market access in multi-lateral trade negotiations.

One of the key principals of the WTO is the "Most Favoured Nation" treatment, whereby if Australia affords one member special treatment we must give it to all. In accordance with this principal the SPS agreement states that:

> "Members shall ensure that their sanitary and phytosanitary measures do not arbitrarily or unjustifiably discriminate between members."

Therefore, bilateral agreements between Australia and its trading partners should ensure that the IRA process is scientifically based and in accordance with the SPS Agreement. The ramification for scientific compromise is a lowering of quarantine standards and Australia's health status to the lowest common denominator.

It is important that quarantine protection is not confused with economic protection such as the use of large-scale domestic support used by our trading partners, which further distorts trade. Quarantine measures are a legitimate mechanism under WTO rules and Australia has one of the most transparent quarantine processes in the world. This is reflected by the fact that Australia is the only country to produce a handbook detailing its IRA processes.

APL believes that multilateral trade liberalization is preferred to bilateral free trade agreements.

4. Conclusion

This current IRA process results in a deviation of theoretical risk of disease outbreak from the actual situation. This undermines Australia's ALOP, resulting in: the misunderstanding of the ALOP and quarantine measures among affected communities; reduced monitoring and surveillance capability at the coal face and; reduced ability to increase public awareness of, and involvement in quarantine issues.

Australian Pork Limited in consideration of the Review of Australia's quarantine function recommends:

1. A more quantitative definition of ALOP as per the Senate enquiry.
2. The economic, social and environmental implications of disease outbreaks should be taken into account.
3. Clearly articulating government policy directions in operational targets and criteria to guide the use of pre-border arrangements.
4. Where pre-border strategies are found to be unreliable, AQIS act promptly to ensure quarantine risk are effectively managed. The Government should ensure there be allocation of resources to achieve this.
5. Encourage international cooperation between BA and AQIS and international veterinary and export agencies.
6. Greater access to information on the level of international veterinary services and provision of this information to industry on a regular basis.
7. Improve benchmarking of leakages to determine quarantine effectiveness.
8. Build industry participation and involvement by AQIS and BA to ensure effective disease monitoring, appropriate quarantine measures are in place and to improve communication effectiveness.
9. The SPS Agreement should not be traded off for improved market access in multi-lateral trade negotiations.
10. Quarantine should not be traded off for improved market access in bilateral trade negotiations.