

Chapter 1

Introduction and background to the inquiry

Terms of reference

1.1 On 19 August 2009 the Senate referred the following matter to the Rural and Regional Affairs and Transport References Committee for inquiry and report by 14 September 2009:

The Australian Government's management of the removal of the 40 per cent fee rebate for the Australian Quarantine and Inspection Service (AQIS) export certification functions, having regard to:

- a) the level of industry support for the removal of the 40 per cent rebate prior to the implementation of comprehensive reform of AQIS's export inspection and certification services;
- b) the adequacy of consultation by the Government in the development of industry work plans;
- c) the capacity of the Government, including AQIS, to implement efficiency proposals;
- d) the adequacy of government funding to implement industry work plans;
- e) any progress on meeting targets in industry work plans;
- f) the financial or other impact on industry sectors of the failure to meet reform targets; and
- g) any other relevant matter.

Conduct of the inquiry

1.2 The inquiry was advertised in *The Australian* newspaper on Wednesday, 26 August 2009 and on the internet. In addition to relevant government agencies and departments, the committee invited a number of key stakeholder groups and individuals to provide a submission.

1.3 The committee received 29 submissions to the inquiry, listed in Appendix 1. The committee held public hearings in Canberra on Thursday 10 and Friday 11 September 2009. For a full list of witnesses please refer to Appendix 2.

1.4 All relevant submissions for the inquiry and the Hansard transcripts of the committee's hearings are available on the Australian Parliament's homepage at <http://www.aph.gov.au>.

Background

1.5 Since 2001, the Australian Government has provided a 40 per cent contribution toward the cost of providing export inspection and certification services

to the meat, grain, fish, dairy, live animal and horticultural export industries. In accordance with Government policy, the costs of the services provided were met through:

- 60% cost recovery from industry; and
- a 40% government contribution.¹

1.6 The 40 per cent government contribution was calculated against revenues received by AQIS from industry.

1.7 In December 2002, the Australian Government adopted a formal cost recovery policy aimed at improving the consistency, transparency and accountability of its cost recovery arrangements and promoting the efficient allocation of resources. The underlying principle of the policy is that "entities should set charges to recover all the costs of products or services where it is efficient and effective to do so, where the beneficiaries are a narrow and identifiable group and where charging is consistent with Australian Government policy objectives."²

The Beale report

1.8 In early 2008, the Government commissioned an independent review of quarantine and biosecurity arrangements which was conducted by a panel and chaired by Mr Roger Beale, AO. The final report, *One Biosecurity: A Working Partnership* (the Beale report) was released in December 2008. The Beale report proposed significant changes to Australia's biosecurity system and recommended a significant package of reforms, including that:

... export certification functions should return to 100 per cent cost recovery as scheduled at the beginning of July 2009.³

1.9 In its preliminary response to the Beale Report, the Government noted that:

In accordance with the principle of shared responsibility and the Commonwealth's Cost Recovery guidelines, and as recommended in the report, the 40 per cent certification subsidy will lapse as scheduled on 30 June 2009. The report states that the 'policy objectives' for the subsidy are 'unclear'. Across the board, industry will benefit from improved regulatory arrangements, and more efficient allocation of resources, and increased resources.⁴

1 Department of Agriculture, Fisheries and Forestry, *Cost Recovery Impact Statement: Amendment of Fees for the Horticulture Export Program*, p. 2.

2 Department of Agriculture, Fisheries and Forestry, *Cost Recovery Impact Statement: Amendment of Fees for the Horticulture Export Program*, p. 3.

3 Department of Agriculture, Fisheries and Forestry, Explanatory Statement *Export Control (Orders) Regulations 1982 and Export Control (Fees) Amendment Orders 2009 (No. 1)*, p. 1.

4 Department of Agriculture, Fisheries and Forestry, *Cost Recovery Impact Statement: Amendment of Fees for the Horticulture Export Program*, p. 3

Cost recovery strategy

1.10 The strategy used by AQIS to transition industry sectors back to 100 per cent cost recovery included:

- early engagement;
- application of the charges across as broad a base as possible;
- improving the previous complex charging structure by directly targeting the individuals that receive the AQIS service; and
- using all Industry Consultative Committees (ICCs) to explore medium term strategies as to how AQIS fees and charges can be reduced to offset their impact.

Consultation

1.11 In addition to commencing consultation with ICCs, in April 2009, six joint AQIS/Industry Ministerial taskforces were established to represent each of the affected industry sectors – fish, grain, dairy, meat, horticulture and live animal export. The six taskforces were consulted regarding the revised fees and charges which would result from the lapsing of the Commonwealth's 40 per cent contribution and asked to identify possible reforms to export regulatory services and systems.

1.12 The seafood export industry was consulted on the changes through the Seafood Exports Consultative Committee (SECC). SECC is made up of representatives from key industry sectors and is the principal advisory forum through which AQIS consults on issues arising from the management of Australia's export strategies for fish and fish products.

1.13 Consultation with the grain industry was conducted through the AQIS Grain Industry Consultative Committee (AGICC). The AGICC is made up of representatives from a number of key stakeholders – more detailed membership information is available at Appendix 3.

1.14 The dairy export industry was consulted through the Dairy Exports Industry Consultative Committee (DEICC). The DEICC includes representation from a number of key industry stakeholders and is the principal consultative forum for AQIS and the dairy export industry to consult on all issues arising from the management of Australia's export strategies for milk and milk products.

1.15 Consultation with the meat export industry on these changes occurred through the Export Meat Industry Advisory Committee (EMIAC). The EMIAC is the principal advisory forum for AQIS and the meat export industry to consult on all issues arising from the management of Australia's export strategies for meat and meat products. See Appendix 3 for more detail regarding the membership of EMIAC.

1.16 The horticulture export industry was consulted on the changes through the Horticulture Exports Consultative Committee (HECC). HECC is the principal

advisory forum for AQIS and the horticulture industry to consult on all issues relating to Australian horticulture exports. Further information regarding membership of the HECC is available at Appendix 3.

1.17 Consultation with the live animal export industry was through the Livestock Exporters Industry Consultative Committee (LEICC). The LEICC is the principal advisory forum for AQIS and the industry to consult on all issues relating to Australian livestock exports. Membership of the LEICC is provided at Appendix 3.

Acknowledgements

1.18 The committee appreciates the time and work of all those who provided oral and written submissions to the inquiry. Their work has assisted the committee considerably.

A note on references

1.19 References in this report are to individual submissions as received by the committee, not to a bound volume. References to the committee Hansard are to the proof Hansard: page numbers may vary between the proof and the official Hansard transcript.