

# Chapter 3

## Conclusions and Recommendations

3.1 Overwhelmingly, the submissions to the inquiry and evidence given by witnesses from industry organisations show significant concerns about the Government's cost recovery reform process.

3.2 The decision to remove the 40 per cent rebate has taken many in industry by surprise. While the recommendation came out of the Beale review, a number of industry representatives expressed concern there was no indication during the Beale review that there would be a recommendation to remove the 40 per cent rebate and revert to full cost recovery. By example, the red meat industry, making up 70 per cent of Australia's agricultural exports, was not asked for its opinion by Beale according to witnesses from AMIC.

3.3 To compound the situation, the Government has tied the delivery of the funds necessary to deliver the reforms to the safe passage of the revised fee structures through Parliament. In this way the government has sought to place this cost recovery beyond parliamentary scrutiny.

3.4 The Government has, to all intents and purposes, delivered Australia's export industries an ultimatum: accept 100 per cent cost recovery with no transition period or jeopardise progress on long overdue regulatory reform. Unfortunately, the increase in costs to industry at this time extends beyond the 40 per cent co-contribution of government. The committee has received evidence that the increased fees amount to significantly more than 40 per cent.

3.5 The removal of the 40 per cent fee rebate for the AQIS Export Certification functions, increases costs for Australian exporters which could adversely affect the competitiveness of many Australian exporters, and ultimately could impact on trade growth in established markets and in new market opportunities.

3.6 There has also been evidence provided that the significant extra impost on exporters will greatly reduce their international competitiveness. Many industries are already operating on wafer thin margins and any extra cost through the supply chain will cost jobs and future investment.

3.7 Most other nations around the world believe that export certification is a public good and do not charge full cost recovery or anything near it. By going to full 100 per cent cost recovery, Australian exporters are being placed at a disadvantage to their international competitors.

3.8 Industry organisations, including members of the various industry taskforces, have largely indicated they are not confident that timelines for reform implementation provided to them by the Government can be met. Witnesses have indicated the

reforms could take up to five years to be properly implemented and cost efficiencies thus realised.

3.9 Many submissions and witnesses have been unable to directly identify efficiencies that could be delivered within the set times. It could be said that they are taking a ‘leap of faith’, not knowing whether the reforms can necessarily be identified and/or implemented.

3.10 There is also a concern that the reform process will result in a transfer of cost from AQIS to industry which might give the impression of cost saving, but, in an overall sense, does not represent real saving to industry. Many organisations are also still enormously uncertain about whether they can achieve efficiencies to the value of the 40 per cent rebate.

3.11 Overall, the almost unanimous view of industry organisations is that the reform process has been poorly designed. Industry is very prepared to engage in a reform agenda with government, but it is not prepared to pay massive extra costs for the Government to make itself more efficient, especially when there is no confidence that the efficiencies can be delivered.

3.12 Australia’s reputation as a provider of disease free, clean, quality products is worth billions of dollars a year in trade premiums which are beneficial to all Australians and there is a very real ‘public good’ in ensuring that products leaving Australia conform with our reputation, therefore the Government does have a role in ensuring that goods leaving the country conform with our reputation and should make a contribution to guaranteeing our reputation.

3.13 Reforms to the AQIS Export Certification program are necessary but must be phased in with additional funding provided where needed.

3.14 At this stage the removal of the 40 per cent AQIS Inspection Certification is not warranted and will lead to the loss of markets, jobs losses and business closures, the majority of which will occur in Regional Australia.

3.15 The Government’s decision to return to full cost recovery for this service has the potential to have a significant impact on small to medium exporters and in particular may have an adverse effect on regional exports and business development. Any reduction in regional exports due to barriers at the Australian border may have wider undesirable economic impacts. The broader impact is likely to be a reduction in Australia’s competitive position in key international markets.

## **Recommendation 1**

**3.16 The committee recommends that the Senate move to disallow the Export Control (Fees) Amendment Orders 2009 (No. 1).**

**Recommendation 2**

**3.17 The committee recommends that the government continues the current regulatory reform process, and commits sufficient public funds to it, until such time as all reform initiatives identified by each of the ministerial task forces have been successfully implemented.**

**Senator Fiona Nash  
Chair**

