

## Chapter Four

4.1 The following chapter outlines the committee's examination and response to terms of reference (c) and (d).

### **Removal of the fee rebate for AQIS certification functions**

4.2 In 2009, the Government announced a proposal to remove the 40 per cent Government contribution towards the cost of export inspection and certification services to the meat, grain, fish, dairy, live animal and horticultural export industry (which had applied since 2001). The proposal was in accordance with recommendation 79 of the Beale Review, which recommended a return to full cost recovery on 1 July 2009, on the basis that the policy objectives for the subsidy were 'unclear'.<sup>1</sup>

4.3 The committee has taken a particular interest in this issue and followed developments closely. The following is a summary of the two inquiries the committee has undertaken, specifically in relation to term of reference (c).

#### ***2009 report***

4.4 In 2009, the committee undertook a specific inquiry into the management of the removal of the 40 per cent fee rebate for AQIS export certification functions. The committee concluded that there had been inadequate notice given to, and consultation with, impacted industries, and that the reform of export certification fees should proceed only in conjunction with broader regulatory reforms and, where necessary, additional funding. The committee also expressed concerns that the removal of the 40 per cent rebate would lead to the loss of markets and jobs, as well as business failures in regional Australia.<sup>2</sup>

4.5 The committee's report (tabled in September 2009) recommended that the Senate move to disallow the Export Control (Fees) Amendment Orders 2009 (No. 1).<sup>3</sup> These regulatory changes were intended to facilitate the implementation of full cost-recovery for export certification.

4.6 Following the disallowance of the Orders on 15 September 2009, a series of negotiations resulted in the Government putting forward a \$127.4 million Export

---

1 Senate Rural and Regional Affairs and Transport References Committee, *The removal of rebate of AQIS certification functions*, September 2009, pp 1- 2.

2 Senate Rural and Regional Affairs and Transport References Committee, *The removal of rebate of AQIS certification functions*, September 2009, pp 23-25.

3 Senate Rural and Regional Affairs and Transport References Committee, *The removal of rebate of AQIS certification functions*, September 2009, p. 24.

Certification Reform Package (ECRP) to support the reform process. The Government also reinstated the 40 per cent rebate until 30 June 2011.<sup>4</sup>

4.7 Specifically, the ECRP provided:

- \$85.3 million for fee rebates to assist exporters to transition to the new fees and charges;
- \$16.1 million for reform of the regulatory and export supply chain; and
- \$26 million for meat inspection reform.

4.8 The disallowance of the Export Control (Fees) Amendment Orders 2009 was then rescinded on 25 November 2009.

### ***2011 report***

4.9 In order to follow-up on progress in relation to the removal of the fee rebate, the committee held two hearings in July 2011 – specifically to gather evidence regarding term of reference (c). The committee tabled a report in relation to this issue in December 2011.

4.10 The committee's report noted that several of the concerns raised during the 2009 inquiry, and the conclusions reached by the committee in that inquiry remained relevant.<sup>5</sup> In conducting the 2011 inquiry, the committee also considered the following issues:

- the adequacy of the consultation process undertaken by the Department of Agriculture, Fisheries and Forestry (DAFF);
- the impact the proposed changes will have on smaller operators – including smaller abattoirs, exporters and cold storage export facilities;
- the extent to which the Australian Quarantine and Inspection Service (AQIS) has been able to identify efficiencies and cost saving measures; and
- the impact certification rates for small consignments (and a lack of flexibility within the new fee structure) will on users of air freight.<sup>6</sup>

4.11 The committee's report titled *Interim report: the management of the removal of the fee rebate for AQIS export certification functions* – tabled on 12 December

---

4 Government response tabled in the Senate, 10 February 2011, p. 1, available at [www.aph.gov.au/senate/committee/rrat\\_ctte/aqis/gvt\\_resp\\_100211.pdf](http://www.aph.gov.au/senate/committee/rrat_ctte/aqis/gvt_resp_100211.pdf)

5 Senate Rural and Regional Affairs and Transport References Committee, *The removal of rebate of AQIS certification functions*, September 2009, p. 35.

6 Senate Rural and Regional Affairs and Transport References Committee, *The removal of rebate of AQIS certification functions*, September 2009, pp 35-40.

2011, can be accessed on the committee's website.<sup>7</sup> The conclusions and recommendations of the committee's report are included at Appendix 4.

### **Committee view**

4.12 The committee notes that a number of industry sectors remain dissatisfied with the negotiations around AQIS fees and charges. This is particularly the case for smaller businesses facing increased registration fees that will need to be apportioned over small volumes of product. This effectively raises the piece rate to an uncompetitive and unviable level. Tasmanian horticultural businesses are a clear example, as are start up businesses establishing themselves in the export arena.

4.13 The committee notes that industry has expressed concerns at the "take it or leave it" approach being applied by government. The power differential is resulting in small business owners running out of energy and financial resources to remain in the negotiation process. They are simply being worn down and worn out.

4.14 The committee also notes that members of the committee remain in contact with stakeholders in industry regarding AQIS export fees and charges, particularly cold stores and horticulture who remain dissatisfied with the approach and proposals being offered to them through this process. To this end, the committee intends to maintain a watching brief and will continue to follow the reform process closely.

### **Progress in implementation of the Beale Review recommendations**

4.15 As part of its inquiry, the committee has reviewed progress in relation to the implementation of the Beale Review recommendations. The Beale Review – an independent review of Australia's biosecurity and quarantine arrangements chaired by Mr Roger Beale AO – was tasked with providing recommendations on the appropriateness, effectiveness and efficiency of:

- current arrangements to achieve Australia's Appropriate Level of Protection (ALOP);
- public communication, consultation and research and review processes;
- resourcing levels and systems and their alignment with risk in delivering requisite services; and
- governance and institutional arrangements to deliver biosecurity, quarantine and export certification services.<sup>8</sup>

4.16 The Beale Review produced its final report – *One Biosecurity: a working partnership* (the Beale report) – in September 2008. The report identified a number of

---

7 The conclusions and recommendations from the Rural and Regional Affairs and Transport References Committee, *Interim report: the management of the removal of the fee rebate for AQIS export certification functions* are at Appendix 4.

8 Beale, Roger et al, *One Biosecurity: a working partnership*, September 2008, pp 231-232.

deficiencies in Australia's biosecurity and quarantine arrangements, and noted that the outbreak of equine influenza in August 2007 had "exposed significant deficiencies in relation to horse imports".<sup>9</sup> The report also noted that the management of the risks associated with trade will become increasingly challenging, given projected increases in passenger and cargo movements, climate change and the threat of "agri-terrorism".<sup>10</sup>

4.17 The Beale report made 84 recommendations proposing reforms to strengthen Australia's biosecurity and quarantine arrangements, in addition to improvements to governance arrangements, transparency and timeliness. The recommendations relate to the following areas:

- a national biosecurity system;
- a national agreement on biosecurity;
- independent, science-based decision making;
- institutional arrangements;
- sharing responsibility;
- Australia's ALOP and its implementation and legislation;
- balancing risk and return;
- ensuring the integrity of the system; and
- resourcing the biosecurity system.<sup>11</sup>

4.18 In its preliminary response to the Beale report in December 2008, the Government noted that the review panel, chaired by Mr Beale, "has presented a far-reaching a comprehensive blueprint for a stronger Australian biosecurity system".<sup>12</sup> The Government also offered in-principle support for all of the panel's 84 recommended reforms and noted that:

These reforms are aimed at preparing Australia for future challenges and making systemic improvements to areas in need of immediate reform.

These reforms strike the right balance and will restore integrity and confidence to our quarantine and biosecurity system.<sup>13</sup>

---

9 Department of Agriculture, Fisheries and Forestry, *Review of Australia's Quarantine and Biosecurity Arrangements – Preliminary Government Response*, December 2008, p. 1.

10 Department of Agriculture, Fisheries and Forestry, *Review of Australia's Quarantine and Biosecurity Arrangements – Preliminary Government Response*, December 2008, p. 1.

11 Beale, Roger et al, *One Biosecurity: a working partnership*, September 2008, pp xxxi-xlvi.

12 Department of Agriculture, Fisheries and Forestry, *Review of Australia's Quarantine and Biosecurity Arrangements – Preliminary Government Response*, December 2008, p. 1.

13 Department of Agriculture, Fisheries and Forestry, *Review of Australia's Quarantine and Biosecurity Arrangements – Preliminary Government Response*, December 2008, p. 3.

4.19 DAFF indicated that following the Beale Review "the department has been progressing reform to deliver a modern biosecurity system that is responsive and targeted".<sup>14</sup> DAFF also stated that biosecurity reform has been supported by the provision of funding through successive budgets and work has been progressing on the development of a comprehensive policy framework, including:

- moving to a risk-based approach for biosecurity supported by intelligence, analysis, risk profiling, operational changes and feedback capabilities;
- increasing the management of risks offshore;
- building the capability and capacity to proactively anticipate, detect and respond to emerging pests and disease threats;
- improving partnerships between the Commonwealth, states and territories, industry, trading partners and the community;
- enhancing co-regulatory arrangements with industry partners;
- enhancing export market access;
- enhancing audit and verification activities;
- new biosecurity legislation to replace the *Quarantine Act 1908* and associated civil enforcement activities;
- business improvements, information and communication technology (ICT) systems, training and communication to support the new legislation and new business model;
- updating import conditions and facilitating more efficient importation of goods; and
- urgent maintenance and refurbishment of existing post-entry quarantine facilities and the purchase of land and design for future arrangements.<sup>15</sup>

4.20 In the update provided, DAFF also reported that a considerable amount of work has been completed (and changes made) in the move toward reform:

*Moving to a risk based approach*

- Moving away from mandatory intervention targets for international passengers and mail, arriving international sea vessels, sea and air cargo containers and for high volume, low value consignments.
- Changes have been made to the use of detector dogs at airports and mail centres – instead of working around the baggage carousels at airports,

---

14 Department of Agriculture, Fisheries and Forestry, *Reform of Australia's biosecurity system – An update since the publication of One Biosecurity: a working partnership*, March 2012, p. 9.

15 Department of Agriculture, Fisheries and Forestry, *Reform of Australia's biosecurity system – An update since the publication of One Biosecurity: a working partnership*, March 2012, p. 9.

quarantine detector dogs are now used in dedicated dog channels to screen passengers who have been assessed as being more likely to be carrying high risk material.

- A review of import conditions for plant based products has removed the need for an import permit for highly processed plant products – this has reduced the number of permit assessments required annually, with no change to the biosecurity risk.<sup>16</sup>

#### *Managing biosecurity risk across the continuum*

- A new approach to the risk profiling of vessels from Asian countries for the forestry pest Asian Gypsy Moth has been developed using remote geo-spatial analysis. This approach allows improved targeting of at-risk ports and more effective interventions at the border in Australia.
- DAFF and the Australian Customs and Border Protection Service have developed shared communication products targeting travellers returning to Australia from high risk destinations in South East Asia.
- The Australia Indonesia Partnership for Emerging Infectious Diseases – Animal Health 2010-2014 – is an AusAID funded program implemented by DAFF. It aims to build the institutional strength of animal health agencies in Indonesia. Similar work on a smaller scale continues in Timor Leste and Papua New Guinea.<sup>17</sup>

#### *Partnerships with stakeholders*

- The Intergovernmental Agreement on Biosecurity has been negotiated to strengthen the collaborative approach between the Commonwealth and state and territory governments in addressing Australia's biosecurity issues.
- The Biosecurity Advisory Council was established on 1 January 2010 and meets regularly to develop independent, strategic advice on biosecurity issues for the Minister for Agriculture, Fisheries and Forestry.
- In March 2011 a remote diagnostic microscope was installed in Papua New Guinea to enable better collaboration and information sharing on emergency plant pests.<sup>18</sup>

---

16 Department of Agriculture, Fisheries and Forestry, *Reform of Australia's biosecurity system – An update since the publication of One Biosecurity: a working partnership*, March 2012, p. 12.

17 Department of Agriculture, Fisheries and Forestry, *Reform of Australia's biosecurity system – An update since the publication of One Biosecurity: a working partnership*, March 2012, pp 13-14.

18 Department of Agriculture, Fisheries and Forestry, *Reform of Australia's biosecurity system – An update since the publication of One Biosecurity: a working partnership*, March 2012, p. 15.

---

*Intelligence-led and evidence-based decision making*

- DAFF is working in partnership with the Australian Customs and Border Protection Service to improve its intelligence and targeting capability.
- The Aquatic Animal Health Training Scheme for practising aquatic animal health professionals has been launched, with applications closing in April 2012. The Scheme will improve knowledge and skills in aquatic animal health management to support Australia's fishing and aquaculture industry.
- A Postgraduate Curriculum in Plant Biosecurity has been developed to build expertise and capacity for plant biosecurity management. Enrolments in the course commenced in 2010 across five universities.
- A new Master of Veterinary Public Health (Emergency Animal Disease) course has been developed and will commence at the University of Melbourne in the second half of 2012.<sup>19</sup>

*Modern legislation, technology, funding and business systems*

- An Interim Inspector General of Biosecurity was appointed in July 2009 to conduct independent audits of Australia's biosecurity systems, with a statutory position to be established under the new biosecurity legislation.
- DAFF has invested in the establishment of an information services division with a view to modernising and optimising the use of technology across all biosecurity services.
- DAFF has set up a network of computer-connected microscopes so that entomologists in one location can look at a specimen elsewhere. The technology has sped up identification (and confirmation of identification) of insects.
- Existing biosecurity funding arrangements are being reviewed to ensure that funding appropriately supports the reformed system and is aligned with government policies including cost recovery principles.<sup>20</sup>

4.21 It is noted that in anticipation of a number of longer term changes to Australia's biosecurity and quarantine arrangements, a number of interim arrangements were implemented. These included:

- consolidation of 'pre-border and post border biosecurity functions' with DAFF's Biosecurity Services Group. This change anticipates the Beale Review's recommendations relating to institutional arrangements

---

19 Department of Agriculture, Fisheries and Forestry, *Reform of Australia's biosecurity system – An update since the publication of One Biosecurity: a working partnership*, March 2012, pp 16-17.

20 Department of Agriculture, Fisheries and Forestry, *Reform of Australia's biosecurity system – An update since the publication of One Biosecurity: a working partnership*, March 2012, p. 18.

(recommendations 16 to 22), which propose the consolidation of DAFF's biosecurity activities and, ultimately, the establishment of an independent statutory authority;

- expansion of the Eminent Scientists Group (ESG) to include an eminent economist (Beale Review recommendation 13); and
- appointment of a Biosecurity Advisory Council (BAC) to replace the Quarantine and Exports Advisory Council (Beale Review recommendation 23). The BAC advises the Minister for Agriculture, Fisheries and Forestry on biosecurity matters.<sup>21</sup>

It is also noted that the Import Risk Analysis (IRA) Handbook was updated in July 2009 to reflect the changes outlined above.

### *Issues raised*

4.22 The Preliminary Government response tabled in December 2008 advised that the Government's response to the reforms proposed were underway. The response also noted that:

Changes proposed by the...[Beale Review] are extensive and wide-ranging, and the Government's response will take some time.<sup>22</sup>

4.23 Whilst submitters to the inquiry acknowledged that DAFF has been working toward reform stakeholders were generally of the view that progress toward the implementation of the Beale Review recommendations has been "very slow".<sup>23</sup>

4.24 Citrus Australia's submission noted that, with the exception of Recommendation 79,<sup>24</sup> there is general in-principle support for the 84 recommendations of the Beale Review. In addition, Citrus Australia argued that whilst the Beale Review provides a welcome focus on biosecurity and import quarantine, it does not "provide the same focus on export quarantine, market access and development reform and poorly targets cost recovery to fund biosecurity reform through export certification".<sup>25</sup>

---

21 Department of Agriculture, Fisheries and Forestry, *Update to the Import risk analysis handbook 2007*, 1 July 2009, p. 1.

22 Department of Agriculture, Fisheries and Forestry, *Review of Australia's Quarantine and Biosecurity Arrangements – Preliminary Government Response*, December 2008.

23 Qantas Airways Limited, *Submission 34*, p. 3. See also Mr Neil Donaldson, *Submission 1*, Apple and Pear Australia Limited, *Submission 6*, and Shipping Australia Limited, *Submission 12*, p. 1.

24 Recommendation 79: Export Certification Functions should return to 100 per cent cost recovery at the beginning of July 2009.

25 Citrus Australia, *Submission 20*, p. 6.



4.25 The Board of Airline Representatives of Australia (BARA) acknowledged that there have been general improvements in passenger facilitation rates and freight inspection procedures as a result of greater acceptance of risk analysis following the Beale Review. However:

...it is BARA's view that overall progress in implementing the recommendations of the Beale Review has been slower than desirable. Whilst BARA welcomes the arrangements established by the Department [DAFF] to improve communications with stakeholders, the final structure of the reorganised Department is still awaited. The full extent of the communications improvements will only become apparent when that process has been finalised. BARA also notes that progress on drafting the replacement for the Quarantine Act 1908 has been slow.<sup>26</sup>

4.26 Plant Health Australia (PHA) noted that the findings of the Beale Review and their broad support from government "reinforced the primacy of the framework of shared responsibility and confirmed the significant public good in maintaining a world-class national biosecurity system".<sup>27</sup> PHA indicated its support for this view and argued that the benefits of the government-industry partnership should continue to be acknowledged. PHA also argued that:

Three years on from completion of the Beale Review it is important now that momentum be maintained. Approval of proposed new national Biosecurity legislation will be an important milestone.<sup>28</sup>

### Committee view

4.27 The committee notes DAFF's assertion that the biosecurity and quarantine reform program will ultimately have a range of benefits, including "a more efficient management of biosecurity risks, increased productivity in agriculture, facilitation of international trade and protection of Australia's unique environment".<sup>29</sup>

4.28 The committee notes that DAFF has been at the centre of the planning, development and implementation of a number of important reforms and the committee acknowledges the considerable work undertaken by the department in relation to the reform program and the achievements made to date.

4.29 The committee notes DAFF's advice that the reform program is "moving forward at a measured pace; with funding considered as part of the usual budget processes."<sup>30</sup> The committee understands that it has been necessary to implement

---

26 Board of Airline Representatives of Australia, *Submission 33*, p. 3.

27 Plant Health Australia, *Submission 52*, p. 10.

28 Plant Health Australia, *Submission 52*, p. 10.

29 Department of Agriculture, Fisheries and Forestry, *Reform of Australia's biosecurity system – An update since the publication of One Biosecurity: a working partnership*, March 2012, p. 20.

30 Department of Agriculture, Fisheries and Forestry, *Reform of Australia's biosecurity system – An update since the publication of One Biosecurity: a working partnership*, March 2012, p. 10.

some aspects of the reform process incrementally (based on both funding and available resources), however it also acknowledges the concerns of stakeholders who argue that the reform process has been very slow.

4.30 The committee is concerned that the management of reforms and inadequate resourcing has put undue pressure on the agency to both carry out its work and complete reforms.

4.31 Over the last two years, the committee have seen the need to continuously look for additional funds to continue reform processes because the views of industry (proven to be correct) have not been heeded.

### **Recommendation 2**

**4.32 The committee recommends that the Government give higher priority to funding and implementation of the Beale Review reforms.**

4.33 DAFF's advice is that the proposed new legislation to replace the *Quarantine Act 1908* is close to finalisation – with the new Biosecurity Bill exposure draft and a consultation regulation impact statement scheduled to be released in the first half of 2012. DAFF has also indicated that it is proposed that the new Biosecurity Bill will be introduced to Parliament in the second half of 2012. As previously noted, the committee is interested in conducting a detailed inquiry, both of the exposure draft and/or the proposed new legislation.

### **Recommendation 3**

**4.34 The committee recommends that the Senate refer the exposure draft (and the consultation regulation impact statement) in relation to the new Biosecurity Bill to the Senate Rural and Regional Affairs and Transport Legislation Committee for inquiry and report.**

4.35 The committee notes that it has limited the number of recommendations made in its current report to three. The small number of recommendations, however, does not indicate a lack of concern regarding many issues. As outlined in the report, the committee has, over a long period of time, taken a very serious interest in the issue of Australia's biosecurity and quarantine arrangements. The committee will wait until it sees the exposure draft before it determines whether its concerns have been alleviated.

**Senator the Hon. Bill Heffernan**

**Chair**