

Member Update

Title: AQIS Export Certification Reform Package (ECRP) – Update 2

Update No.: 17 of 11

Date of Issue: 8 July 2011

GTA has provided this further update regarding the current status of the AQIS **Export Certification Reform Package**.

GTA strongly recommends that you read and understand the implications contained in Update 1 dated 16 June 2011 (attached) before reviewing this update.

1.0 The 40% Government rebate on AQIS Certification Fees and Charges ceased on 1 July 2011

GTA members are reminded that the rebate of 40% supplied by the Federal Government ceased from 30 June 2011. A new fee structure is being developed but it has to be evaluated. This may occur by 1st October 2011 or some other date. In the interim, if the introduction of the new fees and charges is deferred, the current AQIS fees and charges without the 40% rebate will prevail.

2.0 Current situation

AQIS released an update the ECRP on 1 July 2011. This document is on the AQIS website at http://www.daff.gov.au/aqis/export/export_certification_reform_package/grain-mtf/grain-mtf-progress-reports/communique-7

The introduction of the reform objectives which are designed to improve the efficiency of export certification for both industry and AQIS was planned to coincide with the removal of the rebate. Clearly this has not occurred and industry has to bear the higher fee structure and not be able to reduce costs due to the delayed introduction of the new arrangements.

This is totally against the spirit of the cooperative approach that was envisaged by the grains industry when they embarked on a collaborative approach with AQIS as members of the Ministerial Task Force.

3.0 GTA action

GTA has written to the Minister for Agriculture, Forestry and Fisheries requesting that the rebate remain in place until the new inspection arrangements are brought on stream by AQIS. This call has also emanated from organisations from all the other commodity groups being meat, seafood, horticulture, live animals and dairy.

As a result of the representations and obvious disillusionment by the commodity groups there has been a NOTICE OF MOTION tabled by the Member for Calare, THE HON JOHN COBB MP (attached) which challenges the Government on key aspects of this Reform Package.

GTA will update members on a timely basis regarding developments.

4.0 Further information

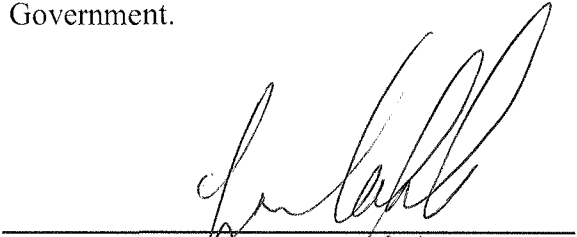
For more information on the Grain MTF, please contact AQIS via the following:
http://www.daff.gov.au/aqis/export/export_certification_reform_package/grain-mtf

HOUSE OF REPRESENTATIVES

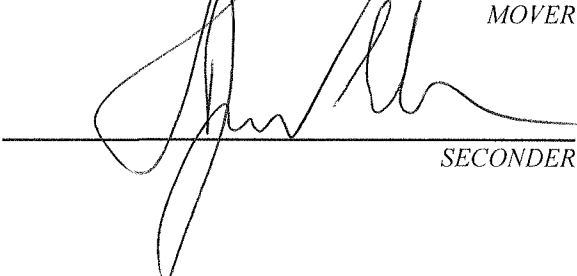
NOTICE OF MOTION

MEMBER FOR CALARE, THE HON JOHN COBB MP: I give notice that on the next day of sitting I shall move—That this House:

- (1) require the responsible Minister to
 - a. immediately commission an independent study of the legitimate costs to Government of AQIS Export Service Inspection Fees and Charges for the six affected industries as evidenced at the AQIS - AMIC joint ministerial taskforce Meeting 15 on 7 May 2010;
 - b. table in the house
 - i. a document that explains how the government will provide a reduction in annual regulatory costs to the export industries in the order of \$30 million per year from 1 July 2011; and
 - ii. a document that outlines the completion of reforms that were to be delivered as part of the agreement to remove AQIS Export Service rebate between the Government and the six affected industries: the Meat industry; the Fish industry the Dairy industry; the Horticulture industry; the Grain industry; and the Live Export Industry.
- (2) note that the above commitments were part of a package agreed by the former Minister for Agriculture, Fisheries and Forestry in return for the passage of their legislation to remove the 40% AQIS Export Service rebate;
- (3) call on the government to continue the AQIS Export Service rebate until the reforms are delivered as agreed by the Government.



MOVER



SECONDER

Member Update

Title: AQIS Export Certification Reform Package - update

Update No.: 16 of 11

Date of Issue: 16 June 2011

1.0 Background

With the deadline of 30th June 2011 looming, AQIS is still to release the key details of the new AQIS operational and fee reforms. Exporters still do not have an agreed new fee model, exact procedures for the appointment of the Approved AQIS Officers (AAO), the training and audit costs of the AAOs, etc, etc, etc. It is clear that these elements of the reform will not be finalised in order for industry to be fully consulted on the details before the new scheme starts on 1st July 2011.

2.0 40% Government rebate on AQIS Certification Fees and Charges to cease

GTA members are reminded that the current rebate of 40% supplied by the Federal Government will cease from 30 June 2011. A new fee structure is being developed but it has to be evaluated. This may occur by 1st October 2011 or some other date. In the interim, if the introduction of the new fees and charges is deferred, the current AQIS fees and charges without the 40% rebate will prevail.

3.0 Areas of activity

The Federal Government established a Ministerial Task Force (MTF) with members from industry and AQIS. The clear intention was that the development of the reform package would be a transparent and inclusive approach between industry and AQIS. Further details can be found at

http://www.daff.gov.au/aqis/export/export_certification_reform_package/grain-mtf

Areas of activity are:

1. Legislation Review
2. Review of Inspection Models
3. Market Access
4. System Interface
5. Charges Review
6. Communication of Process

There are many relatively minor projects being undertaken as part of the reform agenda, with the main activities outlined below.

3.1 Legislation Review

Industry was consulted widely and the MTF prepared and agreed on a list of issues for consideration in relation to changes in the legislation. The proposal is for the legislation, i.e. the Plant Orders to be less prescriptive as appropriate. This will simplify the process for changing legislation, for instance minor amendments may be able to be made by the AQIS Grains Industry Consultative Committee. In theory, this legislative change should be positively received by industry.

Current position

The new legislation becomes effective 1 July 2011. AQIS has indicated that they will release what they can of the new legislation to the MTF, however they are "bound by in-confidence arrangements".

3.2 Review of Inspection Models

A number of worthwhile initiatives were agreed by the MTF. A major change was the introduction of AQIS Approved Officers (AAO's) who would be tasked with conducting the inspection activities of current AQIS staff but who are employed by industry. Conceptually this would drive down AQIS costs and add flexibility to an organisations operation.

A number of other initiatives were also agreed such as the Shipping Bin Concept which involves inspection and clearance of stocks upon receipt at the export premises and Inspection of Empty Vessels by AAOs.

The new system is effectively an extension of the existing Approved Arrangements (AA). By the appointment of in-house Approved AQIS Officers (AAOs), an exporter will effectively sign off their own shipment inspection. This will allow samples to be taken according to the exporter's existing Quality Management arrangements and at a time and place suitable to the exporter (i.e. inspections can be done 24/7). The AAOs and procedures will be subject to audit by AQIS. Penalties such as the removal of the registration status of the facility will exist for failures to adhere to the guidelines and standards.

From 1st July, all existing AA facilities and AA officers will be able to act as AAOs for a period as the formal AAO training and accreditation is finalised and implemented.

If exporters wish to maintain AQIS officer inspections they may do so. A fee for service charge based on 15 minute increments will apply. The 15 minute AQIS inspection charge will rise substantially over the current (rebated) rate. However, some previous charges such as booking fees and travel time will be incorporated into the new 15 minute rate.

The responsibilities of the new AAOs will be greater than existing AAs. In effect, the new AAOs will be acting on behalf of the Commonwealth. Additional training will be required. Police checks will be required. Conflicts of interest between the exporter and the Commonwealth need to be managed with propriety. The details of these requirements are not yet available but are likely within a few weeks.

Initially, the training and audit costs will be covered by the government budget for the AQIS reform project. Existing AAs are the targets to be given the option to convert to the AAO system, however any-one in industry may apply to become an AAO – industry may determine that there are benefits under the revised reform arrangements to go down this path.

There certainly will be costs in training and auditing as well as the costs of having staff members attend such training and audit. In the long term these costs will be a cost to the exporter.

Current position

The MTF has not been supplied with the final public document that details exactly the requirements to become an AQIS Approved Officer or the Work Plans detailing the new inspection arrangements for grain or empty vessels. The new arrangements become effective 1 July 2011.

Note: AQIS have given assurances that the current arrangements for inspection will be ongoing from 1 July 2011 with no impact on export inspection processes.

3.3 Market Access

The grains industry has a poor representative structure for presentation to government on issues such as specific market access i.e. a specific grain into a particular market or specific importing country requirements and government related issues such as Free Trade Agreements. This project aimed to address this vacuum and a pilot project identified the following market access priorities that have been actioned:

1. Hay to China
2. Wheat to Fiji
3. Cotton Seed to USA
4. Canola to China
5. Pulses to India
6. Seeds to Indonesia

The pilot successfully demonstrated the need for a coordinated industry approach and recommended the establishment of the Grains Industry Market Access Forum.

Current position

The project has been managed by the MTF which has agreed via a Strategic Plan to establish a Grains Industry Market Access Forum. A Business Plan is currently under development which will include funding details and an industry structure.

3.4 System Interface

Review of the PHYTO data base – this was a major initiative.

Current position

AQIS have given assurances this will be completed late August/early September.

Audit Management System – AQIS maintain that this System is integral to the introduction of AQIS Approved Officers as it will contain information of the inspections conducted by AAO's and identify potential audit issues.

Current position

AQIS have given assurances that the Audit Management System will be introduced in the period July to December 2011.

3.5 Charges Review

The original plan called for the following actions:

1. AQIS to release a draft set of Fees and Charges at the commencement of 2011. The MTF would then agree to a fee scenario.
2. The draft fees and charges would be the subject of an independent assessment to ensure that the fees and charges were equitable across industry. Industry needs to be aware that AQIS has to recover the costs of their activities based on Commonwealth Government Cost Recovery Guidelines.
3. The MTF would consider the independent report and following industry consultation either support or reject the new fees and charges.

Current position

1. *AQIS released the fees and charges in May 2011 which the MTF then agreed would be subject to an independent assessment.*
2. *During the course of the independent assessment, AQIS made major changes to various fees and charges without notification to MTF members. These changes were only picked up by MTF members in reviewing the draft project report.*
3. *The MTF at this stage is unable to form a view on the proposed fees and charges.*

The draft of the new fees suggest that for those exporters who embrace the new system there will be some fee reductions as well as significant logistical advantages to be gained. For exporters who elect to maintain the existing individual AQIS inspections and manual lodgement of documents, AQIS fees will rise substantially, but there may be some logistical advantages to be realised.

It is clear that if documents are lodged electronically through EXDOC, the cost of the Phytosanitary Certificate will **drop** substantially. If lodged manually, the cost of the certificate will **rise** substantially (in addition to the effect of the removal of the 40% subsidy).

3.6 Communication

Major initiatives for this project included:

1. Communication of MTF activities;
2. Improved AQIS and industry communication; and
3. Development of training packages for AQIS staff and industry

Current position

1. *Communication is being handled in house by AQIS through development of an industry database. While many in industry have to date provided their details to this database, the MTF encourages members to contact AQIS and become registered on this database.*
2. *Development of training packages is being handled in house by AQIS who are using external contractors as required.*

3. *Training will be targeted at AQIS staff and those industry organisations who wish to move to AQIS Approved Officer arrangements.*
4. *Details are lacking but AQIS have given verbal assurances that industry briefing sessions will be held early in July.*

4 Concluding remarks

The clear intention behind establishment of the MTF by Government and the participation by industry was that the MTF process would be consultative in nature with both AQIS and industry respectful of each others needs and, importantly, aspirations. Industries aspirations were very clear – they are detailed in the Grain Workplan which was agreed by the Minister for Agriculture, Fisheries & Forestry.

Reference: http://www.daff.gov.au/aqis/export/export_certification_reform_package/grain-mtf/reform-workplan

This project is the ideal platform to establish a strong and unified cross industry and government partnership to collectively ensure the ongoing strong performance of the Australian grain industry in export markets.

However, the lack of detail available to exporters at this time is not satisfactory. The AAO rules and export fees and charges should have been finalised three months ago. Sadly this is not the case. In the next few weeks, you will hopefully be receiving these details.

The MTF recognises the significant impact of these changes on individual businesses. Once details on each of the reform areas are obtained by the MTF, these will be provided to industry via industry representatives on the MTF and via the grains reform website listed below.

5 Further information

For more information on the Grain MTF, please contact AQIS via the following:

http://www.daff.gov.au/aqis/export/export_certification_reform_package/grain-mtf