
AUSTRALIAN WOOL TESTING AUTHORITY LTD

Submission to the Quarantine & Biosecurity Review Panel.

April 2008

Company Information

The Australian Wool testing Authority Ltd (AWTA) is the largest wool testing organisation in the world. AWTA is a Company Limited by Guarantee, established as a not-for-profit service organisation to aid Australian primary industries – primarily in the wool and textile sectors.

AWTA's corporate objectives are to provide independent, accurate and impartial testing and certification services at minimum cost to the wool industry. Such objectives are reinforced by the Company structure, with the Board of Directors comprising representatives from all parts of the wool processing pipeline – from woolgrowers through to wool processors (i.e. AWTA's customers). As a Company Limited by Guarantee, no dividends are distributed and earnings are retained by the Company to minimise testing fees and to improve services to customers.

AWTA has laboratories in Melbourne, Sydney and Perth and branch offices throughout Australia. AWTA employs approximately 450 staff and has an annual turnover of around \$35 million.

AWTA also has expertise in

- Laboratory instrumentation design and manufacture
- Research & Development
- Wool Metrology & Standards Development

For more detailed information on AWTA, please see our website www.awta.com.au .

Apart from wool testing in Australia, AWTA has the following business interests:

1. New Zealand Wool Testing Authority. AWTA owns 100% of this company which provides similar wool testing services in New Zealand and other countries. Please see www.nzwta.co.nz .
2. AWTA Product Testing. This division of AWTA undertakes testing and certification services for a diverse range of goods including textiles, safety equipment, building products and automotive components. Please see www.awta.com.au/en/ProductTesting/ .
3. JinAo Testing. This is an AWTA 50/50 Joint Venture testing organisation based in Nanjing, China in order to undertake textile testing and inspection services (i.e. close to the textiles manufacturing base).
4. Agrifood Technology. AWTA recently purchased this company from AWB. Agrifood undertakes testing services in many areas including:
 - Grain Quality
 - Milling Services
 - Food Safety
 - Food and Feed Nutrition Analysis
 - Microbiological & Mycotoxin Analysis
 - Pesticide Residues

AWTA's Interest in this Review

AWTA's main interest in the review of quarantine & biosecurity measures relates to Point 4 of the Terms of Reference:

"4. governance and institutional arrangements to deliver biosecurity, quarantine and export certification services."

The discussion below will refer to the sections of the Panel's Issues Paper.

Section C3: Jurisdictional & Institutional Arrangements

It is acknowledged that AQIS and Biosecurity Australia have complex and difficult tasks when balancing the various needs of stakeholders. The difficulty in balancing these needs is most obvious in the tension between the strict enforcement roles and facilitation roles undertaken by AQIS.

While there is no doubt that AQIS operates its regulation and export trade facilitation roles to the highest levels of integrity, it remains that the perception of conflict can exist with the current arrangements.

An example from the wool industry may help explain AWTA's position. Within the wool industry, laboratories such as AWTA undertake testing and certification services in accordance with published standards and are paid a fee to do so. The regulations and standards by which AWTA must undertake its testing are controlled by a completely different body – The International Wool Textile Organisation (IWTO). A situation where AWTA both set the rules and then implemented the rules would be untenable in the wool industry. Hence, from this perspective the "Umpire/Player" conflict that AQIS finds itself in is difficult to reconcile.

While it is acknowledged that progress has been made in some commodity export programs with regards third party assessment and QA schemes, there does not appear to be a clear and consistent plan to open all testing and inspection services to full contestability by suitably qualified and experienced private organisations.

AWTA recommends that auditing, testing and inspection services related to export certification for agricultural, fisheries and forestry produce can and should be made open to full contestability from other suitably qualified and experienced organisations.

This is consistent with previous competition reviews that found:

"The Committee also considers that there is still considerable scope for further progress in relation to adopting a co-regulatory export clearance model, accompanied by greater contestability of the inspection and audit functions.

Because of the distribution of industries and the employment associated with them, a vibrant export industry will have a significant positive effect on regional Australia."¹

¹ *Export Assurance: NCP Review of the Export Control Act 1982, pages 77-78.*

Section C4: Culture, Efficiency & Resourcing

AWTA believes the major aspect under this heading that needs review is the issue of Pre-border Inspection.

Pre-border Inspection

As a principle, AWTA believes that inspection, pre-authorisation and certification prior to shipment is the most efficient and effective means of identifying issues that may impact on Australia's quarantine and biosecurity. From a commercial perspective, such pre-border inspection also decreases regulatory uncertainty for trading partners.

Again, AWTA's position is informed from its experience in the wool and textile trade. For 50 years, AWTA has been involved in providing pre-shipment inspection and certification services. Such certification – to known and agreed international IWTO standards – provides financing banks, trading partners and customs authorities with technical and commercial certainty.

For imports coming to Australia, AWTA is similarly involved with quality, safety and conformance testing through its AWTA Product Testing division.

AWTA is most familiar with the People's Republic of China as a trading partner country and believes that there is an excellent strategic opportunity for Australia to work with Chinese authorities on pre-shipment inspection and certification for goods destined for Australia.

Through AQSIQ (General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China) and CIQ (China Commodities Entry/Exit Inspection & Quarantine Bureau), China is generally well served with modern and well equipped testing laboratories and well trained technical staff. From AWTA's experience, CIQ generally has a very positive attitude towards Joint Venture cooperation with foreign partners.

In a small way, AWTA's JV testing operation called JinAo which is based in Nanjing, aims to use this approach for textile goods destined for Australia (and Western Europe) by subcontracting testing services to CIQ in Nanjing while management control resides with AWTA. It is easy to envisage how such an approach could operate across a much broader range of exports to Australia, with suitable AQIS controls in place.

AWTA recommends that partnerships with suitable qualified overseas authorities and/or private testing organisations, based in the country of origin, be more fully utilised by AQIS so that efficient pre-border inspection takes place.