



Voice of Horticulture

Suite G.01, 128 Jolimont Road
East Melbourne VIC 3002

16 February 2016

Regulation of Australian Agriculture
Productivity Commission
Locked Bag 2
Collins Street East PO
Melbourne, VIC 8003

E: agriculture@pc.gov.au

Dear Commissioner,

Thank you for the opportunity to provide a submission to the Productivity Commission (PC), Regulation of Australian Agriculture Inquiry.

Voice of Horticulture (VOH) is a member-based organisation representing horticultural growers and enterprises across fruit, nuts, mushrooms, turf, nursery plants and cut flowers and some vegetables (see <http://voiceofhorticulture.org.au/>). Horticulture is Australia's second-largest and fastest growing industry in agriculture, with some 30,000 businesses nationally, and a farm gate value at \$10 billion.

Horticulture is Australia's second-largest and the fastest growing industry in agriculture, with some 30,000 businesses nationally, and a farm gate value of \$10 billion. The industry is the largest agricultural employer in Australia employing around one-third of Australia's total agriculture workforce. It is therefore a key employer across regional Australia.

VOH recognises that regulation can be of benefit to horticulture where it meets economic, social and/or environmental objectives and is designed and implemented efficiently and effectively. However, where regulation is excessive or unnecessarily burdensome, it can raise costs to businesses, users and consumers, which in turn can reduce economic activity, inhibit trade and restrict competition.

Horticulture faces a number of challenges in the years ahead many of which are attributed to high production costs relative to Australia's international competitors. VOH believes that regulatory reform can play an important role in easing producer and supply chain cost of production pressure.

The VOH submission is structured around overarching principles and the ten specific areas of regulation posed in the Productivity Commission Issues Paper of December 2015.

Our growers know the future can be rosy with the right government policies, aided by the falling dollar as well as productivity improvements.

There is a growing demand for Australia's safe, green produce. Preliminary analysis suggests that the industry has the potential to double in size (to \$20 billion) within 10 years: increasing exports, attracting investment, creating jobs, contributing to regional economies by increasing productivity in expanded modern production.

This is therefore a critical time to ensure growers regulatory concerns are taken seriously by politicians, policy makers and other key stakeholders to help ensure the potential of our industry is realised.

Yours sincerely

Tania Chapman

Chair, Voice of Horticulture



Submission Table of Contents

Overarching principles	4
Land tenure and use	4
Environmental protection.....	7
Access to technologies and chemicals	9
Water.....	14
Transport	16
Animal welfare	19
Biosecurity	19
Consumer related regulation	23
Competition regulation	27
Investment.....	30
Other issues	31
Other issues - labour	32
Other issues – levies	45
Other issues – international trade.....	46
Other issues - telecommunications	51
Other issues - energy.....	52



Overarching principles

Overarching considerations address systematic problems and regulatory reform options.

PC questions - overarching

- *Are there systemic problems with government regulatory processes and institutions which create unnecessary regulatory burdens on farm businesses?*
- *What reform options might improve these processes and institutions?*

Horticultural growers are experiencing excessive regulatory compliance costs resulting in ever increasing constraints to their competitiveness. Horticultural production is an inherently risky business. Risk management is increasingly understood to be an important dimension of any horticultural growers operation. It is also understood that growers' capacity to manage risk has been compromised by inflexible and heavy handed regulatory interventions. Key areas of regulatory intervention requiring reform include peri-urban land use, chemical regulation, transport, biosecurity, country-of-origin labelling, the regulation of labour markets and workplace health and safety.

Australia is considered to have the highest costs of horticultural production of any country in the world and is the second lowest recipient of agricultural subsidies in the OECD. For Australian horticulture to be able to compete in domestic and international markets there needs to be downward pressure on input costs.

Blanket regulation, often designed with urban environments in mind, adds to horticultural production cost. A more flexible and tailored approach based on a realistic assessment of industry risk, offers considerable scope for cost saving and increased capacity to compete.






Recommendations

- That key regulations affecting horticulture be reviewed in a risk framework with greater recognition of the industry's low risk operating environment
- That regulators adopt a more flexible and tailored approach to delivering regulatory objectives which recognise the need for Australian horticulture to compete in an open marketplace (e.g. recognition of industry's development and adoption of best management practices)
- That co-regulatory approaches between industry and government be adopted where these offer similar outcomes at lower cost (e.g. use of 'in-house' export inspection processes instead of defaulting to government monopoly priced inspection, legislation and formal regulation).





Land tenure and use

Land tenure and use addresses planning, pastoral leases and native title.




PC questions – land use planning

-  *How could development assessment and approval processes be improved?*
-  *Do different development assessment and approval processes result in unnecessary regulatory burdens?*
-  *Are there inconsistencies between land use regulations and other regulations? What is the evidence for this?*
-  *Do the benefits of regulations that restrict land use to agriculture activities outweigh the costs?*
-  *Is there scope for zones to allow a broader range of complementary land uses, while still preserving agricultural interests and recognising essential land management or conservation purposes?*

PC questions – pastoral leases

-  *Is diversification of agricultural activity unnecessarily restricted by conditions in pastoral leases?*
-  *Is pastoral leasehold an effective way of facilitating efficient land use? What other approaches could be used?*
-  *What implications (if any) does the security of tenure of pastoral leases have for lending or investment?*
-  *What are the highest priority reforms for improving pastoral lease arrangements?*

PC questions – native title

-  *How well are native title processes managed?*
-  *How do native title processes affect decisions relating to current or future land use?*
-  *What scope exists to reduce any unnecessary burden imposed by native title processes and how should regulation be reformed to give this effect?*

Land Use Planning

There is an ongoing need for an effective system for protecting productive agricultural enterprises and districts from alienation by or encroachment from other land uses. Many horticultural industries are quite different from broadacre production in that they do not need large land areas to be productive. But they do need access to transport and affordable water and have a narrower range of climatic, soil and geographical tolerances. This means the potential for land use conflict with urban and peri-urban uses is relatively high.

Horticultural industries that are particularly vulnerable to poorly considered local government regulation include peri-urban industries such as turf, vegetables, fruit and macadamias. These industries continually find their operations compromised in every state and territory by council regulation, particularly inappropriate re-zoning. These actions limit farmers' ability to plan and to invest in increased productivity. They also negatively impact regional employment. Furthermore, some farms are being re-zoned by councils as environmental lands simply because the landholder has revegetated riparian and remnant vegetation areas.

Major Australian horticulture areas are also growing regional centres (e.g. Mackay Queensland, Griffith NSW) that are likely to have an increasing demand for both land and water resources for urban and industrial uses. Expanding urban centres pose challenges for horticultural enterprises operating in peri-urban areas. Horticultural enterprises are often located close to urban areas or regional centres for better access to packing facilities, transport infrastructure and labour. There is a need to maintain focus on this issue in the context of rapid population growth, conflicts between neighbours in urban fringe areas, minerals development, climate change and an increased awareness of the need to protect food security.

Relevant examples of council regulations resulting in unnecessary regulatory burdens include:

- Spray drift is an issue where councils allow residential land to back up against horticulture land – farms were there first but increased rezoning means residential land abuts farms and the opportunities to spray against pests becomes reduced because of closer settlement
- Some councils, like Yarra Valley in Victoria, have imposed limits on the use of tree crop netting that is visible from roads as it is perceived to decrease the rustic amenity of day-trippers. However, netting is an essential risk mitigation measure and it is unreasonable for councils to impose these types of restriction
- Growers in the peri-urban zone of Logan on the edge of Brisbane have been through an exhausting process of negotiation with council regarding the ability to expand their operations on rural residential land and now have to go through development assessments to build greenhouses. They have been aggressively persecuted by neighbours who use council by-laws to harass growers with some growers being visited by council officers on a weekly basis in response to spurious complaints about environmental transgressions.

Recommendations

- That development assessment and approval processes recognise the need for horticulture to locate in peri-urban areas.
- Review opportunities to standardise state and local government regulation affecting horticulture.

Pastoral Leases and Native Title

Restrictions on pastoral leases and native title issues have the potential to spill over into the expansion of horticulture in Northern Australia. For example there are restrictions on some pastoral leases in regard to the types of agricultural enterprises that can be pursued. Several pastoralists in Northern Western Australia have also commented that there are difficulties in understanding, negotiating with and gaining approvals from Indigenous Land Councils. A less bureaucratic approach is required to enable greater clarity and certainty of process. Governments and industry need to continue to work

with Indigenous Land Councils to improve the transparency and governance in decision making and, where possible, improve the streamlining of assessment processes and facilitate new financing options. Stakeholders also expressed frustration with the number of government departments that need to be consulted. In Western Australia there are a number of state government departments involved in the regulation, management and development of pastoral leases. These include: the Department of Regional Development and Land, the Department of Environment and Conservation (and the Environment Protection Agency), the Department of Indigenous Affairs and the Department of Agriculture and Food.

VOH believes that these issues need to be resolved.

Nevertheless, while VOH believes there is significant capacity to grow Australian horticultural production in the north, the first priority should be to secure water access and development of markets to support exiting production areas.

Recommendations

- That development assessment and approval processes be put in place in Northern Australia to facilitate the timely development of export oriented greenfield sites
- A consolidated land tenure and property rights report is required (and kept up to date) for each region to ensure that investors (existing and new entrants) are kept informed about the current opportunities and limitations on property development and the implications for diversified use.
- For horticulture development to occur in Northern Australia there needs to be a “one stop shop” that can provide accurate advice as to the processes that need to be satisfied by different government agencies.
- That development of Northern Australia should not be at the expense of resourcing existing production areas.

Environmental protection

PC questions – environmental protection

- *What excessive and unnecessary costs do environmental protection regulations impose on farm businesses?*
- *Do environmental protection regulations particularly affect certain businesses or businesses in certain locations?*
- *Can the burden imposed by environmental protection regulations be reduced by changing the regulations or the way they are administered?*
- *Are there more effective approaches to environmental protection adopted overseas, or in other parts of Australia, that should be considered?*

The Australian horticulture industry has an impressive record of commitment to environmental protection and natural resource management. Horticultural growers are responsive to community concerns and invest significant effort and resources to meet consumer expectations and market standards, achieve regulatory requirements, keep pace with environmental science findings and participate in community-based regional natural resource management initiatives.

However, essential horticultural investment is too often caught up in planning and environment processes creating long delays and missed opportunities.

Case study: Environmental Uncertainty

The proposed Emu Swamp Dam in Stanthorpe Queensland is a case in point for the local fruit growing industry. The dam has been under consideration for more than twenty years and to date 66 reports have been generated in regard to environmental impacts and business cases. The dam is needed by both the township of Stanthorpe as well as agricultural operations. The township faces critical water shortages in the event of drought, and the agricultural sector needs additional water to expand to meet domestic and export demands.

Initially much of the discussion around the dam construction was centred on meeting urban needs and those of the horticulture community were not fully addressed. With the preparation of a recent business case growers now have a clearer understanding of likely dam construction costs water prices and have provided positive expressions of interest despite the high costs. There remains some frustration around the delay in committing to the dam as a result of environmental assessments, planning processes and approvals. Indeed it has been the Stanthorpe irrigators that have kept the process alive in the face of slow progress and “politics” by either one of the local, State or federal governments lacking enthusiasm or capacity at different stages in the past 20 years.

Specific environmental protection regulations threaten the viability of horticultural businesses in or adjacent to forested areas. This includes:

- Flying fox and native bird protection – VOH recognises that regulation is required to ensure survival of species and habitats but compromises need to be made to ensure the ongoing viability of fruit and vegetable growers. Perhaps regulation needs to be re-written to recognise and offset harsh socio-economic impacts on growers. Some states, such as NSW have allocated funds to subsidise netting as a risk mitigation measure and it is proposed that other states follow this example. In Queensland there is a Code of Practice for the control of flying foxes which underpins access to Damage Mitigation Permits (DMP) and it is vital that continued access to DMPs remains until a non-lethal alternative is available.
- Koala plans of management often prevent any activity on farm without koala spotters and work must cease when a koala is sighted. The macadamia industry notes this adds costs and time to farm operations. Whilst the industry supports sanctions for removing perceived koala habitat, sanctions are severe (even when feeding trees are replaced at the rate of 5 to 1.) and the cumulative impact of an increasing number of environmental protections (including natural vegetation management) are without reference to any regulatory impact statements.

Recommendations

- That environmental protection approvals, incorporating local, state and Commonwealth regulations, work in a coordinated way to avoid current long delays and missed opportunities

- Regulations aimed at protecting native species in forested areas allow for compensation to offset business threatening socio-economic impacts
- Industry Codes and best management practice programs be explored as mechanisms for co-regulation to achieve environmental outcomes as is the case in Queensland.

Access to technologies and chemicals

PC questions – genetically modified (GM) crops

- *What are the benefits and costs of some jurisdictions specialising in GM free products relative to widespread cultivation of GM crops?*
- *How do GM crop moratoria affect investment in Australian agriculture and the ability of domestic farmers to compete internationally?*
- *What types of regulations are likely to be more effective than moratoria in addressing any risks associated with GM crops? What overseas examples of GM regulation should the Commission examine?*
- *Is the approval process for GM crops effective and efficient? If not, how can it be improved?*

GM Crops

VOH does not have a policy position on GM crops but notes that the regulatory environment should remain flexible, open and able to respond to scientific evidence and consumer sentiment.

PC questions – Agvet chemicals

- *Does the regulatory system for Agvet chemicals effectively align regulatory effort with risk? How can a better system be achieved?*
- *Is there scope for Australian regulators of Agvet chemicals to recognise the tests and standards developed by their overseas counterparts?*

Horticultural Chemicals

Access to agricultural chemicals is critical in providing cost-effective and timely management of horticultural pests, weeds and crop diseases. VOH would like to congratulate the government for making active steps in addressing some of the key issues raised by industry. We recognise that effective reform in this area takes time as the needs of industry must be balanced against human health and environmental considerations and that ultimately a robust chemical regulation system is an effective protection for industry. VOH strongly supports the APVMA's current regulatory objective of ensuring that risks to human health, welfare of animals and trade from Agvet chemical use are kept within acceptable limits while facilitating user access to appropriate products. That said, Australia's chemical registration system is still too slow, complex and expensive that growers are being left

without cost-effective alternatives to manage pests and diseases. There needs to be a major overhaul of our current system to improve chemical access.

Agvet chemical companies have little or no incentive to invest in new chemistry for Australian conditions. It costs as much to register a product in Australia as it does in the US and our market is one sixth of the size. There is clear market failure in the current Agvet chemical regulation process and the minor use permit system.

Minor Use Permits and the Use of R&D Levies

Horticulture has a strong dependence on minor use permits to secure access to Agvet chemicals due to the variety of crops grown and their specific chemical requirements. At the moment, a significant proportion of R&D levy funds in small horticultural industries such as pineapples (where the figure is currently more than half) are directed toward urgent pest management issues and ensuring ongoing access to crop protection chemicals by providing the required efficacy and safety data. This means R&D levy funds and the matched taxpayer dollar are not being used for true industry development or to pursue innovations or strategic opportunities but rather to maintain a defensive position against pests. Yet, without this investment, there would be no industry to develop. It must be acknowledged that HIA (and formerly HAL) are active in pursuing opportunities for cross industry efficiencies and creating effective links with chemical registrants and it is possible that this is an area for additional cross industry funding into the future.

The Australian government funded RIRDC collaborative forum was an important first step in facilitating better interaction between industry, APVMA and the chemical registrants. It enabled opportunities for collaboration to be identified and a clear process for engagement and prioritisation. The forum also provided better mechanisms for Australia to take advantage of international initiatives. The model for the forum was based on the US IR-4 system and its Canadian counterpart which have been working effectively for decades. The critical missing link is an ongoing and sustainable funding model for both the collaborative forum and the actual process of accessing minor use permits. The financial return on public investment in minor use schemes is indisputable following the economic analysis of the US IR-4 scheme, which demonstrated a 780 fold return on investment¹. This represents another example where effectively Australian growers are not operating on a level playing field – not only do we not receive subsidies but access to chemicals is time consuming, costly and sometimes non-existent.

Recommendations

It is recommended that the Commonwealth Government implement a ‘whole-of-systems’ approach, which recognises the needs of consumers and agricultural producers, facilitates the private sector’s engagement in that process, and has desired outcomes underpinned by policies and legislation in the regulatory approval process. In so doing, it is recommended that two fundamental and interrelated approaches should be adopted.

- The establishment of a Commonwealth Government funded National Sustainable Minor Use Crop Protection Program

¹ Miller, SR. 2007. National economic analysis of the IR-4 Project. Center for Economic Analysis, Michigan State University, May 25 2007, 25pp. <http://ir4.rutgers.edu/Other/IR4EconomicImpact.pdf>.

- For that program to be complemented with appropriately tailored Regulatory Processes and Incentives.²

Review and Deregistration of Current Chemicals

Many of the chemicals commonly used in horticultural industries are currently under review, or are scheduled to be reviewed in the near future, by the regulatory authority, APVMA. In the past these reviews have resulted in:

- Reduced access (where use on some fruit or vegetables is restricted)
- Increased costs for common chemicals; or, in some instances
- Deregistration of the chemical active(s) for horticultural use.

Deregistration of products by the APVMA, or the narrowing of commodities or uses against which the product can be applied, can have significant adverse effects on horticultural growers. Decisions are taken without considering whether growers have access to a range of efficacious alternatives. In some instances horticultural industries have been reduced to reliance on a single product which can raise issues of resistance build-up. Worse, in some cases growers have been left with no chemical control measure for a specific pest or disease.

For example, prior to 2015 fenthion and dimethoate were two chemicals used extensively across many fruit and vegetable industries to control fruit fly populations. Fruit fly is a production pest, causing significant damage to crops. However they are also trade pests which restrict the Australian horticultural industry's ready access to international markets. Fenthion has now been prohibited and significant restrictions have been placed on dimethoate by the APVMA. Without access to alternate chemistry, growers now have to establish area wide management practices which work well in isolated production areas but are severely compromised when abutting townships.

The on-going availability of alternative classes of product is crucial to the management of the integrity of any one chemical product. Continued use of a single product can lead to pest and disease resistance. VOH understands that pest and disease resistance has become a major issue in broadacre cropping and in horticulture overseas. Additionally, the increasing use of 'soft' chemicals in response to environmental concerns and a move away from broad spectrum chemicals can mean that minor pests have the potential to become major production issues.

In addition, VOH note that state governments have virtually abandoned work related to integrated pest management and 'green' chemicals. Extension is now mostly undertaken by commercial firms many of whom are attached to chemical retailers or marketers. Growers recognise that the chemical load on soils is leading to soil sterility. There needs to be fast tracking of internationally approved

² This is consistent with the approach recommended by Dr Stephen Goodwin in his *Submission On Reforms to Deliver Sustainable Minor Use Crop Protection Solutions for Australia's Agricultural Industries (2011)*

On Reforms to Deliver Sustainable Minor Use Crop Protection Solutions for Australia's Agricultural Industries (2011)

replacement chemicals and increased investment in integrated and effective pest and disease control by state and federal government agencies.

The Commonwealth Department of Agriculture and Water Resources (DAWR) and the State agriculture agencies should work with the APVMA to identify possible cross commodity issues with respect to the chemical review process. We recommend the preparation of a briefing paper for each chemical under review which identifies affected commodities, impacts and potential alternatives. This would seem to be basic risk management. DAWR should take a leadership role in terms of working with HIA to identify affected stakeholders and alerting them to the issue in a timely and effective fashion. Appropriate structures should then be put in place to ensure adequate investment across commodities in identifying alternative crop protection measures. Where there is clear market failure then it would be appropriate for industry and government co-investment.

VOH also point out the importance of maintaining registration of chemicals that may be needed to manage a major biosecurity incursion. This requirement should be considered before restricting access to registered Agvet chemicals.

Case study: Lack of Chemical Registration

There has not been a single new chemical registered for use in the Australian pineapple industry in 20 years despite significant numbers of chemicals being reviewed and removed from use. Managing pest and disease incursion is a significant cost for an industry already struggling to compete against cheaper imports.

The Requirement for New and Expensive Registration Data

Any reduction in access to currently used chemicals is further compounded by Australia experiencing a lower number of new chemicals available for crops relative to comparable agricultural economies. For example, an analysis of new chemical registrations in Australia, the US and Canada between 2008 and 2012 showed that while the number of new chemical registrations might be similar the number of crops attached to chemical labels in Australia was approximately a third of that achieved in North America – Table 1.

Table 1: Agricultural Chemical Registrations Australia, US and Canada 2008 to 2012

Chemical Type	Australia		United States		Canada	
	No. of New Chemicals	Average No. of Crops per label	No. of New Chemicals	Average No. of Crops per label	No. of New Chemicals	Average No. of Crops per label
Fungicides	10	7	9	32	7	21
Herbicides	8	2	7	11	5	11
Insecticides	7	9	6	25	4	30
Plant Growth Regulators	1	1	0	0	0	0
Total	26	19	25	68	17	62

Source: Grain Producers Australia, 2014 p.4

Omission of crops from new chemical registrations is important to horticulture where the small industries that make up the sector are most likely to miss out. An absence of new registrations denies horticultural industries access to 'cleaner', 'softer' chemicals readily available to Australia's international competitors.

One reason chemical companies do not seek registration for new chemicals in Australia is the APVMA requirement for exhaustive efficacy and safety data to support registration or minor use permit approval. Furthermore, much of the data required by APVMA is Australia specific and does not have application to other countries. Data generation is therefore expensive and the market for chemicals in Australia is small. Chemical companies have little opportunity to recover the costs of data generation and associated research.

One solution is a requirement for the APVMA to take greater consideration of the approval of chemical registrations accepted by Australia's peers, such as the USA, Canada and New Zealand. Whilst VOH accepts that Australia has different ecology and growing conditions to other countries, applicants should not be required to unnecessarily generate new data that could equally apply to Australian conditions. Furthermore, a suite of criteria that is pre-specified and transparent could be used by the APVMA to justify the need for new data generation and this would help reduce the cost of chemical registration.

Case Study: Time-Frames for Chemical Registration

The Australian arm of a US based company has spent more than \$1 million over the past three years generating data for new chemistry that holds potential to improve pre-harvest management for a significant temperate fruit. Whilst the active ingredient in the product holds existing chemical registration with the APVMA, the product will be applied by growers at a different time within in the production cycle and new data is therefore required by the Australian regulator. The company expects that formal registration is likely to take 2 to 3 years for approval once formal application is submitted to the APVMA. Meanwhile, Australian growers do not have access to a product that achieved registration in the USA four years ago and is also readily available in South Africa, and in parts of South America – countries that directly compete with Australia in export markets.

Spray Drift Regulation

The horticultural industry also has a major issue with state government zoning regulation targeting spray drift. The issue is relevant to peri-urban areas and is a direct result of urban encroachment on established horticultural production. Spray drift buffers imposed on horticulture by state regulators and enforced by councils are overly cautious and impose major costs on growers. Growers are forced to sacrifice significant production areas to maintain regulated no-spray buffers. Mandatory buffer are imposed on the basis of limited or inappropriate science (e.g. broadacre research used to develop tree crop recommendations), the use of redundant technology (e.g. not recognising non-drift nozzles) and assuming limited or no grower training.

Recommendations

- Government needs to review the current system of regulation of agvet chemicals. A system based on the US IR-4 Scheme is required. A partnership with state government agencies and DAWR leadership is needed to facilitate chemical registration – the scale of the response required is beyond industry working on its own

- A revised chemical registration system would include appropriate structures that ensure adequate investment across commodities in identifying alternative crop protection measures
- APVMA need to increase international partnerships in agvet chemical co-regulation and look for efficiencies and incentives for agvet chemical investment in Australia.
- Review of currently registered agvet chemicals should include consideration of their potential role in managing a major exotic pest incursion
- Ensure spray drift regulations are based on science, current technology and contemporary grower education standards.

Water

PC questions - water

- *Are there aspects of the water market that are imposing an unnecessary regulatory burden on farm businesses? If so, what are they?*
- *What aspects of water regulation are having a material effect on the competitiveness of farm businesses and the productivity of Australian agriculture?*

Water trading rules and the lack of co-ordination between governments create difficulties in some horticultural regions. Governments also need to speed up approval processes to enable growers to build new on-farm dam storage and to purchase more water allocation to replenish their dams. This is a particular problem in NSW.

Case study: Water Trading

In Batlow water trading is difficult for apple growers at the top of the catchment as there are rules including flow rates that must be achieved before water can be harvested. However, this timing does not coincide with the times water is required on the orchard. Consequently on-farm water storage is required before a grower can buy more allocation. The Federal Government could change policies employed by the Murray Darling Catchment Authority but it would also need to encourage the NSW Government to allow off-stream storage for top of catchment areas like Batlow.

Further pressures for on-farm storage arise as orchards increasingly shift to high intensity systems. The need to reduce weather risks like frost and heat stress using overhead sprays increase water storage requirements from 5 ML/ha to around 9 ML/ha. The cost of the increase storage needs to be added to the already significant investment of approximately \$100,000/ha (including netting) required to establish new orchards. With gross returns of between \$125,000/ha and \$200,000/ha, intensive orchards represent a very high value use for water. Governments need to better recognise horticulture's high value status. Recognition should be provided by simplifying and rules and speeding up processes to enable growers to achieve approval for increased and new dam storage and to purchase more water allocation to replenish dams.

The Commonwealth Government's National Water Initiative (NWI) has assisted in developing a framework for water planning and management in Queensland. Given the principle of full cost recovery by water users, there is now potential to consider a number of further initiatives:

- Ensuring that water sector reform aimed at environmental sustainability, such as the Murray Darling Basin (MDB) Plan, effectively balances the associated socio-economic cost to irrigation-dependent communities, and emphasises improved water efficiency over removal of irrigation water from the system as much as possible
- Prioritise planning and management efforts on the basis of the risk of not meeting water use and environmental objectives within catchments or sub-catchments, in order to minimise regulatory costs and maximise benefits (i.e. taking a risk-based approach)
- Investigate participatory approaches that enable greater industry and private sector participation at the local level in reform, for example Queensland is looking at local management of irrigation schemes and entitlement holder management of water metering
- Further development with the private sector of policy frameworks supporting new or emerging water markets and the trading of water products, including the timely availability of water pricing information and information on seasonal availability of water
- Integration of policies for water-associated issues, for example increased water use efficiency due to increased technical investment often comes at the cost of greater energy use so policies relating to energy supply and cost need to be integrated
- In delivering decision-support information, monitoring and reporting programs should be timed and targeted more closely to clear environmental outcomes and be cost-effective
- Clarification of policies concerning Indigenous access to water resources for cultural and other purposes, particularly where these include economic purposes and could interact with other third party interests.

Recommendations

- Increase coordination between governments to ensure the regulation of irrigation water produces efficient outcomes (e.g. minimise conflict between State and Commonwealth environmental goals)
- Continuation of the Commonwealth Government's commitment to funding water infrastructure upgrades; consider new dam options
- Ensure adequate funding and resources for the implementation of the Murray Darling Basin Plan which will improve the water security of horticulture growers and give them confidence to invest in the future
- Increase funding for water-use efficiency programs in growing regions outside the Murray Darling Basin.

Transport

PC questions - transport

- Do transport regulations impose unnecessary burdens on agricultural producers?*
- Are there transport regulations that duplicate or are inconsistent with other regulations?*
- Would alterations to the HVNL (heavy vehicle national law) offer material benefit in terms of reducing regulatory burden on farmers? At what cost?*
- How could access decision-making by road managers be improved to allow freer movement of agricultural produce?*
- Is there scope to reduce the burden of rail, port or air freight transport regulations on farmers?*
- Are there aspects of coastal shipping regulation that are an unnecessary burden on farm businesses?*

The horticulture industry predominantly produces perishable product which makes access to appropriate infrastructure and transport options vital to its success. Transport costs make up a significant proportion of growers' costs of production; commonly around 20%. Horticultural freight varies from bulk packed melons and pumpkins to highly perishable, delicate products such as berries. Critical freight needs include the requirement for rapid and efficient transport, maintenance of the cool chain, and minimisation of handling and damage.

The horticulture industry is heavily reliant on truck transport and the road system, with a significant proportion (up to 80%) of produce requiring refrigerated trucks. Governments have to balance calls to keep the number of large vehicles on the road to a minimum with the fact that businesses choose the transport option that best suits their needs.

The potential to increase the amount of product transported by rail from rural and regional Australia is very sector-specific. Rail works well in some circumstances, but it is impractical for other industries or businesses due to the length of time it takes, the cost of getting goods on and off trains, and the physical limitations of the nation's current rail infrastructure.

Heavy Vehicle Use

VOH welcomes recent moves toward the national harmonisation of heavy vehicle road transport laws. The aim of harmonisation has been to remove differences between the heavy vehicle road transport laws operating in each state and territory. Such differences have made it difficult for horticultural produce packers to navigate the rules and comply with inconsistent jurisdictional requirements. The establishment of the Heavy Vehicle National Law (HVNL) and a national regulator should in theory reduce the compliance burden for business, increase industry international competitiveness, and make it easier for horticultural businesses to operate across state and territory borders.

However, a number of states, such as NSW, have introduced variations to the national model. This simply defies the point of harmonisation. For example, operators from NSW that choose to trade interstate will continue to face the paperwork juggle to ensure that compliance with both state and national laws are met. VOH believes more effort by governments is required to ensure seamless consistency between states on transport and other matters.

Case study: Regulatory Harmonisation

Geoffrey Thomson Holdings Limited, a vertically integrated horticultural business based in Shepparton, Victoria, operates a fleet of heavy vehicles transporting fruit from their packing shed to a number of interstate wholesale markets and supermarket distribution centres. Their B Doubles have Mass Management Accreditation under Victorian laws, and are able to operate up to a 68 tonne gross vehicle weight. Queensland laws similarly allow the vehicles to carry a 68 tonne mass. However, to access the Brisbane Market and Brisbane distribution centres the trucks must use NSW roads, and the NSW State regulations stipulate that without operating the Intelligent Access Program (IAP) the maximum allowable weight under the Concessional Mass Limit (CML) is 64.5 tonnes. Consequently all trucks departing Shepparton to either NSW or Queensland must use the lower maximum weight of 64.5 tonnes, which reduces efficiencies and sales volumes, and adds to both costs and extra vehicles on the roads. NSW does not recognise the company's Victorian Mass Management Accreditation, and to gain the higher 68 tonne permit for NSW the company would have to invest in additional hardware and systems in order to comply with the requirements of the NSW IAP. Investment of this kind is seen as wasteful and duplicates the costs already invested to achieve Victorian Accreditation.

Oversized Vehicles and Weight Restrictions

Over-size vehicle regulations also create costly and untimely delays for horticultural producers along the supply chain. For example, there are circumstances where trucks are forced to decouple trailers or unload their freight to a smaller vehicle to enable the freight to reach its final destination.

Whilst oversized vehicles are uncommon in the horticulture sector weight restrictions are an issue. Such regulations need to be less restrictive, particularly where there is minimal risk and impact to society and infrastructure. Minimising these restrictions or providing more flexibility would help reduce transportation costs, translating to fresher commodities and greater returns for growers (see case study above).

Maximum load restrictions are also a significant issue for many growers and exporters of dense products and differences in maximum load restrictions between states have a real impact on the efficiency of transport through wasted container space. For example NSW has a mass management accreditation scheme which allows horticulturalists to load 65 tonnes gross weight on a B-double transport and 43 tonnes on a single trailer. In Victoria the maximum weights are 68.5 tonnes on a B-double and 46 tonnes on a single trailer.

Horticulture exporters usually use 40 foot containers weighing 13 tonnes when empty for transporting product. However, because of weight restrictions horticulturalists cannot fill the container without exceeding maximum weights. The container has a capacity of 30 tonnes but can only yield 24.3 tonnes due to weight limits – 5 tonnes short.

The problem is of course exacerbated with B-doubles meaning that an increased number of single trailer trucks are deployed to move dense fruit such as oranges, apples and pears.

Case Study: Weight Restrictions

In the 2013 /14 financial year Valley Pack Cold Storage experienced weight restrictions that resulted in a cumulative a loss of product from containerised road transport equivalent to 221 twenty foot equivalent units.

Rest Breaks and a Perishable Crop

Current regulations pertaining to rest breaks and non-recognition of produce as perishable place additional, unnecessary costs on horticulture. Under current regulations drivers are required to take an enforced rest break, often within one hour of destination. Enforced rest breaks add substantially to the cost of low value horticultural produce and reduce the produces freshness in the market, further eroding grower returns. The request is for a change to rest break requirements by adding a maximum of one additional hour and bringing our industry in line with other ‘perishables’ such as live cattle transport.

Registration Fees and Charges

Transport registration fees and charges also add costs and complexity to the business of transporting horticulture products. When heavy vehicles are used for interstate operations they can be registered under the Federal Interstate registration scheme. However if heavy vehicles are used for loads that are both picked up and delivered within Victoria they must be registered under the Victorian Local registration scheme. There are significant savings in registration fees and charges having heavy vehicles registered as Federal Interstate, as well as no stamp duty being applied at to the vehicle value at the time of initial registration. Under Victorian local registration there is a stamp duty charge, and the registration fees and charges are close to double that charged for Federal Interstate registration. The problem is that even though most of the freight movements would allow the fleet to operate with Federal Interstate registration, there are times when a heavy vehicle may travel from Shepparton to Sydney, then take a back load from Sydney to Melbourne, and to finish the trip may take a further back load from Melbourne to Shepparton in order to be ready for the next trip Interstate. The problem here is the Melbourne to Shepparton leg which makes the vehicle ineligible to operate on the Federal Interstate registration program. There is also another anomaly for the business in moving fruit from orchard properties located in regional Victoria to the cold storage and packing facility in Shepparton. The trucks doing this work would qualify for Victorian Primary Producer registration concessions if that was the only work that they carried out, however the trucks used for this work may also transport packed fruit to the Melbourne Markets or supermarket distribution centres during the night, and because some of the produce on the truck may belong to someone other than the grower, it disqualifies the company from accessing the primary production registration concessions. Dedicating some vehicles to orchard pick-ups, others to intra state only work, and yet others to Interstate only, is commercially unworkable.

Shipping Horticultural Product from Tasmania

Cost effective sea freight is essential for Tasmania – 99% of all goods leaving and arriving in Tasmania are moved by sea. Consequently it is critical that regulation does not unnecessarily add to shipping costs and isolate Tasmania from national and international markets.

For example, current cabotage regulations add substantially to the cost of shipping product from Tasmania to other Australian ports. As Tasmania does not yet have a sustainable direct shipping link to key international ports, fruit and vegetables destined for export need to be offloaded in Melbourne and reloaded onto international container vessels. Such regulations inhibit the growth of exports from Tasmania. As Tasmania is free of fruit flies it has considerably greater phytosanitary access than mainland Australian states, with access to a broader range of countries and with far fewer protocol restrictions (including phytosanitary treatments that inevitably add costs or cause damage to many fruit and vegetables).

Case study: Cabotage

One Tasmanian fruit grower reports that, as a result of the restrictive Australian cabotage regime, the cost to ship fruit from Tasmania to Brisbane is approximately AUD\$7.00 per 18kg box compared with A\$5.60 per 18kg box shipped to Shanghai, via Melbourne

Recommendations

- Encourage the implementation of truly national heavy vehicle laws without state variations that impose unnecessary burdens on horticultural producers
- Remove restrictions affecting the use of oversized vehicles
- Recognise horticulture as a perishable crop and align driver rest breaks with those used in live cattle transport
- Recognise and eliminate costly registration fee and charge anomalies that do not recognise the type of horticultural transport work being undertaken
- Free up Australian Government coastal shipping regulations that add substantial cost to horticultural inputs and exports (mainland and international) originating in Tasmania.

Animal welfare

Animal welfare regulation is not relevant to horticulture.

Biosecurity



PC questions - biosecurity

- *What improvements could be made to government export certification processes?*
- *Are requirements for biosecurity-related audit arrangements unnecessarily burdensome? Could audits be combined or streamlined?*
- *Is it likely that the new Biosecurity Act 2015 (Cwlth) will achieve its aims of managing biosecurity risks to an acceptable level, managing the impact associated with biosecurity incidents, and maximising the economic efficiency of the management of biosecurity risks?*
- *Do risk assessments of imported agricultural inputs effectively balance the need to protect Australia from harmful pests and diseases with the need to minimise the burden on importers?*
- *Are there useful overseas examples of biosecurity regulation that the Commission should examine?*

Avoiding pest and disease incursions is critical to the viability of the horticulture industry. Australia's unique biodiversity and relative disease-free status must be maintained, along with horticulture's reputation as a supplier of fresh, high quality, clean produce. Freedom from many of the world's major pests and diseases provides a clear advantage in both domestic and global markets.

While governments, industry members and the community all share important roles and responsibilities regarding biosecurity, Australia's biosecurity legislative framework provides the backbone for our collective efforts.

There is a clear need to continue legislative reforms to ensure Australia operates a cost-efficient and international best practice biosecurity system.

Risk Assessments on Imported Agricultural Inputs

VOH believes that the regulatory framework which underpins Australia's quarantine and biosecurity arrangements must be based on sound science and sensible policy. However to be effective, the regulatory framework must be adequately resourced (both in human capacity and funding) to protect Australia's environment, biodiversity and agricultural production systems from exotic pests and diseases.

Fruit, vegetable and nut growers value their biosecurity partnership with the Commonwealth and State governments. Transparency and consultation with industry is fundamental to an effective biosecurity partnership; without it, confusion and an environment of mistrust can arise. VOH seeks a partnership where processes, risk assessment methodologies, proposed policy determinations and recommended sanitary-phytosanitary (SPS) measures on imported product are transparent.

The Government is currently reviewing the regulatory process that underpins a risk assessment on imported produce, including fresh fruit, nuts and vegetables. VOH believes that:

- An issues paper should be produced for all Biosecurity Import Risk Assessments (BIRAs). This should include information on the pests and diseases that are likely to be associated with product from the proposed import source (country or region); the (unregulated) categorisation of those pests and diseases; the standard operating practices employed by growers, post-harvest facilities and exporters to manage those pests and diseases; and, current phytosanitary measures imposed by Australia on similar products from that country or region, or similar import sources
- Industry representative organisations should have the opportunity to appoint a scientific delegate to the Scientific Advisory Group (for the period of a specific BIRA)
- The Scientific Advisory Group (SAG) should always have involvement in the BIRA process by providing feedback to government on both the Draft BIRA Report as well as on the Provisional BIRA Report. This is contrary to the Draft Biosecurity Import Risk Assessment Guidelines³ which imply that the Director of Biosecurity would have discretion about the involvement of the SAG. VOH believes that the SAG should also be required to demonstrate the rigour of their assessment by comprehensively documenting its assessment of: the manner in which the Director of Biosecurity has dealt with the issues raised by stakeholders (whether they have been properly considered); whether the conclusions of the draft BIRA are scientifically reasonable; justification of the superiority of scientific views where there is conflict; and the nature of any “new information” brought its attention
- Clarity must be given around the criteria used to determine a non-regulated risk assessment rather than being a default from the criteria used to determine a regulated BIRA. VOH is concerned that there is no obligation on the Department to consult with industry prior to embarking on a non-regulated risk assessment; in regard to the rationale for choosing a non-regulated pathway rather than a BIRA; the form in which a non-regulated risk assessment will take; or the nature of any change in perceived biosecurity risk; use of any technological advancements or process improvements that removes or minimises the biosecurity risk associated with a particular product.

VOH also believes that industry and government should collaborate to review the Risk Estimation Matrix which is used in import risk assessments. In advice prepared for the Senate Regional and Rural Affairs and Transport Committee, Chris Peace indicated that the risk estimation matrix did not meet best practice. He suggested the matrix has a number of constraints, including:

- Ambiguity of how risks likelihoods are calculated;
- The rules governing the combination of risks generates results which are biased towards low risk assessments; and,
- Risk definitions and descriptive likelihoods are open to technical interpretation.

Recommendations

- Greater transparency in import risk assessment processes including risk assessment methodologies, proposed policy determinations and SPS measures

³<http://www.agriculture.gov.au/SiteCollectionDocuments/biosecurity/new-legislation/bira-regulation-2015-exposure-draft.pdf>

- An issues paper be prepared and circulated for all Biosecurity Import Risk Assessments (BIRAs)
- Industry appoints a scientific delegate to the Eminent Scientists Group (ESG)
- The Scientific Advisory Group (SAG) provide feedback to government on both the draft and provisional BIRA reports and that the SAG be required to demonstrate the rigour of its processes
- Clarification of the criteria used to determine a non-regulated risk assessment is required and there should not be an automatic default to the criteria used to determine a regulated BIRA
- There is a need to review the methodology of the Risk Estimation Matrix in line with the Pearce report.

Risk Assessments to Support Australian Exports

In addition to improving Australia's approach to import risk assessment, there is scope for Australia to provide improved confidence in its biosecurity regulatory arrangements to support horticultural exports.

Fruit Fly is a primary issue for countries undertaking risk assessments on many fresh fruit and some vegetable exports from Australia. However some of the protocols imposed by overseas markets on growers to manage the fruit fly risk are often difficult: treatments such as methyl bromide can damage the fruit while treatments such as cold disinfestation for 18 to 21 days are unsuitable for highly perishable products like cherries.

Restrictions on key control chemicals have exacerbated access issues. Industry has responded to these difficulties through the National Fruit Fly Strategy and is confident of long term solutions based on sterile insect technology and area freedom.

However those solutions are at least five years away and horticulture growers need access to markets now, to either grow their operations or provide viable alternatives to the downward price pressures created by the Australian based supermarkets. To ride out the interim, it is imperative that legislation and regulations are consistent and this is not currently the case.

Inconsistencies across State and Commonwealth legislation and regulations inevitably create inefficiencies which raise costs to growers, packers and exporters who already struggle internationally because of our high wage cost structure. Between states there are separate phytosanitary verification processes required for Western Australia and Tasmania.

Distrust amongst authorities from different states is not helpful. As an example, Western Australia has, on occasion flown inspectors to Victoria to verify that nursery stock is soil free.

Across the eastern seaboard, including South Australia, regulations and restrictions are relatively harmonised. Each state does however have some high level risks which may require elevated protocols (e.g. fruit fly in South Australia).

There are different approaches to the management of pests and diseases. For example, not all Australian states impose the same suspension zones around outbreaks of Queensland fruit fly (*Bactrocera tryoni*) detections. This lack of national consistency in approach to pest risk reviews results in confusion and occasionally rejection of product.

The application of the Department of Agriculture and Water Resource's *Appropriate Level of Protection* (which describes current protections and processes) has been noted by other countries and has led to difficulties in international market access negotiations. The establishment of a single, nationally accepted risk assessment process upon which all national and state and territory plant biosecurity regulations are based is vital to ensure there is a consistent, scientifically sound, transparent process for the assessment of risk.

Recommendations

- Review and harmonise legislation and regulation relating to fruit fly suspension zones in order to provide a consistent and credible position for export market access negotiations;
- Where pests of concern cross a number of domestic jurisdictions, the Commonwealth Government needs to ensure best practice approaches are promoted and common risk assessment frameworks are applied.

Interstate Trade – Harmonisation of Biosecurity and Quarantine Regulations

VOH also believes that domestic trade barriers must also be reviewed, with a number of impediments hampering the trade of horticultural products across state and territory borders:

- The lack of recognition for industry accreditation of phytosanitary or biosecurity risk management practices and verification certificates. The nursery industry provides a model that could be adopted by state governments for other horticultural industries
- The lack of country-wide harmonisation in state trade codes adds red-tape to businesses that wish to trade. Initiatives in the eastern seaboard states need to be replicated in Western Australia and Tasmania.

Recommendations

- Reduce costs of inter-state movement of horticultural products by standardising and streamlining the biosecurity and quarantine regulations of each state and territory and recognising industry biosecurity accreditation
- Harmonise state trade codes.

Consumer related regulation



PC questions – food safety

- *Are food safety standards proportionate to the risks they are designed to address?*
- *Are there known examples of best practice process at the state and territory level in dealing with food safety regulation?*
- *Are there unnecessary differences between state and territory food safety standards and the Australia New Zealand Food Standards Code?*
- *Do differing state and territory arrangements create unnecessary burdens on farming businesses operating across borders?*
- *Do food safety audits create an unnecessary regulatory burden? Could food safety audits be streamlined or combined?*

Food Safety Standards Applying to Australian Growers

Food Safety Standards for Australian horticulture are developed and administered by Food Standards Australia New Zealand (FSANZ) and are set out under the Food Standards Code. The vast majority of fresh produce grown in Australia is produced under industry-based food safety schemes which certify that production/grading/packing and other on-farm practices comply with the Food Standards Code.

VOH supports the February 2014 FSANZ view⁴ that horticulture does not need to be included within the Primary Production and Processing Standard which establishes regulatory safety standards and traceability for primary producers of very high risk products such as seafood, meat, dairy and eggs. FSANZ has acknowledged that the horticulture sector generally does a good job in managing food safety risks associated with fresh produce. FSANZ has also noted that 70-80% of horticultural produce in Australia is grown under an industry-based food safety scheme to control food safety risks.

Nevertheless there are too many quality assurance food safety schemes operating within horticulture and compliance has become the most expensive overhead incurred by horticulture growers. In the past growers adopted a generic scheme to suit their businesses, requiring compliance and training on one set of guidelines and one annual audit and certification. But as direct sales have increased, retailers have also imposed their own individual schemes, meaning additional standards and requirements and additional audits. Even more hurdles are added for those farmers who grow for export. Obviously the myriad of schemes places a massive administrative and cost burden on the sector. Some growers report that the list of auditable issues appears unbounded and that the number and extent of audits, in addition to high wage costs, significantly inhibits exports.

VOH fully supports an on-going Horticulture Innovation Australia initiative (HIA) to achieve harmonisation between the quality assurance food safety programs required by Australian retailers and the food service sector. VOH understands that the project is nearing completion and is likely to lead to an annual cost saving for growers and producers, conservatively estimated at AUS\$40.3 million/year.

⁴ <http://www.foodstandards.gov.au/code/proposals/pages/proposalp1015primary5412.aspx>

Case Study: Food Safety Audits

One major fruit grower from Western Australia experiences 10 different audits each year and needs to employ a person 3 days a week to ensure all compliance policies are met. Most of the different audits are required by supermarkets. The audits are either related to employment, safety or product integrity and due to differing requirements from different buyers (supermarkets) cost the business approximately \$150,000 per annum.

Recommendation

- The horticulture sector continue to operate under industry operated food safety quality assurance schemes without the imposition of the Primary Production and Processing Standard;
- Government support the work of industry, supermarkets and the supply chain, under the auspices of Horticulture Innovation Australia, to establish an industry-harmonised standard frees growers from the plethora of existing systems.

PC questions – food labelling (including country of origin labelling)

- *Do food labels provide information that is useful for consumers? What aspects of labelling are likely to be most important to consumers?*
- *What unnecessary burdens do labelling standards impose on agricultural producers?*
 - *Are labelling standards overly prescriptive?*
 - *Are there inconsistencies in labelling requirements?*
- *Do Australia's truth-in-labelling laws enable agricultural producers to differentiate their products for competitive advantage?*
- *Are food labelling systems appropriately enforced across jurisdictions?*
- *What aspect of food labelling should be mandatory rather than voluntary?*

Food Labelling

VOH members have long advocated for change in Australia's country-of-origin food labelling laws. Strengthening such laws will assist consumers to make informed decisions when shopping. Consumer advocacy group CHOICE has found, for example, that 90% of Australians are not clear on where their food comes from. In VOH's view this is unacceptable.

Despite recent some positive moves by the major retailers to stock processed fruit from SPC Ardmona, there continues an underlying trend by the major retail chains to ramp up their overseas sourcing. Imported processed horticultural products sell at significantly cheaper price points than locally produced equivalents. This is not been helped by the fact that Australia's confusing labelling laws help hide this information from consumers. The status quo is helping to push Australian products from supermarket shelves and consumers are none the wiser.

Fresh produce retailers often (but not always) identify country of origin in open displays. The seasonal availability of local products are often augmented by imported product (e.g. asparagus). Misleading and confusing country of origin identification can be a problem where the source of the product should be easily identifiable by the retailer. It is especially important that consumers know the country of origin of fresh, unprocessed products.

The current 'Made in Australia' labels for processed product is also confusing, if not outright misleading. For example, 'Made in Australia' can actually mean that all the ingredients are imported, and simply mixed or packaged in Australia. Worse, under current legislation 'Made in Australia' can be used in labelling processed fruit and vegetables or juice if more than 50% of the value of the product is added in Australia, regardless of where the produce comes from. This can even include the cost of the container and the cost of labelling or the cost of the water. Hence, the produce could actually be sourced from overseas and the label can still read 'Made in Australia.'

Over recent months the Government has proposed a major revision to the country of origin labelling framework. However, it is important that the new country of origin framework address the key consumer concerns that sit behind the Government's desire for change. The current Regulatory Impact Statement (RIS) notes, for example, that "research on food labelling in Australia has reiterated the importance Australian consumers place on knowing the *country of origin* of food products" {italics added}⁵. This view has been confirmed by the Colmar Brunton research commissioned by the Department of Industry as part of the current review. Specifically, the research highlighted that "while price was usually the dominant decision factor across a range of food types, the next key considerations were quality (for fresh products) and the *country where key ingredients used in the product were grown*" {italics added}.

VOH welcomes the Government's move to improve the country of origin labelling laws to better assist consumers to make informed decisions about the source of the fresh and processed foods they purchase. VOH also welcomes the proposed new logo and bar charts for products where the significant ingredients were grown in Australia. However, VOH believes the kangaroo label should not be used when the ingredients are not grown in Australia. This is because time-poor consumers will come to rely upon the logo itself rather than the information contained within the bar chart and accompanying word statements. Any reasonable consumer would automatically assume that the kangaroo designates an Australian quality, that the ingredients are indeed Australian. As illustrated in Figure 2, the proposed label implies an Australian quality despite a blank chart (0% Australian ingredients) and a statement that confirms this. VOH would prefer a plain label (Figure 3) for goods transformed in Australia to ensure that Australian consumers are not misled. To ensure the integrity of the kangaroo label, VOH believes that products must meet a specific threshold (say 90%) of Australian ingredients in order to qualify for using the kangaroo label.

Figure 2: Proposed Labels for imported ingredients transformed (i.e. "made") in Australia:



Figure 3 Labels for goods transformed (i.e. "made") in Australia should look like:

⁵ <https://consult.industry.gov.au/cool-taskforce/cool>

Made from imported ingredients.

Recommendations

- Simplification of the current country-of-origin system. This system should be mandatory and enable consumers to easily identify the source (origin) of the key ingredients
- Products transformed (i.e. “made”) in Australia cannot use the kangaroo label unless a specific threshold of Australian ingredients is met (such as a 90% benchmark)
- Water used to reconstitute foods or juices be treated as being the same origin of the food or juice
- Unpackaged fresh food is required to identify the country-of-origin where the food was grown.

Competition regulation

PC questions - competition

- *Where are the restrictions on competition in the agricultural sector or its supply chains?*
- *Is competition facilitated or reduced by regulations allowing small businesses to collectively bargain with a large business, or by industry codes of conduct authorised under the Competition and Consumer Act 2010 (Cwlth)?*
- *What are the likely effects of the changes suggested in the Government’s Agricultural Competitiveness White Paper and the Harper Review?*
- *What areas of regulation which affect competition in the agriculture sector are favourably positioned for reform?*

Two Supermarket Chains Dominate Grocery Retailing

The horticulture sector consists of large numbers of small business operations at the farm level. Concentration significantly increases further up the supply chain. For example, as stated in the Agricultural Competitiveness Issues Paper, in the grocery sector Woolworths and Coles own a combined 80% of supermarket outlets. The Roy Morgan Supermarket Currency Report⁶ of 2012 identified that Coles and Woolworths in 2011 had 45.5% of the market in fresh fruit and vegetable sales. This high level of concentration leads to imbalances in negotiating power between farmers and others in the supply chain and puts farm profitability at risk. This imbalance also leads to other “misuses” of market power such as wanting to audit all employment records for “ethical employment”.

⁶ Source: <http://theconversation.com/factcheck-is-our-grocery-market-one-of-the-most-concentrated-in-the-world-16520>

VOH supports the Government's Agricultural Competitiveness White Paper announcement that \$11.4 million will be spent to boost the Australian Competition and Consumer Commission to engage more effectively with the agriculture sector and encourage fairer trading. However, VOH does not believe that emphasis should be placed upon "strengthening competition in agricultural supply chains". Suppliers, be they growers, packers, or wholesalers, already vigorously compete to supply the retailers. Rather, effort should also be focussed on improving the transparency and good faith dealing by retailers.

The Weekly Times investigated the returns to fresh food producers as a percentage of retail prices. The article (James Wagstaff, April 23, 2014) that "horticulture producers were among the hardest hit, with oranges receiving just 8% and potato growers 17% of the final retail price." Whilst supply chain costs are high and often complicated, returns to growers are affected by the intense downward pricing pressures being applied by supermarkets.

Growers costs of production have grown with labour and energy charges and other input costs increasing, but products in the supermarkets (which account for the great majority of sales) have remained sensitive to price.

Preliminary analysis of CPI data suggests that the price of fresh fruit and vegetables have increased the least of the food basket of commodities over the last 15 years. In fact if one removes the CPI there has been no increase.

Horticulture Code of Practice is Ineffective

Grower capacity to sell competitively is often restricted by the lack of supply chain transparency. Failure of the Horticultural Code of Conduct means that growers continue to be subjected to unfair and often unconscionable conduct.

Transparency is simply good business practice and reflects Australian cultural business norms. There are many and varied reasons why the Australian horticultural sector has evolved a unique set of businesses practices that are not aligned with the general business community. This has to stop.

There is scope for a strengthening of the Horticulture Code of Conduct to include ethical and reasonable competition that does not impact on industry viability. The review into the Horticulture Code of Conduct (released 8th February 2016) recognises that a properly functioning Horticulture Code is vital in ensuring the sustained viability of Australia's horticulture sector.

In its submission to the review Growcom reported that the majority of growers believed that the Code currently placed an unnecessarily high red tape burden on to growers with little benefit and needs to be modified. The code was described as ineffective as the issues it was designed to overcome are still rife in the marketplace; in particular the hybrid model of trading, the lack of clear price information and slow payment.

VOH considers that a functioning code is one which improves the clarity and transparency in the arrangements between growers and traders (including retailers) and reflects the practicalities of market based issues. According to the authors (Mark Napper and Alan Wein), during the course of this review, it became apparent that there is a broad consensus across the horticulture industry that the Horticulture Code is not effective.

The review found that compared to other developed markets, Australia's industry is in a relatively unique position, with comparatively little regulation.

VOH member APAL reports anecdotal evidence which suggests that about 60% of the fresh apple and pear crops are sold directly to supermarkets, with only about 40% sold to wholesalers; making a case for the inclusion of retailers in the Horticulture Code of Conduct or a strengthening of the Grocery Code.

In 2015, Aldi was first supermarket to sign up to the Australian Grocery Code of Conduct. The Grocery code:

- Sets out minimum obligations for retailers and wholesalers relating to the making of grocery supply agreements
- Requires retailers and wholesalers to act lawfully and in good faith
- Prohibits retailers from threatening suppliers with business disruption or termination without reasonable grounds
- Establishes minimum standards of conduct by a retailer when dealing with suppliers, such as payment, de-listing, standards and specifications for fresh produce, and the allocation of shelf space.

The Horticulture Code of Conduct review has identified 13 recommendations that are supported by the Voice of Horticulture.

The recommendations include a proposal to regulate transactions between growers and retailers where the retailer is not a signatory to the Competition and Consumer regulation. The Voice of Horticulture is calling on all retailers to sign up publicly to a pledge where promotions that will not be financed by growers, overturning the traditional supermarket model that relies on direct funding from suppliers.

Recommendations

- VOH acknowledges that there are existing measures in place, such as the Horticultural Code of Conduct and that Government is undertaking a review of competition laws, policy and broader competition framework. However, VOH supports further strengthening of these measures to address the market power imbalances in the agricultural supply chain
- A potential option is to expand the Horticultural Code of Conduct into a comprehensive, whole of supply chain, mandatory Food and Grocery Code that resolves identified weaknesses in the existing wholesale code and addresses unconscionable conduct due to pressure on suppliers by food retailers. This would be backed by a strong enforcement framework for the Food and Grocery Code, including a Grocery Industry Ombudsman and conciliation or arbitration provisions for dispute resolution.

Dumping of Processed Fruit and Vegetables

Australian growers need Australian based processors to support locally sourced product. Not all fresh produce meets the requirements of retailers or exporters and processing offers an important income

stream for growers. The alternative is for this blemished or undersized or otherwise inferior product to be disposed, usually at a cost.

Australian processors, however, face unfair competition from subsidised imported goods. There is clear evidence that some processed fruit and vegetables which are sold in the Australian domestic market are sold at below the cost of production - a practice known as dumping. With such a small number of Australian based processors, it is critical that anti-dumping claims are dealt with quickly and effectively. Ant-dumping duties need to be applied and at a rate that is sufficient to end this trade.

Case study: Dumping of Canned Tomatoes from Italy

The Anti-Dumping Commissioner has recently investigated the alleged dumping on to the Australian market by the remaining two Italian canned tomato companies, Feger and La Doria. The final decision requires dumping margins to be applied at 8.4 per cent to Feger and 4.5 per cent to La Doria for tomato products. However the processing tomato industry feels that these rates are far too low and will be ineffectual given the retail price of \$0.80 cents.

Investment

PC questions - investment

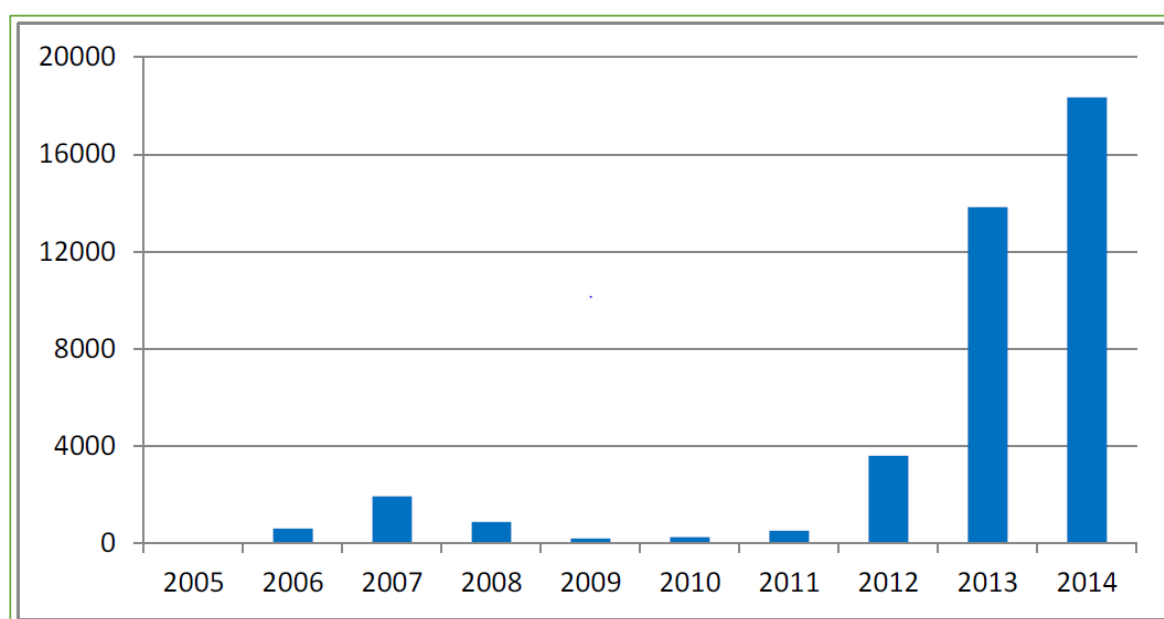
- Are there regulatory impediments to domestic or foreign investment in agriculture?
- What are the costs and benefits of the foreign investment framework for agriculture?
- Are foreign investment review processes timely, efficient and transparent?
- What are the likely implications for the agriculture sector from the recent reduction in screening thresholds, creation of a national foreign investment register, and the introduction of application fees for proposals of foreign acquisition of agricultural land?

VOH recognises that foreign investment provides greater availability of capital to invest in the upgrade of on-farm and supply chain facilities. Foreign companies operating in Australia can often form better direct links between growers in Australia and the importers / retailers from their home country. A better understanding of the overseas customer also enables them to focus on delivering product that will meet consumer needs. Additionally, foreign investment also has the potential to improve export market access and the commercial viability of protocols through links between the foreign investor and officials or key influencers in the home country.

Case study: Foreign Investment

There has been an exponential increase in citrus exports to China since Bright Foods (a company reportedly owned by the Shanghai Provincial Government) purchased Mildura Fruit Company Australia's largest citrus packer in 2012 – Figure 4.

Figure 4 Australian Citrus Exports to China (tonnes)



Source: Parliamentary Inquiry Benefits from Australia's Existing Free Trade Agreements (July 2015)

Nevertheless, VOH also recognises that foreign investment is an issue of concern for many growers (and many Australians). We propose that full transparency of foreign ownership be required for agricultural land and irrigation water ownership. Regulations are therefore required to establish a register of land and irrigation water ownership. VOH notes that in New Zealand foreign ownership must be registered for holdings above 5ha and a similar rule could be applied to Australia. Perhaps in Australia's case 500ha would be more appropriate.

Recommendations

- Australia should have an accurate and up to date register of foreign owned farm land and irrigation water;
- The register could, like New Zealand, include foreign purchases of farm land greater than 500 hectares.

Other issues

PC questions – other issues

- *Are there any other government regulations that reduce the competitiveness of farm businesses and/or the productivity of the agriculture sector? In what way are farm businesses affected?*
- *Are there other significant regulatory issues affecting farm businesses not directly addressed in this issues paper?*

The PC Discussion Paper concludes with a request to comment on any other government regulations reducing farm business / agricultural sector competitiveness. VOH identifies regulation pertaining to labour, levies, international trade, telecommunications and energy.

Other issues - labour

Use of Labour in Horticulture

Horticulture is Australia's second-largest and the fastest growing industry in agriculture, with some 30,000 businesses nationally, and a farm gate value of \$10 billion. The industry is the largest agricultural employer in Australia employing around one-third of Australia's total agriculture workforce. It is therefore a key employer across regional Australia.

Horticulture is the most labour intensive of the agricultural industries. Labour costs commonly account for more than 50% of a horticulture business's cost of production. Australia's labour costs are amongst the highest in the world and certainly the highest in the Asia-Pacific region – see Table 2 comparison of minimum wage rates.

Table 2: **Australia and International Competitors – Minimum Wage Rates (\$US)**

	Annual (\$US)	Hourly (\$US)
Australia	30,791	15.58
Chile	4,734	2.02
New Zealand	25,451	12.24
Mexico	1,569	0.62
South Africa	N/a	N/a
United States	15,080	2.15

Source: https://en.wikipedia.org/wiki/List_of_minimum_wages_by_country

The Horticultural Award 2010 (MA000028) provides for a minimum hourly rate of \$17.29/hour plus superannuation for the lowest level unskilled worker (Level 1- full or part-time), and \$21.61/hour plus superannuation for the equivalent casual employee. The Award means that Australian horticulture is uncompetitive by international standards. For example, Australian apple growers must pay an apple picker (usually a casual backpacker) a minimum of \$23.66/ hour. This compares with New Zealand where each picker earns AUD\$15.17 per hour⁷ and Chile where workers are paid an average of AUD\$7.08 per hour during harvest.

⁷ This includes the minimum hourly rate of AUD\$13.79 plus 8% holiday pay plus 2% kiwisaver.

The high wage rates mean that Australia no longer enjoys the natural competitive advantage in agriculture as it once did. Australian fresh produce finds it difficult to compete in many international markets, with supplies primarily targeted at the premium end consumer. For many horticultural commodities the export strategy relies on Australia's image of producing "clean, green, safe" fresh produce, varieties that have higher sugar levels than those supplied by competitors and a seasonal window that immediately precedes or follows the supply period of alternate and much cheaper southern hemisphere producers. These factors can be expected to be eroded over time and Australian horticultural growers will need to develop new niche markets or provide existing overseas markets with new reasons to retain their custom.

Alternatively, Australian growers will need to find ways to reduce their costs of production, particularly labour which accounts for more than 50% of costs for many horticultural commodities. Mechanisation, automation and robotics to replace labour will play a key role but advances in this area and widespread adoption is some time off. The focus of growers now then is to reduce wage bills and associated on-costs.

Add to this Australia's OH&S regulations, again not standardised all adding to make Australia that much more uncompetitive in the export space and holding its own against imports.

Gains in this area can be made by:

- Providing greater flexibility in Awards and Removing the Use of Penalty Rates;
- Reducing red tape and high costs associated with engaging overseas workers;
 - Reinstating Tax Free Thresholds for Backpackers
 - Superannuation Payments to Backpackers
 - Superannuation Thresholds and Contributions to a Single Fund
 - Access to Skilled and Semi-Skilled Migrants
 - Visa Checking Responsibilities
 - Streamlined Approved Employer Status and Removal of Labour Market Testing
- Improving oversight of Labour Hire Firms (ideally a Commonwealth Government registration system)
- Removal of duplications in OHS regulations

Each of these are described in more detail below.

Greater Flexibility in Awards and Removing the Use of Penalty Rates

Wages and employment conditions are highly regulated in Australia and there is a need to refine the industrial relations framework and wage rates to deliver an affordable and flexible system for business owners but fair employment opportunities for horticultural workers.

The Australian horticultural sector is burdened with the same labour inflexibilities as the Australian economy more generally, in regard to hiring and firing practices, wage determination and pay-productivity. The 2014-15 World Economic Forum Global Competitiveness Index (WEFGCI), for example, has ranked Australia as 136th, 125th and 136th out of 144 countries (Table 3) for each of the three critical measures of employment flexibility. Australia does not compare well with our major northern and southern hemisphere competitors, countries that also supply fresh fruit, vegetables and nuts to our international markets.

Table 3: **Australia and International Competitors**

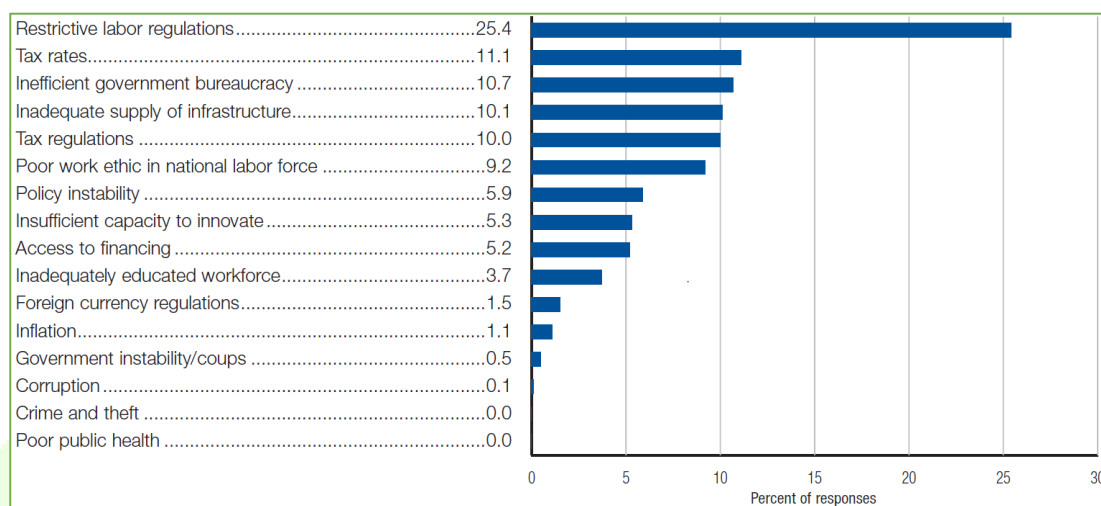
	Rank/144 Countries
Flexibility of Wage Determination	
Australia	136
Belgium	129
Chile	25
China	84
France	87
Italy	138
New Zealand	14
Mexico	88
United States	24
Pay and Productivity	
Australia	125
Belgium	100
Chile	41
China	15
France	77
Italy	139
New Zealand	21
Mexico	87

United States	10
Hiring and Firing Practices	
Australia	136
Belgium	139
Chile	66
China	15
France	134
Italy	141
New Zealand	58
Mexico	103
United States	11

Source: WEF GCI <http://www.weforum.org/reports/global-competitiveness-report-2014-2015>

Indeed the World Economic Forum Global Competitiveness Index identified that restrictive labour regulations is the most problematic factor for doing business in Australia – see Figure 5.

Figure 5: The Most Problematic Factors for Doing Business in Australia



Source: WEF GCI <http://www.weforum.org/reports/global-competitiveness-report-2014-2015>

Enhanced flexibility in awards and agreements is required to accommodate the specific characteristics of horticulture. Horticultural work is not a typical Monday to Friday job and many activities cannot be completed between the more urban-relevant, 9am to 5pm time period. For example, harvest needs to be undertaken when the crop is mature and the perishable nature of many horticulture products means that delaying harvest, even by hours, is not an option. But penalty rates for weekends, evenings

and public holidays make the “non-negotiable timing” of harvest a very expensive exercise. Likewise, night spraying is attractive for some industries when wind and temperatures are appropriate to make best use of the applied chemical and manage the targeted pests and diseases. For other horticultural industries, maximising weather or seasonal growing windows requires 24-hour crop planting.

Current award rates and penalties, for the lowest level unskilled worker sourced from the Fair Work Ombudsman, are shown in Table 4. Quite simply, these penalty rates make it uneconomic to complete essential horticultural production tasks. Other casual employment options need to be considered to provide cheaper/more productive labour to assist the general horticultural sector in becoming more competitive in export markets. In addition, there should be flexibility in selecting the most relevant applicable award under which workers are employed.

Table 4: **Lowest Level Unskilled Worker Award Rate Payments**

	Full-time & Part-time	Casual
Hourly rate	\$17.29	\$21.61
Public holiday	\$34.58	\$38.90
Afternoon shift or night shift	\$19.88	Not applicable
Overtime – Sunday (outside harvest)	\$34.58	Not applicable
Overtime – Sunday harvest period first 5 hours within first 8 hours of overtime per week	\$25.94	Not applicable
Overtime – Sunday harvest period after 8 hours overtime in a week or after 5 hours work	\$34.58	Not applicable
Working through a meal break	\$34.58	\$38.90

Source: Fair Work Ombudsman February 2016, Horticultural Award 2010 (MA000028)

Case study: Union Demarcation Disputes

In some horticultural pack-houses workers are employed under the NUW Storage and Packing Award. One pack-house previously attempted to move these workers to the Horticultural Award which is used by many other packing operators, but this move is opposed by the relevant union. The pack-house estimates that the move would save 10% or about \$2.00 / hour for a full-time employee and \$2.50/hour for a casual employee. This would represent total saving of around \$1,000,000 per annum for the business. A saving of this magnitude would significantly improve the shed’s ability to compete in international markets.

Beyond rates of pay there is the issue of piece work. The ability to use piece work rates to pay workers during harvest is the sole flexibility that horticulture growers have under the Award as an alternate to the highly regulated wage system. The piece work rate is fixed by agreement between the employer

and the employee but must enable the average competent employee to earn at least 15% more per hour than the minimum hourly rate prescribed.

Whilst VOH believes that there should be no diminution of access to piece workers in any future labour arrangements, recognition must be given that even piece rates are themselves highly regulated.

The Award requires, in effect, that piece rates be established by reference to crop stage and climatic conditions. For example, the start and end of the harvest may require a higher rate due to a lower volume available. Some varieties are more easily picked than others - for example, Red Delicious apples can be harvested more quickly than Cripps Pink because more care is required for the latter due to its susceptibility to bruising. Likewise, terrain and weather will also influence what an average competent harvest employee could earn in an hour.

Regulations require that each time an employee moves from one variety block to another, they understand that their piece rate changes. All this must be recorded in writing and any amendments agreed with the employee. This adds a high degree of complexity to calculating appropriate piece rates, and an administrative burden that is often just “too hard” for a grower to manage.

Recommendations

- Government review modern awards for their relevance to horticulture and redesign in such a way as to better recognise the ‘out of hours’ nature of horticultural production
- Refine the industrial relations framework to deliver an affordable and flexible system for business owners and fair pay and conditions for horticulture workers
- Allow for enhanced flexibility in awards and agreements to accommodate the specific characteristics of the horticulture industry, which is subject to diverse nature and crop conditions
- Protect the horticulture industry from an expansion of penalty rates and/or public holiday rates applying to casual labour in the workforce
- Government address current barriers to the movement between industrial awards
- There should be no diminution of access to piece workers in any future labour arrangements.

Access to Skilled and Semi-Skilled Migrants

The inability to retain good workers who first come to work on a farm under a working holiday 417 visa is a common frustration expressed by horticulture growers. These “good workers” are young (under 30 years as per their temporary working holiday visa) and demonstrate both a strong aptitude and a very positive attitude for progressing a career in applied agronomy and farm supervision. However, regulations associated with migration laws and pathways to permanency prevent sponsorship of these “good workers” as permanent skilled migrants. This in turn compounds the limited supply of skilled or willing-to-be-trained labour in horticulture.

Regulations pertaining to skilled migration are overly restrictive and should be amended to allow sponsorship of employees at the middle and entry level. Under the Regional Sponsored Migration Scheme, for example, growers can only sponsor workers for a position that is recorded in the

Consolidated Sponsored Occupations List and meet the requirements specified by the relevant associated ANZCO Skill descriptors. Whilst the Consolidated Sponsored Occupations List nominates flower, fruit, nut, grape, turf, and vegetable growers (codes 121212 to 121299) as eligible occupations, the descriptors are well above the level of skill actually sought by growers. For example, codes 121212 to 121299 are Level 1 skills, which ANZCO specifies as having a level of skill:

- Commensurate with a bachelor degree or higher qualification; or,
- At least five years of relevant experience; and,
- In some instances relevant experience and/or on-the-job training (in addition to the formal qualification).

Growers seeking to sponsor skilled migrants also report that the English language test is not appropriate to the skill set required, an issue which was raised more broadly in the media last year: <http://www.abc.net.au/7.30/content/2015/s4319335.htm> .

Recommendations

- That an additional occupation be listed under the Consolidated Sponsored Occupations List to enable growers to engage semi-skilled or ready-to-upskill migrants for the tasks at a level below that described for horticultural growers Codes 121212 to 121299;
- Expand the list the Australian ANZSCO Skill Occupation List for priority migration to include: agricultural scientist, agricultural technician and agricultural consultant
- That the English Language proficiency requirements for Codes 121212 to 121299 and the aforementioned new category be reviewed for appropriateness.

Access to Unskilled Workers: Working Holiday Makers and Seasonal Worker Program

The Working Holiday (417 and 457 visas) program is the primary source of peak period supply across horticulture. Growers generally report that this system is currently providing an adequate supply of horticultural workers (in conjunction with the Seasonal Worker (416 visas) program.

The harvest labour service operated through the Harvest Trail program is to be commended. Horticultural peak industry bodies such as APAL frequently refers phone and email inquiries to the service which enables growers to advertise positions and job seekers to readily locate fruit picking opportunities across the country. Continued support by government to provide the service is warranted.

However VOH does not support the expansion of the Working Holiday (417 and 457 visas) program to non-agricultural industries. Specifically, allowing visa holders to gain a second year visa on the basis of working in tourism is likely to significantly deplete the workforce that is currently available to fruit, vegetable and nut growers.

An expansion of the seasonal worker program to Asian countries could be of benefit to the Australian horticulture sector. There is now evidence to suggest that seasonal workers (416) engaged in the

horticulture industry may be considerably more efficient than working holiday makers (417 and 462). For example, in a recent study published in the Australian Farm Institute's Farm Policy Journal (Vol 12, No. 2, Winter Quarter 2015), the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) found that seasonal workers (416) harvested fruit at a much faster rate than their 417 visa counterparts and that returning seasonal workers (416) were even more efficient than new seasonal workers.

Recommendations

- Expand the number of countries from which efficient and productive seasonal workers (416 visa holders can be sought) particularly for countries such as China, Taiwan, South Korea, Vietnam, Indonesia and Thailand;
- Continued support for the National Harvest Trail scheme;
- No expansion of Working Holiday Makers to tourism sector

Tax Thresholds for Backpackers

VOH is also concerned about the adverse impact of the planned change to the tax threshold for temporary working holiday makers. In the 2015–16 Budget the Government proposed a change to the tax status of temporary working holiday makers from that of resident, to that of non-resident, from 1 July 2016.

Currently most people who are temporarily in Australia for a working holiday (like the 417 and 462 Visa holders) are treated as residents for tax purposes. This means they are able to access resident tax treatment, including the tax-free threshold, the low income tax offset (LITO) and the lower tax rate of 19 per cent for income above the tax free threshold up to \$37,000.

The Government will change the tax residency rules from 1 July 2016 to treat working holiday makers (417 and 462 Visa holders) as non-residents. This means they will be taxed at 32.5 per cent from their first dollar of income.

We do not have the ability to model the impact that this will have on the supply of labour from the Visa holiday maker program on the horticulture sector. Simple mathematics would suggest, however, that the impact could be significant as Australia becomes a less desirable place to work whilst holidaying.

For example, the unskilled casual wage rate under the Horticulture Award is currently \$21.61 per hour. Assuming an eight hour day for six months a Visa holder could earn \$22,474. Under current arrangements the Visa holder could retain all of this income for spending on living or holidaying within Australia or save to spend elsewhere upon departing the country. Under the proposed change that employee will have 32.5 cents per dollar taxed so that his or her income is reduced to \$15,170.

VOH acknowledges that this sum may well be considerably more than the amount a working holiday maker could earn in countries that have lower wage rates, such as New Zealand, a major competitor in some global horticulture markets (apples, kiwifruit, berries, avocados, squash, onions, flowers, vegetable seeds). However, the cost of living in Australia is much more than that of many other countries. Faced with a lower income stream to meet high living costs may well act as a considerable disincentive for backpackers to choose Australia as their preferred working holiday destination.

Case Study: Tax on Holiday Workers

Growers in Mareeba and the Atherton Tablelands of North Queensland for example, are concerned that they will simply not be able to attract a backpacker labour force with the removal of the tax free threshold for backpacker labour. One grower noted that the tax paid by working holiday makers on a standard 38 hour week will increase from \$109 to \$256 and that while this might be acceptable working in a café on the Cairns Esplanade, labourers picking fruit at 400 C in Katherine or Mareeba will not bear the change. The grower noted that we are further penalising overseas workers who are prepared to do hot and hard work that does not appeal to Australians.

VOH is also concerned that this new tax rule will create incentives that will drive behavioural change amongst working holiday makers and the contract labour firms that might manage them. Specifically we are concerned that the substantial tax imposition will reduce the incentive to work legally. There will be an incentive for backpackers to seek employment “off the books” and to be paid in cash. Employers themselves may oblige because it reduces their paperwork. The change in the tax threshold could therefore encourage more employers into the black market for labour, a practice we do not condone.

Recommendations

- Reinstate the tax free threshold for 417 (Working Holiday Maker) visas to ensure that Australia remains attractive to “backpacker” workers.

Superannuation Payments to Backpackers

The payment of superannuation to international backpackers is a perennial and contentious issue within horticulture. There have been strong and ongoing calls from horticultural producers about the need to review the current superannuation system for working holiday makers. Some growers argue that backpackers do not meet the “sole purpose test” of the Superannuation Industry (Supervision) Act 1993 (Sect 62), because their working visa prohibits work in Australia for more than 12 months (or 2 years if they qualify for the twelve month extension). Some also argue that is unfair to Australian residents who are unable to access superannuation until their “retirement”; with backpackers picking up superannuation upon exit to fund “the Bali” trip after departure.

Case Study: Superannuation.

A WA fruit grower will pay over \$160,000 in superannuation payments to a largely backpacker workforce. The workers are able to access that money at the international airport when they leave Australia. 80% of our pickers would spend that money in Bali on the way home. The grower considers that there is, therefore, zero benefit to the Australian economy. He questions why overseas worker superannuation cannot be put into an industry fund. He would much rather see his \$160,000 go towards a variety breeding program than pay for his backpackers to have a few weeks of holiday in Bali. This is a massive pot of gold that we are letting slip through our fingers.

Recommendations

- Review the current superannuation system for working holiday makers, in particular the sole purpose test for superannuation, increasing the minimum threshold for contributions under

the superannuation guarantee charge (SGC), and visa holders' access to funds only after leaving Australia

- Removal of superannuation payments for backpackers. In the absence of this measure, monies paid by the sector that are not repaid to backpackers should be directed to Horticulture Innovation Australia (HIA) for R&D purposes, rather than retained within the Commonwealth's Consolidated Revenue.

Superannuation Thresholds and Contributions to a Single Fund

Fruit, vegetable and nut growers are also keen to see that the minimum threshold under the superannuation guarantee charge (SCG) is lifted to help remove the administrative burden of superannuation payments. Currently growers have to pay superannuation for an employee if they are paid \$450 or more (before tax) in salary or wages in a month. It doesn't matter whether the employee is full time, part time or casual. The current threshold of \$450 has not changed for many years even though wages have risen over time. Given the current Horticulture Award wage rate for a casual of \$21.61 per hour, this threshold captures everyone working more than five hours per week. It would be hard to imagine anyone that is employed within horticulture for so few hours.

Nonetheless, the regulations mean that growers have to undertake the superannuation paperwork every pay period and this can be incredibly time-consuming and costly given that:

- In peak harvest periods some growers can have an additional 100 plus employees on the books at any one time which can potentially mean an additional 100 plus different superannuation schemes;
- There is backpacker churn which adds to the burden of complying with superannuation requirements. This is especially true if the backpacker remains on orchard for just three days. Assuming an eight hour work day, it would take 2.7 days on the minimum wage to meet the superannuation guarantee threshold.

Recommendations

- That a single visa number, tax file number and superannuation number be allocated to each Visa Holder (417 and 416) to ease the burden of establishing new superannuation accounts for each new casual labourer;
- Superannuation payments for all Visa holders be allocated to a single fund nominated by government (through a competitive bidding process) to significantly cut down on administration costs.

Visa Checking Responsibilities

The imposition of visa checking responsibilities is another concern for growers. Farmers are required to check visa entitlements within 48 hours of an employee commencing work to avoid penalties. The Visa Entitlement Verification Online (VEVO) facility established by government has assisted employers enormously as they are now able to check the eligibility of their workers and receive an immediate response. Nevertheless, during harvest times when up to 300 new casual labour is on site the administrative burden can be immense.

Many growers now use hire labour firms in order to reduce paperwork. In such cases growers are paying the contractor to check visas of the workforce they engage on the grower's behalf. Despite this there remains a legal obligation for growers to check each and every visa, which undermines the use of contract labour firms.

Recommendations

- That the Government establish a Green Card system for workers on any Visa which entitles them to work (416, 417, 457, etc). The proposed Green Card would incorporate the worker's photo, name and visa status as well as Tax File Number and Superannuation Number. This would simplify the paperwork for growers and farmers to ensure they are employing workers with valid visas. The back of the card Green Card would state minimum labour pay rates and provide Fair Work Ombudsman help lines in the appropriate language of the bearer so the worker could seek help if needed.

Approved Employer Status and Labour Market Testing Requirements

Gaining approved employer status and labour market testing requirements for overseas workers on Seasonal Worker (416 visas), Skilled Temporary Workers (457 Visa) and the Regional Sponsored Migration Scheme migration programs pose an undue burden on growers with little real return.

For example, the current process of application and assessment to gain approved employer status for the Seasonal Worker program involves considerable paperwork across three government bodies: the Department of Employment, the Department of Immigration and Border Protection and the Fair Work Ombudsman. The Department of Employment's application form, an Expression of Interest, is currently 19 pages in total and contains a number of areas of duplication. Specific questions of interest to the Department of Employment relate to: declarations about company structure and financials (ABN, no sole traders); commitment to and understanding of the Horticulture Award; activities undertaken as part of labour market testing; conflict resolution policies and practices; outline of proposed cost-sharing arrangements; outline of proposed pastoral care arrangements; and, company ABN.

Applications are also assessed by the Department of Immigration and Border Protection (DIBP). Their interest lies in the applicant's experience with recruitment of international labour and understanding of Australia's migration regulations. If successful, a grower is required to enter into a Deed of Agreement with DIBP to sponsor workers under the Seasonal Worker program. The Fair Work Ombudsman (FWO) also plays a role in assessing approved employer applications through an assessment of a grower's financial viability and ABN and checks the business has an unblemished record of compliance with workplace relations requirements.

Although this application process is a once-off and is not required on an annual basis, it is seen as a major hurdle to employing Seasonal Workers, especially compared with employing "backpackers" (417 Visa holders) where no such application process is required.

The requirement to advertise and offer work to Australian jobseekers before seeking to recruit overseas workers is also problematic. To engage workers under the Seasonal Worker (416 visas), Skilled Temporary Worker (457 Visa) and the Regional Sponsored Migration Scheme migration programs growers are also required to prepare a recruitment plan, place job advertisements for a minimum 2 week period, and report back to the Department of Employment. Growers are required to advertise jobs broadly, and each local application must be reviewed and responded to, requiring an

allocation of significant time and resources. In reality most Australians are not looking for jobs that involve hard, physical work in rural areas, or for temporary unskilled work targeted under the Seasonal Worker or Skilled Temporary Worker programs. Many growers report that Australian workers who apply are simply making applications to fulfil job application quotas required under welfare schemes.

Moreover, the labour market testing requirements do not make sense. By establishing the Seasonal Worker, Skilled Temporary Worker and the Regional Sponsored Migration Scheme migration programs the Government has already determined that there is a shortage of workers within rural areas and within horticulture. Forcing growers to reconfirm this through labour market testing is wasteful.

Recommendations

- That the process to become an approved employer be simplified and streamlined so that the programs become considerably more appealing to horticulture growers.
- That the labour market testing requirements be removed for horticulture growers for engaging workers under the Seasonal Worker (416 visas), Skilled Temporary Worker (457 Visa) and the Regional Sponsored Migration Scheme migration programs.

Improve oversight of Labour Hire Firms

The horticulture sector faces two problems with Labour Hire firms.

First, there are some unscrupulous Labour Hire firms operating within the industry and across the economy more broadly. However imposing red tape obligations upon growers is not the answer. Better policy settings, such as the licencing of labour hire firms would remove the red tape that growers bear and remove the risk that growers unknowingly get “caught up in” illegal activity which tarnishes their reputation as well as that of the industry. A register of licenced labour hire firms would give confidence to growers that the firm engaged meets Australian laws. It also provides a better system for Australian authorities to trace those firms which do not adhere to employment laws.

Second, under the Modern Award, growers are required to check that these firms are paying their workers the appropriate Horticulture Award wage. Again this undermines the very point of using contract labour firms to reduce the administrative burden of complying with the law.

Case study: Duplication of Labour Auditing

One fruit grower has pointed out that if he hires an electrical company for works on his property he is not responsible for ensuring that the electrician pays his workers, apprentices and sub-contractors the correct Award wage. That grower correctly asks why he should have to spend effort and time checking the “books” of the Labour Hire company and the payslips of the workers when he has engaged the labour hire company to manage the employment and associated administrative processes.

Recommendations

- Instigate a Green Card system to simplify the growers compliance burden and improve working conditions for visa holders;

- Remove the Modern Award obligation for growers to check visas when labour hire firms are engaged to reduce duplication and ease farmer administration costs.

Workplace Health and Safety and Work Cover premiums

VOH is strongly committed to minimising harm at work and fully supports effective and appropriate workplace health and safety (WHS) provisions. However, it must be acknowledged that OHS does place a significant administrative burden on growers, particularly those heavily reliant on a seasonal workforce.

Case Study: Workplace Auditing

A WA Grower has recently reported several incidents where over-zealous interpretation of regulations (e.g. audit of tools in and out of workplaces) result in delays or changes to common-sense practices. There seems to be no end to the checklist with regulations forever changing. A study conducted by the Chamber of Commerce and Industry Queensland (CCIQ) in July 2013 showed that small businesses are, on average, spending between 16 and 40 hours per week on WH&S compliance.

VOH submits that there is significant capacity to reduced red tape and remove or amend regulation where it is unnecessary, duplication or burdensome. In particular, we identify five red tape burden 'hotspots' including:

- Training and repeat training requirements - e.g. the various and duplicative induction training requirements from large principal contractors
- the WHS documentation burden is believed to be detracting from safety outcomes and serving little purpose other than to prove compliance for the regulator
- Complexity and excessive burden associated with the risk assessment processes and documentation
- Role (voluntary or mandatory) and interaction of code of practice and duplication with other national standards
- Ongoing education and notification costs with monitoring regulatory changes and reporting

Case Study: Work Cover premiums in Victoria.

The system of determining Victorian WorkCover premiums is based on a percentage of Total Rateable Remuneration. The thresholds for determining the level of insurance have not changed since the mid-1990s, whereas wage rates have increased substantially. The Victorian Government should review and update the thresholds for workers compensation taking into account increases to wage rates.

VOH also notes that harmonisation of occupational health and safety regulation across the country has not yet been achieved. It is our understanding that the Council of Australian Governments (CoAG) signed, in July 2008, an intergovernmental agreement to reform and harmonise these regulations. To date only seven of the nine Australian jurisdictions have adopted the model WHS laws, with Victoria and Western Australia yet to adopt the model. Some other jurisdictions including Queensland and South Australia have made a number of substantive amendments to their WHS laws which undermines harmonisation.

Recommendations

- Provide practical interpretation and guides of the Acts to ensure there is certainty for employers;
- Ensure licensing requirements are practical, commensurate with risk, cost efficient and tailored to the needs of people in remote areas e.g. small rural packing sheds;
- Ensure Codes are practical, commensurate with risk and capable of being complied with by people working in remote areas;
- Investigate the capacity for generic industry-induction packages which lower the cost of inductions and provide skills and education, particularly for new entrants to agriculture;
- Harmonise requirements between jurisdictions and provide WHS materials in a range of languages relevant to backpackers employed in horticulture;
- Review thresholds for determining the level of Work Cover insurance and ensure they are consistent across states and territories.

Other issues – levies

VOH welcomes the government's decision in October 2015 to make the process for activating and amending emergency response levies more effective. Previously Government required extensive industry consultation with existing and potential levy payers, as well as a ballot for or against the levy change. These tasks often took six months or more to complete and imposed significant costs on the prescribed industry bodies (generally commodity peak industry bodies) and the industries they represent. The Government's new initiative means that consultation can now take the form of a public notification process, followed by an objection period. No ballot is required because the regulatory framework now recognises and accepts that industry support for an emergency response levy and its intended activation when required, was demonstrated when the levy was first introduced.

However, the Twelve Principles for changing R&D, marketing, national residue testing and Plant Health Australia levies remain. The processes for securing a new levy and for changing rates for existing levies need to be made more flexible and cost effective and the amount of consultation required needs to be reduced to enable industry organisations to make decisions on behalf of their growers and in the long-term interest of the industry.

Case study: Establishing Levies

The Australian mushroom industry, valued at \$318m (GVP farm-gate) pa, commenced preparation of their business case for an increase in R&D and marketing levies in 2010. Following the Twelve Principles the proposed levy change was put to a successful, albeit contentious, industry vote in December 2011. Cash costs associated with securing a changed rate were estimated by the association at between \$600,000 and \$700,000 plus time invested by the Association's CEO. The levy increase was secured in September 2014.

Case study: Increasing Levies

The Australian onion industry wished to increase its R&D levy and establish a marketing levy. The peak industry body consulted with industry over a two year period commencing June 2007 in accordance with the Twelve Principles: preparing a business case, promoting the advantages and disadvantages to growers; and, managing a poll (which received overwhelming support). A revised and comprehensive business case with testimonials to the Department of Agriculture in 2012. Approval was forthcoming for the start of the 2014-15 financial year. The peak industry body indicated that the levy approval process cost \$200,000 in staff costs plus out-of-pocket expenses for consultation and a further \$100,000 in costs to the Australian Electoral Commission. For a small industry with a farm gate GVP of \$185m pa this process was considered excessively expensive.

Recommendations

- Review current business case, twelve principle test and consultation requirements for R&D, marketing, national residue testing and Plant Health Australia levies.

Other issues – international trade

Like all plants and plant products, horticultural commodities are prescribed goods and are subject to the Export Control Act. This means that exporters are subject to a range of regulations. VOH understands that the Australian Government imposes export regulations on horticulture to reassure trading partners that Australian agricultural products meet import requirements and are fit for purpose.

An efficient regulatory environment could help improve Australia's international competitiveness. Specific impediments include:

- Tariffs
- Market Access Prioritisation processes
- Cost Recovery
- Inspection regimes;
- Packaging and labelling requirements, especially the provision of packing dates;
- Technically valid pest lists in protocols;
- Probe Numbers;
- Volume loads in land based cold treatment rooms;
- Acceptance of no USDA approved containers for In Transit Cold treatment;
- Completion of In Transit Cold Treatment after arrival;
- Certificate of Origin requirements;

These are discussed more fully below.

Tariffs

Free Trade Agreements (FTAs) are welcome breakthroughs for the horticulture sector and VOH applauds the government's success in the lowering of tariffs on many horticulture exports to China, Korea and Japan. This is especially welcomed, because the US and major Southern Hemisphere competitors like New Zealand and Chile already have more favourable trade agreements – and associated zero tariffs – in place. This is a critical issue because those competitors also enjoy considerably lower statutory minimum wage rates than those faced by Australian horticulture businesses

Nevertheless, not all horticultural commodities will enjoy the removal of tariffs because they were excluded from the process. For example: tariffs on Australian apple and pears into Korea will remain at the base rate of 45 per cent. Likewise, the tariff on Australian walnuts to Korea will remain at 50 per cent, despite the US and Chile moving to zero tariff on walnuts. The benefit of the FTA for some industries, like table grapes, will only be partial. This is because their zero tariff window is only from 1st Dec to 30 April after which the tariff resumes at back to 45%. Ginger, watermelons, onions, capsicum, garlic, and chestnuts are among other agricultural products which did not benefit from tariff reductions under the FTA.

VOH also seeks the reduction of tariffs in a number of other countries. India, for example, currently imposes a 50 per cent tariff on apples, 40 per cent for oranges and grapes, 35 per cent for pears, 30 per cent for avocados, mangos, cherries and nectarines, and a minimum 30 per cent for all tree nuts.

Recommendations

- Government pursues tariff reductions under an FTA with India;
- Government continue to seek tariff reductions under the concluded FTAs.

Market Access Priority Setting

Market access prioritisation is not, strictly speaking, subject to regulation. Nevertheless the Productivity Commission should be aware that there are government and semi-government non-codified processes that impact significantly upon horticulture's access to international markets.

VOH accepts that prioritisation for market access is required. This is because DAWR (and often the import country target) has limited resources and is not able to negotiate improved market access or new market access for all horticultural products, as well as all other agricultural commodities, at the same time. Many countries are sensitive to biosecurity issues and require a full risk assessment of the pests and diseases associated with Australian fruit, vegetables, nuts and nursery. Our contribution to assisting target import countries with a science based accurate picture of the prevalence of certain pests and diseases in a particular crop and the measures employed by growers, packers and exporters to manage those pests and diseases along the Australian supply chain also consumes considerable DAWR resources. Negotiation of commercially viable phytosanitary treatments to reduce the risk of pests and diseases from entering a country along with our fruit, vegetable, nut and nursery exports is also a time consuming process.

Case study: Delays for Mango and Nectarine Exports

The Australia-United States FTA was ratified in 2004 but the importation and phytosanitary protocols for mango importation into the US were not finalised until 2013 following considerable delays in the negotiation process. Likewise, an application for access for Australian nectarines into China was first lodged in 2004. Protocol negotiations commenced in 2013-14 and have still not yet been resolved.

VOH supports the establishment within Horticulture Innovation Australia of a dedicated Trade Unit which will help facilitate export growth and work alongside industry on trade matters to deliver market access and export outcomes for growers. VOH also welcomes the establishment of an advisory committee - Trade Assessments Panel (TAP) - to assist Hort. Innovation to fulfil its obligations to provide advice to DAWR about the prioritisation of technical market access for Australian horticultural commodities. VOH also welcomes the specification that prioritisation by the Panel will be based on clear principles which include:

- 1. Applications for access or improved access are broadly supported by industry body, state and territory governments, commodity community;
- 2. Inclusive – access will be available to the majority of the commodity community;
- 3. Export Ready - technical issues have been addressed, there is industry commitment and a capacity to export;
- 4. Clearly Defined – there are clear objectives for being able to meet proposed import conditions;
- 5. Applications are technically competent and complete – there is a clear technical position to support a preferred pathway;
- 6. Verifiable - evidence-based analysis;
- 7. Access is prioritised by each sectoral community (ranking highly within commodity export strategies);
- 8. Delivered within the context of the National Interest;
- 9. Finite - unresolved technical issues will be re-examined according to these principles before re-negotiating conditions.

But some horticulture products, most especially nuts, do not face the same phytosanitary issues as fresh fruit and vegetables. Consequently it is not clear that nuts should be included within the same system for prioritisation with fresh produce or whether some other mechanism for those industries would be more effective and efficient. This situation needs to be reviewed.

More importantly, Hort. Innovation is only tasked to provide recommendations in regard to access priorities. What the Department actually does with those recommendations, how timely it responds and how much effort it places upon them will depend upon a number of factors including:

- The quantity and quality of the resources DAWR has within the relevant sections - Trade and Market Access, Plant Biosecurity and Market Co-ordination and Strategy;
- The Government's overall Australian agricultural export strategy;

- The Government's country strategies;
- The number, complexity and relative "strategic" importance of prioritisations for access coming from the meat and livestock, grains, dairy and other industries;
- Pressures emanating from Trading Partners.

VOH appreciates that there are no specific regulations that govern how the Department makes decisions on its priorities and that some aspects of the decision-making process must remain confidential to protect our own negotiating base. Nevertheless, there are some processes that could be better shared with industry through more effective use of both agricultural wide and horticultural specific Trade and Market Access Roundtables; longer and better structured annual industry discussions with Agricultural Counsellors; and inclusion of industry in bilateral discussions and technical/commercial access negotiations.

VOH also believes that the processes involved in achieving improved market access and new market access could be strengthened and shortened if DAWR was given a significant boost in resources, especially with expert commercial negotiators, and greater alignment of strategies, tactics and resources with the Department of Trade.

Recommendations

- That DAWR develops its own internal process to pursue prioritised market access issues;
- That DAWR and DFAT provide a transparent and evidence based, cost benefit approach to market access priorities which ensures effective consultation and the best results for growers
- DAWR create a team of 'specialist negotiators'
- DAWR conduct an assessment of government costs associated with achieving market access

Full Cost Recovery and Co-regulatory Arrangements

In July 2011, the Australian Government Department of Agriculture and Water Resources (DAWR) exports programs returned to full cost-recovery. The recommendation to return to full-cost recovery was made by the Beale Review (2008) into Australia's Quarantine and Biosecurity Arrangements. However, Beale also recommended that the return to full cost-recovery should be accompanied by *'greater use of co-regulatory arrangements, such as compliance agreements, to reduce the cost of the regulatory service wherever possible'*.

Whilst the need for cost recovery is accepted by the horticulture sector, VOH believes that is important that there is full transparency. The methodology employed to calculate fees and charges must be fully transparent but so too should the costs incurred. Industry should be in a position to determine that the costs are appropriate and that they are realistically based on commercial rates. There also needs to be a clear differentiation between costs incurred from activities that are undertaken for the good of the sector as opposed to activities that benefit commercial businesses. Costs need to be monitored on a regular basis.

Many horticultural industries have gained from the efficiencies of new procedures and systems. VOH supports DAWR providing programs to help exporters, especially industries new to export, those with complex export issues to be resolved and those in which horticulture more broadly would benefit.

Recommendations

- DAWR provide greater transparency for the costs incurred for services delivered under the export program and that these costs be realistic and appropriate.

Authorised Officers

VOH welcomes the achievement by Government of gaining acceptance from a number of trading partners of the use of industry based inspectors (Authorised Officers). Authorised Officers have been now been accepted by all protocol countries: Taiwan, China, Thailand, Japan, Korea, Vietnam, USA, and New Zealand.

Before any horticulture products are exported, they must be inspected and passed by an Authorised Officer who is trained and authorised under the Export Control Act to perform specific export inspection functions in accordance with Australian export legislation. Authorised Officers can be industry employee such as an exporter, freight forwarder, company employee linked to an export registered establishment; a third party inspector, or a DAWR employee undertaking export inspections and issuing export certification. When undertaking these duties, AOs are regarded as Australian Government officials.

Recommendations

- DAWR seek approval from other import countries for recognition of the authorised officer system.

Excessive Phytosanitary Export Requirements

The phytosanitary export requirements imposed upon Australian exporters appears to be much tougher than those imposed by some of Australia's competitors. For example, Australia requires that exporters apply a universal standard that consignments are free from pests, soil, weed seeds and extraneous material (MCoR 2013). This minimum standard applies to all export destinations including those countries that do not possess individual phytosanitary importation requirements.

In contrast, New Zealand provides for tolerance limits for pests and soils in plant exports in cases where the importing country does not apply specific phytosanitary measures (Biosecurity New Zealand Export Certification Standard 2006). This means that New Zealand growers do not bear the burden of additional compliance costs that are imposed upon Australian grower / exporters. The lower standard (compared with Australia) does not appear to have damaged the reputation of New Zealand as a source of high quality safe food.

Recommendations

- DAWR align its export procedures with importing country requirements so as not to impose any additional and unnecessary requirements on industry.

Use of Work Plans

Following the negotiation of a protocol DAWR establishes a work plan that will enable the Australian industry to meet protocol requirements. On occasion additional controls such as labelling, inspection and sampling instructions that are not mandated within the protocol or required under the Export Control Act have been included in those work plans. These added requirements increase exporter costs and expose industry to opportunities for errors.

Recommendations

- DAWR align its export work plans with importing country requirements so as not to impose any additional and unnecessary requirements industry.

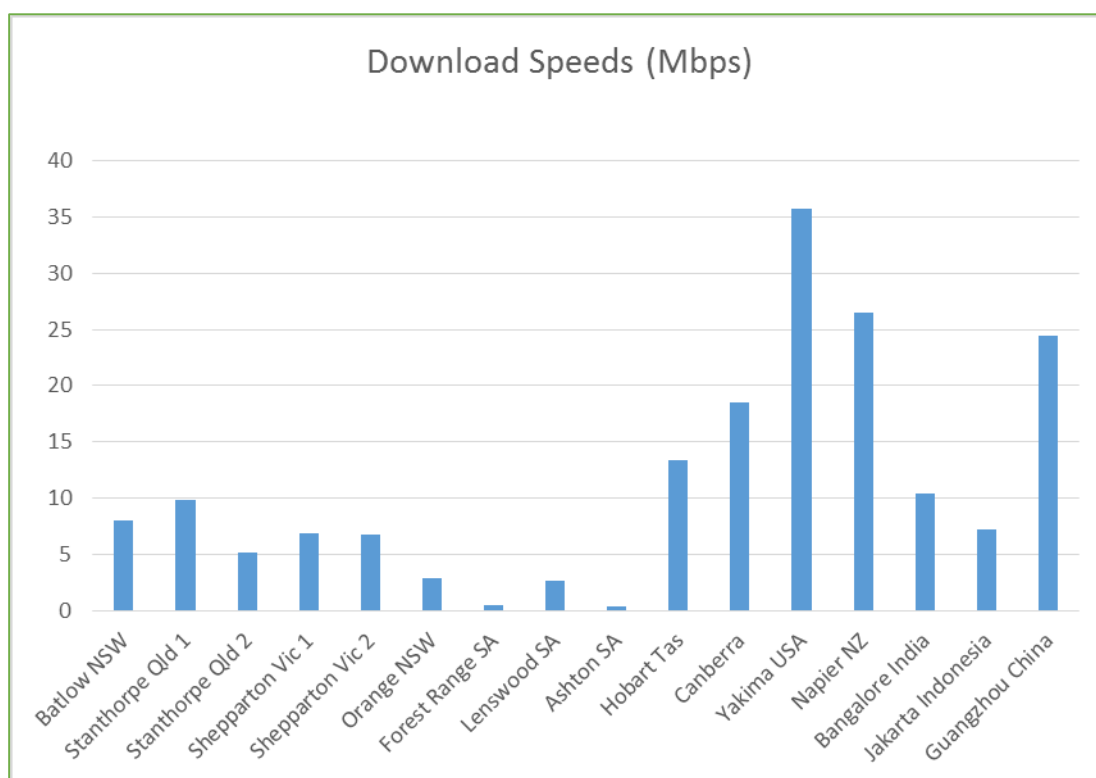
Other issues - telecommunications

There is huge potential within the horticulture industry to better utilise digital technology throughout the supply chain. The industry has a number of outstanding leaders in this area but many of our growers are not fully utilising digital opportunities. As technology develops further, access to real time intelligence in terms of fruit maturity and harvest forecasting will impact on orchard mechanisation. Unfortunately, many of our growers have very poor internet access; connections are slow, downloading large files is next to impossible and mobile phone coverage is patchy. Poor access, coupled with a lack of understanding about the potential for digital technology within the industry is hampering opportunities for growth.

Affordable access to broadband is critical as is adequate mobile phone coverage (without mobile black spots which are endemic across rural Australia). Growers are keen to exploit new technologies embedded in mobile applications to improve farm management including pest identification, crop data instruments, weed control and weather applications, chemical label readers and GPS devices. These tools are specifically designed to improve the in-field productivity of growers but there is little point in including them into good farm practice if growers cannot obtain reliable access to the telecommunications network. For example, a number of apple and pear growers recently compared their internet speed with the rest of the world. The download speeds (measured as Megabits per second – Mbps) in some growing regions were well below those experienced in Napier, New Zealand and Yakima, USA which are major apple competitors. Even worse, their access was only ‘marginally’ better than that of developing countries like Indonesia and India (Figure 6).

Figure 6: Internet Speed Test by Ookla





Recommendations

- Regulate to ensure acceptable broadband access and comparable download speeds are available to regions that accommodate significant horticulture businesses and industries.

Other issues - energy

The horticulture industry is a high user of energy due to its requirements for irrigation, hi-tech packing facilities, cold rooms and the maintenance of climate controlled facilities throughout the supply chain to ensure freshness and food safety. Each State has its own tangled web of structural and regulatory factors which impact on our industries ability to access reasonably priced electricity. As the regulatory, policy and structural settings are different in each State this has to be dealt with at a State level but there are clear impacts on all States of the Federal electricity regulations. This is an extraordinarily complex area of policy and it is difficult for industry to clearly identify exactly what regulatory reform can be undertaken to deliver meaningful outcomes. That said, it is clear that the important contribution of the horticulture sector both to our economy and food security warrants additional scrutiny in this area.

Case Study – Queensland Electricity

Electricity prices have increased significantly since 2006 driving up the overall costs of farming in the irrigation sector across Queensland. This is raising concerns about the ability of farming businesses to remain profitable and the negative impacts that may result on the competitiveness of some agricultural industries in domestic and international markets. The report 'Network Pricing Trends – A Queensland Perspective – January 2015' prepared by Ernst and Young shows that from 1996-97 to 2012-13 there was a 57% increase in the average electricity price in Queensland and network costs

contributed 87% of this increase. The factors Ernst and Young believe contribute to these price increases include the conflicting objectives faced by government owned corporations, record capital expenditure programs, costs of servicing a low density population and a summer peak demand and declining consumption.

The 'Advice to Canegrowers and the Australian Sugar Milling Council on Ergon electricity tariff issues' prepared by CME Consultants in August 2014 assessed Ergon network tariffs that would apply to irrigators in Ergon's zones 1, 2 and 3 and found that they would have been significantly higher over most of the period 2007-08 to 2014-15 than what would have been paid to other network service providers in the southern states. For example, in 2014-15 CME estimate prices of 17 to 18 c/kW hour for an Ergon tariff compared with prices in the range of 10 to 15 c/kW hour for the southern networks.

Whilst growers have been encouraged to adopt a range of "energy efficiency" and tariff optimisation measures, the nature of our business means that we have little option but to use energy during peak periods. We consider many of the costs to reflect the consequences of policy and regulatory decisions rather than a "true" cost. For example, in Queensland the networks receive guaranteed returns on their past investments (RABs) - returns which are currently driving around 70% of their prices.

Recommendations

- Government regulations should enable the switch from grid delivered power to on site generation without any fee or charge being applied and continue to promote energy efficiency opportunities generally in the food sector.
- VOH is seeking the implementation of volume based food and fibre tariffs, reflecting agricultural power use patterns on the network in terms of base load and off-peak use and including worthwhile time-of-use incentives for agricultural businesses during off-peak periods and over weekends;
- Electricity network regulation is a federal issue. Failure to effectively regulate has caused electricity costs for horticultural irrigators to almost double over the last eight years. CPI for the same period is around 15%. VOH is seeking a detailed analysis of the consequences of current network regulation on a State by State basis
- *To seriously address Australia's unsustainable electricity prices it is imperative that the networks' Regulated Asset Bases (RABs) are re-valued to more appropriate levels.*

