

07 February 2018

Legal Metrology Branch
National Measurement Institute
GPO Box 2013
Canberra ACT 2601

Submitted via on-line Consultation Hub at NMICostRecovery@measurement.gov.au

Dear Sir/Madam

RE: Cost Recovery Implementation Statement – Consultation Draft

1. About Grain Trade Australia

Grain Trade Australia (GTA) is the focal point for the commercial grains industry within Australia. It facilitates trade and works to provide an efficient, equitable and open trading environment by providing leadership, advocacy and commercial services to the Australian grain value chain.

GTA members are responsible for over 95% of all grain storage and freight movements made each year in Australia. Over 95% of the grain contracts executed in Australia each year refer to GTA grain standards and/or trade rules.

GTA members are drawn from all sectors of the grain value chain from production to domestic end users and exporters. GTA members are involved in grain trading activities, grain storage, grain for human consumption and stock feed milling. A list of all GTA members is attached.

Within this context, on behalf of its members, GTA provides comment on the Consultation Paper entitled “Cost Recovery Implementation Statement - Pattern Approval, Trade Measurement Licensing and Legal Metrology Appointments 2018-2019 Consultation Draft”.

2. General Comments on the Document and Costs for Industry

The following is noted in the introduction section of the consultation paper:

“The six charging principles of transparency, efficiency, performance, equity, simplicity and policy consistency guide all the processes involved in a government charging activity.”

GTA fully supports the intent of the charging principles approach which is outlined in the consultation paper. GTA also supports:

“the national measurement policy statement released in November 2017 that clearly states the Government’s intentions for Australia’s national measurement system and sets out principles underpinning Government decision making in relation to measurement.”

The challenge remains to ensure that any increase in charges for metrology controls are such that they are not prohibitive and, as a result reduce the incentive for industry compliance or the provision of assistance to the NMI in terms of meeting current and future regulations.

GTA members in the grain industry through procedures outlined in the “Code of Practice for the management of grain along the supply chain (Code)”, are required to comply with NMI regulations including specifically for grain:

- Weighing instruments (weighbridges and analytical balances used for trade);
- Protein measuring instruments for wheat and barley assessment;
- Use of Australian Certified Reference Material (ACRMs);
- Adherence to other NMI requirements such as the grain Test Weight General Certificate; and
- Verification of all other grain testing equipment used for assessment of grain quality that may be used for the purposes of trade.

While currently NMI regulations are not applicable in some of the above points, the grain industry adopts those measures to highlight the self-regulatory approach of the industry. While there remains a void in NMI regulations in those areas, it is envisaged the self-regulatory approach will continue.

Concurrently it is expected that GTA members improve their processes and compliance with NMI metrology controls. Any change to charging practices by NMI should not be a disincentive to industry to continue that approach. In general, the potential cost increases (to up to full cost recovery outlined in the consultation paper) will not assist those endeavours and may potentially lead to a reduction in industry effort. These efforts being either:

- mandatory compliance with NMI metrology controls; or
- the industry self-regulatory measures as outlined in the Code.

Hence, GTA would not support an immediate move towards the cost recovery of NMI services as outlined in the consultation paper. Rather, a staged approach to enable industry to adjust to the cost-recovery charges is the preferred option, once our concerns with the actual costs cited in the consultation paper as outlined below are addressed.

3. Specific Comments

3.1 Industry Sector Involvement in Trade Activities

In relation to grain industry demand for NMI services, there are not expected to be any significant changes in the immediate future. While the current industry numbers “involved in or using NMI activities” are not known, it is expected that, as in recent years, the number of industry companies requiring NMI services (such as those operating trade measuring instruments and thus requiring verification) would only gradually increase over time.

3.2 Partial or Full Cost Recovery

GTA are concerned with the level of available information in the consultation paper on the:

- Full transparency of current cost of NMI operations; and
- NMI strategies to improve revenue through growth activities such as better utilising laboratory services.

GTA considers that the level of detail supporting the costing figures in the consultation paper is not adequate to enable a decision on the suitability of those proposed charges to industry. Having full transparency of NMI costs prior to the implementation of the cost recovery mechanisms is considered critical as this will provide a sound initial benchmark. This benchmark cost data can then be used to monitor the effectiveness of the proposed move to full cost recovery over time, plus provide transparency of initiatives to improve revenue through growth activities. In addition, it will assist industry to fully understand the role of NMI and charges for industry based on those services provided.

GTA, once satisfied with the level of transparency and benchmarked costs is expected to support the cost recovery mechanism proportions as outlined in the consultation paper where those costs fall within the Government guidelines to charge those costs.

As noted above, given the current short-fall in recovery of charges as outlined in the consultation paper, GTA supports the progressive movement to partial or full cost recovery over time, being the four year period as outlined in the paper.

During this phase in period of four years, GTA respectfully requests regular updates from NMI on the progression of charges (and revenue) during that period to allow comparison to the benchmark position. This should include a brief but accurate summation of the validity of the revised charges based on NMI activity in each area. Full transparency of the current costs combined with validity of revised charges based on NMI activity will assist industry acceptance of those revised service charges at the completion of the four-year period.

3.3 Facilitating Innovation

The grain industry has a history of use of appropriate technology to provide accurate and repeatable results of grain analysis. Over time, specific instrument types such as those used for protein analysis of wheat and barley, have developed to the point of being considered world best practice. Nevertheless, there is room for improvement in this testing. There is also a need for adoption of modern technology

for testing of all grains for other quality parameters currently analysed by relatively subjective (i.e., visual) means.

For several years the industry has worked with specific instrument manufacturers to develop Image Analysis units for this visual testing. More recently GTA has been approached by companies involved in non-grain related industries that are offering technology that may be modified to suit grain.

Given the generally high costs of technology development and adaptation, it is important that incentives remain for such technology providers to assist the grain industry. This includes final development of the technology, "approval" by the grain industry and where required by NMI (Pattern Approval) given those instruments would be expected to be used for the purposes of trade.

Therefore, the grain industry implores NMI does not create disincentives to those technology providers via unrealistic charges for measures such as Pattern Approval, or ongoing Verification. While relatively little detail on the apportionment of charges for these and other services in the consultation paper are provided, the industry requests that those charges (either part or full cost-recovery) are valid and able to be supported over time.

3.4 Interaction with the Grain Industry

It is noted that GTA as well as a number of other grain industry associations and specific grain industry companies is consulted by NMI (via the Grain Quality Measurement Committee (GQMC)). GTA considers the GQMC is a vital tool for two-way communication to enable both parties to understand compliance, mechanisms for compliance, future testing developments, international regulatory control development etc.

In addition, the interaction enables suitable regulatory controls on specific instruments to be considered and developed, in compliance with NMI regulations. This dialogue ensures that regulatory burdens are not excessive, while maintaining the reputation of both NMI and Australia in general in terms of metrology controls.

Noting that the GQMC has not met for some time, GTA would seek that the functions of that committee continue and are not affected by the proposed increase in NMI charges.

3.5 Pattern Approval

GTA supports the principles outlined in the consultation paper in relation to Pattern Approval and recognition of overseas agencies and work where the outcomes are in the interests of Australia. This should assist to create incentives for instrument providers, at the same time assisting to minimise any regulatory costs.

Testing in Australia should continue where required to ensure Australia's interests are maintained.

3.6 Licensing and Appointments

GTA has previously written to NMI seeking assurances that charges for services and applications for Licensees and Verifiers should be robust but not overly burdensome. As noted in that correspondence there are relatively few persons with those qualifications in the grain industry.

Moving to full cost recovery would potentially increase the risk of fewer person applying for those qualifications or persons with-drawing their services who are currently qualified (e.g., Licensees). GTA would urge NMI to work with the grain industry, via the GQMC to create incentives and mechanisms to ensure minimal disruption to current services.

Thank you for your consideration of this response.



Pat O'Shannassy
Chief Executive Officer