

AQIS Reform Agenda

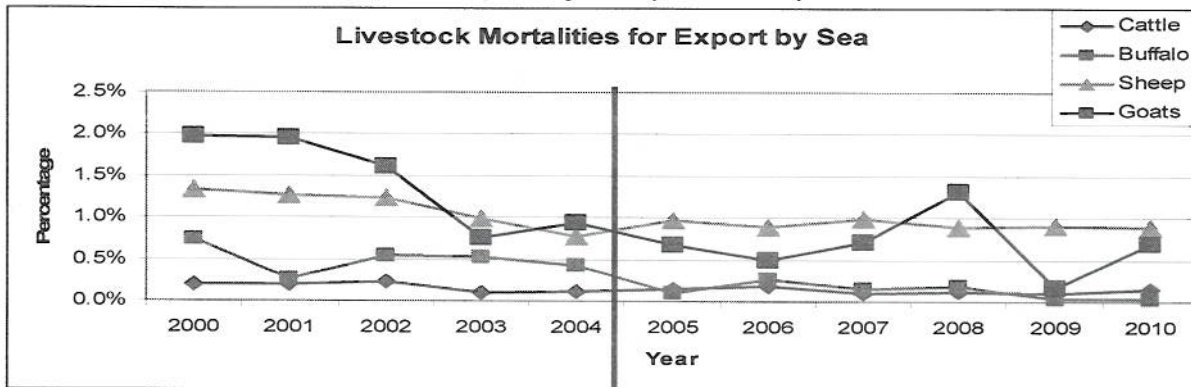
- Comments reflect the views of ALEC, companion animal exporters, horse exporters and reproductive material exporters.
- Industry appreciates the collaborative approach that AQIS has shown in the development of the Reform Agenda projects and looks forward to some benefits being delivered.
- Industry supports a move to a paperless and automated export certification system.
- Industry accepts that a new funding model is required and is generally supportive of the approach being taken by AQIS in relation to rewarding export performance. Industry requests that AQIS works collaboratively with the four industry groups (livestock, reproductive material, horses and companion animals) to progress the development of a new cost recovery model as a matter of urgency, to help minimise the severe impacts of the removal of the 40% subsidy.
- However, industry is concerned over costs of export certification.
- Industry has undertaken analysis of historical financial data provided by AQIS. In summary, this analysis concluded:
 - From 2003/04 to 2010/11, the annual cost of LAE has increased by an average of 17%.
 - For the same period, the gross number of livestock exported has decreased by 2% per annum.
 - In 2003/04, the cost of certification cost an average of 31c/head. If a 4% annual increase is added to this to account for wage increases and CPI (ignoring the reduction in productivity from reduced livestock being exported) then industry should be being charged an average of 46c/head. In 2010/11, industry was charged an average of \$1.06 per head.
 - Industry contends that the difference between what should be charged (46c/head) and what is being charged (\$1.06), accounts for additional non-certification AQIS costs being burdened on industry. We recognise that these services are most likely a necessary service to the general public but they cannot be part of the industry cost base.

- The Beale Review explicitly referred to cost recovery only applying to certification costs.
- In the context of cost recovery only applying to export certification charges, industry does not agree with the exorbitant corporate charges being applied to export certification, which increased from \$758,000 in 2009/10 to \$1.95M in 2010/11.
- Industry is formally opposed to the removal of the 40% subsidy from 1 July 2011, which equates to a 66% increase in certification costs to industry.

BROADER ISSUES

- Rate of implementation of the Reform Agenda has been slow.
- Concern that there will be a new layer of costs imposed because of animal welfare issues.
- Barriers to agricultural trade are higher than for any other commodity.
- Being implemented when the AUS \$ is as high as it has ever been.
- Global trade is not a level playing field – OECD PSE

Figure 1: Livestock Mortality for Export by Sea (2000-2010)



Source: <http://www.daff.gov.au/animal-plant-health/welfare/export-trade/mortalities>

Introduction of Keniry outcomes, including ASEL

C) The adequacy & effectiveness of the current Australian regulatory arrangements for the live export trade

C.1 Federal Legislation

The Live Export Trade is controlled by Federal Government Legislation (refer Annex 2), the principle legislation being the “Australian Meat and Live-stock Industry Act 1997 Act No. 206 of 1997 as amended up to Act No. 144 of 2008” and the industry specific “Australian Standards for the Export of Livestock (Version 2.3) 2011 (ASEL)”

C. 2 Animal Welfare Regulatory Arrangements

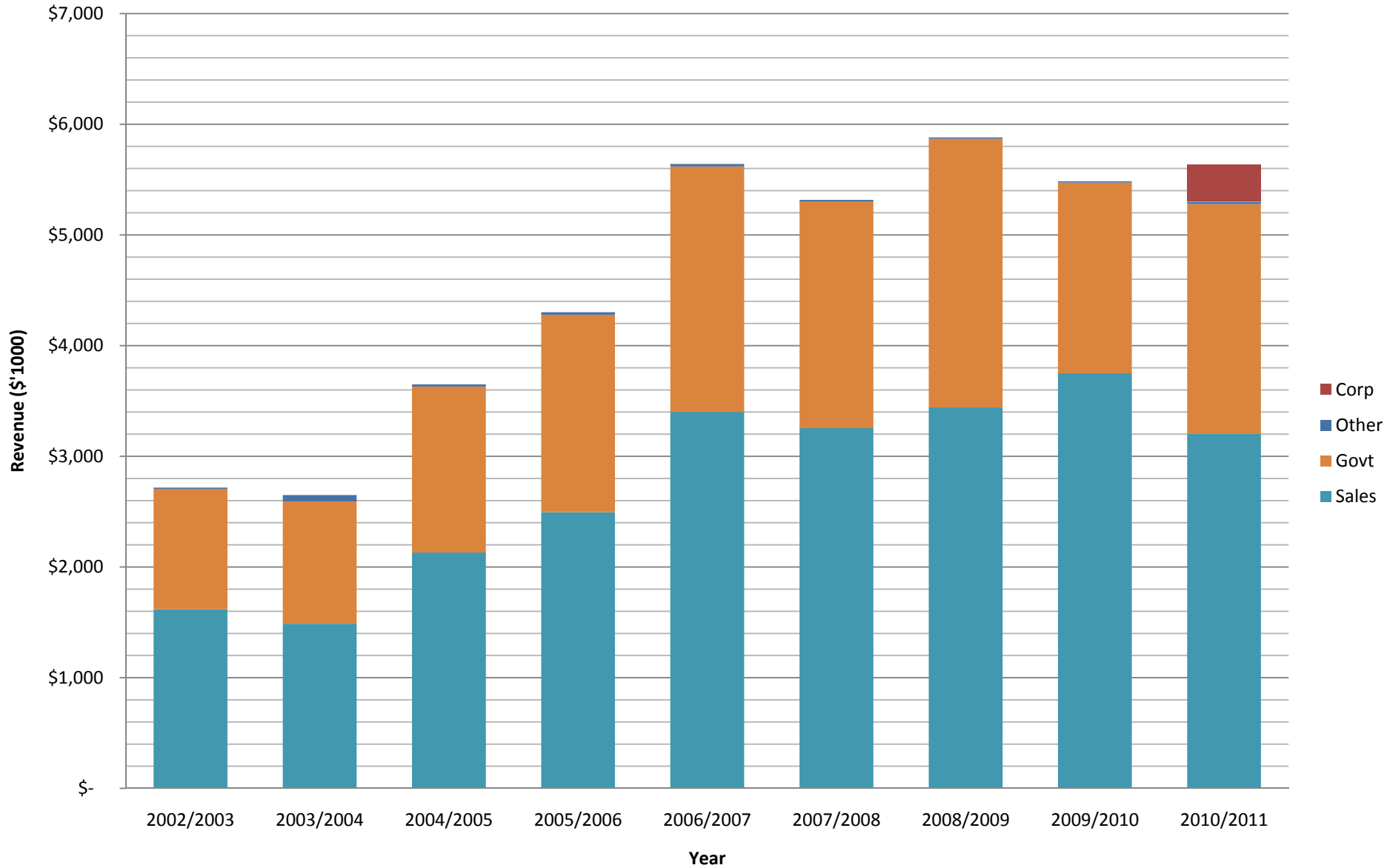
The regulatory system for Australian live exports was restructured during 2004 following the Keniry Report with the implementation of Australian Standards for the Export of Livestock (ASEL). However there is no clear evidence that the introduction of ASEL has improved the welfare of animals nor animal delivery rates (refer Tables 1 above). What is clear is that the cost of ASEL compliance has materially lifted but no identifiable lift in industry performance.

C.2.2 Australian States and Territories

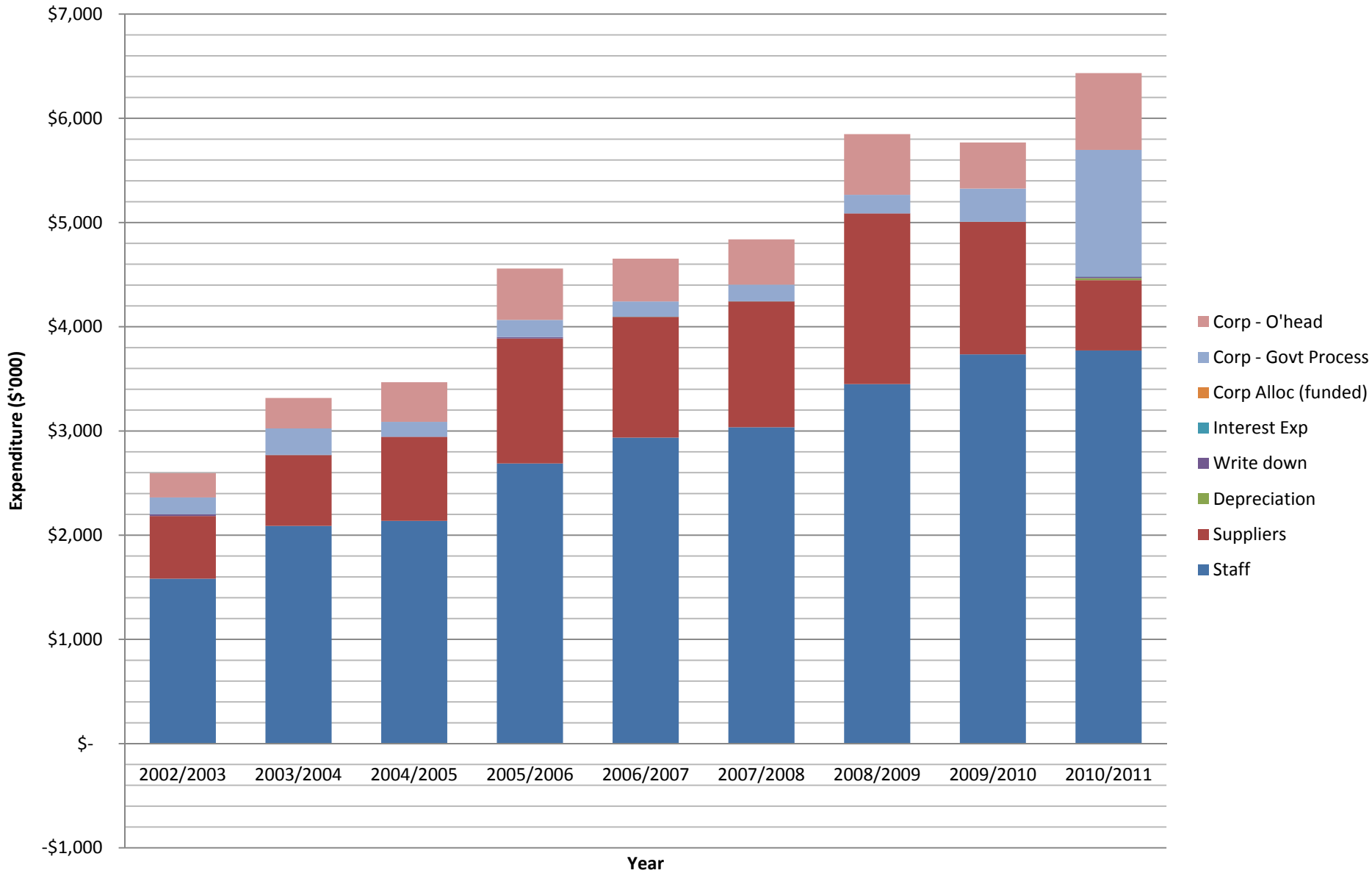
Under constitutional arrangements, the primary responsibility for animal welfare within Australia rests with individual states and territories, which exercise legislative control through ‘prevention of cruelty to animals Acts’ and other legislation (refer Annex 3).

Each state or territory has a bureau or office that deals with animal welfare. In many cases designated officers of the Royal Society for the Prevention of Cruelty to Animals (RSPCA) also have authority under state or territory legislation to prosecute offenders for cruelty offences. Animal welfare concerns arising in particular industries are often addressed in codes of practice developed jointly by government and the industry. Each

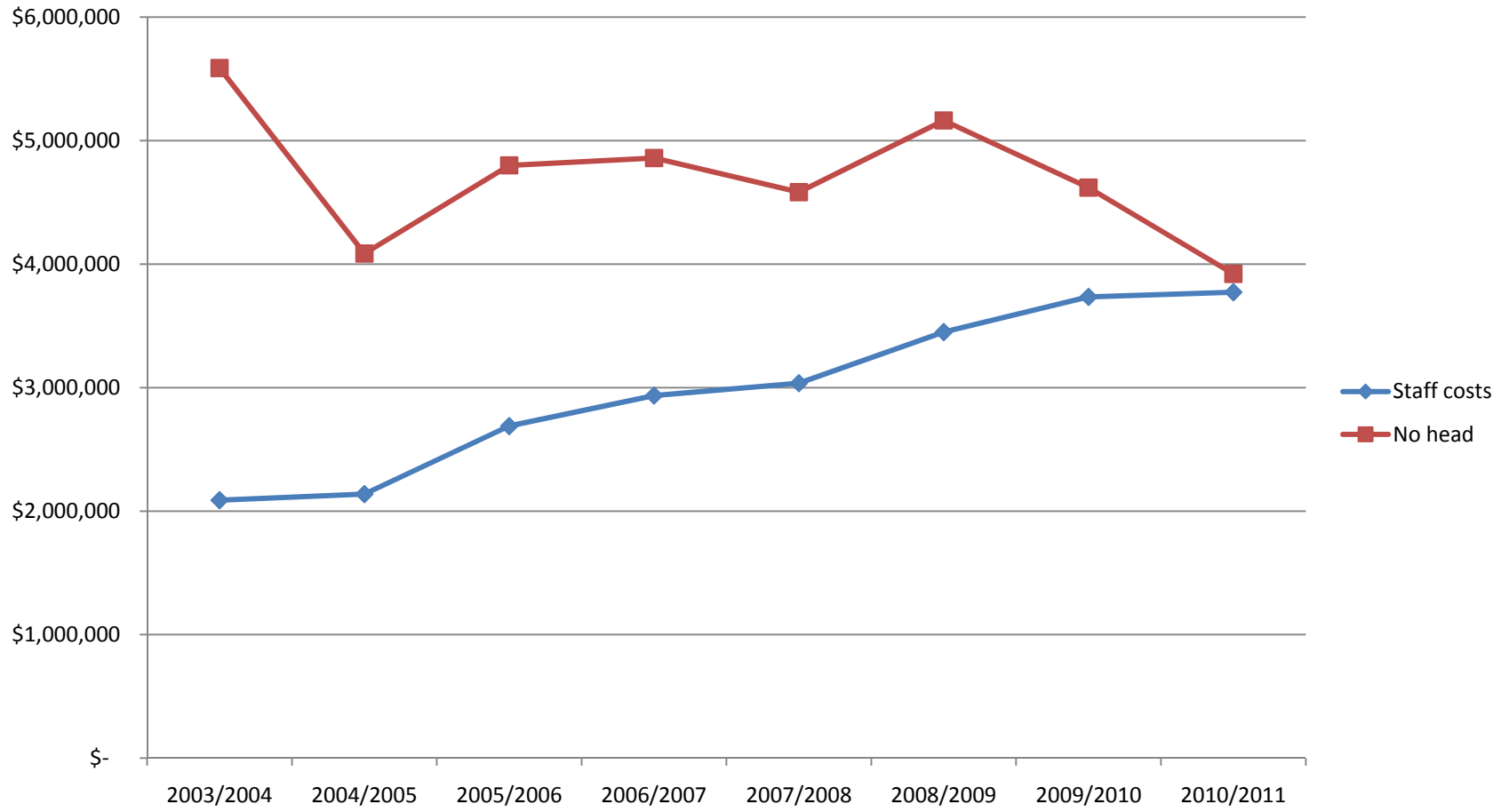
LAE Revenue



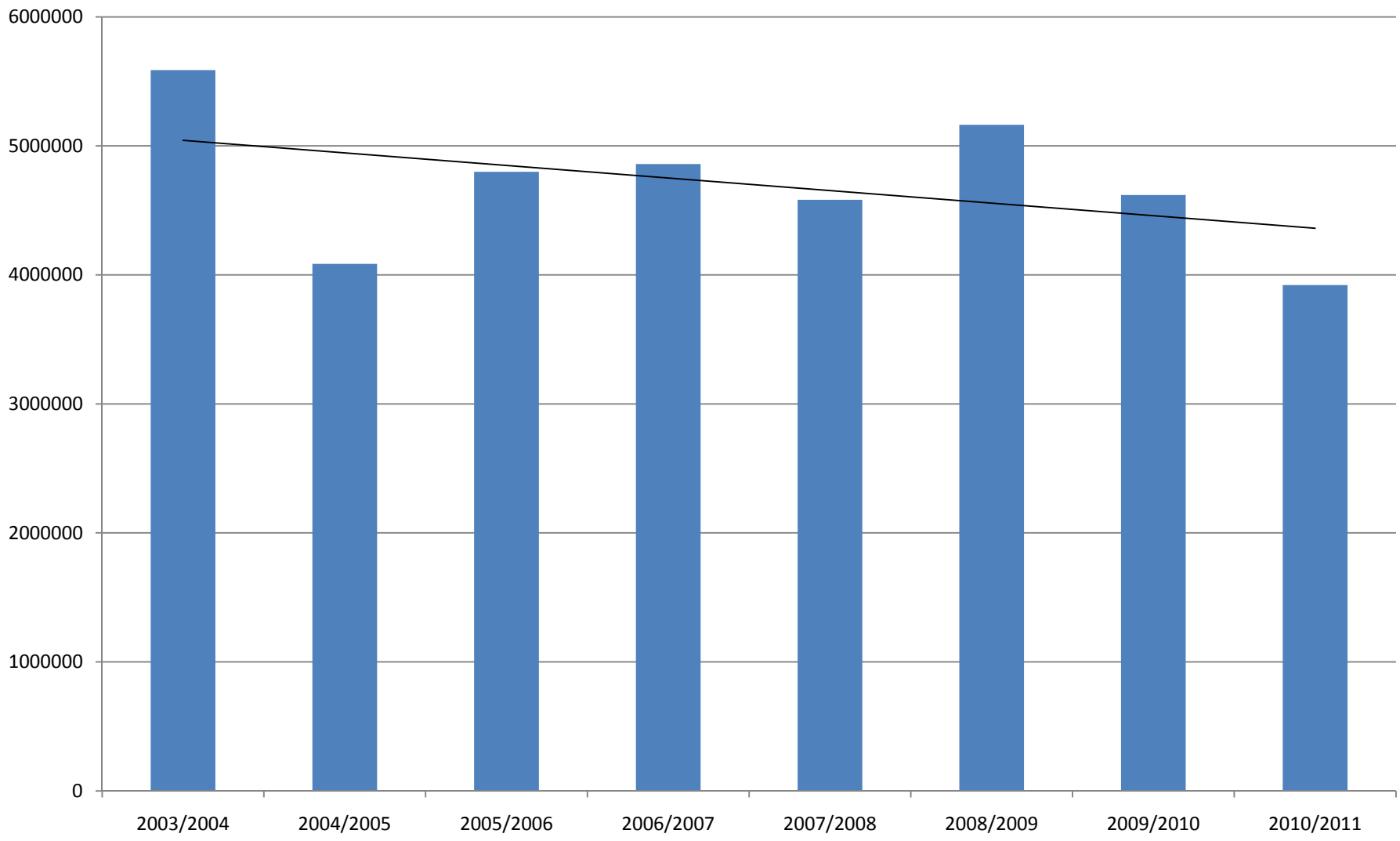
LAE Expenditure



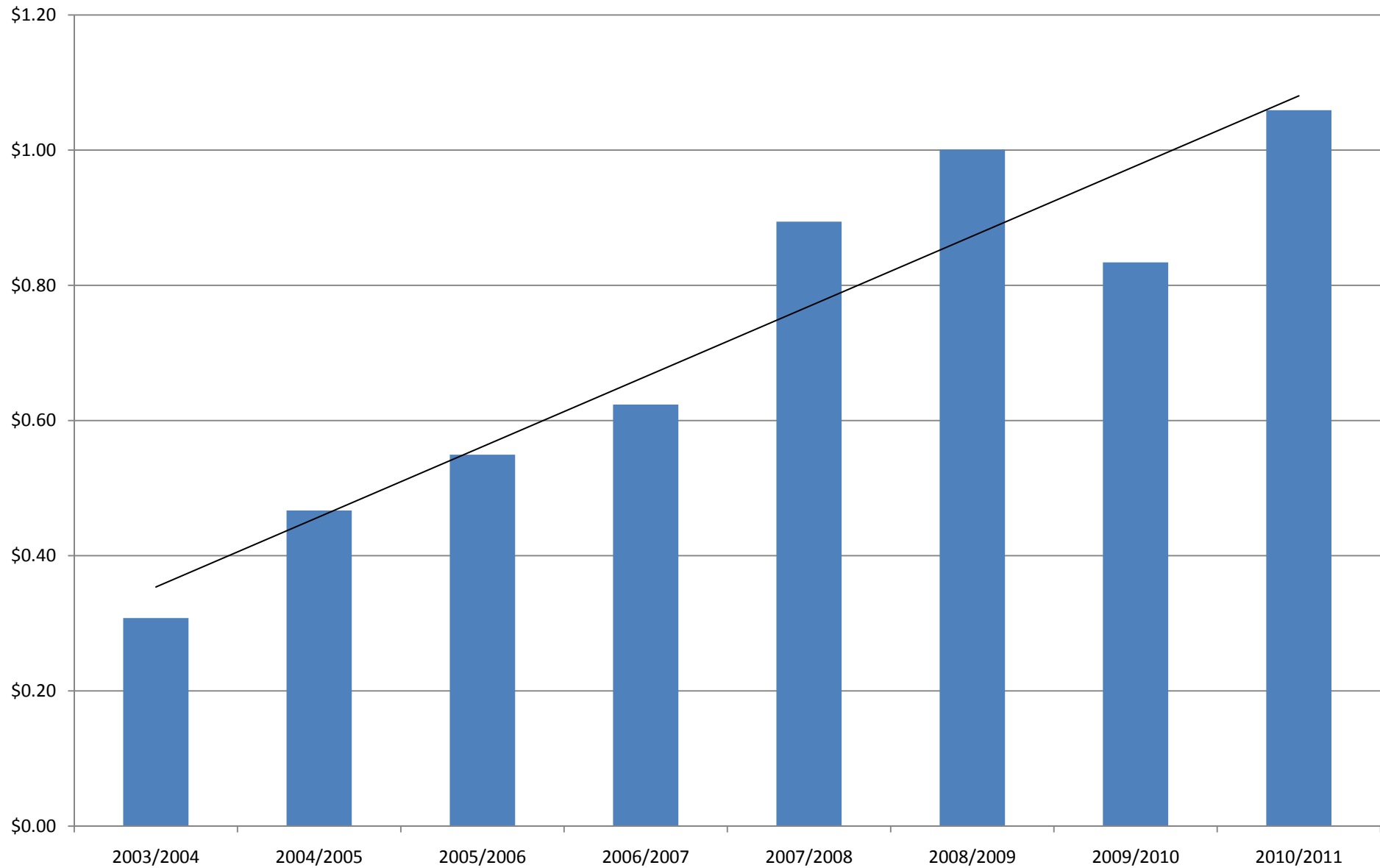
Staff Costs v's No Head Exported



Total Livestock Exported by Year



LAE Cost Per Head Trend



Considerations

- Annual LAE costs increased by 17%.
- Annual livestock numbers decreased by 2%
- Based on 2003/04 figures, a 4% increase in costs would equal total cost of 46c per head this year.
- Actual cost this year is \$1.06.
- Difference (60c/hd) must account for non-certification expenses (57% of total costs).

- TRACE benefits will deliver a saving of at least 7 FTE.

Solutions

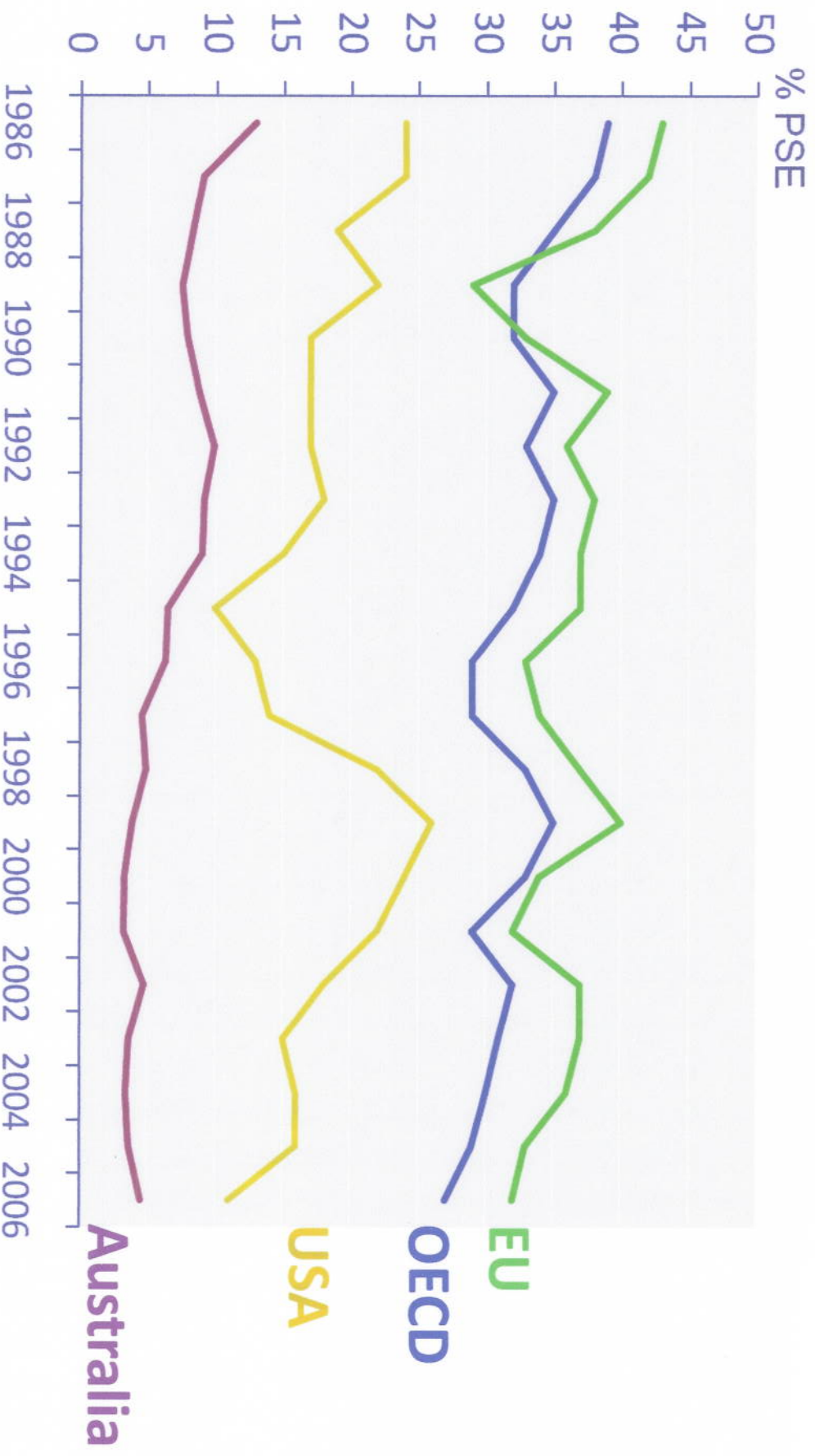
- Establish the real cost basis of certification aspects of LAE program.
- System must be able to respond rapidly to changed export numbers affected by government of other influences.
 - What is currently being undertaken (estimate 200,000 cattle reduction this year for Indo).
 - How will this translate into new system?
- Exporters willing to pay a fair, equitable and transparent price for certification.

- A range of technical and regulatory issues need formalising and incorporation in new system.



Support differs widely

(Producer Support Estimates as a percent of gross farm receipts)





Why is this important for Australia?

