

31 August 2009

Committee Secretary
Senate Rural and Regional Affairs and Transport References Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Ms Radcliffe

Management of removal of fee rebate for AQIS export certification functions

The Australian livestock export sector is the third largest contributor to the funding of the AQIS export certification process. From this perspective, it is essential that the views of this sector are considered by the Committee and that ALEC is invited to present to the Committee at the public hearings.

Therefore ALEC, as the peak council for the livestock export sector, offers the attached submission to the Senate Rural and Regional Affairs and Transport References Committee for consideration.

The attached submission clearly identifies:

- The livestock export sector is strongly supportive of a comprehensive reform of AQIS's export inspection and certification services.
- ALEC has already invested significant resources to engage with industry and develop project plans addressing seven important issues requiring reform.
- Industry reform has been a focus of the livestock export sector for a number of years and the opportunity for regulatory reform has finally arisen.
- Industry 'grass roots are fully engaged and supportive of this reform process.
- Industry firmly believes that the benefits arising from the reform agenda far outweigh any costs to industry.
- Industry wants to implement the reform projects as soon as possible.

I look forward to elaborating on this submission through a presentation at the public hearing.

Yours sincerely



Ian McIvor

Chairman

Australian Livestock Exporters' Council

**Submission to the Senate Rural
and Regional Affairs and
Transport References Committee**

**Management of Removal of Fee Rebate
for AQIS Export Certification Functions**

August 2009

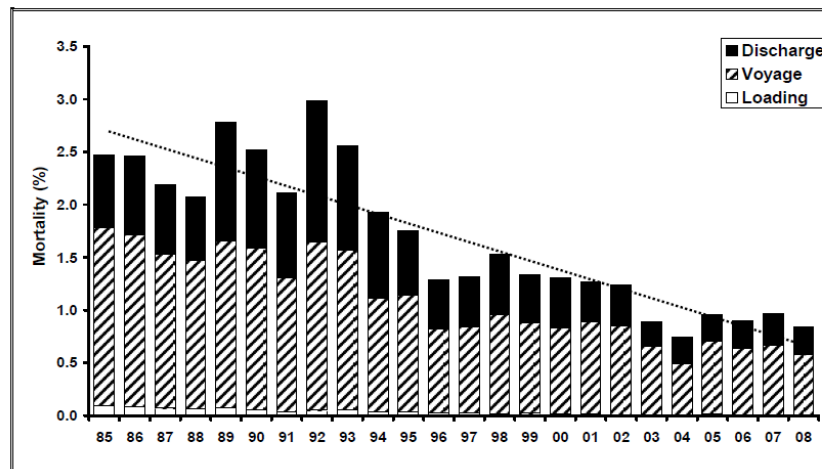
Introduction

The Australian livestock export sector is currently worth in excess of \$1.8 billion to gross domestic product per annum (Hassell, 2006). Key features of the industry include:

- Being responsible for over 11,000 Australian jobs (Clarke et al, 2007).
- Adding to farmgate prices at least 9 cents per kilogram liveweight for cattle, 17 cents per kilogram liveweight for sheep and 7 cents per kilogram liveweight for lambs (Hassell, 2006).
- Providing a major market for cattle from indigenous properties in northern Australia (Clarke et al, 2007).
- Contributing 20% to dairy farmer profits (Clarke et al, 2007).
- Being the third largest industry in the Northern Territory (Clarke et al, 2007).

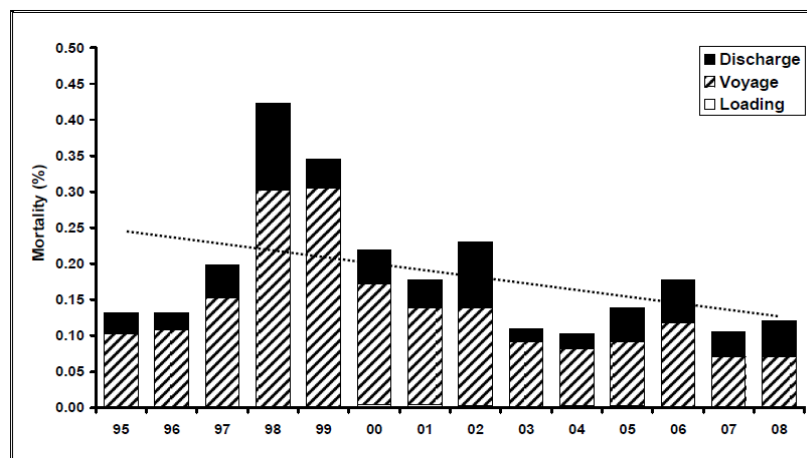
The live export sector has been working hard over many years to improve its performance and meet expectations, as demonstrated in Figures 1 and 2, below.

Figure 1. Annual mortality of sheep exported by sea from Australia since 1985



(Norris & Norman, 2009)

Figure 2. Annual mortality of cattle exported by sea since 1995



(Norris & Norman, (2009)

Although there has been significant work undertaken to improve performance, one of the greatest challenges facing the sector that is yet to be addressed, is to develop an effective and efficient regulatory framework within which to operate.

The livestock export sector is extremely supportive of the reform agenda being proposed following the removal of the fee rebate for AQIS certification services. For the first time, there is an opportunity for the industry 'grass roots' to work collaboratively with AQIS to identify and address issues that are currently impeding the efficient delivery of export livestock to world markets.

Already, significant resources have been invested by the livestock export sector, through ALEC, in working with AQIS to develop a series of comprehensive projects addressing various aspects of the certification process. The industry has identified numerous benefits with respect to export certification in terms of more efficient operations, delivering regulatory outcomes more effectively, timeliness of delivery, increased focus on risk, reduction of 'red tape', enhanced animal welfare, as well as creating greater empathy between industry and Government.

Response to Terms of Reference

With regard to the terms of reference being considered by the Committee, ALEC offers the following comments:

(a) The level of industry support for the removal of the 40 per cent rebate prior to the implementation of comprehensive reform of AQIS's export inspection and certification services.

The livestock export sector has identified reform of export certification functions as a major priority for a number of years and has undertaken a number of projects to consider alternate options. As recently as February 2009 (before the current reform program was announced) ALEC approached AQIS to consider options to reform the export certification functions.

While it is accepted that removal of the fee rebate will have a financial impact on the sector, industry views the short and long term benefits stemming from this reform process as far outweighing the costs. From this perspective, whether the rebate is removed before or after the reform process is implemented is of little relevance to the sector.

Further, the sector views the removal of the fee rebate as an incentive for industry and AQIS to progress reform without delay. Previous experience has shown that a lack of incentive results in reduced motivation to perform and deliver.

ALEC understands that, if the reform agenda does not progress as agreed, then industry will lose access to the funding and any reform processes will be driven by AQIS. **This is not acceptable to the live export sector.** While AQIS may have the best intentions, they cannot engineer and impose regulatory reform on an industry, without their involvement, and expect a positive outcome. This has been tried and has failed.

(b) The adequacy of consultation by the Government in the development of industry work plans.

The livestock export sector is satisfied with the level of consultation by Government in the development of industry work plans. As stated previously, ALEC approached AQIS to consider options to address regulatory reform not long before this reform process was announced. Since then, ALEC has worked in close consultation with AQIS management to progress development of work plans. ALEC has invested significant time and resources consulting industry 'grass roots' to identify areas of improvement and to develop work plans, which were presented to AQIS for implementation on 14 August.

Attachment 1 contains the work plans presented to AQIS, which includes seven projects that have been endorsed by the industry sector as addressing the major areas of concern with regard to export certification and regulation. Attachment 1 also demonstrates that each project will be

driven by a steering committee made up of industry and government representatives, which is essential to deliver outcomes supported by both parties.

(c) The capacity of the Government, including AQIS, to implement efficiency proposals.

The livestock export sector is highly supportive of this reform agenda as the current export certification arrangements can result in duplication, contain significant red tape, are very process driven and do not apply a risk-based approach. Therefore, a shared understanding of desired regulatory outcomes and industry processes, together with a commitment to implement real reform, will deliver efficiencies to both Government and industry.

The livestock export sector firmly believes that, following implementation of the reform projects, Government will be able to deliver outcomes with a reduced capacity, in terms of resources. This will deliver financial and efficiency benefits to industry.

Industry will work with government in the development and implementation of these projects to ensure there is a shared understanding of project outcomes and requirements into the future.

(d) The adequacy of government funding to implement industry work plans.

ALEC understands that government has committed \$1.902 million to the livestock export sector to fund the reform of export certification functions. ALEC has invested significant time and resources to consult with industry and develop detailed project plans, including budgets. As can be seen in Attachment 1, ALEC conservatively estimates that implementation of these projects will cost \$2.12 million. From this perspective, all opportunities to address the funding shortfall are being pursued.

(e) Any progress on meeting targets in industry work plans.

Announcement of this reform agenda is a significant opportunity for the livestock export sector as it provides the resources to progress this work, which were not available previously. It also provides a forum for meaningful engagement with Government to address these priorities. ALEC has been very pro-active in developing the project work plans, which have already been finalised and presented to government. However, the sector does not have the resources to implement these projects without the resources proposed by Government.

(f) The financial or other impact on industry sectors of the failure to meet reform targets.

ALEC anticipates that implementation of the reform projects will deliver savings to the sector at least equal to the fee rebate removed on 1 July 2009. Other benefits include more efficient use of industry resources, reduced 'red tape', reduced resource requirements by regulators, more timely delivery of services and more effective engagement with destination markets. Failure to meet reform target will result in ongoing wastefulness, frustration, 'red tape', lack of shared purpose – more of the same.

Summary

The Australian livestock export sector is a significant contributor to Australia's agricultural export earnings and, as such, the national economy. Export certification by Government is a highly valuable aspect of the process, which needs to be delivered efficiently and effectively.

The sector has been seeking opportunities to address inefficiencies in the certification process for a number of years and welcomes the reform agenda proposed following the removal of the fee rebate.

ALEC has already invested significant resources to engage with the broader membership of the industry sector and develop plans for seven significant projects to address reform. These projects have been delivered to AQIS to progress.

The whole livestock export sector is committed to delivering these projects and, for the first time, the 'grass roots' has had input and will participate in delivering these important outcomes. Also, this is a real opportunity to develop empathy between Government regulators and the industry.

References

- Beale et al, *One Biosecurity, A Working Partnership*. Commonwealth of Australia, 2008.
- Clarke, et al. *The Live Export Industry: Assessing the Value of the Livestock Export Industry to Regional Australia*, Meat and Livestock Australia, 2007.
- Hassall & Associates, *The Live Export industry: Value, Outlook and Contribution to the Economy*, Meat and Livestock Australia, 2006.
- Norris, R.T. and Norman, G.J. *National Livestock Export Industry Shipboard Performance Report 2008*, Meat and Livestock Australia, 2009.