

Chapter 4

Effectiveness of Government, Meat and Livestock Australia, LiveCorp and relevant industry bodies in improving animal welfare standards in Australia's live export markets

Introduction

4.1 The telecast of the ABC Four Corners program *A Bloody Business* on 30 May 2011, raised serious questions about the effectiveness of previous Government and industry initiatives and the extent to which initiatives to address animal welfare concerns were being monitored.

Extent of knowledge of animal welfare practices in Australia's live export markets

4.2 A number of representatives from the livestock industry advised the committee that they had never before seen animal welfare practices of the type portrayed in the ABC's *Four Corners* program.¹ Mr Lach Mackinnon, Chief Executive Officer, Livestock Exporter's Council, advised the committee that he has visited Indonesian abattoirs, including abattoirs filmed by *Four Corners* on a number of occasions, both announced and unannounced, and has never witnessed the treatment of animals shown in the program. He was unable to explain why this would be the case. He told the committee that on a visit to one of the abattoirs filmed by *Four Corners*, he had witnessed the Mark I box being used correctly.²

4.3 Mr Troy Setter, Chief Operating Officer, Australian Agricultural Company Pty Ltd also told the committee that he had been to Indonesia over 40 times in the last five years and had visited many of the abattoirs filmed by *Four Corners*. He said that he had never seen anything like the footage in the *Four Corners* program.³

4.4 However, Mr Stephen Meerwald, Managing Director, Wellard Rural Exports Pty Ltd told the committee that while his company was not aware of the type animal

1 See, for example, Mr Lach MacKinnon, Australian Livestock Exporters' Council, *Committee Hansard*, 4 August 2011, p. 3, Mr Don Heatley, Meat and Livestock Australia, *Committee Hansard*, 4 August 2011, p. 21 and Mr Troy Setter, Australian Agricultural Company Pty Ltd, *Committee Hansard*, 4 August 2011, p. 29.

2 Mr Lach MacKinnon, Australian Livestock Exporters' Council, *Committee Hansard*, 4 August 2011, p. 4.

3 Mr Troy Setter, Australian Agricultural Company Pty Ltd, *Committee Hansard*, 4 August 2011, p. 29.

cruelty filmed by Animals Australia and the *Four Corners* program, they were aware of poor training and incompetence at the point of slaughter:

... we were aware of not abhorrent cruelty but of complacency, poor training and incompetence ... mainly at the point of slaughter. I think it is unquestionable that the process through the feedlots is world standard and we have no issues with that. We had engaged significantly with that. The point of slaughter is different because it happens mainly in the dead of night. For example, I have been to Indonesia many times and I have not been to an abattoir in Indonesia that is operating during the night. I have been to an abattoir that is operating during the day which is a modern state-of-the-art abattoir. The difficulty is getting there at the times that they slaughter. But we have a permanent Australian resident in Indonesia and he has been to point of slaughter and his advice to me is that he has seen thousands of animals at point of slaughter. He has witnessed incompetence, he has witnessed poor slaughter practices, but he has not witnessed abhorrent cruelty as was evidenced in that footage.⁴

4.5 In their joint submission to the inquiry MLA and LiveCorp told the committee that through their on-the-ground presence and through numerous reports and other information, they were aware of animal handling practices in Indonesia. MLA and LiveCorp had used this information and understanding to identify where to invest and the types of programs to invest in. In their submission, MLA and LiveCorp stated that they:

... have never claimed that animal welfare practices in overseas markets are sufficient or that OIE standards are consistently met. Through the industry's on-the-ground presence in livestock export markets it has witnessed many examples of poor handling practices. Numerous reports and other information by MLA and LiveCorp have pointed to deficiencies in animal welfare practices serviced by Australia's livestock export trade. MLA and LiveCorp's on-the-ground presence in these markets has been in recognition of these deficiencies. Knowledge of these deficiencies allows MLA and LiveCorp to identify where investment, resourcing and vital programs – including animal handling training; infrastructure improvements; technical support and research and development – need to be focused. Our aim has been to continually and incrementally improve animal welfare practices so that over time the practices would reach acceptable levels and that OIE standards would be met.⁵

4.6 MLA and LiveCorp also emphasised that once livestock are landed in destination markets, the ability to influence change stems from the industry's on-the-ground presence in Australia's export markets, developing relationships over time and working with operators, animal handlers and government officers stationed in the various regions on actions to improve animal welfare.

4 Mr Stephen Meerwald, Wellard Rural Exports Pty Ltd, *Committee Hansard*, 1 September 2011, p. 4.

5 Meat and Livestock Australia and LiveCorp, *Submission 315*, p. vii.

Adequacy of monitoring of animal welfare practices

4.7 Not surprisingly, a number of submitters to the inquiry have questioned the extent to which MLA and LiveCorp and other peak bodies were monitoring animal welfare practices in Indonesia and the extent to which they were providing the Australian live export industry with an accurate picture of these practices. Some submitters have questioned the responsiveness of MLA and LiveCorp to evidence of poor animal welfare practices and whether the policy of incremental change was appropriate in the circumstances.⁶

4.8 The Chief Minister of the Northern Territory Legislative Assembly, the Hon Paul Henderson expressed concern that MLA appeared not to have placed as high a priority on initiatives to raise animal welfare standards in Indonesian facilities as it has to improve facilities in the Middle East.⁷ The Northern Territory Minister for Resources, Mr Con Vatskalis, expressed the view that MLA's program to facilitate the upgrade of facilities in Indonesia was too slow. Mr Vatskalis said:

There are about 660 abattoirs throughout the Indonesian archipelago. In 134 of them they are using Australian animals and of those about six or seven comply with what we call Australian standards.

...

Out of the 134 abattoirs in Indonesia now, MLA has started a program to upgrade some of them-I believe there are about 20 now – but it is too slow. Again, I believe MLA saw their role as expanding the market in Indonesia. They did really well, but they missed the elephant in the room: if this happening in the Middle East then we need to make sure it does not happen here. The last thing you need is to get another documentary coming to Australia about inhumane treatment of animals-not because of bad publicity but because it is unacceptable to treat animals like that. I think MLA has a lot to answer for. Their role was, first of all, to expand business but also to make sure that business is done properly. They missed the second bit.⁸

4.9 Other witnesses expressed concern at what they perceive as conflicts of interest and a lack of commitment within MLA to achieving the LEP's objective of best practice and improved wellbeing and performance of Australian livestock.⁹ Ms Heather Neil, Chief Executive Officer, RSPCA Australia, told the committee:

6 See, for example, Ms Amanda O'Neill, *Submission 16*, Ms Judi Storer, *Submission 47*, Barristers Animal Welfare Panel, *Submission 104*, Animal Liberation ACT, *Submission 107*, Northern Rivers Community Legal Centre, *Submission 276*, Australasian Meat Industry Employees Union (Queensland Branch), *Submission 290*, Ms Emilianne Krause, *Submission 312*, RSPCA Australia, *Submission 333* and Mrs Pamela Gillot, *Submission 388*.

7 The Hon. Paul Henderson, Chief Minister, Northern Territory Legislative Assembly, *Committee Hansard*, 4 August 2011, p. 51.

8 The Hon. Kon Vatskalis, Minister for Resources, Northern Territory Legislative Assembly, *Committee Hansard*, 4 August 2011, p. 51.

9 Ms Heather Neil, RSPCA Australia, *Committee Hansard*, 10 August 2011, p. 10.

MLA reports in 2004, 2005, 2007, 2008, 2009, and 2010 have consistently highlighted significant welfare problems at the point of slaughter, from head slapping to abattoir workers deliberately hurting animals to incapacitate them, to ineffective throat cutting and restraint. Indeed, the 2005 MLA report warned of the PR nightmare that would ensue if the Australian public was made aware of the animal slaughter practices in Indonesia. MLA's latest report, dated May last year but not released until January 2011, detailed problems with head slapping, eye gauging, tail twisting and multiple throat cuts. In essence, it describes much of the cruel treatment that was documented by Animals Australia and then Four Corners in their own independent investigation.¹⁰

4.10 The Australian Beef Association (ABA) told the committee that MLA, peak councils and the Red Meat Advisory Council were all aware of unacceptable treatment of Australian livestock and failed to act.¹¹ ABA stated that the reason for this failure is that the industry structure is a "closed loop". The ABA also stated that these peak bodies had misled producers, the public and the Government. ABA argued that "instead of addressing the cruelty issue directly and admitting their initiatives had failed, they collectively chose to bury the issue with public relations and pretend it was not happening."¹²

4.11 The Australian Meat Producers Group (AMPG) echoed these concerns, stating that "the public outcry about the animal welfare abuses of slaughter of Australian cattle in Indonesia and the consequent temporary ban of live cattle exports to Indonesia was foreseeable and preventable."¹³ Like the ABA, the AMPG's concerns lie with what they describe as structural flaws in the operations of MLA, LiveCorp and other relevant industry bodies.¹⁴ AMPG expressed the view that MLA and LiveCorp have not responded appropriately or effectively and have failed in their duty to the industry.¹⁵

4.12 AMPG told the committee that MLA had adopted a 'marketing' approach to animal welfare:

The perfect example of the "marketing" approach to functional activities such as improving animal welfare standards can be found in the final report of the Beef Marketing Funding Committee as part of the MLA 2009 Beef Levy Review which identifies animal welfare issues as a major threat to the live cattle trade and responds by budgeting for:

10 Ms Heather Neil, RSPCA Australia, *Committee Hansard*, 10 August 2011, p. 9.

11 Australian Beef Association, *Submission 197*, pp 2-3.

12 Australian Beef Association, *Submission 197*, p. 5.

13 Australian Meat Producers Group, *Submission 426*, p. i.

14 Australian Meat Producers Group, *Submission 426*, p. i.

15 Australian Meat Producers Group, *Submission 426*, p. 2.

- a \$186,000.00 annual expenditure on animal welfare issues and \$725,000.00 on expenditure for the media management of any public outcry with respect of animal welfare issues in the live export trade;
- an increased annual expenditure of 137% (from \$.8 million to \$1.9 million a year) for “increased defence activities against welfare and environmental claims”.¹⁶

4.13 The committee notes that during the 2011 Budget Estimates, the Minister expressed concern at the slow pace at which industry had moved to address animal welfare concerns. He said:

One of the important things we need to be able to do is to identify that the industry is starting to address it. They have been slow to date. They need to accelerate the animal welfare outcomes for the live animal export to continue. One of those things I think they recognised was by bringing forward the plan, which addresses both the pre-stunning issue and some of the other issues. But to date it is not a plan that I would endorse. It is a plan that the industry has to develop and implement, and demonstrate that they are on a continuous improvement in this area because to date, as I have indicated, my view is that it has been very slow.¹⁷

4.14 The committee notes that many witnesses appear to welcome the Australian Government's more active role in the regulation of the live export trade in recent months and the cooperative and energetic manner in which the industry has moved to address animal welfare issues in Indonesia since the temporary suspension of trade.¹⁸

4.15 However, for some witnesses this swift response only serves to underscore their scepticism about the commitment of MLA to facilitate better animal welfare outcomes. Ms Heather Neil, RSPCA, told the committee:

Earlier this year MLA said widespread stunning was an aspirational goal only and it abandoned a stunning trial. In the last two months six more facilities with stunning equipment have come online, bringing the total to 11—but I must say that is a total out of about 700 facilities—and a lot of creative thought by the industry is being put into overcoming the legal barriers to importing and increasing the use of stunning equipment. It really is amazing what can be achieved when there is incentive enough to do it.¹⁹

16 Australian Meat Producers Group, *Submission 426*, p. 6.

17 Rural Affairs and Transport Budget Estimates 24 May 2011, *Committee Hansard*, p. 76.

18 See, for example, Mr Peter Kane Australian Livestock Exporters' Council, *Committee Hansard*, 4 August 2011, pp 1-3, p. 3 and p. 8, The Hon. Terry Redman, MP, Minister for Agriculture and Food, Forestry and Corrective Services, *Committee Hansard*, 1 September 2011, p. 13, and Ms Kate Joseph, Sheepmeat Council of Australia, *Committee Hansard*, 14 September 2011, p. 2.

19 Ms Heather Neil, RSPCA Australia, *Committee Hansard*, 10 August 2011, p. 10.

4.16 The committee also received a number of submissions from those who, rather than being critical of MLA and LiveCorp, argued that the work done by these organisations over a period of years has had a positive impact on animal welfare conditions generally.²⁰ In his submission, Mr Stuart Austin told the committee:

I do not believe for one minute that MLA or Livecorp are responsible or to blame for any of the footage aired. The level of investment made by the Australian red meat producers, through their MLA levies, into animal welfare and best practice in Indonesia is to be applauded and is a credit to them. No other country in the world invests in an overseas market to this level. I would also recommend seeking information, pictures, video footage, and other evidence from Indonesia from 10 years ago and comparing it to the industry there today.²¹

4.17 Ms Jo-Anne Bloomfield, a cattle producer from Katherine, told the committee that she had come to the conclusion that MLA had been actively involved in assisting with animal welfare issues, not only in Indonesia, but other countries, such as Egypt. Ms Bloomfield also noted that Australia is the only country in the world which invests in, and makes efforts to improve the animal welfare practices of other countries. Ms Bloomfield further argued that:

The accusation by many 'ban live export' supporters that MLA did know but did nothing is a silly comment. If MLA representatives weren't aware of some of the animal welfare standards needing improvement [Then] ... no monetary investment would have been offered or made available to the Indonesians to improve the standards. It is obvious that improvements have been made over the years and this I feel hasn't been given credit for. If this wasn't the case then the slaughter houses that meet Australian standards and OIE wouldn't exist at all. Improvements to pre-handling, shipping and feedlots located in Indonesia wouldn't have been completed, improved or even considered.²²

Supply chain assurance system

4.18 On 6 July 2011, new orders were signed by the Australian Government regulating the export of livestock to Indonesia. The Australian Government announced that the new framework had been developed in partnership with industry and with advice from the Australian Veterinary Association. The supply chain assurance system will require exporters to show that animals will be treated in accordance with international animal welfare standards at all points along the supply chain, right to the point of slaughter.

4.19 Previously, exporters were only required to track animals from the property of origin to the port of export and report on the outcome of the voyage. Under the new

20 See, for example, Ms Raelene Hall, *Submission 188*.

21 Mr Stuart Austin, *Submission 112*, p. 2.

22 Ms Jo-Anne Bloomfield, *Submission 226*, p. 8.

framework, the issue of an approval to export livestock to Indonesia will depend upon the existence of a supply chain assurance system that demonstrates:

- international welfare standards are being met;
- control in the supply chain;
- traceability of animals;
- transparency; and
- independent audit.

Compliance with international welfare standards

4.20 Exporters will need to demonstrate that all elements of the supply chain meet OIE standards right through to point of slaughter. DAFF and industry have developed an 'animal welfare checklist' to assist exporters to meet their responsibilities.

Supply chain control

4.21 Exporters must demonstrate controls in the supply chain to enable traceability, welfare standards, reporting and auditing to be successfully managed. Where ownership of a consignment of animals transfers from the exporter to another agent in the supply chain, the exporter must demonstrate through its commercial relationship with those agents that the animals remain in the controlled supply chain at all times.²³

4.22 MLA and LiveCorp told the committee that they have been building a team of Australian animal welfare support staff that will perform training, monitoring and review activities. They observed that under the new requirements, Indonesian lot-feeders would be expected to take a greater role in Indonesian abattoirs. To this end, Indonesian lot-feeders were beginning to employ increased numbers of Indonesian animal welfare personnel or Animal Welfare Officers (AWOs).

4.23 MLA and LiveCorp have already delivered training to these AWOs and will provide ongoing training programs. They told the committee that the training program covers animal handling, Halal slaughter practices, standard operating procedures, hygiene, stunning and butchering skills and has involved regional provincial livestock department and MUI representatives.²⁴

Traceability of animals

4.24 All animals in an export consignment must be individually identifiable and able to be located at any point along the export supply chain. The system of identification is at the discretion of the exporter, but must be auditable with the

23 Supply chain assurance and welfare standards 2011, p. 1, accessed at http://www.liveexports.gov.au/_data/assets/pdf_file/0005/1955624/supply-chain-assurance-and-welfare-standards-080711.pdf, 6 October 2011.

24 Meat and Livestock Australia and LiveCorp, *Submission 315*, pp 64-65.

physical location of individual animals reconcilable against movement records. The committee notes that industry preference is said to be for individual, electronic, animal identification.²⁵

4.25 The supply chain assurance and welfare standards identify a number of risks throughout the supply chain which may affect the integrity of the system and suggest mitigation plans for each of these. These potential risks include: segregation of animals, lost tags, the ability of staff to meet system requirements, equipment failure and the need for technical support.²⁶

4.26 MLA and LiveCorp told the committee that currently 70 per cent of cattle destined for Indonesia are fitted with a National Livestock Identification System Radio Frequency Identification (NLIS RFID) tag and exporters have committed to placing an NLIS RFID tag on all cattle exported from 1 July 2011. MLA and LiveCorp stated that:

Given this, it makes sense for supply chains to use this device in tracing animals. Under the [Industry/Government Working Group Process] plan, however, use of the NLIS device is not required and supply chains may choose to implement other traceability systems.²⁷

4.27 MLA and LiveCorp also stated that they will assist in the implementation of any traceability system and are making required database changes, redesigning web interfaces into Bahasa to assist those supply chains who choose that system.²⁸

Transparency

4.28 Exporters are required to be able to locate individual animals in a consignment at any point in time and be able to provide reports on individual animals and whole consignments. The standards state that reports will be required against each consignment to provide assurance of the effectiveness throughout the supply chain, animal traceability and that animals have been handled in accordance with the DAFF animal welfare checklist.²⁹

25 Supply chain assurance and welfare standards 2011, p. 2, accessed at http://www.liveexports.gov.au/_data/assets/pdf_file/0005/1955624/supply-chain-assurance-and-welfare-standards-080711.pdf, 6 October 2011.

26 Supply chain assurance and welfare standards 2011, p. 2, accessed at http://www.liveexports.gov.au/_data/assets/pdf_file/0005/1955624/supply-chain-assurance-and-welfare-standards-080711.pdf, 6 October 2011.

27 Meat and Livestock Australia and LiveCorp, *Submission 315*, p. 65.

28 Meat and Livestock Australia and LiveCorp, *Submission 315*, p. 65.

29 Supply chain assurance and welfare standards 2011, p. 8, accessed at http://www.liveexports.gov.au/_data/assets/pdf_file/0005/1955624/supply-chain-assurance-and-welfare-standards-080711.pdf, 6 October 2011.

Independent audit

4.29 The Government requires that the supply chain is assessed by independent third party auditors on an ongoing basis to determine if the supply chain meets the DAFF animal welfare checklist and that appropriate control and traceability of animals exists. Auditors will be required to use the Guidelines on meeting OIE standards developed by DAFF to verify that the supply chain complies with OIE standards of animal welfare.³⁰

4.30 The supply chain assurance and welfare standards stipulate that:

The auditor selected should be independent, have no conflicts of interest, and possess an appropriate level of competence and expertise (through qualifications and experience). The audit conducted should be consistent with international auditing standards and guidelines, be transparent, be evidence based and be conducted in an impartial, ethical and professional manner. Results from audits will be provided to Government and will be made publicly available³¹

4.31 Under the supply chain assurance program, export permits will only be issued when an exporter can provide evidence and assurance to the government that it has an appropriate supply chain assurance system. Failure to comply with the supply chain assurance system could result in a range of sanctions, including failure to receive approval for future consignments or an exporter losing their license.³²

4.32 The committee notes that the proposed approach does not contemplate accreditation or approval of offshore facilities such as feedlots and abattoirs. The Australian Government will maintain its regulatory relationship with Australian exporters. Mr Paul Morris, DAFF, told the committee:

The new regulatory framework that has been put in place does not require Australian government inspection of facilities in Indonesia. The new regime is very much based around the regulation of exporters and the requirements placed on exporters in terms of providing evidence of performance with the new regulation. That evidence relates to information about the supply chain they are supplying animals into and that that supply chain meets the minimum standards of the World Organisation for Animal Health. It requires them to provide information that they can provide assurance that animals will remain within the supply chain, and that relates to issues of

30 Supply chain assurance and welfare standards 2011, p. 8, accessed at http://www.liveexports.gov.au/_data/assets/pdf_file/0005/1955624/supply-chain-assurance-and-welfare-standards-080711.pdf, 6 October 2011.

31 Supply chain assurance and welfare standards 2011, p. 8, accessed at http://www.liveexports.gov.au/_data/assets/pdf_file/0005/1955624/supply-chain-assurance-and-welfare-standards-080711.pdf, 6 October 2011.

32 Supply chain assurance and welfare standards 2011, p. 1, accessed at http://www.liveexports.gov.au/_data/assets/pdf_file/0005/1955624/supply-chain-assurance-and-welfare-standards-080711.pdf, 6 October 2011.

contracts that they might have or ownership of elements of the supply chain, if that happens to be the case. It relates to the traceability of animals through that supply chain and to the provision of an independent audit report. It is on the basis of that independent audit report that the chain meets the OIE minimum standards that we are issuing the approval for export.³³

Extension of the supply chain assurance system to other markets

4.33 The Australian Government initiated investigations into how similar arrangements might be extended to all export markets for Australian livestock. Two Industry Working Groups were established to investigate the export of cattle to markets other than Indonesia and sheep and goats to all markets. These investigations were guided by the following principles:

- application of OIE standards through the supply chain up to and including the point of slaughter;
- traceability or accounting of animals through the supply chain;
- independent auditing to ensure conformity with requirements; and
- accountability of exporters and public transparency.

4.34 Both Industry Working Groups submitted reports to the Minister for Agriculture, Fisheries and Forestry, Senator Joe Ludwig (the Minister) on 26 August 2011.³⁴ In addition to the work of these groups, the Farmer Review reported to the Minister on 31 August 2011.³⁵

4.35 In announcing the Government's response to the Farmer Review, the Minister indicated that, in addition to accepting all the recommendations made by the Review, the Government had also accepted the recommendations provided by the Cattle and Sheep Industry-Government Working Groups.³⁶

4.36 The Minister noted that the reports recommended adapting and implementing a supply chain assurance framework to all markets for the export of Australian livestock, as well as addressing a number of domestic welfare issues. The Minister stated that the recommended reforms would be implemented to both domestic and

33 Mr Paul Morris, Department of Agriculture, Fisheries and Forestry, *Committee Hansard*, 10 August 2011, p. 61.

34 Australian Government, Action on live exports, new welfare assurances for livestock exports, p. 2, accessed at <http://www.liveexports.gov.au/news>, 5 October 2011.

35 Australian Government, Action on live exports, new welfare assurances for livestock exports, p. 2, accessed at http://www.liveexports.gov.au/_data/assets/pdf_file/0005/1957316/factsheet-lae-210711.pdf, 6 October 2011.

36 Media Release, Senator the Hon. Joe Ludwig, Minister for Agriculture, Fisheries and Forestry, *Gillard Government reforms live export trade*, DAFF11/240L, 21 October 2011, p. 2.

international supply chains "to ensure Australian livestock exported for slaughter are treated at or about internationally accepted animal welfare standards".³⁷

4.37 It is proposed that the new framework will be phased in over a period of time, and implemented in stages. It is anticipated that 75 per cent of trade will be covered by the new framework by February 2012 and for all trade to be covered by the end of 2012.

4.38 Under the new framework, all Australian exporters will be required to ensure:

- animals will be handled and processed at or better than the internationally accepted standards for animal welfare established by the OIE;
- they have control of the movement of animals within their supply chain;
- they can trace or account for animals through the supply chain; and
- they can conduct independent verification and performance audits of their supply chains again these new requirements.³⁸

Response to the supply chain assurance system

4.39 Animals Australia and RSPCA have expressed qualified support for the supply chain assurance system, stating that three years ago the two organisations had proposed a similar approach. Ms Neil, RSPCA Australia, told the committee that:

The assured supply chain that the industry is now working on is giving traceability, it is ensuring animals are only going to facilities that meet particular standards and requirements, and it provides some accountability and monitoring. The RSPCA has also been talking about this: if animals are going to be exported to overseas countries, we have a responsibility to ensure their welfare is protected. We believe that an assured supply chain, a closed loop system—whatever kind of control system—is really the only way to do it. We wrote to members of parliament at the beginning of December following The 7.30 Report, where Lyn highlighted the most recent issues in Kuwait. We wrote to every senator and MP in this House urging them to support and advocate for the rapid adoption of closed systems across our importing countries.³⁹

37 Media Release, Senator the Hon. Joe Ludwig, Minister for Agriculture, Fisheries and Forestry, *Gillard Government reforms live export trade*, DAFF11/240L, 21 October 2011, p. 2.

38 Media Release, Senator the Hon. Joe Ludwig, Minister for Agriculture, Fisheries and Forestry, *Gillard Government reforms live export trade*, DAFF11/240L, 21 October 2011, pp 2-3.

39 Ms Heather Neil, RSPCA Australia, *Committee Hansard*, 10 August 2011, p. 15.

4.40 Ms Neil also stressed that "the proof of the new system and whether it works will be measured not in these first few consignments going to facilities supplying the cold supply chain but indeed in those consignments in 6 to 12 months time".⁴⁰

4.41 However, Animals Australia and RSPCA expressed some concerns about the implementation of the system. First, they noted that it is not clear what range of information will be made publicly available about the performance of the system. Second, they expressed concern about the use of third-party auditors to assess compliance with the standards. Ms Neil said:

We are a little bit concerned at the moment that the auditors being used in Indonesia may or may not know an awful lot about animal handling and slaughter. For them to in fact do things like count animal vocalisations or other issues that are highlighted in the regulatory framework that is now available, does take some training.⁴¹

4.42 Finally, they expressed disappointment that the new system still permits slaughter of fully conscious animals and does not mandate pre-slaughter stunning.⁴²

4.43 However, MLA told the committee that there are global auditing firms currently already operating in Indonesia with the necessary expertise to undertake the required audits. Dr Barnard told the committee:

There are global auditing firms currently in operation in Indonesia—firms like SAI Global and SGS or affiliates of SGS. The supply chains that have been audited so far have used those local firms with some independent expertise in the veterinary area. In answer to your question there are audit firms currently with operations in Indonesia that can undertake the tasks specified by the new regulations.⁴³

Industry-government cooperation to develop supply chain assurance program

4.44 The committee notes that the supply chain assurance system appears to address many of the concerns raised by some submitters to the inquiry. For example, the WA Beef Council (WABC) commented that "it is critical that Government finalises a considered set of live export standards that include animal welfare requirements both pre-embarkation and post-embarkation and that these are, transparent and effectively communicated to all sectors of the livestock industries". WABC argued for reviewed standards that incorporate the application of quality

40 Ms Heather Neil, RSPCA Australia, *Committee Hansard*, 10 August 2011, p. 10.

41 Ms Heather Neil, RSPCA Australia, *Committee Hansard*, 10 August 2011, p. 15.

42 Ms Heather Neil, RSPCA Australia, *Committee Hansard*, 10 August 2011, pp 10 and 15.

43 Dr Peter Barnard, Meat and Livestock Australia, *Committee Hansard*, 4 August 2011, p. 25.

system principle, processes that are verifiable, and a requirement for third party assurance and traceability.⁴⁴

4.45 Similarly, in its submission to the inquiry, the Australian Veterinary Association (AVA) stressed the importance of regulating compliance and enforcement through auditing, independent oversight and the possibility of suspension and withholding of export permits. The AVA also supported a requirement for exporters to demonstrate that there is no 'leakage' of animals from the chain. The AVA also supported the electronic traceability of animals from preparation on-farm to immediately post-slaughter.⁴⁵

Progress in establishing supply chain assurance

4.46 The committee also notes the high level of cooperation between industry and government in developing the supply chain assurance program and widespread support for it. MLA described for the committee the pace at which the industry was responding to the new requirements:

The commercial sector is investing significant amounts of their own money to bring their own supply chains through different layers of standards, as you have just described, to put themselves in a commercial position to maintain business with Australia. Because of that, and because of the rapid rate at which those commercial operators are investing their own funds, it is difficult to give you an answer about who, right here and now, sits in what category or in what band and hence what percentage of animals fall within those bands and what socialised funding is required over and above the commercial funding that is being invested at the moment.⁴⁶

4.47 The committee heard that MLA has had a team of officers working within the Indonesian abattoir system since 30 May 2011. The team will help prepare for the new regulatory arrangements and provide support in the implementation of appropriate welfare standards through training, inspections, infrastructure upgrades and technical support in slaughter techniques. The CCA told the committee that "the highly ambitious supply chain assurance program that is being implemented would be extremely difficult to achieve if it was to commence from day one without established relationships in place."⁴⁷

4.48 MLA and LiveCorp told the committee that they, together with Australian exporters and the CCA, have met with Asosiasi Produsen Daging and Feedlot Indonesia [the Indonesian beef producer and lotfeeders association] (APFINDO) to discuss a priority list of 34 abattoirs that will be upgraded to meet OIE standards.

44 Western Australian Beef Council, *Submission 299*, pp 1-2.

45 Australian Veterinary Association *Submission 281*, p. 3.

46 Mr Scott Hansen, Meat and Livestock Australia, *Committee Hansard*, 4 August 2011, p. 23.

47 Cattle Council of Australia, *Submission 118*, p. 6.

They stated that consultation between the Australian and Indonesian Governments and the Australian and Indonesian industries will be essential to finalise this list.⁴⁸

Impact on relationship with Indonesian Government and industry

4.49 The Australian Livestock Exporters' Council (ALEC) told the committee that since the introduction of the new regulatory framework, the number of abattoirs meeting OIE guidelines in Indonesia was growing rapidly as exporters, Indonesian feedlotter and abattoirs worked together to develop OIE compliant supply chains. ALEC advised the committee that since the reopening of the trade, new cattle arriving in Indonesia were required to be processed through "agreed third party audited supply chains".⁴⁹ While ALEC said that it was not publicly known how many abattoirs had been audited and are part of the approved supply chain, it estimated the number would be in excess of 20.⁵⁰

4.50 Dr Barnard told the committee that as a result of the introduction of the supply chain assurance system, about 80,000 cattle are now going to move through facilities that use stunning. He told the committee:

That is as of today. That is 80 [000] over 500 [000]. I cannot do the maths, but those are the sorts of percentages that we are looking at in terms of stunning. There will be a reasonably rapid rollout of the mark IV boxes, I believe, by commercial players over the next couple of months. I could not give you a percentage figure on that second area, but that would give you an order of magnitude for the numbers that we are currently dealing with.⁵¹

4.51 He went on to state:

There is a new playing field that is being set out there. The playing field that everybody was operating on until early May was one of continual improvements in animal welfare standards. Now it is about meeting OIE standards, and commercial players understand that and they are rapidly moving to meet the new regulations.⁵²

4.52 MLA told the committee that its working relationship with the Indonesian government and the Indonesian commercial supply chains had not suffered as a result of the temporary suspension of the trade to Indonesia. Mr Hansen stated that:

48 Meat and Livestock Australia and LiveCorp, *Submission 315*, p. 65.

49 Australian Livestock Exporters' Council, *Answers to Questions taken on Notice* at 4 August 2011 hearing.

50 Australian Livestock Exporters' Council, *Answers to Questions taken on Notice* at 4 August 2011 hearing.

51 Dr Peter Barnard, Meat and Livestock Australia, *Committee Hansard*, 4 August 2011, pp 23-24.

52 Dr Peter Barnard, Meat and Livestock Australia, *Committee Hansard*, 4 August 2011, pp 23-24.

The Indonesian government and the Indonesian commercial supply chains continue to see the benefits of having our contractors work with them on making the improvements necessary in animal welfare.⁵³

4.53 Similarly, Mr Finucan explained that:

There were a few nights when—because of the sensitivities here in Australia with the market closure and some of the confusion in the market—we kept our teams out of the field, just for safety, but we were quickly welcomed back with open arms to come back and help. It was not an issue. We took a precautionary measure just to hold people out of some of the abattoirs some nights ...⁵⁴

4.54 MLA and LiveCorp told the committee that an important task in the implementation of the new system was the ongoing liaison and consultation with Indonesian Government officials, commercial operators in Indonesia and with Indonesian religious authorities. MLA and LiveCorp see a continuing role for themselves in this regard, in conjunction with the Australian Government.⁵⁵

Costs of improving animal welfare standards

4.55 A number of industry witnesses expressed concern about the significant costs to the industry associated with the implementation of the new system. MLA and LiveCorp told the committee that the system imposes a significantly increased regulatory burden on the livestock trade. However, both MLA and LiveCorp stressed that they were committed to assisting supply chains to comply with the new policy and noted that it is a major advantage of the system that, in future, only non-compliant supply chains will be closed.⁵⁶

4.56 LiveCorp told the committee:

We accept the government's policy on animal welfare in the live export industry has shifted from one of continuous improvement to rapid implementation of OIE guidelines within livestock supply chains. These new arrangements pose significant regulatory burdens and costs on our members. LiveCorp is committed to supporting exporters to develop these high-quality, branded supply chains. Clearly, influencing the treatment of livestock in more than 29 overseas countries, each with a diverse history, laws and religious practices, is a complex challenge and the shift will take time. We are working with the government, primarily DAFF, to implement realistic timetables for the new arrangements.⁵⁷

53 Mr Scott Hansen, Meat and Livestock Australia, *Committee Hansard*, 4 August 2011, p. 24.

54 Mr Michael Finucan, *Committee Hansard*, 4 August 2011, p. 24.

55 Meat and Livestock Australia and LiveCorp, *Submission 315*, p. 66.

56 Meat and Livestock Australia, *Committee Hansard*, 4 August 2011, p. 19 and 14 September 2011, p. 41.

57 Dr Roly Nieper, LiveCorp, *Committee Hansard*, 14 September 2011, p. 41.

4.57 ALEC told the committee that the costs to the industry ranged from infrastructure, such as the deployment of pre-slaughter stunning equipment, to regulatory costs, such as those associated with the new audit and traceability requirements. Mr Lach MacKinnon, Chief Executive Officer, ALEC, told the committee that he expected the costs to the industry of implementing the supply chain assurance system would be in the order of \$20 million over the next few years. He said:

Industry understands that we are going to have to comply with what is being set down and we understand that we are going to have to work with the regimes that have been set down. But, obviously, under the current financial strains—whether it happens to be where the dollar is or happens to be the ways in which other countries operate their agricultural systems—this regulatory burden, this infrastructure, the systems that we are going to have to set up, is something that we do not believe industry should have to bear, especially under the current pressures.⁵⁸

4.58 Mr McKinnon also told the committee that ALEC was proposing that consideration be given to using part of Australia's foreign aid budget to meet some of the costs associated with rolling out the new system. ALEC's Chairman, Mr Peter Kane, told the committee that some of Australia's live export markets are not countries that Australia currently provides aid to:

So in some of those markets we would be looking for the government obviously to find their funds outside the foreign aid budget. I am not quite sure what that means, but clearly Indonesia is one of those markets where Australian foreign aid is provided; in the Middle East it is not the case.⁵⁹

4.59 AACo also supported the proposal that the foreign aid budget be used to fund infrastructure and assist our overseas trading partners. At the Darwin hearing Mr Troy Setter submitted that it was appropriate to meet these costs from the foreign aid budget:

It is a great way of helping our neighbouring countries, with a benefit to the communities, the businesses and the environment in Australia. I think it would be a win-win for Australia and the country that we are investing in by using that foreign aid budget. I certainly see that it is a much more productive method of giving in-market support and market development growth that has impact on Australian businesses rather than just getting cash.⁶⁰

58 Mr Lach MacKinnon, Australian Livestock Exporters' Council, *Committee Hansard*, 4 August 2011, p. 5.

59 Mr Peter Kane, Australian Livestock Exporters' Council, *Committee Hansard*, 4 August 2011, p. 5.

60 Mr Troy Setter, Australian Agricultural Company Pty Ltd, *Committee Hansard*, 4 August 2011, p. 32.

4.60 The committee was also told that MLA had put together a budget of \$9 million to implement the new system. Dr Barnard indicated:

That involved putting a lot of animal welfare people up there to help supply chains come to grips with the new standards. It was about explaining the new standards, because they are foreign to them. It was about doing gap analyses—the gap between where they are currently and what they have to do to meet the new standards. It was about helping them with design. It was about researching new stunning boxes and so on to suit the market. It was about traceability systems. It was about a suite of measures to assist the market come to grips with the new regulations. But very little of that money was going to be spent on actual infrastructure.⁶¹

Committee view

4.61 The committee notes that responsibility for ensuring adherence to appropriate animal welfare standards throughout the Australian live export trade has always been shared and has relied on a high level of cooperation between all those involved in the industry. This is particularly the case in relation to the welfare of animals once they move past the point of disembarkation.

4.62 Strictly speaking, the welfare of Australian animals beyond the point of disembarkation has not been the responsibility of any Australian party in the past.⁶² Both the Australian Government and MLA and LiveCorp have emphasised during this inquiry that they do not have any formal responsibility for the welfare of animals post arrival within Australia's live export markets.

4.63 Despite this lack of formal responsibility, the committee notes that vast amounts of resources, both financial and physical, have been devoted to initiatives over a long period of time, through what the export industry has characterised as an incremental response to animal welfare concerns, built on an understanding of the range of factors that influence animal welfare practices within importing countries.

4.64 The committee notes that, in Indonesia in particular, the prevalence of traditional slaughter practices and the lack of an educated workforce, limited understanding of animal handling techniques and the great variability in the availability of both capital and infrastructure, have posed significant challenges.

4.65 Members of this committee have followed the progress of these initiatives through the Senate Estimates process and had formed the view that the Australian Government, MLA and LiveCorp were monitoring and evaluating the effectiveness of these programs and were making steady gains toward better animal welfare outcomes. However, evidence received during this inquiry suggests that this impression may not

61 Dr Peter Barnard, Australian Livestock Exporters' Council, *Committee Hansard*, 4 August 2011, p. 24.

62 Mr Paul Morris, Department of Agriculture, Fisheries and Forestry, *Committee Hansard*, 10 August 2011, p. 61.

have been entirely accurate. The committee is concerned that the Australian Government and peak industry bodies were not better informed about the potential risks to the industry in the event that animal welfare standards were not being effectively managed within Australia's export markets.

4.66 The committee is particularly concerned that initiatives such as the Mark I restraint box and associated training programs appear to have achieved mixed success in securing improved animal welfare and, in some circumstances, may well have exacerbated existing problems. The committee finds this particularly sobering given the cost of installation of these boxes.⁶³ The committee is also concerned that recognition of the limitations of these initiatives appears to have been slow coming.

4.67 The committee welcomes the imposition of a ban on the installation of Mark I boxes by the Australian Government. The committee notes that the Mark I box was designed prior to the development of the OIE code. While the committee recognises the context in which this technology had its genesis, it accepts that the use of these boxes now falls well short of OIE requirements. The susceptibility of the box to suboptimal operation together with poor animal handling techniques to the detriment of animal welfare means there is no question that this technology must now be discontinued.

4.68 The committee notes that the Mark IV box represents a significant improvement on the Mark I box and that it is now being more widely deployed throughout Indonesia.

4.69 However, the committee notes the CVO's observation that it is not clear that performance standards have been developed and implemented for the Mark IV box as required under the OIE Code. The committee recommends that if such performance standards have not yet been developed for the Mark IV box, that they be developed as a matter of priority. The committee also recommends that the CVO accept responsibility for the oversight of the regular assessment of both the performance standards for the Mark IV box, the effectiveness of their implementation and the associated impact on animal welfare outcomes.

Recommendation 2

4.70 The committee recommends that Meat and Livestock Australia and LiveCorp ensure that performance standards, in accordance with Article 7.5.2.1.g of the World Organisation for Animal Health (OIE) Code, are developed and implemented for the Mark IV restraint box as a matter of priority.

Recommendation 3

4.71 The committee recommends that the Chief Veterinary Officer oversees the regular assessment of the performance standards for the Mark IV restraint

63 Mr Robert Sutton, LiveCorp, *Committee Hansard*, 14 September 2011, p. 42.

box, the effectiveness of their implementation and the associated impact on animal welfare outcomes.

4.72 The committee also welcomes the recent impetus given to the facilitation of pre-slaughter stunning at further abattoirs in the export supply chain. The committee considers that regardless of whether stunning is required by the OIE Code, Australian exporters should work toward the acceptance of stunning as best practice in Australia's live export supply chains.

4.73 The committee welcomes the Australian Government's recognition that it needs to play a more active role in the oversight of Australia's live export market past the point of disembarkation in an importing country. The committee is concerned that for too long, the Australian Government has placed too much reliance on peak industry bodies to manage animal welfare issues in our export markets without appropriate oversight of the effectiveness initiatives being undertaken, often with significant Commonwealth funding.

4.74 The committee particularly welcomes the initiatives to impose a greater level of accountability, traceability and transparency on exporters for the welfare of Australian livestock right up to the point of slaughter. The committee hopes that through this, the Australian Government, the Australian Parliament and the Australian public will be assured that appropriate animal welfare practices are maintained for Australian livestock in importing countries.

4.75 The committee shares the concerns of some submitters that it is not clear how much information will be made public about each supply chain. The committee considers that the availability of accurate and timely information about Australia's live export supply chains will contribute to the long term sustainability of the industry. The committee accepts that commercial realities will dictate that the specific terms of contractual arrangements should not be made public. The committee recommends that, in consultation with the industry and animal welfare groups, the Australian Government should clarify the range of information that will be made public, the form in which it will be published, and the frequency.

Recommendation 4

4.76 The committee recommends that the Australian Government, in consultation with the Australian live export industry and key peak animal welfare groups, clarifies the range of information relating to compliance with the supply chain assurance system that will be made public, the form in which this information will be published and the frequency with which it will be published.

4.77 The committee strongly supports an expectation of full traceability of animals from farm gate to the point of slaughter. Members of this committee have long advocated making the NLIS mandatory. The committee considers that the NLIS has such significant benefits in relation to biosecurity, meat safety, product integrity and market access that it should be mandatorily applied across the beef industry.

4.78 The committee is disappointed that the supply chain assurance system falls short of implementing the NLIS as a mandatory national system. No doubt the current requirement reflects the need to achieve immediate buy-in from all sectors of the industry. However, the committee would like to see this current requirement strengthened over time to ensure the mandatory application of a uniform, electronic traceability system. The committee considers that the NLIS provides an effective basis for such a system.

Recommendation 5

4.79 The committee recommends that the Australian Government continues to work with the Australian livestock industry toward the implementation of a mandatory national permanent lifetime livestock traceability system.

4.80 The committee notes that the supply chain assurance program focuses on each individual supply chain. Failure to comply with the requirements could result in closure of a supply chain, with significant flow on consequences for employees and local communities. This will hopefully provide an incentive for abattoirs to adopt good animal welfare practice. However, the committee would like to impress upon the Australian Government and the live export industry, the importance of identifying positive incentives for improved practice in addition to the threat of closure. During this inquiry the committee heard evidence that emphasised that practices that support good animal welfare also contribute to improved product quality and processing facility throughput.

4.81 The committee also notes the concerns raised by industry about the significant cost of compliance with the new regulations and supports the proposal that consideration be given to using a proportion of Australia's aid budget to facilitate the transition to the new system through the provision of training and infrastructure.