



8 September 2020

Mr Ross Carter
Inspector-General of Live Animal Exports
Department of Agriculture, Water and the Environment
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By email: iglae@agriculture.gov.au

Dear Mr Carter

Re: Implementation of Moss Review recommendations

The Australian Livestock Exporters' Council (ALEC) is a member-based, peak industry body representing Australia's livestock export sector which contributes over \$1 billion in export earnings annually while employing 13,000 mainly regional Australians. ALEC provides strategic direction to the industry, sets industry policy and represents Australia's livestock export trade in Australia and internationally.

ALEC members account for more than 96 per cent of Australia's annual livestock exports, by volume and value. ALEC's membership also extends to supply chain participants including registered premise operators, ship owners, feed suppliers and other service providers to the trade. ALEC therefore appreciates the opportunity to provide comment into the review of the Department of Agriculture, Water and the Environment (DAWE) implementation of the *Review of Regulatory Capability and Culture of the Department of Agriculture and Water Resources in the Regulation of Live Animal Exports* (Moss review) recommendations.

The COVID-19 pandemic has shown that the livestock export industry is one of, if not the most resilient industries in the country. The industry has continued to operate near unfettered through this whole period and proven to be the essential and robust industry that it is. All without government assistance or stimulus. Despite this, the industry is faced with the prospect of dramatically increased government fees and charges as cost recovery arrangements are reviewed in lockstep with diminishing regulatory service levels.

Notwithstanding, the ongoing sustainability and community acceptance of the livestock export industry is reliant on continual improvement in industry practices and transparency, and the competent and proficient regulation of the industry by the department.

As a sector, the livestock export industry is one of the few in agriculture that is 100 percent exposed to the export market, and therefore 100 percent exposed to its regulation. Overall, the livestock export industry (industry) is concerned with the significant increase in regulatory burden as a result of implementing the Moss Review recommendations. This is on top of the >\$40m increase in regulatory burden soon to be

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experienced by the sector with the implementation of the Australian Standards for the Export of Livestock (ASEL) 3.0 on 1 November 2020. Such increases in regulatory burden will have a significant impact on the commerciality of parts of the sector, particularly considering the industry runs on incredibly tight margins and exporters bear considerable financial risk with each shipment. Consequently, poor, unfair and unnecessary regulatory outcomes only heighten that financial risk which may be an inhibitor to trade.

Mounting regulatory burden without discernible improvements to animal welfare fails to recognise the critical importance of the industry to the broader livestock production sector, an industry that was valued at \$1.8 billion in 2018-19, representing approximately 10% of all red meat export receipts. Changing regulations that add millions of dollars of costs to the industry, significantly reducing the price able paid to Australian producers for their livestock, should only be considered where there is convincing demonstrable benefit. Based on all the information available to ALEC, such benefit does not exist.

1. Recognition of performance

- *Relevant to Moss Review recommendations: 1 & 4*

The monitoring and reporting undertaken on livestock export vessels should be better utilised to establish exporter performance. Good performance can then be rewarded, thereby incentivising it.

ASEL 3.0, set to be implemented on 1 November 2020, significantly reduces the number of livestock able to be loaded on vessels and aircraft. For example, from 1 November 447 less 330kg cattle will be able to be loaded on commonly used G Class vessels. Delivery rates achieved by the industry for voyages to South East Asia are already exemplary. In 2019, more than 650,000 head of cattle were exported to Indonesia with 99.96% (0.04% mortalities) of cattle exported arriving safe and well. In fact, since 2015 over 3 million head of cattle have been exported to Indonesia achieving a delivery rate of 99.95% (0.05% mortalities). It is similar in Vietnam, where the over 1.1m head of cattle exported since 2015 have achieved a delivery rate of 99.83% (0.17% mortalities).

The imposition of such disproportional regulation leads to the following questions:

- Why has DAWE seen fit to significantly reduce the stocking density for cattle onboard vessels to SEA, Indonesia in particular as Australia's largest market by far, when performance is already excellent?
- If a long-term delivery rate of 99.94% (0.06% mortalities) is considered an unsatisfactory performance benchmark by DAWE for cattle exports to Indonesia, what performance level is being sought?
- Of a long-term average voyage mortality of 0.06%, what proportional improvement is DAWE seeking from:
 - Decreasing stocking density?
 - Increasing time in Pre-Export Quarantine?
 - Increasing the number of stockpersons onboard?



These are the questions rightly being asked by industry, particularly given the substantial cost implications. For the 12 months to June 2020, more than 880,000 head of cattle were exported from the three northern ports of Darwin, Townsville, and Broome, with almost all being exported to South East Asia (SEA). This represents almost \$1.0bn in value with an estimated 50% retained at the “farm-gate” by the northern Australia cattle producer (*Value analysis of the Australian Live Cattle Trade, November 2018, Mercado*).

While costs will vary between exporters and vessels used, exporters have indicated additional costs of approximately \$50 per head directly as a result of additional ASEL 3.0 requirements. Extrapolating across the 880,000 head exported from our northern ports, this will be an additional \$44m that industry must absorb. This includes reduced stocking densities, extra days at registered premises and carrying additional feed supplies during voyages.

The incongruity to the way the ASEL Technical Advisory Committee (TAC) considered and rationalised stocking density decisions and recommendations, particularly for short-haul cattle exports would have been highlighted, questioned and interrogated had a full Regulatory Impact Statement process been undertaken. The true cost and regulatory burden of ASEL 3.0 on industry would have also been brought to the fore.

Industry contends that this unjust imposition is due to the regulatory shift following the single event, the Awassi Express, which is completely irrelevant to cattle exports to Indonesia. Regulation in this circumstance far outweighs any perceived risk and therefore does not come close to justifying the cost. ALEC has put these arguments to DAWE repeatedly through the numerous consultative processes prior to the implementation of ASEL 3.0. Until recent roundtable meetings between DAWE and industry (roundtable meetings), these arguments had largely been ignored. The roundtable meetings have, however, been constructive and there is hope that some reasonable and practical changes can soon be implemented to help ease at least some of the burden.

High performing longer voyages

Even for some longer voyages, mortalities and welfare incidents can be quite low due to the nature of the trade. For instance, the trade to China has been dominated by shipments of young *Bos taurus* breeder heifers. These are animals that experience few problems. More than 675,000 cattle were shipped to China between mid-2004 and the end of 2017, yet only 817 deaths were recorded, an average mortality rate of 0.12%. The obvious question is, in the absence of convincing scientific evidence (one might well say any scientific evidence) to support a dramatic reduction in stocking densities, why should densities change, particularly on trades that are performing well?

The increasing regulatory cost is seeing loss of breeding livestock trade market share to Australia’s competitors, namely New Zealand, Chile, and Uruguay. All of whom are now exporting record numbers and embracing the market opportunity for farmers in their respective countries. The implementation of ASEL 3.0

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will add further significant increases in regulatory costs in what is already an uncompetitive environment in Australia.

Alternative pen space allowance

The alternative pen space allowance provided by DAWE increases the allowable stocking density, but still to below current levels under ASEL 2.3 for lighter cattle. Even so, the performance benchmarks set by DAWE to access the alternative pen space allowance are typically unachievable in domestic livestock transport, even though these other modal journeys are of shorter duration, and in intensive cattle operations generally. One such performance benchmark to access the alternative pen space allowance is having to attain a mortality rate of 0.05%, which is about **one-sixth** of the excellent performance achieved by Australian feedlots.

Even the alternative pen space allowance will impose significant costs for the limited opportunities it can be accessed. Changing regulations that add millions of dollars of costs to the industry, significantly reducing prices paid to producers, should require the existence of convincing confirmatory evidence. Based on all the information available to ALEC, such evidence does not exist. It would make greater sense, particularly for voyages to Indonesia, to allow the alternative pen spaces to apply by default and then penalise those exporters exhibiting poor performance through imposing the reduced pen stocking density.

While DAWE's initial consultation with industry resulted in some improvement to the alternative pen space allowance policy, further consultation was necessary for DAWE to better understand and define the potential for welfare benefit versus economic cost. The commercial ramifications of this regulatory decision are profound. The Indonesian market, for example, is highly competitive. The inability for an exporter to obtain or retain access to the alternative pen spacing allowance puts them in a distinct commercial disadvantage and in many circumstances would effectively put the exporter out of business. Thereby placing the consequence of not allocating alternative pen space allowance on an equal footing to cancelling an exporter's licence. Poor regulatory practice by any description.

The alternative stocking density will also not be accessible by new exporters, which will have the flow on effect of stifling competition and potentially contravening the Australian Government's competition policy. SEA live export markets are highly competitive, access to the alternative stocking density or otherwise will severely impact an exporter's competitiveness and therefore viability. It is fair to surmise that new entrants will be effectively barred from the Indonesian livestock export market. Increased costs in these markets could not come at a worse time with current high cattle prices and competition from Indian Buffalo Meat and Brazilian beef in Indonesia putting significant commercial strain on live cattle importers.

The roundtable meetings raised earlier are progressing this issue in earnest, where it is hoped that a more practical, proportional and reasonable approach will soon be delivered.

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Sheep exports

The necessity of reassessing the regulatory approach is even more compelling when considering the long-term decline in the rate of mortality for sheep during live export, noting the Awassi Express incident initiated the regulatory shift in the first place. Mortality rates have declined from around 2.5% in the mid 1990's, to less than 1.0% in 2011 and 0.53% in 2018. Sheep export performance to the Middle East has significantly improved with an average delivery rate of 99.79% (0.21% mortalities) achieved in 2019 following the implementation of new ASEL requirements in May, which is bettered by performance thus far in 2020.

Similar questions for DAWE raised above also apply here. At what point will performance of sheep exports be considered satisfactory by DAWE. ALEC contends that sheep export performance has exceeded regulatory and community expectations. The current burdensome and costly requirements need to now be reassessed, or at least scientifically justified if they are to remain.

Reassessment is also required in the wake of the regulatory processes surrounding the Rural Export and Trading (WA) Pty Ltd (RETWA) application to sail the COVID-19 stricken MV Al Kuwait during the Northern Summer Moratorium. DAWE's prolonged decision-making process is reminiscent of the regulatory delays experienced by RETWA in May 2019, following Animals Australia's 700+ page submission to DAWE seeking to stop the issuance of an export permit, for what ended up a highly successful voyage.

The weight given by DAWE to information provided by known third party opponents of the livestock export industry and how that information may unduly influence and delay regulatory decisions is a significant concern and needs review. Particularly considering the application process does not invite third party submissions. These are submitted by parties of their own initiative and contain the same information already considered by the department during defined consultation processes.

Air transport

Yet another example of insufficient justification or technical support for changes in ASEL 3.0 is the rounding used when calculating loading numbers for air transport consignments. The change in rounding from n.5 to n.7 will cost exporters more than \$50 per head for breeding heifers, and more than US\$25,000 per charter, with no discernible improvement to animal welfare likely or expected.

The same applies to the imposition of additional loading plenties for pregnant animals, which fails to recognise that the animals are only transported by air for very short periods of time, with many shipments only 5 to 10 hours in duration. ASEL 2.3 was already recognised as the strictest in the world and delivered exceptional results for livestock exported by air. No change was necessary.

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2. Powers and responsibilities between the central office and the regional offices

- *Relevant to Moss Review recommendations: 2, 13 & 26*

There continues to be a lack of clarity between the powers and responsibilities of the Canberra central office and the regional offices, particularly with regard to the administration of Approved Arrangements (AA). ALEC exporter members are best placed to observe the substantive differences in how registered veterinary officers (RVOs) operate between regions, considering the same AA can be used in different ports and receive very different outcomes. Industry's experience and therefore confidence in the ability of RVOs to make reasonable decisions on veterinary matters for a consignment is low. This leads to substantial frustration, considering the significant consequences that such decisions can have for a consignment, a business and trading relationships.

There is insufficient accountability to ensure regional inspections are reasonable, efficient and not duplicative, particularly given the costs of the inspections. This leads to concerns of over engagement by regional staff to rectify cost recovery shortfalls by deriving more income per consignment. This issue fundamentally comes down to a lack of confidence that there are appropriate structures of accountability in place to ensure that operational regulatory oversight is as efficient as possible. With cost recovery purported to increase, this is a particular concern and better accountability is necessary before any increase in fees and charges could be justified or warranted.

3. Animal welfare indicators

- *Relevant to Moss Review recommendations: 3 & 24*

ALEC supports a move to risk assessment based on measures of animal welfare rather than mortality, as has historically been the case. However, before animal welfare indicators can be used as an effective and appropriate regulatory measure, the significant research being undertaken to better understand the diverse range of reactions animals have to changing conditions and how these can usefully and consistently be interpreted needs to be completed. Until then, mortality which is unambiguous, robust and been consistently recorded across most animal production systems as a performance measure must continue to be used.

While this means DAWE's implementation of relevant Moss Review recommendations has subsequently been delayed, there is no benefit in blindly forging ahead without this important work being completed.

Voyage mortality results still represent the best bank of evidence available on the success or otherwise of prevailing regulatory requirements and, consequently, should be the key reference point in any consideration of changes to requirements. The value of mortality data should not be diminished in any way, particularly considering other sectors, such as work health and safety, road transport and human health, all use mortality as the key measure of success.

Progress is, however, occurring. A committee comprising animal welfare experts, veterinary epidemiologists, statistical experts, industry and DAWE participants and those with practical knowledge of the onboard environment has been established by the live export industry. The purpose of this committee is to advise on a small set of onboard animal welfare indicators that meet the needs of the regulator and any additional needs of industry, in addition to consistent, standardised procedures for collecting this data.

Robust, reliable and credible data on animal welfare outcomes onboard live export vessels will enable verification by the regulator that requirements for animal welfare outcomes onboard live export voyages, as prescribed in regulation, were met; and to conduct appropriate investigations in circumstances where prescribed outcomes were not met. It will also enable transparent reporting of animal welfare outcomes onboard live export vessels to the community.

4. Regulatory performance

- *Relevant to Moss Review recommendations: 5, 9, 10, 17, 21, 22, 23, 25, 27, 28, 30 & 31*

Culture

DAWE's regulatory approach has changed substantially since the Awassi Express incident in 2018. The scrutiny of the industry and its regulator that followed resulted in a substantial turnover of regulatory staff, leaving the regulator bereft of industry practical understanding. This appears to have impacted the culture within the regulator, shifting from a collaborative approach to a command and control approach that is more focused on faults in paperwork, than measures and controls that demonstrate outcomes.

The Awassi Express incident served to highlight a need for improved regulatory consideration of the comprehensive monitoring and reporting undertaken onboard vessels, not an entire change of regulatory approach for all markets and species. This need for improvement has since been addressed, with industry's improved practices and transparency and Independent Observers (IO) all playing their part.

The livestock export industry has shown a willingness and demonstrated ability to proactively self-impose initiatives designed to manage risks to the industry, as evidenced by the Malaysian Korban ban, the northern hemisphere summer sheep moratorium and Vietnam control and trace measures for example. These initiatives are implemented following rigorous internal debate and discussion and highlight industry's commitment to a sustainable and successful future. It is important, however, that these initiatives are recognised by DAWE as being implemented in good faith, in that DAWE can look to momentarily implement as regulation with a scheduled review, not as a regulatory starting point.

Ineffective consultation

Consultation by DAWE is unfortunately now seen by exporters as a box ticking exercise, rather than a genuine attempt to understand industry concerns with proposed regulatory requirements. Recent



consultation processes for ASEL, its implementation and the Heat Stress Risk Assessment are examples where industry's concerns have been repeatedly ignored. Stakeholder consultation should be a two-way discussion to ensure that regulation can be effectively and practically implemented.

These concerns should not be perceived as coming from an industry that is opposed to regulation, as this is not the case. It is, however, more accurate to describe industry as adverse to inefficient and ineffective regulation that does not consider the practicality or ramifications of measures being implemented, particularly when DAWE's role is to support trade. DAWE's recently initiated review into southern Bos Taurus cattle exports to China discussed later in this submission is a case in point. Industry seeks better regulation in place of more regulation.

Benchmarking against other regulators

Risk is present in every facet of daily life, yet distinctly missing from DAWE's regulatory stance on livestock exports. Zero risk is an unattainable goal and only really sought after by those that would prefer to see the livestock export industry phased out. All regulators need to incorporate risk into their regulatory decisions and nearly all do. ALEC recommends that DAWE liaise with other regulatory bodies, such as the Australian Pesticides and Veterinary Medicines Authority (APVMA), to better understand the concept of risk in a regulatory environment and how to use it to incentivise good regulatory behaviour.

Performance benchmarking is also necessary to ensure appropriate time allocation and associated costs. The recent roundtable meetings saw progress made by DAWE towards developing a performance benchmarks, the implementation of which should enable effective assessment and comparison of regulatory performance and trends. Further positive outcomes were achieved during the roundtable meetings in terms of resetting DAWE risk appetite, particularly regarding approved arrangements.

Systems and processes

The systems and processes used internally by DAWE appear to be predominately paper-based and archaic, which lends itself to being inefficient, slow and backwards-looking. This may be as a result of a lack of investment by DAWE into information technology solutions. Maintaining contemporary systems and processes is DAWE's responsibility and appropriated funding is therefore required to rectify the situation. It is hoped, following constructive discussions during roundtable meetings, that DAWE will more readily adopt technological solutions where feasible.

Enormous amounts of data are collected on live export voyages that only received minimal use. A benefit cost case should be made by DAWE before requiring any future additional data to be collected. Notwithstanding, if a benefit cost case can be made for the collection of some additional data, the data should be collected via the most efficient mechanisms available. The livestock export industry is firmly of the view that the Tracking Animal Certification for Export, or TRACE, system lacks intuition and is clunky to use.

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With the move towards using animal welfare-based measures for assessing performance of the live export industry, which inevitably involves greater levels of data collection, easier methods of data input and greater standardisation of data and better storage / access mechanisms are required. LiveCorp is currently in the process of streamlining the entry, storage and accessibility of live export data. The system being developed by LiveCorp, known as LIVEX-Collect, to streamline the entry, storage and accessibility of live export data. Such a system would best be used by all persons responsible for monitoring and reporting during livestock export voyages, industry as well as regulatory.

5. Animal welfare branch

- *Relevant to Moss Review recommendations: 6, 8 & 14*

Scientific assessment

The Animal Welfare Branch was established in October 2018 following recommendation 14 of the Moss Review. ALEC notes that DAWE deems the Animal Welfare Branch responsible for the ongoing development of ASEL, systems verification and broad stakeholder engagement. It also provides ongoing support for the effective regulation of animal welfare standards for live animal exports. This all seems to reflect well on DAWE implementation of this recommendation. In ALEC's view, however, the true purpose or scope of the Animal Welfare Branch has unfortunately become clouded. This is primarily due to a willingness to undertake scientific and statistical assessment that would be better undertaken by entities that have the requisite skills and experience, namely research and development corporations (RDC).

It is essential that regulatory decisions are practical and guided by robust research and evidence undertaken by recognised RDCs. This is extremely pertinent now as the global economy battles the impact of COVID-19, and even more so for our trading partners where these regulatory decisions have a real and tangible impact on their food security during these unprecedented times.

The Animal Welfare Branch assessments are negatively impacted by the inability, and unwillingness in some circumstances, to understand the impracticality of its outcomes and decisions. Negatively impacting the viability and sustainability of the industry it regulates. Interpreting Bureau of Meteorology data, assessing the potential for heat stress and defining criteria for accessing the alternative pen stocking density are all cases in point.

The recently initiated review into southern Bos Taurus cattle exports to China is also a key example. The rationale of undertaking a review is difficult to understand where relevant recommendations from the ASEL TAC are yet to be implemented, and ASEL 3.0 itself scheduled for implementation on 1 November which will satisfy remaining concerns. This is notwithstanding the geopolitical tensions between Australia and China at present, where presumably DAWE is wise enough to avoid unnecessarily further aggravating the situation as the consequences for Australia's broader agricultural export trade could be drastic. Perhaps consideration



should be given towards expanding the Animal Welfare Branch responsibilities to cover animal welfare from a department portfolio perspective, rather than solely the livestock export industry.

As raised earlier, the scientific and statistical assessment being undertaken by the Animal Welfare Branch should be contracted to competent entities, such as RDCs. This has the added benefit of more efficient and effective use of exporter levies, particularly noting DAWE's intention to cost recover the activities of the Animal Welfare Branch. Exporters already pay a statutory levy for research and development in addition to the fees and charges associated with exporting livestock. This means exporters will end up paying for research by an RDC through a statutory levy and again by the Animal Welfare Branch through fees and charges, and only one of those options can receive matched funding from government. It is therefore not unreasonable to describe the Animal Welfare Branch undertaking such assessments as double dipping.

Live Export Animal Welfare Advisory Group (LEAWAG)

LEAWAG was referenced liberally in the October 2019 DAWE implementation response to Moss Review recommendations as a consultative forum for industry, states and territories and other stakeholders. ALEC is concerned that DAWE have mis-interpreted recommendation 8 of the Moss Review. While DAWE recognises animal welfare (activist) organisation reports of perceived non-compliance and undertakes appropriate investigations with the support of exporters, this has very little to do with LEAWAG.

While LEAWAG may have served its purpose initially, its long-term value, standing and credibility is highly questionable. The only purpose the forum now serves is providing a platform for activist organisations to repeatedly raise their concerns with the trade seeking incrementally increases in industry regulation, while conveniently shifting the goalposts instead of recognising and accepting the significant animal welfare improvements achieved by the sector. As a result, the contribution to this forum from the broader industry is diminishing, if not diminished.

Activist organisations that participate in LEAWAG are opposed to the livestock export industry and openly campaign for its closure. The third-party oversight of export supply chains they undertake can be useful in identifying non-compliance. However, considering the intent of such organisations is to see the livestock export industry phased out as soon as possible, the integrity and veracity of the reported information must be verified, or at least questioned before regulatory action is undertaken. Elsewise, a market, or incentive is perpetuated when resulting regulatory action occurs without verification, whether it be sanctions or merely requests for data, as it impacts the viability, sustainability and reputation of the industry.

6. Approved Arrangements

- *Relevant to Moss Review recommendations: 7*

Approved Arrangements for livestock exports were introduced following a Regulatory Impact Statement process in 2015. The intent was to move from the existing prescriptive, consignment by consignment approval

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system to a more simplified livestock export certification process that reduced government intervention in individual export consignments, maintaining the integrity of the trade and reducing costs. In addition to livestock exports, approved arrangements have been successfully implemented in agricultural export commodities such as meat, dairy, egg and fish.

Approved Arrangements achieve greater efficiency and reduce costs for both government and industry by reducing duplication, as well as placing more responsibility and accountability on exporters to meet the requirements for livestock exports. The intention of Approved Arrangements was to allow the focus of DAWE's role to shift to one of risk management, informed by exporter performance, audit and verification. Approved arrangements also allow DAWE's officers to step away from the hands-on management of each consignment to a role assessing an exporter's business operations to compliantly export livestock.

Approved Arrangements were framed as a quality assurance framework that would encourage the identification and rectification of issues proactively (i.e. demonstrating an effective assurance system). This has been lost, and that the identification of a problem is likely to result in punitive action and be viewed poorly against an exporter, rather than positively against the effectiveness of their system. The following are issues with the administration of Approved Arrangements scheme considered by exporters as undermining the regulatory approach:

- Disconnect in expectations between DAWE and exporters on outcomes of Approved Arrangements.
- Re-introduction of industry level application of compliance responses.
 - A compliance matter with one exporter is resulting in compliance action being applied to all exporters (regardless of performance). For an industry with such diversity in business structures and operations such a blanket approach is unfair and inappropriate.
- Re-introduction of consignment-based regulation, and loss of systems-based regulation.
 - DAWE has reverted to a more time consuming and onerous model that is inconsistent with the regulation of other agricultural commodities.
- The regulator is looking for any issue, rather than focusing on the outcomes.
 - The regulator has reverted to a regulatory approach focused on the micro-management of the consignment approval process, rather than regulating at the systems level as Approved Arrangements is intended to support. This has degraded to a level where conflicting and contradictory directions are being provided to exporters by different regulatory officers.
- Lack of clarity about powers and responsibilities between the central office and the regional offices.
- Poor communication and rapport between the regulator and exporters.
 - The level of communication between the regulator and exporters has declined, as has the regulators practical understanding of the industry. This is likely associated with the substantial changeover in staff from those that were present when Approved Arrangements were introduced.
- Policies implemented without review date or sunset clauses.



The raising of these concerns with DAWE led to the formation of a working group to collate and consider issues and recommend solutions. This has since been followed by the roundtable meetings with positive and constructive progress achieved. Change is, however, urgent and necessary.

7. Independent assurance of exporters animal welfare management

- *Relevant to Moss Review recommendations: 11 & 19*

DAWE introduced and administers an IO program for livestock export voyages by sea. From April 2018, IO's have been placed on voyages to provide additional assurance of the effectiveness of exporter arrangements in managing animal welfare. IO's are, however, a significant financial impost which ultimately puts at risk the viability of livestock exports. For this financial impost to be justifiable, an IO should provide a service that is unique compared to other personnel onboard and add significant value.

In partial recognition of this, DAWE has implemented a risk-based approach to the deployment of IO's on short-haul voyages. Consequently, the COVID-19 pandemic required DAWE to cease deployment of IO's entirely, irrespective of whether it is a short-haul or long-haul voyage. This has enabled the implementation of alternative options that achieve equivalent independent assurance of the effectiveness of exporter arrangements in managing animal welfare, at a lower cost. These experiences and outcomes should be incorporated into the process of reshaping the regulatory approach.

Duplication of monitoring and reporting requirements

Animal welfare is the livestock export industry's primary concern and efficient and effective monitoring and reporting ensure appropriate animal welfare standards are being upheld during voyages. While out of scope for this review, ALEC remains concerned with the duplication of monitoring and reporting activities being undertaken onboard export vessels.

Prior to COVID, on voyages of 10 days or more and unless otherwise specified by DAWE, there is an IO, an AAV and an Accredited Stockperson required onboard export vessels, all required to monitor and report similar observations. This duplicated monitoring and reporting results in an excess of paperwork that is unlikely to enable efficient nor cost-effective regulatory practices.

This line of thought leads to questioning whether the duplicated monitoring and reporting requirements demanded by the regulator is even used. The delays in the publication of IO reports leads to the conclusion that DAWE is incapable of managing, assessing and using the data provided by the IO alone in making regulatory decisions. It is therefore likely that the information carefully collated and submitted by the AAV and the Accredited Stockperson is at best neglected.

If DAWE is exclusively using the data provided by the IO, the need for the AAV or Accredited Stockperson to submit the very similar data they have collected must be questioned. Conversely, if the Accredited Stockperson and the AAV already collect the required data, the need for an IO to collect similar at an

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excessive cost must also be questioned or at least justified. Notwithstanding, improving the use of and investing in technology to streamline onboard regulatory reporting and monitoring requirements that is currently duplicated, costly and inefficient is necessary.

Independence of AAVs

The Moss Review stated that the role of an AAV 'appears to be inherently conflicted' between their reporting obligations to DAWE and their commercial relationship with an exporter who engages them. This is incorrect and unsubstantiated. AAV's are accredited and registered by DAWE and are the only veterinarians permitted to officially prepare livestock for export or accompany livestock on voyages. ALEC contends that quantifiable evidence of a conflict does not exist and that the inference of AAV conflict of interest is unwarranted as it cannot be substantiated. Regulation based on perception and without substantiated evidence runs the risk of increasing bureaucracy without delivering benefit.

Instead of marginalising AAV's for a perceived and unsubstantiated conflict of interest, DAWE should investigate ways to better utilise the skills, knowledge, experience and independence AAV's possess.

8. Cost recovery

- *Relevant to Moss Review recommendations: 16*

Australian livestock exporters have the highest regulatory cost structure of the over 100 nations involved in livestock export. No other nation places prescriptive and process orientated regulatory requirements on every aspect of the livestock export supply chain. In part, this reflects the government and industry commitment to place animal welfare as a critical component of business, but a substantial proportion of regulatory costs are due to inefficient service delivery and structural problems within regulatory agency business models.

Research undertaken by the red meat sector in September 2012 estimated that government influenced costs and charges account for almost 30% of costs incurred after the purchase of livestock. This research does not consider Exporter Supply Chain Assurance System (ESCAS) costs as sufficient data was not available at the time. Regulatory costs have also increased as a percentage of total costs where additional conditions are imposed on exporters.

The timeframe provided for the Cost Recovery Impact Statement (CRIS) process, prior to the current cost recovery arrangement being implemented in 2015, was insufficient to allow professional economic analysis on the impact of the proposed arrangement to be undertaken. This is a clear indication that the CRIS process failed the test of reasonableness and fairness. Industry has long argued for intervention on cost recovery and service delivery by a third-party agency such as the Productivity Commission or private sector accounting/finance firm. This would better enable a more independent detailed structural review of the arrangements to design a system that better aligns regulatory cost structures to business.

Increasing deficits

In 2019–20 the arrangement is projected to record a deficit of \$11.158m. Despite the current cost recovery arrangement being implemented on 1 December 2015 following a CRIS process, the arrangement has been under recovering since 2011–12.

In 2018–19, the department implemented a range of regulatory reform measures resulting in significant increases in costs. These include the introduction of Independent Observers (IO) onboard vessels, the associated monitoring, assessment and publication of the resulting IO reports and the recreation of an Animal Welfare branch. This caused the cost-base to double, increasing from \$8.526m in 2017–18 to \$17.031m in 2018–19. In 2019–20 the expense forecast increased a further \$4.275m reflecting the government's announcement to expand cost recovery to a number of additional regulatory activities (\$1.096m), and the costs associated with increased work being done to undertake regulatory and policy functions (\$3.179m). While expenses have increased 150%, revenue has only increased 43%.

All streams in the arrangement are under-recovering. The 2019–20 forecast deficit for each stream is:

- Program management and administration \$7.141m deficit
- Independent observers \$2.028m deficit
- Inspection and audit \$1.341m deficit
- Documentation and certification \$0.648m deficit.

Industry perspective

The livestock export industry notes that the current arrangement, implemented on 1 December 2015 following a CRIS process, is inadequate. The arrangement must be reviewed to ensure ongoing financial sustainability and to reflect the regulatory needs of the sector. Understanding DAWE's activity-based cost model is necessary to determine the appropriateness of each activity to be cost recovered, and to ensure compliance with the Australian Government Cost Recovery Best Practice Guidelines.

DAWE's implementation of regulatory reform measures in response to recommendations from numerous reviews, including the Moss Review, have significantly increased costs. The livestock export industry accepts that additional regulatory rigor has been necessary to satisfy community concern. However, any increase to fees and levies must be accompanied by robust justification and where possible, offset by regulatory efficiencies to be considered appropriate, reasonable and fair.

Industry accepts the need for regulatory oversight and the associated costs, on the proviso that regulatory activities outcomes focused, streamlined and efficient. DAWE's regulatory activities have, however, become increasingly prescriptive, slow and inefficient. Any proposed change to cost recovery arrangements must include efficiency improvements and be consistent with Australian Government Cost Recovery Best Practice Guidelines.



The ballooning cost of export certification processes in recent decades now represent a significant impost on our international competitiveness. Government should consider a 2-year waiver on export fees and charges while alternative avenues for recouping these costs that do not impose the complete burden on exporters of commodities are explored.

Live Animal Exports - Animal Welfare Branch

The Animal Welfare Branch was re-established in response to Recommendation 14 of the Moss Review. ALEC understands that the department is seeking to recover the cost of the Animal Welfare Branch in the upcoming CRIS, substantially increasing the cost to industry. ALEC questions whether this conforms with the Australian Government Cost Recovery Guidelines (RMG 304), which states: 'It is usually inappropriate to cost recover some government activities, such as general policy development...'

Thank you for the opportunity to provide comment on DAWE's implementation of the Moss Review recommendations. ALEC would welcome the opportunity to provide more detail on the concerns raised in this submission with you and your team.

Please do not hesitate to contact me at ceo@livexcouncil.com.au or on 0400 980 452 should you wish to discuss further.

Yours sincerely

Mark Harvey-Sutton
Chief Executive Officer
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