PRODUCTIVITY COMMISSION INQUIRY INTO THE REGULATION OF AUSTRALIAN AGRICULTURE

AUSTRALIAN LIVESTOCK EXPORTERS COUNCIL

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1. About the Australian Livestock Exporters Council

1. The Australian Livestock Exporters' Council (ALEC) is a not-for-profit industry representative body. ALEC receives funding from membership subscriptions, the Red Meat Advisory Council (RMAC) fund, voluntary levies paid by exporter members and a Service Agreement with LiveCorp.

2. A national representative body for the livestock export sector was first formed in 1975 and its various iterations became ALEC in 1996.

3. ALEC has four different categories of membership:-

    a) Exporter Member
        i. Licenced exporters
        ii. An Australian registered company which sole purpose is to represent importers of Australian livestock through Licensed Exporters
    b) Chapter Member
        i. State based associations representing livestock exporters and other industry participants
    c) Industry Member
        i. Any person or company involved in the livestock export industry
    d) Corporate Member
        i. Any individual or body corporate who has entered into a business relationship with ALEC to provide funds for rights or other benefit

4. ALEC currently has 35 members and represents approximately 95% of the volume of all livestock exported.

5. The ALEC Constitution sets out the object and purpose of the company (Box 1).

6. ALEC is responsible for strategic policy development, advocacy and communications and works closely with our members to achieve industry ambitions. Since 2011, ALEC is the public face of the industry and actively engages in the public debate about livestock exports, trade and market access and animal welfare.

7. ALEC is a signatory to the Red Meat Industry Memorandum of Understanding and the ALEC Chairman is a Director of RMAC Ltd.

8. ALEC is an active member of the National Farmers' Federation.

9. ALEC works closely with the sector's service delivery body – LiveCorp – to ensure our respective roles and responsibilities best meet the trade's interests and needs.

10. ALEC has participated in a range of consultative fora on regulation including the post Beale Review Ministerial Taskforce Reform process and the 2011 Industry Government Working Group which developed the Exporter Supply Chain Assurance System (ESCAS) and subsequent reform mechanisms. ALEC has also steered negotiations on cost recovery reform and is currently in the process of forming an industry working group that will engage with the Department of Agriculture and Water Resources on Live Animal Export (LAE) operations financial performance on a quarterly basis.

11. Through a long history advocating for policy and regulatory change on behalf of the livestock export sector, ALEC is well placed to inform the inquiry in this submission with an earnest and direct assessment of the current problems, challenges and opportunities for regulatory reform for the livestock export trade.

Box 1: ALEC Constitution Objects and Purpose

- Promoting, fostering, developing, assisting and managing issues and incidents to minimise any negative impact on the Australian livestock exporters industry;

- Demonstrating effective industry self-management and implementing the world's best practice industry operating standards;

- Enhancing access and encouraging the free flow of all classes of livestock to world markets, and ensuring the export of livestock is conducted in the best interests of the whole industry;

- Promoting and protecting the interests of Livestock Exporters within the Commonwealth of Australia and strengthening collaboration between all exporters;

- Acting as a channel through which co-operation may be established and maintained between Licensed Exporters in the interchange of information and providing relevant and timely communications with industry stakeholders, relating to industrial matters which affect the Australian livestock export industry generally or the trade, business and interests of Licensed Exporters in Australia or in any State/Territory of Australia;

- Conferring, engaging and co-operate with and positively influencing:
  - all governments and government departments at all levels;
  - the Australian Livestock Exporters Corporation; and
  - any public bodies and any persons, firms, companies, associations and institutions, incorporated or otherwise,
  - in respect to any matter directly or indirectly affecting or concerning the Australian livestock export industry;

- Making representations to Government bodies where legislation affecting the livestock export industry is proposed, annulled, repealed or amended and making representations where any legislation at any time is considered detrimental to the interests of the members;

- Initiating, promoting and supporting effective scientific and/or market research into any problems or suggestions affecting the Australian livestock export industry; and

- Gaining recognition as an industry committed to animal welfare.

2. Executive Summary

12. Australia's livestock export industry is a valuable contributor to Australia's agricultural sector, providing market opportunity and diversity for producers and creating jobs in rural and regional areas where in many cases there are limited employment opportunities.

13. On a global scale, Australia's livestock export industry contributes to food security in importing countries that have insufficient resources to produce sufficient red meat protein and dairy product to feed their population.

14. The Australian livestock export industry's presence in markets is driving significant improvements in global animal welfare practices.

15. ESCAS has achieved its intended aim of regulating the export of livestock along the supply chain to provide a greater level of assurance of animal welfare.

16. Prior to 2011, such controls were not in place. To this day, Australia remains the only country that has made animal welfare a condition of trade which makes ESCAS a world first in regulating a livestock exports extraterritorially.

17. The success of ESCAS is substantially due to the investment of exporters and customers in training, new infrastructure and control mechanisms.

18. ESCAS has placed a significant cost burden on exporters which is placing Australian exporters at a significant competitive disadvantage. The cost burden includes administrative requirements and duplicative services that do not support the efficient and effective control functions of ESCAS.

19. Industry has identified between $15 million to $25 million in regulatory cost savings if recommendations to this inquiry are adopted. These savings could be returned to industry through direct financial support for the establishment of the Livestock Global Assurance Program.

20. ESCAS has placed a significant regulatory and oversight burden on the Department of Agriculture and Water Resources. The extraterritorial nature of the oversight has come with limited Departmental resources, compromising the Department's control functions and jeopardising longstanding trade relationships with importing countries.

21. Without significant regulatory reform, the viability of Australia's livestock export industry is at risk and the reputation of the Department of Agriculture and Water Resources as a good regulator could be damaged.

22. The substantial public good element of ESCAS requires more active recognition and support from the Government. Investing in the establishment of the Livestock Global Assurance Program provides an opportunity for this to occur.

23. The regulation of the Australian livestock export industry must demonstrate effective control of industry practices but such controls should be clearly defined and implemented in line with other socially sensitive industries.

24. The fundamental features of good regulatory practice must be implemented in the legislation and regulations governing the livestock export trade.

25. The areas where reforms are warranted and can be achieved without compromising the key intent of regulating the trade – to ensure the welfare of livestock – are:-

    a) Setting clear objectives and principles in governing legislation that articulate the critical balance between social and economic objectives of the trade
    b) Entrench the concept of "reasonableness" rather than the current requirement of absolute compliance
    c) Provide guidance on the use of discretionary powers and ensure that the government's risk appetite for the trade in livestock is set out in transparent and defined legislation
    d) Refocus the department on substantive matters rather than micro-management
    e) Expeditiously introduce a regulatory pathway to recognise suitably structured welfare conformance and certification programs and/or equivalence in other regulatory jurisdictions
    f) In its implementation, the level of intervention in a recognised program be established at a systems level
    g) Reform the current approach to non-compliance assessment and enforcement including the substantive ties to license approvals, particularly for operational matters

26. ALEC supports reforms to ESCAS that allow for industry to be more accountable for its responsibilities and the Department of Agriculture and Water Resources to return to core regulatory functions.

27. ALEC supports the roadmap for reform as outlined in the propositions and recommendations contained in the LiveCorp submission. These recommendations are included in Box 2.

Box 2: Recommendations from the LiveCorp Submission

R3.1 Livestock exports should be regulated to a similar degree as other socially sensitive/high risk industries.

R3.2 With lessons learned since ESCAS implementation, genuine reform is needed to reduce unnecessary burden and costs on the department and industry to ensure the ongoing sustainability and competitiveness of Australia as a livestock export supplier in the coming decade.

R3.3 ESCAS and livestock export regulation, including the outcomes of this inquiry, should be subject to periodic review on a two yearly basis

R4.1 The live export industry should incorporate clear objective(s) and principles that explicitly reflect and articulate an appropriate balance between all relevant objectives

R4.2 The live export regime should be amended, in line with best practice regulation, to incorporate appropriate limits and guidance for the regulator decision-making to eliminate unnecessary, and control necessary discretionary powers

R4.3 Absolute compliance obligations should be removed (or revised) and replaced by enshrining clear references to an achievable standard of compliance, for example by:

(a) Adopting a “reasonable steps” or “reasonably practicable” standard for relevant obligations (including ESCAS);
(b) Incorporating a “reasonableness defence”; or
(c) Defining the meaning of “ensure”, including to provide that the requirement is satisfied if specified reasonable steps are taken.

R4.4 The live export regime be amended to focus direct and close regulatory scrutiny, and punitive consequences, on substantive matters and that this be triggered in regard to operational compliance obligations in defined circumstances that warrant such regulatory involvement. For example, where evidence demonstrates either:

(a) Significant non-compliance;
(b) Lack of integrity, failure to meet behavioural standards; or
(c) Systemic issues or a systems failure

R5.1 The legislature should prescribe clear guidance and limitations on the exercise of broad discretions conferred on the department to insure against susceptibility to, or undue influence, by external perceptions and risk appetite.

R6.1: The legislation enshrine approval and reliance on independent quality assurance programs, to a particular standard and clearly defined scope, to address relevant departmental logistical challenges, enhance efficiencies and ensure “best evidence” is available to support regulatory scrutiny and decision making.

R6.2 The live export regime incorporate mechanisms to formally recognise or adopt equivalence of appropriate standards, codes or regulatory regimes in other jurisdictions as demonstrating – in whole or part – compliance with (or exceedance of) relevant obligations, including ASEL and ESCAS.

R6.3 The legislature clearly identify and prescribe a “meeting point” between direct regulatory oversight and reliance on QA or equivalence to enable regulatory focus to be maintained at a systems level, where appropriate, and to define how any interaction or information flow is to be managed between these systems.

R7.1 The legislation be amended to incorporate clear prescriptive parameters on what represents non-compliance and what the consequences will be, including by formal adoption of standards or codes of practice.

R7.2 Reform of the compliance assessment and enforcement legislative framework should, as a minimum:

(a) Maintain a strong link between licence approvals and serious issues indicative of a failure to meet fundamental obligations on exporters (integrity/incompetence), including a broad discretion for the department to address those matters:
(b) Decouple operational non-compliance (including ESCAS) from licence and export approvals, supported by formal adoption of codes of practice to limit regulatory discretion and prescribe a focus on systems compliance, with clear triggers to escalate departmental involvement; and
(c) Remove third party supply chain participant non-compliance from direct departmental intervention or oversight, supported by codes of practice and a prescribed focus on proactive risk management and systems compliance.

R7.3 The live export regime should also deem compliance with relevant standards or codes of practice as being sufficient:

(a) To meet relevant regulatory obligations; and
(b) Evidence of compliance, which prohibits the department from pre-emptively taking regulatory action, or imposing controls, unless or until it is proved otherwise.

R7.4 The live export regime incorporate clearly defined escalating penalty levels and criminal sanctions and prescribe appropriately matched proportionate penalties for particular breaches. This should include separating penalties for operational non-compliance (e.g. ESCAS) from breaches of substantive provisions (e.g. misleading conduct).

R8.1 Recognising the value to the integrity and objectives of the live export regime, the legislature should enshrine clearly defined outcomes, such as mitigation of sanction severity, for self-report of non-compliance.

R9.1 The legislation should overtly restrict potential exporter liability for non-compliances due to third party actions to events and circumstances consistent with the widely recognised limited scope of secondary liability in Australian law

3. The Regulation of the Australian Livestock Export Industry

28. Australia's livestock export industry is governed by a suite of Federal legislation and associated orders, regulations and standards including:-
    - *Australian Meat and Livestock Industry Act (1997)*
    - *Export Control Act (1982)*
    - *The Navigation Act (2012)* (Marine Orders, Part 43)

29. The Australian trade, unlike its competitors, is heavily regulated. Australian exporters are required to comply with Australian laws and standards along the entire livestock supply chain, including in importing countries to the point of slaughter.

30. From the point of sourcing livestock on farm until livestock are discharged in importing markets, Australian exporters must meet the Australian Standards for the Export of Livestock (ASEL).

31. From the point of discharge to the point of slaughter, exporters must be able to provide assurances of animal welfare under the Exporter Supply Chain Assurance System (ESCAS).

32. The livestock export process, including the points at which ASEL and ESCAS apply, illustrated in Figure 1, below.

33. While core to the industry's regulatory framework, ASEL and ESCAS are not the only regulations with which Australian livestock exporters must comply.

34. Livestock exporters must also comply with the Prevention of Cruelty to Animals Acts applicable to the jurisdictions in which they operate. These laws apply to all supply chain participates including producers, transport operators, feed-lotters and exporters;
    - NSW: Prevention of Cruelty to Animals Act 1979
    - VIC: Prevention of Cruelty to Animals Act 1986
    - ACT: Animal Welfare Act 1992
    - TAS: Animal Welfare Act 1993, Animal Farming (Registration) Act 1994, Animal Health Act 1995
    - QLD: Animal Care and Protection Act 2001
    - NT: Animal Welfare Act
    - WA: Animal Welfare Act 2002
    - SA: Prevention Of Cruelty To Animals Act 1985

35. State and territory Governments are also responsible for providing certification that properties of origin are free from certain diseases or that livestock are of a certain health status to meet the relevant importing country requirements.

36. In order to obtain the necessary health certificates and declarations prior to export, livestock exporters must arrange inspections with the relevant state Government. Certification and inspection services are charged to the exporter, the cost of which and time required to complete certification services, varies significantly between each state and territory. Noting that Australian livestock exporting business are national companies, operating across two or more jurisdictions,

the inconsistencies between certification services provided by each jurisdiction can be confusing and frustrating.

37. Australian livestock exporters also play a role in Australia's livestock supply chain and are therefore required to comply with industry systems, mainly regarding livestock identification and movement through the National Livestock Identification System (NLIS) and the use of movement documentation such as the National Vendor Declarations (NVD) and Waybills (Northern Territory).

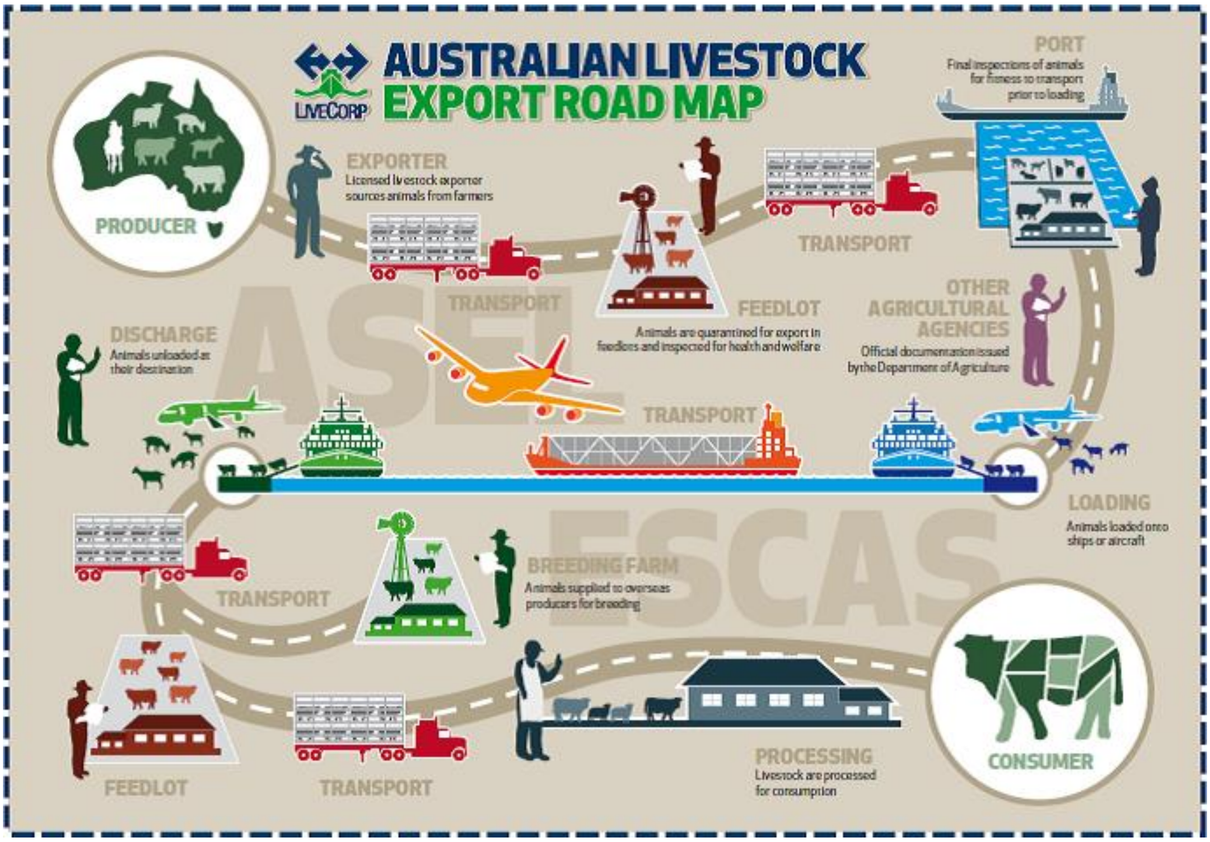

Figure 1: Australia's Livestock Export Process, Source – LiveCorp

3.1. Australian Standard for the Export for Livestock

38. The Australian Standards of the Export of Livestock (ASEL) were developed following the Keniry inquiry into livestock export industry in 2003. The broad-ranging investigation recommended a range of initiatives to improve animal welfare conditions in the livestock export trade, including that there must be a national standard for livestock exports focused on the health and welfare of the animals during export.

39. ASEL came into effect in 2004 and sets out whole of chain approach from the on-farm sourcing and preparation of livestock to unloading in the destination country.

40. There are six standards outlined in ASEL, the first five relate to export of livestock by sea and the sixth standards is specific to export by air. ASEL standards include;
    - Sourcing and on-farm preparation of livestock
    - Land transport of livestock

- Management of livestock in registered premises
- Vessel preparation and loading
- On-board management of livestock
- Air transport of livestock

41. Under ASEL, exporters must meet statutory reporting requirements during export and after livestock have reached their destination. This includes reporting any notifiable incidents (any incident that has the potential to cause serious harm to the health and welfare of animals) and levels of mortality. The reportable mortality levels on a voyage or air journey are defined under ASEL as the percentages listed below or 3 animals, whichever is the greater number of animals:
    - Sheep and goats: 2%
    - Cattle and buffalo on a voyage less than 10 days: 0.5%
    - Cattle and buffalo on a voyage more than 10 days: 1%
    - Camelids: 2%
    - Deer: 2%

42. If an exporter reports a voyage mortality rate greater than the legislated levels (as listed above), the Department undertakes an investigation which may result in regulatory action. Investigation information is published the Department's website and livestock mortalities during export are tabled in the Australian Parliament every six months.

3.2. Exporter Supply Chain Assurance System

43. In 2011 the Australian Government temporarily suspended Australia's cattle trade with Indonesia. The trade was reopened after the development of ESCAS which was first implemented in Indonesia and then progressively in other markets in 2012.

44. ESCAS, which was developed in over six weeks, was designed to provide assurances that livestock exported from Australia for the purposes of entering feeder or slaughter markets were handled in accordance with international animal welfare standards. ESCAS was also designed to ensure that if animal welfare issues arose they could be addressed and corrected on a supply chain basis, so as to avoid any further whole market suspensions.

45. Few areas of public policy in Australia regulate extraterritorially and its development remains a largely unique and innovative piece of government policy.

46. There are four pillars to ESCAS - international Animal Welfare Standards, Control, Traceability and 3rd party auditing. This means that under ESCAS Australian livestock exporters must be able to demonstrate that:-
    - All animals along the supply chain are handled in accordance with World Organisation for Animal Health (OIE) **animal welfare** standards
    - The exporter has **control** of supply chain arrangements at all times to ensure that livestock remain within the approved supply chain
    - All livestock can be **traced** and accounted for at all points along the supply chain.

47. The implementation of ESCAS is a relatively short timeframe and across a global footprint has been no less substantive as it has been challenging. The success of its implementation is bound

in the significant investment of exporters, importers and facilities. As noted in the LiveCorp submission at 35:-

> *"For exporters and importers, the changes brought about by ESCAS were significant with animal welfare becoming a core part of their businesses. Whereas exporters were a logistics partner in the supply chain until 2011, they have since developed into a provider of animal welfare knowledge and infrastructure and a partner in the monitoring, reporting and enforcement of the regulation."*

48. The success of ESCAS is also bound in the Department's efforts to implement a complex piece of regulation and industry commends the officers and departmental staff involved.

49. That ESCAS has largely delivered against its mandate is not lessened by the number of non-compliances – a point that is explored further in this submission. Exporters acknowledge that problems have arisen that have caused pain and suffering to exported livestock and that many of these events have been identified by third parties.

50. A key point to note however is that the system now allows for poor performance to be identified as the exception. Prior to 2011, when there was no through chain oversight, such practices given the lack of enforcement of OIE guidelines in many importing countries, may likely have made such treatment the norm. This statement in no way lessons the burden that exporters carry that its practices have failed to meet Australian community expectations and that building trust under the new arrangements will take significant time and effort.

51. The international animal health and welfare body, the OIE, has acknowledged however that the industry has improved. in 2013 Dr Dereck Belton, Head of the International Trade Department of the OIE expressed appreciation for Australia's support for a range of OIE activities with particular mention to Australian livestock exporters, noting that;

> "*…your investment in improving implementation of OIE animal welfare standards and taking those improvements internationally to the rest of the World, has the OIE's full and unequivocal support.*"

52. More recently, renowned livestock behavioural scientist Dr Temple Grandin has too acknowledged that the industry has improved significantly since 2011.

53. In 2011, the Australian Government's Independent Review of Australia's Livestock Export Trade recommended that ESCAS be reviewed to assess its effectiveness in delivering animal welfare outcomes and facilitating trade. In response to this recommendation, the Australian Government reviewed the implementation of ESCAS and considered ways in which the system could be improved to reduce costs to industry and Government while meeting its objectives.

54. The outcomes of this review were released in 2015 in the *Exporter Supply Chain Assurance System Report*. The ESCAS report found that while the introduction of ESCAS ensured the continuation of the livestock export industry, its development and implementation in such a short timeframe resulted in a framework that is 'clunky, rigid and complex'. The report also concluded that ESCAS is administratively burdensome for both industry and Government and a number of administrative processes do not contribute to achieving the key objectives of ESCAS.

55. The report acknowledges that the design of ESCAS did not take into account differences in species, exporters or markets which may all have an impact on the effectiveness of the system. The question therefore is how the areas of reform identified in the report can be achieved more efficiently, effectively and collaboratively to support a competitive and sustainable trade.

56. While the Government's ESCAS report acknowledges that the short development time and immediate implementation has resulted in some shortcomings in the system, the report also recognises that ESCAS has been effective in delivering improved animal welfare outcomes.

3.3. Government reforms and why further reform is necessary

57. As has been highlighted above, the livestock export industry's regulatory framework was developed and implemented in a very short time and in response to a crisis. Since its introduction in 2011, a pathway for reforming ESCAS and other export regulation has been developed and both industry and Government have put a significant amount of effort in implementing more efficient and effective regulation.

58. The industry and Government have worked collaboratively over time to reform industry regulation. The most recent evidence of this is the establishment of an Industry and Government Roundtable whereby opportunities to reform are identified and implemented through a joint effort by industry and Government.

59. Exporters are currently working with the Department of Agriculture and Water Resources to implement Approved Arrangements for livestock exports. Livestock exports are the last regulated sector to move to this system of approving exporter systems for certification and export and is a move away from consignment by consignment approvals.

60. In the area of cost recovery for export services, the recent review has seen some export process costs reduced although there is still significant room for improvement.

61. Reforms in the area of ESCAS include;

- allowing exporters to submit declarations attesting that contracts with importers and facilities are in place rather than submitting copies of each contract
- removing the need to submit end-of-processing reports for each cattle and buffalo consignment
- removing the need to submit the auditor's assessment checklist when submitting independent audits
- replacing the requirement to publish individual audit reports with publication of information on audit reports received by the Department of Agriculture every four months
- simplifying the approval arrangements for ESCAS variations, reducing paperwork and assessment times.
- Separating ESCAS approvals from individual consignment approvals, reducing the amount of paperwork involved

62. While these reforms have been acknowledged by exporters, in many regards the reforms have been “low hanging fruit” in that they have been largely operational or administrative. In some instances the benefits of the reforms can be solely attributed to the Department in dealing with less paperwork while exporters are still required to largely undertake the same processes or requirements.

63. Structural issues bound in the legislative framework have prevented broad reform, including the inclusion of best regulatory practice.

64. Australia has had a succession of Government’s committed to implementing good regulation and cutting unnecessary red tape, this includes efforts to reduce unnecessary regulation and red tape specific to the agricultural sector.

65. In recent years, Government effort to reform and improve regulation taken a number of forms.

66. In 2005, the Government established a Productivity Commission Taskforce to consider options for reducing regulatory burdens on business.

67. In its final report, *Rethinking Regulation* released in 2006, the taskforce recommended that the Australian Government endorse six principles of good regulatory process[1];
    - Governments should not act to address ‘problems’ through regulation unless a case for action has been clearly established. T
        - This should include evaluating and explaining why existing measures are not sufficient to deal with the issue.
    - A range of feasible policy options — including self-regulatory and co-regulatory approaches — need to be assessed within a cost-benefit framework (including analysis of compliance costs and, where relevant, risk).
    - Only the option that generates the greatest net benefit for the community, taking into account all the impacts, should be adopted.
    - Effective guidance should be provided to regulators and regulated parties to ensure that the policy intent of the regulation is clear, as well as what is needed to be compliant.
    - Mechanisms such as sunset clauses or periodic reviews need to be built in to legislation to ensure that regulation remains relevant and effective over time.
    - There needs to be effective consultation with regulated parties at the key stages of regulation-making and administration.

68. The report acknowledged that any country’s international competitiveness is determined by the effectiveness of the domestic regulatory structure and that ineffective regulation will only ‘handicap our performance’ and that any complaint or protest by businesses about increased burden of regulation is completely justified.

69. In 2007, the Government responded to these recommendations, agreeing to the proposed principles of good regulation[2]. Based on these recommendations, the Government also agreed

[1] Productivity Commission (2006). *Rethinking Regulation: Report of the Taskforce on Reducing Regulatory Burdens on Business – Addressing the underlying causes of Over-Regulation.*
[2] Commonwealth of Australia (2015) *Exporter Supply Chain Assurance System Report*

to revise its Guide to Regulation and develop a Business Cost Calculator to measure regulatory cost.

70. In 2007 the Government released the *Best Practice Regulation Handbook.* The Handbook stated that *'an efficient regulatory system is essential to a well-functioning society and economy and depends on having effective processes and institutions for making and administering regulation in all its forms.*

71. Following several reviews and updated versions of the Handbook, the Government replaced it with the current Australian Government Guide to Regulation in 2014. This guide is based on ten principles, including that;
    1) Regulation should not be the default option for policy makers: the policy option offering the greatest net benefit should always be the recommended option.
    2) Regulation should be imposed only when it can be shown to offer an overall net benefit.
    3) The cost burden of new regulation must be fully offset by reductions in existing regulatory burden.
    4) Every substantive regulatory policy change must be the subject of a Regulation Impact Statement.
    5) Policy makers should consult in a genuine and timely way with affected businesses, community organisations and individuals.
    6) Policy makers must consult with each other to avoid creating cumulative or overlapping regulatory burdens.
    7) The information upon which policy makers base their decisions must be published at the earliest opportunity.
    8) Regulators must implement regulation with common sense, empathy and respect.
    9) All regulation must be periodically reviewed to test its continuing relevance.
    10) Policy makers must work closely with their portfolio Deregulation Units throughout the policy making process.

72. Despite some efforts to address industry concerns and implement regulatory reform in recent years, ALEC believes the legislation and regulation governing the live trade should be reconsidered in light of the principles test.

73. Given the manner and speed in which much of the regulation governing the trade was developed, that is, in response to significant public pressure and in response to crisis situations, it seems reasonable to consider that laws may have skipped the normal good regulatory tests.

74. It is worth exploring this point further to gain further insight into the context of the laws overtime and their likely compliance with good regulatory practice.

75. In large part, regulation of the Australian livestock export industry has been borne out of crisis or perceived crisis. The 2003 Cormo incident, involving the rejection of a boatload of Australian sheep by Saudi Arabia, resulting in the vessel (with sheep still on board) remaining in 'limbo' for almost 3 months before being brokered to Eritrea, saw the introduction of the Australian Standards for the Export of Livestock that same year. Despite the Cormo incident occurring as the result of political issues, not a failure to meet importing country conditions, the media storm it created led to increased regulation of industry.

76. In 2006, the then Coalition Government banned the export of cattle to Egypt after footage of appalling treatment at the Bassendean Abattoir in Cairo emerged. The trade eventually reopened after a new Order was put in place that limited the trade to closed loop supply chains only.

77. In 2011, the ABC's '*A Bloody Business*' story, showing the abhorrent mistreatment of Australian cattle in Indonesian abattoirs and the subsequent public outcry led to the introduction of the Exporter Supply Chain Assurance System (ESCAS). The resulting media and subsequent social media fury that resulted from members of the Australian public being exposed to Indonesian slaughter practices, was the most reported story of the year.

78. This story created an unprecedented interest in the industry which had from time to time raised the consistent concerns of welfare and activist groups, but failed to raise significant profile with the general public.

79. The 2011 story exposed the soft underbelly of exporting to nations that are signatories to international (OIE) animal welfare standards but are not policing or enforcing those standards in their domestic jurisdictions. The question of who was and who should be responsible – ethically and legally – went to the heart of concerns. This inquiry's focus on ESCAS in part continues to consider this issue.

80. The events of 2011 also challenged industry to reconsider the priorities of their commercial customers versus the priorities of Australian "policy" customers whose views had significantly matured around animal welfare. There was and still is a large gulf in views about the treatment of Australian livestock around the world and the events of 2011 required a significantly change in industry's focus on addressing the Australian community concerns about the treatment of Australian livestock overseas.

81. It is moot to argue whether the governments should have responded as they did (banning the trade temporarily). This issues may well be decided out of the two class action cases currently underway. The overnight decision to ban live cattle exports to Indonesia certainly had a devastating effect on many people involved in the trade, coming as it did at a peak time of year.

82. It is however a reasonable to consider whether it was a failure of successive government to properly calibrate the "risk appetite" for the trade that led to the crisis response.

83. A government's risk appetite is an important marker for any trade activity, particularly those that are socially sensitive or high risk.

84. In 2011 Australian Government's Position Statement on the Export of Livestock clearly stated that overseas conditions were not a matter of regulatory concern to government. That is, that Australian exporters were not responsible for the welfare of livestock once exported, rather the focus was very much on the domestic processes of the supply chain.

85. The Statement clearly states that the post arrival responsibility for health and welfare was held by the importer, under the authority of the importing country. References in the Position

Statement to exporter involvement to post arrival health and welfare were referenced as voluntary acts by the Government and the industry as:

> *'..furthering the health and welfare of livestock in importing countries. Improvements at all stages of the livestock handling chain are being achieved by the fostering of cooperation and goodwill, the sharing of Australian technical expertise, the provision of educational and training opportunities, and support for infrastructure.'*

86. Given the events of 2011, successive governments were complicit in underestimating community concerns about post arrival animal welfare and subsequently complicit in the hastily designed regulatory response. What may have been crisis to government off the back of tens of thousands of emails to Members of Parliament, was in fact a failure by the government to measure maturation of community views over time.

87. Given events of recent years, it remains legislatively unclear what the government's risk appetite for the trade is. Public rhetoric and some regulatory actions suggest that the concept of 'reasonableness' is accepted as it should be but it is then contradicted in the absolute compliance obligations of ESCAS.

88. There appears to be contradictory intentions set out in the legislation governing the trade asking the question – in line with good regulatory principles - as to whether the current laws set at a time of crisis remain fit for purpose today.

89. ALEC is concerned that the legislation and regulations governing the trade assumes that crisis in the business norm. In this context, should the regulation of the industry be focused on punitive measures, and as a means of demonstrating to the community that the government is doing 'something' whether that 'something' is appropriate, effective and reasonable or not? Should current day regulations reflect the assumption that increasing regulation will exert control over the "too risky" live exporters who cannot be otherwise trusted?

90. It is one thing to set regulatory parameters that reflect community expectations, it is another to regulate on the basis that another crisis is just round the corner. The approach taken has built significant costs into the job of exporting and it is quite an achievement that the industry has continued to function commercially under these conditions.

91. In the circumstances described above it is unsurprising that the regulation of Australia's livestock export industry in Australia:-
    a) Is clunky, costly and rigid
    b) Lacks clear objective settings for the role, expectations and scope of the operation of the regulator
    c) Fails to define and limit the scope of discretionary powers allowing for significant regulatory creep
    d) Expects infallible performance by exporters and that this is a reasonable expectation
        - Note: This then enables ESCAS and exporters' performance to be labelled as a failure and good performance and improvement against reasonable standards and a duty of care to go unnoticed
    e) Applies strict liability and secondary liability to exporter non-compliance
    f) Allows exporters to face 'de facto sanctions" where evidence is circumspect or unproven at best

92. This submission does not argue against the regulation of the trade. Control of the industry is an important function of demonstrating accountability, particularly in the absence of trust.

93. Exporters support ESCAS as a system for delivering welfare assurance along the livestock export supply chain. As the Government anticipated in its response to the Farmer Review, the extension of ESCAS to all markets has supported substantial improvement in the treatment, handling and slaughter of Australian exported livestock and enabled assurance of animal welfare to be demonstrated. The pillars of ESCAS – traceability, control, animal welfare and third party auditing - underpin animal welfare as the backbone of the Australian livestock export trade as generational change in attitudes and behaviours towards animals take hold in our destination markets. It also provides a rallying point for improvements in the livestock export trade globally. We are, quite literally, exporting quality livestock, after sales service and the best available knowledge in animal welfare to the world.

94. ALEC however argues that livestock exporters should not be punished through poorly formed and executed legislation and regulation for government and industry failing to keep pace with community expectations on animal welfare.

95. Nor should Australian livestock exporters who have made substantial improvements in animal welfare practices overseas be made internationally uncompetitive with inefficient, high cost regulation.

96. As noted in the LiveCorp submission at 69, *"Australia cannot afford to presume an ongoing liability to leverage an absence of competition or a preference and premium for Australian livestock to achieve acceptance of ESCAS over the next ten year."*

97. A range of nations are becoming increasingly competitive with Australian livestock and they are not required to comply with equivalent regulatory systems.

98. Equally, some importing countries, for example Indonesia, are actively pursuing policies that would allow products from countries, not only with lesser welfare commitments, but also lesser animal health standing.

99. These dual threats are new and serious and threaten the livestock export trade's ability to service producers with returns but also our ability to improve welfare and animal health standards and practices abroad.

100. The trade's sustainability is critical to its members and those that rely on it for their livelihood. It is an absurd situation for the job of livestock exporting to become uncompetitive as a result of Australia's making animal welfare a condition of trade particularly when exporters are delivering significant improvements to the handling and slaughtering standards and practices in overseas markets – where the problems are centred.

101. A better balance of the cost, administrative and operational burden of ESCAS on Australian exporters and overseas importers and facilities must be found to ensure competitive control to meet co-existing social and economic goals.

102. Australia's live trade is not the first industry in this situation. Governments regulate other socially sensitive industries and practices such as food safety, pollution and OH&S.

103. There is therefore precedent for the right balance being found and if implemented in the context of the live trade would include regulation that is:-

- Smart, reasonable and fair and reflects good regulatory practice
- Clearly establishes a risk appetite that countenances to concept of reasonableness
- Responsive to modern arguments about the purpose, objectives and structure of regulation
- Not about zero risk mitigation but about an achievable standard of compliance
- Removes the punitive parameters of strict liability and secondary liability
- Recognises industry compliance systems in a co-regulatory framework
- Ensures that we can be competitive and recognised and rewarded internationally for taking a lead to improve welfare practices in the markets in which we operate

104. The LiveCorp submission to this Inquiry provides significant additional detail on areas of regulatory overreach and concern and recommendations for change. ALEC fully supports the LiveCorp submission including the recommendations.

4. Reform Opportunities

4.1. Objectives, Purpose and Discretionary Powers

Recommendations

R4.1 The live export industry should incorporate clear objective(s) and principles that explicitly reflect and articulate an appropriate balance between all relevant objectives

R4.2 The live export regime should be amended, in line with best practice regulation, to incorporate appropriate limits and guidance for the regulator decision-making to eliminate unnecessary, and control necessary discretionary powers

R4.3 Absolute compliance obligations should be removed (or revised) and replaced by enshrining clear references to an achievable standard of compliance, for example by:

(a) Adopting a "reasonable steps" or "reasonably practicable" standard for relevant obligations (including ESCAS);
(b) Incorporating a "reasonableness defence"; or
(c) Defining the meaning of "ensure", including to provide that the requirement is satisfied if specified reasonable steps are taken.

R4.4 The live export regime be amended to focus direct and close regulatory scrutiny, and punitive consequences, on substantive matters and that this be triggered in regard to operational compliance obligations in defined circumstances that warrant such regulatory involvement. For example, where evidence demonstrates either:

(a) Significant non-compliance;
(b) Lack of integrity, failure to meet behavioural standards; or
(c) Systemic issues or a systems failure

105. For regulation to be implemented and to operate efficiently, it requires clarity in legislation. This includes support and guidance for the regulator as well as certainty for those being regulated. Clarity in legislation defines the objective, including the scope of the regulator and informs discretionary powers. This is particularly important in regard to the livestock export industry, as governing legislation has been ad hoc and crisis bound as described above and a lack of clear objective, guidance or principles of decision making / discretions has required that the regulator exercise broad discretionary powers to implement regulation.

106. When ESCAS was first introduced, rather than reset the regulatory framework, any additional requirements have been interwoven into the existing complex network of Acts and Orders including the Export Control Act 1982 (Cth) and Australian Meat and Live-stock Industry Act 1997 (Cth).

107. Exporters' behaviour is governed principally by conditions on their export license and on different approvals, variations and other discretionary actions. This includes ESCAS which is the most far-reaching, extraordinary piece of animal welfare legislation ever attempted.

108. ESCAS was originally a simple framework requiring exporters to be able to demonstrate:-
   a) Animal welfare and handling conformed to the OIE animal health regulations (and where necessary Australian additional requirements e.g. rope casting)
   b) Exporters had contractual arrangements with suppliers to voluntarily submit and perform to the required animal welfare standards
   c) Exporters had line of sight of livestock to point of slaughter through traceability; and
   d) Compliance along the supply chain through 3rd party auditing.

109. What was intended in retrospect as a system mimicking QA, has turned into a micro-management frenzy that goes well beyond what is reasonable and appropriate for best practice regulation.

110. This process has resulted in what was essentially legislation to facilitate trade in agricultural commodities, to being used as an attempt to regulate extraterritorially and control the actions of exporters in overseas markets in the absence of compliance and enforcement powers in importing countries. Putting aside the sovereign reach of ESCAS, it was developed without being tethered to clear and unambiguous principles and objectives clearly articulated in the legislation.

111. The broad purpose of ESCAS has been achieved, as acknowledged in the Government's 2015 review, to;
   - provide assurances to the Australian community that the welfare of animals exported from Australia is maintained through to the point of slaughter in the importing country, and
   - facilitate the livestock export trade so that exporters can increase market share overseas.

112. However, in the absence of clear legislative guidance for the exercise of the powers provided, it has placed a disproportionate and unfair burden on exporters and a rod for the back of the department and government.

113. For both exporters and the department, as noted in the LiveCorp submission, the approach;

> *"ultimately dilutes the certainty, predictability and consistency of the regulatory arrangements by enabling indecision, lack of transparency, perceptions of inconsistent or ad hoc decisions, regulatory creep, fluctuating risk appetites and compliance expectations and micro-management."*

114. The wide ranging discretionary powers used by the Department appear to be drawn from clause 2.44 (2A) of the Export Control Order which provides discretion to the Secretary to approve an ESCAS based on his or her level of satisfaction to ensure that livestock will be transported, handled, slaughtered in accordance with OIE recommendations.

115. The LiveCorp submission highlights examples of legislative arrangements in other industries that contain better language and avoids broad discretion of the Secretary. These include the Fisheries Management Act which includes clear guiding objectives and language that remove potential for interpretation, broad discretion and influence by activism or politics.

116. Mick Jagger may well understand the concept of "satisfaction" but in the absence of guidance its use in regulation is unfettered. Coupled with "ensures" then that level of satisfaction is raised to an absolute threshold.

117. In the absence of limitations on discretion the regulation suffers from an identity crisis and is susceptible to the demands of political opportunism. That is, ESCAS is battered by multiple legitimate goals without a firm grounding to balance the trade-offs between social, economic, trade and diplomatic objectives. The result is a never ending ratcheting up of conditions on exports, a lack of predictability and certainty for exporters, anti-competitive behaviour by the regulator and in many cases regulatory responses that fail any net benefit test.

118. Exporters have experienced the use of the government's wide discretionary powers in numerous ways including:-
    a) The use of Export Advisory Notices as regulatory tools
    b) The extension of ESCAS principles such as approved abattoirs on at least one breeder export consignment
    c) A requirement to approve each facility in a supply chain even if the facility has already been approved for another exporter's supply chain
    d) A requirement that exporters must notify the Department of any transfers of livestock between supply chains
    e) Despite the required use of auditors for certification purposes, all non-compliances must be assessed and categorised by the Department
    f) Application of additional conditions on consignments after a weather events which were out of the exporters control
    g) Application of additional conditions on consignments and ESCAS when an issue has occurred in one exporters supply chain but is applied to all exporters
        - For example the requirement that exporters must carry sufficient fodder for a return journey to Australia in the absence of an return to Australia policy
    h) Last minute approvals of Approved Export Plans prior to loading that include additional conditions without fair and reasonable consultation.

119. The consequences of this power has led to significant and direct inefficiencies and costs on exporters which in the main are avoidable. Examples of the inefficiencies include:-
    a) Substantial delays in waiting for the department to approve a new facility in a supply chain despite the facility already being approved in another supply chain
    b) Repeat inquiries by different staff on same issues into operational and administrative details
    c) Significant time and resources, including employment of additional staff, to manage information gathering
    d) Facilities being repeatedly auditing and refusal to properly use auditors for compliance monitoring and corrective action oversight
    e) Restrictions on exporters sourcing livestock until an Notice of Intention to Export is approved
    f) Placing “de facto” sanctions or restrictive conditions on exporters prior to the completion of investigations or where a breach is outside the control of the exporter.

120. The broad discretionary powers afforded to the Department of Agriculture in relation to Australia’s livestock export industry and the lack of any reasonable limits or guidance for regulatory decision making is a major issue for regulatory oversight.

121. As outlined in the LiveCorp submission, there are two generally accepted legislative approaches to limited discretion in decision making;
    a) elimination of unnecessary discretionary power (e.g. adoption of formal standards, reliance on quality assurance / equivalence); and
    b) better control of necessary discretionary power (e.g. detailed regulatory rules, plans and policy for level of scrutiny and regulatory action).

4.2. Risk Appetite and Micro Management

<u>Recommendation</u>

R5.1 The legislature should prescribe clear guidance and limitations on the exercise of broad discretions conferred on the department to insure against susceptibility to, or undue influence, by external perceptions and risk appetite.

122. As was highlighted above, in 2011 the release of footage showing the mistreatment of cattle in Indonesian abattoirs created significant public outrage. This outrage reflected that industry actions and Government policy did not align with public expectations. In other words, neither the industry nor Government had fully comprehended the community’s ethical position with regard to animal welfare and had not adjusted behaviour accordingly.

123. The legislative settings at the time focused the government’s risk appetite on animal welfare on domestic supply chain procedures and practices and recognised industry efforts to improve welfare practices overseas in collaboration with customers where possible and feasible.

124. This absence of a government risk appetite reflecting changing community values about animal welfare in 2011 has had significant repercussions for exporters and the agricultural community beyond just regulatory change. There is an increasing debate and internal reflection on the concept of an industry’s social licence to operate within the agricultural sector. Many aspects of

agricultural production are coming under increasing public scrutiny with in many cases a commensurate increase in government's regulatory responses.

125. Regardless of views about agricultural production, this behavioural change is positive and far reaching for regulators. It has the potential to recalibrate the regulatory landscape in a positive and progressive way for regulators, industries and the community.

126. ALEC has undertaken substantial analysis of its social license positon with the community. There is a direct correlation between regulatory activity and a real or perceived increase in the "gap" between industry performance and community expectations. The ability of the government to "bridge the gap" through regulation is an important concept that is critical to the outcomes of this inquiry.

127. In recent decades, western societies have become aware of and have become sensitised to animal welfare concerns. This is often expressed by the high media prominence and public outrage and public cases of animal cruelty, not just to livestock but also to pets and other animals. What were once publicly unnoticed practices, or practices that were considered necessary such as sow stalls or constraints on animal living conditions, are publically discussed, opposed and driven by consumer behaviour.

128. For livestock exports, what was once considered an unremarkable means of transporting livestock to other countries, has now become a focal point for driving perceptions of what is acceptable and not acceptable treatment of animals.

129. The problem for industry and government is that what in the past has been reasonable, unnoticed and / or unremarked upon is now broadly considered to be trailing social expectations.

130. Where the industry has failed to increase accountability and transparency or failed to at least respond to community concerns, the problem is amplified. The Government's response has been to manage public outrage through increased regulation through ad hoc responses, regulatory creep and micro management.

131. The "quick fixes" were designed to demonstrate the government's capacity to 'get tough' on industry, yet the manner in which the government has responded with heavy handed regulation has only increased outrage in the community and increased cost and regulatory burden on exporters.

132. Activists and welfarists now routinely criticise the industry for breaching ESCAS as failing of the system, of the Department and of exporters.

133. While the livestock export industry must do more to be transparent and accountable for its actions, live export legislation is ill-equipped to manage the industry's social license.

134. The absence of a clearly defined risk appetite for the trade has created the perception that the trade operates in a zero risk environment.

135. In this situation, Australian exporters face absolute legal compliance requirements, strict enforcement and micro-management.

136. Further, with the unfettered discretions and delegations from Secretary down afforded in the laws governing the trade, different interpretations of risk appetite by different department officers can make subjective decisions that can have profound and costly implications for exporters.

137. This creates a significant challenge for livestock exporters. As commercial operators, exporters require assurances of predictable and proportionate regulation in order to inform their commercial decision making.

138. ALEC members have expressed significant concern about regulatory creep within the industry and the impact of the regulator's risk appetite or lack thereof. An example of this is highlighted below;

Risk Appetite for the Export of Breeder Livestock:

The ESCAS framework is only applicable to feeder and slaughter animals because, as recognised under the Farmer Review there are;

'*practical difficulties with the extension to breeders of the new arrangements to be utilised for feeder/slaughter livestock. It would be difficult, costly and intrusive for the Australian Government/industry to maintain a 'line of sight' arrangement for breeders, particularly over the many years that breeders may live prior to being sold for slaughter. The Review does not believe that it is practicable or reasonable to impose that requirement on regulators or industry. The Review considers that a position on the question whether there is a need for any additional conditions for the trade in breeder livestock species should be enunciated by the Australian Government to give clarity to the Australian public and industry*.'

Since the Farmer review, the industry and Government have worked together to try and develop an agreed approach to the regulation of breeder livestock. In a report developed by the joint Industry Government Implementation Group (IGIG) in 2013[3], it was recommended that;

a) In conjunction with industry, the department should review existing criteria and processes for confirming the legitimacy of breeding livestock consignments over the next six months.

b) Over the next six months the Australian livestock export industry should continue its work to establish an industry-based arrangement for managing the risks of leakage of Australian breeder livestock where they are held in the same ESCAS facility as feeder/slaughter animals exported under ESCAS arrangements.

c) The Australian Government, with the support of the live export industry will continue to pursue continuous improvement in the implementation of international animal welfare standards through the OIE.

[3] Industry Government Implementation Group (2013). *Report to Australian Government Minister for Agriculture, Fisheries and Forestry; Breeder Livestock Exports*

Export businesses will continue to provide pre and post-sale support to assist improvements within individual breeding facilities.

Industry will continue to develop research, development and extension materials to support exporters and other extension service providers in increasing awareness and improvements in animal welfare.

d) The Department of Agriculture, Fisheries and Forestry should require a declaration that the exporter has completed due diligence and the exporter is satisfied that acceptable animal welfare outcomes will be achieved at the first breeder facility in the importing country.

Where livestock are distributed for poverty alleviation purposes, exporters should be satisfied that the gifting agency has arrangements in place to deliver adequate husbandry knowledge and experience.

Although there was a significant amount of consultation and consideration given to developing these recommendations within the context of the role of the department and the responsibility of exporters, the regulator's risk appetite and oversight continues to change.

As is highlighted in the LiveCorp submission, despite no regulatory obligations for breeder livestock existing under the current governing framework, livestock exporters are subject to;

a) Increased interest in specific post-arrival aspects of breeding livestock exports – for example, a gradual shift from diligence to the exporter's satisfaction to diligence to the regulator's satisfaction.
b) Increased information sought on detailed elements relating to the post-arrival care – e.g. descriptions of specific husbandry elements – which are encompassed within the agreed declarations conducted by the exporter.
c) Questioning of post-arrival details extending beyond reasonable scope under the policy, including secondary locations (e.g. beyond the first breeder facility) and breeding / productive performance.
d) Placing conditions on exports requiring certain activities to be undertaken to minimise risk (perceived or actual) post arrival or post first breeder facility, including imposition of conditions on approval for export for provision of detailed travel plans post arrival.'

139. ALEC members have also raised considerable concern about the general micro-management the industry is subject to by the industry regulator, the Department of Agriculture and Water Resources. ALEC supports the comment by LiveCorp that;

> *"The day-to-day administration of livestock export particularly in terms of approvals and compliance responses are routinely affected by micro-management. The impacts at this level are derived from the department setting its discretionary thresholds for decision making at high levels and requiring exporters to provide increasingly detailed and absolute assurances and evidence to meet those expectations."*

140. As a result, both exporters and the Department have been exposed to a number of unnecessary regulatory inefficiencies and costs throughout the livestock exporting process. For exporters, micro-management has significant implications including delayed approvals, time and costs required to provide information and to implement conditions and general repetition in

administration. For the regulator, micro-management has resulted in increased resource needs and inefficient allocation of resources and a greater risk to Government as a result of managing compliance risk (as opposed to the exporter who has access to a facility).

141. In addition, an effect of micro management has resulted in a duplication of auditing processes and ineffective use of independent auditing. In the absence of any recognition of an industry third party assurance program, the Department should recognise the capabilities of auditors and delegate the role of audit surveillance and oversight of corrective actions to an agreed threshold. In responding to identified incidents, this would involve the Department identifying an appropriate point of intervention or threshold at which the matter should be escalated for regulatory action.

142. The department has had a somewhat 'hands off' approach with regard to auditors. This is surprising as the Department has internal auditors, understands the normal functions and competencies of auditors and requires ESCAS auditors to have a high level of accreditation. There is scope for the department to better utilise auditors and to work with them to improve competency, calibration and consistency of performance.

4.3. Systems recognition approach to regulation – Quality Assurance and Equivalence

Recommendations

R6.1: The legislation enshrine approval and reliance on independent quality assurance programs, to a particular standard and clearly defined scope, to address relevant departmental logistical challenges, enhance efficiencies and ensure "best evidence" is available to support regulatory scrutiny and decision making.

R6.2 The live export regime incorporate mechanisms to formally recognise or adopt equivalence of appropriate standards, codes or regulatory regimes in other jurisdictions as demonstrating – in whole or part – compliance with (or exceedance of) relevant obligations, including ASEL and ESCAS.

R6.3 The legislature clearly identify and prescribe a "meeting point" between direct regulatory oversight and reliance on QA or equivalence to enable regulatory focus to be maintained at a systems level, where appropriate, and to define how any interaction or information flow is to be managed between these systems.

143. In broad terms, the Government has expressed a willingness to accept a more cooperative or co-regulatory approach to industry oversight. It certainly accords more with the 'more progressive regulatory approach' promoted in the current regulatory best practice guidelines.

144. The Department of Agriculture and Water Resource as indicated earlier in this submission is working with exporters to implement Approved Arrangements for export certification. This is a systems based approval approach which is currently in place for all other regulated agricultural commodities other than livestock exports.

145. Moves by government to recognise co-regulatory models also reflects a greater willingness by governments to support industries that understand the social license dimensions of their operations. Consistency of standards and quality delivery throughout the supply chain is one of

the elements that can demonstrate bona fides within the industry to deliver the best attainable standard of animal welfare. This approach can be a barometer of industry's seriousness about change, monitoring performance and continual improvement and about meeting or exceeding community expectations. Any substantial claim industry makes in relation to its change approach or the relative standard of its export practices will rest on measurable standards, and their transparency, integrity and credibility.

146. In relation to live exports, successive governments since 2011 have recognised that an appropriately constructed welfare assurance (QA) program could provide greater oversight and assurance of animal welfare and thus better demonstrate alignment between industry practices and community expectations. In addition, the development of an industry QA system was recommended under The Farmer Review which was similarly reflected in the 2015 ESCAS Review Report.

147. In 2013 ALEC members supported the commencement of a research project to develop a welfare assurance program and risk management system. The development of a **Livestock Global Assurance Program** (LGAP) aims to not only improve animal welfare for Australian livestock but offer a means of improving welfare for livestock from any origin in any market around the world. LGAP represents a significant global effort, led by Australia, to improve assurance of animal welfare, livestock handling and slaughter, management and oversight of livestock in overseas markets. It is also forms part of the Australian livestock export industry's commitment to continual improvement in its practices and ability to manage the welfare of livestock.

148. Significant effort by industry has gone into the development of LGAP. The final research report was released to members on 21 March.

149. The research effort has been focused on designing a complete welfare assurance and certification program based on International Standards Organisation (ISO) guidelines that would act as a regulatory enabler of the current Exporter Supply Chain Assurance System (ESCAS). LGAP would be an improved means of demonstrating exporter's compliance with ESCAS but not replace the Government's regulatory framework. It is a co-regulatory model that includes:-
    - A program owner independent of government, at arm's length of industry and able to be internationally recognised
    - A facilities based certification system to better share responsibility for animal welfare along the supply chain
    - Program standards across animal welfare, management systems and chain of custody that align with the pillars of ESCAS
    - Program rules that define the responsibilities, interactions and obligations of all parties to the program
    - Internal auditing requirements
    - External auditing through certification of appropriately qualified and competent auditors under the control of Approved Certification Bodies to check compliance and oversee corrective actions
    - Certification scopes or levels that provide for ESCAS requirements but enable facilities processing non-Australian livestock to be certified to OIE standards; and
    - A non-conformities management process that better treats operational and administrative issues at the source in a more timely and effective fashion and with a 3rd party complaints mechanism

150. Recognition of QA or assurance programs is not without precedent in Australia and in the agriculture space. For example, AUS-MEAT is recognised by the Australian Government as the standard setting body for the Australian Meat Industry Classification System and providing certification and conformity assessment services.

151. The LiveCorp submission includes specific references to Acts that recognise QA programs including the Biosecurity and Agriculture Management Act 2007 (WA), Motor Vehicle Standards Act 1989 (Cth) and the Livestock Management Act 2010 (Vic).

152. While it is expected that the implementation of a quality assurance program for the livestock export industry would lead to ongoing improvements in facility processes and operations, the challenge in relation to LGAP for the Government – if implemented by industry - is the negotiation of an appropriate intersection between the program's independence and the Government's regulatory oversight of the trade. This will be dictated by several factors including the Government's willingness to shift from command / control regulation to a more cooperate / social process approach.

153. QA programs are not intended to, and do not, override a regulator's oversight or decision-making. Instead, they seek to ensure the regulator has access to and can rely on best evidence, allow it to quality control, remove the need for micro management, and allow it to focus on the more substantive matters which require a regulator's oversight (macro management).

154. Allowing LGAP to be a regulatory enabler will be best supported by recognition of a separate of administrative / operational animal welfare risks and the substantive management of serious matters of integrity / gross incompetence by the exporter. This is, in the industry's view, the intersection point that reflects an appropriate risk appetite calibration by the government that provides certainty and consistency to all stakeholders, including the general public.

155. In line with recognition of QA systems, recognition of equivalence as noted at 211 of the LiveCorp submission, *"allows for a government to expressly except alternative regulations, standards or codes in other jurisdictions or frameworks – potentially event at a market or country level – as meetings its own regulatory requirements."*

156. The Australian live trade operates in a wide variety of markets. While many have yet to embrace the enforcement of their OIE commitments, the trade is not immune to operating in countries where standards are the equivalent or higher than Australian systems.

157. The Government's ESCAS report highlighted this point in relation to Japan

> *"…the pre-existing tight regulation of livestock welfare and food safety in Japan means importers and feedlot and abattoir operators have had to simultaneously deal with multiple regulatory arrangements. Commercial parties have to accommodate ESCAS auditing and reporting alongside meeting pre-existing Japanese domestic regulatory requirements.*
>
> *Implementation of ESCAS in Japan has demonstrated that the current uniform approach to ESCAS in all markets can make the process difficult even for well-prepared exporters and importers. This is more pronounced in markets that already have strict requirements for high standards of animal welfare where ESCAS imposes an additional level of regulation. For Japan,*

it is unclear whether the additional ESCAS regulations have resulted in any discernible improvements in animal welfare."

158. With the trade negotiating a health protocol with the United States, it is possible that this perverse situation of ESCAS being more difficult to implement in countries with equivalent systems will become more pronounced.

159. Equally other countries that do not have equivalent systems should not be written off as forever more failing to implement equivalent systems domestically. The wave of animal welfare concerns will sweep the globe as rising incomes move societal norms along Maslow's hierarchy of needs.

160. An adoption of equivalence need not only reflect those system elements that are acceptable and match ESCAS requirements.

161. Precedents exist for equivalence to be recognised and it appears the only real impediment outside of legislative pathways is bureaucratic culture around the trade.

162. Both recognition of QA and equivalent systems will require cultural change across industry and the government to move to a systems rather than micro-management approach. For a government seeking to reduce red tape it makes sense and should be actively and urgently supported.

4.4. Management of Non-compliance and Self-Reporting

Recommendations

R7.1 The legislation be amended to incorporate clear prescriptive parameters on what represents non-compliance and what the consequences will be, including by formal adoption of standards or codes of practice.

R7.2 Reform of the compliance assessment and enforcement legislative framework should, as a minimum:

- ***(a) Maintain a strong link between licence approvals and serious issues indicative of a failure to meet fundamental obligations on exporters (integrity/incompetence), including a broad discretion for the department to address those matters:***
- ***(b) Decouple operational non-compliance (including ESCAS) from licence and export approvals, supported by formal adoption of codes of practice to limit regulatory discretion and prescribe a focus on systems compliance, with clear triggers to escalate departmental involvement; and***
- ***(c) Remove third party supply chain participant non-compliance from direct departmental intervention or oversight, supported by codes of practice and a prescribed focus on proactive risk management and systems compliance.***

R7.3 The live export regime should also deem compliance with relevant standards or codes of practice as being sufficient:

- ***(a) To meet relevant regulatory obligations; and***
- ***(b) Evidence of compliance, which prohibits the department from pre-emptively taking regulatory action, or imposing controls, unless or until it is proved otherwise.***

(c) ***R8.1 Recognising the value to the integrity and objectives of the live export regime, the legislature should enshrine clearly defined outcomes, such as mitigation of sanction severity, for self-report of non-compliance.***

(d) ***R9.1 The legislation should overtly restrict potential exporter liability for non-compliances due to third party actions to events and circumstances consistent with the widely recognised limited scope of secondary liability in Australian law***

163. As noted above, clarity in legislation is absolutely crucial for effective implementation of regulation. In addition to informing the scope of the regulator and framing the use of discretionary power, it is important in ensuring that compliance obligations are reasonable and in the case of the livestock exporters, it is important that they understand their obligations under regulation and the likely regulatory response when issues arise. Similarly with the objectives and the purpose, the current legislation governing the livestock export industry does not clearly articulate a non-compliance policy. As a result, exporters have experienced inconsistent expectations of compliance.

164. Currently, a major consequence of the language, or lack thereof, of ESCAS regulation is the manner in which the Department manages non-compliance. ESCAS expects a lot of Australian exporters – more than what is expected of most businesses in Australia – and certainly unmatched globally.

165. Australian exporters are expected and indeed are liable for their ability to persuade their customers, and their customers' customers to comply with the requirements of ESCAS. Persuasion becomes coercion in the form of a contract between the exporter and the importer and by extension the importer with feedlots, abattoirs and transport operators, yet all require voluntary compliance against Australian laws that have no extraterritorial reach to non-Australian third parties.

166. As already noted, given these circumstances it is quite remarkable that high rates of compliance with ESCAS has been achieved. Even the relatively crude measure used by the government in its 2015 ESCAS report demonstrates that importers and customers want Australian livestock and are willing to work with Australian rules to get it. How long this lasts is questionable in the face of significant competitive threats that have no similar system and no investment in animal welfare post export. ALEC hopes, if not expects that, the OH&S and value add benefits of better meat quality as a result of ESCAS and exporter investment in infrastructure and staff, will underpin ongoing commitment to compliance.

167. Under the current framework, an exporter must establish an ESCAS that will satisfy the department that animals will be treated in accordance with OIE animal welfare recommendations. That is, providing satisfaction that exporters can ensure the welfare of livestock in facilities offshore, controlled by a third party which is an unreasonable expectation. Non-compliance with this requirement is categorised by Minor, Major or Critical and in response, the Department can apply a number of compliance measures to livestock exporters. Without a clear non-compliance framework and given the structure of ESCAS as a requirement on a licence, there is potential that exporters will face punitive responses for even the most inconsequential breach.

168. This non-compliance policy demands perfect performance and whether operational or administrative, a deviation from perfection rates against the exporter.

169. Within such a framework, it is impossible for even the most diligent exporter to avoid ESCAS non-compliance at approved facilities at some time. To require or expect eradication of non-compliance is unreasonable and simply cannot be achieved and is a key driver of the substantive and unfair burden currently imposed on the live export industry.

170. There is clearly a difference between regulatory absolutes such as 100 per cent compliance or achievement of zero risk and industry stretch targets and goals. Absolutes in regulation go against administrative law principles by failing tests of reasonableness, achievability and proportionality. Industry goals to achieve full voluntary compliance through persuasion and cooperation demonstrate a commitment to good compliance. In the case of livestock exports this is even more important because of the serious outcomes for operational non-compliance. But infallibility requirements in regulation, such as in the livestock export industry, place Australian exporters in an impossible position. Extraordinary efforts to achieve compliance can't, and will never prevent non-compliance.

171. This also places the Department in an invidious and difficult position. In a regulatory structural environment that expects perfect performance, it promotes, *"out of context that any non-compliance is a failure of the regulator…worthy of escalating punitive measures or criminal sanctions". In the event of any non-compliance in this environment, it breeds a political imperative of 'someone must be punished"* and requires the Department to act out and out of proportion to the incident. It also creates a sub-culture that does not properly allow for more measured responses to self-reported incidents. We have seen this process manifest with ever increasing micro-management of exporters and restraints on trade.

172. Calls for the prosecution or criminal sanctioning of exporters has become a regular call to action of activist and welfare groups sustained by absence of reasonableness in the legislation. The fact that no exporter has faced criminal punishment is touted as a failure of ESCAS and the need for further external scrutiny of the trade. This argument is simplistic and convenient but enabled by the regulation's requirement for perfect performance.

173. Use of criminal sanctions requires a serious and deliberate act by an exporter to intentionally or fraudulently breach ESCAS. A breach of ESCAS by a 3rd party operating at arm's length from the exporter has no element of either intent to breach or the action of breaching. In these circumstances it is hard to see where the Department would have grounds to undertake prosecution and the reason why it has not in our view. Exporters cannot be expected to be vicariously responsible for the actions of other parties, particularly where they have taken reasonable measures to enable compliance. Clarity must be provided in the legislation so that exporters and the Department are not ridiculed for not taking action neither evidence or Australia's legal system provides for.

174. Exporters are not regulators. They are business people who have accepted an enormous responsibility for livestock that they do not own, to ensure that their treatment meets Australian community expectations. The decision by the Australian Government in 2011 to make animal welfare a condition of trade was a significant and important step in the fight to improve animal welfare and is of global significance. The decision and subsequent embracing of the framework

by exporters should not however obscure the extent of the responsibility placed on exporters. Exporters must quasi regulate their customers and their customers' by telling them that they are unable to sell the livestock they have purchased legitimately to another legitimate commercial entity unless that entity is bound to the Australian exporters' supply chain, approved by the government of another country.

175. ALEC does not believe that this is a reasonable expectation of Australian exporters. As highlighted in the submission provided by LiveCorp, the current legislative arrangements for the livestock export industry creates a system of strict secondary liability for exporters from the actions of third parties in other countries, meaning that any punitive regulatory actions can be imposed despite whether or not an exporter had any relevant control or culpability.

176. Exporters respect the need for the treatment of non-compliances in a manner which is fair and reasonable and in line with administrative law requirements. The Department has attempted, in good faith at times, to undertake remedial action but have used their wide discretionary and punitive powers to place conditions on exports such as:-
    - Additional auditing requirements
    - Additional reporting requirements
    - Additional requirements for in-market staff
    - Paint marking or equivalent branding of livestock
    - Restrictions of facilities in supply chains
    - Removal of facilities in supply chains
    - Removal of entire supply chains

177. Many of these have been business restricting or costly, have angered customers, delayed shipments and harmed the required cooperation necessary to breed voluntary compliance. In some markets, like Jordan, they have seen the replacement of Australian livestock with livestock from other markets to the detriment of Australian exporters and producers.

178. It is also important to note that under the current legislative arrangements, there is no defined differentiation for response to non-compliance between breaches that have been self-reported by an exporter, or breaches that have been detected by a third party.

179. Despite this, 31% of non-compliances have come from self-reports.

180. There is therefore no benefit for self-reporting despite this feature being included in many other enforcement regimes.

181. Appropriately calibrated responses to self-reports will send a strong signal to industry compliance leaders and laggards by recognising good practice.

182. Legislative provisions that react to non-compliance direct reporting could include:-
    a) Indemnities for voluntary disclosure
    b) Penalty discounts where appropriate and warranted, particularly where the self-reporting company has good standing or good compliance performance

183. The Australian Competition and Consumer Commission (ACCC) provides limited immunity provisions to encourage self-reporting of cartel involvement. The Civil Aviation Safety Regulations also provides a limited form of penalty exemption for self-reporting an infringement.

184. There are examples in the livestock export industry where exporters have received harsher penalties for self-reporting than counterparties whose ESCAS non-compliances were identified by 3rd parties.

185. Clearly the nature of the infraction is a consideration but less so where the issue is of an administrative or operational nature rather than a substantive and wilful breach.

186. A move to implement the Livestock Global Assurance Program may provide a means of the regulations refocusing the Department on substantive issues.

187. Alternatively, regulatory provisions or clearer guidelines on penalising non-compliances could recognise the increased accountability that comes with self-reporting.

5. The Regulatory Cost Burden and Public Good

189. This submission, in conjunction with the LiveCorp submission, references a range of issues that show a suite of inefficient, inappropriate and unnecessary regulatory activities that culminate in a significant cost burden for Australian exporters.

190. The wide discretionary powers deliver unpredictability in export processes and regulatory costs, including provisions in the Export Control Act s2.46A (4) that allow for additional conditions to be applied at any time from the application lodgement to the time an animal is slaughtered in an overseas abattoir.

191. As noted in the LiveCorp submission at 376, the *"risk exposure to regulatory change arises particularly because so much commercial activity and regulatory preparation occurs before an application is submitted to the department for approval of an ESCAS or approval to export".*

192. The range of potential costs that an accrue post export application include, but not limited to:-
    a) Demurrage
    b) Registered premise costs
    c) Fodder costs for extra time in an RP due to consignment approval delays
    d) Additional testing requirements due to delays
    e) Commercial penalties due to delayed consignments
    f) Additional audit costs
    g) Restrictions on livestock loading numbers/stocking density reductions

193. The LiveCorp submission at 381. includes an illustrative list of potential costs.

194. As a result of ad hoc regulatory decisions post application and contract completion, the capacity to pass on costs to other supply chain participants is limited.

195. In a globally competitive environment, such unpredictability in the actions of the regulator, places significant financial stress on commercial operations and Government must enable trade through certainty by providing efficient and cost effective regulatory options.

196. With the introduction of ESCAS, exporters were confronted with additional costs associated with the implementation of legislation to respond to social calls for change.

197. ESCAS is not a requirement of importing countries, it is a condition of trade enforced by Australia.

198. The implementation of ESCAS sought to align animal welfare standards for exported Australian livestock with community expectations. As outlined earlier in this submission, societal norms have escalated concern for the treatment of livestock, pets and other animals.

199. Various polls undertaken as part of omnibus research[4] suggest a large number of Australians are opposed to the trade. These surveys however fail to properly probe the community on the issue of livestock exports and its ability to change and influence practices overseas.

200. Substantive research undertaken by the National Farmers Federation in 2012 found very strong support for the continuation of the live export trade, provided that genuine efforts are being made by the industry to improve the treatment of animals in other countries, with clear evidence of good progress in this regard.

201. In a report developed to inform industry submissions to this inquiry, Ernst and Young considered the value of non-market goods and the value to the general public[5]. The report noted that:

> *"the value to the Australian public of animal welfare outcomes associated with ESCAS has not been evaluated. However, extensive literature exists on contingent valuation that aims to quantify existence of 'non-market' goods. Such studies show that benefits to the general public of non-market goods existing in farm animal welfare can be significant.'*

202. Since the inception of ESCAS, ALEC has sought recognition for the public good component of the system's implementation. While a proportion of the benefits of its implementation – and ongoing ability to exert control over the trade – enhances the industry's sustainability, there is also a significant community service obligation/public good component.

203. The competitive neutrality guidelines of government are clear in that if a CSO exists, they should be transparent, appropriately costed and directly funded by government.

204. The government has in large part failed to acknowledge the public good aspect of ESCAS yet relies on its success for political purposes. Politicians of most persuasions regular merit, if not take credit for ESCAS in communicating to the general public that they have listened and acted in response to concerns about the treatment of exported livestock.

205. This overt use of the public good benefits of ESCAS is currently being funded by Australian exporters.

206. Under the cost recovery arrangements for the live trade, all costs associated with certification and ESCAS are 100% recovered from exporters, regardless of whether the services provided or the regulatory system on which those costs are assessed is efficient, effective or appropriate.

207. The Ernst and Young report referenced above also assessed the costs and the benefits of the introduction of ESCAS for the industry.

208. The EY figures are conservative and focused on direct regulatory costs.

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[4] An **omnibus survey** is a method of quantitative marketing **research** where data on a wide variety of subjects is collected during the same interview. Also called piggyback **survey**. It is a **research** in which multiple clients share the cost of conducting **research**.

[5] Ernst and Young (2016). *Economic analysis to inform LiveCorp's submission; Productivity Commission review into the regulation of Agriculture.*

209. A more detailed examination of the costs is included in Chapter 10 of the LiveCorp submission and ALEC supports the material and arguments presented.

210. In summary the report found that the regulatory burden of ESCAS on exporters is approximately $22.3 million per annum and a further $5.7 million per annum in delay costs. The report suggests that 69% of this cost is administrative, 27% is substantive compliance costs and 4% relates to ESCAS charges, noting that there are a number of factors that restrict livestock exporters' ability to transfer costs along the supply chain.

211. So not only are exporters facing a significant regulatory cost burden in the face of increased competition, there is little contribution from the public through government for the net benefits derived (socio-political and straight out political) in improving the welfare of exported livestock.

212. Australian exporters have invested in improving infrastructure and training staff in overseas facilities in proper treatment, handling and slaughter of Australian livestock. Without this investment, the success of ESCAS would not have been possible

213. Exporters have also been supported through the Meat and Livestock Australia/LiveCorp Live Export Program with the provision of:-

   a) Animal welfare training of over 9000 people in importing countries since 2011 in handling and slaughter techniques, nutrition and specific compliance requirements of ESCAS
   b) Translation of ESCAS material such as Standard Operating Procedures, work instructions, training DVDS and training workshops
   c) Gap and risks analyses of supply chains to support infrastructure and other improvements in abattoirs and feedlots
   d) Training courses for ESCAS auditors; and
   e) Infrastructure improvements

214. LiveCorp has identified this investment alone amounts to $3.9 million per annum, funded by levies from producers and exporters.

215. As outlined in this submission, there is opportunity to improve the trade's regulatory settings by recognising LGAP as a regulatory enabler of meeting ESCAS requirements.

216. ALEC argues that there is direct scope for the government to recognise the public good component of ESCAS through investing in the establishment of LGAP. This investment should include:-

   a) Creating the regulatory pathway to enable recognition of suitable independent quality assurance/welfare conformance systems that sets the pillars of ESCAS as the normative requirements; and that LGAP certification is recognised as compliance with ESCAS
   b) Provides financial support for the establishment of LGAP
   c) Ensures an appropriate level of intervention between the Department, LGAP and certified exporters

6. Conclusion – Benefits of Reform

217. As outlined eloquently in the LiveCorp submission to this inquiry there are a number of reasonable options for amending current livestock export laws. Amendments proposed in this submission and in the LiveCorp submission given affect to the Government's overarching commitment to red tape reduction for business, fulfil objectives of the Agricultural White Paper and demonstrates meaningful support for the industry through regulation that balances the social policy and economic objectives.

218. The significant savings of between $15 million to $25 million identified in the LiveCorp submission at Chapter 11 give further impetus for urgent reform.

219. These significant and substantial cost savings should in ALEC's view be invested in the public good aspects of ESCAS through financial support for the establishment of LGAP.

220. Australia is at risk of livestock importers turning to other nations to that can supply livestock without the cost, risk and burden of regulation but also without animal welfare standards near comparable to that of Australia. Australia's livestock export industry cannot afford to continue relying on our premium product to achieve acceptance of regulation and the future of the trade relies on regulatory reform.

221. This inquiry provides a useful opportunity to consider what costs and inefficiencies are avoidable. The industry submissions endeavour to provide practical and sensible reform options that go directly to the heart of the inquiry. That is, by:-

    a) Indicating priority areas for removing or reducing unnecessary regulatory burdens
    b) Identifying where there is greatest scope to pursue regulatory objectives in more efficient ways
    c) Identifying unnecessary restrictions on competition; and
    d) Assessing the current level at which matters are regulated are appropriate

222. ALEC believes that through smart, sensible regulation, Australian livestock exporters will be able to deliver improved animal welfare practices internationally without sacrificing the industry's growth and competitiveness. This includes giving proper consideration to all regulatory options to ensure it reflect best practice regulation.

223. The industry has changed its attitudes and behaviour towards animal welfare, the responsibility for which is entrenched in our operations. Animal welfare is at the core of what we do. Not only is it good for business but in taking responsibility for welfare outcomes, we are better aligning ourselves with community expectations. This should be reflected in a refreshed regulatory environment.

224. Regulatory settings should not act to penalise exporters for the challenges of our past, particularly where the Government's own risk appetite had not accounted for maturation of the Australian public's views on animal welfare. As highlighted in this submission, in 2011 neither Government policy or industry behaviour was in touch with community expectation. As a result, the level of public outrage drove regulatory intervention of enormous proportion and the

industry was treated as operating in a state of crisis. Despite having faced crises in the past, and while we cannot promise that we won't face crises again in the future, regulatory settings must not treat this setting as the 'norm'. Collectively the industry is anticipating problems, mitigating risks and as issues arise we are more prepared and able to address them. We are better at demonstrating and communicating our progress, reflecting our commitment to meeting community expectation and earning a social licence to operate.

225. ALEC understands that there may be a reluctance and opposition to the industry reform proposals as we recognise that entrenched beliefs and perceptions about the livestock export trade are hardened. We accept our responsibility for this and are investing in strategies to transform thinking about what we do and why. However, bad regulation defies logic and good regulation should be immune to competing arguments.

226. Our industry is an important industry to Australia. Despite being a small contributor to Australia's economy, our industry is economically significant for rural and regional areas - providing jobs and creating wealth. The industry creates essential market competition that drives livestock prices around the country, influencing farm gate returns for all producers, not just those directly involved in the trade. On top of all of this, our industry is an important industry to the world. We are emerging as a world leader in animal handling and slaughter, delivering skills and knowledge to our importing markets and driving improvements in animal welfare globally.

227. ALEC supports the principles of ESCAS in providing assurances of livestock along the supply chain. ALEC recognises the system was designed in a short timeframe and appreciates the work of the bureaucrats at the time to implement a framework that enabled the resumption of trade. However, in the absence of regulatory change, our viability is at risk. Australian livestock exporters already face significant risk from competitors, none of which are required to meet regulatory requirements beyond their borders, or who are responsible for welfare outcomes to the point of slaughter.

228. Both the ALEC and LiveCorp submissions have presented good, sensible and workable recommendations for regulatory reform. These recommendations are aligned with Government interest and policy as well as being socially responsible and administratively reasonable. If adopted, these recommendations also reflect a commitment by Government to innovation within a regulatory context. It is important that governments remain committed to reducing ineffective regulation and cutting red tape because – as is evident for Australia's livestock export industry - *'Regulation can have benefits, but businesses, community organisations and families pay the price of poor regulation' – The Australian Government Guide to Regulation.*

Annex: Background - Australia's Livestock Exporting Industry

1. Livestock Exports (cattle, sheep, goats):

Cattle

In 2014-15 Australia exported 1.38 million head of cattle valued at A$1.35 billion FOB. Indonesia was Australia's largest live cattle export market, taking 746,193 head, valued at A$601 million FOB, accounting for 54% of total Australian cattle exports. The second largest market for Australian cattle in 2014-15 was Vietnam, taking 309,505 head valued at A$328 million FOB. The export volume and value for this markets since 09/10 are included at table 1. China was the third largest market for Australian cattle in 2014/15, taking 79,517 head, valued at A$169 million FOB.

Table 1: Australian Cattle Exports – Number of head and Value FOB ('000) value by key markets

Country	09/10	10/11	11/12	12/13	131/14	14/15	% Change	Mkt Share
Indonesia	718,074 $440,173	457,362 $289,270	376,148 $254,698	271,328 $173,978	623,687 $460,835	746,193 $601,276	20% 30%	54% 44%
Vietnam	461 $461	1,405 $2,126	1,441 $1,892	15,903 $11,873	131,026 $123,813	309,505 $328,321	136% 165%	22% 24%

Source: Meat and Livestock Australia Market Service (2015). ***Australian Livestock Export Industry Statistical Review FY 2014 / 15***

There has been an upwards trend in the export of cattle from Australia over the past few years as shown in figure 1.

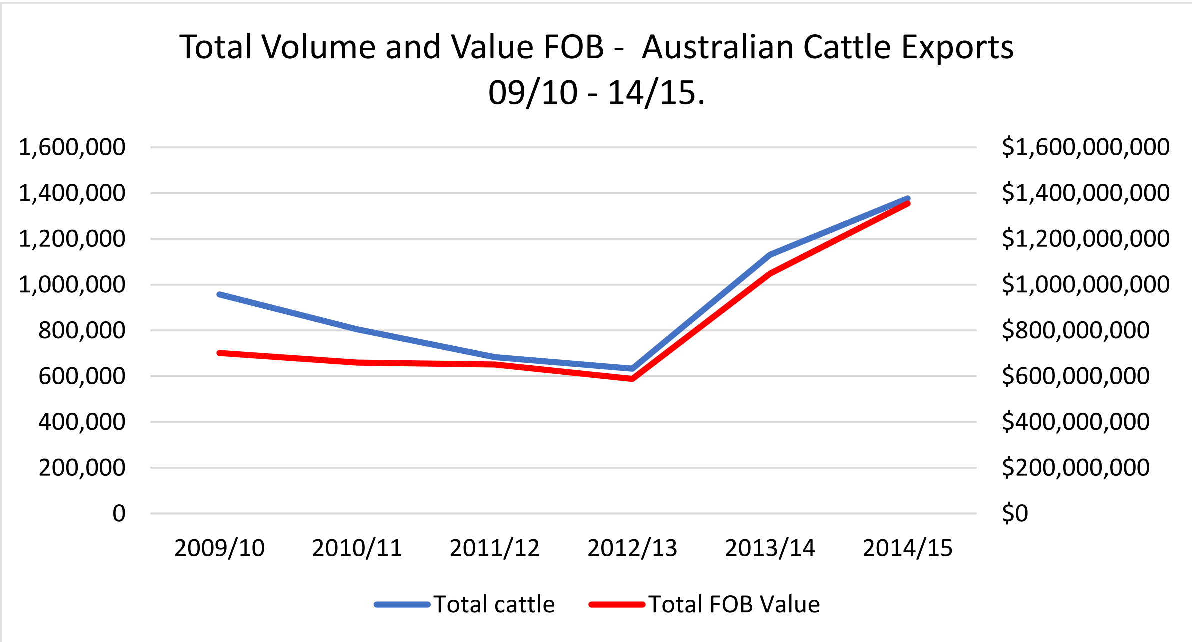

Figure 1: Australian live cattle exports – number of head and FOB ('000) value

Darwin was the largest cattle export port in 2014-15, shipping 615,062 head, valued at A$532 million FOB. The second largest port for exporting cattle from Australia was Townsville, shipping 296,945 head.

73,355 Dairy Cattle, worth A$167 million FOB were exported from Australia in 2014-15. China was the largest market for dairy cattle, taking 62,643 head valued at A$142 million FOB.

Sheep

Australia exported 2.18 million sheep in 2014-15, valued at A$244 million FOB. 97% of sheep were exported to the Middle East where Kuwait was the largest market, taking 616,842 head, worth A$66 million FOB, see Table 2.

Table 2: Australian Sheep Exports – Number of head and Value FOB ('000) value by key markets

Country	09/10	10/11	11/12	12/13	131/14	14/15	% Change	Mkt Share
Kuwait	953,587 $85,786	1,153,968 $135,822	901,486 $113,395	693,265 $57,904	758,944 $61,854	616,842 $65,729	-19% 6%	28% 27%
Bahrain	579,983 $55,106	486,731 $58,363	386,941 $54,617	62,250 $7,338	100,225 $9,671	374,640 $40,742	274% 321%	17% 17%
UAE	101,153 $9,065	66,187 $7,983	44,139 $6,297	37,500 $2,997	124,833 $11,320	358,133 $35,319	187% 212%	16% 14%

Source: Meat and Livestock Australia Market Service (2015). *Australian Livestock Export Industry Statistical Review FY 2014 / 15*

Figure 2 shows the recent trend in volume and value FOB for sheep exported from Australia.

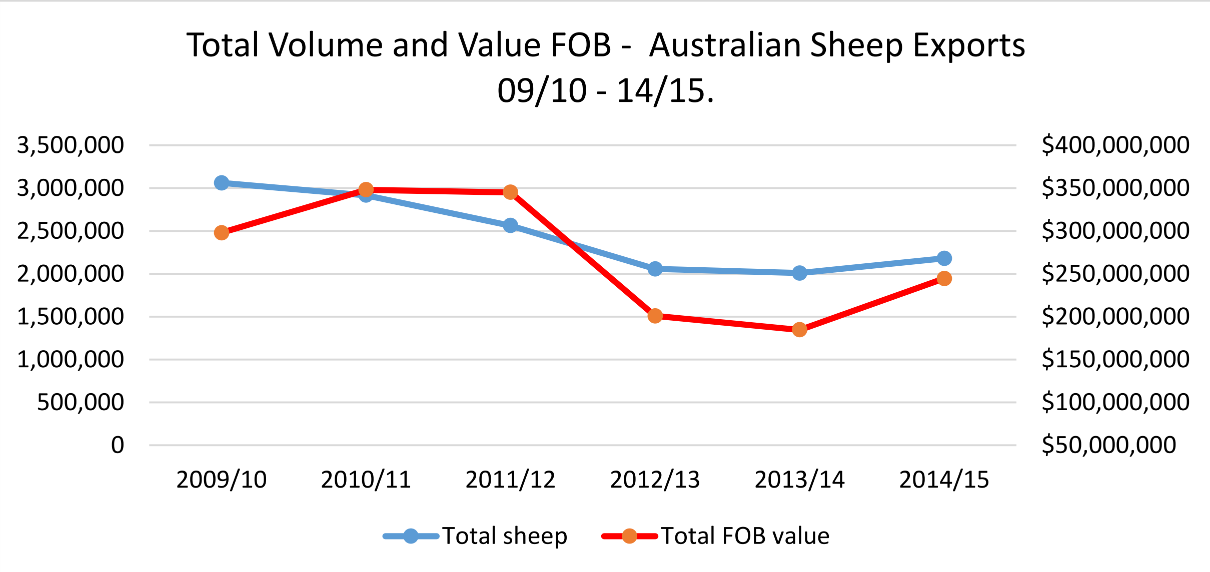

Figure 2: Australian live sheep exports – number of head and FOB ('000) value by key markets.

The largest export state for live sheep during 2014-15 was Western Australia, shipping 1.78 million head, worth A$189 million FOB.

Goats

Australia exported 90,950 goats in 2014-15. This was an increase of 12% on 2013-14 export levels and were valued at A$9.6 million FOB. The largest export market for live goats was Malaysia, importing 87,991 head, which was an increase of 45% year-on-year. Malaysia also accounted for 97% of total exports for the year (see table 3). Australia's goat export trends are outlined in figure 3. The volume and Value of exported sheep by market is included at attachment 1.

Table 3: Australian Goat Exports – Number of head and Value FOB ('000) value to Malaysia

Country	09/10	10/11	11/12	12/13	131/14	14/15	% Change	Mkt Share
Malaysia	84,678	58,163	63,117	56,701	60,662	87,991	45%	97%
	$9,555	$8,094	$8,354	$6,589	$5,877	$8,268	41%	86%

Source: Meat and Livestock Australia Market Service (2015). *Australian Livestock Export Industry Statistical Review FY 2014 / 15*

Goat exporting trends from Australia is included below at Figure 3.

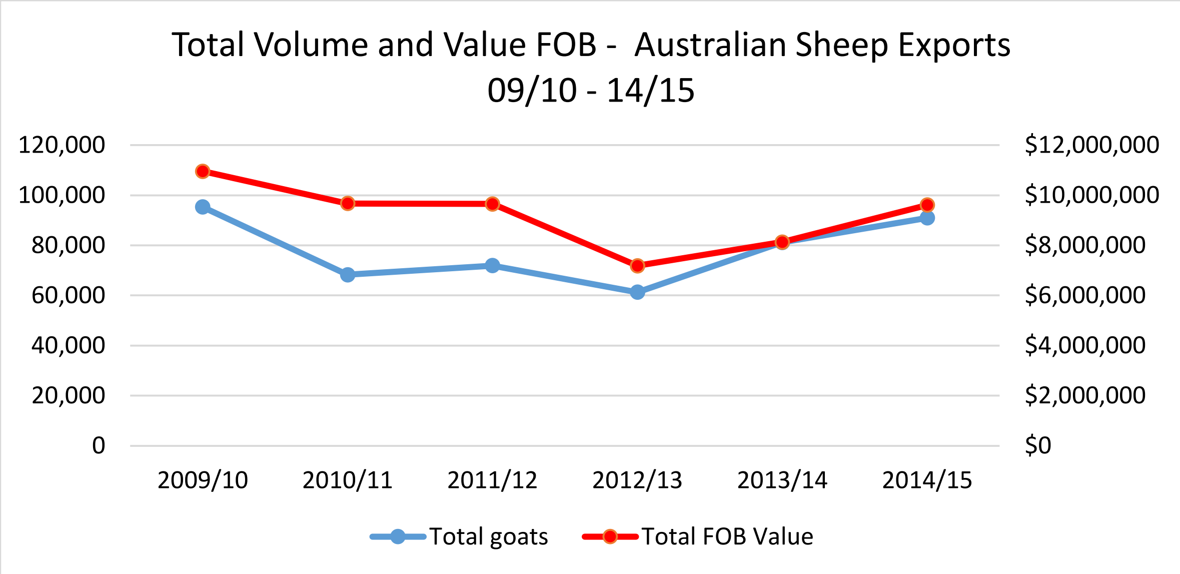

Figure 3: Australian live goat exports – number of head and FOB ('000) value by key markets.

The largest export state for goats in 2014-15 was South Australia, exporting 44,541 goats, valued at A$3.7 million FOB. New South Wales was the second largest state for exporting goats, exporting 39,027 head, valued at A$4.2 million

The total volume and value of Australian livestock exports by market is included at attachment 1.

2. Economic Significance of Australia's Livestock Export Industry:

The export of livestock from Australia equates to around 3 per cent of Australia's total farm export revenue and approximately 0.12 per cent of the nation's GDP[6]. While overall the livestock export industry's contribution to the Australian economy may be small, it is economically significant at a regional level. Opponents to the trade will often suggest that as such a small contributor to the economy, the livestock export industry should not attract government support or investment and resources should be directed towards larger industries. However, the significance of the trade is realised in regional areas through job creation, increased returns at the farm gate and increased property values. While the industry opponents may not value this contribution, it is vital to Australia's overall agricultural competitiveness.

The strength of Australia's livestock export industry has a significant impact on farm gate returns for livestock producers Australia wide, even for those not directly involved in the livestock export trade.

[6] Australian Bureau of Agricultural and Resource Economics and Sciences (2014). *Live Export Trade Assessment.* Report prepared for the Live Animal Exports Reform taskforce, Department of Agriculture.

In 2011, the Centre for International Economics (CIE) completed an independent assessment of the value of Australia's livestock export industry. The CIE analysed the potential changes to market outputs, such as the price and quantity of livestock, should the live trade be closed. The analysis also looked at the impacts of this across Australia's entire livestock industry.

This report found that on average, the livestock export trade significantly increases livestock prices across the Australian red meat industry and 'without live exports farm gate returns would be lower because of the lower demand for livestock and higher transport costs involved in transporting animals to alternative markets'. Specifically, the report found that the saleyard price of grass fed cattle would be 4% or 7.8 cents per kilogram lower, and the saleyard price for the sheep industry would also be lower, with a drop of 7.6% or 12 cents per kilogram for lambs and 17.6% or 14.6 cents per kilogram for older sheep. The CIE also reported that Australia's livestock export trade is a significant contributor to Gross Value of Production at the farm gate level whereby farm level income would drop by $47 million across the cattle industry and $64 million across the sheep industry if the trade were to cease. This equates to a fall in income 3.1% and 12% for Australia's cattle and sheep industries respectively.

More recently, in March 2014 the CIE was commissioned by the Australian Wool Innovation Limited (AWI) to undertake a research into the economic contribution of the livestock export industry with a specific focus on its impact on Australia's wool industry. Similarly to the findings of the 2011 report, the CIE reported that the livestock export trade significantly impacts the saleyard prices across Australia. This report concluded that in the absence of the trade, saleyard prices would decrease by $4.07 per head or 4.5% for lambs and $13.20 per head or 24.4% for older sheep. This calculates to a decrease in sheep prices by $4-$13 (based on 2011-12 market figures).

A number of other studies into the economic contribution of Australia's livestock export trade and the impact of the trade across Australia have been conducted including by Hassall and Associates (2006)[7], Clarke (2007), ACIL Tasman (2009)[8] and Kingwell (2011)[9] which all found that any reduction in the livestock export trade would cause a redirection of livestock into the domestic market resulting in a downward pressure on prices and higher transport costs for producers in report areas.

2.1 Economic Contribution to Rural and Regional Australia:

Despite being a small contributor to Australia's GDP, the economic significance of Australia's livestock export industry is realised at a regional level. In addition to increasing farm gate returns as highlighted above, the livestock export industry provides jobs (in Australia and off-shore) and stimulates regional growth and investment. Australia's livestock export industry currently employs over 10,000 people in Australia.

In both 2011 and 2014, the Centre for International Economics found that while the national average saleyard prices would fall for both cattle and sheep in the absence of the livestock export trade highlighted above represent a national average, the impact would be most acute in regions directly reliant on the trade, i.e. Northern Australia for cattle and Western Australia for sheep. In considering the regional impacts of closing the livestock export trade, the Centre of International Economics found

[7] Clarke, M, Morison, J, Yates, W (2007), *The live export industry—assessing the value of the livestock export industry to regional Australia,* AgEconPlus and Warwick Yates and Associates for Meat & Livestock Australia
[8] ACIL Tasman (2012), *An economic analysis of the live exportation of cattle from northern Australia,* ACIL Tasman Economics Policy Strategy
[9] Kingwell, R, Cunningham, P, Nath, T, Anderton, L, Xayavong, V, Curtis, K, Islam, N, Coss, L, Mahindu, T (2011),T*he economic importance to Western Australia of live animal exports,* Western Australian Agricultural Authority.

that the economic impact would be most significant and negative in regional communities where there is a lack of alternative options for farm enterprises. This was reflected by an estimated decline in GVP for beef producers and sheepmeat producers could fall by 21% and 42% respectively in areas heavily reliant on the livestock trade. In a *Live Export Trade Assessment* released by the Australian Bureau of Agricultural Resource Economics and Sciences (ABARES) 2010, released a. This report found that farm enterprises most reliant on the live export trade were located in the Kimberley and Pilbara regions of Western Australia and the upper western portion of the Northern Territory.

In 2007, MLA undertook research to assess the value of the livestock export industry to regional Australia. From this, MLA found that there are up to 25 separate businesses making up a livestock export value you chain, each of which add value and create jobs. In considering the cattle export industry in Western Australia, such businesses are reflected below in Table 4;

Table 4: Value Chain Participants who benefit from Live Export – Northern WA

Value Chain Participant / Ancillary Service	Turner over Earned from Live Export (%)
Exporters	>80
Cattle producers – indigenous and non-indigenous	>80
Assembly depot operators	>80
Marine Consultants	>80
Ship owners	>80
Ships agents	>80
On-vessel stockmen	>80
Road transport providers	50-80
Livestock agents	50-80
Veterinary service providers	50-80
Port authorities	50-80
Stevedores	50-80
Rural contractors – mustering, fencing, etc.	10-50
Rural consultants and trainers	10-50
Fodder growers and manufacturers	10-50
Industry associations	10-50
Providores (on-vessel supplies) and crew service providers (e.g. doctor)	10-50
Regional business – food, accommodation, etc.	<10
Government service providers – AQIS, ILC, state agencies	<10
Rural finance, accounting, insurance and legal service providers	<10

Source: Meat and Livestock Australia (2007). *The Live Export Industry: Assessing the Value of the Livestock Export Industry to Regional Australia*

To examine the regional economic benefits created by a strong livestock export industry, three key regions impacted by trade are examined below; Northern Australia, Western Australia and Southern Australia.

Northern Australia

Since the first shipments of cattle were exported from the Northern Territory in the 1880s, the emergent livestock export trade had a significant impact on shaping the cattle industry across the north of Australia. Prior to off-shore markets being considered a legitimate and prosperous alternative, northern stockman drove cattle thousands of kilometres to southern markets at which northern cattle sold for a third or less of the price of southern stock. However, as the livestock export trade expanded, access to international markets provided cattle producers across the Kimberley region, the Northern Territory and Northern Queensland alternative markets to South of Australia and greater returns than domestic sales.

During the 1960s and 70s, Australia's northern livestock exporting industry experienced significant growth. This reflected the economic development in a number of South-East-Asian counties (including Indonesia) and their increasing demand for quality red-meat protein. The impact of the expanding trade combined with other factors, including the National Brucellosis and Tuberculosis Eradication Campaign, brought about significant changes to the greater northern region.

In 2011 the Centre for International Economics reported that the livestock export trade from Australia supported changes in the cattle industry that have improved productivity and provided economic benefits to the region.

At a farm level, the expanding trade led to investment in greater livestock control systems and genetics and a shift in the stocking of *bos taurus* cattle to *bos indicus* cattle breeds that are well suited to the northern climate and Northern producers began to restructure on-farm management and operations with a primary focus on feeder and slaughter cattle for off-shore markets. The CIE research in 2011 found that the absence of the trade, the Gross Value of Production (GVP) for beef producers in Northern Australia could fall on average by 21%.

At a regional level, the impact of the growing livestock export trade has increased property values in northern Australia and led to greater investment in trade and infrastructure across the region. The industry provides significant employment throughout regional areas across the North of Australia. This includes high levels of Indigenous employment in areas with limited alternative job opportunities. In addition, the trade benefit associated industries and businesses such as; on farm contractors (mustering, fencing, stock handlers), road transporters, suppliers of hay/fodder to both export yards and live cattle ships, freight companies, independent vets assessing loading operations and stock inspections, shops and retail businesses in regional centres, fuel suppliers and many others.

Western Australia

In 2014-15 Australia exported 1,770,180 sheep from Fremantle Port in Western Australia. This equated to 81% of total exports during the year. In 2014 The Centre of International Economics (CIE) released a report which assessed the impact of Australia's sheep export trade on the wool industry in Western Australia. The final report found that if Australia's livestock export trade was to cease, the impact on Western Australian producers would be 'devastating' concluding that state wool production would fall by 12% and that the GVP of Western Australian wool producers would drop 6.5% or $302.3 million (based on 2012 figures).

With regard to market price, the report found that the price paid by processors would default to that paid in the eastern states, less the cost of transport where transport costs would be approximately $25 - $30 per head and borne by producers. In addition, the saleyard prices may fall by $32 per head (or 35.1%) and $36 per head (or 66.2%) for lambs and sheep respectively.

In 2014, the Australian Bureau of Agricultural and Recourse Economics and Sciences (ABARES) reported that, for farms selling sheep, live exports accounted for a larger share of sheep and lamb receipts in Western Australia, equating to 48% than in the other states which was at around 30%.

Saudi Arabia was once Australia's largest market for sheep, with the majority of sheep shipped from Fremantle Port, WA. The market has been closed since the introduction of Australia's regulatory welfare assurance system, ESCAS, in 2011. Saudi Arabia currently imports around 8 million sheep, goats, cattle and camels each year, most of which is sourced from North Africa. Despite Australia being able to offer the Saudi market higher quality livestock, which are disease free, than can currently be sourced from North Africa, the market remains closed. Australian exporters estimate that if the market were to reopen, Saudi would likely import up to 2 million sheep from Australia. It is important to note that this would include mainly fat tail, composite breeds of sheep which have been bred specifically for the Saudi Market. ALEC and its members continue to work with Governments towards finding solutions through which the trade can recommence.

Southern Australia

While the livestock export industry in the Southern parts of Australia includes the export of breeder livestock and sourcing and consolidating sheep for export out of Western Australia, it is primarily focused on the export of dairy heifers. As Australia's dairy industry is largely concentrated in the south-east of Australia, exporters of Dairy cattle source livestock mostly from this region. As mentioned above, China is the largest market for dairy cattle, taking 62,643 head in 2014-15. Despite this being a decrease of 20% year-on-year, this trade was valued at A$142 million FOB. In addition to the export for Dairy cattle, the livestock export industry from southern Australia includes the export of British Breeds of cattle (e.g. Angus, Herefords). These breeds adapt well to extremely low temperatures when exported and are therefore well suited for markets such as Russia which imported 39,342 head of cattle in 2014-15.

The global demand for red meat and dairy products is increasing (explored later in this submission), and in combination with growing populations and wealth across Asia, opportunities for the livestock export industry out of southern Australia are increasing. This was reflected most recently with the finalisation and signing of a feeder and slaughter cattle health protocol with China which gives unprecedented access to the market for Australian cattle. This means that Australia will be the first country to export feeder and slaughter cattle to China, benefiting Australian cattle producers and exporters.

2.2 Essential Market Competition:

Australia's livestock export industry plays a complimentary role to the domestic processing sector and vice versa. The integrated nature of Australia's red meat industry contributes to the strength and the resilience of the sector as whole as is highlighted in the industry's national five year strategic plan; *Meat Industry Strategic Plan 2020 (MISP).*

Australia's red meat industry is the largest food manufacturer in the country and accounts for a substantial level of employment in in rural and regional areas, directly employing around 200,000 people around the country and makes a significant contribution to global food supply.

While livestock exporters and processors do compete for livestock at a commercial level, it is important to emphasise that this competition is a good thing for the supply chain. This is especially true for livestock producers who are presented with market options for selling livestock where naturally, market forces reflect that price is determined by supply and demand. This is healthy and allows livestock producers the returns required to invest in farm productivity necessary to ensure Australian competition in the sector.

The impact of this commercial competition was realised following the livestock trade ban to Indonesia in 2011 when some cattle from Northern Australia were diverted into the domestic market. The result being increased supply and significant downward pressure on price. By contrast, there has been much recent media commentary about the strength of the livestock export sector and the consequent impact on rising livestock prices including incidences of northern cattle exporters travelling to southern parts of Australia to purchase cattle for export, resulting in record high cattle prices in the market.

While the strength of the livestock export trade has benefits for livestock producers all over the country, not just those directly involved in supply the export market, it is important to note that in many cases, the livestock export trade is the most viable option for Australian livestock producers. For example, Northern cattle producers are faced with two broad market options. The first is to breed cattle for (mostly) Asian markets, as slaughter or feeder animals for entry into regional feedlots. The second is to transport cattle to eastern or southern markets for fattening and domestic processing, noting that he Australian processing sector is geographically geared to the southern parts of Australia requiring that cattle are transported long distances. In addition to travelling long distances in this scenario, it is important to note that in most cases frozen and chilled meat products do not meet the market demands off-shore and northern livestock do not meet the needs of domestic processors. This is just one reason why the livestock export trade cannot be replaced by domestic processing as is often suggested by industry opponents

3. Global significance of Australia's livestock export industry

3.1 Contribution to global food security

Australia's livestock exporting industry supplies high quality livestock for food-security and breeding purposes to countries around the world, many of which have insufficient resources to produce or store enough essential red-meat protein and fresh dairy product to feed their population. Demand for Australian livestock is driven by Australia's reputation for strong production and biosecurity systems and clean environment to deliver high quality and safe food to markets around the world.

There has been a significant amount of discussion in recent years about the potential for Australian industries in the growing demand for food in Asia. In 2012, the *Australia in the Asian Century* White Paper noted that Asia shifting demands had already had a profound impact on Australia's economy, society and strategic environment and as such, the Asian century is an Australian opportunity[10]. While this White Paper recognised the opportunities for Australia are most obvious in the mining and resource related sectors, as well as service industries such as education, tourism and finance, the paper acknowledged the rising demand for food as a result for growing populations and recognised the opportunity for Australia to be a key supplier of high quality and high value food.

Dialogue about these opportunities for Australian food related industries have continued since then, including Governments considering the potential of establishing Australia as the "food bowl of Asia". According to PMSEIC, Australia currently feeds around 60 million people globally each year[11] and it is estimated that by 2060, over one billion people will be considered a part of the 'middle class' in the developing Asia region alone[12] which will increase the demand for more red meat in day to day diets. While is unlikely that Australia can position itself as the food bowl of Asia, as a food export nation, there are significant export opportunities in the region and Australia's livestock export industry is a key element of Australia's capacity to deliver high quality product against these opportunities.

With specific focus on China, a combination of population growth and economic development has had a significant impact on demand for both the quantity and variety of food, including red meat. As China's population already exceeds 1.3 billion and the average household income continues to rise in

[10] Commonwealth of Australia (2012) *Australia in the Asian Century – White Paper*
[11] PMSEIC (2010). *Australian Food Security in a Changing World*
[12] Hajkowicz & Eady (2015). *Industry Futures: Megatrends impacting Australian Agriculture over the coming twenty years.* Rural Industries Research and Development Corporation.

line with national economic growth, it is expected that by 2050 China's demand for food will account for nearly half of the global increase in food demand[13]. Australian producers and exporters are well positioned to meet some of China's future food needs and while it is anticipated that China will increase its domestic food production, it is not expected to grow at the same rate as domestic consumption. In addition, market trends suggest that Chinese consumers have greater trust in imported food and, as Australia is free of the most severe animal diseases and stringent biosecurity regulations apply, the Australian livestock export industry is well positioned to take advantage of potential opportunities in China.

It is important to note that in addition to demand for Australian livestock created by growing populations, rising affluence and demand for more varied diets across Asia, the Australian livestock export industry also meets a demand created by a lack of refrigeration infrastructure and cultural preference across the region. In many markets importing Australian livestock, chilled or frozen product would not be a sufficient or desired substitute due to a lack of refrigeration in homes and in market places. In many South East Asian markets, meat is traditionally sold through 'wet markets' in open areas. These markets source freshly slaughtered carcasses for sale and consumption that day which means that refrigeration is not necessary.

The contribution of Australia's livestock export industry to global food security is not limited to the Asia region. Islamic consumers around the world require that food prepared in accordance with Islamic or Sharia law and considered to be Halal and much of the demand for Australian livestock in Muslim countries in the Middle East is driven by consumer preference for local halal processing, as opposed to importing 'halal certified' frozen or chilled products.

In addition to simply supplying food to countries around the world, Australia's livestock export industry supports importing countries in building domestic production, feedlot and processing sectors and achieving self-sufficiency goals. An example of this includes the Indonesian Government's interest in increasing the domestic national cattle herd through targeted breeding programs. To assist with this, the Australian livestock export industry has been working directly with Indonesian authorities and importers to develop in-market program focused on breeding and animal health.

3.2 Improving Global Animal Welfare

Through a combination of Government regulation and industry initiative, Australia is contributing significantly to improving global animal welfare.

Of more than 100 countries exporting livestock around the world, Australia is the only country that invests in programs and infrastructure to support the delivery of improved animal welfare outcomes in importing countries. Dr Dereck Belton, Head of the International Trade Department of the World Organisation for Animal Health (OIE), acknowledged this in his presentation in 2013 at LIVEXchange in Townsville. Dr Belton expressed appreciation for Australia's support for a range of OIE activities with particular mention to Australian livestock exporters, noting that;

> *"…your investment in improving implementation of OIE animal welfare standards and taking those improvements internationally to the rest of the World, has the OIE's full and unequivocal support.*

[13] Australian Bureau of Agricultural and Resource Economics and Sciences. *What China wants: Analysis of China's food demand to 2050,* 2014

It was recognised again recently by Mr Iain Mars, Chief Operating Officer, Minerva Foods, Brazil Beef, who presented at LIVEXchange 2015. Mr Mars said;

> *"What you have done here in Australia in animal welfare in the live business is phenomenal. I was impressed this morning seeing the controls you have in place for animal welfare. Bloody well done Australia, you've done a bloody good job. We still have a long way to go, and we are nowhere near the sophistication of the Australian industry."*

Through the Livestock Export Program (LEP), the industry invests significantly in activities along the livestock supply chain to deliver outcomes four key imperatives;

- Ongoing improvement in animal welfare outcomes
- Improved industry efficiencies, capabilities and livestock performance through the supply chain
- Building Government and community support for the industry and increasing stakeholder awareness and satisfaction
- Improved market access conditions and building demand for Australian livestock.

The LEP is a jointly funded program between LiveCorp and Meat and Livestock Australia (MLA) which invests producer and exporter levies to deliver RD&E and in-market technical support to the livestock export industry. In 2014-15, LiveCorp invested 44% of its expenditure in the LEP, equating to $2,385,000, to support exporter activities to improve animal welfare and to meet requirements under ESCAS. The total LEP investment in 2014-15 was $7.4 million.

Key to the LEP operations is the delivery of in-market programs across three regions; Europe, Middle East and North Africa, Indonesia and South East Asia which involve conducting training, gap and risk analysis and providing technical support during festival periods.

Training

At the request of exporters and importers, LEP consultants deliver training in animal handling and husbandry skills and since 2011 and the implementation of ESCAS, the LEP has delivered training to over 9000 participants in importing livestock supply chains. This includes funding and coordinating training packages for 3,410 people in the EMENA region, 3,346 people in Indonesia and 2,411 in South East Asia[14].

The Australian Government has recognised that the awareness of the importance of good animal welfare outcomes has increased in our export markets and this has been driven by industry investment in training[15]. The benefit of this training also extends to non-Australian livestock as the training packages help to grow the profile of international animal welfare standards as well as the importance of improving facility infrastructure in-market.

Gap and Risk Analysis

LEP consults conduct assessments in supply chains against animal welfare guidelines, SOPs and ESCAS materials to identify any gaps, risks and potential improvements in animal welfare outcomes. The purpose of a Gap analysis is to assist exporters and importers in establishing new facilities along a supply chain by identifying where changes must be made to meet requirements under ESCAS. A risk analysis is a targeted process aimed at supporting ongoing compliance.

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[14] Australian Livestock Export Corporation Limited – Annual Report 2014/15
[15] Commonwealth of Australia (2015) *Exporter Supply Chain Assurance System Report*

In 2014-15, LEP consultants conducted a number of gap analyses and risk activities across all Australia's livestock exporting regions. This included the completion of 54 gap and risk analyses in EMENA, 79 risk assessments conducted in established facilities in Indonesia and 9 gap and risk analyses were completed in Vietnam[16]. The Vietnam market experienced significant growth across 2014 and 2015 and the role of the LEP in providing technical advice and delivering training expanded quickly to respond to the growth.

Technical Support during festival periods

In addition to providing training and technical advice on an ongoing basis, the LEP also provides targeted technical support during festivals in importing counties, mainly the Eid al Adha, Ramadan and Korban festivals. In 2015-14, the LEP provide 250 days of technical support for markets in EMENA, with particular focus the Jordan, Israel, Bahrain, Oman, Qatar and the UAE markets and 343 days of advice in SEA, namely Vietnam, Singapore, the Philippines, Thailand and Malaysia.

Case Study: LEP and the Eid al Adha Festival

In the Middle East, Eid al Adha or the 'Festival of the Sacrifice' marks the completion of the pilgrimage rites at Mina and commemorates of the trials of Abrahim who was prepared to sacrifice his only son in reverence to Allah. During Eid, Muslims all over the world sacrifice a sheep, goat, cow or camel, the meat of which is shared between the family, relatives, friends, neighbours and the poor and needy.

The sacrificed animals, known as *adhiya,* must meet a certain age and quality standard which means that the festival presents a high demand period for Australian livestock. Despite this, Australian livestock only makes up a small percentage of millions of livestock slaughtered during Eid al Adha and animals are sourced from all around the world to meet the significant demand. Although Australian livestock only makes up small portion of the total livestock being slaughtered during Eid, Australian exporters undertake a significant amount of work to prepare for the festival and implement special systems to address the challenges created by the high volume of livestock being processed.

Through the LEP, Australia's livestock export industry plays a significant role in supporting the festival so that the handling and slaughter of livestock exceeds ESCAS requirements while also respecting the traditional and religious elements of the sacrifice. This support role includes implementing a number of controls and measure to ensure good welfare outcomes such as innovative animal management and sales systems, home delivery of carcasses to charities and developing marketing campaigns aimed at reducing leakage from approved supply chains.

Sales and Ticketing Systems;

The celebration of Eid around the world often involves home slaughter of animals. This means that livestock are being purchased, transported and processed by people that are not trained in humane handling and slaughter practices. As a result, Eid Al Adha represents a high risk period for compliance with ESCAS and ensuring that exported livestock are processed in accordance with international animal welfare standards.

To mitigate the risk of mistreatment, the LEP has designed and implemented carcass-only sale systems. Under these systems, customers buy a ticket at the front of an abattoir and redeem it at the back of the same facility to collect a freshly slaughtered carcass. As result, all public interaction with Australian livestock is completely removed and Australian livestock in these facilities are only handled

[16] Australian Livestock Export Corporation Limited – Annual Report 2014/15

and slaughtered by trained stockmen and slaughtermen who are practiced in Halal requirements and operating in abattoirs that meet Australian ESCAS regulatory requirements.

Home Delivery Services;

Animals sacrificed as part of Eid al Adha are divided into three parts. One part is shared with family, one part is shared with relatives, friends and neighbours and the third part is shared with the poor and the needy. To ensure that the poor and needy are able to receive livestock during this time, in some markets the majority of Australian livestock carcasses are sold directly to charities. Under this system, Australian livestock are slaughtered by trained slaughtermen, dressed and delivered directly to charities for the poor.

Reducing Leakage;

Under the Exporter Supply Chain Assurance System (ESCAS), Australian livestock must not be sold outside of approved supply chains and must be slaughtered at facilities that have been approved as meeting international animal welfare standards.

During Eid, Australian exporters work directly with importers and local authorities to encourage any customer that purchases Australian livestock from an unapproved facility to take the animal to an approved abattoir for processing. These messages are shared on social media and through the local press to prevent any mistreatment to exported livestock.

The implementation of these systems and controls has taken a significant amount of cooperation and coordination between importers, exporters, feedlots and abattoirs. The Australian livestock export industry has worked constructively with importing countries over a number of years to ensure that these systems are implemented effectively and respectfully to support religious practices of Eid al Adha and not frustrate customers and festival processes.

Celebrating Eid al Adha is one of the most important religious rites of the Islamic faith and the sacrifice of livestock is a very deeply held religious belief. To ensure that Australian exporters can meet their obligations under Australian regulations, while also respecting the religious significance of the festival, planning for Eid al Adha commences moths prior to the festival actually occurring. In addition, at the conclusion of Eid each year, the systems are reviewed and a final report is used to manage and improve processes year on year.

The LEP's priorities are set each year in direct consultation with livestock exporters and production sector representative bodies. An Annual Operating Plan incorporates this feedback to align with the industry's overall strategic objectives.

As mentioned, of all the countries in the world exporting livestock, Australia is the only nation investing in improving animal welfare outcomes in its importing markets. The industry's efforts have lifted the standard of animal welfare practices in over 1000 overseas abattoirs and feedlots so that the facilities now meet or exceed international animal welfare standards. For this very reason, the competitiveness of Australia's livestock export trade is critical to improving global animal welfare as any reduction or restriction in the export of livestock from Australia would require that importers source livestock from other exporting nations, none of which have welfare standards or assurance regulations anywhere near that of the Australian industry.

Attachment 1: Australian Livestock Export Volume and FOB Value by markets;

Australian cattle exports – number of head and FOB ('000) value by key markets.

Country	09/10	10/11	11/12	12/13	131/14	14/15	% Change	Mkt Share
Indonesia	718,074 $440,173	457,362 $289,270	376,148 $254,698	271,328 $173,978	623,687 $460,835	746,193 $601,276	20% 30%	54% 44%
Vietnam	461 $461	1,405 $2,126	1,441 $1,892	15,903 $11,873	131,026 $123,813	309,505 $328,321	136% 165%	22% 24%
China	53,276 $107,148	50,944 $105,757	58,853 $132,845	59,235 $125,010	94,090 $194,630	79,517 $168,635	-15% -13%	6% 12%
Israel	36,430 $21,164	53,352 $36,296	60,494 $45,652	67,224 $49,149	107,696 $83,404	65,677 $60,809	-39% -27%	5% 4%
Malaysia	5,531 $4,970	20,580 $15,135	19,963 $14,513	38,548 $26,221	55,270 $40,317	52,876 $49,071	-4% 22%	4% 4%
Russian Federation	9,428 $22,699	18,402 $30,939	36,858 $80,835	36,328 $69,349	50,080 $63,862	39,342 $61,699	-21% -3%	3% 5%
Philippines	14,789 $8,208	15,858 $9,277	23,903 $15,304	36,978 $24,016	19,627 $13,568	26,962 $21,999	37% 62%	2% 2%
Egypt	33,351 $29,861	23,090 $18,336	32,089 $26,416	15,300 $10,328	8,000 $5,360	19,900 $13,856	149% 159%	1% 1%
Japan	15,826 $15,647	12,737 $16,414	14,920 $21,068	11,178 $16,214	11,570 $16,813	9,864 $14,619	-15% -13%	1% 1%
Thailand		37 $76	46 $215	8 $91	437 $910	7,728 $6,998	1668% 669%	1% 1%
Other	70,367 $50,822	151,238 $136,022	58,578 $57,326	81,673 $82,500	29,839 $44,195	19,928 $27,415	-33% -38%	1% 2%
Total cattle	**957,533**	**805,005**	**683,293**	**633,703**	**1,131,322**	**1,377,492**	**22%**	**100%**
Total FOB value	**$701,151**	**$659,648**	**$650,763**	**$588,728**	**$1,047,707**	**$1,354,698**	**29%**	**100%**

Australian Sheep Exports – number of head and FOB ('000) value by key markets.

Country	09/10	10/11	11/12	12/13	131/14	14/15	% Change	Mkt Share
Kuwait	953,587 $85,786	1,153,968 $135,822	901,486 $113,395	693,265 $57,904	758,944 $61,854	616,842 $65,729	-19% 6%	28% 27%
Bahrain	579,983 $55,106	486,731 $58,363	386,941 $54,617	62,250 $7,338	100,225 $9,671	374,640 $40,742	274% 321%	17% 17%
UAE	101,153 $9,065	66,187 $7,983	44,139 $6,297	37,500 $2,997	124,833 $11,320	358,133 $35,319	187% 212%	16% 14%
Qatar	389,751 $46,608	315,931 $41,753	456,436 $69,174	588,078 $66,082	526,897 $46,701	350,264 $37,430	-34% -20%	16% 15%
Jordan	446,928 $39,238	212,579 $23,821	348,467 $44,840	343,894 $30,115	293,553 $30,323	203,500 $19,831	-31% -35%	9% 8%
Egypt						79,000 $9,254		4% 4%
Oman	135,024 $13,793	50,346 $6,589	32,025 $4,613	35,368 $3,286	62,000 $5,101	78,646 $8,917	27% 75%	4% 4%
Israel	35,400	55,000	69,200	74,088	101,608	56,100	-45%	3%

	$3,127	$6,185	$8,476	$6,822	$10,557	$5,313	-50%	2%
Malaysia	13,812 $2,066	20,024 $2,988	16,728 $2,699	24,371 $3,909	30,919 $3,229	43,516 $4,890	41% 51%	2% 2%
China				127 $422	4,645 $4,791	17,047 $16,109	267% 236%	1% 7%
Singapore	8,670 $1,670	7,042 $1,312	6,404 $1,204	3,778 $809	4,662 $981	2,200 $660	-53% -33%	0% 0%
other	395,379 $42,974	548,606 $64,563	300,384 $40,859	194,966 $22,387	73 $5,932	118 $17,017	62% 187%	0% 7%
Total sheep Total FOB value ('000)	3,059,687 $297,764	2,916,414 $348,066	2,562,210 $344,971	2,057,685 $200,839	2,008,359 $184,687	2,180,006 $244,441	9% 32%	100% 100%

Australian Goat exports – number of head and FOB ('000) value by key markets.

Country	09/10	10/11	11/12	12/13	131/14	14/15	% Change	Mkt Share
Malaysia	84,678 $9,555	58,163 $8,094	63,117 $8,354	56,701 $6,589	60,662 $5,877	87,991 $8,268	45% 41%	97% 86%
UAE				373 $117	1,081 $238	1,723 $799	59% 236%	2% 8%
Brunei	1,557 $240	534 $89	610 $115	985 $133	1,427 $228	420 $86	-71% -62%	0% 1%
Singapore	6,795 $631	8,718 $628	7,967 $947	3,152 $253	17,855 $1,647	345 $104	-98% -94%	0% 1%
China			32 $10			189 $220		0% 2%
Other	2,280 $531	867 $861	169 $227	119 $96	142 $139	282 $134	99% -4%	0% 1%
Total goats **Total FOB value**	**95,310** **$10,956**	**68,282** **$9,672**	**71,895** **$9,654**	**61,330** **$7,187**	**81,167** **$8,130**	**90,950** **$9,611**	**12%** **18%**	**100%** **100%**

Source: Meat and Livestock Australia Market Service (2015). ***Australian Livestock Export Industry Statistical Review FY 2014 / 15***