

Regulatory Burdens – Primary Sector

To whom it may concern

I write with reference to the Draft Report – Primary Sector, with specific emphasis on the NLIS scheme.

The commission summary says that ‘unnecessary burdens’ occur where regulation is ‘poorly designed and implemented’.

Specific ‘problems’ with NLIS can be summarised under your dot points.

- Poorly targeted
- Overly complex or prescriptive
- Excessive reporting requirements
- Creation of perverse incentives

1. Poorly Targeted

NLIS will not stop any disease from occurring.

The two major diseases discussed are bovine spongiform encephalitis (BSE) and foot and mouth disease (FMD).

BSE occurs in cattle when they consume infected material. The disease is not transferable from animal to animal. Australia banned the import of any such potentially infected material (including feedstuffs) in 1966.

The disease takes a long period to develop, towards 5 – 10 years but the NLIS tags are only guaranteed for 5 years. There is no capability of the database to record any extra information e.g. animals consuming any particular contaminated feedstuff (which is illegal in any case).

In the case of managing for BSE, NLIS under perfect operation and rules does not even go part way to helping.

FMD is highly contagious and interspecies (cattle, sheep, pigs, goats, deer, indeed any cloven hoofed animal can be infected). Just like the horse flu epidemic the disease can be easily spread by humans, the wind or equipment.

Obviously, using NLIS to trace for FMD will be too slow. Even under perfect operations of the system there is little scope for any value in the system. Indeed the so called NLIS rules for notification of a movement are slower than the time to infection for this disease.

NSW Department of Primary Industries recognised the inability of NLIS to help in an outbreak of is FMD.

In the case of managing FMD and BSE the legislation and NLIS is a perfect example poor targeting.

I query Minister McGauran's statement on 'enormous benefit' from NLIS in an outbreak of bovine john's disease in WA. This is false. Bovine John's disease is not a serious factor in the cattle industry.

The government and bureaucracies attempts to eradicate ovine johns (sheep disease) should be some warning on this factor. The current status with this disease is to vaccinate and move on. The eradication programs by DPI and government et.al. cost farmers hundreds of thousands. The market ran straight over the top of bureaucrats and sectors in the industry who wanted to eradicate the disease.

In summary the legislation is poorly targeted because the system will not help eradicate or control either of the major diseases mentioned.

2. Complex and prescriptive

If the Productivity Commission wishes to see a piece of complex rules and regulations view the rules and systems involved in the NLIS scheme. Pages of documentation, rules and database procedures..... see the NLIS database at the MLA website. All ignored by the farming community.

3. Excessive reporting requirements

The NLIS system requires all cattle to be individually tagged. With all cattle movements to be recorded when animals are moved from place to place. This information is kept on a centralised database.

You note 'Cowcatcher II' the audit against PMIC endorsed performance standards. This piece of bureaucratic obfuscation suggested it was testing under an example of FMD outbreak and a percentage for BSE.

The test for FMD did not consider down wind vectors of transmission or interspecies transfers. In other words it was completely false.

In the case of BSE the 'assumption' made were that cohort animals were traced i.e. the 30 alpha numeric tags around that series. There would be no evidence that this would be the case, and given the way that farmers use the system complete hogwash

Cowcatcher II was nothing more than bureaucratic gobbledygook.

4. Creation of perverse incentives

The system of lifetime traceability can be used to stifle free and open price competition for cattle. There is no rational reason why 3 owners can not manage a mob of cattle over their lifetime. The feedlot industry has suggested they will only purchase cattle with one previous owner.

In many cases the system is being used to stifle liquidity in the cattle market.

You note DEEFRA's UK cost benefit assessment of electronic tagging.

In Australia the NSW DPI produced a cost benefit analysis with positive benefits. They did this by assuming a 5% chance of BSE in Australia per annum. In the USA where the disease has occurred and been a problem they are working upon less than 1 in 15 million chance. The OIE (world disease organisation recognises Australia as the lowest risk for the disease.

I queried the senior DPI economist on some of the assumptions in the paper. The end result was that he admitted that the cost benefit study was completed by the department responsible for running the NLIS program! (DPI in NSW has been under cost pressures and there have been many redundancies).

Commentary on the Productivity Commission Assessment

The NLIS system is highly complex. One needs to understand disease aetiology, RFID technology and the pragmatics in the cattle business.

The statement that a thorough debate was undertaken when the scheme was initially proposed is highly dubious. This is backed up percentages of farmers who do whatever they can to get around the system. (95% of farmers do not routinely check their database records PWC 2006).

Indeed, in a recent survey on MLA increasing their levies a majority of producers voted against the increase. The increase was carried by the support of 'corporate entities' who voted for, but only marginally57% of votes received.

The statement that costs in the system have been ameliorated by government subsidies is rubbish (the subsidies have all finished yet farmers face a system in perpetuity). The initial 'subsidy' was a small component of year one tags price.

The so called 'independent cost analysis by MLA' presented an approximate \$5.25 cost of NLIS per head for operations turning over between 6 – 900 head.

The average beef producer in Australia only has around 200 cows with a similar turnover. My thinking is that some further analysis of the costs of this system would be warranted.

The NLIS legislation is the perfect example of legislation that is poorly designed, complex and in the end unworkable.

I feel that these notes are a little rough however, like many farmers facing the drought I am pressed for time.

I do that it is very important that this scheme is at least analysed somewhat robustly and with some rigour.

I had hoped that the productivity commission would help in this process. Please note I am more than willing to expand on any points which need clarification.

Yours faithfully

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