



Submission to

**The Productivity Commission Inquiry – Annual Review of Regulatory
Burdens on Business: Primary Sector**

October 2007

**COMMENTS BY AUSTRALIAN PORK LIMITED TO THE PRODUCTIVITY
COMMISSION INQUIRY DRAFT REPORT- ANNUAL REVIEW OF
REGULATORY BURDENS ON BUSINESS: PRIMARY SECTOR**

1. EXECUTIVE SUMMARY	3
2. INTRODUCTION	4
3. UNNECESSARY BURDENS WHICH CAN BE REMOVED IMMEDIATELY	5
Drought support	5
Farm surveys	7
4. REFORMS THAT ARE PROGRESSING	8
National Pollutant Inventory	8
Regulatory overlap	10
5. REFORMS THAT HAVE COMMENCED BUT ARE TAKING TOO LONG	11
Animal welfare	11
6. POLICY REVIEW	13
Transport infrastructure	13
Wheat marketing	14
Occupational health and safety	15
7. OTHER SIGNIFICANT ISSUES	16
Food regulation	16
Inconsistencies between domestic and imported food	16
Ethanol Regulation: Mandating ethanol by States	18

1. Executive Summary

Australian Pork Limited (APL) welcomes the opportunity for further comment to the Productivity Commission Inquiry Draft Report - Annual Review of Regulatory Burdens on Business: Primary Sector. Where indicated, APL supports the findings of the draft report, reiterates ongoing industry concern, and indicates other significant regulatory imposts. They include three areas of concern the pork industry:

- 1) reducing compliance burdens with the time involved when completing the required paperwork;
- 2) hastening the implementation of recently completed regulatory reform; and
- 3) supporting and recommending areas for regulatory review to redress inequity.

These have the potential to stymie pork industry development and impinge on pork industry viability.

2. Introduction

APL recognises that although regulation may be an appropriate way to achieve sound governance, it can have a substantial impact on business. Through government regulation, Australia should be able to gain a competitive advantage and an internationally competitive economy. Regulatory reform that ameliorates difficulties in key areas will ensure the Australian pork industry can justifiably meet government requirements.

The Australian Chamber of Commerce and Industry (ACCI) mentions of federal and state relations:

“There is a need for greater coordination not just at the Commonwealth level but spread across all levels of government - Commonwealth, State, Territory, regional and local. Frequently the lack of coordination has led to duplication of policies, delivery systems, controls and the like, or just as divisive differences and clashes which have lead to even worse outcomes. This whole area has been made more complicated by the delicate issue of what is perceived as States’ rights.”¹

In APL’s review of the publicly available submissions, and that of the PC’s assessments, consistency in Federal and State regulations to achieve agreed outcomes is crucial for efficient business... While the Commission insists that although there are instances where there is little that the Federal Government can achieve unilaterally with federal and state regulations, there remains an agenda for stronger multilateral cooperation to effect consistent regulatory change which achieves agreed or similar outcomes.

Our response report structure is as follows, and models the draft PC report:

1. Unnecessary burdens which can be removed immediately
2. Reforms that are progressing
3. Reforms that have commenced but are taking too long
4. Policy review
5. Other significant issues not recognised in the draft PC report.

Where not all APL’s concerns had been mentioned in the Commission’s draft report, there are critical issues which, without due process into Federal regulatory development can impact significantly on the Australian pork industry. APL identified regulatory concerns and still recognises them as valid in this new submission to the Productivity Commission.

¹ http://www.acci.asn.au/text_files/policies/2005/2005%20Regulatory%20Reform%20Policy.pdf

3. Unnecessary burdens which can be removed immediately

The Commission has identified a further set of actions which can be taken without delay, including drought support and farm surveys:

Drought support

Concern: Duplication and unnecessary burdens in applying for drought support.

Draft Response 3.17

To avoid duplication and reduce unnecessary burdens in the application process:

- 1. Centrelink and state and territory government rural adjustment authorities should provide applications for both Exceptional Circumstances (EC) income support and EC interest rate subsidies;*
- 2. Applicant information should be able to be used across different Centrelink administered programs;*
- 3. A single application form for EC interest rate subsidies should be adopted by state and territory governments; and*
- 4. The Commission seeks views on whether drought support, by all governments, should be reviewed.*

APL's response:

APL broadly supports the recommendations outlined above. The cooperation between Centrelink and State and Territory governments, and the sharing of information between government agencies will enhance transparency into the need for and encourage data management; the opportunity to assess needs and direct funds in a timely fashion.

APL supports the National Farmers Federation on its assessment of drought support issues in Australia:

- Inconsistencies with accessing Exceptional Circumstances (EC) benefits linked to drought support are unnecessarily complex;
- Farmers with properties across state jurisdictions find that the EC interest rate subsidy component of the program is administered separately by each state, increasing paperwork. Furthermore, the different state forms are inconsistent.

- Management of the EC program is messy – the Farm Help and EC Relief Payment components are administered federally by Centrelink, with inconsistencies between State and Federal applications.
- A move to streamline State and Federal drought support application and processing.

In streamlining State and Federal drought support application processes, consideration should also be given to identifying opportunities for harmonisation and consistency of current drought policy and assistance measures across states to uniform outcomes and that no one industry is unfairly disadvantaged.

At present State Governments declare drought areas based on individual state criteria. While state drought declaration is required for an EC application, EC approval is totally separate to the state schemes. Each state instigates its own drought assistance schemes, which vary in criteria and delivery method.

While there are feed supply difficulties for both intensive and extensive industries during a drought, intensive livestock industries are affected by high grain prices even if they are not located in a “drought declared” area. Many of the current state drought assistance schemes are designed to support broad acre farming and include freight or grain subsidies that actually work against intensive farms by driving the price of grain up further. This in turn affects the competitiveness and sustainability of pig producers and the industry as a whole.

Farm surveys

Concern: Time involved in completing farm surveys.

Draft Response: 3.29

Improved coordination between ABARE and other government agencies in collecting farm data could reduce the time spent by agricultural producers completing surveys.

APL's response:

Australian Pork Limited broadly supports the recommendation outlined above, as a means to increase the time spent attending to business duties. APL agrees with Commission's assessment that there is a degree of overlap between the ABARE farm surveys and those conducted by state government agencies.

However, APL appreciates that farm surveys have wide value to the community. APL believes that stronger coordination between ABARE and the Australian Bureau of Statistics (ABS) may result in faster reporting of raw market data to the pork industry. The raw data that the government agencies provide assists in APL's strategic planning priorities.

APL strongly supports improved coordination between ABARE and other Federal and State government agencies when collecting data from rural producers.

4. Reforms that are progressing

Although some reforms have been agreed at policy level, primary sector businesses are not seeing any tangible results. Examples of where the implementation processes are taking too long include the National Pollutant Inventory, the importation of veterinary medicines, and on animal welfare matters.

National Pollutant Inventory

Concern: Intensive agricultural operations

Draft Response 3.4

Reforms are progressing to reduce the compliance burden on individual farmers in intensive agricultural operations resulting from the reporting requirements in the NPI National Environment Protection Measure. The Environment Protection and Heritage Council should also consider expanding the role of industry associations in meeting reporting requirements.

Concern: Intensive agricultural operations – the NPI reporting threshold for ammonia adversely affects small beef feedlots.

Draft Response 3.5

The Environment Protection and Heritage Council should commission a review of reporting thresholds for all NPI substances. The review should occur by 2009.

Concern: Public access to facility-based information in the NPI.

Draft Response 3.6

The Environment Protection and Heritage Council should review whether facility-based data collected under the NPI could be aggregated before being made available to the public without unduly reducing the value of the information or the incentive for businesses to reduce their emissions.

APL's response:

APL supports the position of other livestock intensive sectors of the compliance burden imposed by NPI reporting. APL supports the Environment Protection

and Heritage Council in expanding the role of industry associations in meeting reporting requirements. This also includes the aggregation of facility based data collected under the NPI, before being made publicly available.

APL also supports a review of the threshold requirements in 2009, particularly an increase in the threshold for mandatory reporting for Australian pork facilities. APL supports the aggregation of facility-based data collected under the NPI before being made available to the public. This protects the right to privacy for the intensive livestock sector(s). APL recommends the aggregation of data by postcode.

Other significant pig industry concerns:

- Strong concerns with privacy issues associated with public access to electronic data which includes spatial addresses, names and contact details;
- Breach of privacy and biosecurity protocols on individual pork farms;
- The practicality and cost of implementing an interim NPI system;
- Whether investment in terms of consultation, design and implementation of an interim system into NPI is cost effective or necessary.

Regulatory overlap

Regulatory overlap

Concern: Overlap between regulatory agencies over the importation of veterinary vaccines.

Draft Response: 3.8

Recent initiatives by the Australian Quarantine and Inspection Service, Biosecurity Australia and the Australian Pesticides and Veterinary Medicines Authority should result in reduced duplicative requirements governing the importation of veterinary vaccines.

Agricultural and veterinary chemicals

Concern: Delays, inconsistencies and complexity in agricultural and veterinary chemicals regulation.

Draft Response 3.27

There are many agricultural and veterinary medicines regulatory issues that require detailed examination. The recently commenced Commission study into chemicals and plastics provides that opportunity.

APL's response:

APL reiterates the need to streamline the approval process for the importation of veterinary medicines and pesticides, necessary to and critical for the pig industry's businesses and to cost effectively manage animal health. Many of these vaccines are already being used by our competitors and provide in some instance of a cost competitive advantage by reducing costs of production.

5. Reforms that have commenced but are taking too long

While the need for reform has been acknowledged, its implementation is taking too long, particularly in relation to animal welfare.

Animal welfare

Concern: Slow progress in implementing rule harmonisation.

Draft Response 3.16

There appears to be scope to implement the Australian Animal Welfare Strategy more quickly. The Commission seeks views on this matter.

APL's response:

Australian Pork Limited wishes to note that, along with the Red Meat Industry, (representing Meat & Livestock Australia, the Cattle Council of Australia, the Sheepmeat Council of Australia, the Australian Lot Feeders' Association, Livecorp and the Australian Meat Industry Council), that regulatory harmonisation is a priority area for reducing regulatory burdens.

APL agrees that there is scope to implement the Australian Animal Welfare Strategy (AAWS) in a timelier manner. This process has been hampered by the fact that the states and territories have primary responsibility for animal welfare. One major issue is the need for harmonisation of the regulatory framework.

Model Code of Practice: The Welfare of Animals - Pigs

The Primary Industries Ministerial Council approved the revised Model Code of Practice on 20 April, 2007. The development of the Model Code of Practice: The Welfare of Animals - Pigs has been an especially difficult process to complete. It was completed on a partial template of a newly designed process which was agreed to by all key stakeholders for consistency. The theory of consistent implementation in each state has been problematic as the Pig Code is effectively a "Clayton's code", being the last Code written under the previous method of code development but also embodying aspects of the new code development template. The PIMC agreed to the establishment of an Implementation Working Group (IWG) from all jurisdictions to ensure consistent implementation in each state, but progress has been slow due to different state approaches to animal welfare regulation and individual interpretation of agreed outcomes. South Australia has been of particular concern to the industry.

Under South Australian law, the new edition of the Pig COP was automatically regulated under POCTA after it was endorsed by the Primary Industries Ministerial Council (PIMC). This “entire code’ regulation includes recommended practice and also the guidelines (these were never written to be or intended to be regulated), which poses risk to pork producers, particularly given the South Australia system of third party prosecutions for animal welfare. Currently SA refuses to amend its regulations to reflect the agreement made by PIMC in regards to consistent implementation of the Code.

Australian Standards and Guidelines for the Welfare of Animals - Land Transport of Livestock

A similar problem has arisen with the development of the Code of Practice for the Land Transport of Livestock. Each livestock industry in Australia is party to the Code writing process. The RSPCA noted in its submission to the Productivity Commission that it had concerns about the process in which the Code is being developed. Australian Pork Limited also believes that there has been a deviation from the agreed Terms of Reference by the Standard Writing Group, who are primarily responsible for drafting the standards and guidelines: there has been a lack of consultation with the livestock industry members in relation to changes made unilaterally by the Standard Writing Group.

While the regulatory reform and process was agreed to in principle, APL believes that the agreed process has not been consistently followed through.

6. Policy review

A number of unnecessary regulatory burdens can only be removed after a full policy and framework review, including those in relation to cabotage restrictions, the Wheat Marketing Act, and OH & S matters.

Transport infrastructure

Concern: High costs due to cabotage restrictions.

Draft Response: 4.21

Given its importance within Australia's freight transport task, coastal shipping should be included in COAG's national transport market reform agenda.

APL's response:

Australian Pork Limited supports the Commission's assessment for a review which was made as part of its 2005 Review of National Competition Policy Reform. The Commission concluded that coastal shipping should be included as part of a wider review of the national freight transport system.

APL supports the Commission's assessment that there are interjurisdictional inconsistencies in road transport and that there is a large agenda to progress. Nevertheless this should be given a priority to ensure its progress and timely resolution.

Wheat marketing

Concern: Costs imposed by the single desk for exporting wheat.

Draft Response: 3.15

The Wheat Marketing Act should be subject to a review in accordance with National Competition Policy principles as soon as practicable.

APL's response:

Australian Pork Limited notes the response of the Red Meat Industry:

APL supports the Red Meat Industry, representing the Australian Lot Feeders Association (ALFA), opposition to single desk arrangement. ALFA raised concerns of the muffling effect the single desk had on grain prices and the removal of the single desk increasing competition and investment:

“ A commissioned analysis confirms distortions are caused by a muffling effect of the pooled export price on domestic grain prices and that ‘abolition of the Single Desk will increase competition..., increase investment through the supply chain and improve the responsiveness of the grains industry in its interactions with its domestic customers.”

Improvements in the responsiveness of the grains industry to its domestic customers

APL strongly supports the Commission's assessment that the Wheat Marketing Act be subject to a review in accordance with National Competition Policy, and agrees with the concerns of the Red Meat Industry (who include Meat & Livestock Australia, Cattle Council of Australia, Sheepmeat Council of Australia, Australian Lot Feeders Association, Livecorp and the Australian Meat Industry Council)

Occupational health and safety

Concern: Complex and inconsistent regulation across jurisdictions.

Draft Response 3.18:

COAG has developed a strategy to develop a nationally consistent occupational health and safety framework. Its progress will be reported on during the 2011 review of generic regulation.

APL's response:

APL supports the position of the National Farmers Federation (NFF), and the Queensland Farmers Federation (QFF) – that occupational health and safety (OH&S) requirements are a significant regulatory burden on Australian farmers. It is hoped that the COAG progress review due in 2011 will put forward the changes required to effect change to the OH & S system.

APL supports the National Farmers Federation position on OH&S issues:

- OH&S regulations are complex, costly and onerous to the employer;
- OH&S regulations are not conducive to reducing workplace injury and encouraging work-safe behaviours;

OH&S issues should be a joint responsibility between employer and employee. These views are consistent with APL's concerns which emphasise:

- Statutory requirements by state agencies for employers to have workers compensation was costly;
- In NSW and QLD, insurance was 10% of wage costs, but in VIC the costs were lower.
- OH&S regulations should provide strong incentive for individual businesses to improve accident performance.

7. Other significant issues

Food regulation

Concern: Inconsistency and lack of timeliness in food regulation.

Draft response: 3.19

Food regulation concerns are currently being examined by the Bethwaite Review.

APL's response:

Inconsistencies between domestic and imported food

APL supports the views of the Virginia Horticulture Centre and that of the Victorian Farmers Federation; that food imported from other countries must be subject to the food safety standards applied to Australian produced food. The Queensland Farmer's Federation has also sought consistent testing of imported and domestic produce and for standards harmonisation between import and export products While the Commission admits that AQIS officers inspect imported food to the same standards applied to domestic food under the Imported Food Control Act 1992, Australian Pork Limited believes that food imports do not undergo the same treatment for domestic food such as certain chemicals used in overseas production which are not allowed t in Australia are not necessarily tested at the border, e.g. Carbadox. This results in a two-tier system in relation to food safety and also impacts on industry competitiveness. APL highlights in detail the specific problems between the *Australian Quarantine Inspection Service (AQIS) Imported Food Inspection Program*, and *AQIS' Export Meat Program*.

APL wishes to see greater transparency in the AQIS Meat Notice process. These notices detail the changes to meat legislation in relation to food and meat imports. **APL wishes to see greater industry consultation into the rationale and decisions made for changing food import testing requirements in the *active surveillance, random surveillance and risk surveillance* categories.** As part of post-border import audits, AQIS conducts on a regular basis, testing of meat and meat products in accordance with their current testing categories. *The Imported Food Control Order 2001* specifies what foods are considered active, risk and random surveillance foods.

APL has concerns over the tests conducted for food and meat imports into Australia. The PESTICID screen is the prescribed test for food imports and dependent on the imported food's surveillance category. **APL finds the**

PESTICID screen inconsistent and deficient compared to the National Residue Survey (NRS) - Pig Monitoring Scheme, which is applied only to domestically produced pig meat.

The NRS is a domestic program and the Australian MRLs do not apply to other countries. The Australian Maximum Residue Limits (MRLs) in the National Residue Survey - Pig Monitoring Scheme are established by Food Standards Australia New Zealand (FSANZ). The Australian MRLs in the NRS detail the maximum residue limits for different body parts such as the liver, muscle, kidney and meat. Other countries have set their own Maximum Residue Limits.

The AQIS Food Import Inspection Program tests for a limited number of pesticides and antibiotics in its PESTICID screen. It tests for 49 chemicals in the fat component of pig meat imports. It is less stringent than the NRS Pig Monitoring Scheme for domestic production. This is a regulatory loophole which can impact on consumer health. This deficiency also enhances the competitive advantage of imports compared to local produce.

The recent decision of AQIS to remove Carbadox testing for food imports, based on an internal review in 2006 demonstrates the problem of AQIS' transparency when managing food safety protocols and its impact on Australian industry. APL has concern that there was no consultation with industry to reach this decision.

Furthermore, Australia does not permit over thirty substances for use in Australian pig meat production; however these substances are permitted in the U.S. for any food producing animal. Some of these substances, for example Carbadox, been banned in Australia and also in the EU and Canada as a carcinogen, are not tested for on import to Australia. What is not registered for use in Australian domestic meat or pig production should also apply to food and meat imports. **APL believes that there is rationale for a strengthening of import protocols to ensure that Australian food safety standards apply equally to Australian and imported food produce.**

While the Commission admits that AQIS officers inspect imported food to the same standards applied to domestic food under the *Imported Food Control Act 1992*, APL believes that meat imports still do not undergo the same treatment for domestic food.

Ethanol Regulation: Mandating ethanol by States

Concern: Poor coordination with legislation between Federal and State and Territory authorities

APL's response:

APL believes ethanol regulation in Australia will impact significantly on the Australian pork industry and other intensive livestock sectors, once established and particularly when combined in times of drought and acute grain supply deficiency. The Commission did not recognise the impact of successive State legislation of mandating biofuel content in fuels and Federal Government programs on the intensive livestock sector. APL agrees the statement made by the Red Meat industry in relation to this matter.

The Red Meat Industry stated:

"Ethanol from grain. ALFA supports viable energy alternatives and does not oppose ethanol as a fuel. The sector strongly disagrees with government interventions such as mandating ethanol content in fuel (as in NSW May 2007) that distort grain markets with harm to efficient industries. Evidenced submissions have been made to inquiries."

According to the Prime Minister's Biofuels Taskforce Report 2005 there has been a Federal focus on encouraging the biofuels industry here in Australia. In particular, the Federal Government in 2005:

- announced reforms to fuel taxation
- introduced capital grants to encourage new biofuels capacity through the \$37.6 million Biofuels Capital Grants Program
- introduced a 10% ethanol limit in petrol

The Task Force concluded² that there is a potential for subsidised grain ethanol plants to have a local impact on feedgrain prices in the short to medium term. Many in the livestock industry emphasise the demand impact of feedgrain for fuel production as detrimental to their industry.

"Conclusion 29: The Taskforce considers that, on current policy settings, there is real potential for subsidised grain ethanol plants to have a local impact on feedgrain prices in the short to medium term. In the longer term, fuel ethanol rates of return are likely to drop as the policy settings reduce the subsidies – and

² Conclusion 29 from the Prime Minister's Biofuels Taskforce Report, 2005.

as ethanol import competition is allowed in 2011. The fuel ethanol industry would then be placed on a more even footing in its ability to bid for grain against the livestock industry.”³

Australian Pork Limited believes that decisions to mandate in any state will provide only limited short term and heavily subsidised employment opportunities. Regional employment benefits from the development of a mandated biofuels industry are unlikely to be sustainable because modern biofuel plants do not have high labour needs and it is highly likely there will be employment losses in other value adding industries as a result of an increase in feedstock prices for those industries.

An ABARE analysis for the Prime Minister’s Biofuels Task Force Report showed that if the 350 million litre target was achieved in 2009-10 the government expenditure would be \$545,000 per direct job created and the direct economic cost would be \$417,000 per direct job created. This analysis did not take into account any job losses in other grain value adding industries.

While the Federal Government is not seeking to mandate, the inconsistency displayed by State policy and in some cases where mandatory targets have been set, in effect will cancel this; it could result in an overall mandate on a state-by-state basis. A framework to encourage cooperation with State and Territory, and the Federal Government in recognition of the anticipated, detrimental impact on mandated ethanol targets is necessary, and we request that the Commission recognise this in its assessment of the Regulatory Burdens on Business.

Transparency in public debate and Commission inquiries will enable the pork industry and those in the livestock sector to expound its viewpoints: any changes that may impact the livestock sector will be made in consultation to industries complementary to biofuel production.

³ http://www.pmc.gov.au/publications/biofuels_report/docs/report_full.pdf, 18.