



**SUBMISSION TO
SUPPORTING AUSTRALIA'S
EXPORTS AND ATTRACTING
INVESTMENT**



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INTRODUCTION

About RMAC and the Australian red meat and livestock industry

The Red Meat Advisory Council (RMAC) is a network of producers, lot feeders, processors, retailers as well as livestock and meat exporters representing 82,500 Australian beef, goatmeat and sheepmeat businesses from gate to plate. We work across the supply chain, working together to present a unified industry voice and advice to government.

We contribute 440,000 Australian jobs and \$65 billion in turnover to the nation's economy. Together, we work with and align on policy with our six members on trade, investment and broader economic policy:

- Australian Livestock Exporters Association (ALEC)
- Australian Lot Feeders Association (ALFA)
- Australian Meat Industry Council (AMIC)
- Cattle Council of Australia (CCA)
- Sheep Producers Australia (SPA)
- Goat Industry Council of Australia (GICA)

As well as our three service providers, whose roles are:

- The Australian Livestock Export Corporation (LiveCorp)
 - o Continuously improving performance in animal health and welfare, supply chain efficiency and market access through the provision of technical services and research, development and extension (RD&E).
- The Australian Meat Processor Corporation (AMPC)
 - o Providing research, development and extension (RD&E) services that improve the sustainability and efficiency of the sector.
- Meat & Livestock Australia (MLA)
 - o Fostering the long-term prosperity of the Australian red meat and livestock industry by delivering research and development that contributes to producer profitability, sustainability and global competitiveness.

Our industry is an Australian success story and we are a key player in the global meat export market. Using 2018 figures we are the world's third largest exporter of beef, and the largest exporter of sheepmeat and goatmeat. Specific export figures from 2018 showing both live exports and meat exports are as follows:

Livestock sector	Live export	Meat export
Beef Cattle	1.1 million head	1.26 million tonne (swt)
Sheep	1.1 million head	Lamb: 267,254 tonne (swt) Mutton: 179,998 tonne (swt)
Goat	21,580 head	21,026 tonne (cwt)

Because of our success in the export market, exporting over 60 per cent of all red meat products produced in Australia every year, we are extremely trade exposed. The growing middle class, combined with a world-renowned reputation for quality, has led to increased demand for Australian meat in important growth markets.

We are committed to a target of unlocking \$7 billion in growth by 2030 across our supply chain and in turn the Australian community, \$3 billion of which will be unlocked with greater diversification of trade and market access. It is also important to note that by producing more than we consume domestically, we are contributing to the food security of not just Australia, but other nations.

It is critical we have systems that support the ongoing expansion of our access to international markets. As well as identifying, attracting and strategically implementing foreign and domestic investment to ensure the ongoing profitability and strong economic gains for our industry and the Australian economy.

ABOUT THE INQUIRY

RMAC welcomes the opportunity to make a submission to the Joint Standing Committee on Trade and Investment Growth's inquiry into *Supporting Australia's exports and attracting investment* and we understand the Terms of Reference to be that the Committee will inquire into and report on:

- Understanding Australian businesses' ambitions to grow via export and attracting investment;
- Identifying local regulatory barriers to businesses being able to realise their ambitions; and
- Identifying best practice regulation that evidence shows supports export and investment growth, whilst protecting the national interest.

RMAC, together with our membership and on behalf of our industry, has produced a number of submissions and reports relevant to this inquiry, including the following:

- 2016 Productivity Commission Review into Agricultural Regulation¹
- 2017 From Freight to Plate: Delivering the Goods; Submission to the National Freight and Supply Chain Strategy²
- 2018 Inquiry into impediments to business investment to the House Economics Committee³
- 2019 Export Legislation Review: Draft Meat Rules⁴
- Ongoing various market specific submissions provided to the Joint Standing Committee on Trade and the Department of Foreign Affairs and Trade, coordinated by Meat and Livestock Australia

Within these submissions RMAC and its member councils outlined recommendations and solutions to significant challenges faced by the red meat sector with relation to Australia's export industry and attracting investment.

As yet, Government responses have not been published to the impediments to business inquiry and the export legislation review. Additionally, a draft Export Control Bills Package 2019 has recently been released, updated from the 2017 *Export Control Bill* that lapsed following calls for the 2019 General Election.

As such many of our previous recommendations and solutions will be repeated within this submission, as we believe they continue to remain valid and critical to address by the Australian Government in its efforts to grow exports and investment.

¹ <https://www.mla.com.au/globalassets/mla-corporate/research-and-development/documents/industry-issues/final-june-2016-proand-assoc-regulatory-costs-report.pdf>

² <https://rmac.com.au/wp-content/uploads/2017/01/Freight-to-Plate.pdf>

³ https://rmac.com.au/wp-content/uploads/2018/07/Final_RMAC-Submission.pdf

⁴ https://rmac.com.au/wp-content/uploads/2019/04/March_Export-Submission.pdf

OVERVIEW OF SUBMISSION

Our submission is divided into two sections, addressing the key components of the inquiry; specifically exports and how it relates to the red meat sector and attracting investments and how these would benefit and grow the red meat sector.

Information, data and feedback from our six-member organisation has been incorporated into this submission to give the Committee a detailed response to the inquiry from across the red meat sector.

Our ambitions to grow

Australia's 82,500 red meat businesses are committed to a target of unlocking \$7 billion in growth by 2030 across our supply chain and in turn the Australian community, \$3 billion of which will be unlocked with greater diversification of trade and market access.

Our 10-year vision for our industry, Red Meat 2030 (to be released in October 2016), will further quantify these joint growth objectives.

It is important to note that as food producers working within a supply chain, we are all customers to each other, and these ambitious growth agenda for our businesses and Australia's economy will only be achieved with reforms across the supply chain – from farmgate to plate.

Our Recommendations: Barriers and best practice regulation

The following key recommendations are provided for the Committee's consideration –

Barriers	Recommended solutions
Non-Tariff Barriers (NTB) to trade	<ul style="list-style-type: none"> – Prioritise government funding for industry-wide solutions, including increased appropriation funding of the Department of Agriculture's technical meat market access team. – A 10 year 'Investment to Growth' market access development plan. – Government to ensure that its cost-recovery policy does not result in a self-imposed NTB on trade, by making Australian exports less competitive. – Ongoing government participation and engagement in the Industry-led Trade Groups that seeks to coordinate the national industry/government shared strategy for market access. – A notice period (of at least 30 days) for any changes affecting requirements and documents for trade.
Regulatory burden	<ul style="list-style-type: none"> – Support an agenda of red tape reduction and commitment to reducing regulatory creep via non-legislated instruments such as guidelines, policies, notices. – Recognition of the cumulative regulatory burden to business (local, state and commonwealth legislation) and support national harmonisation practices where possible.

	<ul style="list-style-type: none"> - Provide incentives for cost efficiency and promote innovation within the public service, in its administration of export legislation.
Compliance costs	<ul style="list-style-type: none"> - Implement a regulatory transitional funding package.
Biosecurity	<ul style="list-style-type: none"> - A Biosecurity Funding Package is further expanded to protect our borders. - Greater inspection officer training at border ports and airports. - Increase in detector dogs.
Freer trade	<ul style="list-style-type: none"> - Industry and government to work together to realise the prompt ratification of key trade agreements as well as industry's trade reform agenda. - Prompt ratification to include the following agreements: <ul style="list-style-type: none"> o Indonesia-Australia Comprehensive Economic Partnership Agreement o Australia-Hong Kong Free Trade Agreement o Peru-Australia Free Trade Agreement.
Investment in agriculture and food production	<ul style="list-style-type: none"> - Review of the FIRB framework, including thresholds, in light of the \$100 billion base capital required for Australian food exports to maintain their market share. - Consideration given to the creation of a sovereign wealth fund for Australian agriculture.
Transport and Infrastructure	<ul style="list-style-type: none"> - Commit to an interjurisdictional harmonisation program where it creates supply chain efficiency. - Commit to RMAC-endorsed recommendations in our 2017 submission: <i>From Freight to Plate: Delivering the Goods</i>.
Taxation policies	<ul style="list-style-type: none"> - An agribusiness specific taxation reform agenda must be considered, as set by the 2016 Tax in Agriculture report.

Non-Tariff Barriers (NTB) to trade

- Prioritise government funding for industry-wide solutions, including increased appropriation funding of the Department of Agriculture's technical meat market access team.
- A 10 year 'Investment to Growth' market access development plan.
- Government to ensure that its cost-recovery policy does not result in a self-imposed NTB on trade, by making Australian exports less competitive.
- Ongoing government participation and engagement in the Industry-led Trade Groups that seeks to coordinate the national industry/government shared strategy for market access.
- A notice period (of at least 30 days) for any changes affecting requirements and documents for trade.

NTBs can unreasonably and unjustifiably restrict or prevent trade, increase the cost of preparing a product, increase the cost of supplying a product, diminish product returns, require conditions which exceed commonly accepted standards, or add to administrative burden. The annual negative impact value of NTBs is estimated to be approximately \$3.4 billion, which could be reduced significantly with the ratification of trade arrangements in Indonesia⁵⁶.

NTBs can be categorised into groups that reflect the general nature of their effect on trade:

- Market access: constraints that restrict or prevent trade
- Costs of production: conditions that increase the cost of preparing a product
- Costs of shipment: conditions that increase the cost of supplying a product
- Compliance levels: conditions exceeding commonly accepted standards
- Administration: deficiencies in the administration of import conditions.

NTB alleviation has been a key priority area for RMAC and our members, and we have previously recommended that an industry-government partnership be formed, with a working group across key Departments to drive proactive and reactive technical trade issues. NTBs impose additional unwanted costs on the red meat value chain – with NTBs having a pronounced impact in China, the Middle East and South East Asia.

In late 2018 the government announced it was 'taking action on trade barriers'⁷ and set up a trade barrier coordination team, to register and track government's actions on trade barriers. To this end, industry continues to take initiative to maintain an ongoing dialogue with the Department of Foreign Affairs and Trade (DFAT) on its high-level 'action plan' including the implementation of the NTB register. Industry continues to invest heavily to DFAT that for the red meat export supply chain, as we have spent considerable industry resources already to identify and categorise NTBs, our focus should clearly be on how to find solutions to resolve these.

Solutions for NTBs should be "top down" and focused on big ticket issues that have industry-wide implications. Currently, there are a number of initiatives targeted towards resolving NTBs for Small and Medium Enterprises (SMEs), e.g. TradeStart Program, Export Market Development Grant, SME Export Hub Grant, etc. These provide a scatter-gun approach to assist SME start-ups with market development and penetration, however do very little to provide a coordinated approach on resolving key industry-wide NTBs. We strongly believe that the return on investment of government funding would be significantly

⁵ <http://rmac.com.au/wp-content/uploads/2018/02/feeding-our-nation-2018.pdf>

⁶ <https://rmac.com.au/wp-content/uploads/2019/06/MISP2030-Data-Insights-report-v2-.pdf>

⁷ <https://www.minister.industry.gov.au/ministers/karenandrews/media-releases/taking-action-trade-barriers>

greater if the limited resources are prioritised and directed into areas that can target and resolve NTBs on an industry-level.

For example, if \$5m per annum is directed as additional appropriation funding to enhance resourcing of the technical meat market access negotiation team in the Department of Agriculture, it may lead to breakdown of at least one significant NTB per annum (e.g. limited shelf-life for chilled meat), or stop a new NTB from being applied (e.g. new listing requirement) – the value to industry could easily exceed \$50m per annum, which provides a ten-fold return on investment, with greater flow-on effects to the economy in terms of rural/regional jobs, livestock production, taxation revenue, R&D investment etc.

It must be recognised that NTBs on red meat far exceeds the NTBs on other commodities, because in addition to sanitary conditions, meat is subject to a range of importing country requirements over and above Australian requirements, including conditions for food safety and suitability, storage and transport, and technical conditions (e.g. labelling, establishment registration, certification). These importing country requirements often change without notice (in many cases, despite having existing protocols in place with importing countries), resulting in volatility in the export market. The enhanced resourcing of technical meat market access negotiation team, as described in the previous example, would help to stabilise market access for the \$14bn Australian red meat export market, providing certainty for trade and attracting long-term industry investment.

Further, it is our view that the industry and government would benefit from a 10-year joint market access and market development plan categorised by region, harnessing the power of our red meat business networks with our agricultural counsellors and diplomats.

To this end, AMIC has implemented the China Trade Group and the Halal Markets Trade Group, which are working groups comprising representatives from industry, government (Department of Agriculture and Department of Foreign Affairs and Trade), supported by AMPC and MLA (Australia and in-market). The Trade Groups provide a strong and valuable platform for industry-government information sharing, targeting of key stakeholders, designing and implementing market access strategies, agreement on key priorities and events, as well as identifying and funding research gaps. In this way, the alliance of government, industry and R&D organisations provides the best opportunity to ensure export market access pursuits are conducted in a coordinated, strategic and cost-effective manner. We strongly encourage ongoing Government support, participation and investment in the Trade Groups in order to break down existing and emerging NTBs.

Additionally, we recommend putting in place protocols that state that any changes affecting the requirements and documents for trade require a notice period (of at least 30 days), or as agreed between the relevant government departments in each country.

Regulatory Burden

- Support an agenda of red tape reduction and commitment to reducing regulatory creep via non-legislated instruments such as guidelines, policies, notices.
- Recognition of the cumulative regulatory burden to business (local, state and commonwealth legislation) and support national harmonisation practices where possible.
- Provide incentives for cost efficiency and promote innovation within the public service, in its administration of export legislation.

It is well known that the red meat sector faces high levels of regulatory burden at every stage of the supply chain. These include land acquisition, farming, animal welfare, processing, transport, marketing, and sales export. RMAC understands that some of this regulation is there to ensure security and safety in the food market and is a fact of doing business.

However, as evidenced by our specially commissioned report to the 2016 Productivity Commission Review into Agricultural Regulation⁸ duplicate layers of legislation and regulation place an extremely heavy burden on the red meat and livestock industry. The report found the cost of regulation for Australian red meat and livestock businesses can be anywhere from 5 to 25 percent of total profit margins.

The Australian Meat Processor Corporation (AMPC) published a report in late 2018⁹, analysing the regulatory and related costs to the red meat processing sector. These costs were compared with our key international competitors the United States, Brazil and Argentina. It found that Australian meat processors currently operate in the most expensive regulatory system in the world. This means that international competitors, with much lower costs of conducting business already have the upper hand when assessing the considerable opportunities in regions of growth and protein demand.

Key areas for regulatory reform recommended across all sectors in our 2016 commissioned report included:

- the need to shift from underfunded government inspection driven systems to those that are industry led and endorsed, and a need for greater use of self-regulatory systems
- Regulatory reforms in relation to vegetation management, including greater certainty with regard to vegetation clearing regulations
- Land use planning that recognises right to farm and reasonable approval costs for farm buildings, as well as pastoral lease reforms
- Increased use of overseas generated efficacy and safety data to inform agvet chemical registration without forgoing trade risk assessments
- Ongoing efforts to harmonise state transport regulations, with consistency between application requirements
- review and reduction in costs associated with the Australian Export Meat Inspection System
- greater flexibility and administrative ease in employing labour, including increasing accessibility of longer-term working visas for overseas workers
- Worker on-costs including current onerous requirements for induction training
- The need for the three tiers of government to work closely together to achieve a consistent regulatory position.

⁸ <https://www.mla.com.au/globalassets/mla-corporate/research-and-development/documents/industry-issues/final-june-2016-proand-assoc-regulatory-costs-report.pdf>

⁹ https://www.ampc.com.au/uploads/FINAL_Cost%20to%20Operate%20Report%20Oct%202018.pdf

Whilst the PC's final report found the common concern with the number of regulations all farmers face, it failed to mention the collective findings, or address many of our regulatory concerns. Apprehensions remain across the red meat and livestock industries that they will face ever-increasing regulatory burden, leading to spiralling costs. The Business Council of Australia recently stated that "Excessive red tape and unnecessary regulation is costing all Australian's¹⁰."

Regulatory burden undermines the creation of jobs in cities and in regions, the delivery of products and services and the ability of businesses to open or grow, as well as restricting our ability to compete with integrational competitors. These regulatory barriers inhibit the red meat sectors ambitions for export growth and investment.

RMAC understands the government has appointed a Deregulation Taskforce. This is a welcome initiative. Of the Taskforce's initial focus areas, reducing regulatory burden for food manufacturers and major infrastructure approvals can be broadly applied to the red meat sector. RMAC understands our partner AMIC met with the taskforce recently and key point from these discussions have been incorporated throughout this submission.

RMAC reiterates our recommendation that our industry be considered as a focus area for the Taskforce and sector-specific regulation and harmonisation policies are developed that capture many issues identified in this; and previous submissions.

It needs to be recognised that for the purposes of export, the regulatory burden is borne by those closest to the end of the supply chain – i.e. processors and live exporters. This is due to the current export legislative framework (e.g. Export Control Act and subordinate Orders, Australian Meat and Livestock Act, Australian Standards, etc). Further, there are a range of non-legislated government requirements, in the form of guidelines, notices, advices, policies etc that can impose significant regulatory burdens on the industry. Over time, regulatory creep can occur and these non-legislated requirements or the government's interpretation of the legislation can become onerous and costly for industry to bear.

A prime example is the Australian Government Cost Recovery Guidelines, which provides a framework of determining which costs are recoverable from industry. RMAC and its members have long argued that the Guideline has been generous interpreted and extended by the Department of Agriculture to maximise revenues from industry-related activities, without due consideration of the broader taxpayer beneficiary and other important points of the Guideline (e.g. government as the monopoly supplier of service). Under this framework, the size of the cost-recovered export meat program has increased above CPI rates from less than \$60m to over \$90m in less than 10 years, with the latest 2018 budget measures (yet to be legislated) – adding over \$7m per annum to the industry bill.

Further, in another interpretation of the Guidelines, while appropriation funding is subject to an efficiency dividend (to incentivise government program managers to be more innovative and effective in spending of public money), there is no application of efficiency dividend to industry cost-recovered spending (i.e. a missing incentivisation signal)

It must also be said that another significant issue is the cumulative burden of regulation to industry that spans local, state and commonwealth. For example, a processor has to comply with local requirements for zoning, state requirements for environmental protection, and commonwealth requirements for food safety and export – all three levels in this case require registration and licencing, plus associated fees and charges, and associated verification measures such as audit.

¹⁰ https://www.bca.com.au/excessive_red_tape_and_unnecessary_regulation_costs_us_all

COMPLIANCE COSTS

- Implement a regulatory transitional funding package.

Any regulatory reform framework must ensure it does not impose additional cost burdens on the red meat sector. The industry already pays substantial fees and charges to utilise government services.

It is understood that under current government policy, those who benefit from, or drive demand associated with, regulation is required to bear the cost of the regulation. RMAC along with its stakeholders have actively expressed concerns regarding regulations becoming more bureaucratic in process requirements, which in turn can drive up government cost-recovery fees and charges.

It is imperative that these costs do not become even more burdensome. In a recent submission to the Export Legislation Review: Draft Meat Rules, it was noted the current regulations maintain and extend the reach of the commonwealth government, which will increase industry demand for government services to verify compliance. This could then be used by the department to justify additional cost-recovery fees and charges to industry. It was further recommended the government consolidate where possible, the administrative arrangements to allow for coordination and reduced government expenditure.

RMAC recommends a regulatory transitional funding package be implemented. As well as non-cost recoverable departmental activities, be implemented to support the transition to any new export regulations to ensure our competitive advantage is not further eroded by regulatory burdens and compliance costs.

Additionally, with any regulatory changes that may occur following these reviews, RMAC understands there may be an increase in documentation or record keeping. As such the government must ensure there is sufficient ICT infrastructure to handle application processes, which are also not charged back to industry via cost-recovery.

Reducing regulatory burden also needs to consider providing simplified outlines or executive summaries of the level of detail contained in legislation, such that a lay person can quickly and comprehensively navigate through the regulations to understand the totality of their legislative obligations.

BIOSECURITY

- A Biosecurity Funding Package is further expanded to protect our borders
- Greater inspection officer training at border ports and airports
- Increase in detector dogs

Australian meat trades on its safety as much as its quality. Biosecurity is a core part of maintaining access and defending our borders; it is critically important for market access, productivity and food safety. Risks must be minimised and the integrity of our environments, livestock and crop health status must be protected through a robust and properly funded biosecurity protection regime.

RMAC recommends an expanded Biosecurity Funding Package be made available to support the Department of Agriculture police biosecurity from international markets, with appropriate protections on food and commodity imports. The funding package would assist in the delivery of well-funded, science-based biosecurity and quarantine systems, involving strong border protection protocols and effective disease outbreak response mechanisms.

The Federal Government has taken steps towards this, through the Biosecurity Levy Steering Committee inquiry and relevant report, recommending the establishment of a high-level, expertise-based Biosecurity Advisory Council. RMAC urges the government to also commit to working with industry to develop any levy proposals or look at options to generate biosecurity funding from general revenue such is the frontline importance of these services.

A common complaint from industry is inspection officers are not aware of the risks involved when a declaration has been made of being on a farm internationally. More effective training is required for these inspection officers at border airports and ports to ensure appropriate questions are asked, and the checking or disinfecting of items is undertaken to remove potentially significant biosecurity risks.

It is further recommended that there be an increase in detector dogs to a number sufficient for risk-based screening of the increasing volumes of incoming passengers, mail and relevant cargo; and the annual demand for an 'efficiency dividend' as it impacts on border-biosecurity staff numbers be removed.

FREER TRADE

- Industry and government to work together to realise the prompt ratification of key trade agreements as well as industry's trade reform agenda.
- Prompt ratification to include the following agreements:
 - Indonesia-Australia Comprehensive Economic Partnership Agreement
 - Australia-Hong Kong Free Trade Agreement
 - Peru-Australia Free Trade Agreement.

Global markets are entering a new and unpredictable era of trade wars, rising tariffs and a reactionary increase in protectionist measures as a result of international uncertainty. The Australian red meat sector is extremely trade exposed, exporting over 60 per cent of all red meat products produced in Australia each year. It follows that a reduction in free trade and the invaluable infrastructure that underpins it would cause significant hardship to the Australian red meat sector, along with all export-dominated sectors as a whole.

Red meat relationships are established over an extended period of time and stability is integral to ensuring customer confidence. There are clear gains to be made with expanded trade and investment and industry and government must work together to realise these ambitions and to remove barriers to trade.

Industry has been strongly advocating for the ratification in the Australian Parliament and subsequent entry into force of the Indonesia-Australia Comprehensive Economic Partnership Agreement, Australia-Hong Kong Free Trade Agreement and Peru-Australia Free Trade Agreement.

In addition, industry has an ambitious trade reform agenda - including but not limited to the Regional Comprehensive Economic Partnership, the European Union, a post Brexit United Kingdom and Taiwan.

The launch (June 2018) of bilateral trade negotiations between Australia and the European Union (EU) offers tremendous potential to improve access conditions in a market that hasn't seen significant import reform over the past 40 years.

Compared with other supplying nations, Australia experiences disproportionately low volume quotas into the EU, coupled with high duties within certain quotas and trade prohibitive tariffs. Transformation of

these EU import arrangements, involving significant improvements to current access, is keenly sought by the Australian industry.

INVESTMENT

International investment

- Review of the FIRB framework, including thresholds, in light of the base \$100 billion capital required for Australian food exports to maintain their market share.

There is an increasing demand for high-value animal protein across the world, with Australian red-meat particularly in demand in Asia. This demand has led to investments in the Australian red-meat sector in recent years from both domestic and international investors. Two-way investment relationships are vital to the success of our industry.

We need to provide a degree of certainty to potential investors on the long-term nature and safety of investments from Australia and internationally in agricultural land and businesses and therefore recommend:

The Standing Committee on Economics in its report to government on impediments to business investment stated¹¹:

“Given the significance of foreign investment to the Australian economy, it is important that Australia remains attractive to foreign investors. It follows that—while having due regard to national interest and necessary regulation—wherever possible, policies and supporting regulations, across all levels of government, should encourage business investment and growth opportunities.

However, evidence to the committee suggests that there are some areas of government policy and regulation that could impede foreign investment in Australia.”

RMAC has been vocal in our calls to revise the Foreign Investment Review Board (FIRB) in order to attract capital to the Australian red meat value chain. In several submissions we have called on the federal government to lift the FIRB screening threshold for agricultural land from \$15 million.

The current screening level of \$15 million in land value and \$58 million for agribusiness is too low and recommend lifting these levels to be comparable with other sectors (for example mining or construction). Additionally, the international investment attraction framework and protocols must be reviewed to ensure the existing FIRB framework is able to process any considerations and approvals in a timely manner in line with commercial requirements.

The Australian Government response to the Productivity Commission Inquiry into Regulation of Australian Agriculture did not support this same recommendation of increasing the screening threshold and noted that the lower thresholds have not deterred investment. However, that the FIRB annual report summarises proposals considered, but examines approvals data only. It does not take a holistic view of levels of foreign investment in Australia.

¹¹ https://www.apf.gov.au/Parliamentary_Business/Committees/House/Economics/Barrierstoinvestment/Report

ANZ estimates the base level of capital require simply to maintain Australian agricultures share of food exports and release gains made by free trade agreements to at a base level \$109 billion; and in an aggressive growth period up to \$159.5 billion. One avenue to achieve this is a review of the international investment attraction framework; or bringing agriculture in line with other sectors FIRB requirements.

RMACs 2019 submission to the Export Legislation Review: Draft Meat Rules, raised stakeholder concerns over provisions in the draft Bill and Rules regarding Ministerial power, and have the ability to undermine the independence/impartiality of the Public Service. Cattle Council of Australia agreed with these concerns, stating the checks and balances in the Bill were not adequate to manage potential distortions in trade and substantially risking the regulatory process being politicised¹².

Having a provision that artificially creates the ability for politics to override the public service considerations (including scientific and technical) could be viewed negatively for investment, particularly if the political view or movement at the time is not aligned with that of the investor. CCA further reinforced this by noting it was critical the regulatory framework governing the export of meat and meat products be based on firm scientific principles. With a robust, efficient, scientifically based framework potentially providing opportunities for producers, particularly in its ability to underpin the integrity of the goods in both domestic and international supply chains. The recommendation to establish clear parameters for the excise of Ministerial powers and an independent appeals/review process for Ministerial directions is reinforced.

The 2017 Bill has recently been replaced by the *Draft Export Control Bill 2019*, in which these provisions remain. There remains a significant degree of uncertainty in terms of what may be communicated to importing countries, as well as uncertainty around the significant technical work that is required to update thousands of health certificates and other official documentation. It was recommended the department to provide assurances to industry that the trade risk of transitioning to the new Bill and Rules will be effectively mitigated and managed through a comprehensive implementation plan.

Domestic investment

Australian agriculture lacks the domestic institutional capital and sovereign support compared to other leading agricultural nations. Historically, Australian super funds have been reluctant to invest in the sector (only 0.3% of total assets vs ~1% in US¹³) due to issues of investable scale, liquidity, risk-return tolerance and experience.

Foreign investors have helped bridge this gap, but as noted earlier in this submission face rising pressure from the FIRB and the Australian public, who may question alignment with national interest. This capital shortage means Australia must close a funding gap of over \$100 billion just to maintain its current share of global food exports by 2025,¹⁴ With one avenue for achieving this would be the creation of a long term sovereign wealth fund for Australian agriculture – an area as yet unexplored by the Government in enhancing domestic investment into our sector.

Additionally, there are a number of areas of investment that could assist in closing this gap. This submission will focus on the areas of transport and infrastructure, innovation and taxation policies.

¹² https://rmac.com.au/wp-content/uploads/2019/04/March_Export-Submission.pdf

¹³ Sovereign Fund for Sustainable Agriculture – *The Future Fund for the Bush*. QIC. Dec 2018

¹⁴ Agriculture in Focus – Funding our future. ANZ. November 2016.

TRANSPORT AND INFRASTRUCTURE

- Commit to an interjurisdictional harmonisation program where it creates supply chain efficiency.
- Commit to RMAC made recommendations in our 2017 submission: *From Freight to Plate: Delivering the Goods*.

The efficiency of the transport supply chain is a source of major Australian export price advantage if planning, infrastructure investment and regulations are optimally aligned. Conversely, overall sector competitiveness suffers greatly from poor transport outcomes.

A National Action Plan was recently developed and endorsed by the Transport and Infrastructure Council to position Australia to meet emerging freight and supply chain challenges. The Action Plan built on work from the Australian Government Inquiry into National Freight and Supply Chain Priorities.

Economic modelling commissioned by RMAC and our members showed that annual productivity gains of approximately \$740 million and increased sector employment of c. 4,000 people could be achieved across the next 10 years if due attention and investment is given to supply chain improvements. RMAC has been actively working towards this as it is a priority area for the red meat industry.

The Action Plan provides a national approach, agreed and developed by all Australian governments with industry input. The goals and actions under the Action Plan's critical areas can be aligned to the majority of RMACs Key Recommendations made in their submission: *From Freight to Plate: Delivering the Goods 2017*, with potential for these recommendations to be met. These recommendations apply with relation to domestic investment and are reiterated here for consideration:

- Reinstatement of agricultural connectivity programs for road investment and infrastructure – such as the Strategic Regional Fund.
- Identify and publish the key networks, efficient network breakages that exist in them and examine better solutions for these tasks at an infrastructure and regulatory level.
- CSIRO Transit model can and should play a larger role in developing better infrastructure solutions in the supply chain in support of this objective.
- Match highest productivity and safety freight vehicles to upgraded key networks without network breakages where possible- in road freight such breakages should be viewed in the same way as damaging 'break of gauge' rail inefficiencies and resolved accordingly wherever possible. Infrastructure investment packages backed by facilitating regulatory arrangements should be developed to encourage action on these upgrades: without complementary deal structures for investment.

It is important that meaningful actions, measures and investment be made with the implementation of the Action Plan, given it sets an agenda for the next 20 years. RMAC wants to ensure the red meat and livestock sector as freight generators across rail, road and ports will be appropriately represented through these investments and actions.

INNOVATION

The red meat sector is a capital-intensive industry. Approximately 35 per cent of nominal investment per unit of output in agriculture is capital costs, as compared to approximately 10 per cent in the services sector¹⁵. When compared this to 2005 figures, where capital costs accounted for almost 60 per cent of all investment in agriculture, it shows just how far the industry had been able to progress with productivity and technology adoption.

Domestic investment in innovation is crucial, commercialising research and development is a key driver of new sources of revenue, jobs and investment. The Federal Governments co-contribution to rural research and development is a privilege and continues to be welcomed.

However, while research and development in the red meat sector are world class, the relative investment in relation to comparable industries is relatively low and declining. This is significantly reflected in low adoption rates for innovation¹⁶. RMAC recommended in its pre-budget submission that the Australian Government provide a circuit-breaker to poor adoption of innovation by implementing two regional innovation adoption trials looking to develop a best practise, regional adoption delivery model, using peer-to-peer networks.

An EY 2019 report¹⁷ into growing Australia's future through innovation provided a good base for positioning Australian agriculture to become more competitive, prosperous and sustainable. Broadly, it focused on the following key areas:

1. Strengthening ecosystem leadership, cohesion and culture: Stronger ecosystem leadership and cohesion across Australian agricultural innovation will generate greater and more diverse outcomes, driving our global competitiveness through clear strategic direction and increased collaboration
2. Funding and investment: Growing and improving the balance of investments will help the Australian agricultural innovation system to deliver both incremental and transformational innovation by addressing cross-commodity challenges, and targeting economic, environmental and social outcomes
3. World-class innovation practices: Establishing world-class innovation practices through collaboration, entrepreneurship and ambition will be critical in order to maximise opportunities from investment in agricultural innovation
4. Strengthening regions: In the future, regions will play a greater role in Australian agricultural innovation, to fully realise its benefits and maximise our innovation uptake
5. Next generation innovation platform: Improving the foundations of Australian agricultural innovation, including data, physical infrastructure and the regulatory environment, will support the transformation of our agricultural sector into the future

Australian governments at all levels must provide a policy environment and regulatory framework that facilitates industry investment and innovation; that combines all levels of government investment where practicable.

¹⁵ <https://www.pc.gov.au/research/completed/agriculture/agriculture.pdf>

¹⁶ <https://rmac.com.au/wp-content/uploads/2019/06/MISP2030-Data-Insights-report-v2-.pdf>

¹⁷ <http://www.agriculture.gov.au/SiteCollectionDocuments/agriculture-food/innovation/summary-report-agricultural-innovation.PDF>

TAXATION POLICIES

- An agribusiness specific taxation reform agenda must be considered, as set by the 2016 Tax in Agriculture report.

Taxation is a key factor influencing domestic and foreign investment in Australia. The red meat supply chain touches every aspect of the tax system. Investment in the red meat sector, and agriculture more broadly is necessary to ensure the long-term sustainability of rural industries and communities. It follows that our taxation policies should support the attraction of this investment.

RMAC believes that the tax system should both foster improved productivity and also protect the national interests of agribusiness in Australia.

The Standing Committee on Economics in its report to Government following their impediments to business investment noted that in order to remain competitive in a dynamic global environment, Australia must foster a tax environment that provides:

- Competitive company tax rates.
- Deductions and write-offs that encourage and facilitate investment, innovation and growth.
- Reasonable certainty in tax rates and arrangements to allow for medium to long-term business planning.
- Reduces complexity, where possible, by harmonising arrangements across jurisdictions.

The Committee recommended:

- That the Australian Government reduce the company tax rate in Australia to 25 per cent for all companies by 2026-27.
- The committee recommends that the Australian Government set the instant asset write-off threshold at \$25,000 for small and medium enterprises on an ongoing basis.

Both recommendations have recently been met to some degree, though the instant asset write-off is due to revert back to \$1000 for small businesses from 1 July 2020, unless extended again. RMAC maintains that an agribusiness specific taxation reform agenda must be considered, as set by the *2016 Tax in Agriculture* report. There are many suggested reforms within this report that remain valid.

Tax reform improves the tax system and is not just revenue raising, it leads to advantageous outcomes such as increased productivity and profitability, regional development, improved risk mitigation, innovation and effective succession planning. It also provides an optimistic and confident environment to attract investment.

BEST PRACTICE REGULATION

Public awareness and concern over the activities undertaken within the red meat industry have continued to increase and broaden in recent years. Social license to operate has become a core component and driver for the industry and RMAC has previously identified the public interest test in two consecutive papers: *Towards a better red meat future: a green paper for the red meat MoU*¹⁸ and *A better red meat future: a white paper for the red meat advisory council*¹⁹ (White Paper). Public interest covers the core of public policy. It balances conflicting views and priorities and is the primary purpose for government

¹⁸ <https://rmac.com.au/mou2-2/read-green-paper/>

¹⁹ https://rmac.com.au/wp-content/uploads/2019/07/Final_White-Paper.pdf

intervention. The Department of Prime Minister and Cabinet's Office of Best Practice Regulation has a published set of principles and guidelines²⁰ that must always be used as the 'True North'.

In identifying best practice regulation that evidence shows supports export and investment growth whilst protecting the national interest, the government must ensure that any activity, regulatory change or industry arrangement passes this test. It must also include an economic and risk analysis for business. In doing so the government will ensure there is confidence and trust that they have addressed the needs of the industry and the community. There must be measures of relevance and effectiveness taking into account expectations, cultural shifts, emerging technologies and the avoidance of overlapping or cumulative regulatory burdens.

The White Paper further identified industry specific components or parameters of a public interest test applicable to Australia's 82,500 red meat producers, lot feeders, livestock exporters, processors and retailers that governments could benefit from examining given our industry's unique role. These are –

- Commercial: The economic wellbeing and wealth of the 82,500 businesses that participate in the red meat industry and contribute to regional development and economic growth
- Community: Responding to community expectations generally
- Consumers: Understanding consumer wants and needs
- Co-regulated: Promoting self-determination for the industry and an appropriate role for government
- Capability: Being flexible and resilient to meet the challenges of today; and the future

FURTHER INFORMATION

RMAC once again thanks the to the Joint Standing Committee on Trade and Investment Growth for the opportunity to provide feedback to the *Supporting Australia's exports and attracting investment* inquiry. Should you have any questions or require further information our CEO, Anna Campbell can be contacted on [REDACTED] or email [REDACTED]

²⁰ https://www.pmc.gov.au/sites/default/files/publications/COAG_best_practice_guide_2007.pdf