



10 January 2020

Mr. Gerry McInally  
Committee Secretary  
Senate Standing Committees on Rural and Regional Affairs and Transport  
PO Box 6100, Parliament House, Canberra ACT 2600  
Via email: [rrat.sen@aph.gov.au](mailto:rrat.sen@aph.gov.au)

Dear Mr. McInally,

**RE: Export Control Bill 2019 and related bills [provisions] inquiry**

The Red Meat Advisory Council (RMAC) is a network of producers, lot feeders, processors, retailers as well as livestock and meat exporters for Australia's 80,000 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. 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 industry's three service providers, whose roles are:

- The Australian Livestock Export Corporation (LiveCorp)
  - 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)
  - Providing research, development and extension (RD&E) services that improve the sustainability and efficiency of the sector.
- Meat & Livestock Australia (MLA)
  - 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 has always played a critical role in Australia's economic success story. On last recorded figures in 2018-2019 Australia's red meat and livestock industry contributed \$AUD28.5 billion in domestic and export sales. According to the latest MLA State of the Industry Report 2019, our industry directly employed 172,400 people, as well as generating indirect employment for almost 232,400 people.

We are a net exporter; 60pc of all Australian red meat production is exported; and in turn 6 out of 10 jobs in our Australian workforce (90 pc of which is based in Australia's regions) are trade exposed. Efficient export regulation is therefore vital to maintain the prosperity of our workforce and the regions our industry supports.



In spite of a growing environment of global protectionism and other trade headwinds, our industry has sustained record export figures. In 2018 we were the third largest exporter of beef in the world, and the largest exporter of sheepmeat and goatmeat. Figures from the latest State of the Industry report<sup>1</sup> and Mercado live export value analysis reports<sup>2,3</sup> 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            | 1.8 million head* | Lamb: 267,254 tonne (swt)<br>Mutton: 179,998 tonne (swt) |
| Goat             | 21,580 head       | 21,026 tonne (cwt)                                       |

\*2014-2018 average

RMAC welcomes the opportunity to make a submission to the Rural and Regional Affairs and Transport Legislation Committee's (Committee) inquiry into the Export Control Bill 2019 and related bills that includes the following documents (collectively referred to as the 'draft Export Legislation Package'):

- Export Control Bill 2019
- Export Control (Consequential Amendments and Transitional Provisions) Bill 2019
- Export Charges (Imposition - General) Amendment Bill 2019
- Export Charges (Imposition - Excise) Amendment Bill 2019
- Export Charges (Imposition - Customs) Amendment Bill 2019

RMAC politely requests the Committee note our previous submissions *Export Legislation Review – Draft Meat Rules* (March 2019);<sup>4</sup> and *Submission to the Draft Export Control Bill* (October 2017)<sup>5</sup>. In providing this letter we highlight the two key matters for consideration.

1. Based on our current interpretation of the draft Export Legislative Package, this will increase financial and compliance costs to Australian red meat and livestock exporters, having a flow on effect to the entire supply chain.
2. Any changes to regulation and regulatory fees must meet the Australian Cost Recovery Guidelines, the COAG Best Practise Regulation guide, enhance the Government's \$100 billion farm gate agriculture by 2030 ambition, contribute to the Prime Minister's Deregulation agenda as well as level the playing field for Australian exporters to align with that of our international competitors.

### Increase of financial and compliance cost

As an export-reliant industry, we strongly support the need for a robust export legislative framework. To this end, the current *Export Control Act 1982* (the Act) and its subordinate Orders have served well to protect Australia's international reputation as one of the premier exporters in terms of food safety, integrity and traceability.

As the structure of the draft Export Legislation Package is broadly reflective of the current arrangements (e.g. requirements for registration, licensing, export permits and health certification, Approved Arrangements, compliance with standards, auditing, etc), we believe the draft Bill and subordinate Rules will continue to serve its purpose of underpinning Australian agricultural exports.

<sup>1</sup> <https://www.mla.com.au/globalassets/mla-corporate/prices--markets/documents/trends--analysis/soti-report/mla-state-of-industry-report-2019.pdf>

<sup>2</sup> <http://www.livecorp.com.au/LC/files/bd/bd8739d9-9864-43a0-9b54-4e0d5f4beb8b.pdf>

<sup>3</sup> <http://www.livecorp.com.au/LC/files/c7/c77c998a-3a23-47e0-bd98-4d33dfe78c91.pdf>

<sup>4</sup> [https://rmac.com.au/wp-content/uploads/2019/04/March\\_Export-Submission.pdf](https://rmac.com.au/wp-content/uploads/2019/04/March_Export-Submission.pdf)

<sup>5</sup> <http://rmac.com.au/wp-content/uploads/2017/01/Red-Meat-Ag-Export-Review.pdf>



However, the Export Legislation Package, which is intended to streamline export certification, will increase costs in some areas for Australian meat and livestock exports, on the base of an already complex regulatory system; and in turn add cost onto the entire supply chain back to the farm gate. These issues are set out below.

As interpreted, the Draft maintains and extends the reach of the Commonwealth Government and adds additional regulatory touchpoints, which will increase “industry demand” for government services to verify compliance; and justify additional cost-recovery fees and charges to industry. This includes: proposed additional administrative and/or documentation processes for applications and consideration periods, transitional costs associated with updating establishments’ Approved Arrangements and thousands of health certificates referencing the draft legislation, and potentially additional IT costs (and associated depreciation) in the form of new systems/programs to manage these changes.

There is already significant regulatory and administrative cost passed on to the red meat industry by the Department of Agriculture (DA) in the form of cost recovered fees and charges.

Under the current export legislative framework<sup>6</sup> (e.g.), this regulatory burden is borne by those closest to the end of the supply chain – processors and live exporters. The impacts of this regulation affect the broader food system, with these costs not being reinvested back into regional jobs, developing supplier relationships with the farming sector, communication and other infrastructure development.

It is not possible for the industry to exactly quantify the financial and non-financial changing cost of compliance for the Committee – while an Export Legislation Regulatory Impact Statement (RIS) was originally available for the 2017 legislative package, it covered only the overarching Bill, not the subordinate commodity Rules (where the bulk of the detailed legislation is housed).

From the outset, our industry has sought assurances that additional costs associated with the draft Export Legislation Package would not be incurred, however has received no firm commitments to date.

### **Policy implementation**

It is not the export legislation per se that is entirely responsible for the DA charges, it is also the regulation operationalized as determined by the regulator of the day (such as business rules, advices, policies, guidelines or how the department interprets the legislation which is not subject to a Cabinet process) that are create cost and inefficiencies.

For example, the on-costs for the DA provision of some inspection services can be greater than 100 per cent, whereas typically such on-costs would be lower than 30 per cent (in both public and private contexts)<sup>7</sup>.

The cost to industry of export legislation is not simply the DA’s fees and charges, but also the significant compliance costs of meeting the regulatory and operational requirements (e.g. preparing for audits and addressing administrative/documentation requirements).

There is opportunity to improve how the Department administers the current export legislation, including quantifiable measures to improve efficiency and effectiveness. For example, the May 2019 Auditor General report into the meat program cost recovery made several recommendations for the department to improve its practices for financial reporting and industry engagement<sup>8</sup>.

The DA commissioned a review by EY in 2019 into the efficiency of the cost recovery process<sup>9</sup> with the review

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<sup>6</sup> Export Control Act and subordinate Orders, Australian Meat and Livestock Act, Australian Standards, etc

<sup>7</sup> <https://haveyoursay.agriculture.gov.au/cost-recovery-implementation-statements>, where the cost to industry of a government meat inspector under option 3 is approximately \$205,000, compared to the actual salary of \$95,750 <https://www.agriculture.gov.au/about/jobs/benefits-conditions/enterprise-agreements>. Typically, a 30% labour on-cost threshold is applied in public and government contexts – e.g. grants often have a limit of 30% for on-costs

<sup>8</sup> [https://parlinfo.aph.gov.au/parlInfo/download/publications/tables/papers/c1e80993-8e98-4333-afcf-ef1c039209b6/upload\\_pdf/Auditor-General\\_Report\\_2018-2019\\_38.pdf;fileType=application%2Fpdf#search=%22publications/tables/papers/c1e80993-8e98-4333-afcf-ef1c039209b6%22](https://parlinfo.aph.gov.au/parlInfo/download/publications/tables/papers/c1e80993-8e98-4333-afcf-ef1c039209b6/upload_pdf/Auditor-General_Report_2018-2019_38.pdf;fileType=application%2Fpdf#search=%22publications/tables/papers/c1e80993-8e98-4333-afcf-ef1c039209b6%22)

<sup>9</sup> <https://www.agriculture.gov.au/fees/cost-recovery/independent-review-cost-export-certification>



yet to report on its findings. RMAC member AMIC's submission to the review strongly pushed for a better system of financial management, including the establishment of an independent governance framework.

### **Aligning with best practice guidelines**

The Australian Government Cost Recovery Guidelines (the Guidelines) provide a clear framework of determining which costs are recoverable from industry. 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<sup>10</sup>. These charges are increasing and are a significant inhibitor to international and domestic growth and competitiveness.

Australian domestic consumers also have to pay more due to the way that the DA's fees and charges are levied across all export establishments, regardless of the percentage of production that is exported. The fixed DA costs associated with export registration and licensing, audit, throughput and inspection are applied by the department, even if the establishment mostly supplies to the domestic market.

It can be argued that the Guidelines have in general been generously interpreted, without due consideration of the broader taxpayer beneficiary and other important points requirements set down in the Guidelines (e.g. government as the monopoly supplier of service) and by the Council of Australian Governments Best Practice Regulation guide.<sup>11</sup>

### **Departmental resourcing**

Lastly, it is important to note the original *Export Control Act 1982* was written in the context of a Budget-funded public service including meat inspection and certification. There has been an erosion over successive governments of the DA's Budget appropriation funding, with a consequential shift to cost-recovered funding and the draft Export Legislation Package proposes operates in a 100 per cent cost-recovered environment.

There are other areas that were traditionally appropriation funded for the past 30 years (such as technical market access) that are now increasingly cost-recovered; as well as a recent proposed reduction services in key areas such as meat inspection. These are all issues that require consideration in this suite of legislation – whether it is affordable and implementable for all key stakeholders in the broader operating environment.

### **A competitiveness and level playing field matter**

Australian meat and livestock exporters have to compete with countries such as the United States, Brazil, Uruguay, India and Argentina which all enjoy identical or better levels of market access without the significant regulatory charge. The majority of these competitors have an export fees and charges schedule that is entirely funded by the public purse; and not worn by individual exporters.

Any additional regulation will be continued to drive the Australia's meat industry being one of the most expensive and highly-regulated in the world, restricting productivity and international competitiveness. This creep is economically significant, with 2016 report developed for the Productivity Commission estimating from 5 – 25pc of red meat businesses profit margins are absorbed by creeping regulatory costs.<sup>12</sup>

Given the current extremely challenging environmental conditions the drought, flood recovery and bushfires pose on the Australian red meat and livestock industry; there is a strong case for the public purse to absorb these costs for our export industries. This could either be in the form of additional general revenue being allocated to the Department to provide these essential services; or through dedicated regional initiatives through the suite of drought, flood and fire recovery and assistance packages announced by the Commonwealth.

### **Enhancing government and industry strategic policy agendas**

RMAC, together with our members, have supported the government's vision of the agricultural industry

<sup>10</sup> [https://www.pc.gov.au/\\_data/assets/pdf\\_file/0007/197386/sub077-agriculture.pdf](https://www.pc.gov.au/_data/assets/pdf_file/0007/197386/sub077-agriculture.pdf)

<sup>11</sup> [https://www.pmc.gov.au/sites/default/files/publications/COAG\\_best\\_practice\\_guide\\_2007.pdf](https://www.pmc.gov.au/sites/default/files/publications/COAG_best_practice_guide_2007.pdf)

<sup>12</sup> <https://www.mla.com.au/globalassets/mla-corporate/research-and-development/documents/industry-issues/final-june-2016-proand-assoc-regulatory-costs-report.pdf>



reaching \$100 billion by 2030; and the announcement that the Prime Minister's deregulation agenda would have a specific interest in reducing regulatory burden for food manufacturers to promote exports. This is underpinned in our own industry led strategy – Red Meat 2030.

The reality is one of the best ways for the Australian red meat and livestock industry to participate in this economic growth agenda and better cope with the challenging environmental conditions is to simply reduce government-imposed cost and regulatory burden. This can be achieved through a legislative framework that encourages increased competitiveness, is forward-looking, adaptive and aligned with best practice policy.

Yours sincerely,

**Red Meat Advisory Council**