

April 28, 2008

## **Submission from the Australian Livestock Export Industry to the Quarantine and Biosecurity Review**

Send to: quarantinebiosecurityreview@daff.gov.au.

### **Introduction**

The Australian Livestock Exporting industry welcomes the opportunity to provide a submission to the Commonwealth's Quarantine and Biosecurity Review Panel.

This submission has been prepared by the Australian Livestock Exporters Council (ALEC) with support from the Australian Livestock Export Corporation Limited (LiveCorp). It has involved detailed consultation with a broad range of livestock exporters.

It should be noted at the outset that the Australian livestock export industry appreciates and respects the work performed by the Australian Quarantine and Inspection Service (AQIS) in:

- Assisting the livestock exporting industry in the safe and efficient export of livestock from Australia; and
- Protecting Australian agriculture from many diseases that would seriously impact on the competitive advantage that Australian agriculture holds and which is a key marketing tool for the livestock export industry.

However, AQIS is a major service provider and cost to the industry and one whose decisions when taken unilaterally or with insufficient knowledge, can have a significant negative impact on commercial and animal welfare outcomes.

The industry believes that the current service provided by AQIS is unsatisfactory and considers that there are several key areas where enhancements to current arrangements could produce both improved animal welfare outcomes and increased exporting efficiency. The issues raised in this submission are primarily operational, however others could best be classified as structural and / or cultural, the latter of which is a source of significant concern to the industry.

Notwithstanding the above point, the livestock exporting industry also acknowledges that AQIS is often the subject of much criticism (often unfairly), constant review and has the difficult task of seeking to balance Government, industry and community expectations. This seems likely to impact negatively on staff morale and retention rates.

### Context

The exporting of live cattle, sheep and goats is a major revenue raiser and structural component of the meat and livestock industry in Australia. The average annual value of livestock exported between 2003 and 2007 was \$754 million.

The industry is of critical importance to Australian farmers. In 2005, the 573,000 cattle exported live were approximately 7% of total cattle turn-off, and the 4.2 million sheep exported live were approximately 12% of the sheep and lamb turn-off (Hassall & Associates, 2006). Availability of the live export pathway underpins domestic market prices and is a significant export industry.

While of critical importance to Australian farmers and the Australian economy, the industry recognises the pressure that the certain elements of the community are often placing on the Government to suspend the trade. The industry greatly appreciates the ongoing Government support for the trade and is constantly striving to better enhance the welfare of the animals pre – shipment, during shipment and at the country of destination. Indeed, the Australian industry is recognised as the world leader in all these areas. In particular, the efforts of the Australian industry, exporters and Australian Government officials in working with importing countries to improve animal welfare at the point of discharge is a service unique to the Australian industry.

The primary Review question which this submission focuses on is: *Are the arrangements for export inspection and certification effective?*

### Process of Export Inspection and Certification

The control of livestock exports from Australia are covered by requirements introduced in 2004 through the Australian Meat and Livestock Industry (Export Licensing) Regulations 1998, the Export Control (Animals) Order 2004 and the Australian Standards for the Export of Livestock (ASEL), which are administered by DAFF and AQIS. These requirements are largely intended to protect the health and welfare of exported livestock.

The industry is heavily regulated. All livestock exporters must be licenced by AQIS. Briefly, the administrative steps in the process of an export of livestock by sea are as follows:

- The licenced exporter gives AQIS (under the authority of the Departmental Secretary) a Notice of Intention to export (NOI) and a Consignment Risk Management Plan (CRMP) for the export.
- AQIS approves the NOI and CRMP and issues an Approved Export Program (AEP), [then] the exporter sources the livestock.
- The livestock are treated and tested in accordance with the Australian Standards for the Export of Livestock (ASEL) and the importing country's health protocol requirements.
- The livestock are held in pre-export quarantine or isolation at registered premises as required by the importing country's health protocols and AQIS requirements.

## ALEC / LiveCorp Submission to the AQIS & Biosecurity Review

- Before, during or after treatment and testing, the livestock are assembled at registered premises.
- For each consignment, an exporter must employ an AQIS accredited veterinarian to oversee relevant protocols and animal treatments.
- After the livestock are assembled at the registered premises and before they leave, the exporter arranges for them to be inspected by a regional AQIS authorised officer (SLEVO). A health certificate is prepared, if required by the importing country, but is not issued till an export permit is issued.
- If there are any diversions from the AEP then the SLEVO refers the issue to AQIS Canberra and awaits their decision or direction.
- An AQIS officer then issues a permission to leave for loading, which authorises the exporter to take the livestock from the registered premises and load them on board a ship for export.
- The livestock are loaded in accordance with the approved travel and loading plan, the health certificate is issued and an export permit issued.

### Issues relevant to this Review

The livestock export industry is highly competitive on a global basis and is under constant Government and community scrutiny. It is also a very dynamic industry where quick responses to stock prices, stock availability, exchange rates, ship and port availability etc are critical.

To operate in such an environment, the industry requires clear, unambiguous standards and the consistent and timely application of them. The value of standards and regulations is not in dispute. Indeed, the industry is working to develop "industry guidelines" which sit over and above the existing ASEL so as to further enhance shipment outcomes. Nor is the industry's resolve in question where an exporter is found to be flouting standards. In such circumstances, all available sanctions and penalties should be imposed.

A brief description of the main issues relevant to AQIS and BA which are considered to be inhibiting the effectiveness of the livestock export industry is listed below. Where applicable, a suggested alternative approach is provided.

#### 1. Government regulation should continue

The Keniry Review (2003) resulted in wide-spread changes to the livestock export industry with increased regulation and compliance costs. However, the industry is firm in its resolve that the Government should continue to play a key role in the export of livestock. While the industry desires to move to a more co-regulatory approach **in the future**, current arrangements provide valuable assurance to exporters and customers alike.

**Recommendation 1 – that the general framework of Government regulation under which the livestock export industry operates should continue.**

## ALEC / LiveCorp Submission to the AQIS & Biosecurity Review

### 2. Export approval should be simplified and exporter prior history acknowledged

The current regulatory environment requires AQIS Canberra to assess and approve all elements related to livestock export - Exporter Governance and Operations Manuals, NOI's, CRMPs and AEP's and Operations Manuals for registration of premises.

Such approval for each consignment can be slow, frustrating, expensive and on occasions detrimental to animal welfare (it is also noted however, that there are times when delays in approval are not AQIS related). Decisions with huge commercial impact are being made by AQIS officers in Canberra who may not have the practical or commercial experience required. Factors which contribute to this issue include:

- Slow response rate to time critical processes which may have serious commercial and / or animal welfare ramifications. Decision making, often on minor issues, can take extended periods of time.
- A lack of practical, technical and / or commercial knowledge or experience in AQIS Canberra staff. Examples include poor interpretation of, and application of, standards which can be detrimental to good animal handling practices (requiring re-handling of stock); hold-ups with NOI's because of perceived clashes of stock in registered premises.
- A strong aversion to risk, slowing decision making and acting on "due process" with little regard for commercial and animal welfare outcomes. Even when processes are submitted that could mitigate risks, they are viewed with suspicion;
- High staff turn-over in Canberra (but not with regional SLEVO's) resulting in a lack of continuity and exporters constantly having to deal with new AQIS staff in Canberra; and
- Little, if any, consultation with exporters prior to some decisions and no easy process to access recourse to AQIS decisions.

Combined, these factors seriously restrict the efficiency of export and increase compliance costs in an already heavily regulated industry. The industry considers this to be an unsatisfactory level of service, especially given the significant charges paid by exporters for the service.

The vast majority of livestock exports are "repeat" orders – similar stock, same client and destination with generally only the date, animal numbers, load or discharge port and vessel name that changes. Yet these repeat orders are treated in exactly the same way as "new orders" or "new markets".

**Recommendation 2. Develop and implement pre-approved formats for NOI's and CRMP's for repeat business and consistent performers so as to reduce time and cost (Note: the industry is developing such an approach to discuss with AQIS).**

Equally, those exporters who consistently achieve suitable shipment performance and outcomes should be rewarded with lower levels of regulatory intervention and auditing,

## **ALEC / LiveCorp Submission to the AQIS & Biosecurity Review**

allowing AQIS to focus on exporters who have not demonstrated the same performance.

**Recommendation 3. That processes are put in place via ASEL which recognises good performance of exporters.**

At present, there is also no practical way to hold AQIS accountable for its decisions. There needs to be a mechanism for prompt independent expert review of AQIS decisions.

**Recommendation 4. That an independent review system be established to ensure transparency and accountability for AQIS decisions.**

Current audit requirements are acknowledged by industry. Despite concerns about the frequency, time required and the cost of audit processes, the industry is more concerned that current audits are almost entirely compliance and governance focused.

Every shipment is scrutinized by SLEVO's and unless all is in order, no "permission to leave for loading" or "health certificate" is issued. Notwithstanding, each exporter is then subjected to a costly compliance and governance audit 2 or 3 times per year. The industry believes that the frequency of these audits could be reduced (as a significant component of these audits is rechecking on SLEVO's approval processes) and more effort focused on shipment performance and consignment outcomes.

**Recommendation 5. That the frequency and process of audits be reviewed; that more recognition is given to the fact that shipments have already been checked for compliance; and that exporter audits be more focused on consignment outcomes.**

### **3. Greater autonomy given to SLEVO's**

As mentioned in point 2, by and large, all power now resides with AQIS in Canberra. Regional AQIS staff (SLEVO's) who have a broad breadth of experience and knowledge at the point of export are being seriously underutilised. At pre-inspection and loading time when situations arise that are often marginally outside of that listed in the AEP, SLEVO's have no discretion, are unable to make practical decisions, and must defer to Canberra.

A fully centralised regulatory system is difficult, if not impossible, to operate across a highly dynamic industry that operates 24 hours a day, 7 days a week and in diverse regional locations.

The industry firmly believes that SLEVO's should be given more control to facilitate the export process. They are "on the ground" and have the capacity to assess the situation and make timely decisions in direct consultation with the exporter.

This would speed up the decision making processes and lead to a far more commercial service which is fundamental to risk management, service delivery and export certification.

## ALEC / LiveCorp Submission to the AQIS & Biosecurity Review

**Recommendation 6.** That for the process of Export approval, greater autonomy is provided to SLEVO's at each port. However, for defined new orders or new markets then approval from AQIS Canberra should still be required.

### 4. Compliance costs are too high

The industry acknowledges that some form of cost recovery by AQIS is required. However, as noted in the Red Meat Industry's submission to the Productivity Commissions Review of Regulatory Burdens, the cumulative effect of additional compliance costs can seriously impact on the viability of exporters. These costs not only relate to AQIS fees but also significantly add to exporters' staff costs to meet the increased requests from AQIS staff.

As compliance costs increase, Australia's competitive advantage is eroded, as is our ability to keep existing customers and attract new investment in the trade. Australia is only one of numerous countries who export livestock.

AQIS costs far exceed commercial norms. For example, AQIS costs for loading often significantly exceed the cost of mandatory third party veterinarians, even though AQIS's time on site is usually significantly less. As a case in point, the table below details a comparison of inspection costs for a recent 46,000 sheep shipment from Fremantle.

Service Provider	Time allocated	Total Cost	Cost per person hour
<b>Third Party Accredited Vet plus 3 inspectors</b>	53 hrs (12.5 hrs x 4 = 50 hrs plus 3 hrs)	\$4,080 (inc. GST)	\$76.98
<b>AQIS Inspector</b>	6.25 hrs	\$6,855.58 (ex GST)	\$1,096.80

Equally concerning is that AQIS costs are very difficult to control. The ability to monitor and control costs is paramount to any business remaining financially viable.

**Recommendation 7 – That the cost of compliance be reviewed and reduced.**

### 5. The application of standards is often not science based

Despite clear consultation processes being in place and an expressed willingness by the industry to work through issues on the basis of science and experience, there are many occasions where standards are proposed / implemented that are not scientifically based. Examples include:

- The recent tabling of a paper to LESAC without any real consultation with industry and which, if accepted, would have resulted in a massive impact on industry (see point 7).

## ALEC / LiveCorp Submission to the AQIS & Biosecurity Review

- Changes to the interpretation of standards. For example the mixing of horn and non – horned animals in pens. AQIS interpreted the standards as horned being “any horn” including scurs and butts while the definition of non-horned was blunt and less than 12 cms. The industry had the AQIS interpretation imposed and then advised to provide the science if it wanted to continue the practice. Close to \$90,000 in R&D expenditure later, the science was proven and the practice reinstated.

**Recommendation 8: That the onus of proof for changes to standards and protocols be fully based on science and that the proponents of any changes are required to fund studies to validate them.**

### **6. The “penalties” imposed on shipments subsequent to a “notifiable incident” are reviewed.**

The process of notifiable incidents is supported, however, the extra conditions which can be imposed on an exporter by AQIS without industry consultation after a notifiable incident are at times not logical or based on science.

When a notifiable incident occurs it is investigated by AQIS and the reasons documented. This often results in greater restrictions imposed on the next few shipments by that exporter, even where the incident had nothing to do with exporter non-compliance. Such impositions are sometimes applied to subsequent shipments which involve totally different stock to different markets.

Such additional restrictions on subsequent shipments can have serious commercial impacts without any advantage to animal welfare.

The industry proposes that such determinations should be made by AQIS in consultation with an independent industry representative group.

**Recommendation 9 – That the process of Notifiable Incidents remain, but that sanctions imposed on subsequent shipment’s are determined by AQIS and an independent industry representative group.**

Furthermore, detailed reporting is undertaken daily on shipments. Evaluation of these reports could greatly assist the industry to identify issues with animal management or ship configuration leading to better outcomes. The amount of analysis undertaken by AQIS on these reports (all shipments, not just notifiable incidents) is unknown. Currently these reports are not made available to LiveCorp for analysis (although steps are underway to alter this).

**Recommendation 10 – That reports from shipments be made available to LiveCorp for analysis.**

### **7. There is a perceived lack of serious consultation and an emerging cultural divide between AQIS and industry.**

Formal industry consultation is carried via LEICC (Live Export Industry Consultative Committee). There is also an informal group of AQIS officials and livestock exporters who meet from time to time. Even with this formal mechanism in place, the industry is

## **ALEC / LiveCorp Submission to the AQIS & Biosecurity Review**

increasingly concerned about the lack of a constructive consultative engagement between AQIS and industry. Recent relevant examples include:

- At the most recent LEICC meeting (March 2008), AQIS papers were not circulated prior to the meeting. Equally, actions arising from meetings are often not followed up in a timely manner. The current frustration with LEICC is evidenced by the Chair of LEICC stating that he was unsure whether "LEICC is worth continuing".
- AQIS staff recently tabling a major paper at LESAC without any real consultation with industry. Critically, the recommendations for the industry that were proposed had no scientific basis and would have had a massive industry impact.

The apparent breakdown in meaningful consultation needs to be rectified and LEICC would not appear to be working effectively. One suggestion is that LEICC be reinvigorated and / or supplemented by the formal establishment of a livestock exporters "round table". The latter would involve a small group of active exporters (representing the three main sectors of the industry - northern cattle, Middle East sheep and cattle, and dairy cattle) plus Livecorp and ALEC meeting with AQIS senior management 3 to 4 times a year, in a non-adversarial and constructive manner to discuss current industry issues.

**Recommendation 11 – AQIS to consider reinvigorating LEICC and / or consider the formal establishment of a Livestock Exporters /AQIS "round table"**

### **8. Differing views between Canberra and States and a concerning lack of open communication between AQIS, BA and industry.**

As mentioned above, certainty in relation to standards and their application are vital to the industry. The livestock exporting industry is also critically reliant on up to date information about importing protocols and disease status. At the same time, there is increasing interest globally (sometimes ill-informed) regarding bio-security and animal health issues which need to be addressed quickly (e.g. Q fever testing requirements for Malaysia).

These difficulties are not enhanced when organisations that have a direct impact on the trade differ in their requirements or interpretation of standards, or fail to advise industry of important issues in a timely manner.

The industry deals with 7 or 8 different Federal and State Government bodies, not all of which have similar requirements or interpretations. This makes the transaction costs for the industry high and significantly increases risk.

Some recent issues encountered within this general area of consistency and communication includes:

- Changing interpretations of Health Protocols during the preparation of consignments which results in new vendor declarations being required.

## **ALEC / LiveCorp Submission to the AQIS & Biosecurity Review**

- Differences between States and Territories as to what are notifiable diseases (e.g. bovine ephemeral fever; dermatophilus).
- A lack of timely advice regarding critical industry issues such as:
  - The finding of bovine ephemeral fever in southern Australia; and
  - Identification of a new strain of Blue Tongue in northern Australia (members of the industry first heard of this from Europe!).
- An apparent lack of communication between AQIS and BA regarding Health protocols. BA is responsible for negotiating protocols and verification processes with importing countries yet once completed, AQIS then seeks clarification as to how these protocols will be verified. This is a source of confusion for importers and exporters alike; and
- Animex is not being maintained properly. As a national database of export requirements, it needs to be fully up to date. It appears that AQIS is disinterested in maintaining this register and responsibility for Animex should be shifted to BA as they are closer to the negotiation of new protocols and protocol changes. The industry would consider some form of part funding for this to occur.

**Recommendation 12 – Once protocols are established, AQIS should not need to correspond with importing countries to query verification procedures.**

**Recommendation 13 – Ensure that appropriate processes are in place for rapid communication on key issues to industry and its representative organisations.**

**Recommendation 14 - Responsibility for the maintenance for Animex should be shifted to BA.**

**Recommendation 15 – Develop a project to review and standardize “notifiable diseases” across Australian States and Territories.**