Regulation Impact Statement

Approved arrangements for livestock exports

RIS ID:18445

October 2015
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1. Background

1.1. Importance of the trade

Livestock exports are an important ongoing trade for Australia. The industry employs around 10,000 people, supporting many rural and regional communities largely in northern and Western Australia. 

Australia is one of more than a hundred countries exporting livestock globally. Australia is highly competitive as a supplier, despite competition from other exporting nations, due to the disease-free status and high and consistent quality of Australian livestock. In 2014-15, the value of Australia’s livestock exports (feeder/slaughter cattle, sheep, goats and buffalo) was $1.61 billion.

Australia is the fifth largest exporter of live cattle in the world, typically exporting up to one million head of cattle per year, representing between 6 and 10 per cent of annual cattle turn-off. Indonesia continues to be Australia’s largest market for cattle. In 2013, Australia exported 727,009 head of cattle to Indonesia, accounting for 62 per cent of exports. In recent years, Vietnam has quickly grown to become Australia’s second largest market for cattle.

Australia is also the second largest exporter of live sheep. The Middle East is Australia’s largest market for sheep, receiving 98 per cent of Australia’s exports. In 2013, Australia exported 1.9 million head of sheep to the Middle East, primarily to Kuwait, Qatar, Jordan and Oman.

Australia remains the largest exporter of goats in the world, exporting up to 80,000 live goats both from rangelands and farmed. Malaysia is Australia’s main market for live goat exports accounting for around 80 per cent of exports. In 2013, Australia exported 55,400 head of goats.

The trade plays an important role in regulating domestic livestock prices and determining the profitability of Australian livestock producers. The impact from a reduction or absence of live exports would be felt greatest in the Northern Territory and Western Australia where farm business profit would be significantly reduced due to lower saleyard prices and the increased transport costs associated with moving stock to areas with greater processing capability.

1.2. History of the trade

Before 2004, industry and government co-regulated the trade, with government issuing export licences to exporters who were accredited by LiveCorp, an industry funded organisation. The industry, through LiveCorp, set the standards for trade and assessed competence and the government issued export permits and health certificates. This method of co-regulation was changed after the Cormo Express incident when a vessel carrying 58,000 sheep was rejected by the Kingdom of Saudi Arabia on the grounds of scabby mouth disease.

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The 2003\(^3\) Keniry Review commissioned after the incident found that the way the trade was conducted at the time did not adequately protect the welfare of animals. It also found the regulatory framework was inadequate, did not set clear and enforceable standards for a high-risk trade, and that the key functions under the control of the industry body, LiveCorp, had not served the industry well. The Keniry Review recommended that a national standard for livestock exports be introduced. It also recommended that government assume responsibility for granting livestock export licenses and enforcing compliance, and that industry assume responsibility for research, development and quality assurance systems. The key outcome was that Australian Standards for the Export of Livestock (ASEL) were introduced and the government assessed licensed exporters’ competency.

1.3. Current regulation of the trade

The Australian Government is responsible for live animal export policy and regulation. State and territory governments also have responsibility for ensuring that the animal health and welfare requirements of their relevant legislation are met within Australia.

Livestock exports are regulated through a number of mechanisms designed to ensure animal welfare throughout the supply chain and mitigate risk:

- **Commonwealth export legislation**
  To export livestock, an exporter must hold a licence under the *Australian Meat and Live-Stock Industry Act 1997* (AMLI Act). The Department of Agriculture (the department) is responsible for assessing applications for a licence, including reviewing an operations and governance manual which sets out how the export livestock business will operate and be governed. Livestock export licences are issued if an application meets the criteria set out in the Australian Meat and Live-stock Industry (Export Licensing) Regulations 1998 (the Export Licensing Regulations).

- **Export certification**
  The Export Control (Animals) Order 2004 (the Animals Order) sets out the requirements for exporters to lodge a notice of intention (NOI) for the export of livestock and a consignment risk management plan (CRMP) which sets out, amongst other things, how they will meet the ASEL and importing country requirements.

  - **ASEL**
    ASEL sets the basic standards, as required by Australian, state and territory government legislation, for sourcing and on-farm preparation of livestock; land transport of livestock for export; management of livestock in registered premises; vessel preparation; loading; on-board management; and air transport of livestock. Standards are referenced in the Export Licensing Regulations and the Animals Order.

  - **Importing country requirements**
    Countries may impose conditions that exporters must meet prior to animals being accepted into their country. For livestock most conditions relate to animal health, such as disease-free status. Some countries have animal health testing requirements, quarantine and transport requirements, and animal weight limits.

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**Exporter Supply Chain Assurance System (ESCAS) (for feeder/slaughter livestock only)**
ESCAS sets the standards the Australian Government requires once a consignment arrives in the importing country. Under ESCAS, exporters are required to demonstrate they have a supply chain that delivers:
- internationally agreed welfare requirements (as per the World Organisation for Animal Health - OIE)
- control of animals through the supply chain to point of slaughter
- tracking /accountability of animals throughout the supply chain
- independent auditing and reporting to government.

The following diagram shows the livestock export process and highlights the animal welfare regulations which apply in Australia and overseas. Australian Government certification of livestock happens at the feedlot and at the port of departure where export permits and health certificates are issued for the consignment. At this stage and up until the livestock disembark at the destination, the livestock are subject to the ASEL requirements. For livestock exported for feeder and slaughter purposes the exporter must then ensure that livestock are handled in accordance with ESCAS.

**Figure 1. Live animal export supply chain steps**

<table>
<thead>
<tr>
<th>Australian Standards for the Export of Livestock</th>
<th>Exporter Supply Chain Assurance System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian Feedlot</td>
<td></td>
</tr>
<tr>
<td>Australian Port</td>
<td></td>
</tr>
<tr>
<td>Voyage</td>
<td></td>
</tr>
<tr>
<td>Port at Destination</td>
<td></td>
</tr>
<tr>
<td>Feedlot and Abattoir at Destination</td>
<td></td>
</tr>
</tbody>
</table>

### 1.4. Operations of the livestock trade
Licensed exporters must lodge a NOI to export and a CRMP with the department 10 days prior to the date of export, for assessment and consideration for approval. The CRMP sets out how the exporter will meet importing country requirements and the requirements of ASEL. Exporters generally refer to their operations and governance manual, which describes how the exporter will meet the ASEL.

Before approval to export livestock for feeder and slaughter can be granted, the exporter must have an approved ESCAS for the intended market.

The department’s role is to assess the NOI and CRMP against the importing country’s requirements and the ASEL and, if satisfied with the exporter’s application, issue an approved export program (AEP). The exporter then prepares the consignment in accordance with the AEP. The AEP largely confirms the exporter’s CRMP. AEPs are carried out by Australian Government accredited veterinarians (AAVs) engaged by the exporter.
Depending on the intended market, exporters will submit a range of supporting documentation, all of which must be assessed by the department. These include import permits, dispensations, treatment schedules, heat stress risk assessments, travel and load plans, disease freedom documentation and a number of declarations.

For each consignment, exporters are required to have the department’s veterinary officers conduct inspections of all animals prepared for export at registered premises for sea voyages and approved premises for air voyages. These inspections are intended to provide additional assurance that an exporter has taken all the necessary steps to treat and prepare animals that meet the requirements of the export and are fit for travel. If all is in order, the department’s veterinary officer will issue a health certificate and export permit.

1.5. Reform of current regulation

The government’s election commitments for a competitive agriculture sector included improving the performance efficiency and reducing unnecessary red tape in export certification and ESCAS\(^4\).

The process for developing and prioritising live animal export (LAE) reforms in line with the government’s commitment is discussed further in Section 3.2.1. The impact of some reforms to ESCAS are outlined at the end of Section 2.

In line with the government’s commitment, the Minister for Agriculture, the Hon. Barnaby Joyce MP, has announced LAE reforms and publicly referred to the government’s continued focus on “improving not only animal welfare outcomes but also the regulation of the Australian livestock export trade by reducing the regulatory burden on exporters and removing unnecessary red tape”\(^5\).

2. What is the problem being solved?

Livestock export certification occurs on a consignment by consignment basis and is highly duplicative for both industry and the department. Many consignments are repetitive in nature (same exporter, species, port of export, market) with similar paperwork being produced and assessed each time.

Between January and October 2013, it was estimated that the department’s live animal export program assessed approximately 7,330 sets of documents relating to livestock exports\(^6\). This roughly translates to 35 sets of documents per consignment during this period. This includes documents received for pre-export assessment as well as voyage and other reports and all variations to documentation submitted.

\(^4\) 2013, The Coalition’s Policy for a Competitive Agriculture Sector, Canberra, August
\(^5\) see Joyce, B 2015, Live export reform targets areas of greatest risk, media release, Minister for Agriculture, Canberra, 24 March, and Joyce, B 2014, Coalition streamlines livestock export regulations, media release, Minister for Agriculture, Canberra, 11 September
The assessment and approval process for documentation can be repetitive and duplicative. A third of the licensed exporters conduct regular trade to the same or similar markets more than 20 times per year. For these exporters the current process requires them to submit almost identical information for assessment each time and receive almost identical advice from the department to allow them to export each consignment. The department also already holds information about how exporters will comply with ASEL because it is contained in their operations and governance manual which is a requirement for obtaining their export licence under the Export Licensing Regulations.

The current process also requires the exporters to wait for the department to issue them with an AEP. This requirement is particularly cumbersome when an exporter needs to make a change to their NOI during the export preparation process. For example, if the exporter changes the export date because the ship is delayed, they must wait for a new AEP from the department even if the date change will not affect the livestock preparation process. It is difficult to attribute an accurate cost to such delays, as, depending on the stage of the export process and the particulars of the consignment, these could potentially range from a very minor inconvenience to an exporter incurring demurrage in the order of $30,000 to $60,000 per day.

The nature of livestock exports is dynamic. The size, timing and destination of exports is often fluid, influenced by factors such as delays in shipping and changes in market demand. This often means there is significant pressure to assess documents quickly or arrange for animals to be inspected at short notice, to meet an exporter’s intended timeframe for departure.

Despite these pressures the compliance outcomes for export preparation are very good. Since September 2012, there have been no incidents of livestock being refused entry for failing to meet importing country requirements. In addition, since 2012 mortality rates for both air and sea consignments during transport to importing countries have steadily declined with a combined average mortality of 0.23 percent in 2012 to a record low of 0.15 percent in 2014.

The current system also places an unnecessary administrative and financial burden on government and exporters. The program cost $9.5 million to run in 2014-15, and generates on average more than $1 billion in trade each year. In comparison, the dairy export program—where certification occurs on a systems basis—cost $2 million in 2014-15, and generates on average $2.4 billion in trade annually. The costs of certification are recovered from exporters.

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7 Demurrage figures provided by industry.
9 Australian Bureau of Agricultural and Resource Economics and Sciences, Australian Commodity Statistics, Department of Agriculture, Canberra, March 2015
11 Australian Bureau of Agricultural and Resource Economics and Sciences, Australian Commodity Statistics, Department of Agriculture, Canberra, March 2015
In line with the government’s election commitment, there is an opportunity to simplify the livestock export certification process and reduce government intervention in individual export consignments, while maintaining the integrity of the trade. The intention of reform is to achieve greater efficiency and reduce costs for both government and industry. This can be achieved by reducing duplication and placing more responsibility and accountability on exporters to meet the requirements for livestock exports and shifting the focus of the department’s role to one of risk management, informed by exporter performance, audit and verification.

Some reform work to date has helped to address inefficiencies and reduce costs. The introduction of risk-based auditing of ESCAS facilities has streamlined the department’s assessment of exporters’ performance in-market. This approach takes into account the type of facility being audited, its inherent risks and the compliance history of the exporter to determine a risk rating and audit frequency. Higher risk facilities are audited more frequently while those with a low risk rating are rewarded for good performance with a lighter regulatory touch. This is estimated to reduce audits by about 30 per cent and reduce costs to industry by almost $2 million, while allocating government resources to areas of higher risk.

Additionally, separating ESCAS approvals from individual consignment approvals in November 2014 has streamlined assessment processes. Previously, staff had to assess and approve each aspect of an exporter’s ESCAS for every consignment. ESCAS supply chains are now approved once and accepted for future consignments. It is estimated that the time taken by staff in Canberra to assess export consignment applications has reduced by about 61 per cent for consignments by sea and 34 per cent for consignments by air. This has resulted in a reduction in charges to exporters, without impacting on the objectives or principles of ESCAS.

3. The reform process

3.1. Objectives of government action

The Australian Government’s role in regulating the livestock export trade is twofold:

1. ensure importing country requirements are met and provide government certification to this effect, which is a requirement of importing countries, and

2. ensure the welfare of exported livestock from sourcing through to and including the point of slaughter in the importing country.

In line with its election commitment and consistent with its regulatory role, the government has an opportunity to reform livestock export certification processes. Without government action, the costs of live export certification will continue to rise with the growth of the trade.

3.2. Stages in the process

The department’s process for live animal export reform, including streamlining livestock export certification and reducing red tape while meeting the regulatory objectives of the Australian Government’s role in the livestock export trade, is being undertaken through a range of stages.
3.2.1. Development of reform priorities (April 2014 – March 2015)

To progress LAE reforms, the department established:

1. the LAE Reform Industry Roundtable (Industry Roundtable) in April 2014 to provide a
dedicated consultation mechanism for LAE reforms.
   - Members are the department, the Australian Livestock Exporters’ Council (ALEC),
     LiveCorp and Meat and Livestock Australia (MLA).

2. the LAE Reform Taskforce (the Taskforce) within the department in July 2014 to progress
reforms.

3. the LAE Reform Steering Committee, a departmental SES committee chaired by the
responsible deputy secretary, in July 2014 to oversee the development and implementation
of live animal export reforms undertaken by the Taskforce.

In addition to consultation on reform priorities through the Industry Roundtable, industry put
forward 17 project priorities for livestock export regulatory reform across the supply chain through a
paper provided to the department in July 2014. These priorities were analysed by the department
and a response provided to industry through the Industry Roundtable outlining: where the
department supported reform priorities (in full or part); which projects were considered immediate
and later priorities; which projects could be addressed through other reform projects or
mechanisms; and the department’s proposed approach to particular reform projects. The
department’s response noted that it was preliminary, based on official level discussions only and
subject to senior executive and/or ministerial approval.

A key priority identified by industry was the need to streamline consignment approvals due to issues
outlined in Section 2 above. The department agreed the need to prioritise this reform and, based on
experience with other export commodities, recommended the option of developing an appropriate
approved arrangements system for livestock exports. The department also identified that approved
arrangements could potentially address some of the other issues raised by industry, including the
need to streamline regulatory arrangements for exporters based on their performance and
experience, and reducing duplication between the work of AAVs and the department.

Through ongoing consultation through the Industry Roundtable, industry has been updated on the
progress of various LAE reforms, including when projects are completed.

3.2.2. Policy approval to streamline livestock export certification through
approved arrangements (December 2014)

Following the department’s consultation with industry on reform priorities, in December 2014 the
Minister for Agriculture provided policy approval to undertake reforms to deliver against the
election commitment to reduce red tape and increase the performance efficiency of export
certification for livestock, including through introducing approved arrangements for exporters
allowing simplified approval pathways for livestock export certification.
This policy approval was supported by a preliminary analysis of expected benefits, potential costs and changes in risk. The department’s request for policy approval noted that the approved arrangement reform would need further detailed development in consultation with industry and that a RIS would need to be developed in consultation with the Office of Best Practice Regulation (OBPR).

OBPR completed a Preliminary Regulation Impact Statement (RIS) Assessment in late January 2015. OBPR advised the department that the proposal to introduce approved arrangements to facilitate streamlined approval pathways for livestock export certification was more than a minor change and it would be appropriate to prepare a Standard Form RIS. The department has complied with OBPR’s Preliminary RIS Assessment advice.

3.2.3. Development of the approved arrangements model (December 2014 – September 2015)

Following policy approval, the Taskforce developed an appropriate approved arrangements model for livestock exports through consultation with national and regional program staff, industry bodies (ALEC, LiveCorp and MLA) and exporters and departmental officers experienced with approved arrangements for other export commodities. The consultation process is further discussed in Section 5. The Minister for Agriculture was formally updated on progress prior to a key consultation period in May and again in September, including outcomes of consultation thus far.

In June 2015 the LAE Reform Steering Committee approved a draft high-level policy design for approved arrangements for livestock exports. This policy design was based on the outcomes of consultation and an analysis of business process design, regulatory burden and benefits realisation. This analysis was drawn upon in preparing this RIS.

Between July and September 2015, the department liaised informally with OBPR in developing this RIS.

In June – July 2015, the department designed a trial of approved arrangements in consultation with the Industry Roundtable. Nominations were sought from exporters in July, to participate in the trial. In consultation with the Industry Roundtable, four exporters were selected to participate in the trial (see Section 3.2.4 below).

The information and analysis presented in this Final RIS was developed during this stage. This Final RIS is supporting the Minister for Agriculture and Water Resource’s decision to approve an amendment to the Animals Order to introduce approved arrangements for livestock exports.

3.2.4. Refinement of the approved arrangements model through a trial (September 2015 – January 2016)

The department is currently working with four exporters to trial approved arrangements. The trial, which is scheduled to run to mid-January 2016, will provide an opportunity to test and refine elements of the design of the approved arrangements system for livestock exports, as well as supporting materials such as guidelines, templates and work instructions. Outcomes of the trial are intended to inform the proposed broader roll-out of approved arrangements to all livestock exporters in 2016. The department continues to work closely with stakeholders in refining approved arrangements through the trial.
3.2.5. Proposed implementation (February – December 2016)

Pending outcomes of the trial and a final decision by the Minister for Agriculture and Water Resources, the department intends to implement approved arrangements for livestock exporters from February 2016 in phases, commencing with exporters who send a large number of consignments annually. It is proposed that approved arrangements become compulsory from 1 January 2017.

4. What policy options have been considered?

The government is considering the following policy options to streamline livestock export certification and reduce red tape.

**Option 1** – Reduce Australian Government regulation and implement industry self-certification.

- This option would involve removing all government regulations except the certification explicitly required by importing country governments.

**Option 2** – Retain all current regulations.

- This option would involve retaining existing arrangements to maintain the status quo.

**Option 3** – Introduce approved arrangements to streamline the export certification process for compliant exporters.

- This option would involve the government approving a stand-alone arrangement for an exporters’ operations (known as an approved arrangement) and validating exporter performance through auditing, removing the need for large amounts of document assessment and inspections by the department.

The RIS has considered each option and the benefits and costs to businesses, community organisations and individuals.

The regulatory cost and savings have been calculated using the Commonwealth Regulatory Burden Measure\(^{12}\) (RBM). The RBM calculates the compliance costs of regulatory proposals on business, individuals and community organisations using an activity-based costing methodology. A summary of the RBM methodology and the assumptions used in this RIS is at Attachment A.

### Table 1. Regulatory burden and cost offset estimate table

Average annual regulatory costs (from business as usual)

<table>
<thead>
<tr>
<th>Change in costs</th>
<th>Business</th>
<th>Community organisations</th>
<th>Individuals</th>
<th>Total change in costs</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Option 1. Remove all government regulations except the certification required by importing country governments</strong></td>
<td>-$23,333,078</td>
<td>+/-$0.0</td>
<td>+/-$0.0</td>
<td>-$23,333,078</td>
<td>Removes all Australian Government involvement except to provide export permits and health certificates based on industry assurance.</td>
</tr>
<tr>
<td><strong>Option 2. Maintain the status quo, BAU</strong></td>
<td>$0</td>
<td>+/-$0.0</td>
<td>+/-$0.0</td>
<td>$0</td>
<td>Current process for Australian Government verification of livestock exports on a consignment by consignment basis.</td>
</tr>
<tr>
<td><strong>Option 3. Develop approved arrangements for each exporter</strong></td>
<td>-$1,163,277</td>
<td>+/-$0.0</td>
<td>+/-$0.0</td>
<td>-$1,163,277</td>
<td>Livestock exporters have approved arrangements which are agreed by the Australian Government. Export consignment verification activities are reduced based on exporter compliance and risk.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost offset ($ million)</th>
<th>Business</th>
<th>Community organisations</th>
<th>Individuals</th>
<th>Total, by source</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agency</strong></td>
<td>$NA</td>
<td>$</td>
<td>$</td>
<td>$NA</td>
</tr>
</tbody>
</table>

Are all new costs offset?
4.1. Option 1: Reduce Australian Government regulation and implement industry self-certification

Option 1 is to remove and repeal all regulatory requirements relating to export certification, other than the requirements of importing countries. This does not include licensing or ESCAS, as this is not part of the export certification process. It would mean there would be no government assessment of documentation for each consignment or inspection of export livestock prior to loading.

This would include removing the requirements to comply with ASEL from the legislation. ASEL sets the specific requirements for the sourcing, handling, welfare and preparation of livestock for export and during their transport. These are currently overseen by the Australian Government.

Under this option, there would be no Australian Government process for checking and verifying whether exporters have met ASEL as part of a consignment. This would reduce the oversight of the Australian Government for animal welfare during the preparation of animals for export. However, under this proposal ESCAS requirements to achieve acceptable animal welfare outcomes in the way animals are handled in importing countries would continue. The responsibility for animal welfare during preparation for export would continue to sit with state and territory governments. It is already a requirement that livestock prepared for export are done so in accordance with state and territory animal welfare legislation; however, without the ASEL there would be no standard for on-board management and handling of livestock during the voyage and this may raise animal welfare concerns.

Industry would introduce a scheme to self-certify that all documentation and animals for each consignment have been prepared in accordance with the importing countries requirements. The department would act on this certification to issue the health certificate and export permit.

In addition, the Australian Government would only perform the functions stipulated by importing countries. Most livestock exports typically include a requirement from the importing country for the government to validate the health status of exported animals. The form that this validation takes varies depending on the market and can include strict timeframes. For example: there are a number of memorandums of understanding with Middle Eastern states that require the government to provide transit notifications for each export, providing details about the order of arrival in each country; the Israeli Government must sign-off on each livestock import consignment via government to government correspondence; and the Indonesian Government requires that the Australian Government audit registered premises where livestock are kept prior to export.

4.1.1. What are the benefits of this option?

Removing the bulk of government regulation on livestock export certification will significantly reduce red tape and result in a streamlined process for exporters to certify their own export consignments. This could remove $23.3 million, of the estimated total $29.5 million, of regulatory burden from livestock exports.
Under this option, the export process for livestock would be quicker and simpler for exporters, with less regulatory intervention by the government. It would allow exporters greater flexibility and control over their consignments, without unnecessary administrative requirements from government when consignment conditions change.

Exporters’ costs in compiling documentation for review by the government would be reduced. According to ALEC, Australian exporters currently face the highest regulatory costs of any livestock exporting nations due to the prescriptive and process orientated regulatory requirements on every aspect of the export supply chain.  

This greater flexibility and reduced costs should assist Australian livestock exporters to better compete in export markets, where market access exists through agreed health conditions for imported animals. However, this would be outweighed by the potential loss of markets (see Section 4.1.2 below).

Reduced regulation would also significantly reduce costs and time to the government. Of the estimated $9.5 million dollar cost of running the government’s live export program, which includes livestock, horses and companion animals, approximately $3.77 million is spent processing documents, auditing and conducting inspections. Regulating livestock exports is the largest component of the live export program costs. This type of work would be limited to issuing health certificates and export permits for each livestock consignment, as well as any specific requests for Australian Government intervention in the export from importing countries.

The regulator would still require importing country requirements and ESCAS to be met, and would retain its role in licensing exporters. The government would still have a compliance role in assessing exporters’ performance in annual audits of their licence.

4.1.2. What are the costs of this option?

There are significant risks associated with Option 1. Livestock exports generate significant media attention when poor animal welfare outcomes occur. For example, in 2011 after poor animal welfare practices in Indonesia were broadcast on ABC’s *Four Corners*, about 20 000 pieces of correspondence were sent to the former Minister for Agriculture.

Animal welfare organisations are likely to be strongly opposed to the proposal and would generate negative media attention towards the government. The public expects a certain level of government oversight over livestock exports and it is unlikely the community will accept a move to reduce the government’s regulatory role to this degree.

Much of the live exports trade is built on government to government relationships. The move to an industry self-certification scheme may be opposed by importing countries. While the Australian Government would continue to certify the health status of exported livestock on request from importing countries, trading partners may refuse to continue trade under such a scheme, and whole markets could be shut down.

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13 Submission by the Australian Livestock Industry to the review of the Exporter Supply Chain Assurance System (ESCAS), July 2014
This would result in significant loss of opportunity for exporters to compete in export markets and broader economic impacts. The costs to the Australian Government in repairing damaged trading relationships could quickly add up. Additionally, market closure would cause downward pressure on domestic saleyard prices. The drop in sheep and cattle prices combined with the rise in transport costs and the loss of revenue would be significant, particularly for farmers in northern and Western Australia and the communities that rely on the trade.

Removal of all regulatory oversight of export preparation would have a significant impact on export risk, due to an increase in the risk of non-compliance by exporters, as some exporters, without the oversight of government, may make a commercial decision to cut corners to further minimise costs and maximise profit. Such non-compliance may be of a level to result in systemic poor behaviour in the export industry and negatively impact animal welfare outcomes. The risk of consignments for export not meeting importing country requirements and ASEL would also increase. This would damage Australia’s image and reputation as a quality supplier of livestock and could lead to market closures and a reduction in the $1 billion worth of trade annually.

However, it is important to note that there is a strong incentive for exporters to meet importing country requirements as the costs of a consignment rejection or loss of market can be very high. In addition, exporters have a commercial incentive to meet customer requirements to increase the likelihood of repeat and continued business, as well as the potential to grow their market share compared to other exporters supplying the same market. Exporters also have a commercial incentive to maintain the health and welfare of livestock during the voyage as animal mortalities reduce the consignment head number and therefore what the exporter will be paid for the consignment. These commercial incentives will, to some extent, mitigate the higher risk of non-compliance due to less government regulatory oversight.

Exporters have expressed concerns about the risk of just one exporter’s non-compliance or bad publicity impacting trade for all exporters if it resulted in the loss of a market, or in the loss of public and political support for the trade. This option could increase the likelihood of a rogue exporter causing this type of damage to the trade.

Additionally, a move to self-certification of compliance with export requirements is a step further than other export commodities which still see some level of government regulation through approved arrangements.

4.2. **Option 2: Retain all current regulations**

Option 2 is to keep the current regulatory arrangements and maintain the status quo. This would mean current regulatory arrangements and legislation would remain for export certification. Exporters would still be required to apply for approval on a consignment basis and levels of documentation processing and inspections would be retained.
Under the status quo, exporter compliance is expected to be the same or similar to how it is now (see Section 2) as the system’s incentives haven’t changed. However, further improvements to animal welfare outcomes including reductions in mortality rates may still occur as exporters continue to proactively improve their operations and processes in response to community expectations or due to technological or infrastructure advancements (for example, more effective veterinary treatments or better roads in northern Australia). However, these outcomes would be unrelated to livestock regulatory reform.

4.2.1. What are the benefits of this option?

Maintaining the status quo imposes no regulatory change to the livestock export industry. Exporters understand the current regulatory framework, how to meet their legislative responsibilities and would continue to operate their businesses as usual. The department would continue to oversee animal welfare outcomes and maintain trade, as per current arrangements.

The public has mostly accepted government’s comprehensive regulation of this industry. Incidents such as the Cormo Express and the Four Corners 2011 Indonesia investigation have highlighted the inherent risks in the trade and the Australian community’s expectations that animal welfare standards are maintained and monitored.

Additionally, trading partners are familiar with the current certification process.

4.2.2. What are the costs of this option?

As outlined in Section 2, direct government regulation of each consignment has resulted in high compliance costs for exporters and administrative costs for government. These costs are reflected in the prices paid to producers and farmers. Retaining current regulations does not achieve the government’s objective to streamline export certification and reduce red tape. Under the current model, where document assessment and inspections occur for each consignment, costs will continue to grow as the trade grows. According to the regulatory burden measurement tool, industry’s costs are estimated to be $29.5 million per annum in 2014-15, with a further $9.5 million in costs to the department annually for managing the live export program of which livestock is a major cost and is cost recovered from exporters by way of fees and charges. Over time, these costs have been growing which is not consistent with government policy.

The current system does not take into account exporter performance, or provide incentives for good performance. This has discouraged exporters from continuing to invest in better practices, when exporters with poor compliance receive little to no penalties for their actions. The current system does not reward exporters for their investment in compliance.

4.3. Option 3: Introduce approved arrangements to streamline the export certification process for compliant exporters

Option 3 is to move from consignment by consignment approvals for livestock exports to one where an exporter’s system to prepare exports and transport animals is approved by the department once as an “approved arrangement” with audits and verification checks on consignments used to ensure continued performance.
Approved arrangements is the system used by other agricultural export commodities such as meat, dairy, egg and fish exports. The implementation of approved arrangements for these commodities has been successful and common benefits have resulted. These benefits include a less prescriptive and more outcomes-based system, giving exporters greater responsibility but also flexibility and control over the export process. Plant exports were also under approved arrangements but have transitioned in recent years to an authorised officers system that provides even greater flexibility, further reducing duplication between industry and government inspections.

The approved arrangements systems of these commodities were used as a guide for developing an approved arrangements system for livestock exports. However, in developing such a system, the department has worked to ensure the specific differences of the livestock commodity to other commodities has been taken into account. The proposed approved arrangements system for livestock exports emphasises acceptable management and handling of animals as required under ASEL. In contrast, approved arrangements for meat and dairy exports for example, focus heavily on hazard analysis and critical control points (HACCP) relating to food safety.

An exporter’s approved arrangement will require ongoing, demonstrated compliance with the ASEL, importing country requirements, and all relevant legislation, which will continue to be verified by the Australian Government. The verification system will be risk-based and provide the government with a mechanism to adjust the level of its regulatory involvement based on an exporter’s performance.

The changes would involve:

- removing approval of exports on a consignment basis to a process where the approved arrangement will cover this.
- reducing the document assessment for each consignment and introducing a risk-based system of verification checks based on the compliance history of exporters.
- inspecting animals using a risk-based system of verification checks based on the compliance history of exporters.
- introducing systems audits for each exporter to monitor compliance and conformance with their approved arrangement.

To ensure the integrity of the system, the department will adopt a risk-based approach to verification. This will replace the checking of substantial amounts of documents for every consignment and physical inspection of animals, with a model where an exporter’s system is validated through audits and targeted consignment checks of some documents and a sample of livestock based on their history of compliance.

Exporters who have sound management practices and who establish a record of consistently preparing their exports to a high standard will typically experience fewer consignment checks from the department and consequently incur lower export charges and reduced regulatory burden compared with the current system of requesting approvals, submitting extensive documentation to the department and accompanying regional veterinarians on their full inspections of livestock which have already been checked by the exporters’ AAVs.
Exporters who do not prepare their consignments to an appropriate standard would be subject to more intensive departmental interventions and charged accordingly for this time. If they are not able to improve their performance over a reasonable time period to meet the requirements then their approved arrangement may be suspended which would prevent them from continuing to export.

Exporters will still need to collect all relevant documentation and prepare the livestock to meet all importing country requirements and ASEL and maintain evidence in auditable records. The following table shows how the department’s verification will be managed, saving the exporter the regulatory burden of preparing the documents separately for departmental inspection and accompanying the veterinary officer to inspect all livestock to only needing to do a proportion of each activity.

Table 2: Verification - compliance performance of exporters

<table>
<thead>
<tr>
<th>Level</th>
<th>No. of consignments without (or only insignificant) issues</th>
<th>Level of document inspection</th>
<th>Level of livestock inspection</th>
<th>Audit Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0-5</td>
<td>100%</td>
<td>100%</td>
<td>Every 6 months</td>
</tr>
<tr>
<td>2</td>
<td>6-10</td>
<td>Essential documents only</td>
<td>100%</td>
<td>Every 2 months</td>
</tr>
<tr>
<td>3</td>
<td>11-15</td>
<td>Essential documents only</td>
<td>Sample inspection</td>
<td>Every 3 months</td>
</tr>
<tr>
<td>4</td>
<td>16+</td>
<td>Essential documents only</td>
<td>Sample inspection</td>
<td>Every 6 months</td>
</tr>
</tbody>
</table>

If the exporter is found to be non-compliant in an export consignment then they will move down the levels, leading to an increase in verification activities by the department on future consignments and increased audits until good performance is again established. The performance management policy has been considered by the Industry Roundtable and circulated to exporters for their comment. The department will continue to work with the Industry Roundtable to refine the performance management policy throughout the trial.

4.3.1. What are the benefits of this option?

Moving to approved arrangements will reduce red tape and subsequent costs to exporters and the government. Once exporters can demonstrate good compliance under approved arrangements, the document assessment and inspection times by the department will significantly reduce. This could reduce time billed to exporters for time spent by department veterinary officers assessing documentation and livestock from a median of 12 hours for a sea consignment down to 2-3 hours. The estimated reduction in regulatory burden of this option using the OBPR Regulatory Burden Measure methodology is $1.16 million per year across all exporters.
Streamlining the export certification process will also reduce costs for the government. With full compliance, the cost to the department of the live animal exports program is estimated to decline by $2.2 million\(^{15}\). This takes into account the reduction in document processing and inspections, and the increased functions of assessing approved arrangements and risk-based auditing of exporters’ management systems.

The onus is put on exporters to be responsible for their own consignments under approved arrangements, rather than the government. This shift in responsibility ensures government is no longer the “quality assurance check” for industry, and that exporters need to demonstrate they have their own quality management systems that underpin their operations. Good animal welfare and trade outcomes are maintained, while unnecessary red tape is reduced. This option also allows government to recognise an exporter’s performance and tailor its regulatory response accordingly, with higher intervention, and consequently costs, for poor performers. This is expected to further incentivise exporters to comply because compliant exporters will be rewarded with less regulatory intervention in their consignments, a streamlined export certification process and lower costs. Increased voluntary compliance by exporters would reduce the risks associated with the live export trade, including poor animal welfare outcomes or failing to meet importing country requirements.

As part of developing the approved arrangements model, the department has undertaken a control point strength analysis in line with the department’s risk management policy and framework. The analysis found that the control points under approved arrangements are as good as, or better than, those under the current livestock export certification system. This analysis also supports increased exporter compliance under this option and a reduction in risks associated with the live export trade.

Departmental resources would be allocated to higher risk exporters, allowing for a more efficient and effective system.

Exporters who maintain a good compliance record will continue to be subject to less government intervention which could result in a more efficient business system that is less focused on the administrative requirements of the department. This would allow exporters to focus more time and resources on their own business, including areas for attention and potential further investment. This may include an increased focus on and investment in improving their systems to manage areas of risk such as animal welfare in importing countries or improving infrastructure such as upgrading and modernising livestock carriers they own. This investment would have broader economic impacts including flow-on effects to employment generation; however, these impacts would occur where the investment is made, for example, investments in ESCAS supply chains and shipping upgrades are likely to occur overseas.

The resulting efficiencies from less government intervention could also increase opportunities for exporters to better compete in exporting markets and result in more export activity. Depending on the domestic supply situation, an increase in livestock exports would put upward pressure on domestic saleyard prices. This increase in livestock prices would benefit livestock producers, particularly farmers in northern and Western Australia and the regional communities that rely on the trade.

\(^{15}\) Australian Government Department of Agriculture, Draft Cost Recovery Implementation Statement – Live animal exports, Canberra, July 2015
The Australian community and animal welfare organisations are more likely to support this option over Option 1. The RSPCA has indicated it will not support any reduction in ASEL requirements and would like some ASEL standards enhanced. The RSPCA has also raised with the department that it would not support a reduction in inspection of livestock by department veterinary officers. Sections of the Australian community show a keen interest in the live export trade and since January 2015 there have been over 2,600 pieces of correspondence received on the live export trade mainly raising concerns about animal welfare.

As with Options 1 and 2, the responsibility for animal welfare during preparation for export would continue to sit with state and territory governments. Under Option 3 the government would still require exporters to demonstrate appropriate animal welfare outcomes in line with the ASEL, with poor performers being monitored and checked more regularly. The government will also retain and strengthen its powers to stop the export of consignments, should the requirements not be adequately met.

4.3.2. What are the costs of this option?

As outlined in Option 2, the Cormo Express incident received widespread negative attention, and concerns were raised about the effectiveness of industry and government co-regulation. While this option is not co-regulatory and government will still have oversight of exports by granting licences, approving exporters’ arrangements, inspecting documentation and livestock and issuing export permits and health certificates before export it could be perceived as reducing regulatory control over exporters and livestock export consignments. Exporters will need to have systems to make sure they can meet the requirements to export. This will be documented in their approved arrangements which will be audited by the department on a regular basis. Exporters will need to write an export plan outlining how they will meet the specific importing country requirements, ASEL standards and other requirements for each consignment rather than the department doing this by issuing an AEP. A communication strategy to support the reform will include a focus on the delineation of roles and responsibilities under approved arrangements.

All exporters will still be required to meet all ASEL and importing country requirements, but the department will no longer check all paperwork, particularly where it makes a minimal contribution to managing risk, or inspect all livestock at the registered premise and then again at the wharf or airport once the exporters have demonstrated their continuing good compliance with requirements by having successfully completed a set number of consecutive consignments (five with 100 per cent document inspection and ten with 100 per cent animal inspection) without any issues.

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Under this option, there may be a perception that there is a higher risk that a consignment could be exported that does not meet requirements, and that this could result in trading partner concerns, rejection of a consignment or potentially a ban on imports of Australian livestock. Such an event could result in backlash in the media and have a significant impact on the trade. However, current departmental intervention data indicates exporters have high-levels of compliance with importing country requirements. In addition, the performance management framework that underpins Option 3 requires a significant level of departmental assurance, combined with a more frequent and effective audit regime. This should mitigate this perceived risk. Further reducing this risk is that the requirements relating to an individual export will not change and all current exporters are well aware of their responsibilities under the regulations.

Additionally, streamlining certification reduces the number of staff needed by the government in national and regional offices to process and approve consignments. As workload reduces, staff numbers would need to be assessed and new jobs found for displaced staff; however, this may be offset by an enhanced capacity to service more trade.

5. Consultation

To inform the development of LAE reforms and increase the likelihood of successful implementation of any proposed reform projects, the department has been committed to undertaking meaningful consultation with key stakeholders throughout the policy development process.

In line with OBPR’s Best Practice Consultation Guidance Note, the department has undertaken a continuous targeted consultation process in recognition of the relatively small and well-defined business sector directly affected by the proposed regulatory reform. While the value of live exports exceeds $1.6 billion per annum, there are only 78 licensed livestock exporters in Australia and only around 40 of these are active, regular exporters.

This process has involved the department conducting significant consultation with key stakeholders in the regulated community regarding options for the reform of livestock export certification arrangements, including industry bodies and exporters. Consultation has also been undertaken with interested parties such as animal welfare organisations.

5.1. LAE Reform Industry Roundtable

As outlined in Section 3.2.1, the department consults with ALEC, MLA and LiveCorp on live animal export reform projects, including approved arrangements, through the Industry Roundtable. The Roundtable meets approximately monthly, or more or less frequently as required. Inter-sessional teleconferences on particular reform project issues are common. This close cooperation with industry representatives and service bodies aims to ensure that business process improvements and reform projects reduce regulatory costs for industry while maintaining key regulatory outcomes.
The department proposed developing an approved arrangements system to the Industry Roundtable in response to industry’s paper outlining their priorities for livestock export regulatory reform. Initial consultation with the Industry Roundtable sought members’ views on approved arrangements as a possible option to streamline consignment approvals as well as address related industry concerns with the current process. Through further iterative consultation, the department has sought the Industry Roundtable’s views on a conceptual model for approved arrangements, more detailed design elements, through to detailed comments on supporting policies and frameworks.

Throughout this ongoing consultation, the Industry Roundtable has been supportive of Option 3. As well as addressing the problem outlined in Section 2, this option will allow industry to more clearly demonstrate its commitment to animal welfare throughout the supply chain and reinforce the industry’s reputation as being responsible stewards of Australian animals. However, Industry Roundtable members also recognise that the proposed model is a large cultural shift for exporters. Industry does not support Option 2 (the status quo) as it believes that the current system is costly and complex and is reducing the ability of Australian exporters to compete with other exporters internationally. All members recognised the higher risks associated with Option 1 and were particularly concerned about the potential for new and inexperienced exporters to jeopardise the industry as a whole under this option.

The consultations, which have been undertaken over eleven months, have been supported by a range of materials, including meeting papers, status reports, conceptual diagrams, draft policy papers, draft guidelines and consultation draft legislative amendments, often resulting in in-depth discussion. Industry Roundtable members have provided feedback both verbally and in writing. A nominated member of the Roundtable has also been involved in all one-on-one meetings with exporters involved in the trial of approved arrangements and represents industry Roundtable members on the trial oversight group.

### 5.2. Livestock exporters

The department has also consulted widely with exporters on the proposed reform. In trying to minimise the burden of consultation on these businesses, rather than seeking written submissions, taskforce representatives travelled to major livestock exporting capital cities to meet with exporters as part of scheduled ALEC workshops. These face-to-face group meetings occurred in two rounds in February and May 2015. To streamline consultation, these opportunities were also used to consult on other LAE reforms, including those relating to ESCAS.

In addition to the workshop discussions, the department offered one-on-one face-to-face or teleconference meetings. All licensed livestock exporters were invited to participate in these meetings and the majority of exporters with five or more consignments per year took up the opportunity to meet with the department. Some exporters have continued to engage with the department on an ongoing basis, providing their views on reform matters via email or through phone discussions.

These opportunities have been supported through presentations to different groups of exporters (such as LiveAir, an organisation representing stakeholders in the livestock export by air industry), and regular monthly updates via teleconference with exporters.
The first round of exporter consultation sought their views on the concept of approved arrangements (Option 3) versus maintaining the current regulatory regime (Option 2) or going much further to a model with minimal government regulation and involvement (Option 1). At this stage, exporters generally expressed strong, but wary, support for Option 3. Exporters advised they had been promised cost-saving reform previously that had not eventuated and therefore, while they would welcome further reform through an approved arrangements model, they would ‘believe it when they saw it’. Despite their scepticism of past reform efforts, exporters were not supportive of Option 2 (status quo) and were keen to see genuine reform eventuate.

Exporters had mixed reactions to Option 1 (self-certification). Some exporters were confident this system could work effectively, while others were concerned about reduced government intervention resulting in non-compliant exporters jeopardising the live export trade for all exporters. On balance, while exporters expressed confidence in their own ability to meet required standards irrespective of government involvement, they were not confident that all other exporters would do so.

The second round of exporter consultation involved the department providing further detail on the proposed model for approved arrangements and planned business processes. This included discussion on the proposal to assign risk-ratings according to an exporter’s compliance history, how performance might be measured and to seek interest in participating in a trial of approved arrangements run by the department.

The response from exporters has been largely positive. There was a general consensus that approved arrangements would provide the flexibility needed to reward those with a history of good performance through a reduction in government intervention and associated costs. Feedback suggested it would be equally important that the department was actually seen to be taking steps to suspend approved arrangements and deal with exporters that had repeated issues.

Written or verbal feedback has also been sought from exporters on a draft performance management and compliance policy and draft guidelines. To minimise burden, LiveCorp is coordinating exporter feedback on these documents, although exporters have also been given the option to provide feedback directly to the department and some exporters have taken up this opportunity.

From initial consultation on the options in February 2015, to consultation on the details of draft supporting policies and frameworks and exporter feedback during the trial (see below), the department has consulted with exporters on this proposed regulatory reform on an iterative basis over the past eight months. This consultation has primarily been supported by presentations, including data on current government interventions, conceptual diagrams, and proposed business procedures, as well as draft policies and guidelines.

5.2.1. Trial

In June, the Industry Roundtable was consulted on the design of a trial for approved arrangements. This design was circulated to all livestock exporters in July seeking nominations to participate. The department is currently working with a small number of exporters during the trial to ensure the proposed model is effective, meets the needs of the government and exporters and to measure regulatory burden. The trial will test whether the policy principles of approved arrangements are met.
The policy principles are that approved arrangements must:

- be risk-based and allow the department to direct its efforts and resources to areas that pose the greatest risk
- ensure exporters are responsible for their consignments
- recognise and reward good compliance behaviour and encourage the efficient and effective use of government services
- effectively respond to and manage non-compliances
- encourage open communication
- ensure decisions are consistent and transparent.

After the trial, a report will be prepared and circulated to Industry Roundtable members. The final policy for approved arrangements will reflect lessons learnt from the trial.

5.3. Other consultation

Many livestock trading partners are familiar with approved arrangements as the basis for export certification, as they are already markets for other Australian agricultural exports that operate under approved arrangements such as meat, dairy and fish. Information about the changes in export certification under approved arrangements is being prepared for the department’s agricultural counsellors in overseas posts to advise trading partners. It outlines the key role AAVs will continue to play in preparing Australian animals for export consistent with importing country requirements and the continued inspection and certification services provided by the department’s veterinary officers. Under approved arrangements, exporters will continue to be required to meet all importing country requirements.

The department has consistently discussed reforms to live animal export regulation and delivery with interested parties including animal welfare groups, most notably the RSPCA. As such, a meeting was held with RSPCA in June 2015 to provide information on approved arrangements, among other reform projects. A meeting to discuss the trial of approved arrangements along with other live export policy issues was also held with the RSPCA and Animals Australia in September 2015. This consultation has been supported by conceptual diagrams, an explanation of proposed consignment processes, as well as draft policies and guidelines.

The RSPCA’s concerns around the move to approved arrangements included that it would be a vastly reduced inspection regime, with reduced reporting and reduced government involvement in the process. These concerns have been addressed by assuring the RSPCA that, under approved arrangements: every consignment will still be inspected by government veterinary officers; detailed record keeping would continue to be required and audits to verify this would be increased and enhanced; and government regulatory oversight would remain, consistent with other commodities.
5.3.1. Proposed legislative amendment

The department consulted with the Industry Roundtable, RSPCA and Animals Australia on the proposed amendment to the Animals Order to implement approved arrangements (see Section 7 below).

This consultation was supported by a consultation draft of the proposed amendment. All consulted stakeholders were offered the opportunity to meet with the department (including by teleconference) to go through the amendment in detail. All stakeholders took up this opportunity and most also provided written feedback. Specific consultation on the amendment was undertaken over a 16 day period due to a tight timeframe imposed by another departmental reform that unexpectedly impacted the proposed amendment to the Animals Order. However, all stakeholders had already been briefed on how approved arrangements would operate and the draft legislative amendment is to give effect to this. Despite this, some stakeholders considered the consultation period to be too short.

6. Conclusion and recommended option

The recommended option is to implement Option 3. Moving to approved arrangements will reduce the regulatory burden on exporters, reduce costs to the Australian Government and provide the department with efficiencies and allow resources to be directed to areas of highest risk. This option has the highest overall net benefit of the options available.

Option 3 will shift the focus of government regulation and change the department’s role from one of continuous assessment and quality assurance to risk-based regulator. Approved arrangements will position the department to respond proportionately to each exporter’s performance and history of compliance. It meets the government’s election commitment to cut red tape and will reduce the department’s costs associated with consignment by consignment document assessment and inspections, while maintaining the necessary regulatory control points to ensure importing country requirements are met and animal welfare standards are maintained.

Option 3 does not reduce the government’s regulatory responsibilities or lighten the regulatory weight of the requirements imposed on livestock exporters.

Option 3 will allow the department’s officers to step away from the hands-on management of each consignment to a role assessing an exporter’s business operations to compliantly export livestock. It will also allow the live export program to operate a model which is consistent with other export commodities, providing further opportunities to realise cost and staffing efficiencies within the department through centralising common tasks and using established systems and processes.

Options 1 and 2 are unlikely to be as efficient and effective as Option 3 in meeting the objectives of the sector and government.

Option 1 is not a recommended option as there would be no Australian Government oversight of animal welfare for exported livestock. This would be unacceptable to the Australian community as well as to farmers and exporters. Under this option, if there was an animal welfare incident it would not be possible to require corrective actions under Commonwealth legislation for any incidents in Australia or during transport. This would not meet the objectives for animal welfare or trade.
The alternative option of maintaining the status quo, Option 2, meets the overall objectives but at a high cost to both the sector and government. Despite the reforms undertaken to date, the current system remains inefficient and administratively burdensome. The department takes on a quality assurance role for each exporter, including in the inspection of livestock for export. The current consignment based certification system for livestock exports needs to be overhauled and replaced with a single approval of an exporter’s arrangements. Maintaining the status quo would also not meet the government’s election commitment to reduce unnecessary red tape and regulation.

The proposed reforms under Option 3 will have a direct regulatory impact on the Australian livestock export industry. Those employed by the industry will also be impacted by the reforms, including transport agencies, stockpersons, shipboard veterinarians and AAVs. Animal welfare organisations and the Australian community will not directly be impacted; however, there may be concerns and criticisms over the perceived deregulatory nature of the reforms.

7. Implementation and review

Approved arrangements will be governed under the relevant provisions of the Export Control Act 1982 and the Animals Order. The implementation of Option 3 would be achieved by making changes to the Animals Order.

To help manage the transition from a consignment-based system to approved arrangements, a trial involving up to four exporters is taking place under existing legislation. The trial will provide an opportunity to test and refine elements of the design for the approved arrangements system for livestock exports, as well as supporting materials such as guidelines, templates and work instructions.

Pending the outcomes of the trial, it is proposed that approved arrangements will be rolled out in a phased approach from February 2016. Each phase would be based on the number of consignments exporters send annually, starting with exporters with 20 or more consignments. This will be followed by exporters sending five to 19 consignments, and finally those exporting four or fewer consignments. Initially, uptake of an approved arrangement will be on a voluntary basis; however, it will be compulsory for livestock exporters to have both an export licence and an approved arrangement to export livestock from 1 January 2017.

Formal review and evaluation of the implementation of Option 3 would be completed approximately 12 months after full implementation.