Final report

Economic analysis of regulation in the livestock export industry

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Abstract

This project was undertaken to inform the Livestock Export Program of the alignment of compliance costs and risks associated with the livestock export trade. The objectives of the project were to analyse the economic and business impacts of regulation on the livestock export industry, understand the current regulatory compliance effort (including costs) and map the alignment of costs and effort with risks.

Through stakeholder consultations, this project has found that the cost to industry of undertaking compliance activities is estimated to be approximately $21m in FY2022, rising to $31m by FY2025[1]. Broadly, it has been found that cost and risk appear to be aligned. One area where consideration should be given to better align risk and effort, is preparing livestock for pre-export quarantine. Stakeholders also felt that ongoing changes to regulatory requirements, duplicative effort and miscommunication were the areas that required the most improvement to reduce costs.

The benefit to the industry of undertaking this project is the opportunity to work with the Department of Agriculture, Fisheries and Forestry and the Australian Livestock Exporters' Council to identify areas where changes can be made to the regulatory regime and/or its implementation that reduce compliance effort and cost on industry, while at the same time not increasing risk.

[1] The increase in future years is driven by an uplift in the unit prices of the cost recovery charges as specified in the Department's Cost recovery implementation statement, see DAFF, 2022, https://www.agriculture.gov.au/sites/default/files/documents/2021-22-lae-cris-final-report.pdf

Executive summary

Background

The project was undertaken to inform the Livestock Export Program (LEP) of the alignment of compliance costs and risks associated with the livestock export trade. It seeks to ensure that the regulatory regime associated with livestock export is efficient, effective and implemented within a framework where regulatory effort is aligned with risks to animal welfare and the risk of non-compliance. Better understanding the current spread of regulatory effort against risk, the regulatory impacts on the industry and its competitiveness, and the likely impacts if identified reforms are implemented, will enable the livestock export industry and government to ensure that the limited resources available for reform are used to best effect.

Objectives

The objectives of the project were to:

- Identify the economic and business impacts of the regulatory regime and fee structures on the livestock export industry
- Map, identify and explore opportunities or areas where the resources of the regulator and the regulated entities could be better aligned to address risks and improve efficiency across the supply chain
- Review the reforms identified through the 2020 Industry/Government Regulatory Roundtable.

Methodology

Desktop research along with 15 consultative meetings with industry stakeholders, including with the Department of Agriculture, Fisheries and Forestry (DAFF or the Department) and exporters, was used to analyse the economic and business impacts of regulation on the livestock export industry, understand the current regulatory compliance effort (including costs) of the livestock export industry and map its alignment with risks. In measuring the compliance cost to industry and discussing with stakeholders the activities and effort to comply with export regulations, several areas have been identified where there is an opportunity to make changes or realise efficiencies to reduce this compliance cost. The analysis has therefore generated several recommendations to reduce the compliance cost to industry and better align risk and effort.

Results/key findings

- During consultations stakeholders provided a diverse, but relatively consistent, range of viewpoints on the key economic and business impacts of the regulatory regime being:
  - High burden related to regular or ongoing changes in regulation
  - Duplication of effort
  - A need for improved communication with the Department
  - Issues with the current regulatory approach, including:
    - Lack of an outcomes-based approach

- Significant costs, particularly because of the recent changes to cost recovery
- Unrealistic requirements
- A lack of differentiation in compliance activities between transport modes.

- Comparing risks across the supply chain with compliance costs, cost and risk appear to be broadly aligned. Complying with responsibilities during loading and the voyage was seen as a high-risk area and generated significant compliance effort and hence cost.
  - One area where consideration should be given as to the alignment of risk and effort, is preparing livestock for pre-export quarantine. Activities in this area are a key driver of costs; however, this was not found to be a high-risk area.

- The cost to industry of undertaking compliance activities and fees and charges associated with livestock export regulation is $21m in FY2022, comprising $13.6m in compliance costs, and $8.4m in labour costs. This rises to $31m in FY2025, driven by an uplift in the unit prices of the cost recovery charges as specified in DAFF's Cost recovery implementation statement.
  - Depending on the type of exporter, these compliance costs equate to between $5.28/head and $33.33/head
  - Depending on the type of exporter, the labour cost of complying with the regulations equates to between $2.03/head and $20.67/head
  - Costs are primarily driven by the preparation of livestock for pre-export quarantine and complying with responsibilities during loading and voyage activities.

Benefits to industry

The benefit to the industry of undertaking this project is the opportunity to work with DAFF and the Australian Livestock Exporters' Council (ALEC) to identify areas where changes can be made to the regulatory regime and/or its implementation that reduce compliance effort and cost, while at the same time not increasing risk. By working with these organisations to implement the recommendations identified in this report it is anticipated that compliance costs will be reduced.

Future research and recommendations

It is recommended that the LEP RD&E Program consider the following research and development tasks:

1. Work with DAFF and ALEC to consider the recommendations made in this report to identify where changes can be made or realise efficiencies to reduce compliance cost and better align risk and effort.

2. Work with exporters to capture their effort and resources associated with compliance on an ongoing basis to further refine the estimates developed in this project.

3. Further consider the impacts of large one-off events such as critical breaches or high mortality events. The nature of these events, being low probability but highly impactful, means much of the traditional analysis undertaken does not fully consider the residual cost associated with these events.

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1. Background

1.1. Industry overview

Key points:

- Australia's livestock export industry contributes $2bn to GDP as of January 2021 and employs approximately 13,000 people.
- Australia is in the top ten of livestock export nations by volume of head exported. In 2021, Australia exported 1.4m head, the majority of which went to South East Asia, East Asia, and the Middle East. However, livestock exports have halved since 2016.
- The regulation of livestock exports in Australia is almost as old as the industry itself with the first set of regulations being introduced in 1926.
- Key regulatory regimes are derived from the *Export Control Act 2020* and the *Export Control (Animals) Rules 2021*, with compliance guidelines set out in the Australian Standards for the Export of Livestock (ASEL) and the Exporter Supply Chain Assurance System (ESCAS).

As of January 2021, the livestock export industry contributed approximately $2 billion to the annual gross domestic product (GDP) of the Australian economy, predominantly driven by beef cattle exports[2]. The industry employs approximately 13,000 people across Australia and is a significant contributor to employment in regional and rural Australia, including for Indigenous communities in Northern Australia[3].

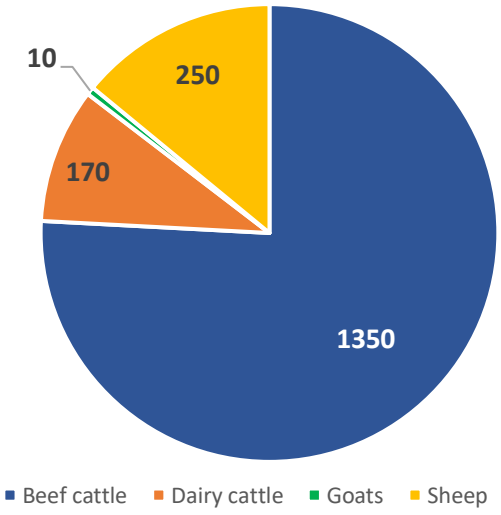


Figure 1: Livestock export industry contribution to GDP by species ($m)
Source: Australian Livestock Exporters' Council (2021)

[2] Australian Livestock Exporters' Council (2021), https://auslivestockexport.com/about-alec/economic-impact
[3] Value Analysis of the Australian live cattle trade – key highlights (2018), https://www.mla.com.au/contentassets/3ff3482e3d044e8ea98a960d7fc6b80c/w.liv.0196_final_report.pdf

Of 130 livestock exporting nations, Australia is ranked in the top ten in annual volume exported[4]. In 2021, across approximately 30 livestock export firms[5], Australia exported a total of 1.4 million livestock to 21 different countries, driven by over 400,000 cattle exports to Indonesia alone.[6] The largest markets by volume for Australian livestock export mainly lie in South East Asia, East Asia and the Middle East, particularly Indonesia, Vietnam, Malaysia, Kuwait, the Philippines and Qatar.[7] By commodity, the largest markets for cattle are in Indonesia, Vietnam and China, while most sheep exports are destined to the Middle East.[8] However, livestock exports have fallen by over half since 2016 (Figure 2) , mostly due to a sustained decline in sheep exports to Kuwait and Qatar (Figure 3 and Figure 4).

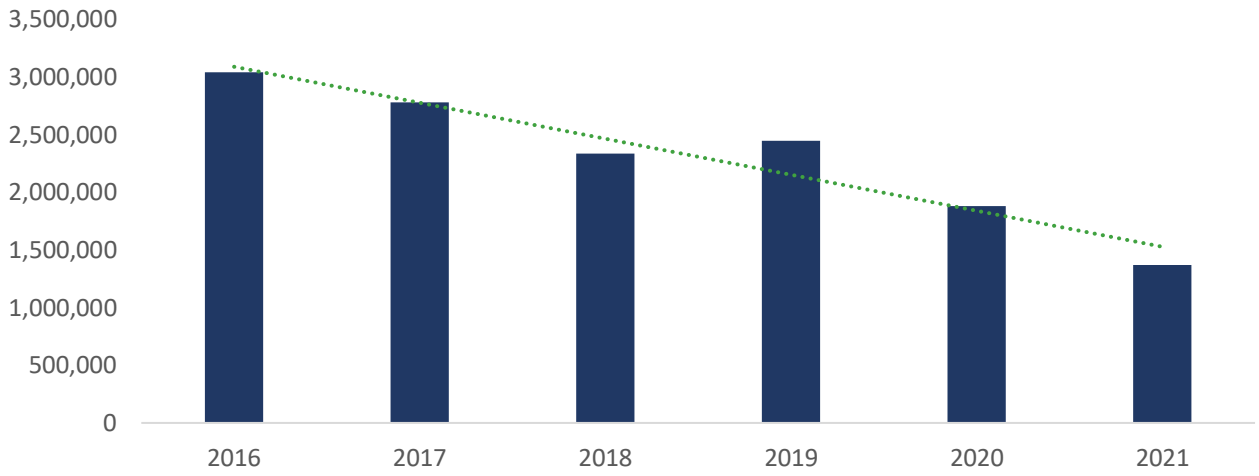


Figure 2: Livestock exports over time (head)
Source: Department of Agriculture, Fisheries and Forestry

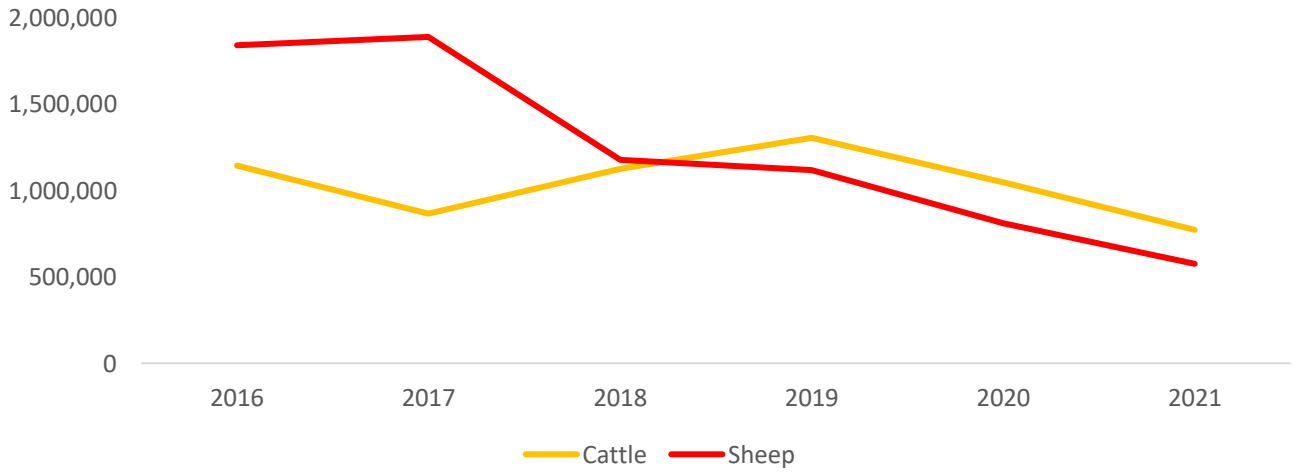


Figure 3: Cattle and sheep exports by year
Source: Department of Agriculture, Fisheries and Forestry

[4] Australian Livestock Exporters' Council (2021), Economic Statistics, https://www.australiaslivestockexporters.com/australian-livestock-industry-economics-infographic.html
[5] Department of Agriculture, Water and Environment (2020) Report to Parliament on Livestock Export Mortalities
[6] Department of Agriculture, Water and Environment (2021), All livestock Exports 2016 to 2021
[7] Department of Agriculture, Water and Environment (2020), Report to Parliament on Livestock Export Mortalities
[8] Ibid.

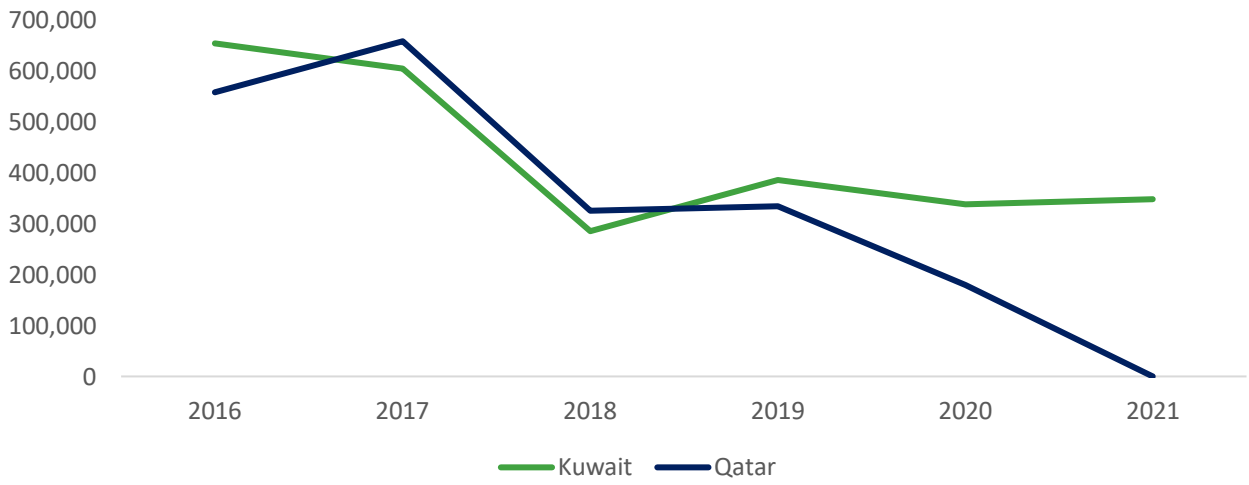


Figure 4: Sheep exports by destination (Kuwait and Qatar)
Source: Department of Agriculture, Fisheries and Forestry

1.2. Current regulatory context

The regulation of livestock exports in Australia is almost as old as the industry itself. The early years of international trade in livestock occurred between 1885 and 1889, while the first set of regulations were introduced in 1926. The Navigation (Deck Cargo and Livestock) Regulations introduced in 1926 prescribed standards for carrying livestock including pen and stall sizes and the provision of food and ventilation. In 1935, mandatory veterinary checks were introduced and in 1958 a permit program for all livestock exports of sheep and cattle was added. In 1982 and 1998 the industry was further reformed to improve integrity requirements and establish the Livestock Export Accreditation Program (LEAP) respectively[9]. This culminated in the introduction of the Australian Standards for the Export of Livestock (ASEL) in 2004, the basis for the regulatory regime that exists today.

The Australian Government provides both regulatory and certification functions that are essential for the functioning and operation of the livestock export industry. The regulatory regimes are outlined in the *Export Control Act 2020* and the *Export Control (Animals) Rules 2021,* with compliance guidelines set out in the ASEL and Exporter Supply Chain Assurance System (ESCAS).

- ***Export Control Act 2020:*** sets out the overarching legal framework for the regulation of exported goods, including food and agricultural products, from Australia. It streamlined and consolidated the export requirements included in more than 20 Acts and 40 legislative instruments into one Act.
  - ***The Export Control Rules 2021:*** are legislative instruments made by the Secretary of the Department that set out the operational requirements that must be met to export specific goods from Australia (e.g., meat). These conditions ensure any importing country requirements are satisfied, and that the export conforms with requirements and industry standards and meets Australia's international obligations.
  - ***ASEL****:* outline the minimum animal health and welfare conditions exporters must meet when exporting livestock. The ASEL account for activities and processes required from farm to the discharge of animals in the country of export.

[9] Petrie, C, Live Export – a Chronology (2021), Australian Parliamentary Library

- ***ESCAS:*** requires exports to have commercial arrangements with supply chain partners to provide humane treatment and handling of livestock from arrival in the importing country up to the point of slaughter.

The ASEL regulations were developed in 2004 after the Australian Government commissioned Dr John Keniry to review the livestock export trade following the rejection of a consignment of sheep in Saudi Arabia over alleged disease concerns. In response to the Review, the Department developed version 1 of the ASEL which was released in July 2005[10]. In November 2021, DAFF published an update, ASEL 3.2.[11] This was the third update in 12 months and flagged additional and more significant changes to come in 2022. The key changes included in ASEL 3.2 relate to:

- clarifying definitions, certification requirements, segregation of animals
- expanding the use of approved blood tests in pregnancy diagnosis
- providing more flexibility in pen space and record-keeping for sheep in registered establishments
- providing more flexibility in penning animals together
- adding a notification requirement for loading of foreign fodder
- providing more flexibility in allocating crate space for livestock exported by air
- removing redundant standards.

DAFF has noted that ASEL 3.2 issues that are complex or would result in a large regulatory impact were not addressed and will be prioritised for review in 2022. This includes:

1. marking and isolation of rejected livestock
2. registered establishment requirements for buffalo
3. clear days requirements (days spent in the Registered Establishment)
4. housing and management of sheep in Registered Establishments
5. requirements for reporting
6. implementation of ammonia monitoring and stock handlers on aircraft.

1.2.1. 2020 Live Animal Exports (LAE) Roundtable Regimes

On 16 July 2020, the then Minister for Agriculture, Drought and Emergency Management, David Littleproud, held a roundtable with ALEC, LiveCorp, the Inspector-General of Live Animal Exports and the Department to discuss opportunities for reform and ways to increase community confidence in the live animal export regulatory framework.

A forward work plan was formed with five key initiatives, which are as follows:

1. **Streamlining approved arrangements (AA) administration:** To deliver faster pre-export consignment approvals for livestock exporters through the administration of the AA framework that re-balances pre-export checks and post-export audits and ensures compliance action is timely, proportionate, and predictable. This will be achieved by better aligning regulatory requirements to risk where risk is determined based on market, operational environment, and exporter performance history.

[10] Department of Agriculture, Fisheries and Forestry (2013), Review of the Australian Standards for the Export of Livestock
[11] Department of Agriculture, Water, and the Environment (2022), ASEL updates and reviews

2. **Integrated assurance framework:** To deliver an assurance and audit framework that provides the Department, the government, regulated entities, the community and importing countries with assurance that animal welfare as well as Australian export and importing country regulatory requirements are being met.

3. **Strengthening the Australian Government Accredited Veterinarian program:** To increase clarity about the role of Australian Government Accredited Veterinarians and their accountability in the livestock export regulatory system.

4. **LIVEXCollect data:** To ensure the Department has systems to support the receipt and use of data collected by LiveCorp's LIVEXCollect system so that manual data entry is reduced, and the data is used to support more efficient and effective regulation.

5. **Improving transparency and engagement:** To improve the transparency of performance and accountability of exporters and the regulator under the livestock export regulatory system.

1.3. This project

The livestock export industry in Australia faces several significant challenges. An uplift in international competitive pressures, a heavy domestic regulatory burden and heightened animal welfare standards across the supply chain are resulting in the need to drive operational efficiencies across the industry, while still maintaining a social licence to operate. Without these improvements, Australian livestock exporters will risk losing significant market share to their overseas counterparts, or risk losing community support.

However, achieving efficient and effective regulation requires a framework where regulatory effort is aligned with risks to animal welfare and the risk of non-compliance. Better understanding the current spread of regulatory effort against risk, the regulatory impacts on the industry and its competitiveness, and the likely impacts if identified reforms are implemented, will enable the livestock export industry and government to ensure that the limited resources available for reform are used to best effect.

To support this objective, this document analyses the economic and business impacts of regulation on the livestock export industry, maps the current regulatory compliance effort (including costs) of the livestock export industry against risks, assesses the likely impacts of reforms and how these could be maximised, and explores and identifies additional or other priority reform opportunities.

The target audience is LiveCorp and industry stakeholders to provide information and an evidence base to work with DAFF and ALEC to reduce the compliance cost to the industry and better align risk and effort.

2. Objectives

The following table outlines the project objectives and provides guidance as to where within this report they have been addressed.

Table 1: Objectives and the corresponding discussion

OBJECTIVE	DESCRIPTION	SECTION
1.0	Identify the economic and business impacts of the regulatory regime and fee structures on the livestock export industry.	4.5, 4.6
2.0	Map, identify and explore opportunities or areas where the resources of the regulator and the regulated entities could be better aligned to address risks and improve efficiency across the supply chain.	5
2.1	Map the systems and processes used by exporters and other members of the livestock export supply chain to manage, administer, and oversee compliance with relevant livestock export regulation – including all elements of ASEL, ESCAS and the *Export Control Act*. This mapping must also include identification at these points of the regulator-identified risks these processes are aimed to address.	1.2, 4.1
3.0	Review the reforms identified through the 2020 Industry/Government Regulatory Roundtable.	4.2
3.1	Assess the alignment of the identified reforms with the risks and priorities identified in the earlier analysis and determine the likely benefits in terms of industry cost reductions from their implementation (as individual components and as a whole).	4.5, 5
4.0	Provide recommendations and guidance on implementing reforms and improvements to ensure a modern, risk-aligned and cost competitive regulatory and certification framework for the livestock export industry.	5

3. Methodology

EY was engaged by the LEP RD&E Program to undertake this economic analysis of regulation in the livestock export industry: identifying business impacts associated with the current regulatory regime, providing recommendations for improvement, and assessing their economic impacts. To facilitate the broader objectives outlined above, the project was undertaken in six phases as detailed in Figure 5. Each of these phases is described in further detail below.

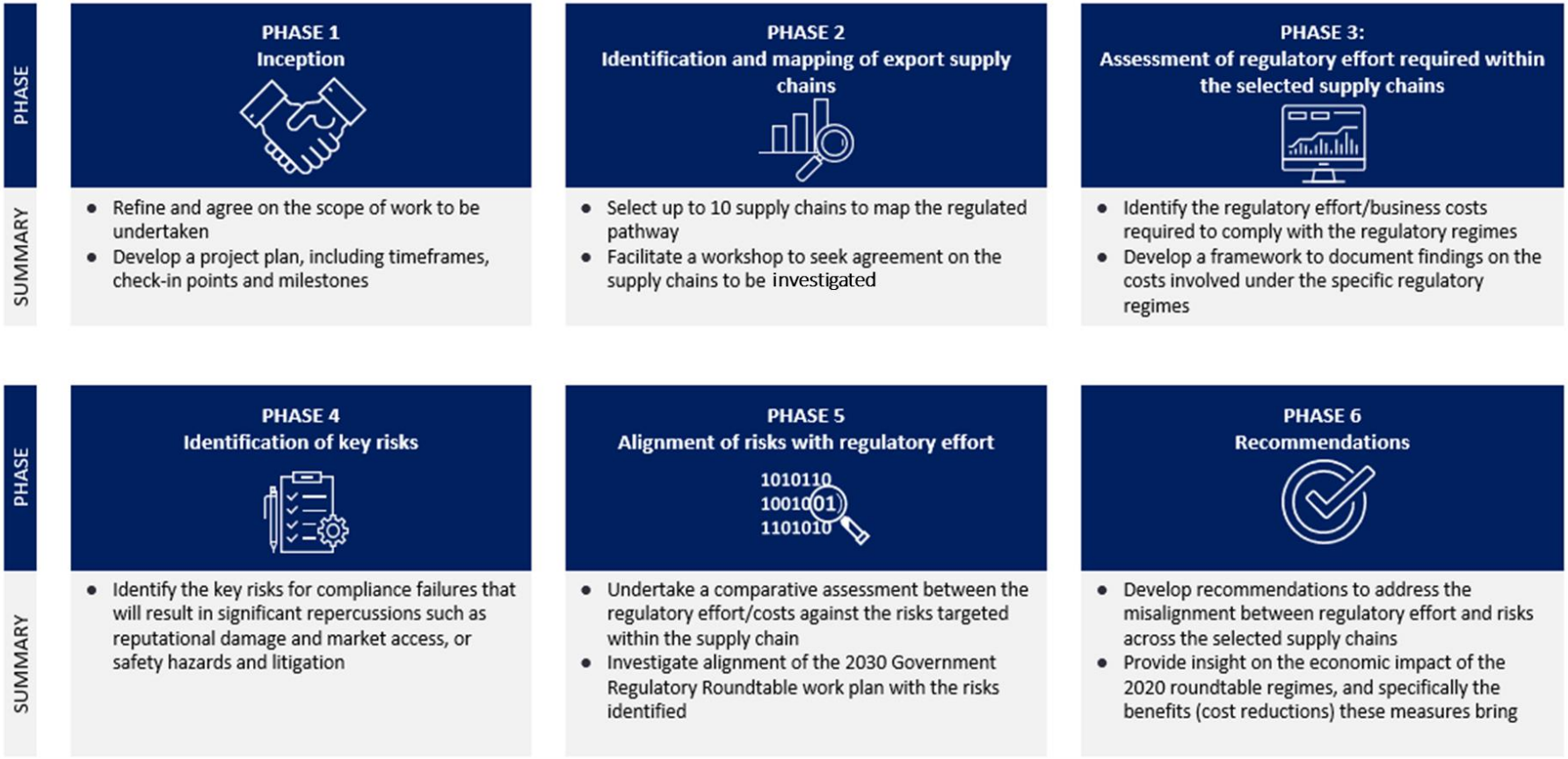


Figure 5: Outline of the project phases

3.1. Inception

This phase entailed meeting with the LEP RD&E Program to discuss the objectives of the project, the background and context and desired outcomes. It also involved the provision of key documents and background material as well as a discussion and agreement of the methodology to be used and timelines.

3.2. Identification and mapping of export supply chains

3.2.1. Development of criteria to select export supply chains

To identify the most appropriate supply chains for the analysis a workshop was held with the LEP RD&E Program to determine key criteria that each supply chain should possess. The key criteria identified are detailed in Figure 6.

1	Volume
2	Value
3	Risk
4	Complexity
5	Coverage by pathway
6	Business count
7	Commodity

Figure 6: Identified key criteria items

3.2.2. Mapping of export supply chains

A supply chain mapping workshop was held to determine the most appropriate supply chains to meet the criteria identified above. The following supply chains were then identified as most appropriate to map the regulated pathway.

Table 2: LiveCorp supply chain mapping

	COMMODITY	PURPOSE	MODE OF TRANSPORTATION	DESTINATION
1	Beef cattle	Feeder	Shipping	Israel
2	Beef cattle, dairy cattle	Breeder	Shipping	China
3	Beef cattle	Feeder	Shipping	Indonesia
4	Beef cattle	Feeder, slaughter	Shipping	Vietnam

	COMMODITY	PURPOSE	MODE OF TRANSPORTATION	DESTINATION
5	Sheep	Slaughter	Shipping	Kuwait
6	Sheep, goat	Slaughter	Aviation	Malaysia
7	Beef cattle	Breeder	Aviation	Japan
8	Beef cattle	Feeder	Shipping	Japan
9	Buffalo	Feeder	Shipping	Vietnam

The relevance of these supply chains was then verified through a literature and data review of sources such as the semi-annual *Report to Parliament: Livestock Mortalities during export by sea*,[12] which details all exports by sea for buffalo, cattle and sheep by consignment, exporter, and destination.

3.3. Assessment of regulatory effort required within the selected supply chains

3.3.1. Literature and document review

An examination of the selected supply chains was undertaken using publicly available data sources to ensure their appropriateness for analysis. This included a review and documentation of key compliance activities and the regulatory regime. This enabled an up to date understanding of current regulatory effort and business costs that are incurred in undertaking compliance activities.

3.3.2. Stakeholder consultations

To inform the project, EY undertook 14 consultations with stakeholders operating in the livestock export industry as well as a workshop with the Department. These consultations were designed to validate the findings of the desktop research in relation to compliance activities as well as provide information on the cost and effort required to adhere to and implement the current livestock export regulatory regime. The stakeholders consulted are detailed in Table 3.

Table 3: List of stakeholders consulted

	DISCUSSION FOCUS: COST, COMPLIANCE, EFFORT AND RISK	STAKEHOLDER GROUP	COMMODITIES	TRANSPORT METHOD	MARKET(S)
1	Austrex	Exporter	Beef/dairy	Air/sea	Indonesia/Vietnam
2	SEALS	Exporter	Beef	Sea	Indonesia/Vietnam/Other Asia
3	ACE	Exporter	Beef/buffalo	Sea	Vietnam
4	Frontier	Exporter	Beef	Sea	Vietnam

[12] Department of Agriculture, Water, and the Environment (2022), Live Animal Export Statistics – Reports to Parliament

	DISCUSSION FOCUS: COST, COMPLIANCE, EFFORT AND RISK	STAKEHOLDER GROUP	COMMODITIES	TRANSPORT METHOD	MARKET(S)
5	Halleen	Exporter	Beef	Sea	Indonesia/Vietnam
6	SAILS	Exporter	Beef	Sea	Vietnam/Other Asia
7	Bondstock	Exporter	Beef	Sea	Vietnam/Other Asia
8	ILE	Exporter	Dairy	Sea	Other Asia
9	LSS	Exporter	Beef	Sea	EMENA/Vietnam
10	RETWA	Exporter	Beef/sheep	Sea	EMENA
11	Austock	Exporter	Dairy	Air/sea	Other Asia (Japan)
12	PND	Exporter	Sheep/goats	Air	Other Asia (Malaysia)
13	Stockair	Exporter	Cattle/sheep/goats	Air	Other Asia
14	Napparoy Agriculture Pty Ltd	Exporter	Feeder cattle	Air/sea	Middle East/Other Asia
15	DAFF	Regulator	N/A	N/A	N/A

Exporters that were consulted were provided with the table shown in Appendix 8.2 to garner further detail on business impacts of compliance with the current the regulatory regime at each stage on the consignment process.

3.4. Identification of key risks

3.4.1. Literature and document review

Coinciding with the literature and document review on regulatory effort, desktop research was undertaken to identify and map the risks and priorities the regulatory processes seek to address. This was to be used as a basis for discussion with stakeholders on the alignment of risk and regulatory effort. Main sources utilised during this phase largely derive from DAFF, including regulatory documents such as the Australian Standards for the Export of Livestock 3.2, AA guidelines for the export of livestock and various regulatory documents concerning transportation and penning.

3.4.2. Stakeholder consultations

As part of the stakeholder consultations discussed prior, exporters and the Department were asked to identify the main sources of risk throughout the livestock export process. As market participants, these stakeholders understand the compliance failures that might result in significant repercussions such as reputational damage and market access, or safety hazards and litigation.

3.5. Alignment of risks with regulatory effort

Using the data and information from the completed stakeholder tables (see Appendix 8.2) and stakeholder discussions, complemented with publicly available information where applicable, industry compliance costs were calculated at both an industry and per head level during this phase. Two models were created to estimate these parameters. This allowed the project team to corroborate the findings of the stakeholder consultations against desktop sources to determine if any significant variance was present and provide greater certainty with the identified estimates.

Having gathered the information and data as discussed above, EY undertook a comparative assessment between the regulatory effort (and corresponding costs) against the level of risk targeted within the supply chain. The purpose of this was to identify the degree to which costs and risks align, as well as any misalignment and/or disproportionate burden vis-à-vis risk. The regulatory effort was based on that identified during the stakeholder consultations, as well as desktop research (as previously discussed).

The alignment was further assessed with consideration given to the reforms identified in the 2020 Government Regulatory Roundtable. Stakeholder views were also sought on the cost reductions likely to be achieved by the Roundtable reforms. Specifically, these focussed on:

1. Number of regulatory entities impacted
2. Impact on time/hrs of regulatory effort
3. Impact on labour costs
4. Impact on other costs (e.g., regulatory fees).

3.6. Recommendations

This phase involved the development of recommendations and guidance on implementing reforms and improvements to ensure a modern, risk-aligned, and cost-competitive regulatory and certification framework for the livestock export industry.

4. Results

Key points:

- The cost to industry of undertaking compliance activities and fees and charges associated with livestock export regulation is estimated to be $21-31 million annually.[13]
  - The compliance task is highly complex and makes it difficult for many exporters to provide a high confidence estimate of their compliance cost.
  - Compliance activities associated with the preparation of livestock for pre-export quarantine and complying with responsibilities during loading and the voyage make up the bulk of total costs.
  - Depending on the type of exporter, compliance costs vary from $5.28/head to $33.33/head.
  - Depending on type of exporter, the labour cost of complying with the regulations varies from $2.03/head to $20.67/head.
  - Large exporters appear to experience economies of scale in terms of costs, highlighting the large, fixed cost component and the relatively low variable cost component.
  - Significant cost differences were observed per commodity on a per head basis.
- Stakeholder consultations provided a diverse, yet consistent range of viewpoints on the impacts of the regulatory regime. Overall, stakeholders felt that the constant changes to the requirements, duplicative effort and departmental miscommunication were the areas that required the most improvement.
- The following stages were identified as high risk: *Establish AA, Approved Export Program (AEP), Export Licence and ESCAS*; *Comply with responsibilities during loading and voyage*; and *Report on outcome and ESCAS*.
  - When examining the costs across the consignment process, costs are primarily driven by the preparation of livestock in pre-export quarantine and complying with responsibilities during loading and voyage activities.
  - Comparing risks across the supply chain with compliance costs, broadly cost and the risk appear to be aligned. Compliance with responsibilities during loading and the voyage was seen as a high-risk area and generated significant compliance effort and hence cost.
  - One area where consideration should be given as to the alignment of risk and effort, is preparing livestock in pre-export quarantine. Activities in this area are a key driver of costs; however, this was not found to be a high-risk area.
- Stakeholder views on the Roundtable were mixed. Most exporters were neutral or had not heard of the roundtable. Many among these stakeholders felt that the intent was good but they were yet to see any benefits.

4.1. Key compliance activities

The first task of the study entailed mapping the systems and processes used by exporters and other members of the livestock export consignment process to manage, administer, and oversee compliance with relevant livestock export regulation – including all elements of ASEL, ESCAS, and the *Export Control Act*. Figure 7 maps the key activities and regulatory interventions across the livestock export consignment process.

[13] The increase in future years is driven by an uplift in the unit prices of the cost recovery charges as specified in the Department of Agriculture, Fisheries and Forestry's Cost recovery implementation statement, see DAFF, 2022

Livestock Export Consignment Process

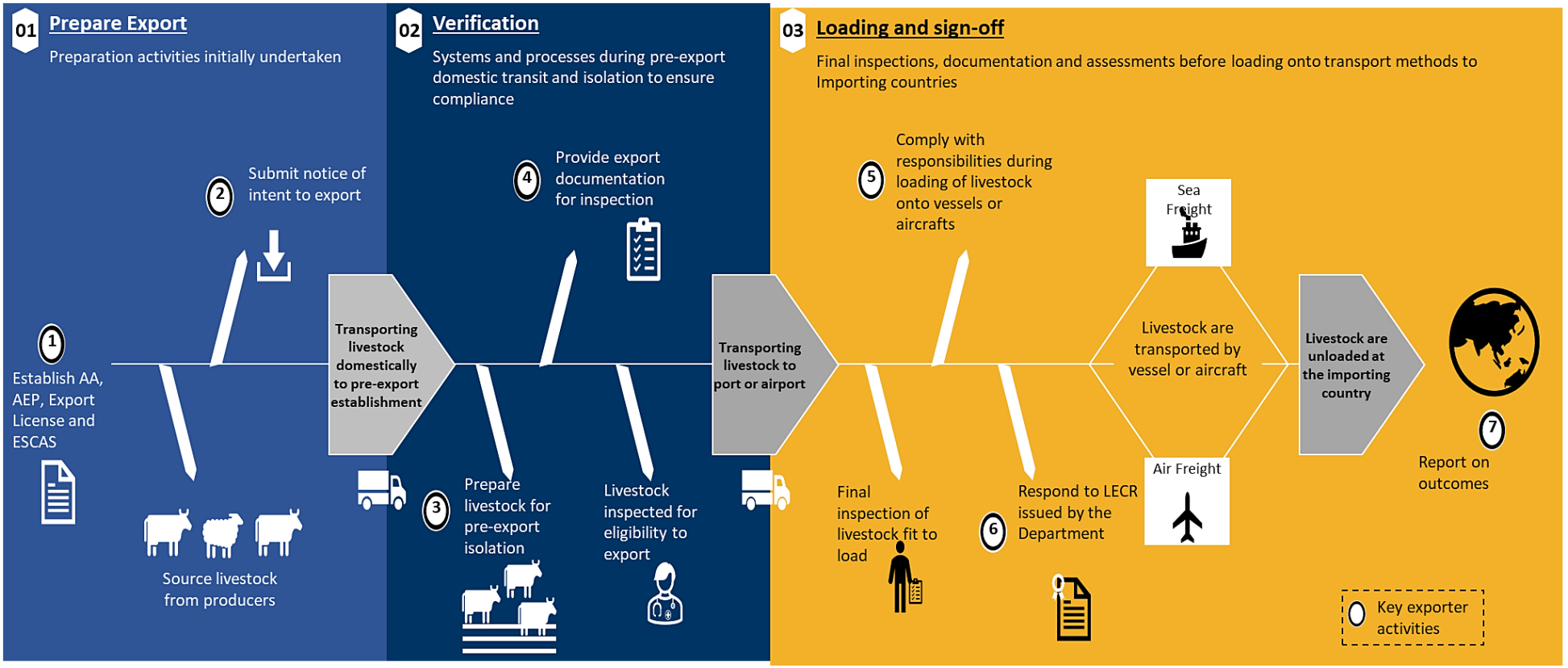


Figure 7: Mapping of livestock export compliance activities
Source: EY research; Department of Agriculture, Fisheries and Forestry

After the mapping exercise was completed, consultation guides were developed with respect to the key activities for use in stakeholder consultations. This ensured that feedback could be sought at each individual stage. Further, stakeholders were provided with a copy of the flow diagram prior to the consultation. All exporters consulted agreed this captured the consignment process under the current regulatory regime. Costs of compliance with each stage of the consignment

process were discussed during stakeholder consultations and further detail was outlined in the cost tables that were provided to stakeholders (described in Section 3.2 and shown in Appendix 8.2). The following table documents the key compliance activities and tools and procedures utilised at each stage.

Table 4: Compliance activities at each compliance stage

COMPLIANCE STAGE	COMPLIANCE ACTIVITIES	KEY TOOLS AND PROCEDURES
1. Establish an AA (Approved Arrangement) or Operations and Governance manual, Approved Export Program (AEP), Export Licence and, for feeder/slaughter animals - an approved exporter supply chain assurance system	An AA requires an exporter to demonstrate compliance with the following: • Governance: the business supports the effective implementation and ongoing management of the AA. • Operations: Livestock for export are sourced, transported, prepared, and exported in accordance with ASEL, importing country requirements and other state and territory requirements. Quality Assurance: Procedures are in place to ensure the business systems used by the exporter are effective and manage risks. This includes incident management requirements such as mortality risks, as well as intervention activities. An exporter may apply for an exemption from having an AA if they meet the requirements set out in section 2-7 of the *Export Control (Animal) Rules 2021*. An exemption will enable exporters to operate under an operation and governance manual, which contains how the operations of the business will comply with ASEL. This includes organisational structure, people management and staff training, risk management, records management, and compliance strategy and review. Each exporter needs to have their AEP, a program of activities (or instructions) for the Australian Government Accredited Veterinarian (AAV) preparing livestock consignments for export by sea or air or accompanying livestock consignments on voyages. An exporter must hold a livestock export licence. The livestock export licence is valid for a period of between one and five years. The period will be determined by the Department after consideration of the information provided for assessment. Exporters are required to have an ESCAS in place for all feeder and slaughter livestock. ESCAS does not apply to export of breeder livestock. ESCAS applications will set out the details of a supply chain used for consignments on an ongoing basis, rather than being assessed in relation to each consignment to be exported.	A prepared AA adhering to the Department's AA guidelines for export of livestock (incl. organisation structure, people management and training, records management for audits and verification, Standard Export Plans (SEP) addressing how Australian Government, State, and importing country requirements will be met). An operations and governance manual which is version controlled and covers each species and mode of transport for which the livestock export business wishes to be licenced. AEP manual that includes specific instructions to the land based or shipboard AAV for different kinds of consignments. Export licence application form. ESCAS application form which demonstrates animal welfare, control through the supply chain, traceability through the supply chain, and compliance with the independent auditing requirements. LIVEXCollect, a LiveCorp administered data collection and management system, allows standardised data entry and reporting, resulting in improved data aggregation and analysis.

COMPLIANCE STAGE	COMPLIANCE ACTIVITIES	KEY TOOLS AND PROCEDURES
2. Submit a Notice of Intention (NOI)	The *Export Control (Animals) Rules 2021* require that a licenced exporter must submit their NOI to export livestock at least 10 business days before the proposed export, or 10 business days before any required pre-export quarantine or isolation begins. The NOI must be submitted for each consignment of livestock and include information on how the exporter plans to comply with ASEL. The NOI must identify the ESCAS approval that will apply to the proposed export.	A Tracking Animal Certification for Export (TRACE) system is being implemented to manage the application and approval processes for consignments of all live animals exported from Australia. The TRACE system currently provides functionality for livestock exports and related applications, including electronic submission of NOI. A single application form to submit the application for approval of the NOI. A components list is provided via TRACE.
3. Prepare livestock for pre-export quarantine	An exporter will be required to arrange livestock at a pre-export Australian Government approved quarantine facility, known as a Registered Establishment (RE). This includes the cost of the AAV and associated regulatory administration.	The TRACE system provides functionality for applications, including registration of facility and Accredited Veterinarian applications.
4. Documentation for inspection during pre-export quarantine	An exporter must demonstrate compliance with responsibilities prior to loading. All export documentation must be prepared and maintained in line with the exporter's approved arrangement, regulatory and importing country requirements, and will be reviewed by the Department at the time of audit. When presenting a consignment for export, it is the responsibility of the exporter to ensure all relevant documentation is provided in line with the information provided on the Manual of Importing Country Requirements (MICoR) and any additional requirements outlined on import permits or through other means, as appropriate. When the livestock and documentation comply, the Department will issue a health certificate and export permit.	MICoR is a resource maintained by the Department that sets out the known requirements that exporters and the Department must meet for products and commodities to be accepted for import into specific overseas countries. The Independent Observer mobile device application is an App that uploads data to a central repository for analysis.
5. Comply with responsibilities during loading and voyage	An exporter may need to engage an AAV to accompany animals on the voyages. This will be directed by the Department based on the NOI approval. In addition, an accredited stockperson will be required, with 1 competent stock handler per 3,000 head of cattle and 1 per 30,000 head of sheep on every voyage. The accredited stockperson and the AAV cannot be the same person unless approved in the NOI.	AEP details a written program of activities which must be undertaken by an AAV in accordance with ASEL and importing country requirements.

COMPLIANCE STAGE	COMPLIANCE ACTIVITIES	KEY TOOLS AND PROCEDURES
	Inspections by the accredited stockperson and the AAV must be completed once per day and once per night at minimum.	
6. Responding to the outcome within the Livestock Export Consignment Report	An exporter will need to respond to an Impact level rating which will be recorded against each consignment within a Livestock Export Consignment Report (LECR) by a Veterinary Officer (VO). This information will be used to assess an exporter's performance level rating. If an exporter is found compliant then they may proceed with the export. An exporter operating under transition arrangements that are found non-compliant may proceed if issues can be rectified promptly and the VO is satisfied that the consignment meets all requirements. Where an application for an export permit and health certificate has been refused during inspection and verification of a consignment, an exporter may export the livestock later once they have: • Corrected any identified issues with the consignment • Undertaken corrective actions to ensure the issue does not happen again. Under exceptional circumstances, the exporter may be required to submit another NOI to the Department and the export application process will start again.	Exporters can rely on MICoR to understand the specific compliance requirements in specific overseas countries. LIVEXCollect can assist in ensuring consistency in the way livestock observations and other measurements are recorded and reported.
7. Post-voyage and post-arrival reports	An exporter must report on the outcome of each voyage, including mortalities, which are then reported six-monthly to the Australian Parliament. An exporter must provide the Australian Government with an end of processing (EOP) report (within 10 days of the slaughter of the last animal within a consignment for cattle and buffalo). An exporter must also submit an independent performance audit report (IPAR) at a maximum of once every three months.	LIVEXCollect can be used to capture the End of Voyage reports and has a dashboard to present the information in easily digestible graphs and tables[14].

[14] LIVEXCollect data system, https://livecorp.com.au/project/4svc8vJWNSo4r8Vn2eI0Ro, 2022

COMPLIANCE STAGE	COMPLIANCE ACTIVITIES	KEY TOOLS AND PROCEDURES
		The EOP Report will outline the number of animals that were transported to and/or slaughtered within each facility within the approved supply chain.[15] IPAR are used to demonstrate ongoing compliance with ESCAS requirements including control of the supply chain; the traceability system; and whether World Organisation for Animal Health recommendations for animal welfare are met.[16]

[15] 2014-11 Administrative changes to the Exporter Supply Chain Assurance System (Interim Processing and End of Processing Reports), https://www.agriculture.gov.au/biosecurity-trade/export/controlled-goods/live-animals/advisory-notices/2014/2014-11

[16] Exporter Supply Chain Assurance System (ESCAS), https://www.agriculture.gov.au/biosecurity-trade/export/controlled-goods/live-animals/livestock/information-exporters-industry/escas, July 2021

4.2. Industry compliance cost estimates

Stakeholders were asked to identify the effort and cost associated with compliance activities. The information provided was used to undertake the following analysis. During consultations, two types of costs were identified that were then combined to estimate the total industry wide cost of compliance:

1. Fees and charges paid to DAFF

2. The cost of labour associated with compliance activities.

Several stakeholders provided estimates of these costs through either the completion of detailed tables (which sought information and data on the effort and cost associated with specific activities - see Appendix 8.2) or the provision of overarching estimates of total effort or cost.

In some cases, the information provided was somewhat inconsistent with other similar information being provided. This was primarily due to the complexity of the regulatory regime, meaning exporters did not have records to hand explicitly demonstrating the fees and charges paid to DAFF. They also experienced difficulties disaggregating their domestic fees and charges (the subject of this project) from the fees and charges incurred to comply with in-market regulations (especially across the Chinese supply chains). In contrast, they tended to have a good understanding of the proportion of time, or the number of full-time employees, required to fulfil their compliance obligations.

Considering these points, two models were developed for this project to estimate the industry compliance cost. Across these, different sources of information were used to estimate the fees and charges portion payable to DAFF, as this was the portion exporters tended to have the most difficultly providing. The estimates of labour costs were the same in both models, derived from information provided by stakeholders. Table 5 lists the data sources used for both models. In calculating the costs using two methods, the outputs of each model were compared to sense check the findings. The estimates the models produced exhibited a low level of variance, giving confidence in the outputs obtained. This variance is explained further in section 4.3.

Table 5: Model differences

INFORMATION USED TO ESTIMATE INDUSTRY COMPLIANCE COST	MODEL 1 – SOURCE	MODEL 2 - SOURCE
Estimates of the fees and charges paid to DAFF	Cost compliance tables provided by stakeholders	Live animal export fees and charges sourced from the *2021-22 Cost Recovery Implementation Statement*
Estimates of the labour costs associated with regulatory compliance activities	Cost compliance tables provided by stakeholders	Cost compliance tables provided by stakeholders

Modelling assumptions, a description of both approaches and the results are outlined below. The approaches adopted align to the activity costing methodology recommended by the Office of Best Practice Regulation.

4.2.1. Modelling assumptions

As with most models, several assumptions were made to account for data gaps. Model assumptions related to how the raw data was treated, and as such are consistent across both models. Key assumptions made are listed below in terms of importance:

1. It was assumed that the exporters who returned the stakeholder tables are generally representative of the industry. It is noted that while relatively few (5), when combined, the exporters who returned the stakeholder tables or indicated their total compliance cost in the consultations represent about 50% of total head exported in 2021.

2. The information provided by exporters was accurate with the effort and cost across the seven activities used to develop the estimates detailed in this report.

3. Model 2 relies on DAFF forecasts of head exported, and fees and charges payable.

4. Where labour cost was not specified but hours were, an hourly wage of $60/hr was applied. This was corroborated with exporters to ensure accuracy.

5. That livestock can be considered in two distinct groupings (based on DAFF fees and charges):

    a. Cattle/camel/buffalo

    b. Sheep/goats/alpaca

4.2.2. Model 1 description and calculations

This model was based on:

- Historical livestock export information published by the Department
- The information and data provided during stakeholder consultations
- A sample of four (4) livestock exporters returning completed stakeholder cost tables (combined these exporters represent 49.8% of total CY2021 exports). Note 1 exporter only provided labour costs so the information provided could only be utilised under the approach taken for model 2.

The steps involved in computing aggregated compliance costs within this model are listed below.

1. Costs were received from stakeholders either during consultations or through completed stakeholder cost tables.

2. Costs were aggregated across the activities and then converted to a per head figure for each exporter.

	Exporter Type	Yearly Compliance Cost (Provided)	Head Exported per year (Provided)	Compliance Cost per head
1	Cattle-Sea	$2,040,097.00	180,000	**$11.33**
2	Sheep-Sea	$2,112,480.00	400,000	**$5.28**
3	Cattle-Air	$100,000.00	3,000	**$33.33**
4	Cattle-Sea	$1,099,610.00	100,000	**$11.00**

3. Using publicly available information from DAFF on 2021 exports, these per head figures were then weighted according to Mode (Sea vs Air) and Commodity (Livestock) to produce a weighted cost of compliance per head. Where multiple exporters satisfied a category i.e., 2 exporters of cattle/buffalo/ camel by sea, their per head estimates were averaged. For example, the cattle-sea compliance per head average cost of $11.16 was multiplied by the number of cattle/buffalo/camel exported in 2021 as a percentage of total exports ($11.16 x 56.71% = $2.13)

Weight Matrix[17] CY21	*Sea*	*Air*
Cattle/Buffalo/Camel	**56.71%**	**0.39%**
Sheep/Goat/Alpaca	**40.33%**	**2.57%**

Weighted Contribution CY21	*Sea*	*Air*
Cattle/Buffalo/Camel	**$6.33**	**$0.13**
Sheep/Goat/Alpaca	**$2.13**	**$0.41[18]**
	Sum	**$9.00 per head**

4. This weighted cost of compliance per head was then multiplied by actual total head exported in 2021 (DAFF), and forecasted head exported in 2021-22 (DAFF) to produce both a backward, and forward-looking total industry compliance cost estimate.

Final Calculations	*Actual/Forecasted Head Exported*	*Actual/Forecasted Total Industry Compliance Cost*
CY2021 Estimate	**1,370,974[19]**	**$12.3 million**
FY2021-2022 Estimate	**2,310,282[20]**	**$20.8 million**

4.2.3. Model 2: DAFF fees - description and calculations

This model was based on:

- Historical livestock export information published by DAFF
- The completed stakeholder consultations
- DAFF's estimates of livestock export fees and charges payable from 2021-22 to 2024-25

A sample of five (5) livestock exporters returned stakeholder tables. Combined, these exporters represent 54.6% of total CY2021 exports.

[17] The weight matrix represents the actual proportions of livestock exported in 2021.
[18] No exporters of sheet/goats/alpacas by air were consulted. Instead, their weighted per head compliance figure was estimated using the ratio of cattle/buffalo/camel air vs sea exports and applying it to the estimated compliance cost of sheep/goats/alpaca exports by sea. *Mathematically this is ($33.33/$11.33) x $5.28 x 2.57% = $0.41.*
[19] https://www.awe.gov.au/biosecurity-trade/export/controlled-goods/live-animals/live-animal-export-statistics/livestock-exports-by-market
[20] https://www.awe.gov.au/sites/default/files/documents/2021-22-lae-cris-final-report.pdf

The key difference in this model, vis-à-vis model 1, is the use of DAFF's estimates of livestock export fees and charges payable from 2021-22 to 2024-2025. In model 1, stakeholder estimates of the fees and charges were used, whereas in model 2, this information was sourced directly from DAFF documentation and combined with labour costs identified during stakeholder consultations. As such, this model validates estimates of fees and charges (using the same (stakeholder provided) labour costs).

The stages involved in computing aggregated compliance costs within this model were:

1. Isolating labour costs from returned stakeholder tables and aggregating these across activities.

2. A per head labour cost estimate was computed for each exporter and was then weighted by mode and commodity to calculate a weighted cost of labour per head.

	Exporter Type	Isolated Labour Cost	Head Exported per year (Provided)	Labour cost per head
1	Cattle-Sea	$399,740	180,000	**$2.22**
2	Sheep-Sea	$810,640	400,000	**$2.03**
3	Cattle-Air	$62,000	3,000	**$20.67**
4	Cattle-Sea	$678,205	100,000	**$6.78**
5	Cattle-Sea	$284,100	65,000	**$4.37**

3. Taking the same approach as Model 1, these labour cost per head figures were then weighted according to Mode (Sea vs Air) and Commodity (Livestock) to produce a weighted cost of labour per head. As before, where multiple exporters satisfied a category i.e., exporters of cattle/buffalo/camel by sea, their per head estimates were averaged. This time however, the weight matrix was based on DAFF forecasts as opposed to observed CY2021 exports.

Weight Matrix (DAFF Forecasts[21]) – FY21-22	*Sea*	*Air*
Cattle/Buffalo/Camel	**55.97%**	**0.33%**
Sheep/Goat/Alpaca	**41.38%**	**2.32%**

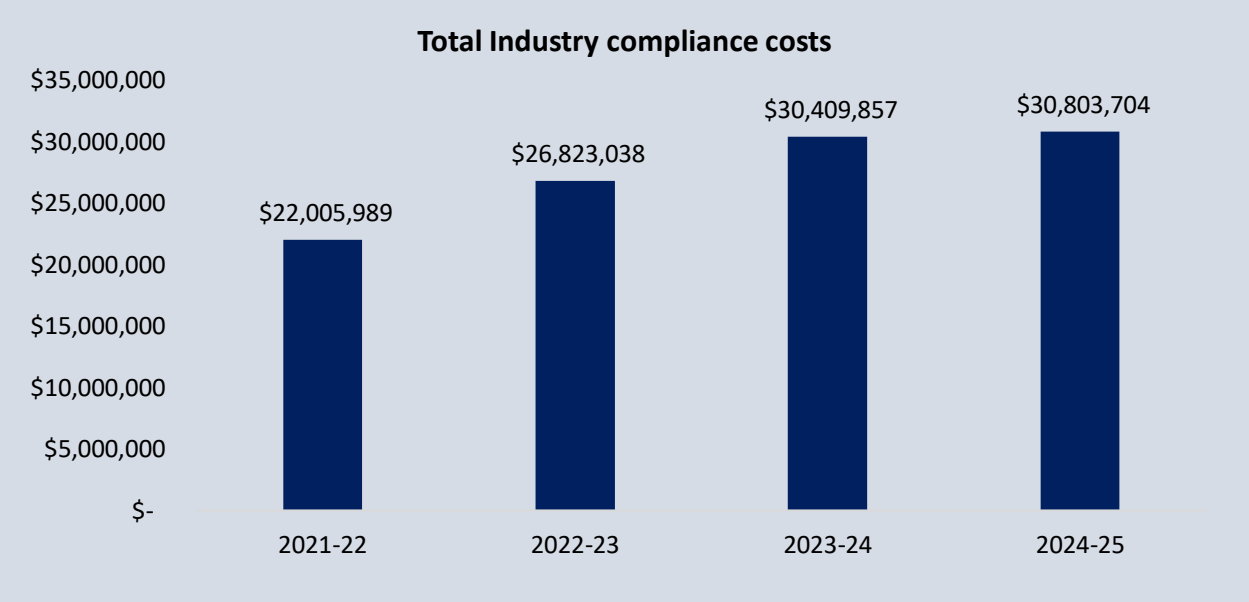
Weighted Labour per head Contribution – FY21-22	*Sea*	*Air*
Cattle/Buffalo/Camel	**$2.50**	**$0.07**
Sheep/Goat/Alpaca	**$0.84**	**$0.43**[22]
	Sum	**$3.62 per head**

4. This weighted cost of labour per head was then added to the fees and charges payable per head and multiplied by total expected exports in 2021-22 (forecasted by DAFF).

5. The resulting parameter calculated is an estimate of the 2021-22 total industry cost of compliance. Using published changes in industry compliance costs, this number was then computed each year to 2024-25.

[21] https://www.awe.gov.au/sites/default/files/documents/2021-22-lae-cris-final-report.pdf
[22] The same approach to calculate this was used in footnote 14

Year	Estimated Head Exported[23]	Total Labour Cost *(Labour cost per head x Estimated Head Exported)*	Estimated Fees and Charges Payable[24]	Total Compliance Cost
2021-22	2,310,282	$8,359,898	$13,646,091	$22,005,989
2022-23	2,310,282	$8,359,898	$18,463,140	$26,823,038
2023-24	2,310,282	$8,359,898	$22,049,956	$30,409,857
2024-25	2,310,282	$8,359,898	$22,443,806	$30,803,704



4.3. Results summary

The compliance cost modelling undertaken has produced the following results:

- Model 1 estimates the
  - CY2021 cost of compliance to be $12.3m
  - FY2021-22 cost of compliance to be $20.8m
- Model 2 estimates the
  - FY2021-22 cost of compliance to be $22.0m
  - FY2022-23 cost of compliance to be $26.8m
  - FY2023-24 cost of compliance to be $30.4m
  - FY2024-25 cost of compliance to be $30.8m
    - It is noted that this increase is driven by an uplift in the unit prices of the cost recovery charges

[23] https://www.awe.gov.au/sites/default/files/documents/2021-22-lae-cris-final-report.pdf
[24] Ibid.

as specified in DAFF's Cost recovery implementation statement[25]

- The difference between Model 1 and Model 2 results (FY22) is 1.4%.[26] This is deemed to be an acceptable level of variance and indicates that both approaches have similar results, giving confidence in the totals identified.

The information provided by stakeholders also enabled consideration of the costs across the livestock export consignment process, as shown in Table 6.

Table 6: Compliance activities at each compliance stage

Stage	Key Activities	Model 1 – Total Cost Per Head Range	Model 1 - % of Total Cost	Model 2 – Labour Cost Per Head Range	Model 2 – Labour % of Total Labour Cost
Prepare consignment	1.Establish AA, AEP, Export Licence and ESCAS	$0.16-$1.10	11%	$0.04-$0.25	6%
	2.Submit notice of intent to export	$0.02-$0.14	1%	$0.01-$0.02	1%
Verification	3.Prepare Livestock for pre-export quarantine	$0.56-$1.70	20%	$0.16-$3.60	29%
	4.Provide export documentation for inspection	$0.02-$0.25	3%	$0.01-$0.24	5%
Loading and sign off	5.Comply with responsibilities during loading and voyage	$1.50-$9.70	41%	$0.55-$6.00	52%
	6.Respond to LECR issued by the Department[27]	$0.12 - $2.71	17%	$0.02-$0.77	7%
	7.Report on outcome and ESCAS	$0.01-$0.04	0% (7% other)	$0.01-$0.02	0%

The key findings are:

- The cost to industry of undertaking compliance activities and fees and charges associated with livestock export regulation is $21m in FY2022, rising to $31m by FY2025.
- The compliance task is highly complex and makes it difficult for many exporters to provide a high confidence estimate of their compliance cost.
- Compliance activities associated with the *preparation of livestock for pre-export quarantine* and *complying with responsibilities during loading and voyage* make up the bulk of total costs.
- Depending on the type of exporter, compliance costs vary from $5.28/head to $33.33/head.
  - Large exporters appear to experience economies of scale in terms of costs, highlighting the large, fixed cost component and the relatively low variable cost component.

[25] DAFF, 2022, https://www.agriculture.gov.au/sites/default/files/documents/2021-22-lae-cris-final-report.pdf

[26] *Difference = (22.0-20.8)/ (22.0+20.8)/2*

[27] The analysis includes all activities required throughout the compliance process. This includes the provision of documentation to respond to an impact level rating within a LECR which on assessment can be categorised as compliant or non-compliant, and the additional costs which may arise from non-compliance on limited occasions.

- Significant cost differences were observed per commodity on a per head basis.
- Air exporters face relatively large compliance costs per head.

- Depending on type of exporter, the labour cost of complying with the regulations varies from $2.03/head to $20.67/head.

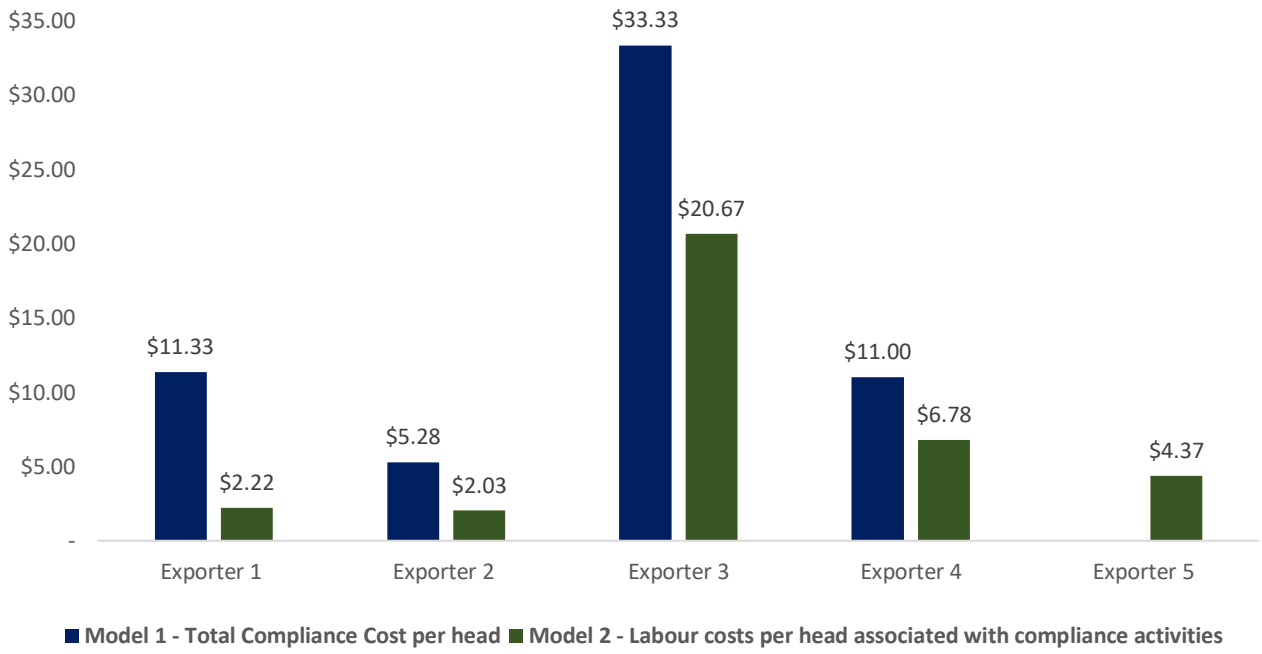


Figure 8: Compliance costs per exporter per model (Anonymised)
Source: EY research

Sections 4.4 and 4.6 explore the business and economic impacts of the regulatory regime and the alignment of the costs to risks. These sections provide further detail on the areas stakeholders believe are driving costs and could be improved and explore whether the costs and risks are well aligned. Recommendations to address these issues are provided in Chapter 5.

4.4. Broader economic and business impacts of regulatory regime

During consultations, stakeholders were also asked about the broader economic and business impacts of the current regulatory regime and areas for improvement in it. They provided a diverse, but relatively consistent, range of viewpoints which have been distilled into the following themes, discussed in detail subsequently:

1. High burden related to changes in regulation
2. Duplication of effort
3. A need for improved communication with the Department
4. Issues with the current regulatory approach, including:

a. Lack of an outcomes-based approach

b. Significant costs, particularly as a result of the recent changes to cost recovery

c. Unrealistic requirements

d. A lack of differentiation in compliance activities between transport modes.

4.4.1. High burden related to changes in regulation

A key issue identified by stakeholders that drove a significant amount of effort and time was changes in regulation and documentation requirements. It was suggested that responding to these changes and updating business processes and documents as well as training staff was one of the greatest drivers of compliance burden for businesses. While some changes were only minor, the flow-on impact was often onerous, such as updating a variety of documents or amending entire processes to take account of these changes. While industry participants acknowledged that some changes will always be necessary, the frequency of changes was identified as an area of concern. They expressed a view that these are occurring so often that when they finish reflecting one set of changes, they must then implement further changes.

Examples that were cited included extensive changes in compliance documents, particularly ASEL over the past few years, with some noting that tracking developments of ASEL and implementing them in their respective AA has become more onerous as of late.

4.4.2. Duplication of effort

Stakeholders noted that there are several requirements that lead to duplicative effort, with some documentation asking the same questions or requiring the same information to be reported that is already reported in other documentation. They also suggested that many documents need to be resubmitted unchanged for every consignment. Stakeholders commented that there was some documentation that they did not feel was necessary, that in their opinion did not reduce risk or enhance animal welfare. Examples cited were Property of Origin documentation, the Export Permit and Health Certificate and NOIs. The Department has also implemented an NOI risk assessment tool to assist with the submission NOIs.

It is acknowledged that the documentation also serves to ensure that importing country requirements are met and that these can be demonstrated should these requirements be audited.

4.4.3. A need for improved communication with the Department

Stakeholders suggested that the above issues are compounded by poor communication between exporting organisations and the Department. It was suggested that significant turnover of staff in recent times has resulted in contacts changing and that exporters did not have clear direction about who they could contact to discuss issues. This was particularly important as several stakeholders consulted believed that a conversation about issues identified could have resolved them quickly and reduced the effort required to go back and forth to agree on specific changes required, particularly as, in their view, a number of these did not impact outcomes, such as wording changes to documentation. They suggested that in certain circumstances they found it hard to understand the intent of comments and the desired outcome of changes, which made it difficult to then address these. It is important to note that, while a concern, most stakeholders suggested that this has improved recently with communication improving and relationships starting to develop, particularly with new Departmental staff.

Stakeholders also identified a general lack of clarity around the objectives of some parts of the compliance legislation, especially as it relates to the practical implementation of this by Regional Veterinary Officers.

Exporters also noted that the Department is generally much slower to respond to their requests, compared to the timeframes they are given to respond to Departmental requests. This is especially problematic when they are forced to consistently re-engage with the regulator for small variations to documents. This was recognised by DAFF who agreed that the AA and NOI stages had lots of back-and-forth communication.

This was also recognised as an issue in relation to non-compliance identification. It was suggested that often it takes a long time for the Department to respond to issues of non-compliance and any changes required because they have a significant lag in being identified. As a result, desired improvements can take a significant time to be implemented or may have already been addressed by the time any required changes have been identified.

4.4.4. Issues with the current regulatory approach

Stakeholders identified several concerns with the current regulatory approach as detailed below.

Lack of an outcomes-based approach

It was suggested by stakeholders that it often felt that a lot of compliance effort was focused on producing specific outputs such as detailed documentation or correct wording and phrasing, rather than ensuring activities undertaken improved outcomes. It was suggested that taking a more outcomes focus, with consideration of how risks to animal welfare and/or non-compliance could be alleviated, would be beneficial, reducing effort and ensuring it was targeted on such outcomes rather than meeting specific requirements which may not actually influence outcomes. A more comprehensive discussion of effort and risks is outlined in section 4.5

One area that was noted by stakeholders as an example of this was AAs. It was suggested that the intent of AAs was to be outcomes-focused and enable exporters to define a bespoke process that is appropriate for their business and utilise it once it was approved, if it met requirements. However, it was noted that, particularly recently, feedback on AAs had been extensive and had sought to standardise these across exporters. It was suggested that the Department had required specific activities and wording to be incorporated across different AAs, reducing their outcomes-based focus, and making them more prescriptive than exporters believed was the intention. As a result, stakeholders suggested that the benefits of these were being lost and it may be less effort for the Department to define requirements and move away from AAs, rather than try and streamline them across different exporters and markets.

Significant costs, particularly because of the recent changes to cost recovery

An issue that was consistently noted by exporters was the change in the Department's approach to cost recovery, from flat rates to time-based rates. While the cost recovery approach itself was not the concern per se, exporters were concerned with the costs being generated, particularly as their view was that a significant amount of the costs recovered were being driven by the issues detailed above. The previous arrangement, with a flat fee for variation, was suggested to be a less onerous and fairer arrangement, especially if there was consistent back and forth in relation to comments and updates to documentation. It was identified that not only do changing requirements, poor communication and duplication cost exporters time and effort they also generate additional work on the side of the Department which the exporters are then charged for.

Unrealistic requirements

Stakeholders noted that some of the regulatory requirements are unrealistic. The main example provided was the 100% compliance expectation for National Livestock Identification System (NLIS) tags. Despite best

efforts, errors can be made or tags lost from livestock. It was suggested that the expectation for 100% compliance is near impossible despite best endeavours.

A lack of differentiation in compliance activities between transport modes

Air exporters noted that many compliance measures derive from sea compliance and are then applied to air export. Their view was that some greater differentiation in requirements across transport mode would be useful, recognising the differences in the activities and the nature of the supply chains. However, it was noted that recently differences had started to be recognised.

4.5. Regulatory efficiency and risks

As with business and economic impacts, consultation with industry and the regulator provided a range of views on the regulatory regime and risks to animal welfare and non-compliance. Across stakeholders, five risk areas were identified:

1. Transport risks
2. Risks associated with new market participants
3. In-market risks
4. Risks associated with documentation
5. Technology risks.

4.5.1. Transport risks

Many stakeholders noted that any movement of livestock is associated with some level of risk, specifically sea vessels, with longer voyages leading to greater risk. Exporters consulted believed that vessel owners needed to have more accountability regarding animal welfare to lower risk (and therefore potential costs).

4.5.2. Risks associated with new market participants

It was noted that while new exporters were subject to heightened scrutiny, they also tended to push the boundaries of new markets. This could potentially lead to elevated animal welfare risks and subsequent public relation consequences, impacting the industry. This point was emphasised by the Regulator, with organisational experience in compliance activities noted as a main driver to the level of risk rather than specific supply chains.

4.5.3. In-market risks

Most stakeholders agreed that the main risks were posed by in-market sources. Many noted the disconnect between time of ownership and responsibility for the animals, with ownership only being in some cases 24-72 hours. However, exporters are responsible for the animal for the remainder of their lives in market for ESCAS applicable consignments. Some exporters did suggest failure to comply with importing country requirements or protocols was a bigger risk than complying with the requirements on Australian exporters by the Australian Government.

4.5.4. Risks associated with documentation

Risks posed by documentation include timing issues for submission of documents that are accurate, accounting for the frequent regulatory changes and exporter responsibility for vendor declarations. Some exporters noted that the consequences of incorrect documentation can lead to serious legal action.

4.5.5. Technology risks

Technology risks faced by exporters include the previously discussed compliance of NLIS tags, with expectations of 100% traceability when the natural rate of failure is 2-3%. In addition, some stakeholders noted the issues with the regulator's implementation of technology, the reliance on paper documentation and the operability of systems such as TRACE.

4.6. Alignment of risk and effort

A representation of the costs and key risk points across the livestock export consignment process is detailed in Table 7. The table outlines the risks across each stage as well as the cost of compliance activities across each stage.

As can be seen, the stages of *establish AA, AEP, Export Licence and ESCAS, comply with responsibilities during loading and voyage, and report on outcome and ESCAS,* were identified as being high risk. When examining the costs across the consignment process, costs are primarily driven by the *preparation of livestock for pre-export quarantine* and *complying with responsibilities during loading and voyage* activities.

Comparing risks across the supply chain with compliance costs, broadly cost and risk appear to be aligned. In particular, *comply with responsibilities during loading and voyage* was seen as a high-risk area, and generated significant compliance effort and hence cost.

One area, where consideration should be given as to the alignment of risk and effort, is *prepare Livestock for pre-export quarantine*. Activities in this area are a key driver of costs; however, this was not found to be a high-risk area.

Table 7: Risk and Cost Alignment

Stage	Prepare Export			Verification		Loading and sign-off	
Key Activities	**1.Establish AA, AEP, Export Licence & ESCAS**	**2.Submit notice of intent to export**	**3.Prepare Livestock for pre-export quarantine**	**4.Provide export documentation for inspection**	**5.Comply with responsibilities during loading and voyage**	**6.Respond to LECR issued by the Department**	**7.Report on outcome and ESCAS**
Extent of risk	• Inadequate preparation on the following: People management, Training, Control and record management, Operations and Quality assurance • Failure to meet preparation requirements in accordance with importing country requirements and ASEL (sourcing, pre-export quarantine, treatment, and testing)	• Ineffective risk management failing to redirect its resources to higher risk consignments and provide faster decisions for lower risk consignments	• Inadequate segregation at an appropriate quarantine premises for the period of preparation • Ineffective arrangements for the handling and care of livestock (e.g., feed and water provisions)	• Inconsistent findings and reporting between RVOs • Failure to meet importing country requirements	• Excess mortality on ships due to exogenous conditions, and travel time • Inconsistent findings between independent observers on extended long-haul voyages	• Inadequate monitoring of health and welfare • Failure to undertake required corrective action	• Abattoir leakage • Inadequate controls and treatment during transportation, handling, and slaughter in the importing country • Ineffective oversight and assurance
Model 1 – Total Cost Per Head Range	**$0.16-$1.10**	**$0.02-$0.14**	**$0.56-$1.70**	**$0.02-$0.25**	**$1.50-$9.70**	**$0.12 - $2.71**	**$0.01-$0.04**
Model 2 – Labour Cost Per Head Range	**$0.04-$0.25**	**$0.01-$0.02**	**$0.16-$3.60[28]**	**$0.01-$0.24**	**$0.55-$6.00**	**$0.02-$0.77**	**$0.01-$0.02**

Key = High risk

[28] Model 1 is based on responses from four exporters, while Model 2 is based on responses from five exporters. The higher upper limit is driven by the inclusion of the fifth exporter who was not included in Model 1 as they elected to only provide estimates of their labour costs.

4.7. Impact of the 2020 Industry/Government Regulatory Roundtable

Stakeholder views on the impact of the 2020 Industry/Government Regulatory Roundtable were mixed. Most exporters were neutral in their view of the benefits it has achieved or had not heard of the Roundtable. Among these stakeholders, many felt that the intent was good but they were yet to see any benefits. Some also mentioned specific concerns with the roundtable, such as whether there was a willingness from DAFF to implement change, and whether their industry representatives had the right kind of experience to be advocating on their behalf.

Those who supported the Roundtable tended to characterise it as a needed process that was improving the relationship between exporters and the Department. Most were optimistic that it would continue to move the relationship in the right direction. As mentioned above, most stakeholders suggested that the relationship had improved in recent times, and that a better working relationship had been formed with current Departmental staff.

Those who did not feel that the Roundtable was effective tended to describe it as ineffective, self-serving and without achievement. These exporters felt that the Department was using it as a process to validate its own findings and that it was unlikely to achieve any meaningful reform.

5. Recommendations

In measuring the compliance cost to industry and discussing with stakeholders the activities and effort to comply with export regulations, several areas have been identified where there is an opportunity to make changes or realise efficiencies to reduce this compliance cost. The analysis has therefore generated several recommendations to reduce the compliance cost to industry and better align risk and effort. The recommendations, based on desktop research and stakeholder consultation, are detailed in the table below. Importantly, the table also considers where the Regulatory Roundtable may address the issue identified.

It is acknowledged that a reduction in regulatory burden and compliance costs can also be achieved through exporters ensuring that the submission of regulatory documentation is complete and accurate, reducing the time taken to assess applications and minimising the risk of non-compliance.

Table 8: Recommendations

COMPLIANCE ISSUE	RECOMMENDATIONS	IDENTIFIED ROUNDTABLE REGIME TO ASSIST WITH COMPLIANCE ISSUE
1. Regular changes to compliance documents, leading to duplicative effort, and lack of clarity on requirements, processes, and costs.	1.1 Identify duplication within existing compliance documentation and explore opportunities to revise current documentation for greater efficiency. Opportunities identified include the following: • Removing duplication with NOI • Consignment Specific Export Plan • Export Permit/Health Certificates. 1.2 Work with DAFF to issue guidance to clarify updates and processes to ensure efficient uptake by the industry. e.g. changes to AA to be issued as tracked changes to ensure changes are easily identifiable. 1.3 Work with DAFF to improve communication channels and identify specific points of contact to enable timely clarifications from appropriate personnel.	***Streamlining AA administration:*** *This project aims to deliver faster pre-export consignment approvals for livestock exporters through the administration of the AA framework that re-balances pre-export checks and post-export audits and ensures compliance action is timely, proportionate, and predictable. This will be achieved by better aligning regulatory requirements to risk where risk is determined based on market, operational environment, and exporter performance history.*
2. There is a need for further guidance on instructional material and templates circulated	2.1. Work with DAFF collaboratively to ensure there are no gaps in guidance material and templates circulated. Different methods should be explored (e.g., pilot studies) to test forms before circulating for use. Specific examples of guidance material suggested for review include the following:	***LIVEXCollect Data:*** *To ensure the Department has systems to support the receipt and use of data collected by LiveCorp's LIVEXCollect system so that manual data entry is reduced,*

COMPLIANCE ISSUE	RECOMMENDATIONS	IDENTIFIED ROUNDTABLE REGIME TO ASSIST WITH COMPLIANCE ISSUE
to ensure accurate submission of documentation.	• LIVEXCollect template [29] • AAs, specifically further clarity on what elements of the manual are part of AA assessment, and what isn't in the manual. In addition, which areas require compliance officer approval compared to internal amendment. 2.2. As per Recommendation 1.3 - Work with DAFF to improve communication channels and identify specific points of contact to enable timely clarifications from appropriate personnel. • Specifically, for this issue, to consider providing periodic compliance reminders, notifying exporters of availability of compliance reports (i.e., LECRs) and streamlined Departmental feedback. • In addition, LiveCorp should work with DAFF to ensure that these communication channels are made known to new exporters. 2.3. Work with DAFF to explore opportunities to move from a reliance on paper documentation to focus on digitalising documents (LIVEXCollect)[30] and provide digital solutions. Suggested opportunities include the following: • ESCAS C&T declaration to be redesigned with automatic numbers/ability to sort/filter. • Updating operability of systems such as TRACE.[31]	*and the data is used to support more efficient and effective regulation.*

[29] It was noted that the new LIVEXCollect templates don't include data relevant for exporters' needs. e.g., per deck fodder/water consumption.
[30] One of the five roundtable regime initiatives. The LIVEXCollect forms standardise data entry and reporting, allowing improved data aggregation and analysis. This supports DAFF regulatory functions and LiveCorp's activities as the research and service body for the livestock export industry.
[31] The Tracking Animal Certification for Export, or TRACE, system is being implemented to manage the application and approval processes for consignments of all live animals exported from Australia. The TRACE system currently provides functionality for livestock exports and related applications, including electronic submission of NOI to export livestock by sea and air transport for licensed livestock exporters, and livestock export licence, registration of establishment and Accredited Veterinarian applications.
A single application form is used to submit approval for NOI. A components list is provided via TRACE. The Department prefers that exporters use the TRACE electronic submission system to submit the NOI.

COMPLIANCE ISSUE	RECOMMENDATIONS	IDENTIFIED ROUNDTABLE REGIME TO ASSIST WITH COMPLIANCE ISSUE
	2.4. Identify key industry participants to be involved in facilitating standardised regular training for staff (both DAFF and industry), to ensure training is relevant for issues encountered.	
3. Some requirements are not practically achievable given limitations in technology, product, and ownership.	3.1 Set up a mechanism for LiveCorp and DAFF to work through areas where requirements are not practical. This could be a regular forum or a defined process for providing and working through areas of feedback. 3.2 Work collaboratively with DAFF to review targets to ensure they are achievable given operational and technological constraints. 3.3 Support DAFF with investment in advancements in technology and research to streamline the compliance process.	***Integrated assurance framework:*** *To deliver an assurance and audit framework that provides the Department, the government, regulated entities, the community and importing countries with assurance that animal welfare as well as Australian export and importing country regulatory requirements are being met.*
4. There is a reliance on third parties to provide information and complete documentation, which cannot always be verified accurately.	4.1. Assist DAFF to ensure timely publicly available instructional material is provided for third parties to access.	***Improving transparency and engagement:*** *To improve the transparency of performance and accountability of exporters and the regulator under the livestock export regulatory system.*
5. Requirements are agnostic to the specific supply chain pathway undertaken.	5.1. Work collaboratively with DAFF to understand if compliance regimes/activities can be differentiated for sea and air travel. This is noting that the greatest risk to animal welfare is on vessels, and greater accountability is required for the vessel owners.	N/A

COMPLIANCE ISSUE	RECOMMENDATIONS	IDENTIFIED ROUNDTABLE REGIME TO ASSIST WITH COMPLIANCE ISSUE
6. Inconsistent implementation of the regulatory regime by Regional Vet Officers (RVOs)	6.1. Work with DAFF to ensure consistent procedures are applied by RVOs (e.g., managing rejects) through the provision of consistent instructional material and guidance. 6.2. Support DAFF through involvement in accredited veterinarian forums, to allow the exchange of information, knowledge, and experience of effective approaches to managing on-board risks between RVO, industry and DAFF.	***Strengthening the Australian Government Accredited Veterinarian program:*** *To increase clarity about the role of Australian Government Accredited Veterinarians and their accountability in the livestock export regulatory system.*

6. Conclusions

This section summarises the key insights and implications from the project and articulates the key findings and the benefits to industry of this project.

6.1. Key findings

6.1.1. Industry compliance costs

- The cost to industry of undertaking compliance activities and fees and charges associated with livestock export regulation is between $21 million and $31 million annually[32].
- The compliance task is highly complex and makes it difficult for many exporters to provide a high confidence estimate of their compliance cost.
- Compliance activities associated with the preparation of livestock for pre-export quarantine and complying with responsibilities during loading and voyage make up the bulk of total costs.
- Depending on type of exporter, compliance costs vary from $5.28/head to $33.33/head.
    - Large exporters appear to experience lower costs per head, highlighting the large, fixed cost component and the relatively low variable cost component.
    - Significant cost differences were observed per commodity on a per head basis.
    - Air exporters face relatively large compliance costs per head.
- Depending on type of exporter, the labour cost of complying with the regulations varies from $2.03/head to $20.67/head.
- When examining the costs across the consignment process, costs are primarily driven by the preparation of livestock for pre-export quarantine and complying with responsibilities during loading and voyage activities.

6.1.2. Broader economic and business impacts of the regulatory regime

- During consultations, stakeholders provided a diverse, but relatively consistent, range of viewpoints on the key impacts being:
    - High burden related to changes in regulation
    - Duplication of effort
    - A need for improved communication with the Department
    - Issues with the current regulatory approach, including:
        - Lack of an outcomes-based approach
        - Significant costs, particularly because of the recent changes to cost recovery
        - Unrealistic requirements
        - A lack of differentiation in compliance activities between transport modes.

[32] The increase in future years is driven by an uplift in the unit prices of the cost recovery charges as specified in the Department's Cost recovery implementation statement, see DAFF, 2022, https://www.agriculture.gov.au/sites/default/files/documents/2021-22-lae-cris-final-report.pdf

6.1.3. Regulatory efficiency and risk

- Five risk areas were identified:
    1. Transport risks
    2. Risks associated with new market participants
    3. In-market risks
    4. Risks associated with documentation
    5. Technology risks
- When examining the risks across the consignment process, the stages of establish AA, AEP, Export Licence and ESCAS, comply with responsibilities during loading and voyage, and report on outcome and ESCAS, were identified as being high risk.

6.1.4. Alignment of risk and effort

Comparing risks across the supply chain with compliance costs, broadly cost and risk appears to be aligned. Complying with responsibilities during loading and voyage was seen as a high-risk area and generated significant compliance effort and hence cost.

One area where consideration should be given as to the alignment of risk and effort, is *prepare livestock for pre-export quarantine*. Activities in this area are a key driver of costs; however, this was not found to be a high-risk area.

6.2. Benefits to industry

The benefit to the industry of undertaking this project is the opportunity to work with DAFF and ALEC (as discussed in further detail in the subsequent chapter) to identify areas where changes can be made to the regulatory regime and/or its implementation that reduces compliance effort and cost, while at the same time not increasing risk. By working with these organisations to implement the recommendations identified in this report it is anticipated that compliance costs will be reduced.

7. Future research and recommendations

7.1. Research challenges

The research project met its objectives and achieved its overarching purpose. There were however some challenges encountered that affected the overall quality of the project. These are listed below.

Table 9: Research challenges

CHALLENGE	IMPACT
Many stakeholder tables were not returned, resulting in a small sample size from which to impute overall industry costs. In practice this was solved via the use of a second model that supplemented exporter data with department data. It is noted however, that combined, the exporters who provided information represent over 50% of total CY2021 exports.	Medium
Exporters found it difficult to provide compliance cost estimates due to the complexity of the task. In practice this was solved via the mapping and the use of a second model that supplemented exporter data with department data.	Low – Medium
Some stakeholders were hesitant or unwilling to participate in the study, not attending consultations and therefore not providing information to inform the results.	Low
There were some timeline challenges arising from coordination of multiple stakeholders.	Low

7.2. Future research and development

The project team recommends that the LEP RD&E Program consider the following research and development tasks:

1. Work with DAFF and ALEC to consider the recommendations made in this report to identify where changes can be made or where efficiencies may be realised to reduce compliance cost and better align risk and effort.

2. Work with exporters to capture their effort and resources associated with compliance on an ongoing basis to further refine the estimates developed in this project.

3. Further consider the impacts of large one-off events such as critical breaches or high mortality events. The nature of these events, being low probability but highly impactful, means much of the traditional analysis undertaken does not fully consider the residual cost associated with these events.

7.3. Practical application of insights

The insights contained in this report identify areas where the livestock export industry can work with DAFF to reduce compliance costs and better align risk and effort. It is envisaged that the recommendations identified through this work can be discussed with DAFF and an action plan to implement these be developed.

7.4. Development and adoption activities

Communicating the results to industry participants and DAFF is the primary element of adoption activities. In this respect, during the project the preliminary results were communicated to LiveCorp members through an online webinar event.

Ongoing engagement with the Department as well as ALEC to identify how the recommendations can be implemented will be crucial in ensuring the findings are adopted.

8. Appendix

In undertaking research for the development of this report, a few ASEL and ESCAS breaches were examined. These are detailed in this appendix.

8.1. ASEL and ESCAS breaches

CASE STUDY 1: ASEL INVESTIGATION[33]	
Summary	Around 1,500 feeder cattle were exported to the Philippines on 2/11/2020 and discharged on 15/11/2020 with a mortality rate of 0.56% (>0.5%).
Information reviewed	*The Department reviewed the event by assessing the following information:* 1. *reports from the exporter* 2. *daily reports, the end of voyage report from the accredited stockperson who accompanied the consignment on board the vessel* 3. *load plans and ship space calculations from the exporter* 4. *documents from the Australian Government Accredited Veterinarian (AAV) who prepared the consignment* 5. *reports from the Master of the vessel* 6. *documents and information from the regional department veterinary officer* 7. *records from the registered premises* 8. *department records from previous and subsequent voyages* 9. *the exporter's approved arrangement and approved management plans* 10. *report from the Australian Maritime Safety Authority regarding its investigation into the vessel* 11. *weather records from the Bureau of Meteorology*
Findings	The investigation found that there were no adverse conditions with respect to the registered premises, the weather, the vessel, loading onto the vessel and conditions during the voyage. The stockperson treated 16 cattle during the voyage: 8 for respiratory/breathing concerns and 8 for recumbency/injuries. The mortalities (9) occurred across 4 decks with no pens recording multiple mortalities. The exporter suggested that the use of bull catchers could have been a contributing factor to the mortalities, as many of the animals showed clinical signs of injury.
Exporter actions	The Department required the exporter to provide details of how they will mitigate the risk of another mortality event on any future voyages of cattle. In response to this notifiable incident, the exporter advised that they would reject any cattle that have been caught with a bull catcher from its consignments.
Department actions	In response to this event and previous notifiable incidents, the Department required an AAV for future voyages and required additional monitoring and reporting for subsequent voyages.
Conclusions	There was no evidence to suggest any breaches of ASEL that may have led to the mortalities.

[33] https://www.awe.gov.au/biosecurity-trade/export/controlled-goods/live-animals/livestock/regulatory-framework/compliance-investigations/investigations-mortalities/cattle-philippines-report-85#department-actions-taken-to-date

CASE STUDY 2: ASEL INVESTIGATION[34]	
Summary	Around 3,000 feeder cattle were exported to Vietnam on 16/07/2021 and discharged on 24/07/2021 with a mortality rate 0.72% (>0.5%).
Information reviewed	The Department reviewed the incident by assessing the following information: 1. *reports from the exporter* 2. *daily reports and the end of voyage report from the accredited stockperson* 3. *property of origin details* 4. *load plans and ship space calculations from the exporter* 5. *reports from the Master of the vessel* 6. *documents from the Australian Government Accredited Veterinarian who prepared the consignment* 7. *records from the registered establishment* 8. *Department records from previous and subsequent voyages* 9. *the exporter's approved arrangement and approved management plans* 12. *weather records from the Bureau of Meteorology*
Findings	The investigation found that there were no adverse conditions with respect to the registered establishment, the vessel, loading onto the vessel or voyage conditions. Post-mortem examinations were carried out on all mortalities. Based on the post-mortem examinations, the accredited stockperson attributed 20 of the 21 mortalities to bovine respiratory disease.
Department actions	The Department required the exporter to develop and implement a BRD management plan and engage an AAV for future consignments. The approved BRD management plan included: • Increased inspections at the RE specifically focused on signs of BRD, with stricter rejection criteria when symptoms of BRD are observed. • Additional veterinary medicines in excess of ASEL requirements to be carried onboard the vessel. • Proposed treatment regime for cattle displaying signs of bovine respiratory disease in the registered establishment and during the voyage
Conclusions	There is no evidence to suggest any breaches of ASEL that may have led to the mortalities.

ESCAS CASE STUDY [35] - *NO ADVERSE FINDING*	
Incident	On 11 August 2020, the Department received a report from Animals Australia alleging non-compliance with ESCAS control and traceability requirements in Israel (Gaza). Animals Australia reported "the presence of two Australian bulls in Gaza at the same location". The report included photographs of the cattle in the facility as well as location details. No animal welfare issues were reported.
Department actions	At the time of the report, three exporters had approved supply chains for cattle to Israel. The Department compared the GPS coordinates provided by Animals Australia against exporter supply chain records. The Department confirmed that the facility referenced in the Animals Australia report was not approved in any of the exporters' supply chains. The Department reviewed the photographs

[34] https://www.awe.gov.au/sites/default/files/documents/mortality-report-86.pdf
[35] https://www.awe.gov.au/sites/default/files/documents/escas-regulatory-performance-report-oct-dec-2020.pdf

ESCAS CASE STUDY [35] - *NO ADVERSE FINDING*	
	provided by Animals Australia and determined that many characteristics of the cattle (breed, horns and ear notches) were like those sourced in Australia. The Department required the three exporters to determine whether any cattle they had exported from Australia were at the facility in question and if so, provide a management plan to remove the cattle and return them to the approved supply chain. The three exporters were also required to provide: • property of origin and tag lists for all cattle exported to Israel since 1 July 2019 • full reconciliation reports for all cattle consignments exported to Israel from 1 July 2019 • current control and traceability contracts and documentation for Israel supply chains. The Department reviewed the property of origin and tag details for all cattle exported to Israel since 1 July 2019 and determined that the ear notches observed in the photographs provided by Animals Australia did not match any registered Australian ear notch for cattle exported during this period. Reconciliation and processing reports showed no loss of control or traceability.
Exporter findings and actions	Of the three exporters, two had exported cattle to Israel since 1 July 2019 and denied any loss of control or traceability. After receiving notification from the Department, one exporter sent a representative to the facility to determine if the cattle observed were Australian. They advised that the owner of the facility reported no Australian cattle were in the facility.
Department Conclusion	Based on the evidence and information provided by Animals Australia and exporters, the Department determined there was insufficient evidence to confirm if the cattle observed were sourced from Australia.

ESCAS Case Study [36] - *Adverse Finding*	
Incident	On 13 August 2019, the Department received notification from Animals Australia regarding an alleged non-compliance with ESCAS requirements relating to the roping slaughter of allegedly Australian cattle on 11 August 2019, in the basement carpark of the construction site of a mosque in Medan, Sumatra, Indonesia. Animals Australia provided video evidence of the allegations as well as still images.
Department actions	The Department assessed the report and video footage provided by Animals Australia and determined there had been loss of control and traceability as well as non-compliant handling and slaughter of Australian cattle. The Department's assessment of the footage is that there was a breach of ESCAS control and traceability requirements as well as numerous breaches of ESCAS animal welfare requirements (including breaches of handling, methods of restraint and slaughter technique). At the time of the report, 10 exporters had approved supply chains for cattle in Indonesia and these exporters were notified of the incident on 14 August. The Department initially asked them to assess the still images and report from Animals Australia, cross-reference the GPS coordinates with their facilities, and identify any of the ear notches as being consistent with properties where they had sourced cattle for their consignments. On 28 August, an exporter notified the Department that they had been conducting an internal investigation and discovered suspected leakage from their supply chain. On 29 August, the two other exporters, identified as having the abattoir approved in their supply chain were notified. The exporters were instructed to

[36] https://www.awe.gov.au/sites/default/files/documents/escas-regulatory-performance-report-oct-dec-2020.pdf

	cease supply to the abattoir until the situation had been investigated. The Department required a full reconciliation of all cattle sent to the abattoir over the previous 18 months. Detailed reasons were to be provided where cattle arriving at the abattoir were not slaughtered, and of cattle supplied to the abattoir but which could not be accounted.
Exporter findings and actions	On 28 August, an exporter informed the Department that the cattle identified in the footage were from their Indonesia supply chain. They identified the source of the leakage as a specific importer, feedlot and abattoir within their supply chain and they had Indonesian staff in Medan conducting initial investigations. They took preliminary actions including ceasing supply to the involved parties, interviewing feedlot and abattoir staff, and sending their in-market staff to monitor activity at the abattoir and confirm that no more cattle were leaked from their supply chain. Their preliminary investigations concluded that cattle had been supplied to the mosque in Medan and that a person had offered money to purchase cattle direct from abattoir. An abattoir employee (manager) had been identified as the source of leakage and the feedlot owner had immediately terminated his employment. During the investigation, interviews were conducted, and the manager of the abattoir admitted to supplying the animals directly from the abattoir to the mosque on 10 August. Further investigation by the exporter on 5 September determined that there had been leakage of a further 17 animals, bringing the total number to 20 head, which were all purchased by the same customer who supplied the mosque. All 20 cattle had leaked from the abattoir. The customer was interviewed and admitted to secretly working with the abattoir manager. He confirmed that the animals were distributed to another mosque and one farm. The exporter's in-market staff visited the mosque and farm and confirmed that all the animals had been slaughtered. Further to the preliminary actions taken and to prevent future ESCAS breaches, the exporter tightened security and supervision at the farm and increased their ongoing monitoring and verification requirements.
Department conclusion	A *critical noncompliance* with ESCAS control and traceability, and animal welfare requirements was recorded against the exporters supply chain in Indonesia. The Department determined that non-compliance with ESCAS control and traceability requirements had occurred in an Indonesia cattle supply chain. Due to the severity of the non-compliance with ESCAS, the abattoir was removed from Indonesian supply chain.

8.2. Questionnaire provided to stakeholder

COMPLIANCE ACTIVITY	WHAT LEVEL OF EFFORT IS REQUIRED FOR THIS ACTIVITY (INCLUDING STAFF TRAINING)?	ARE THE PROCESSES AND TOOLS (E.G. TECHNOLOGY, LANGUAGE) CURRENTLY RELIED ON TO UNDERTAKE THIS ACTIVITY EFFECTIVE AND EFFICIENT?	HAVE YOU EXPERIENCED SIGNIFICANT DELAYS/COSTS AS A RESULT OF PARTICULAR TOOLS AND PROCESSES CURRENTLY RELIED ON? IF SO, CAN YOU PROVIDE EXAMPLES?	ARE THERE SPECIFIC POINTS IN THE COMPLIANCE PROCESS WHERE RESOURCES/EFFORT/TOOLS/PROCESSES CAN BE BETTER ALIGNED TO IMPROVE EFFICIENCY?
Activity 1: Establish an Approved Arrangement (AA) or Operations and Governance manual, Approved Export Program (AEP), Export License and for feeder/slaughter animals – an approved exported supply chain assurance system (ESCAS)	Hours: Labour costs: Regulatory Fees:			
Activity 2: Submit a Notice of intension and Consignment Risk Management Plan	Hours: Labour costs: Regulatory Fees:			
Activity 3: Prepare Livestock for pre-export quarantine	Hours: Labour costs: Regulatory Fees:			
Activity 4: Documentation for inspection during pre-export quarantine	Hours: Labour costs: Regulatory Fees:			
Activity 5: Comply with responsibilities during loading and voyage	Hours: Labour costs: Regulatory Fees:			

COMPLIANCE ACTIVITY	WHAT LEVEL OF EFFORT IS REQUIRED FOR THIS ACTIVITY (INCLUDING STAFF TRAINING)?	ARE THE PROCESSES AND TOOLS (E.G. TECHNOLOGY, LANGUAGE) CURRENTLY RELIED ON TO UNDERTAKE THIS ACTIVITY EFFECTIVE AND EFFICIENT?	HAVE YOU EXPERIENCED SIGNIFICANT DELAYS/COSTS AS A RESULT OF PARTICULAR TOOLS AND PROCESSES CURRENTLY RELIED ON? IF SO, CAN YOU PROVIDE EXAMPLES?	ARE THERE SPECIFIC POINTS IN THE COMPLIANCE PROCESS WHERE RESOURCES/EFFORT/TOOLS/PROCESSES CAN BE BETTER ALIGNED TO IMPROVE EFFICIENCY?
Activity 6: Responding to the outcome within the Livestock Export Consignment Report	Hours: Labour costs: Regulatory Fees:			
Activity 7: Post-voyage and post-arrival reports	Hours: Labour costs: Regulatory Fees:			
Other	Hours: Labour costs: Regulatory Fees:			

8.3. Glossary

ACRONYM	MEANING
AA	Approved Arrangement
AAV	Australian Government Accredited Veterinarian
AEP	Approved Export Program
ALEC	Australian Livestock Exporters' Council
ASEL	Australian Standards for the Export of Livestock
DAFF	Department of Agriculture, Fisheries and Forestry
EOP	End of Processing
ESCAO	Exporter Supply Chain Assurance Operations
ESCAS	Exporter Supply Chain Assurance System
GDP	Gross Domestic Product
IPAR	Independent Performance Audit Report
LAE	Live Animal Exports
LEP	Livestock Export Program
LEAP	Livestock Export Accreditation Program
LECR	Livestock Export Consignment Report
LiveCorp	Australian Livestock Export Corporation Limited
MICoR	Manual of Importing Country Requirements
MLA	Meat & Livestock Australia
NOI	Notice of Intention
RE	Registered Establishment
RVO	Regional Veterinary Officers
SEP	Standard Export Plans
TRACE	Tracking Animal Certification for Export
VO	Veterinary Officer