



14 August 2015

Australian Pork Limited
ABN: 83 092 783 278

PO Box 4746
KINGSTON ACT 2604

P 02 6285 2200

F 02 6285 2288

www.australianpork.com.au

Cost Recovery Taskforce
Department of Agriculture
GPO Box 858
Canberra ACT 2601

via email: costrecovery@agriculture.gov.au

Dear Sir/Madam

Food Export Certification Cost Recovery Implementation Statement Consultation Draft

Australian Pork Limited (APL) welcomes the opportunity to provide a submission on the Food Export Certification Cost Recovery Implementation Statement Consultation Draft (Draft CRIS). As an industry that very successfully competes on domestic and international markets without the benefit of producer subsidies or tariff barriers, APL supports any initiatives that reduce the costs to the pork industry and its supply chain and which reflect the actual cost of the export certification process.

APL is the national representative body for Australian pork producers. APL is a producer-owned not-for-profit company combining marketing, export development, research and innovation and policy development to assist in securing a profitable and sustainable future for the Australian pork industry. APL makes the following comments on the consultation Draft CRIS, particularly those costs incurred through meat export fees and charges.

APL notes that the Department of Agriculture has undertaken some revisions to export fees and charges. While this provides short term alleviation of the much bigger issue of over-recovery, the total quantum program budget remains unchanged. This is challenging given that the Draft CRIS proposes to prima facie reduce charges by offsetting a number of costs.

APL acknowledges that the Department, in the short term, has attempted to reduce the impact of these costs to export establishments. However, unless the issue of total costs is addressed, the Department will face ongoing pressure and angst from exporters at the conclusion of the four-year period.

APL would encourage the Department to further evaluate the program's cost structure and business efficiency. As a monopoly service provider, clearly the Department's costs are unable to compete with a business operating efficiently in a true market environment. Therefore, the continued application of efficiency and improved services to export establishments is required to ensure the program does not impose any unnecessary costs or regulatory burden.

APL welcomes the Department's proposal to reduce the costs for export certificates and quotas and addresses an historic area of over-recovery. That said, the proposal in the Draft CRIS to offset registrations fees from the Cost Recovery Reserve (previously the Income Equalisation Reserve) is not supported. As a high level principle, cost recovery should not result in cross subsidisation between the different meat industry export commodities.

APL considers that the Department needs to develop a transparent and accountable system to identify which sectors/commodities contributed to the current Cost Recovery Reserve.

This is critical to enable individual sectors/commodities (establishment groups) to make an informed decision about the use of their reserve account.

Once developed the Department needs to further consult with affected sectors to determine whether these sectors support offsetting the registration costs from their share of the reserve. This is consistent with other sectors of the red meat industry.

It should be noted that the Department was tasked with this request prior to the release of the draft CRIS. This has not been undertaken. Until such time as this information becomes available, APL is unable to make an informed decision on whether or not to support the proposal to offset registration fees from the reserve.

The proposed remittance methodology also appears inconsistent with the Australian Government Cost Recovery Guidelines in that the income (IER surplus from certification and slaughter through-put levies) does not align with the expenditure activity (registration).

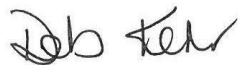
APL consultations with pork export establishments advises that one of their most significant cost impacts is that of audit fees. The fee structure for audits detailed in the Draft CRIS show no change in the cost per quarter hour, however pork establishments are reporting increased time to undertake individual audits. Acknowledging that AEMIS plants compliant with export certification requirements will be subjected to "fewer regulatory audits" the Draft CRIS gives no detail on what this actually means for establishments. Substantial changes in the audit process need to occur to reduce what is becoming an increasing, unsustainable cost and regulatory burden.

APL also questions some of the underlying assumptions in the draft consultation paper. Table 10: Meat export fees, levies and volumes (2015-16 to 2018-19) estimates that the Through Put-Pig at 3.78 million head. APL data shows that the number of pigs slaughtered in 2014-15 was 4.924 million with slaughter numbers projected to increase to 5.33 million in 2018-19. This is a substantial variation on the through put volume (3.78 m) outlined in the Draft CRIS. Around 80-85 per cent of pigs are slaughtered through the pork export abattoirs. Based on 2014-15 slaughtering's, the Draft CRIS should be revised to reflect a throughput of pigs of 4.0 million.

APL is also concerned about what it considers to be a lack of analysis on quota fees and activity volumes. In particular APL would like to see further analysis of how this fee structure will operate as markets in Asia become more accessible following the recent signing of several free trade agreements. This needs to be undertaken before any informed comment can be made.

Should you have any questions about this submission, please do not hesitate to contact John McGoverne on 02 62708846 or via email John.McGoverne@australianpork.com.au.

Yours sincerely



Deb Kerr
General Manager, Policy