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Mr David Murphy
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via email: david.v.murphy@pwc.com

Dear Mr Murphy

Independent Review of the Meat Export Programme Cost Base

Australian Pork Limited (APL) welcomes the opportunity to provide a submission for the Independent Review of the Meat Export Programme Cost Base. APL's response to this Review largely draws on its advocacy on the Cost Recovery Impact Statement (CRIS), unresolved matters arising from this and additional industry issues that have been identified subsequently.

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.

As an industry that successfully competes on domestic and international markets without the benefit of producer subsidies or tariff barriers, APL supports any initiatives that reduce costs to the pork industry and its supply chain and costs which reflect the actual cost of the export certification process.

Through submission on the CRIS Consultation Draft, APL made recommendations to the Department of Agriculture and Water Resources on the meat export programme's cost structure and business efficiency. APL acknowledges the Department, in the short term, has attempted to reduce the impact of these costs to export establishments.

Pork export establishments have advised that one of the most significant costs they have is audit costs. The fee structure for audits detailed in the CRIS show no change in the cost per quarter hour, yet pork establishments report increased time to undertake individual audits.

A reduction in audit time could be achieved on the basis that a substantive part of these audits relate to export market requirements for the red meat industry which are not applicable to pork export establishments, for example halal certification. APL supports a more effective and efficient audit system that reduces the time and resource impacts on both pork export abattoirs and the department.

Similarly there is a lack of transparency on cost structures. A recent issue highlighted this when an on-plant veterinarian (OPV) was requested to attend another establishment on a no kill day, despite the establishment where he is located paying a monthly fee for the ongoing presence of the OPV on-site and had accounted for him being present for the no kill day. It is unclear if recovery in this example results in over-recovery, cross subsidisation or is simply 'double-dipping'.

While the Department is of the view that this is not occurring at an industry service level, there is certainly a perception in the industry of this occurring at the establishment level. If this occurs more widely across the industry the potential of over recovery is of concern.

The CRIS proposed to offset registration fees from the Cost Recovery Reserve (previously the Income Equalisation Reserve) and this was not supported. 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 for individual sectors/commodities (establishment groups) to make an informed decision about the future use of their reserve account (or proportion thereof).

It should be noted the Department was tasked with this request twice prior to the release of the CRIS, yet the requests were ignored and the task not undertaken. APL would appreciate further clarification through this review on the 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).

Finally, APL questioned some of the assumptions in the CRIS, and it remains unclear whether the Department resolved these matters in the implementation of the CRIS. Table 9: 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 considerable variation on the through put volume (3.78 m) outlined in the CRIS, of which APL advised the department during the consultation period and drafting of the CRIS. Around 80-85 per cent of pigs are slaughtered through pork export establishments. Based on 2014-15 slaughtering data, the CRIS should reflect a throughput of pigs at 5.0 million.

Should you have any questions about this submission, please do not hesitate to contact Jessica Edington on 02 6270 8832 or via email Jessica.Edington@australianpork.com.au.

Yours sincerely



Deb Kerr
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