



CATTLE COUNCIL OF AUSTRALIA

SUBMISSION

Cost Recovery Implementation Statement: Meat export certification 2019-20

Cattle Council of Australia (Cattle Council) welcomes the opportunity to provide input into the 'Cost recovery implementation statement: food export certification 2019-20' (CRIS).

Cattle Council is the peak industry body representing Australian beef cattle producers and advocates on behalf of the broader cattle industry. With over 72 per cent of all Australian cattle production exported (to over 78 countries), at a value of A\$9.5 billion in 2018-19, it is vital that Australia has an efficient and cost-effective export regulatory regime to support the growth of meat exports.

As part of the broader red meat supply chain, Cattle Council supports the Australian Meat Industry Council (AMIC) submissions (and subsequent recommendations made) to both this process and the Independent Review by Ernst and Young on the Cost of Export Certification November 2019. As a member of the National Farmers' Federation (NFF), Cattle Council has provided input into that submission also. The comments below are supplementary to those provided by AMIC and NFF.

There has been a massive expansion over the last two decades in what is considered able to be cost recovered, with the costs paid by industry quadrupling in that time¹. Cattle Council do not support the notion that market access activity is a regulatory activity. Cattle Council asserts that there is significant benefit to the Australian economy derived from meat exports, and in particular beef exports, and thus the Australian government have a vested interest in providing a sustainable, efficient and effective system.

Any increases in costs to the processing sector – either as a direct or indirect result of inefficient and ineffective cost recovery – has an immediate impact on the profitability of Australian beef producers and the Australian economy more broadly. The unchecked growth of the cost recovery program, especially during this time of exceptional drought, jeopardizes the sustainability and prosperity of all supply chain participants, including producers.

As the single biggest revenue stream for the Department, there is inherent bias to maintain and increase cost recovery for meat exports. The system needs improvements as outlined in the Auditor-General Report No.38 2018–19 Application of Cost Recovery². Regardless of these findings and subsequent recommendations and the Department's commitment to this report, Cattle Council is disappointed that the current draft CRIS has little to no changes that reflect the recommendations made in relation to improved efficiency and effectiveness of the cost recovery arrangements.

Additionally, there are no financial reports or operating budgets required from the Department relating to meat export cost recovery which leads to a lack of accountability and transparency within the system. To remain internationally competitive in Australia's high cost economy, producers require improvements to deliver efficient and effective programs.

Currently cost recovery programs are not subject to the same efficiency dividends that budget appropriated funding is. This has led to a 'gold plated' standard rather than a 'fit for purpose' system. This is particularly

¹ See SG Heilbron, op.cit., June 2016, p26.

² Auditor-General Report No.38 2018–19 Application of Cost Recovery (published May 2019):

<https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22publications%2Ftabledpapers%2Fc1e80993-8e98-4333-afcf-ef1c039209b6%22;src1=sm1>

concerning while government funding commitments to core functions of the portfolio continue to decline. Cattle Council supports the Department investigating long term structural and technological efficiencies rather than reducing 'frontline services.'

In regards to the question posed within the CRIS relating to modelling pricing for the 2019-22, Cattle Council supports the Department's efforts to 'allocating expense to the users that create the need for the activity' and thus consider that pricing option 3 is the most appropriate model presented. Option 3 will redirect levies and provide a harmonised fee-for-service structure.