

Stock Diseases Regulation 2009

Regulatory Impact Statement



**NSW DEPARTMENT OF
PRIMARY INDUSTRIES**

June 2009

**Stock Diseases Regulation 2009
Regulatory Impact Statement**

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NSW Department of Primary Industries
161 Kite Street, Orange
Locked Bag 21, Orange NSW 2800
www.dpi.nsw.gov.au

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Information sources

In the preparation of this regulatory impact statement information was sourced from officers of the NSW Department of Primary Industries.

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Executive Summary

NSW is a major producer of cattle, sheep and poultry products and, to a lesser extent, pigs and goats, for both domestic consumption and export. Beef production in NSW alone has a gross value of more than \$1.668 billion¹ annually.

The viability of all the major animal production industries and associated public health is dependent on a range of factors including the control of disease. Disease control involves limiting both the incidence and duration of disease outbreaks, and the spread of disease between animals and properties. In NSW, the *Stock Diseases Act 1923* (“the Act”) provides the legislative basis for the control of stock diseases.

The objective of the Act is the control and eradication of certain diseases in stock and the prevention of the spread of diseases to other stock. The *Stock Diseases Regulation 2004* (“the 2004 Regulation”) supports the Act through provisions which control disease testing, vaccination and the movement of stock. It also prescribes systems for the identification and tracing of stock, permits for moving stock out of quarantine areas, prohibits the feeding of certain substances to ruminant animals and pigs as well as identifying penalty notice offences.

The 2004 Regulation is due for automatic repeal on 1 September 2009 pursuant to section 10 of the *Subordinate Legislation Act 1989*. The NSW Government is proposing to make a new Regulation, to be called the *Stock Diseases Regulation 2009* (“the proposed Regulation”).

The proposed Regulation remakes, with certain changes, the 2004 Regulation. The most significant of the proposed changes will improve New South Wales’ compliance with the National Livestock Identification Scheme (NLIS) by enhancing the requirements for identification and traceability of stock. The most significant amendments include:

- Enhancing and extending the identification scheme for pigs;
- Requiring all movements of sheep and goats to be recorded on a mob-based movement database;
- Mandatory Property Identification Code (PIC) for all properties on which certain livestock are held;
- Voluntary permanent identification for horses and other equines, alpacas and other camelids; and
- Additional requirements to improve information exchange and to provide greater consistency with the NLIS.

The costs and benefits of the proposed provisions have been assessed and compared with alternative options, including those of not having a regulation and remaking the regulation without amendment.

¹ Australian Bureau of Statistics, Value of Principal Agricultural Commodities Produced, Preliminary 2006/2007

Enhancements to the identification and traceability of stock will improve NSW's compliance with the NLIS and disease control and ultimately the marketability of the livestock and their products. Improving NSW's compliance with the NLIS will impose a cost on industry and Government. However, it is considered that the benefits to industry in ongoing access to local and international markets, as well as ensuring that the community's expectations of safe food are met, outweigh the costs. NSW producers will not be disadvantaged by the proposed amendments compared to their counterparts in other States as the changes will be consistent across Australia.

The Primary Industries Standing Committee has agreed in principle to the changes, and the Primary Industries Ministerial Council will consider the issue in mid 2009. The NSW Farmers' Association, Safemeat, and the poultry and other table bird industries all support the proposals.

Implementation dates for sheep and goat traceability requirements will be finalised following discussion with the other States, Territories and the Commonwealth, and consultation with industry.

Overall, the proposed statutory rule is considered to be the most effective means of achieving the objectives of the Act and provides the highest net benefit to the community. It is therefore recommended that the proposed statutory rule be made.

The 2004 Regulation will be repealed on 1 September 2009.

Exhibition of the RIS and process for submissions

The Regulatory Impact Statement (RIS) provides interested stakeholders, including industry and members of the wider community, with an opportunity for direct input into the regulatory development process.

Public notice of the exhibition of this RIS and the proposed Regulation will appear in the NSW Government Gazette and in the following media:

- *The Sydney Morning Herald*
- *Daily Telegraph*
- *The Land*

In accordance with Government requirements, the proposed Regulation and RIS will be available for comment for a period of four weeks.

The regulatory impact statement is accessible at: www.dpi.nsw.gov.au

Additional copies may be obtained by telephoning 02 6626 2400.

How to make a submission

Interested parties are invited to submit written comments on the proposed Regulation and/or the RIS to the NSW Department of Primary Industries in any of the following ways:

Post

Peter Regan
NSW Department of Primary Industries
PO Box 72
ALSTONVILLE
NSW 2477

Facsimile

(02) 6628 5209

Email

peter.regan@dpi.nsw.gov.au

Submissions will close at 5pm on Monday 13 July 2009.

What will happen with submissions?

The NSW Department of Primary Industries will review all submissions received by the closing date and, based on this review, the proposed Regulation may be amended as necessary.

A copy of all submissions will be provided to the Legislation Review Committee of the NSW Parliament with the final version of the proposed Regulation.

1.0 Introduction

1.1 *Requirements under the Subordinate Legislation Act 1989*

Under the *Subordinate Legislation Act 1989*, statutory rules including regulations are subject to automatic repeal five years after being made.

When a regulation is due for repeal, the responsible agency must review the regulation and consider its social and economic impacts and whether the regulation remains relevant and necessary. The purpose of conducting regular reviews under the staged repeal program is to ensure that regulations continue to provide a net benefit to the community, and that any regulatory burden imposed on industry is justified. This review will assist the agency to make a decision about whether the regulation should be remade, either with or without amendments, or be allowed to lapse.

Under the *Subordinate Legislation Act 1989*, a regulatory impact statement (RIS) must include:

- a statement of the objective(s) sought to be achieved by the proposed regulation, and the reasons for these objectives;
- consideration of whether these objectives: are reasonable and appropriate; accord with the objectives, principles, spirit and intent of the enabling Act; and are consistent with the objectives of other Acts, statutory rules and stated government policies;
- alternative options (both regulatory and non-regulatory) by which those objectives can be achieved, either wholly or substantially;
- assessment of the costs and benefits of the proposed Regulation, including the costs and benefits relating to resource allocation, administration and compliance;
- assessment of the costs and benefits of each alternative option (to the making of the proposed Regulation), including the costs and benefits relating to resource allocation, administration and compliance. This assessment must include the option of not proceeding with any action;
- assessment of which of the alternative options involves the greatest net benefit or least net cost to the community; and
- a statement of the consultation program to be undertaken.

This RIS sets out the analysis of the impact of the proposed Regulation. The preparation of the RIS involved identifying and assessing the relevant costs and benefits of the proposed Regulation, other than those parts that deal with matters of a machinery nature.

1.2 *Better Regulation Principles*

In accordance with the Better Regulation Office's *Guide to Better Regulation* (April 2008), this RIS also addresses the seven better regulation principles. These are:

- Principle 1: The need for government action should be established;
- Principle 2: The objective of government action should be clear;

- Principle 3: The impact of government action should be properly understood by considering the costs and benefits of a range of options, including non-regulatory options;
- Principle 4: Government action should be effective and proportional;
- Principle 5: Consultation with business and the community should inform regulatory development;
- Principle 6: The simplification, repeal, reform or consolidation of existing regulation should be considered;
- Principle 7: Regulation should be periodically reviewed, and if necessary reformed to ensure its continued efficiency and effectiveness.

2.0 Outline of the regulatory proposal

2.1 Title of proposed statutory rule and authority

The proposed Regulation is the *Stock Diseases Regulation 2009* under the *Stock Diseases Act 1923*.

2.2 Name of proponent and responsible Minister

The Minister for Primary Industries is the Minister responsible for making the *Stock Diseases Regulation 2009*.

2.3 Legislative background

The viability of all major animal production industries is dependent on the control of disease. International stock disease events such as the outbreak of foot and mouth disease in the United Kingdom in 2001 and Bovine Spongiform Encephalopathy (BSE) in the United Kingdom and Europe have emphasised the importance of the regulation of stock identification and traceability to enable disease management and ensure food safety. The international marketplace now demands better identification and traceability of animal products. As the world's biggest exporter of beef (beef production in NSW alone had a reported gross value of more than \$1.668 billion² in 2006/07), Australia must conform to these requirements. Ensuring products are safe for Australia's domestic market is also critical to the future viability of livestock industries.

The proposed Regulation will be made under the *Stock Diseases Act 1923*. The Act applies to a wide range of stock diseases and the term "stock" includes any animal that is a mammal (other than humans), any bird or egg of a bird and any bee. The objective of the Act is the protection of animal health in NSW through measures which aim to control and eradicate certain diseases and to prevent the spread of diseases to other stock.

By limiting both the incidence and duration of disease outbreaks and the spread of disease between animals and properties, market access for NSW livestock is maintained and over time may be improved.

To achieve its objective, the Act provides for: powers of inspectors; control of diseases in stock through requirements for notification of diseases, declarations of quarantine areas

² Australian Bureau of Statistics, Value of Principal Agricultural Commodities Produced, Preliminary 2006/2007

and quarantine circumstances; control of designated diseases; destruction of certain stock; and prohibitions concerning artificial breeding material. As well, the Act provides for offences and the making of regulations that address a wide range of matters (section 23). The *Stock Diseases Regulation* gives effect to the intent of the Act.

2.4 Need for Government action

The maintenance of public health and ensuring a disease-free food supply to domestic and export markets is an appropriate role for government. It is important to avoid market failure, whereby industry members are not prepared to incur costs for the common good. It is not considered that industry self-regulation or the actions of the marketplace would be effective in the control of stock diseases.

Disease control actions such as identification systems for stock under national protocols, restricting the movement of stock to prevent the spread of disease, treating and, in some cases, destroying diseased animals, need to be regulated and administered by government.

The National Livestock Identification Scheme (NLIS) provides for individual animals to be tracked from their place of birth to slaughter for food safety, product integrity and market access purposes. There is a global trend towards adopting animal traceability systems. Australia's major competitors and customers have adopted, or are in the process of adopting, animal identification systems. To maintain our competitive advantage, NLIS became mandatory in Australia in 2005. The objectives of NLIS include ensuring domestic and international market access and building consumer confidence, while also reducing the impact of disease outbreaks.

2.5 Objective of Government action

The provisions of the Act and proposed Regulation ensure that Government has the means to control and eradicate certain diseases in stock. The aim of the proposed Regulation is to prescribe matters which are considered necessary for the operation of the Act while minimising the cost to industry, Government and the broader community of NSW. The proposed Regulation provides the detail for the control of certain diseases and matters to ensure the identification and traceability of stock.

2.6 The 2004 Regulation

The 2004 Regulation assists the Act to meet its objective to control and eradicate certain diseases in stock and prevent the spread of diseases to other stock.

Part 2 provides for the treatment of stock in respect to certain diseases, such as BSE, by specifying requirements essential for their control and management.

Part 3 provides for the identification of stock including identification of pigs that weigh more than 25 kg and all cattle, for transaction purposes, and how they are to be identified.

It also provides for mandatory permanent identifiers to be used on a range of stock, including sheep and goats. As well, it sets out the requirements for the management of information regarding certain stock for persons involved in that stock's movement and sale.

This Part also provides for exemptions from the requirements of the Part. Exemptions are required when full compliance cannot be expected, such as in an emergency or during periods of change.

Miscellaneous provisions are included for identifying: the 'authorised administrator'; the production and supply of 'special identifiers'; the provision of information to the 'authorised administrator' and other persons; assigning identification codes; requirements for the keeping of registers; requirements for unidentified pigs, and various matters relating to the use and misuse of approved identifiers.

Part 4 defines what a quarantine line is, and specifies the requirements for a permit to move things other than stock out of a quarantine area or across any quarantine line.

Part 5 prescribes the processes for applying for and revoking a permit, for orders to test before granting a permit and for appeal against a refusal of application or revocation of a permit.

Part 6 covers miscellaneous matters, including authorised officers and inspectors. It provides for the prohibition on feeding certain materials to ruminants and pigs and for the offence of communicating disease to stock. It also provides for an offence for the provision of false or misleading information.

Schedule 1 sets out penalty notice offences under the Act and the Regulation and the amounts of the penalties.

2.7 The proposed Regulation

While many of the provisions of the 2004 Regulation will remain, a number of amendments are proposed. The proposed Regulation has been developed in consultation with NSW Farmers, Safemeat, the NSW Livestock Health and Pest Authorities, and the poultry and other table bird industries. The main amendments are set out below.

2.7.1 Part 3 Identification and tracing of stock

Definitions for goats and sheep have been included. The definition of '*identifiable stock*' has been extended to include pigs, goats and sheep. The definition of '*relevant identification particulars*' has been amended to ensure that pigs, sheep and goats have an attached identifier for each property they have been resident on throughout their life.

Subdivision 2 specifies requirements for appropriate identifiers and how, when and where stock are to be identified. The requirements will apply to all cattle, pigs, sheep and goats. Previously, identification requirements applied to cattle, to pigs over 25kg and to sheep and goats in certain circumstances. Also prescribed are permanent identifiers; when cattle, pigs, sheep and goats are to be identified; and requirements for those who use, sell or supply permanent identifiers (clause 18).

The proposed Regulation specifies requirements for stock and station agents and owners and persons in charge of stock, saleyards and abattoirs, to improve information exchange and to provide greater consistency with the NLIS.

It is also proposed to make it mandatory to provide the serial number of the relevant movement documents such as the National Vendor Declaration (NVD) to the authorised administrator after cattle arrive at a property from another property. The person or owner in charge of a saleyard or an abattoir must also make a daily record of the number of cattle sold, resident and/or killed.

Additional requirements under clauses 22(7)(h) and 24(4)(f) are proposed where cattle that are held at saleyards and abattoirs are moved to another property. This will ensure that movements of cattle passed in at a sale or not slaughtered at an abattoir are recorded.

New requirements are also proposed for pigs. Clauses 29–31 specify requirements for the management of information for pigs arriving at a saleyard, abattoir or property.

The identification and traceability of sheep and goats arriving at saleyards, abattoirs and properties will be improved. This will be achieved through requirements for the owner or person in charge of a saleyard to provide information to the authorised administrator on the identification of the sheep or goats, the property of origin and future properties where the stock is being sent (clause 32(7)).

Similarly, the owner or person in charge of an abattoir (clause 34(4)) and the owner or person in charge of stock sent to a property (clause 35(3)) will be required to provide details of mob-based movements of sheep and goats to the authorised administrator.

Voluntary permanent identification is proposed for horses, other equines, alpacas and other camelids. The proposed voluntary identification will be based on national standards (clause 36).

Property Identification Codes (PICs) are proposed to become mandatory for all properties on which certain livestock are held (clause 37). For the purposes of this requirement, the term ‘stock’ means bison, buffalo, camelids, cattle, deer, equines, goats, pigs, poultry, rabbits and sheep. Threshold stock numbers and transitional arrangements may be applied by way of orders pursuant to clause 14 which allows the Director-General to provide exemptions. It is proposed that, once assigned, a PIC will not require renewal, whereas currently an assigned PIC remains in force for 3 years after which it may be renewed by application. A strategy for the practical implementation of mandatory PICs will need to be developed.

Amendments also seek to provide greater clarity on how information on registers may be used and by whom, and for consistency with the *Terms of Use for the NLIS database*.

2.7.2 Part 5 Permits

It is proposed to omit some of the present requirements relating to permits, as they are not considered necessary for the operation of the permit system.

2.7.3 Part 6 Miscellaneous

A new provision is proposed that requires diseases of bees to be notified to an inspector who is also an inspector under the *Apiaries Act 1985* (clause 64).

Clause 69 prescribes certain materials as ‘restricted animal material’ which are prohibited as stock food for ruminant animals. It is proposed that tallow not be considered a prohibited substance for ruminants, if its moisture and insoluble impurities content do not exceed two per cent. The measurement of the moisture and impurities content must be in accordance with the methods of the American Oil Chemists’ Society.

In the 2004 Regulation, clause 60 prohibits the feeding of “any carcass or part of a carcass” or “excreta of any mammal or birds” to pigs. Pigs regularly eat dead pig carcasses when they have access to them and it is not considered a biosecurity risk, provided they are domestic pig carcasses from the property on which they are fed.

Clause 70 of the proposed Regulation will allow the feeding of carcasses and excreta to a pig if those substances are derived from a domestic pig that was born on the same property.

2.8 Comparison of the requirements of the 2004 and proposed Regulation

Contents	2004 Regulation	Proposed Regulation
Part 2 Treatment of Stock	Requirements for the diseases anthrax, TB, BSE and AI	Requirements unchanged.
Part 3 Identification of Stock	Mandatory identification requirements for cattle, and pigs over 25kgs.	Mandatory identification and tracing requirements to include cattle, sheep, goats and all pigs. New title includes "and tracing" of stock.
- Additional Requirements for cattle	Requirements for stock and station agents and owners and persons in charge of cattle at saleyards and abattoirs and provision of information to an 'authorised administrator'.	Enhanced information requirements including: records of cattle sold, resident or killed each day. Mandatory recording of NVD serial number. Recording of PIC of the property cattle sent to.
- Additional Requirements for pigs	Requirement for pigs over 25 kgs to be permanently identified when sent to sale, slaughter or another property.	Extended requirements to identify all pigs and the recording and management of information when sent to sale, slaughter or another property.
- Additional requirements for sheep and goats	Requirements to identify all sheep and goats leaving property and the recording and management of that information.	Extended requirements for stock and station agents and owners and persons in charge of sheep and goats at saleyards and abattoirs. Includes the recording, management and provision of information to an 'authorised administrator'.
- Property Identification Codes	A Property Identification Code may be assigned to a property, saleyard or abattoir by a district registrar. An assigned PIC remains in force for 3 years after which it may be renewed.	Mandatory Property Identification Codes for properties carrying certain stock. No renewal requirement.
- Voluntary permanent identification of horses, other equines, alpacas, and other camelids	No requirements for voluntary identification of horses, other equines, alpacas and other camelids.	Provisions for the voluntary permanent identification of horses, other equines, alpacas and other camelids.

The Act provides broad heads of power relating to control of diseases in stock, for instance with regard to quarantine areas, control of designated diseases, destruction of stock and powers of inspectors, but it does not provide for actions to be taken to control disease, such as testing and vaccination for certain diseases, and limits on stock movements in relation to these diseases. Without a Regulation prescribing these actions, the government would not be able to manage stock diseases effectively.

Further, without a Regulation, the NLIS would not be fully implemented across the State. This would mean that NSW could not ensure that its agreements with other Australian jurisdictions concerning the NLIS were met, contributing to a serious breach in national biosecurity management. Such breaches would jeopardise NSW's ability to manage disease outbreaks that could affect domestic and international market access and reduce public confidence in food safety.

In summary, allowing the 2004 Regulation to lapse would limit the effective implementation of the Act, and prevent its objectives being fully achieved.

3.3 Option 2: Remake the 2004 Regulation without amendment

If the 2004 Regulation were remade without amendment, it would continue to provide for disease management, and some stock identification and traceability requirements. However, the current requirements would not ensure NSW's compliance with the NLIS or enable the Government to respond appropriately to biosecurity risks.

Without amendment, the 2004 Regulation would not provide for the mandatory identification of all stock whenever they leave a property. This would continue to limit the ability of the inspectorate to identify and trace diseased animals and therefore to control the spread of animal disease. For instance, pigs weighing less than 25 kilograms would remain unidentifiable.

Stock and station agents, owners and those in charge of saleyards and abattoirs are currently required to provide information on cattle for NLIS purposes. These provisions do not apply to sheep and goats. The traceability of sheep and goats is therefore very limited, and this could impact on the ability to identify a source of disease or food safety incident. It would also mean that NSW did not comply with the nationally agreed actions to extend the NLIS to sheep and goats.

The 2004 Regulation currently allows for the assigning of PICs although it is not mandatory. An assigned PIC remains in force for 3 years, after which it may be renewed. PICs are essential for livestock identification and traceability, but the 2004 Regulation does not ensure the identification of all properties which carry certain stock. Without property identification, it is not possible to trace animals to either their property of origin or other properties where they have resided. This limits the ability of Government to respond in the event of a disease outbreak or a food safety incident.

Remaking the 2004 Regulation without change would not provide enhancements such as voluntary permanent identification for horses, other equines, alpacas and other camelids and the clarification of matters in regards to prohibition on feeding certain materials to ruminants and pigs. Without such enhancements the Regulation would fail to address some significant biosecurity concerns.

It is not considered that this option would provide the best regulatory framework for NSW biosecurity or provide optimum benefits for the community.

3.4 Option 3: The proposed Regulation

The proposed Regulation remakes the 2004 Regulation with amendments. The proposed Regulation will improve NSW's compliance with the NLIS, particularly for sheep and goats. These improvements will enable better identification and management of disease outbreaks when they occur, and ensure market access for NSW livestock producers is maintained and enhanced.

The proposed amendments will improve property and stock identification and traceability through a range of new requirements. These requirements are considered essential to ensure the NLIS continues to operate effectively in NSW.

The Primary Industries Standing Committee and the Primary Industries Ministerial Council are made up of the Chief Executives and Ministers from every State and Territory as well as the Commonwealth Government. The Primary Industries Standing Committee has agreed in principle to the proposed NLIS changes. The Primary Industries Ministerial Council will consider the changes in mid 2009 and NSW will consider implementation dates for sheep and goat traceability requirements in discussion with the other States, Territories and the Commonwealth.

The amendments include mandatory PICs for properties on which certain stock are held, however an assigned PIC will not require renewal. Enhancements to the identification and traceability requirements for pigs, sheep and goats are also proposed. The proposed Regulation will also provide for the voluntary permanent identification of horses, other equines, alpacas and other camelids.

Other proposed amendments will address an important food safety issue by specifying some improved requirements for prohibition on feeding certain material and substances to ruminant animals and pigs.

It is considered that this option will provide the best regulatory framework for NSW biosecurity and provide optimum benefits for the community.

4.0 Cost-Benefit Analysis

4.1 Methodology

The methodology used for analysing the options and the impact of the proposed Regulation is based on the procedure set out in Schedule 1 and Schedule 2 of the *Subordinate Legislation Act 1989* as well as the following guidelines:

- New South Wales Treasury, *NSW Government Guidelines for economic appraisal* (July 2007);
- Better Regulation Office, *Guide to Better Regulation* (April 2008); and
- Better Regulation Office, *Measuring the Cost of Regulation* (June 2008).

This RIS assesses the impacts of the proposed Regulation against the alternative options of allowing the 2004 Regulation to lapse and remaking it without amendment. Impacts include direct and indirect costs and benefits. Details and analysis of the identifiable direct costs have been included in Appendix A.

Where the impacts of an option cannot be assessed in monetary terms, qualitative judgements have been made. Appendix B contains a multi-criteria analysis based on criteria relevant to the objectives of the Act.

4.2 Machinery clauses

The proposed Regulation will remake unchanged many provisions which are considered to be machinery, including:

- Clause 3 which sets out definitions of certain terms in the Regulation.
- Clause 13 which sets out definitions of certain terms in Part 3 "Identification and tracing of stock".
- Clause 17 which sets out definitions of certain terms in Division 2 of Part 3 "Mandatory Permanent identification of cattle, pigs, goats and sheep".
- Clause 44 which provides that the Director-General has the discretionary authority to appoint a person or body to be the 'authorised administrator' for the purposes of Part 3 "The identification and traceability of stock".
- Clause 58 which defines a "quarantine line" for the purposes of Part 4 "Movement of things out of a quarantine area".
- Clause 63 which prescribes the persons by position title who are "authorised officers" for purposes of section 7(4) of the Act.
- Clause 65 identifies for the purposes of 12A (3) of the Act the evidence of an inspector's appointment.
- Clause 66 identifies who is an inspector for the purposes of section 17 (4) (b) of the Act.
- Clause 67 identifies authorised officers for the purposes of section 18(3) of the Act.
- Clause 72 which provides for the creation of penalty notice offences for the purposes of section 20O of the Act.

It is not considered necessary to discuss these machinery provisions in detail, but comment on the above provisions may nevertheless be included in submissions and will be duly considered.

4.3 Option 1: No Regulation

4.3.1 Option 1 - Costs

Costs for businesses

- **Loss of market access and consequent industry profitability**
As most international markets now require stock identification and traceability, without the requirement to comply with NLIS the NSW stock industry would, over time, not be able to sell into many of its current markets. This would lead to a severe downturn and significant loss of income for the livestock industries. For example, exports of lamb to the European Union in 2008 were worth \$91 million.
- **Increased incidence of disease**
Control of disease is also critical to ensuring the profitability of livestock industries. Stock identification aids significantly in reducing the incidence and facilitating the management of disease outbreaks. Without traceability systems, disease outbreaks could last longer and have a wider impact on the industry.

- **Increased indirect costs due to uncertainty**
Livestock identification would be voluntary, and would lead to uncertainty for producers about the use of 'identifiers'. Verifying the origin of stock would be more difficult for disease control purposes.

There would be no regulation of the testing for significant stock diseases such as tuberculosis, BSE or avian influenza. This could lead to uncertainty, in the form of delays in identification and treatment of disease, with consequent financial and economic costs through stock losses and industry market reputation.

- **Increased costs of enforcement**
All offences committed under the Act would have to be prosecuted in court because of the absence of penalty notice offences. This would increase costs for industry.

Costs for Government

- **Increased difficulty managing stock diseases**
Government would not have appropriate systems for testing for, treating or tracing stock diseases, for example there would be no prescribed registers. Government action to manage stock diseases would be more time consuming, less effective and more difficult, requiring greater resources.
- **Increased costs of enforcement**
All offences committed under the Act would have to be prosecuted in court. This would increase the time to conclude matters, and make greater calls on the judicial system, leading to greater resource costs for Government. It would also result in increased costs for offenders.
- **Increased indirect costs due to uncertainty**
The costs outlined above for industry would apply to some extent to Government, because Government would be required to assume some responsibility in relation to verifying information and ensuring the actions of individuals were not fraudulent. This would result in higher indirect costs for Government.

Costs for consumers

- **Higher cost of farm products**
The loss of export market access would initially lead to more farm product being available on domestic markets. In the short term this could result in lower prices for consumers, but over time prices would rise as a result of the loss in industry viability and higher costs for industry.
- **Declining confidence in quality of farm product**
Consumer confidence that farm product conforms to minimum food safety and integrity standards will be reduced. This could result in consumers paying more for product that complies with those standards. Psychological impacts may also result from a loss of confidence in farm products.

Costs for community & the environment

- **Decreased profitability of regional industries**
Reduced profitability will result in reduced investment in affected industries, and will reduce employment options along the entire farm product supply chain. Lower industry profitability will also affect regional communities by lowering the demand for regionally sourced goods and services.

- **Increased health risks**
The lack of appropriate systems for testing for, treating or tracing stock diseases could lead to increased health risks to the community.
- **Adverse environmental impacts resulting from greater incidence of disease and residue contamination**
A greater incidence of disease could have direct environmental impacts, while the inability to identify the source of a chemical residue contamination in farm product could also impact directly on the environment. The inability to respond appropriately to disease outbreaks and residue contamination will result in greater impacts and increased costs for the community and the environment.

4.3.2 Option 1 - Benefits

Benefits for businesses

The 'no regulation' option would initially provide some benefits for businesses, but these would be rapidly overtaken by rising costs. Benefits would include:

- **No PIC requirements**
Businesses would not have to comply with livestock identification requirements or the mandatory use of PICs. There would also be no requirement to maintain records of the purchase and use of stock identifiers. Removal of these requirements would result in savings in both time and resources.
- **No costs associated with the purchase and use of stock identifiers**
Businesses would not have to purchase and use stock identifiers. This would save on costs associated with the purchase of identifiers and attaching them to the animals.
- **No fines due to lack of penalty notice offences**
Businesses would not be required to pay fines imposed by the use of penalty notices. However, this would leave prosecution as the main compliance option, which would increase costs for business when prosecutions are brought.

Benefits for Government

- **No costs associated with making the regulation**
There would be a small benefit to Government in not having to remake the regulation. However, this cost is minimal and the remaking of regulations is considered to be 'core business' for Government.
- **Reduced compliance costs**
There would be a significant saving in compliance costs for the Government, because the identification of stock would not be enforceable. However, this is likely to be offset by the costs to Government of managing disease outbreaks.

Benefits for consumers

- No expected benefits.

Benefits for community & the environment

- No expected benefits.

4.4 Option 2: Remake the 2004 Regulation without amendment

4.4.1 Option 2 - Costs

Costs for businesses

- **Costs associated with the purchase and use of stock 'identifiers'.**

The existing requirements would continue. Approximately 2.2 million cattle went to sale or slaughter in NSW in the year 2007-2008. The cost of purchasing and attaching identifiers for these cattle was approximately \$9.5 million.

Approximately 10.5 million sheep and goats were slaughtered or moved between properties in NSW in 2008. The cost of identification of these animals was estimated to be approximately \$4.8 million.

The 2004 Regulation requires all pigs over 25kg to be identified when they are sold, bought or sent to an abattoir or a saleyard. An estimate of the cost of pig identification in NSW in 2008 is approximately \$242,740.

- **Cost of assigning and renewing a PIC**

The 2004 Regulation does not prescribe fees for assigning a PIC, but many Livestock Health and Pest Authorities (LHPAs) charge a fee for this service. Currently the maximum fee for a PIC under State Council (LHPAs) guidelines is \$55. The 2004 Regulation requires a PIC to be renewed every 3 years, and some LHPAs charge for renewals. (See Appendix A for more details).

- **Costs associated with the recording, management and maintenance of information for cattle arriving at saleyards, abattoirs and properties**

The cost of recording, management and maintenance of the identification information on cattle in the year 2007-2008 was approximately \$9.8 million.

See Appendix A for more detail on current costs.

- **Declining industry profitability**

The inefficiencies and limitations of the current legislative requirements will increase the incidence of non-compliance with NLIS, and the management of disease outbreaks will remain sub-optimal. These factors will result in declining industry profitability. Without enforceable stock identification requirements for sheep and goats, future access to markets in the EU could be jeopardised.

Costs for Government

- **Cost of maintaining identification registers**

A district register, central and permanent identification register must be maintained for each PIC assigned. As of 27 March 2009 there were approximately 164,469 PICs, of which 89,816 were active. An assigned PIC is in force for 3 years after which it must be renewed. This requirement significantly increases the cost of maintaining the registers. Currently the maintenance of the central register by NSW DPI costs approximately \$30,000 per annum.

- **Compliance costs**

The continuation of the current requirements would not impose any new direct compliance costs on Government. There would, however, be indirect costs resulting from the declining efficiency of the 2004 Regulation, particularly in relation to the non-mandatory use of PICs. Government will continue to be responsible for resolving

issues concerning disease control and market access whether or not these responsibilities are statutory.

Costs for consumers

- **Declining confidence in quality of farm product**

As the efficiency of the 2004 Regulation declines so too will consumer confidence that farm product conforms to minimum food safety and integrity standards. This may result in consumers paying more for product that meets certain standards.

Costs for community & the environment

- **Decreased profitability of regional industries**

Continuing with the 2004 Regulation has the potential to decrease the profitability of regionally based livestock industries. This would result in less investment in the affected industries, and would have serious consequences for regional communities due to reduced employment opportunities in the livestock and related service industries.

- **Adverse environmental impacts resulting in greater incidence of disease and residue contamination of land**

The 2004 Regulation will continue to limit the Government's ability to manage disease outbreaks and incidences of residue contamination effectively. This will impact both the community and the environment.

4.4.2 Option 2 – Benefits

Benefits for businesses

Stock identification and record keeping requirements for saleyards, abattoirs and property owners would remain the same.

Benefits for Government

- **Compliance costs remain unchanged**

Stock identification and traceability requirements would remain unchanged, and Government's role would remain the same. There would be no additional costs associated with the development of policy and procedure, or the training of compliance staff to enforce the new requirements.

- **Availability of penalty infringement notices.**

Infringement notices prevent the majority of minor offences going to court, resulting in cost and time savings for offenders, Government and the criminal justice system.

Benefits for consumers

- Consumers will continue to benefit from the maintenance of the current system in the short term. However these benefits will decline over time as the current legislative controls lose effectiveness.

Benefits for community & the environment

- The community and environment will continue to benefit in the short term from the legislative controls currently in place. However these benefits will decline over time as the current legislative controls lose effectiveness.

4.5 Option 3: The proposed Regulation

4.5.1 Option 3 - Costs

Costs for businesses

- **Increased costs associated with the recording, management and maintenance of information for pigs, sheep and goats arriving at saleyards, abattoirs and properties.**

The proposed Regulation will impose new requirements for the management of information for pigs, sheep and goats at saleyards, abattoirs and arriving at properties.

There will be new requirements for information to be collected and maintained for pigs at saleyards, abattoirs and arriving at properties. Information will have to be maintained for two years by an agent (in a saleyard situation) or seven years by the person providing the information. These costs are expected to be minimal as the proposed requirements are for the most part consistent with the information currently required by the pork industry's 'PigPass' Quality Assurance Program.

For sheep and goats similar requirements will apply, however additional provisions will require the owner or person in charge of the saleyard or abattoir to provide the authorised administrator with specified information by the next working day after the sale or slaughter of the sheep or goats. Further, when sheep or goats arrive at a property,, the owner or person in charge of the property must provide the authorised administrator with the required information within seven days of arrival.

The costs of complying with these new requirements are highly variable and difficult to quantify. For saleyards, abattoirs and properties with electronic information management systems already in place, the costs will be minimal. The greatest costs will occur where new systems are needed to record and manage the information. In some cases this will require the purchase of equipment, including computer hardware and software for the management and transfer of the information, and the employment and training of staff.

Industry estimates of the costs of the new requirements for sheep and goats vary considerably. The Australian Livestock and Property Agents Association (ALPA) has indicated that in the case of saleyards which already have an electronic database management system in place, the cost could be limited to the provision of additional computer software. This cost is estimated to be approximately \$3000 per licence.

A Commonwealth Government subsidy is available through Meat and Livestock Australia (MLA), to assist with costs. The subsidy will cover 50 per cent of costs to the value of \$4000, ie a subsidy of \$1500 is available for expenditure of \$3000, with \$4000 available for expenses totalling \$8000 or more.

Costs for saleyards with no electronic database management system or office facilities will be the most significant. ALPA estimates that to provide the necessary facilities for a saleyard in these circumstances could cost \$35,000 in the first year. This estimate includes the cost of purchasing a computer and the appropriate software (approximately \$11,500), the employment and training of staff, and the provision of an office and associated resources.

However, it is likely that overall costs will be significantly less than for implementing the NLIS scheme to the cattle industry, which was estimated at close to \$10 million

over three years for producers, saleyards and abattoirs alone to comply with reporting requirements. The implementation of the NLIS for cattle required many producers, saleyards and abattoirs to adopt new management and reporting systems which will not have to be duplicated entirely to implement a similar system for sheep and goats.

See Appendix A for more details of costs.

- **Increased costs associated with the identification of pigs**

The proposed Regulation will require the permanent identification of all pigs when they leave a property in NSW, whereas currently only pigs that weigh more than 25 kg must be identified. This proposal has the support of the peak industry group Australian Pork Ltd. The new requirement will increase the cost of identification for pigs in NSW by approximately \$8,165 per annum. This figure is based on 19,440 weaner pigs (less than 25kg) moving off properties annually, at an average identification cost of approximately \$0.42 per pig. See Appendix A for further details of this calculation.

- **Increased costs associated with PICs**

The proposed Regulation includes a requirement that a property must have an assigned PIC if it contains certain stock, although some exceptions may be made related to threshold stock numbers and transitional arrangements. The definition of stock now includes bison, buffalo, camelids, cattle, deer, equines, goats, pigs, poultry, rabbits and sheep.

A significant number of land owners in NSW will need to apply for a PIC to be assigned to their property. It is estimated that this requirement could increase the number of assigned PICs substantially. The proposed Regulation does not prescribe fees for assigning a PIC, but most of the Livestock Health and Pest Authorities (LHPAs) charge for this service. Currently the maximum fee for a PIC under State Council (LHPAs) guidelines is \$55. See Appendix A for more details.

- **Increased administrative burden of maintaining district and permanent identification registers**

The proposed Regulation will impose new requirements for industry to obtain and provide information for the district and permanent identification registers each assigned PIC.

Costs for Government

- **Greater compliance costs/increased regulatory burden**

The proposed Regulation will increase costs for Government and LHPAs, including significant costs associated with ensuring compliance with requirements for stock identification and traceability, and PICs. Compliance costs for Government will include costs associated with the development of compliance policy and procedure, and the training of compliance staff required to enforce the new requirements.

Currently, LHPA rangers have a significant role in enforcing stock identification requirements. However, the role of LHPAs in relation to the proposed mandatory PIC requirements has not yet been determined. Until the new LHPA structures are in place and the role of LHPAs in relation to PICs has been clarified, the total additional compliance costs for LHPAs cannot be estimated. However, they could be significant.

- **Increased administration costs associated with the management of registers**
The proposed Regulation will impose greater costs for Government and LHAs in the maintenance of the central register and district registers. Maintenance of the central register currently costs NSW DPI approximately \$30,000 annually.

Currently there are 164,469 PICs on the central register, and it is estimated that the proposed Regulation could require anywhere between 24,000 and 130,000 new PICs. (See Appendix A for more details on number of new PICs.) Based on a proportional increase in the resources required, overall costs for the management of the registers could rise by at least 15 per cent during the implementation period for mandatory PICs.

Costs for consumers

- **Increased cost of meat products**
The proposed new stock identification and traceability requirements will impose costs on livestock producers, saleyard operators and abattoir owners. Although the price paid by consumers for meat is subject to many factors, it is likely that these costs will be passed on to consumers, resulting in an increase in the price paid for a kilogram of pork, lamb and goat.

Costs for community & the environment

The proposed Regulation is not expected to increase costs for either the community or the environment.

4.5.2 Option 3 – Benefits

Benefits for businesses

- **Improved market access for NSW livestock products**
Extended and enforceable stock identification provisions will ensure NSW's compliance with the NLIS and therefore assist in meeting the demand of European markets that sheep and goat meat products come from countries that have traceability systems. The proposed Regulation will maintain and improve market access for NSW livestock products now and in the future. Australia's future as an exporter to the EU is likely to depend on meeting this demand.
- **Improved disease management**
Better stock identification and traceability will improve disease management by enhancing the identification of the source of disease outbreaks and the movement of stock from suspect and infected properties. This will reduce the incidence, severity and duration of disease outbreaks.
- **Increased industry profitability**
The proposed Regulation will increase the profitability of NSW livestock industries through improved market access and better management of disease outbreaks. Better stock identification and traceability should also enhance on-farm management of stock, which also has the potential to increase industry profitability.
- **Red tape reduction**
The removal of the requirement to renew an assigned PIC every three years should reduce administrative costs over time. Costs for renewing a PIC are highly variable. (See Appendix A for more details). Although the costs generally do not exceed the initial cost of assigning a PIC, the proposed Regulation will decrease industry's administrative burden and the 'red tape' associated with the renewal process.

- **Reduced stock theft**
An incidental benefit from improvements in the identification of cattle, pigs, sheep and goats could be a reduction in stock thefts. Statistics indicate that since the introduction of NLIS for cattle in 2004 the number of reported cattle thefts in NSW has declined by almost 50 per cent. During the same period reported thefts of sheep remained unchanged. The proposed requirements could make it difficult to move stolen stock to saleyards, abattoirs and between properties.

Benefits for Government

- **Improved effectiveness and efficiency of compliance operations**
Although compliance costs are likely to increase under the proposed Regulation, better stock identification and traceability information will significantly improve the effectiveness of the Government's compliance operations.
- **Reduced administrative burden**
The mandatory requirement for PICs for properties with certain stock will lead to a significant number of new PICs being assigned across NSW. This will increase the administrative burden for Government and LHPAs in the implementation phase. However, the removal of the requirement for PIC renewal every three years will significantly reduce the administrative burden for Government and LHPAs over time.
- **Availability of penalty infringement notices**
The proposed Regulation will contain the same infringement notice provisions as the current regulation. Infringement notices prevent the majority of minor offences going to court, resulting in cost and time savings for offenders, the Government and the criminal justice system.
- **Reduced stock theft**
The Government will benefit from a reduction in sheep and goat theft, because of the reduced need for police resources to investigate thefts.

Benefits for consumers

- **Improve consumer confidence**
The proposed Regulation will lead to better management of disease outbreaks and food safety incidents, and it is hoped that the incidence of both will reduce over time. These factors, combined with a more effective response from both industry and Government when they occur, should improve consumer confidence in livestock industry products.

Benefits for community & the environment

- **More profitable regional industries**
The proposed Regulation has the potential to improve the profitability of regionally based livestock industries, which will result in more industry investment and more jobs in the livestock industries, which will have a positive impact on regional communities. Improved industry profitability will also increase the demand for regionally sourced goods and services.
- **Reduced incidence and better management of disease outbreaks and food safety incidents**
The proposed Regulation will make it easier to manage disease outbreaks and food safety incidents effectively, which will have direct benefits for the environment and the community by reducing impacts and costs.

4.6 Summary

Option 1, 'no Regulation', would impose the most significant costs on industry, Government and the community, mostly as a result of the loss of market access for NSW livestock industry products and the subsequent decline in profitability of NSW livestock industries. The outcomes of this option include unspecified and unenforceable stock identification and traceability requirements and the inconsistent use of property identification codes.

Option 2, 'remake the 2004 Regulation', would impose no new direct costs and would provide for the continuation of the current stock and property identification requirements. Although less costly initially than option 3, this option would over time result in increased costs. The limitations of the current stock identification requirements are likely to reduce market access for NSW pig, sheep and goat producers. These limitations will also reduce the effectiveness of industry and Government response to disease outbreaks and food safety incidents.

Option 3, 'the proposed Regulation', will impose new operating costs on both industry and Government, in relation to stock identification and traceability, through the mandatory use of PICs and the maintenance of registers. Government and the LHPAs will incur increased costs in ensuring compliance and maintaining district and central registers.

However these costs are not as high as the costs of option 1 and option 2, both of which have the potential to significantly reduce the profitability of NSW's livestock industries. Further, even though costs will be higher during the implementation phase of mandatory PICs under Option 3, the removal of the requirement to renew a PIC every three years will, over time, significantly reduce red tape for industry and the administrative burden for both LHPAs and Government.

NSW producers will not be disadvantaged by the proposed amendments compared to their counterparts in other States, because the changes are consistent with nationally agreed proposals to implement improved stock identification and traceability requirements.

The benefits of the proposed Regulation are potentially very significant, including improved international market access, better disease management and safer food. The development of export markets for Australian meat products has enabled NSW's livestock industries to grow beyond the limitations of supplying our domestic markets. In the international marketplace there is an increasing demand for products which are free of disease and safe for the consumer. This includes the requirement that exporting countries can manage disease and food safety risks should they arise.

The objectives of the proposed Regulation include ensuring market access for NSW livestock products is maintained and enhanced into the future. Whilst the potential benefits cannot be fully quantified, the requirements under the proposed Regulation could determine the future viability of both the livestock industries of NSW and the regional communities they support.

4.7 Preferred Option

The proposed Regulation will facilitate the identification and traceability of stock to enable market access and provide for the effective management of disease outbreaks and food safety incidents, thereby providing the greatest net benefit for the community. It contains provisions which are considered essential for the effective and efficient

operation of the Act, including requirements for the control of certain diseases, the identification and traceability of stock, the use of property identification codes, restrictions on feeding certain substances to ruminants and pigs, and the identification of penalty notice offences.

The proposed Regulation is consistent with current Government policy, in that it provides controls which limit the threat of disease to the livestock industries of NSW whilst ensuring there are systems in place to facilitate market access for NSW livestock. It is consistent with community expectations and does not impose an unnecessary regulatory burden on the community.

The proposed Regulation seeks to ensure that the statutory framework is efficient and effective. The costs and benefits of the proposed Regulation are such that, when considered against the alternative options, this option is expected to provide the greatest benefit to the community. The preferred option is to therefore to make the proposed Regulation.

5.0 Consultation

5.1 Consultation during development of proposed Regulation

The proposed Regulation was developed in consultation with a wide range of stakeholders. The proposed changes to requirements for the identification and traceability of stock have been developed in consultation with the NLIS Sheep and Goat Implementation Advisory Committee (NSW, reporting to the Minister) and the NLIS Sheep and Goat Management Committee (reporting to Safemeat).

Major industry and government groups are represented on these committees, including NSW Farmers Association, Australian Livestock and Property Agents Association, Australian Pork Limited, Australian Meat Industry Council, Saleyard Operators of Australia, Cattle Council of Australia, Sheep Meats Council and Meat and Livestock Australia. Other organisations including the Australian Quarantine and Inspection Service, the NSW Food Authority, the State Council of the Livestock Health and Pest Authorities (previously Rural Lands Protection Boards) have also been consulted.

5.2 Consultation program on proposed Regulation and RIS

The proposed Regulation and the RIS will be sent directly to a range of stakeholders and Government agencies for comment (see Appendix C). In addition, the general public will be able to make submissions on the proposed Regulation and RIS.

6.0 Evaluation and Review

The proposed Regulation, once made, will be the subject of periodic review under the requirements of the *Subordinate Legislation Act 1989*, which provides for most regulations to be subject to repeal every five years.

Appendix A: Costings

1. Types of costs

A. Provisions that impose direct costs.

- Permanent identification of cattle, pigs, goats and sheep (Clauses 18 – 21)
- Purchase and use of stock identifiers
- Obtaining a Property identification code (PIC) and agent identification code (AIC).
- Penalty infringement notices.

B. Provisions that impose compliance costs

- Additional requirements for cattle (Clauses 22 - 25)
- Additional requirements for pigs (Clauses 29-31)
- Additional requirements for sheep and goats (Clauses 32-34)
- Requirement for certain properties to have identification codes (Clause 36)

C. Provisions which impose indirect costs but reduce administrative uncertainty

- The assigning of identification codes (Clauses 37)
- The purpose and use of registers (Clauses 39 - 42)

APPENDIX A: Table 1: Overview of costs arising from each regulatory option

Option	A. Direct Costs	B. Compliance Costs	C. Indirect Costs
Option 1: No regulation		Administrative inefficiencies caused by no provisions for: <ul style="list-style-type: none"> - treatment of stock - identification of stock - mandatory permanent ID of stock - requirements for cattle, sheep and goats - movement of things out of quarantine area - the use of special brands - requirements for feeding of certain substances to ruminants and pigs 	Administrative uncertainty caused by no provisions for: <ul style="list-style-type: none"> - assigning and renewing of Identification codes - purpose and use of registers
Option 2: Regulation remade without change	Stock identification requirements for cattle, and some pigs, sheep and goats Penalty Notices	Registers Use of PICs Management of information regarding cattle arriving at saleyards, abattoirs and arriving at property.	Uncertainty caused by no: <ul style="list-style-type: none"> - Updating of definitions - Changes as a result of RLP Act amendments - Changes to position titles - Changes to operations of registers - Identification of authorised officers and inspectors Administrative inefficiencies caused by: <ul style="list-style-type: none"> - Discretionary use of PICs

APPENDIX A: Table 1: Overview of costs arising from each regulatory option

Option	A. Direct Costs	B. Compliance Costs	C. Indirect Costs
Option 3: Proposed Regulation	Permanent ID of cattle, pigs, goats and sheep Penalty notices	Management of information for cattle, pigs, sheep and goats arriving at saleyards, abattoirs and arriving at property. Voluntary horse, other equine, alpacas and other camelids identification scheme	Requirements for Registers Mandatory use of PICs

2. Cost of Cattle Identification and Traceability requirements

Current costs for the identification of cattle and the management of information for cattle arriving at saleyards, abattoirs and property would continue. In 2004 an estimate of these costs was prepared by NSW DPI. Annual recurrent costs were estimated to be approximately \$19.2 million. The current cost of individual identifiers is similar to 2004 costs, although labour and administration costs have increased.

The cost estimate for the year 2007-2008 is largely unchanged due mainly to lower stock numbers. The 2004 estimate was based on almost 2.6 million head whereas the total head for the year 2007-2008 was approximately 2.2 million.

Table 2 contains an estimate of the current costs, including the current average cost of purchasing identifiers and a 3% annual increase in other costs consistent with rises in the Consumer Price Index. This information is based on information available for the year 2007-2008.

Table 2: Mandatory Permanent Identification for Cattle - Annual Recurrent Costs

Costs to cattle industries:	
• Purchasing identifiers ⁽¹⁾	\$ 8,158,000
• Labour to attach identifiers ⁽²⁾	\$ 1,365,000
• Purchasing and maintaining readers (producers) ⁽³⁾	\$ 1,348,000
• Recording and notifying cattle movements (producers) ⁽⁴⁾	\$ 1,480,000
• Depreciation of readers; scanning and notifying movements (saleyards and agents) ⁽⁵⁾	\$ 4,981,000
• Depreciation of readers; scanning and notifying movements (abattoirs, feedlots) ⁽⁵⁾	\$ 640,000
• Auditing orders for identifiers and saleyards (RLPBs, funded by producers)	\$ 595,000
• Database administration (MLA, funded by producers)	\$ 252,000
Total industry costs	\$ 18,819,000
Costs to Government:	
• Administration by NSW DPI ⁽⁶⁾	\$ 300,000
• Reader maintenance by NSW Police	\$ 24,000
Total Government costs	\$ 324,000
Total annual recurrent costs	\$ 19,143,000

(1) Based on average cost of \$3.70 per ear identifier and 2,204,924 head of cattle.

(2) Based on 2 minutes per head and a labour rate of \$18.50 per hour

(3) Assumes 3% of additional producers purchase readers each year, and 25% annual depreciation

(4) Based on 2 minutes per animal per movement

(5) These costs might be passed on to producers as fees for service

(6) This includes staff salaries in relation to cattle identification and compliance activities, and \$30,000 for maintaining the central register

3. Cost of Sheep and Goats Identification and Traceability Requirements

3.1 Current costs of sheep and goat identification.

The 2004 Regulation originally required that from 1 January 2006 any sheep or goat must be permanently identified before leaving the property on which it was born. From 1 January 2009 all sheep and goats in NSW were also required to be permanently identified before leaving a property on which they are kept. An estimate of the costs of complying with the identification requirements in place since 1 January 2009 (based on 2008 industry statistics) is as follows:

In 2008 approximately 2.8 million sheep, 4.4 million lambs and 300,000 goats were slaughtered in NSW (source: MLA). Furthermore approximately 3 million sheep and goats were moved between properties in NSW. Therefore a total of approximately 10.5 million sheep and goats would require identification.

Estimate of the cost of sheep/goat identification: \$0.33 (tag) plus \$0.125 for labour (\$25 per hour and tagging approx. 200 sheep per hour) = \$0.455/head.

Total sheep and goat movements (either to slaughter or another property) X the cost of identification:

$$10,500,000 \times \$0.455 = \$4,777,500.$$

3.2 Potential costs of information requirements for sheep and goats

The proposed Regulation includes new costs associated with the requirements for the management of information for sheep and goats arriving at saleyards, abattoirs and properties. In 2004 NSW DPI prepared an estimate of the cost of implementing NLIS for the cattle industry. It was estimated that the total cost to industry of implementing NLIS for cattle in NSW could be \$37.5 million over 3 years. This included the cost of implementing the information requirements across saleyards, abattoirs and properties, which were estimated to be:

• Recording and notifying cattle movements (producers)	\$ 895,000
• Additional infrastructure at saleyards	\$1,000,000
• Recording and notifying movements (saleyards, abattoirs,)	\$7,023,000
• Database set up and management (MLA)	\$ 716,000

Total costs	\$9,634,000
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An estimation of the potential costs of the proposed Regulation to the sheep and goat industry includes a consideration of the following:

- i) **Saleyard costs.** There are 40 accredited saleyards in NSW which handle sheep and goats. Approximately 37 are currently 'active'. Estimates of costs vary considerably. Saleyards which already have a computerised data management system may only require some additional software and staff training. At Dubbo costs have been estimated to be approximately \$6000 (software only, 2 licenses). A saleyard with no facilities such as Narromine could have establishment costs in the first year as high as \$35,000 (computer, staff and resources). A subsidy is available through MLA to cover 50% of costs up to a maximum of \$4000.

- ii) **Abattoir costs.** Similar information requirements as for saleyards, including the requirement to provide the information to the 'authorised administrator'. There are 17 accredited sheep meat processors in NSW. There will be costs associated with the management of this information, however they should be significantly lower than for saleyards as all sheep and goat abattoirs in NSW have computerised office facilities. Currently 12 of the accredited sheep meat processors also process beef.
- iii) **Property owner costs.** Similar information requirements as for saleyards. Although information has to be retained and provided to the 'authorised administrator', this does not have to be done electronically. It could be by fax or writing.

The total cost of requirements of the proposed Regulation to the sheep and goat industry is difficult to quantify. The implementation costs for saleyards, abattoirs and producers would be highly variable. The implementation of the NLIS in cattle required many producers, saleyards and abattoirs to adopt new management and reporting systems which will not have to be duplicated entirely to implement a similar system for sheep and goats.

4. Additional Requirements for the identification of pigs and the management of information for pigs arriving at saleyards, abattoirs and property.

The proposed Regulation will require the identification of all pigs leaving the property on which they were kept. Currently this is required only for pigs weighing over 25kg.

Table 3: Estimated cost of pig identification (for pigs over 25 kgs) in NSW in 2008.

Estimated NSW sow numbers 2008	76,000
Ave. pigs weaned pa	18
Total pigs produced in NSW pa	1,368,000
Less est. pigs sold as weaners	19,440
Total pigs produced over 25 kg	1,348,560
Estimated cost of tattooing pigs (per pig) - includes labour, ink and infrastructure	\$0.18
<i>Estimated cost of pig identification (pigs over 25 kg) in NSW in 2007-08</i>	\$242,740.80

The following table contains an estimate of the cost for pig producers to comply with the new requirements.

Table 4: Estimate of the cost for NSW pig producers of the permanent identification of all pigs less than 25 kg when they leave a property in NSW

NSW requirement for all pigs to be identified		
Sows held by NSW producers categorised in PigPass database as 'weaner' producers	1,088	
Average pigs per litter per annum	18	
Total weaners produced per annum	19,440	
Ear tag cost per unit (\$)	0.3	
Cost of ear tags per annum (\$)		\$5,832.00
Labour cost to apply tags per annum*		\$2,333.00
Est. total per annum cost of ear tagging weaners sold for grow out or slaughter in NSW		\$8,165.00

* Large piggeries carry out ear tagging in conjunction with other tasks, est. 8 man hours per week to tag 2,000 pigs at \$30 per hour (includes insur. etc). For medium to small piggeries the smaller scale will result in higher labour costs.

Information provided by Mr Bill Salter, Manager, Traceability & Systems Integration, Australian Pork Ltd.

On the arrival of pigs at a saleyard, an abattoir or a property the owner of person in charge of the pigs will be required to provide information to the stock and station agent, owner of the abattoir or property. The person receiving the information and the person providing the information must retain this information for a period of 2 years or 7 years respectively. Providing and retaining this information will impose administration costs on industry. However as the information requirements are consistent with the pork industry quality assurance scheme 'Pig Pass' the additional costs are not likely to be significant.

5. Mandatory requirement for certain properties to have assigned property identification codes (PICs)

The requirement for mandatory PICs will include all properties on which there are cattle, pigs, sheep, goats, buffalo, bison, deer, camelids, equines, rabbits, and poultry, although it is anticipated that some exceptions may be made related to threshold stock numbers and transitional arrangements.

Although this new requirement means that a significant number of property owners will need to obtain a PIC, it should be noted that the proposed Regulation will not require the renewal of the PIC every three years. Over time this will reduce the administrative burden for both businesses and government significantly.

Estimates vary widely from both industry and government as to how many new PICs will be assigned under the proposed Regulation. The State Council of the LHPAs estimates that there are currently approximately 243,000 properties in NSW of between 0.5 and 10 hectares. Under the *Rural Lands Protection Act 1989*, properties in this category are not 'rateable' and do not have to provide an annual return to their LHPA unless they are involved in some form of intensive animal production and are carrying more than 50 head of stock. It is anticipated

that the majority of new PICs would be assigned to properties in this classification.

It is not known how many small holdings currently have an assigned PIC. Any property involved in cattle, sheep or goat production should currently have either an individual PIC or one that identifies it as part of several combined properties. Surveys by LHPA rangers of small holdings in the Hunter, Southern Highlands and outer Sydney rural areas indicate that up to 80 per cent of small holdings are carrying livestock which could make it mandatory for a PIC to be obtained under the proposed Regulation. It should be noted that the surveyed areas have high density horse populations and are not indicative of the State as a whole. Again it is not known how many of these properties could be combined under one PIC.

These variables make it difficult to accurately calculate the number of potential new PICs required. However, based on the above information It is possible that up to 20 per cent of small holdings (approximately 48,000) currently have an assigned PIC. Based on survey results and livestock distribution data, it is generally agreed that the proposed Regulation may require between 30 and 80 per cent of all small holdings to have an assigned PIC. This would mean that between 72,000 and 190,000 small holdings will require a PIC. Therefore if these assumptions are correct, approximately 24,000 to 130,000 new assigned PICs would be required.

PICs are assigned by LHPAs, and the State Council of LHPAs has issued guidelines in relation to fees for assigning a PIC. The guideline recommends that fees should not exceed \$55. Individual LHPAs however, reserve the right to charge what they consider is appropriate for their particular circumstances (see Table 5). Under the 2004 Regulation renewal of an assigned PIC is required every three years. Renewal charges are included in Table 5 to indicate all of the current costs associated with an assigned PIC.

Table 5: Examples of fees for LHPAs to assign a PIC

	Cumberland LHPA	Tablelands LHPA	New England LHPA	Lachlan LHPA
	Assign/Renewal	Assign/Renewal	Assign/Renewal	Assign/Renewal
Rate Payers	\$27.50/ Nil*	\$11/ Nil	\$33/ Nil	Nil/ Nil
Non Rate Payers	\$57.50/ \$27.50	\$11/ \$27.50	\$33/ \$33	Nil/ Nil

* No renewal fee however the cost is absorbed into annual rate charges with no net increase.

Based on the four LHPAs surveyed the cost for assigning a PIC varies from \$0 to \$57.50.

Appendix B: Multi-Criteria Analysis

Multi-criteria Analysis is a qualitative analysis useful when it is not feasible to assign monetary values to costs or benefits of an option. Whilst costs can be attached to some of the requirements of the Regulation and some of what is proposed, it is difficult to attach a monetary value to all the assessment criteria. The following table contains an assessment of the three regulatory options against five criteria relevant to the primary objective of the proposed Regulation.

Table 7: Multi Criteria Analysis

Primary Objective: Reduce the impact of disease on NSW livestock industries.

Option 1: No Regulation (base case)
 Option 2: Remake current Regulation without amendment
 Option 3: The proposed Regulation

Score Range: -10 to +10.

	Weight %	Option 1		Option 2		Option 3	
		Score	Weighted Score	Score	Weighted Score	Score	
Impact on disease management	35	-10	-3.5	-3	-1.05	3	1.05
Impact on domestic and export trade	35	-10	-3.5	-3	-1.05	5	1.75
Compliance costs for government	12.5	5	0.625	-2	-0.25	-3	-0.375
Transaction/compliance costs to industry	12.5	5	0.625	0	0	-5	-0.625
Impact of uncertainty on industry	5	-5	-0.25	0	0	7	0.35
Total	100		-6		-2.35		2.15

Results:

Option 3 “The proposed Regulation” achieved the highest score of 2.15. Option 2 “remake the 2004 regulation without amendment” scored -2.35 and Option 1 “no regulation” scored -6. As the allocation of ‘score’ is highly subjective it is appropriate to provide some justification for the allocated scores.

Option1 was allocated a score of -10 for both its potential impact on disease management and its impact on domestic and export trade. This is the maximum negative score possible. Without legislated livestock identification requirements disease management will fail and access to both domestic and export markets will diminish with serious consequences for the livestock industries of NSW. These criteria are the main objectives of the legislation and both have the highest weighting of 35%.

Option 2 was allocated -3 for both impact on disease management and impacts on domestic and export trade. This option would continue the requirements of the 2004 Regulation. The negative scores were allocated as it is anticipated that over time the effectiveness of the 2004 Regulation would decline. This will cause inefficiencies for disease management and potential impact on domestic and export trade. For example

without the proposed 'mob based' identification requirements for sheep and goats future market access for NSW producers to markets in the European Union could be jeopardised.

Similarly Option 2 was allocated a score of -2 for government compliance costs. This was due to the anticipate decline in the effectiveness of the 2004 Regulation. While the 2004 Regulation does not directly impose any new compliance costs there would be indirect costs for Government dealing with system failures involving stock and property identification. Whether these requirements are legislated or not the perception will be that Government has some responsibility to assist especially when it involves market access issues.

Option 3, the proposed Regulation, was allocated scores of 3 and 5 for 'Impact on disease management' and 'Impact on domestic and export trade', respectively. This is where it is considered that the most benefit will be derived from this proposal. Option 3 was allocated scores of -3 and -5 for the criteria 'Compliance costs for government' and 'Transaction/compliance costs for industry', respectively. It is recognised that option 3 will impose the highest compliance costs for both government and industry with industry costs being the higher of the two.

Conclusion:

Option 3 will provide the greatest net benefit for the least costs for the livestock industries and the broader community of NSW.

Appendix C: Consultation program

A copy of the draft Regulation and RIS will be forwarded to:

NSW Farmers Association

Australian Livestock and Property Agents Association

Australian Pork Limited

Australian Horse Industry Council

Australian Meat Industry Council

Saleyard Operators of Australia

Cattle Council of Australia

Sheep Meats Council

Meat and Livestock Australia

AQIS

NSW Food Authority

State Council of the Livestock Health and Pest Authorities