



Australian Government

Department of Agriculture, Fisheries and Forestry

**Final Commonwealth Government response to the
Productivity Commission's report on its
*Safeguards Inquiry into the Import of Pigmeat***

June 2008

© Commonwealth of Australia 2008

This work is copyright. Apart from any use as permitted under the *Copyright Act 1968*, no part may be reproduced by any process without prior written permission from the Commonwealth. Requests and enquiries concerning reproduction and rights should be addressed to the Commonwealth Copyright Administration, Attorney General's Department, Robert Garran Offices, National Circuit, Barton ACT 2600 or posted at <http://www.ag.gov.au/cca>.

Copies available from the Department of Agriculture Fisheries & Forestry website at www.daff.gov.au.

Preferred way to cite this publication:

Department of Agriculture Fisheries & Forestry

Australian Government response to the Productivity Commission's report on its *Safeguards Inquiry into the Import of Piguemeat 2008*

Final Commonwealth Government response to the Productivity Commission's report on its *Safeguards Inquiry into the Import of Piguieat*

Introduction

The Productivity Commission commenced a *Safeguards Inquiry into the Import of Piguieat* in October 2007. Terms of reference for the inquiry are at **Attachment 1**. The commission completed an accelerated report into provisional safeguard measures, released on 20 December 2007. This report was to ascertain whether critical circumstances existed where delay in applying measures would cause damage which it would be difficult to repair.

The commission found that the domestic industry was producing products 'like or directly competitive' with imported pigmeat and that it was suffering serious injury, or was under threat of serious injury. However, the principal cause was high feed grain prices and not imports of pigmeat. Therefore, it found that provisional safeguard action could not be taken against pigmeat imports at that time.

The commission's final report, released on 4 April 2008, also found that safeguard action was not justified because increased imports had not caused and were not threatening to cause serious injury to the domestic industry. Accordingly, on 8 April 2008, the government notified the World Trade Organization (WTO) that the safeguards investigation had been terminated, and that it would not impose safeguard measures.

The commission's final report urged the Australian Government to press for the removal of foreign governments' trade distorting policies. Agriculture is the most distorted sector in global trade, and the protectionist policies of some of our trading partners impede opportunities for Australian agriculture. The Australian Government's number one trade policy priority is to secure a comprehensive and ambitious outcome from the Doha Round of multilateral trade negotiations in the WTO.

In addition to the safeguards aspect of the inquiry, the commission was asked to have regard to the work being undertaken by the Cooperative Research Centre for an internationally competitive pork industry (Pork CRC) and examine and report on whether:

- there had been changes in the structure or operating methods of the industry since 2005 and
- if there were any immediate actions that could be taken to complement the work of the Pork CRC to alleviate the impact of changes in the price and availability of feed grains.

The commission is of the view that existing government-funded programs should be properly evaluated before any further assistance to the pig industry is contemplated.

Recommendation 4.1

Governments should undertake periodic reviews of pig animal welfare regulation, to ensure that it is imposing the minimum compliance requirements necessary to achieve its objectives.

Response

Agreed. Minimising the burden to industry of complying with regulations is an Australian Government priority. However, reviews of the regulations require the co-operation of other jurisdictions.

The Model Code of Welfare for Animals: Pigs (3rd ed.) was most recently endorsed at the meeting of the Primary Industries Ministerial Council (PIMC) on 20 April 2007, following a policy review led by the Victorian Department of Primary Industries, in association with all stakeholders including Australian Pork Limited (APL). It includes timeframes of up to 10 years for industry members to make structural changes to plant and equipment including sheds, crates and pens.

Ministers also established an implementation working group to assist the consistent application of those aspects of the code that were considered the necessary agreed standards by all jurisdictions. It will also establish a mechanism so that producers can work with government agencies to meet any planning, environmental and OH&S requirements which could delay meeting the new requirements. APL is a member of that implementation group.

The Model Codes are to be reviewed and replaced by a series of national Animal Welfare Standards and Guidelines, and work is well underway on the first of these, which will cover livestock transport (including pigs). This process is being managed by Animal Health Australia (AHA). The Australian Government supports this process of code conversion and the Department of Agriculture, Fisheries and Forestry (DAFF) is funding the development of the Land Transport Standards and Guidelines as part of the Australian Animal Welfare Strategy (AAWS). Animal Welfare Standards and Guidelines will be reviewed by an appropriate mechanism under PIMC. This review will consider the experience gained through implementation of the 2007 code.

Recommendation 4.2

Commonwealth and State and Territory Australian Governments should continue work on promoting consistency of regulations across jurisdictions, including more harmonised implementation and enforcement processes where appropriate. Some of the major 'hot spots' for reform identified by the pigmeat industry include animal welfare, OH&S, food and ethanol regulation.

Response

Agreed. The Australian Government has a significant deregulation agenda. There are a number of processes currently underway aimed at reducing regulatory burdens on businesses and addressing inconsistencies in the implementation and enforcement of regulations across all jurisdictions, including in the major reform areas identified by the pigmeat industry.

The Australian Government is currently considering its response to the report of the commission's *Annual Review of Regulatory Burdens on Business: Primary Sector*, released in November 2007. The commission's report, among other things, identified that there appears to be scope to more quickly develop and implement animal welfare standards. The Australian Government notes that it

is funding initiatives to improve the consistency of state and territory animal welfare regulatory arrangements.

More broadly, the Australian Government is working with states and territories through the Council of Australian Governments (COAG) to address areas of regulatory duplication or inconsistency and to harmonise regulations across all jurisdictions. COAG established the Business Regulation and Competition Working Group to accelerate the regulation reduction agenda and revitalise work on the regulatory hot spots. At its 26 March 2008 meeting, COAG agreed to the implementation plans for the 27 identified reform areas, noting that harmonisation of OH&S laws is a priority.

Recommendation 4.3(a)

Regular independent reviews are necessary to ensure that government R&D funding directed to the pigmeat industry delivers net benefits to the community, and continues to satisfy program criteria.

Response

Agreed. The Statutory Funding Agreement between the Commonwealth and APL requires an independent performance review each three years. The performance review focuses on APL's performance against its strategic and annual operating plans and the delivery of benefits arising from its investment of industry levy funds and Australian Government matching R&D funds.

The second APL 3-year Performance Review Report was completed in 2007. It found that while APL has made progress in improving the transparency of its operation, a number of opportunities are available for APL to improve its efficiency and effectiveness, and to demonstrate value for money. The APL board accepted the key recommendations of the report and has advised the government that it is implementing a plan of action incorporating the report's recommendations. This includes a more formal, comprehensive and transparent process of ex-ante and ex-post evaluation of projects.

Independent scrutiny of the benefits from investment of public funds in rural R&D will be increased with establishment of the Australian Government's new Rural Research and Development Council. The council will be responsible for establishing a national framework requiring detailed performance management against national priorities.

Recommendation 4.3(b)

More detailed information needs to be provided by industry bodies on the performance of R&D projects that are funded by government, including evaluations of benefits and costs.

Response

Agreed. The Council of Rural R&D Corporation (RDC) Chairs, which includes APL, has been developing and implementing a robust and consistent R&D evaluation framework. RDCs will use this evaluation framework to better manage their R&D investments and to demonstrate the returns from Australian Government-funded and industry-funded R&D investments. The Australian Government will continue to monitor R&D expenditure and the effectiveness of the framework in evaluating R&D investments.

Recommendation 4.4(a)

Industry programs that operate in conjunction with government support, such as initiatives funded by the pig levy, need to be regularly and transparently reviewed.

Response

Agreed. As noted in the response to recommendation 4.3(a), industry programs that operate in conjunction with Australian Government support are subject to regular review in line with Australian Government policy.

Recommendation 4.4(b)

While noting APL's proposal to create a single industry levy, the Commission would see greater merit in the statutory levy system focusing on providing R&D, where the grounds for intervention are stronger.

Response

Agreed. The statutory levy system operating across the research and development corporations and industry-owned companies, including APL, has a significant focus on R&D. In the case of the industry-owned companies, statutory levies also fund generic marketing activities, including promoting market access. These marketing activities in many cases complement R&D investments.

Australian Government policy on the implementation of single levy arrangements in other industry owned companies (Australian Wool Innovation and Dairy Australia Limited) required regular levy payer polls (three and five years respectively) with levies for the period being based on levels of service to be delivered. The introduction of such an arrangement in the pork industry would place additional discipline on the APL Board to demonstrate the outcomes from the investment of the funds.

Recommendation 5.1

There should be a review into the overall economic impact of current and proposed policies relating to ethanol. The review, which could encompass assistance for other biofuels, should consider the impact of policies promoting ethanol production on consumers and other industries, including grain users.

Response

Agreed. The Minister for Resources and Energy the Hon. Martin Ferguson AM MP, stated on 1 May 2008 that the Australian Government has an internal review of biofuels policy currently underway. The review will be undertaken by the Department of Resources, Energy and Tourism, and DAFF. It will be finalised in the second half of 2008.

Recommendation 5.2

Quarantine arrangements should impose only the minimum requirements needed to satisfy objectives. As new options emerge for dealing with quarantine risks, arrangements should be reviewed to take them into account. The current Quarantine and Biosecurity Review is well placed to further explore these issues.

Response

Agree in principle. Australia's quarantine arrangements conform with Australia's rights and obligations as a WTO member. These rights and obligations derive principally from the WTO's *Agreement on the Application of Sanitary and Phytosanitary Measures* (SPS

Agreement). The SPS Agreement recognises the right of WTO Members to determine the level of quarantine protection they deem appropriate, and to take the least trade-restrictive measures necessary to achieve that protection. This level of protection is termed a Member's appropriate level of protection (ALOP).

To maintain Australia's highly favourable plant and animal health status and environment, the Australian Government has set Australia's ALOP as being one that provides a high level of sanitary or phytosanitary protection aimed at reducing the quarantine risks associated with the importation of animals, plants or their products to a very low level, but not to zero. Where the level of quarantine risk posed by importation exceeds Australia's ALOP, Biosecurity Australia considers whether any risk management measures will reduce the risk to a level which achieves Australia's ALOP. In a given case, if there are no risk management measures that can be applied which reduce risk to that level, it will not be possible for trade in the product concerned to occur.

With respect to the recommendation that quarantine arrangements should only impose the minimum requirements needed to satisfy objectives, Australia, in accordance with the SPS Agreement, applies the least-trade restrictive, science-based measures necessary to achieve Australia's ALOP. New options to manage quarantine risk are regularly considered by Biosecurity Australia and the Australian Quarantine and Inspection Service, based on new or emerging science and available risk management measures, to determine if they are suitable options for managing quarantine risk.

The current Quarantine and Biosecurity Review is the first wide-ranging assessment of Australian quarantine and biosecurity since the 1996 Nairn review. The independent panel undertaking the review is tasked with providing recommendations on the appropriateness, effectiveness and efficiency of—among other matters—current arrangements to achieve Australia's ALOP. The panel is expected to report to Minister Burke by 30 September 2008.

Recommendation 5.3

The remaining moratoriums on the commercial release of genetically modified canola should only continue if objective evidence indicates that the potential costs of GM canola are greater than its potential benefits. Current evidence suggests this is probably not the case.

Response

Agree in principle. Decisions on the future of remaining moratoriums are a matter for individual state and territory governments. The distinction between Australian Government and state and territory responsibilities allows the Gene Technology Regulator to focus on the protection of people and the environment. Economic issues may be considered separately by state and territory governments.

Terms of reference
SAFEGUARDS INQUIRY INTO THE IMPORT OF PIGMEAT
Productivity Commission Act 1998

I, Peter Costello, Treasurer, pursuant to Parts 2 and 3 of the *Productivity Commission Act 1998*, request the Productivity Commission to undertake an inquiry into the question of whether safeguard action is warranted against imports of meat of swine, frozen, falling within tariff subheading 0203.29 of the Australian Customs Tariff.

The inquiry is to be undertaken in accordance with the World Trade Organization (WTO) safeguard investigation procedures published in the *Gazette* of S297 of 25 June 1998, as amended by GN39 of 5 October 2005.

The Commission is to report on:

- whether conditions are such that safeguard measures would be justified under the WTO Agreements;
- if so, what measures would be necessary to prevent or remedy serious injury and to facilitate adjustment; and
- whether, having regard to the Government's requirements for assessing the impact of regulation which affects business, those measures should be implemented.

In undertaking the inquiry, the Commission is to consider and provide an accelerated report on whether critical circumstances exist where delay in applying measures would cause damage which it would be difficult to repair. If such circumstances exist, and pursuant to a preliminary determination that there is clear evidence that increased imports have caused or are threatening to cause serious injury, the Commission is to recommend what provisional safeguard measures (to apply for no more than 200 days) would be appropriate.

In addition, the Commission is to have regard to the work being undertaken by the Cooperative Research Centre for an internationally competitive pork industry (Pork CRC) and examine and report on whether:

- there have been any changes that have taken place in the structure or operating methods of the industry since the Commission's August 2005 inquiry into the *Australian Pigmeat Industry*; and
- there are any immediate actions that could be taken to complement the work of the Pork CRC to alleviate the impact of changes in the price and availability of feed grains.

The Commission is to provide the accelerated report to the Government by 14 December 2007 and a final report by the end of March 2008. The reports will be published as soon as practicable.

The Commission is to consult widely, hold hearings and call for submissions for the purpose of the inquiry.

PETER COSTELLO