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AN ASSOCIATION REPRESENTING THE LIVESTOCK AIRFREIGHT EXPORT INDUSTRY

Submission to the Cost Recovery Impact Statement (CRIS)

from an air Exporters view

This is a submission on behalf of the Airfreight exporters of Livestock. It has been written to compliment the ALEC submission but covers more specific functions related to airfreight. LiveAir is also in complete agreement with the ALEC submission for the industry in general

Can I draw your attention to 8 points Which form the basis of our submission to CRIS document:

1. The airfreight of livestock underwent good growth between 2005-2007 but has largely stagnated at that level till the present. This is not because of a lack of markets but the competitive disadvantage Australia suffers with the high cost of legislative compliance Livestock by air has always been regarded by DAFF as high value breeding stock with the assumption that an increase in legislative fees can be "worn" with the high price of the animal. This is simply no longer the case. The industry is suffering from the high cost per head of livestock transported. It is worth noting that New Zealand exporters pay less than a quarter of the fees that are charged by DAFF for export certification. Consequently on certain species, such as Alpaca to Asia, New Zealand is significantly cheaper than Australia
2. Ship based exports are charged at a substantially cheaper rate than air freight. Sea freight charges are capped at 22 hours departmental time for a Tier 1 country. If that cap is exceeded the exporter at current rates pays \$282 per hour. If the cap is not exceeded the costs is **\$0.22 per head**.
Airfreight charges on the other hand are not capped and charged at \$405 per hour in 15 minute blocks. For an average aircraft load of goats for example where 22 hours of departmental time is spent, the cost works out to be **\$7.21 per head**." For small breeder shipments DAFF charges can reach the ridiculous amount of **\$900-1045 per head**, This combined with the fact that time spent by DAFF seems to vary enormously from shipment to shipment and the cost of DAFF comes out well and truly after the shipment has left, makes it almost impossible for the exporter to amortise this cost over the shipment.

3. The basis for the airfreight charges was stated by DAFF in the 2007 fee review.
"Livestock Exports by air will remain on an hourly rate. This is due to multiple export markets, variance in size from a single animal to 800 head and consistency of consignments."

This assumption is flawed.

- a. The multitude of markets is the same as sea freight. Of the two largest air exporters all consignments in the last 5 years have gone to Tier 1 countries. Much smaller shipments have gone to Europe, US, New Zealand and South America. It is recognised that a different fee structure MAY apply to those consignments- but they are a very small minority of shipments
 - b. The differing size of consignments is not as marked as assumed. The major portion of the market are now full aircraft loads of goats or cattle. Once again it is recognised that for the specialist small loads a differing fee structure MAY apply.
4. The level of scrutiny for airfreight is much higher than sea freight with the Departmental vet remaining on site for the entire loading process. This is seldom the case with sea freight. The main risks involved in the airfreight loading process are crate quality, animal condition, and stocking densities. These do not require the full time attendance of DAFF personnel at an hourly rate.
 5. The 2009 review also stated:
"Horse exports and livestock by air exports regularly require out of business hours service from AQIS staff. The additional cost of business hour services such as overtime has been reflected in the new time based fee."
The anomaly here is that sea shipments also sometimes occur out of hours at much more remote areas in Australia. Livestock by air occur out of capital cities only where DAFF offices exist at airports. Also DAFF veterinary offices are salaried staff and do not receive overtime.
 6. The size of the hourly rate at \$405 per hour and its 60% recommended increase means that the industry is paying a for what amounts to paperwork for approximately 50% of DAFF charges. That is approx \$640 per hour at the proposed rate. For the type of work performed this charge is completely unacceptable and can only be regarded as subsidising inefficiency. The processing of NOI's, up to the stage of a delegates' approval does not require the costs of qualified veterinary officers. It is basically 'tick the box' clerical work which can be undertaken by clerical staff. LiveAir has undertaken a full commercial assessment A large proportion of the inspection can be made contestable to proficient independent commercial entities. LiveAir has costings which indicate a full inspection of documents can be carried out by a commercial enterprise using a fixed rate fee and per head rates of \$2.50 goats, \$10.00 for cattle, \$3.00 for sheep and \$20 for other species and cover overheads and profit.
 7. It is evident that the current documentation process for licensed exports are duplicitous and can be streamlined. For example, exporters have their EGM's and it is not necessary for duplicate declarations to be made in a LNC. Can this be another example of the overheads we are asked to meet?

8. Inconsistency in interpretations by State officers of DAFF influence the overhead and salary costings. Costs would also be reduced if the State offices of DAFF were compelled to follow a standard approach to an air export. Some States insist on additional property visits to inspect animals, which are being handled in accordance with an exporters EGM, and are thus unnecessary. Some States insist upon checking every crate loaded at an airport, not from an animal welfare point of view, but merely to ascertain whether an exporter is delinquent in the loading plans and space requirements,

It is these points that have angered the entire industry. DAFF has always been forthcoming with good concepts for industry consultation but the airfreight industry is becoming increasingly frustrated with DAFF's failure to take on board recommendations even to a level of basic discussions of possible changes. The outcomes usually received are a flat negating of ideas and general platitudes for responses rather than primary meaningful discussions on improvement

Summary

1. The duties of DAFF inspection must be made contestable in whole or part
2. The charges applied to airfreight can no longer be a straight hourly charge
3. The present and proposed charging regime is seriously affecting the future of Livestock transportation by air
4. The proposed future charges will seriously and unfairly compromise the economic viability of the industry, or could this be the aim of DAFF?