



Mr Jason Lange
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Department of the Prime Minister and Cabinet
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Dear Mr Lange

SHEEP EXPORTS REGULATION IMPACT STATEMENT – FINAL ASSESSMENT SECOND PASS

I am writing in relation to the attached Regulation Impact Statement (RIS) prepared for *Live sheep exports to, or through, the Middle East — Northern Hemisphere summer*. The regulatory burden to business, community organisations and/or individuals has been quantified using the Regulatory Burden Measurement framework. These have been agreed with your office.

I am satisfied that the RIS addresses the concerns raised in your letter of 11 March 2020. Specifically, in addressing the issues raised:

- We have clarified further why the status quo is not the option with the greatest net benefit, and why it would not produce an adequate outcome against the problem definition. The chapeau of section 5 and section 5.3 more clearly explain the limitations of the additional pen space allowances applied in response to the *Awassi* incident and why these on their own would not be sufficient to mitigate the risk of a heat stress incident from June to mid-September.
- We have more clearly articulated the link between another heat stress incident and the consequential risk of cessation of the trade. The chapeau of section 2 provides evidence of this from a number of scientific studies and section 5.2.1 provides previous practical examples of where trade has been disrupted after an unacceptable animal welfare incident. Section 5.2.1 also discusses the likely effects of a return to the status quo and why this would not produce an adequate outcome against the problem definition.
- Sections 5.2.1 and 5.3 more clearly outline why the risk of a heat stress incident in exported sheep during the peak of the Northern Hemisphere summer outweighs the benefits of the status quo in providing year-round trade for the industry. During the Northern Hemisphere summer temperatures are consistently hot, significantly increasing risk of heat stress and overriding the benefits of the additional space provided by the status quo. This shows the status quo does not adequately address the problem.

- The likely impacts of option 2 on supply chains were further explored in section 6.2.1. The extent to which these could be managed by the industry has also been explored in the discussion in 6.2.1, 9.1 and the refined Appendix I. It was not possible to fully quantify likely costs of managing impacts on supply chains under option 2's prohibition, as limited quantitative information available.
- The extent to which options 2 and 3 reduce the risk of heat stress in exported sheep beyond the status quo, thereby improving welfare, was clarified in sections 6.1 and 7.1.
- Timing for the sunseting of the 6 month prohibition proposed in option 3 was clarified in sections 4.3 and 7. The amendment to this option from the draft RIS was clarified by explaining that the revised HSRA model, if implemented in the future, is anticipated to have the same regulatory outcome as a 6 month prohibition. The impact analysis for option 3 therefore considers the impacts of a 6 month prohibition.
- Throughout the RIS, use of the terms 'regulatory cost' and 'compliance costs' was corrected. The document now more accurately states whether regulatory burden is referring to regulatory costs or compliance costs. This terminology has been corrected in sections 5, 6, 7 and 9.
- Additionally, throughout the RIS, the department has acknowledged the restraints for systematic consideration of quantitative analysis, and subsequent secondary and tertiary effects, due to limited quantitative data available.

A range of complex factors need to be weighed in order to make a decision on this matter. The department has implemented various interim measures since 2018 that have resulted in tangible improvements to animal welfare for sheep being exported to the Middle East. However, the real benefits of these measures may take some years to fully assess. This, and that stakeholder views of what constitutes good animal welfare in exported sheep vary widely, means that this has been a challenging analysis. Section 1.3 and Appendix E provide further analysis of animal welfare benefits.

The department is confident that the approach we have taken balances the risks and desired outcomes. We acknowledge the limitations in the available information and note that this means a concrete analysis of costs and benefits is not possible. On balance, option 2 is the department's preferred approach because it combines a reduced risk of a heat stress incident with a reduced risk of economic damage to supply chain participants.

Accordingly, I am satisfied that the RIS is now consistent with the *Australian Government Guide to Regulation*.

The RIS was sent to the Office of Best Practice Regulation 6 March 2020 for formal comment in the first pass assessment process. I thank you for OBPR's consideration of that version and appreciate the efforts of your staff in providing ongoing assistance at each stage of the development of the RIS.

I submit the RIS to the Office of Best Practice Regulation for formal final assessment.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Chris Tinning". The signature is fluid and cursive, with the first name "Chris" written in a large, rounded script and the last name "Tinning" written in a more compact, cursive style.

Chris Tinning
A/g Deputy Secretary

18 March 2020