



Australian Government

Inspector-General of
Live Animal Exports

Review of the Exporter Supply Chain Assurance System

REVIEW REPORT NO. 2021/01



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Review team and acknowledgements

Mr Glenn McMellon and Dr Hyo Ryung Lee assisted the inspector-general in this review.

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Review process

Objectives

The objectives of this review were to examine the processes and systems that support administration and regulation of the Exporter Supply Chain Assurance System (ESCAS) framework, including:

- the effectiveness of the Department of Agriculture, Water and the Environment's monitoring, reporting, compliance and enforcement capability and framework of ESCAS
- what, if any, improvements should be made to the current arrangements
- regulatory advantages and disadvantages of the proposed Livestock Global Assurance Program.

Scope

This review considered:

- the supply chain movement of Australian exported feeder and slaughter livestock, from the point of disembarkation through to the point of slaughter in an overseas country
- the ESCAS approval process, including variations
- how international animal welfare standards are upheld for Australian feeder and slaughter livestock in the supply chain
- the extent to which ESCAS provides assurance of control through the supply chain
- the extent to which ESCAS provides assurance of traceability through the supply chain
- the efficacy of the department's assurance of compliance with the legislation, standards, policies and procedures that relate to ESCAS
- the independent auditing process
- Livestock Global Assurance Program (LGAP), Collective Standards for Animal Welfare (CSAW) and the department's policy on third-party providers of exporter supply chain assurance operations
- ESCAS reporting requirements, including the incident investigation process
- examining the efficacy, timeliness and transparency in the department's risk management system – including the extent to which these factors contribute to strategic risk-based regulatory practice and improvements in the management of animal welfare.

Out of scope

This review did not examine:

- supply chain elements related to the Australian Standards for the Export of Livestock
- livestock that is not subject to the ESCAS framework
- the granting of livestock export licences, permits and government health certificates
- importing country requirements
- the former Livestock Export Accreditation Program.

Methodology

During this review, the inspector-general:

- conducted an entry meeting with the department's executives to
 - communicate the review's objectives and scope
 - outline responsibilities
 - identify risks related to the review and any appropriate mitigation strategies
 - discuss preliminary data and information requirements
 - provide an opportunity for all parties to discuss and seek clarification about the proposed review process
- conducted in-person and phone meetings with key stakeholders
- conducted a desktop audit of relevant data and documentation provided by the department, industry and other stakeholders
- developed a draft review report with key findings and recommendations
- conducted an exit meeting with department's executives that
 - provided an overview of initial review findings
 - outlined the process of release and response of the issues paper and draft report
- requested a 'fact check' by the department's relevant line areas to correct any factual errors or misinterpretations of evidence and to provide further evidence
- requested the department's secretary to provide a management response to the draft review report's recommendations
- provided a final report to the Minister for Agriculture, Drought and Emergency Management and published it on the Inspector-General of Live Animal Export's website.

Summary

On 30 May 2011 the ABC's *Four Corners* program aired a story 'A Bloody Business' on the mistreatment of Australian cattle in some Indonesian abattoirs. The footage showed inhumane slaughter methods, kicking and hitting of animals and animal distress. These incidents were condemned by producers, exporters, peak industry bodies, animal welfare organisations and the Australian public. On 8 June 2011 the Australian Government suspended the export of feeder and slaughter cattle to Indonesia for 6 months.

The Exporter Supply Chain Assurance System (ESCAS) was introduced some weeks later in 2011 and the trade was progressively allowed to recommence. ESCAS was a unique and innovative regulatory practice solution designed to seek to ensure that Australian animals exported for slaughter experienced a level of animal health, welfare, and slaughter standards and practices acceptable to the Australian public. It was also designed to prevent any future industry-wide bans by ensuring that the individual exporter, and through their importers and supply chain facilities, were held accountable for any failures in maintaining these standards and practices.

ESCAS has been a successful reform that has largely achieved its broad objectives. It has been acknowledged that ESCAS, and the Livestock Export Program (LEP) delivered by Meat and Livestock Australia and LiveCorp in market, have not only lifted the standards and practices that Australian animals are subjected to but has also had a range of benefits to the way in which non-Australian livestock are managed and slaughtered in many of the importing markets.

However, this review has revealed a range of issues and problems with ESCAS that need to be addressed to ensure that all Australian livestock exported for slaughter are treated in accordance with these standards and practices, and that the scheme is operating as effectively and efficiently as possible.

The review found that the business processes for ESCAS applications, from both an industry and a departmental perspective, were outdated. The underpinning technology does not facilitate accurate and easy applications from industry and does not support departmental decision makers in reaching efficient decisions. Efficiency gains should reduce the cost on industry, and they should also free up regulatory officer's time to deal with complex problem solving and monitoring compliance. The government's 2020–21 'Busting Congestion, Deregulation and Modernising Agricultural Trade' budget reforms provide an opportunity for the department to address this.

Loss of control and traceability, sometimes with poor animal welfare outcomes, still occurs at low but chronic levels. Particularly at peak demand periods related to cultural and religious events in various markets. The inspector-general considers that there are two main regulatory practice avenues to seek to address this. Firstly, further exploring the use of visual recording technologies and electronic tagging and scanning technologies, particularly in markets or for exporters that demonstrate systemic issues with loss of control and traceability.

Sheep and goats create a further challenge to control and traceability, and to accurate counting in general, as they are considered on a mob rather than individual basis. The inspector-general considers that there may be a range of significant advantages through improved technology to identify and count individual sheep and goats and considers that the department should undertake a detailed assessment.

Secondly, through a more active escalation of proportionate regulatory actions in response to chronic or systemic non-compliance by individual exporters. The intention is to firmly guide poorer performing exporters back to higher levels of compliance. This is important not only for the integrity of ESCAS but also to ensure that good performers are not at a competitive disadvantage to those who may not be investing sufficiently to achieve compliance.

Data collection and analysis to improve compliance monitoring, undertaking investigations, communication, self-reporting and quality assurance (and independence) of third-party auditors are other issues this review examined. The inspector-general has either discussed opportunities to improve practice or made recommendations to address them.

The review also examined potential third party providers such as AniMark who use a set of rules and standards called the Livestock Global Assurance Program (LGAP). LGAP standards and auditor guidance have been reviewed by the department as being equivalent to ESCAS requirements. Under ESCAS, the exporter applies to the department for approval for a supply chain and provides all supporting information. The department holds the exporter accountable for non-compliance in their supply chain. LGAP is designed to distribute the responsibility, oversight, and management of animal welfare proportionately along the supply chain through operators and facilities.

Essentially, an independent company would directly certify operators (exporters and importers) and facilities (feedlots, depots, and abattoirs) as meeting ESCAS and provide audit assurance services under an approved arrangement with the department. Participants obtain and maintain their certification through accredited audits. If an operator or facility loses certification, operators would be able to redirect livestock through any of the other accredited operators or facilities.

A number of stakeholders raised concerns that the LGAP model dilutes responsibility away from exporters, making it difficult for the department to hold them accountable under the legislation. Additionally, many exporters have in-country staff and relationships with importers and facilities that support capability and capacity (in addition to the Live Export Program) to meet ESCAS requirements. How in-country capacity building would continue under a third-party provider model is unclear. The risk of systems failure, that is a third-party provider failing in an acute way that could jeopardise a market, has also been raised. These are real risks the department needs to address to ensure that it has sufficient oversight of third-party providers to be assured of performance, and that accountability mechanisms are effective. The department must also retain a sufficient regulatory prerogative to intervene or take action if required.

If these risks can be adequately mitigated the proposed LGAP has a number of advantages. LGAP provides an opportunity to address the chronic non-compliance issues, lift the bar on audit performance, set a level playing field, more efficiently investigate and correct non-conformance, and embed responsibility for achieving standards at the appropriate facility level in the supply chain. This may obviate the need for some of the more traditional regulatory practice changes the inspector-general has identified.

Recommendations

The department's response to the recommendations is at [Appendix A](#).

Inspector-general recommendation 1

In delivering the Australian Government's Busting Congestion, Deregulation and Modernising Agricultural Trade budget reforms, the department should improve its business-facing systems and digitised services to streamline the efficiency of industry interactions and decision-making. These systems should:

- facilitate efficient submission of applications
- assist with the quality of applications, including facilitating compliance
- support efficient decision-making and access to information for departmental officers.

Department's response: *Agreed.*

The department has commenced a number of projects to improve business systems and digitised services. Work is underway in the Busting Congestion program to digitise the application forms and processes for an export business to maintain the approvals for export, including for live animal exporters. There are live animal export specific projects that will deliver improved efficiency in the administration of the regulatory system, including the system the department and exporters use to transfer and manage information related to export consignments. The department also has a comprehensive program of work to improve digital capability across export systems.

Inspector-general recommendation 2

The department should update the Exporter Supply Chain Assurance System (ESCAS) animal welfare standards (Export Advisory Notice 2018–01) to be consistent with the World Organisation for Animal Health (OIE) Terrestrial Animal Health Code 2019.

Department's response: *Agreed in principle.*

The department will review the current ESCAS animal welfare standards against the OIE 2019 code and update them if required.

Inspector-general recommendation 3

The department should use a risk-based approach to requiring the use of a visual recording devices and fixed radiofrequency identification (RFID) tag scanning in markets, or for specific exporters, where loss of control and traceability is a systemic problem.

Department's response: *Agreed in principle.*

While the department agrees that technology offers opportunities to improve ESCAS monitoring, the recommendation is overly specific, which limits the scope, and pre-empts the identification of potential alternative solutions to address identified system issues.

In conjunction with recommendation 8, the department will review the ESCAS framework, including the development of control and traceability standards to complement the existing animal welfare standard. The scope of this review will consider the appropriate people, processes, systems and technologies for ESCAS control and traceability.

Inspector-general recommendation 4

The department should undertake, and publish, a review of available technologies for accurate sheep and goat counting, and individual identification. The department should also undertake a cost-benefit analysis of requiring the use of improved counting and individual identification technology for sheep and goat exports. Depending on the outcome from the technology review, the department should consider requiring all sheep and goat exporters to utilise improved technology, or consider imposing this requirement on markets, or individual exporters, where counting inaccuracy and loss of control and traceability is systemic.

Department's response: *Agreed in principle.*

The department recognises the capacity for innovative technological solutions to apply to the issues that arise around accurate sheep and goat counting and individual identification. This has led to the department taking part in the Business Research and Innovation Initiative Regulatory Technology Round seeking ideas for digital technologies that will allow for remote and automated monitoring of export live health and welfare. There are also a number of technological approaches that are being developed or used in the livestock export industry, and the department will continue to assess the use of those new approaches.

The department will consider this recommendation in conjunction with recommendation 8. In addition, the department will continue to work with the livestock export industry, and look at available solutions and technologies to determine which is the most appropriate to address the identified system issues.

Inspector-general recommendation 5

The department should monitor the performance of independent auditors and consider not accepting reports from auditors who do not detect issues that may have contributed to non-compliance or who provide poor quality audits.

Department's response: **Agreed in principle.**

While the department would not accept a report from an independent auditor it knew to be incompetent or corrupt, there is a very limited capacity for the department to assess the work of individual auditors. Auditors are engaged by exporters and are not accredited by the department but are subject to a requirement to have current accreditation by an appropriate authority such as a member of the international body for accreditation of Conformity Assessment Bodies – the International Accreditation Forum (IAF). To address the concerns raised here, the department considers it appropriate to undertake a broader review to determine how most effectively to identify and address poor auditor performance. Consideration will be given to the feasibility of developing an international standard for certification of bodies that provide audits of ESCAS. Alternatively, the successful implementation of the Livestock Global Assurance Program, under the Third Party Provider of Assurance Scheme, would address this issue directly by managing the use and training of auditors for exporters.

Inspector-general recommendation 6

The department should change the required self-reporting period from 5 days to 'as soon as is practicable'.

Department's response: **Agreed.**

The department will amend the current condition from:

The exporter must notify the department in writing within five working days of becoming aware, or receiving information that suggests, that:

- a.** *an animal or animals exported to the supply chain(s) have or may have been transported to locations other than those specified in the ESCAS;*
- b.** *the location of an individual animal or animals exported to the supply chain(s) is not able, or may not be able to be verified by the exporter in accordance with the animal traceability and tracking system specified in the ESCAS; or*
- c.** *the animal welfare standards provided for in the ESCAS have not, or may not have, been met in relation to an individual animal or animals exported to the supply chain(s).*

to

The exporter must notify the department in writing as soon as possible and not more than five working days of becoming aware, or receiving information that suggests, that:

- a.** *an animal or animals exported to the supply chain(s) have or may have been transported to locations other than those specified in the ESCAS;*
- b.** *the location of an individual animal or animals exported to the supply chain(s) is not able, or may not be able to be verified by the exporter in accordance with the animal traceability and tracking system specified in the ESCAS; or*
- c.** *the animal welfare standards provided for in the ESCAS have not, or may not have, been met in relation to an individual animal or animals exported to the supply chain(s).*

Inspector-general recommendation 7

The department should report the range of detected non-compliance and the range and number of sanctions or other regulatory responses that resulted from the non-compliance. The department should record non-compliance to examine the performance of individual exporters over time and analyse and understand issues within each market.

Department's response: Agreed.

The department will implement this recommendation in conjunction with recommendation 8.

Inspector-general recommendation 8

The department should review and update the *Biosecurity guideline for management of non-compliance* to incorporate the appropriate use of a proportionate response regulatory model that utilises the full range of sanctions and powers available under the *Export Control Act 2020*. The department should apply an escalating proportionate regulatory response model to improve compliance of exporters who continue to breach ESCAS.

Department's response: Agreed.

The department will undertake a review as set out in recommendation 8 with a view to updating the guideline in 2022.



Ross Carter
Inspector-General of Live Animal Exports
28 June 2021

Chapter 1

Background

Australia first began exporting live sheep over 150 years ago. Australia's live export trade has since grown to be among the top 10 in the world. In 2019–20, over 1.29 million head of cattle and 956,000 sheep were exported to over 17 countries (DAWE 2020a).

In 2019 the live export industry was worth over \$800 million annually and supported many people in rural Australia. Around 7% of cattle and 6% of sheep produced for consumption were exported live and slaughtered overseas (ABARES 2020).

The Exporter Supply Chain Assurance System (ESCAS) requires that relevant World Organisation for Animal Health (OIE) animal welfare standards are maintained for Australian livestock exported for slaughter. ESCAS only applies to livestock such as buffalo, cattle, goats and sheep that are exported for feeder and slaughter purposes. ESCAS does not apply to livestock for breeding or production purposes, such as dairy cattle. ESCAS was designed:

... to ensure that Australian livestock exported for feeder and slaughter purposes are transported, handled and slaughtered humanely for the purposes of delivering good animal welfare outcomes and facilitating the trade. A key attribute of ESCAS is that it enables the department to take action against exporters to stop the supply of livestock to specific facilities or supply chains without the need for whole-of-market suspensions (Department of Agriculture 2019b).

In March 2021 there were 81 active livestock exporters and 179 approved supply chains. The Australian Livestock Exporters' Council (ALEC) is the industry's peak representative body.

Exporters trade with importers who supply feedlots, depots and abattoirs in importing countries. In some markets the relationship is intertwined – for example, the exporter may be a subsidiary company of the importer.

The livestock export trade involves risks to the health and welfare of animals. To mitigate these risks, exporters must hold a livestock export licence and demonstrate that the livestock will meet importing country requirements. Exporters must also ensure that the animals are fit and healthy for the export voyage (via air or sea). They must abide by regulations and standards (Australian Standards for the Export of Livestock and ESCAS) to maintain acceptable animal health and welfare standards. This starts with preparation in Australia and continues during the voyage, disembarkation, transportation and slaughter in the importing country.

The regulatory framework for livestock exports, including ESCAS, has evolved over time. Often this has been in response to animal health and welfare incidents that have resulted in extensive reviews and subsequent reforms (Moss 2018).

On 30 May 2011 the ABC's *Four Corners* program aired a story 'A bloody business' on the mistreatment of Australian cattle in some Indonesian abattoirs. The footage showed inhumane slaughter methods, kicking and hitting of animals and animal distress. These incidents were condemned by producers, exporters, peak industry bodies, animal welfare organisations and the Australian public (Commonwealth of Australia 2015).

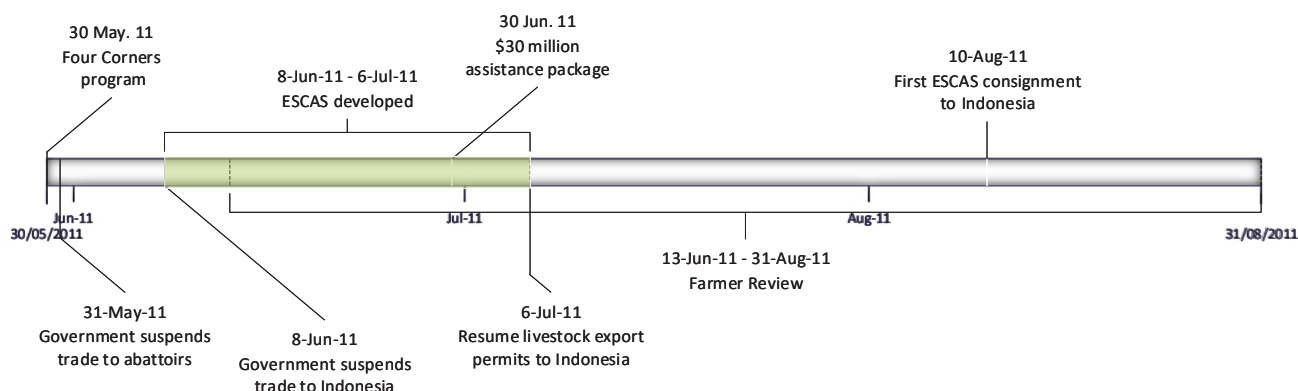
The Australian Government asked the Australian Chief Veterinary Officer (ACVO) to conduct an independent assessment of the Mark I and Mark IV restraint boxes used for slaughtering cattle. The ACVO found that the Mark I boxes did not comply with international standards, but the Mark IV boxes were consistent with the standards (DAFF 2011).

On 31 May 2011 the Australian Government's initial response was to ban the export of cattle to 11 known abattoirs. Subsequently, on 8 June 2011 the Australian Government suspended the export of feeder and slaughter cattle to Indonesia for 6 months following increased public pressure.

On 13 June 2011 the Australian Government commissioned an Independent review of Australia's Livestock Export Trade (Farmer 2011). The review found that the suspension raised awareness of animal welfare issues, affected Australia's reputation as a reliable supplier and caused widespread concern in many rural communities. The review also found divergent views on the live animal export trade in Australia. The review concluded that, if it were to continue, the trade must demonstrate acceptable animal welfare outcomes to the Australian community.

On 29 June 2011, Cattle Council of Australia announced a \$5 million welfare contingency fund for cattle stranded in pre-export holding yards. The following day, the Australian Government announced a \$30 million assistance package for the live export industry. The package included immediate grants of up to \$5,000 and further grants up to \$20,000 (Gillard 2011). The grants were to provide short-term help to individual primary producers and related businesses affected by the temporary suspension.

The Australian Government worked with the livestock export industry to develop a new regulatory framework that would require animal welfare standards throughout the export supply chain, from disembarkation through to slaughter. By July 2011, ESCAS had been developed ([Figure 1](#)).

FIGURE 1 Timeline of ESCAS development

On 6 July 2011 livestock export permits for Indonesia had resumed. On 10 August 2011, the first livestock consignment to be implemented under ESCAS was exported to Indonesia. ESCAS was fully implemented through specific tranches of importing countries:

- Tranche 1 (1 March 2012) – Kuwait, Bahrain, Qatar and Turkey
- Tranche 2 (1 September 2012) – Israel, Japan, Jordan, Malaysia, Oman, the Philippines, Saudi Arabia, Singapore and the United Arab Emirates
- Tranche 3 (31 December 2012) – Brunei, Mauritius, Russia, Vietnam and all other markets.

In October 2011 the Australian Government announced a range of livestock export trade reforms. Part of the reforms was the allocation of funding to the Approved Supply Chain Improvements Program. The program provided \$5 million over 2 years (2011–12 to 2012–13) to encourage the Australian livestock export industry to invest in approved supply chains in Australian livestock export markets (Commonwealth of Australia 2015).

In January 2015 the Australian Government released a report that reviewed the effectiveness of ESCAS to deliver positive animal welfare outcomes. The report found that industry had greater awareness about animal welfare issues, including standards for the handling and slaughtering of livestock.

The inspector-general heard that implementation of ESCAS by exporters, and the Livestock Export Program developed and delivered in-country by LiveCorp and Meat and Livestock Australia, had resulted in improvements in animal welfare, food safety and efficiency. This is evident by the increased number of ESCAS-approved facilities. When ESCAS was implemented in 2012 there were around 300 abattoirs and feedlots included in the scheme. By 2014 this had increased to 866 facilities. In 2021 there were 1,152 ESCAS-approved facilities (717 abattoirs and 435 feedlots). Although improvements have been made predominantly at facilities in exporter supply chains, it is understood that in some instances ESCAS has also resulted in improved practices in importing countries.

The report concluded that trade had continued and that previously unreported data on the movement and treatment of live animal exports was now available. The report also recognised further opportunities to simplify administrative processes and reduce cost burdens. These included:

- clearer guidelines for describing and managing non-compliance and for clarifying third-party complaint processes
- removing duplication, reducing costs and improving opportunities for co-operation between individual exporters by allowing shared audits for the same facilities or supply chains
- encouraging opportunities for industry to take greater responsibility for
 - proactively managing the risks within supply chains
 - supporting industry development of an assurance system, as recommended by the Farmer Review. ESCAS could be broadened to allow for comprehensive company or industry assurance systems operating within an appropriate statutory framework (Commonwealth of Australia 2015).

1.1 Regulatory framework

The regulatory framework for livestock exports is complex. The department is responsible for livestock export policy, regulation of livestock exporters, registered establishments and approved arrangements, Australian Government Accredited Veterinarians (AAVs), independent observers and regulating non-compliance within ESCAS supply chains.

The department works with state and territory governments who also have legislative responsibilities for animal welfare in Australia. The department also works with the Australian Maritime Safety Authority, which is responsible for the regulation and safety oversight of vessels operating in Australian waters.

To export livestock under ESCAS, an exporter must hold an export licence and have an ESCAS approval under the *Exporter Control Act 2020*. The exporter must obtain a livestock export permit and health certificate and comply with their approved ESCAS.

Livestock must be prepared in accordance with the exporter's approved arrangement. An approved arrangement is an agreement between the exporter and the department that prescribes the processes and operations that will be undertaken by the exporter to manage the preparation and meet relevant importing country, legislative and departmental compliance requirements for the export of livestock. The exporter's supply chain is approved in a separate process.

Although the department can only regulate exporters in Australia, it can hold exporters responsible for ensuring they have appropriate supply chain controls in place. The department has a range of options available to manage ESCAS non-compliance (see [chapter 6](#)).

The department provides advice to livestock exporters on how to comply with importing country requirements, Australian legislation and departmental administrative requirements through export advisory notices (EANs), the online manual of importing country requirements and guidelines on the department's website.

1.2 ESCAS principles

An ESCAS application must show that the exporter has a system of controls in place for the transfer of livestock in a particular country for the intention of feeder and slaughter. ESCAS is based on 4 principles:

1. Animal welfare – handling and slaughter in the importing country conforms to World Organisation for Animal Health standards.
2. Control – the exporter has control of all supply chain arrangements for livestock transport, management, handling and slaughter, and all livestock remain in the supply chain.
3. Traceability – the exporter can trace or account for all livestock through the whole supply chain.
4. Audit – independent auditing of the supply chain in the importing country.

ESCAS applies from the point of disembarkation in the importing country through to the confirmation of death at the point of slaughter. Upon arrival in the importing country, livestock are in a foreign jurisdiction and subject to the importing country's domestic regulations. Under ESCAS, Australian exporters are responsible for the accountability and welfare of livestock through to slaughter, including where they are on-sold several times before slaughter.

Participants in ESCAS include the department, exporters, importers, auditors and third parties. [Table 1](#) shows the roles and responsibilities of these participants throughout the ESCAS application and process.

TABLE 1 ESCAS application and process

Category	Task	Responsibility
ESCAS application	Independent initial audit report to assess the facilities and the exporters control and traceability arrangements across the entire supply chain	Auditor
	Control and traceability declarations	Exporter
	Variations to ESCAS	Department; exporter
	Assess ESCAS application	Department
	Approve ESCAS with conditions	Department
	Refuse to approve ESCAS application	Department
Exporter's role in importing country	Maintain animal welfare standards in ESCAS facilities	Exporter
	Control of livestock in ESCAS	Exporter
	Ensure all cattle and buffalo are traceable and sheep/goats are accounted for in ESCAS	Exporter
Audit and reporting	Independent performance audit report	Auditor
	Report non-compliance to department	Auditor; third party; exporter
	End-of-process report	Exporter
	Act on non-compliance report	Department; exporter
Non-compliance	Assess and investigate non-compliance	Department
	Provide evidence of non-compliance to department	Third party; exporter
	Manage incidents	Exporter
	Regulate non-compliance	Department
	Publish non-compliance report	Department

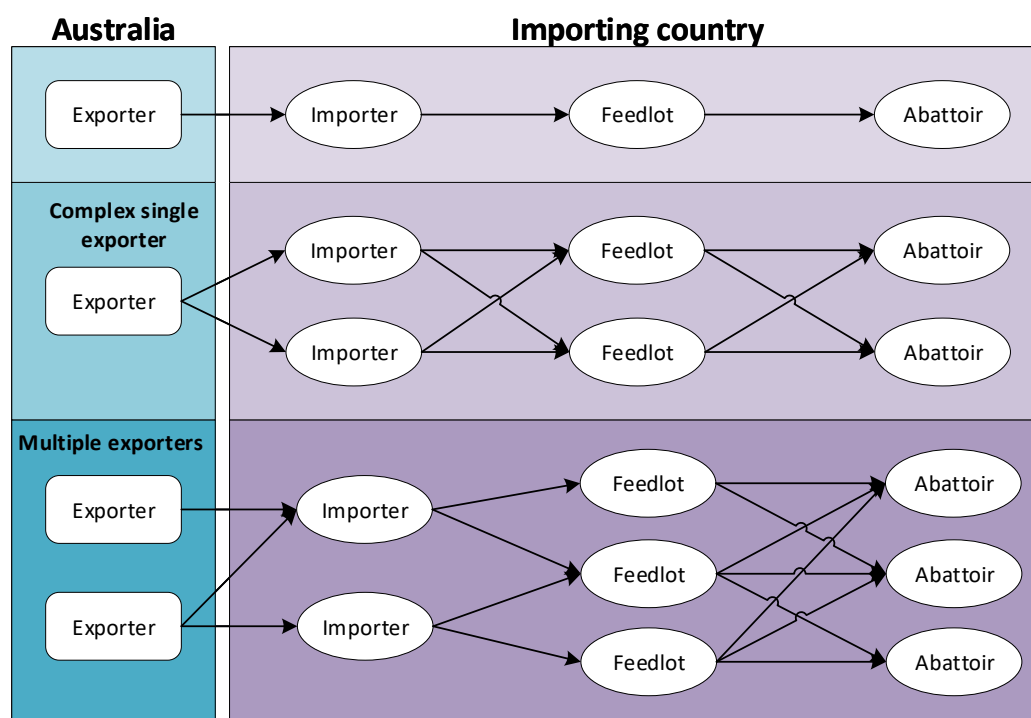
1.3 Exporter livestock supply chain

The exporter nominates their ESCAS supply chain in a notice of intention to export (NOI). The supply chain includes the entities and facilities involved in handling exported animals from disembarkation to slaughter. As each overseas livestock market is different, a separate ESCAS is required for each destination market. The department assesses ESCAS applications that must include:

- livestock species
- port or ports of arrival (including airports)
- transport, handling and slaughter of the livestock
- feedlots
- identification, tracking or accounting and reconciliation of livestock
- independent auditing and reporting
- access to premises
- any related operations and facilities (Department of Agriculture 2014).

An exporter has one approved ESCAS supply chain for each species they export to each country. This supply chain will include one or more importers, one or more feedlots, and one or more abattoirs. It may also include one or more depots which are treated as feedlots (Figure 2). Some exporters have opted to keep more than one supply chain. Therefore, the movement and traceability of livestock can become complicated.

FIGURE 2 Livestock exporter supply chains



Source: Commonwealth of Australia 2015

ESCAS covers all processes in the livestock export supply chain of an importing country:

- Disembarkation (from vessel or plane) – unloading of livestock from a vessel or aircraft at the overseas port or airport in the importing country. It starts with the unloading of the first animal and ends when the last animal is unloaded.
- Vehicular transport – loading and unloading of livestock onto vehicles for transportation to a feedlot or abattoir.
- Holding at a facility – animals are held in a designated area or pen at an abattoir, depot or feedlot.
- Handling, care and transportation – livestock are handled in an appropriate manner that reduces stress or harm.
- Restraint methods – restraining methods, and equipment such as the Mark IV Restraint Box, meet OIE standards.
- Stunning – correct technique and equipment is used to stun animals to render immediate unconsciousness after the animal has been restrained (where stunning is used). Pre-slaughter stunning and post-cut stunning can be used.
- Slaughter – severing of the carotid arteries or vessels from which they arise.
- Confirmation of slaughter – death must be assured prior to further processing.

Through an independent auditing system, exporters must demonstrate to the department that the systems they have in place meet the requirements of ESCAS before a livestock export permit is issued.

The application fee to seek approval for a new ESCAS is \$600 and to vary an existing ESCAS is \$300. This is regardless of how long it takes to assess and make a decision on the application. The inspector-general understands that an approval decision can be made in as little as one hour where an application relates to an existing supply chain and the correct supporting information has been included. However, a decision may take longer where an application is made by a new exporter to a market, for a new market or where a more complex set of supply chain arrangements is being put in place. Several iterations may be required between the department and the exporter to ensure requirements are met.

The inspector-general also heard that some exporters submit poor quality applications with incorrect or omitted information. Requesting corrections to errors or submission of missing information can be time-consuming for both departmental staff and exporters. It is important for the department to provide clear guidance and easy-to-use supporting systems. However, under the current arrangements, high-performing exporters who submit complete and accurate applications may be at a competitive disadvantage. Poorer performers essentially get a free quality assurance service from the department.

The department should address this by ensuring that future cost recovery arrangements provide an incentive for high-quality applications and a disincentive by charging for additional work to seek corrections or omitted information. As part of the Australian Government's implementation of the 2020–21 Busting Congestion for Agricultural Exporters package, the department should ensure that its business-facing systems incorporate features to improve the efficiency of applications and decision-making – for example, incorporating appropriate guidance, drop-down menus, automated hold points and pre-population of previously approved submitted information. These systems should make it easier to understand and comply with requirements, and difficult to make errors or omissions. The department should engage with industry to co-design departmental systems that interact effectively with that of industry.

Inspector-general recommendation 1

In delivering the Australian Government's Busting Congestion, Deregulation and Modernising Agricultural Trade budget reforms, the department should improve its business-facing systems and digitised services to streamline the efficiency of industry interactions and decision-making. These systems should:

- facilitate efficient submission of applications
- assist with the quality of applications, including facilitating compliance
- support efficient decision-making and access to information for departmental officers.

Chapter 2

Export markets

Livestock are exported by air and sea from a wide range of airports and ports throughout Australia. However, most livestock are exported by sea. From 2016 to 2020 sheep accounted for the majority (57.6%) of the over 11.4 million livestock exported by sea, followed by cattle (42%) and buffalo (0.4%) (DAWE 2020a). For the same period, over 262,000 (2.2%) livestock were exported by air under ESCAS.

Livestock are sourced and transported from all over Australia. Sheep are mainly shipped from Fremantle, Western Australia. Cattle are shipped from ports all over Australia, whereas buffalo are shipped out of Darwin, Northern Territory and Wyndham, Western Australia.

2.1 Sheep and goats

From 2016 to 2020 Australia exported over 7.7 million sheep to countries for feeder and slaughter purposes. The majority (97.4%) were exported by sea for slaughter. From 2016 to 2020 total sheep exports under ESCAS declined by 56.8%, peaking at over 1.8 million in 2017. In 2018 sheep exports fell 38%, with a further drop in 2019 and the lowest levels recorded in 2020 ([Table 2](#)).

From 2016 to 2020 sheep (57%) and goats (42%) exported to Malaysia accounted for most of the air transport market. Sheep exports by air have remained relatively stable, though not as high as in 2016. Goat exports by air declined by 93% over the same period.

TABLE 2 Live sheep and goat exports by air and sea, 2016 to 2020

Transport	2016	2017	2018	2019	2020	Total
Sheep (sea)	1,774,958	1,845,272	1,127,431	1,067,921	760,918	6,576,500
Sheep (air)	50,875	38,275	28,577	36,840	27,456	182,023
Goat (air)	48,349	7,072	13,136	6,817	3,307	78,681
Total	1,825,833	1,883,547	1,156,008	1,104,761	791,681	6,761,830

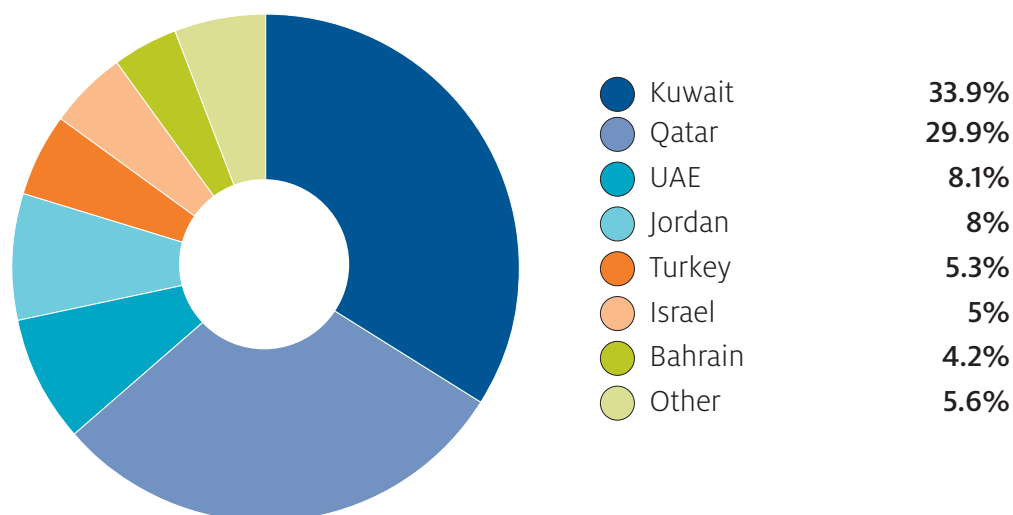
Note: ESCAS does not include livestock exported for purposes other than feeder or slaughter.

For sheep exports by sea, Kuwait (34%) and Qatar (30%) are the largest sheep markets, followed by Jordan (8%) and the United Arab Emirates (8%) (Figure 3). These 4 Middle Eastern countries account for 80% of all sheep exported under ESCAS.

On 22 April 2020 the department announced new regulations for live sheep exports to or through the Middle East (DAWE 2020b). The export of sheep by sea to the Middle East was prohibited from 1 June to 14 September 2020.

In April 2021 the department announced revised operational requirements for sheep and goat exports to the Kingdom of Saudi Arabia.

FIGURE 3 Share of sheep exports by sea under ESCAS by country, 2016 to 2020



2.2 Cattle and buffalo

From 2016 to 2020 cattle exports by sea have varied. In 2017 cattle exports by sea fell by 24% due to lower beef production (MLA 2017), before steadily increasing in 2018 and peaking at over 1.12 million in 2019 (Table 3).

TABLE 3 Live cattle exports by air and sea from 2016 to 2020

Transport	2016	2017	2018	2019	2020	Total
Sea	1,004,595	760,430	998,869	1,129,676	911,359	4,804,929
Air	655	36	221	131	580	1,623
Total	1,005,250	760,466	999,090	1,129,807	911,939	4,806,552

Note: ESCAS does not include livestock exported for purposes other than feeder or slaughter.

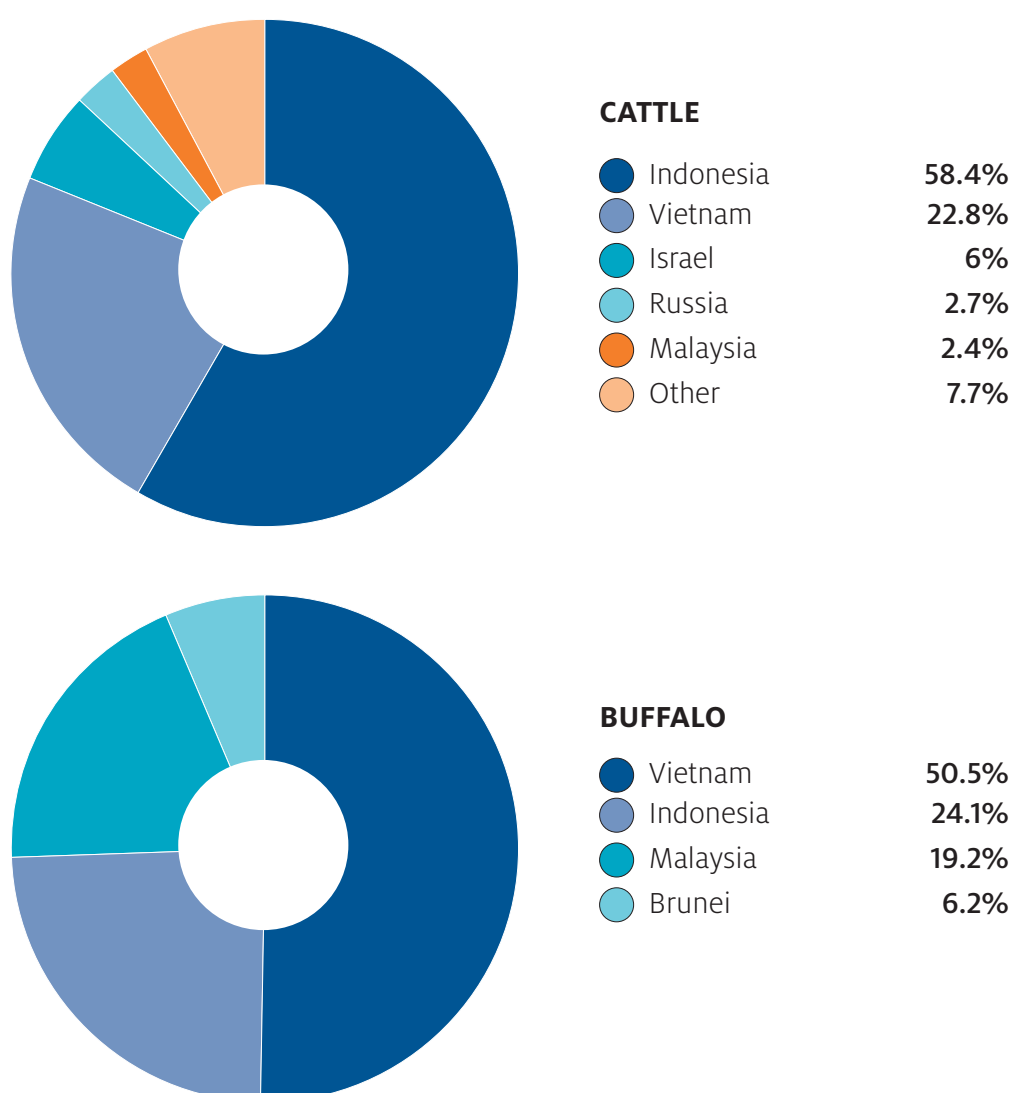
From 2016 to 2020 Australia exported over 5 million cattle to 19 countries for feeder and slaughter. The majority (99.9%) were exported by sea and sent to feedlots (75%) and eventually slaughter. Indonesia (58%) and Vietnam (23%) dominate the cattle market, followed by Israel (6%), Russia (2.7%) and Malaysia (2.3%). The remaining 15 countries accounted for less than 8% of all cattle exports (Figure 5). The small number of cattle exported by air were to the United Arab Emirates and Malaysia.

Live cattle trade to Indonesia was consistent over this period, averaging almost 600,000 cattle per year. In mid-2019 Indonesia eased the requirement for the proportion of imported live cattle that must be for breeding purposes, from 20% to 5%. Cattle exports to Indonesia were predicted to decrease in 2020 due the COVID-19 pandemic, but trade was expected to improve over the next 6 years due to improvements to the tariff-rate quota on live cattle.

However, in the short term, several years of drought have reduced the number of cattle available for export. The recent improved season in Australia's eastern states has also increased domestic demand. The price of Australian cattle has subsequently increased, presenting affordability challenges in the Indonesian market.

From 2016 to 2020 Australia exported over 38,900 buffalo by sea to 4 countries for feeder and slaughter (Figure 4). During this period, buffalo exports increased from 5,093 in 2015 to 9,266 in 2019. Most consignments are sent for direct slaughter (65%), but this can vary between markets. For example, from 2015 to 2019 Vietnam imported just over half the total number of buffalo – of which 93% were exported as slaughter buffalo. Indonesia imported almost a quarter of all buffalo – all of which were exported as feeder buffalo.

FIGURE 4 Share of cattle and buffalo exports, by country, 2016 to 2020



Chapter 3

Animal health and welfare standards

3.1 International animal welfare standards

The World Organisation for Animal Health (OIE) is an intergovernmental organisation that coordinates, supports and promotes animal disease control. The 182 member countries have provided the OIE with the mandate to become the world's foremost animal welfare organisation. Under article 7.1.1 of their Terrestrial Animal Health Code, the OIE defines animal welfare as:

...the physical and mental state of an animal in relation to the conditions in which it lives and dies. An animal experiences good welfare if the animal is healthy, comfortable, well nourished, safe, is not suffering from unpleasant states such as pain, fear and distress, and is able to express behaviours that are important for its physical and mental state (OIE 2021).

The OIE provides guidelines for the minimum level of animal welfare that each member should follow. However, these guidelines are not imposed by law in all countries. The guiding principles reflect that:

- there is a critical relationship between animal health and animal welfare
- the scientific assessment of animal welfare involves diverse elements that need to be considered together
- selecting and weighing the diverse elements of animal welfare often involves value-based assumptions that should be made as explicit as possible
- the use of animals carries with it an ethical responsibility to ensure their welfare to the greatest extent practicable
- comparison of animal welfare standards and recommendations should be based on equivalent outcomes based on performance criteria, rather than on identical systems based on design criteria.

The guidelines are often referred to as 'standards', but application of these standards are not consistent for all OIE member countries. For example, the mechanical stunning of cattle before slaughter is mandated in some countries and not in others. Australia is the only livestock exporting country that requires its exporters to achieve specific animal welfare outcomes for its livestock in the importing country. To date, ESCAS approvals have only been granted for feeder and slaughter livestock exported to a country that is a member of the OIE.

ESCAS approval can be given to a facility that also processes non-ESCAS livestock in a manner that would not be acceptable for ESCAS livestock. It is preferable that the facilities fully adopt ESCAS standards, but it is beyond the reasonable and practical scope of ESCAS for these requirements to be stretched to the processing of livestock from non-Australian sources. However, evidence of poor practices relating to non-ESCAS livestock should be a risk factor that the department considers in its approval and compliance monitoring framework.

3.2 ESCAS animal welfare standards

To comply with ESCAS, exporters must demonstrate that they have a supply chain assurance system that ensures livestock exported for slaughter meet OIE standards for animal welfare. Under ESCAS, Australian exporters should:

- meet or exceed the current OIE guidelines for animal welfare
- ensure all livestock are traced and accounted for within the supply chain by individually tagging cattle and tracking sheep on a mob-basis
- use appropriately accredited independent auditors.

The department provides guidance documents for livestock exporters, such as an ESCAS animal welfare standard (DAWR 2018). The standard is not current with the 2019 Terrestrial Animal Health Code version. For example, Standard 15 – which defines unacceptable practices for restraining animals – does not include mechanical clamping of the legs or feet of the animals as the sole method of restraint.

The Terrestrial Animal Health Code is consistently updated online. The standard should be amended in line with any updates to the code. The version currently available on the department's website is from 2016.

The standard lists 28 sections that provide guidance for the health and welfare of livestock in ESCAS. Each section relates to one or more elements of the ESCAS supply chain:

- land transport and discharge
- feedlots or holdings
- lairage
- slaughter techniques (stunned and non-stunned).

The standards include the handling and movement of livestock, overcrowding, restraint and stunning methods.

Inspector-general recommendation 2

The department should update the Exporter Supply Chain Assurance System (ESCAS) animal welfare standards (Export Advisory Notice 2018–01) to be consistent with the World Organisation for Animal Health (OIE) Terrestrial Animal Health Code 2019.

Chapter 4

Control and traceability in the supply chain

One of the commitments of ESCAS is to identify where a problem exists in the supply chain and to address it directly and quickly. However, it is difficult to account for and trace individual Australian livestock from disembarkation to slaughter. The initial increase in transparency and accountability has shown Australia's commitment to humane treatment and animal welfare has improved significantly since 2011.

There has not been a major reform of the ESCAS framework since the release of the January 2015 ESCAS report (Commonwealth of Australia 2015), but there have been a range of incremental improvements to the regulatory framework. Many of these improvements are detailed in export advisory notices:

- ESCAS applications being considered independently of the notice of intention to export applications (EAN 2014–16)
- ESCAS animal welfare audit standards and auditor checklist (EAN 2015–05 and 2018-01)
- ESCAS control and traceability standard and audit requirements for Vietnam supply chains (EAN 2015–10)
- Additional auditing requirements (EAN 2017–03)
- ESCAS auditing requirements – Livestock Global Assurance Program (EAN 2020–25)

4.1 Control

Livestock exporters must be able to demonstrate that livestock remain within the supply chain and are managed to OIE standards. Exporters can demonstrate control through either vertical integration, where a parent company has control because it owns all components of the supply chain, or contractual arrangements with parties that are not vertically integrated (Commonwealth of Australia 2015).

Exporters must submit a control and traceability declaration to demonstrate control of the supply chain to the department. Australian livestock must only be slaughtered in approved abattoirs and facilities. Slaughter in facilities that are not approved is a breach of ESCAS and can result in additional conditions or restrictions being placed on exporters.

The department will take any regulatory action in accordance with the legislative requirements and the Biosecurity guideline for management of non-compliance (see [chapter 6](#)).

4.2 Traceability

The exporter must also be able to trace and account for livestock throughout the supply chain to demonstrate that all livestock went to ESCAS-approved facilities. Loss of control and traceability is a feature in most instances of non-compliance. In most cases, if livestock cannot be traced or accounted for within the supply chain, the exporter is deemed to have lost control. Animal welfare outcomes may also be unknown.

Livestock can become non-identifiable while remaining in the approved supply chain system. This loss of traceability can occur due to identification tags or reading equipment malfunctioning or an error in the recording log. Other livestock that escape or are moved out of the supply chain, where the exporter has information on the fate of the animal, are referred to as 'leakage with known fate'. This includes animals that are moved to another known but unapproved abattoir where the exporter has information on the fate of the animal.

Any livestock that is recorded as being exported but cannot be accounted for is referred to as 'leakage with unknown fate'. However, the department cannot assess the known or unknown fate of livestock based on how the livestock leaked from the supply chain. The department has a zero-tolerance level of leakage of livestock in ESCAS and will investigate or seek an explanation from exporters in all instances.

Video and photographic evidence has been extensively used in third-party reporting and has revealed several incidences of critical non-compliance. In 2015 a cattle exporter to Vietnam self-reported the loss of 822 animals from their supply chain (regulatory performance report #54). This was initially considered to be a minor non-compliance. The same incident was reported by a third party that also provided video evidence. The department assessed the video footage and upgraded the minor non-compliance recorded in report #54 to a critical non-compliance against the supply chain.

In some instances, the exporter has implemented its own corrective actions such as installing closed circuit television (CCTV) at a facility following non-compliance. In other instances, CCTV cameras were tampered with prior to a non-compliance occurring. In November 2015, the department developed a control and traceability standard for assessing ESCAS requirements for cattle and buffalo in Vietnam. The standard requires that a visual monitoring system or electronic system (such as CCTV or photos) exists and is operational at critical control points (DAWR 2015).

The department should consider requiring the use of visual recording devices in ESCAS facilities where there have been significant occurrences of loss of control and traceability. Where livestock such as cattle and buffalo are required to have RFID tags, visual recording combined with fixed tag scanning points creates a superior individual animal traceability assurance regime. This assists in providing a hard evidence base for assessing an incident as well as providing a deterrent for inappropriate behaviour.

Inspector-general recommendation 3

The department should use a risk-based approach to requiring the use of a visual recording devices and fixed radiofrequency identification (RFID) tag scanning in markets, or for specific exporters, where loss of control and traceability is a systemic problem.

4.2.1 Cattle and buffalo tracking

Traceability requirements for cattle and buffalo differ from those for sheep and goats. Individual cattle and buffalo must be able to be identified and located through the whole supply chain, including confirmation of slaughter.

Cattle and buffalo are individually electronically ear-tagged in Australia and their movements are traced through the National Livestock Identification System (NLIS). NLIS devices for cattle must be electronic radio-frequency identification (RFID) devices. NLIS devices emit a low-frequency signal with a short-read range (around 10 cm). The Collective Standards for Animal Welfare control and traceability system, put in place by a number of exporters in response to the industry's 6 point plan (see [section 5.2.2](#)), uses an additional high-frequency tag that can be scanned at up to 10 metres. Although these tags are not NLIS issued they are cross referenced to the NLIS.

The inspector-general heard that exporters have had difficulty accessing state based NLIS data bases directly, and that this impacted their ability to reconcile livestock numbers within Australia. Exporters believe that they could improve their accuracy and efficiency if they had better access. The department has provided some training in accessing the NLIS database for exports to China and is encouraged by the inspector-general to consider how access to NLIS databases for exporters exporting to all countries could be improved.

Since 1 June 2015, exporters of feeder and slaughter cattle and buffalo have been required to provide an annual accounting and traceability declaration (Department of Agriculture 2015a). This is facilitated by individual NLIS tags. These reports are not required for sheep and goats because they are accounted for on a mob-basis.

4.2.2 Sheep and goat tracking

In 2006 the sheep and goat industries introduced the NLIS (sheep and goats) program to trace animals from their properties of birth until they die (NLIS 2015). The national system is not consistent in all states and territories. NLIS devices for sheep and goats can be an RFID tag or a visual tag. Since January 2017, it has been mandatory for all lambs or kids born in Victoria to be fitted with an RFID tag so they can be individually identified.

Once the sheep and goats leave the property, their movements are changed on the NLIS database to a 'mob-based movement function'. Because the regulatory framework does not require sheep and goats to have unique individual identification, exporters must trace the exported sheep and goats up until the point of slaughter using this mob-based accounting system.

Exporters of sheep and goats must be able to count total numbers and reconcile animals at all points along the supply chain. However, inherent inaccuracies exist in the mob-based approach. Many industry participants consider accurate counting of sheep for export to be too difficult. The inspector-general has heard that 5 people counting 50,000 sheep can produce 5 different results. The differences between exporter loading numbers and vessel master voyage reports demonstrates these inaccuracies.

The manual counting of sheep while they are loaded onto ships can produce a variance of up to 2%. The department does not set a tolerance level, but does assess variance on a case-by-case basis. This could lead to a difference of 1,000 sheep in a large consignment of 50,000 sheep. If that many sheep were to disappear from an ESCAS supply chain, it would likely lead to a critical non-compliance for loss of control and traceability.

Traceability in sheep is difficult due to a lack of:

- consistent NLIS requirements across states and territories
- verifiable transaction trails
- a central ICT database of sheep movements
- accurate counting at loading (by either the exporter or the crew) or unloading (by the crew) due to the use of manual counting techniques – mixed groups of sizes and conditions can occur
- tracking of lines at the registered or approved establishments.

It is difficult to identify the unauthorised removal of a small number of sheep from a large feedlot. Tracing livestock back to an exporter's supply chain becomes even more problematic. Although Australian sheep are not individually identified, many ESCAS regulatory performance reports rely on sheep being able to be identified as being of Australian origin. In 1999 Meat & Livestock Australia (MLA) and LiveCorp commissioned a study into alternative technologies for automatically counting live sheep (Kassler 2001). However, no technologies were further developed at that time. In 2019 the University of Technology Sydney, with funding from MLA, began trialling artificial intelligence technology to develop a system of counting sheep using facial detection and recognition. The trials were conducted in feedlots and during the loading of a ship in Fremantle. Under optimal conditions, with sheep moving freely, the technology demonstrated more than 99.9% accuracy (Zhang 2021).

Given that control and traceability are key principles of ESCAS (and stocking numbers, weights and densities are critical inputs to voyage planning) it is surprising that a modern technology solution to ensure accurate counting and identification of individual animals has not been developed and implemented earlier. The artificial intelligence technology may provide an option to address this.

Religious events can exacerbate the loss of sheep from the exporter's ESCAS. There has been a history of loss of control and traceability of livestock in the lead up to religious festivals, such as the Eid al-Adha (Eid) or Korban, held in countries that import Australian livestock. Demand for livestock increases during the lead-up to the festivals, which means more markets selling livestock. Many of these markets are outside approved ESCAS facilities, which can lead to an increased risk of non-compliance with ESCAS requirements (Department of Agriculture 2015b).

In May 2017 the department required a supply chain management plan (SCMP) from sheep and goat exporters to markets in Kuwait, Oman and the United Arab Emirates. This requirement was a result of ongoing ESCAS non-compliance. The SCMP included additional actions to be implemented during high-risk periods, including Eid, to ensure compliance with ESCAS standards (DAWR 2017).

In 2016 and 2017, following the Korban religious festival in Malaysia, the department received reports demonstrating poor animal welfare outcomes and loss of control and traceability of Australian sheep. In 2018 in response to this issue, the Australian Livestock Exporters' Council (ALEC) advised the department that its members had agreed not to export sheep or goats to Malaysia in the 6 weeks prior to Korban (DAWE 2020c).

Markets such as Jordan have poor ESCAS non-compliance records during Eid. In 2020 an exporter was found to have breached numerous ESCAS control and traceability requirements for sheep in Jordan during Eid. The department recorded multiple critical non-compliances against the exporter.

Other markets such as Singapore only import sheep for their Korban religious event. This requires the establishment and departmental approval of temporary slaughter facilities each year. In 2020 no livestock were exported to Singapore for Korban, due to the COVID-19 pandemic. Instead, the sheep were slaughtered in Australia and the meat chilled and shipped to Singapore for distribution.

Inspector-general recommendation 4

The department should undertake, and publish, a review of available technologies for accurate sheep and goat counting, and individual identification. The department should also undertake a cost-benefit analysis of requiring the use of improved counting and individual identification technology for sheep and goat exports. Depending on the outcome from the technology review, the department should consider requiring all sheep and goat exporters to utilise improved technology, or consider imposing this requirement on markets, or individual exporters, where counting inaccuracy and loss of control and traceability is systemic.

Chapter 5z

Audit

Independent auditing underpins ESCAS. It is one of the main in-country assurance mechanisms, along with self-reporting and third-party reporting, for providing compliance assurance and monitoring to the department (see [section 6.1](#)).

Independent audits provide evidence that requirements for approval of new supply chains are in place. They also demonstrate the ongoing compliance in existing supply chains. Exporters must have an approved ESCAS supply chain for each market and species they intend to supply. Each facility and transport element of a supply chain must be audited.

There are 2 types of independent audit reports – initial and performance. An exporter must submit an independent initial audit report (IIAR) to support an application for a new supply chain. The audit reports are required before any livestock have been exported into that supply chain.

The department will notify the exporter in writing if a proposed ESCAS submitted by the exporter meets approval requirements. The ESCAS approval form will apply certain conditions to the ESCAS, including relating to the operations, the number of consignments for which the ESCAS is approved, or publication of information.

Independent performance audit reports (IPARs) are used to demonstrate ongoing compliance with existing ESCAS arrangements. Exporters submit IPARs to the department one to 4 times a year based on the facility's risk rating. Audit reports must be provided within one month of completion and no later than 10 days after the end of the specified audit period.

5.1 Auditors

Exporters must provide evidence to the department of current accreditation of the auditing company, such as the International Accreditation Forum. Accreditation must be related to compliance auditing and quality management systems (ISO 17021) such as the ISO's Committee on Conformity Assessment or equivalent. Companies have provided additional information to address expertise in the area by indicating experience in similar types of work and qualifications of auditors or consultants to be engaged in the activity.

Exporters must ensure the audit company or auditor is independent. The department defines ‘independent’ as ‘free from outside control and not subject to another’s authority’ (EAN 2015–06). This means that:

- there is no conflict of interest between the auditor and the exporter, importer, facilities or potential service providers
- the auditor is not related in any way to the exporter, importer, facilities or potential service providers
- there is no contractual obligation for the exporter to use an auditor. For example, audit companies used for ESCAS audits must not be related to or required by a traceability system supplier.

The inspector-general considers the audit framework to have several weaknesses:

- The department has little ability to monitor the quality or performance of auditors directly.
- Although auditors are required to be independent, conflict of interest may still exist – for example, auditors may be incentivised to offer lower audit fees and less rigorous audits in competition with other providers.
- Unannounced audits, and audits that examine operational compliance, are not undertaken (for a range of reasons).

The unique nature of ESCAS means that the department relies on third-party auditors engaged by exporters. However, there may be some opportunity to address the identified weaknesses. For example, the department could develop a performance profile of auditors based on an assessment of the quality of submitted audits and any non-compliances identified at facilities they audit. Poor performance could be responded to by no longer accepting audits from that provider.

Inspector-general recommendation 5

The department should monitor the performance of independent auditors and consider not accepting reports from auditors who do not detect issues that may have contributed to non-compliance or who provide poor quality audits.

5.2 Third-party assurance systems

ESCAS is a unique scheme that imposes obligations on exporters in Australia to manage livestock health and welfare in a foreign jurisdiction. The controls and compliance monitoring mechanisms in place also reflect the fact that the department cannot operate in a foreign jurisdiction and is, accordingly, at arms-length.

Livestock export market operations vary due to factors such as, different livestock species, geography, transportation methods, cultural features (such as religious festivals) and importing country regulations. Therefore, each market has different issues that must be managed to mitigate the risks to the outcomes sought under ESCAS.

Exporters have been concerned about 2 main aspects of ESCAS. Firstly, industry is concerned that exports may be suspended where a market has high levels of non-compliance that have been difficult to resolve through the existing control frameworks – for example, the leakage of cattle from supply chains in Vietnam. An example of an industry response to this concern has been the development of a third-party assurance approach, Collective Standards for Animal Welfare.

Secondly, exporters have been concerned at the administrative burden and costs of ESCAS and the scheme's inflexibility. The estimated average annual regulatory cost for ESCAS is \$24.1 million (Department of Agriculture 2019a).

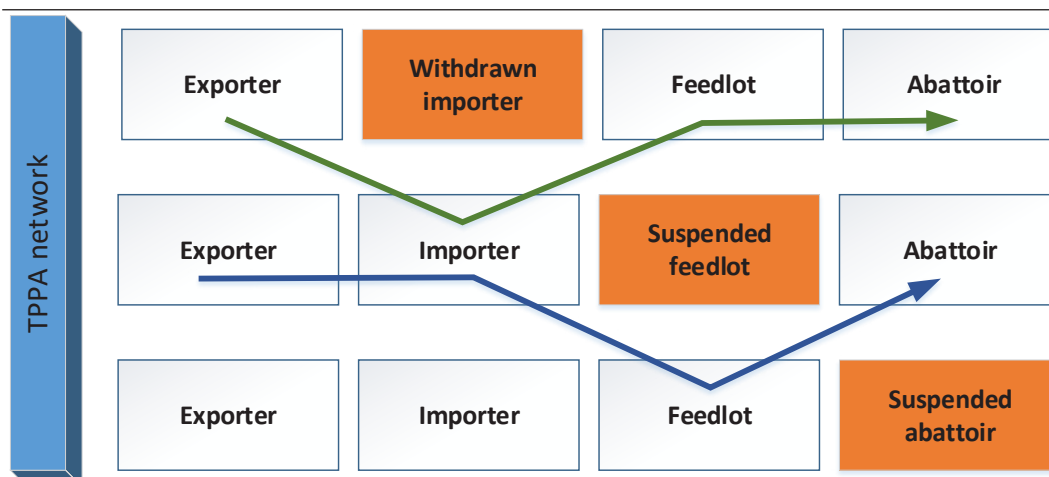
5.2.1 Livestock Global Assurance Program

In 2016 the Australian Government committed \$8.3 million to industry to develop a third-party provider of assurance services (TPPA) (Department of Agriculture 2019a). The commitment was based on reducing complexity and cost for industry in trying to comply with ESCAS, and on reducing regulation and government oversight. The Farmer Review also recommended that industry explore the application of a quality assurance system through the supply chain (Farmer 2011).

The Livestock Global Assurance Program (LGAP) is an industry-initiated program developed by LiveCorp, Meat & Livestock Australia (MLA) and the Australian Government to provide improved ESCAS outcomes.

Under ESCAS, the exporter applies to the department for approval for a supply chain and provides all supporting information. The department holds the exporter accountable for non-compliance in their supply chain. LGAP is designed to distribute the responsibility, oversight, and management of animal welfare proportionately along the supply chain through operators and facilities.

For example, an independent company would directly certify operators (exporters and importers) and facilities (feedlots, depots, and abattoirs) as meeting ESCAS. Participants would obtain and maintain their certification through accredited audits. If an operator or facility loses certification, the exporter would be able to redirect livestock through any of the other accredited operators or facilities ([Figure 5](#)). Independent auditing and any non-compliance would be reported to the independent company, who then reports to the department.

FIGURE 5 Alternative routes to facilitate trade through the TPPA network

Source: Adapted from draft Regulatory Impact Statement (Department of Agriculture 2019a)

The inspector-general understands the department's current position is that exporters would be required to use accredited TPPAs to demonstrate compliance with ESCAS. Exporters would still be required to have an approved ESCAS. To be eligible for accreditation as a TPPA, a company must be able to offer assurance services across all markets accessed by exporters of Australian livestock at the time of application unless an exemption has been granted.

All LGAP-certified exporters would receive a certification number, which would provide sufficient assurance to demonstrate compliance with ESCAS. The TPPA would hold an approved arrangement and be required to investigate, report and action any non-compliance through all operators and facilities within the market. The main point of contact for the department would be the TPPA. The department remains the regulator of livestock exports, but its role would shift to auditing an approved TPPA's ongoing ability to administer a program that delivers equivalent assurances to ESCAS.

LGAP will be implemented in 4 phases:

1. Phase 1 commenced on 28 October 2020 with the release of EAN 2020–25.
2. Phase 2 commences when the TPPA administers LGAP under an approved arrangement with the department.
3. Phase 3 commences when the first exporter in a market is LGAP-certified.
4. Phase 4 commences when use of a TPPA becomes mandatory for demonstrating compliance with ESCAS.

The differences between ESCAS and LGAP are summarised in [Table 4](#).

TABLE 4 Differences between ESCAS and LGAP

ESCAS	LGAP
Exporter is accountable for compliance	All participants identify non-conformity at individual entity level and TPPA takes appropriate corrective action
Exporters are accountable for breach of animal welfare standards within supply chain	Operators/facilities accountable for adherence to animal welfare standards
Facilities have routine external audits arranged by the exporter	Facilities have regular internal and external audits managed by TPPA
Department can suspend facilities	Department or TPPA can suspend facilities
High administrative burden on department and industry	Reduced regulatory burden on industry
Annual risk rating review	LGAP risk rating
Department-led non-compliance investigation of leakage or animal welfare issue through exporter	TPPA undertakes investigations
Non-compliance reporting by exporter within 5 days	Reduced delay in reporting non-conformity
Relies on exporters to comply with standards and records	TPPA and exporters comply with standards and maintain records
Approves total supply chain	Certifies individual operators or facilities
Removes facilities or orders corrective action from supply chain after reported incident and investigation	Removes or improves facilities through response to non-conformity investigations or audit process
Independent performance audit reports (IPAR) required by exporters	LGAP audits replace IPARS; LGAP certification number for exporter submitted
Exporter responsible for ensuring animals remain in their supply chain	Facilities have shared responsibility for ensuring animals remain identified and within supply chain

LGAP benefits

LGAP has the potential to alleviate some of the ESCAS regulatory burden imposed on the exporter. It offers advantages to both the export industry and the department, including:

- market access flexibility and certainty
- a level playing field between exporters and a more developed standard
- reduced ESCAS applications and independent audit requirements
- reduced ESCAS oversight effort for the department
- quicker in-market investigations and potential for more effective and timely resolution of issues like loss of control and traceability, or poor animal welfare incidents
- distributes responsibility for animal welfare, traceability and control outcomes more proportionally along the supply chain

- reduced need for exporters to self-report, provide information for investigations and undertake corrective actions
- increased audit consistency, quality and independence
- potential reduction in non-compliance
- incentives for continuous improvement in supply chains.

[Chapter 6](#) details the underlying non-compliance issues in ESCAS and recommends an escalating proportionate regulatory response model to seek to address this problem (see [Recommendation 8](#)). This is consistent with the concept of continuous improvement and use of sanctions in regulatory practice. However, the original intent of ESCAS appears to have been to achieve this improvement through corrective actions and supply chain facility suspension where necessary, rather than a direct regulatory sanctions approach. The inspector-general considers that the status quo of ongoing levels of non-compliance is not appropriate. LGAP offers an alternative mechanism that has the potential to address the non-compliances through the allocation of responsibility and accountability through the supply chain, and improved audit, standards and assurances processes.

LGAP risks

However, implementing LGAP is not without potential disadvantages and risks, including:

- undermining the purpose of ESCAS by creating the potential for system failure if the TPPA does not perform to a high standard
- potentially reducing the government's direct oversight of exporters and the ability to be able to hold them accountable
- potentially reducing the capability and capacity support provided by exporters to their supply chains
- reducing transparency of individual exporter performance.

Stakeholders have raised concern that if a TPPA was not performing it could undermine the initial objective of ESCAS. That is, the department's ability to hold an individual exporter and their supply chain accountable for an incident rather than the whole industry. The department would need to closely monitor and audit the performance of TPPAs to mitigate such a risk and be in a position to reinstate ESCAS.

Many of the same auditors that are currently contracted by exporters are likely to be engaged by TPPAs to undertake their audits. However, the TPPA will set uniform standards for these auditors. This is likely to address concerns regarding the quality of audits and the potential for an implied conflict with direct exporter engagements. The department will need to closely monitor TPPA performance to mitigate the risk of TPPAs experiencing commercial pressure to reduce their costs in a manner that may compromise audit quality assurance. However, the inspector-general considers that the audit arrangements under LGAP are likely to improve the quality, consistency and veracity of audits and provide a level playing field.

In October 2020 the department advised exporters that they may use reports from audits against LGAP standards to demonstrate compliance with ESCAS independent auditing requirements (DAWE 2020d).

5.2.2 Collective Standards for Animal Welfare

The Collective Standards for Animal Welfare was developed by a number of exporters to address the high level of ESCAS non-compliance in Vietnam.

Vietnam is a rapidly growing live cattle export market. It is the second-largest market for Australian cattle and buffalo. However, it remains one of the highest risk markets under ESCAS for incidents of non-compliance, particularly losses of control and traceability. Since 2012 the Vietnamese livestock export market has accounted for around 67% of reported cattle and buffalo control and traceability breaches and over 43% of all recorded critical non-compliance. This is approximately 5 times more than in Australia's largest live cattle market, Indonesia.

In 2015 Australian exporters supplying cattle to Vietnam sought to address this high level of incidents by implementing a 6-point plan to improve ESCAS compliance. The 6 principles of the plan are:

1. Access standard – unrestricted access to in-market facilities within an exporter's supply chain.
2. Traceability and reporting standard – electronic and visual traceability of animals in the supply chain.
3. Equipment standard – traceability equipment must be maintained in good order.
4. Standard operating procedure (SOP) documentation standard – facility-level display and understanding of SOPs.
5. Human resource standard – trained and dedicated staff at each critical control point.
6. CCTV monitoring standard – real-time CCTV at key control points with remote monitoring and recording capability (Global Compliance Group 2021).

In April 2018, four Australian exporters to Vietnam began the Collective Standards for Animal Welfare (CSAW) program. The CSAW is built on collective, collaborative transparency and responsibility and reduces the risk of non-compliant facilities switching to different exporters or importers. Members are accountable for any non-compliance and must take the necessary corrective actions and notify other members of an incident.

The CSAW group contracts a third party to provide 24/7 CCTV monitoring to parts of their supply chains. The data is uploaded to provide real-time monitoring. This system has the potential to reduce the risk of leakage from the group's supply chains because any non-compliance can be seen immediately. The system also allows the group to provide strong evidence to the department if requested.

Chapter 6

Management of ESCAS non-compliance

The department considers ESCAS non-compliance as exporters not conforming or adhering to the requirements of Australian Government livestock export legislation, animal welfare standards, control and traceability and independent auditing requirements under ESCAS (Department of Agriculture 2019b).

The department has 3 primary means of compliance monitoring and assurance under ESCAS – audits, self-reporting and third-party reporting. Since 2015 only 6 investigations were initiated based on information from audits. The majority of incidents requiring investigation arose from third-party reports and self-reports from exporters. This may indicate that the number and frequency of audits is not an effective means of monitoring compliance. However, it is one of the few methods the department has to provide assurance and it can be considered an important approach in preventing non-compliance.

6.1 Reporting non-compliance

Industry participants, animal welfare organisations and the community are interested in the health and welfare of exported livestock. This interest can extend to reporting incidents or events of concern where they are observed or where evidence becomes available. Regulators generally rely on information from the public to complement their own compliance-monitoring activity. This is particularly important in ESCAS given that the department cannot conduct surveillance, inspections or audits in importing countries, which are sovereign nations.

However, there may be some opportunity for the department to detect potential non-compliance through sources such as social media or open-source platforms. For example, in July 2020 the department received video footage from a third party that had been alerted to an incident using a social media site that showed Australian sheep being advertised for sale. A departmental investigation concluded that Australian sheep were mishandled or slaughtered at 5 unapproved locations in Jordan and that 565 sheep could not be accounted for. Although, the incident was originally self-reported by the exporter, visual evidence was supplied by the social media site.

From 2015 to 2020, over 47% of reports of ESCAS non-compliance were from third parties, with over 62% of these third-party reports from animal welfare organisations (Table 5). Other third-party reporters included observers and industry workers not employed by the exporters. This demonstrates the importance of third-party reporters as a source of compliance information for the department. The department could benefit from, and support, this source of compliance monitoring by providing guidance on evidentiary standards for third-party reporters.

Since 2019 independent observers on vessels accounted for 5 reports. These reports all related to poor animal handling while disembarking.

TABLE 5 Source of compliance investigations, 2015 to 2020

Reporting source	2015	2016	2017	2018	2019	2020	Total
Exporter self-report	16	20	7	7	4	1	55
Animals Australia	8	8	6	9	3	2	36
Other third party	16	4	1	0	1	0	22
Audit	1	3	1	1	0	0	6
Independent observer	0	0	0	0	4	1	5
Total	41	35	15	17	12	4	124

Note: Four reports from 2020 are still under investigation

Few instances exist of reporting by third parties that were duplicated by industry self-reporting. This may be explained by the difference in reporting time frames. Exporters must notify the department in writing within 5 working days of becoming aware of an incident. However, the department usually contacts exporters immediately on receiving third-party reports of non-compliance. Contacting exporters is important where there is an opportunity to retrieve livestock that may have left the supply chain and to prevent poor animal welfare that may arise as a result.

The importance of exporter self-reporting as a key assurance mechanism of ESCAS may mean some refinement to the department's current approach is warranted. Given that self-reporting is an important integrity measure, the department should consider ways to incentivise self-reporting. For example, considering self-reporting as a mitigating factor in determining a regulatory response to a non-compliance) and to disincentivise failure to self-report.

It is unclear why a 5-day reporting time frame was determined. This should be adjusted to require self-reporting to occur as soon as is practicable. The department should incorporate into an investigation the potential non-compliance where it receives a third-party report with no corresponding self-reporting. Where an investigation indicates that an exporter should have self-reported, this could be viewed as an aggravating factor in considering an appropriate regulatory response.

Inspector-general recommendation 6

The department should change the required self-reporting period from 5 days to 'as soon as is practicable'.

From 2015 to 2020 industry self-reporting accounted for around 44% of reports. Some exporters were found to be non-compliant because they had not reported an incident. For example, in 2019 an exporter's consignment of sheep to Israel was found to have a non-compliance, following a report by an independent observer. Because the exporter did not report the non-compliance to the department as required, the department placed additional conditions on the exporter's Israel sheep supply chain. This required an independent auditor and exporter representative to be present during discharge to verify the exporter's corrective actions for an additional consignment (Department of Agriculture 2019c).

However, a month later the same exporter was reported by a third party for non-compliance with ESCAS animal welfare requirements for a consignment of feeder cattle to Israel. Although the non-compliance was identified in the exporter's end-of-voyage report, it was not reported to the department within the required 5 working days. The independent auditor that was present as a condition of the previous consignment's non-compliance failed to identify any issues (see [Recommendation 5](#)).

6.2 Investigations

The department assesses all reports of potential non-compliance, irrespective of the number of animals involved. The department refers evidence to exporters that are identified as responsible for a supply chain where a potential non-compliance has occurred. The exporter must then review their traceability records, prepare an investigation report and assist the department with the investigation.

It can be difficult for exporters to obtain the evidence necessary to explain an incident. They may use in-country expert assistance; information from their auditor, importers and facilities in their supply chain; and control and traceability providers. The inspector-general heard that, in some instances where an investigation involved multiple exporters, an exporter who was able to quickly provide evidence that their consignment was not involved in the incident, were still required to continue to provide substantial additional information instead of being excluded from further scrutiny. In this case, the department should ensure that exporters who are demonstrably not involved in an incident are excluded from the investigation and informed in a timely manner. However, in some instances the information provided was not sufficient to exclude the exporter from the investigation.

The department treats each report individually, and departmental investigations may take several months to complete. An investigation into ESCAS non-compliance typically involves:

- obtaining information from exporters and third parties
- undertaking technical assessments of photographs and video
- deciding whether non-compliance has occurred, or risks are evident
- considering whether any regulatory action during or following the investigation is necessary.

The department assesses the available information and classifies the findings into categories of non-compliance ([Table 6](#)). Any departmental action depends on the classification of the findings, the nature of the non-compliant behaviour and any corrective actions implemented by the exporter.

TABLE 6 Categories of ESCAS non-compliance

Category	Definition of finding	Example	Effect on control, traceability or animal welfare outcomes
No confirmed non-compliance	No substantiated information confirming failure to comply with ESCAS or failure to meet the control, traceability or animal welfare outcomes.	n/a	Nil
Minor	A failure to comply with ESCAS that is not likely to result in systemic failure or reduced ability to meet the control, traceability or animal welfare outcomes.	Minor inaccuracies in recording; minor non-compliance with animal welfare checklist	Potential
Major	A failure to comply with the approved ESCAS that is likely to result in systemic failure or materially reduced ability to meet the control, traceability or animal welfare outcomes. A number of minor non-compliances that are likely to result in systemic failure can be considered to be major non-compliance.	Facilities with poor infrastructure; animals moved to any place not included in ESCAS	Likely
Critical	A failure to comply with the approved ESCAS which has led to the control, traceability or animal welfare outcomes not being met.	Removal of animal identification in feedlot; unaccounted animals	Certain

n/a Not applicable.

An investigation may result in the department recording a minor, major or critical non-compliance against the exporter. In some cases, there have been multiple non-compliances, but only one non-compliance recorded. For example, in 2018 an exporter reported that on 2 separate occasions cattle and buffalo had been moved from an approved feedlot to one outside the approved supply chain. In both cases CCTV cameras monitoring the approved feedlot had been tampered with. The department found that neither the importer nor feedlot had been previously approved. This resulted in unknown animal welfare outcomes for 743 animals that had left the supply chain. The department recorded one critical non-compliance, despite evidence of minor, major and critical non-compliance (Department of Agriculture 2019d).

This type of assessment and recording may not capture the total number of non-compliances for an exporter or their supply chain. This can inhibit the department's ability to analyse the performance of an exporter over time or of a market – for example, whether there is a one-off non-compliance or significant systemic issues.

Since 2012 the department has demonstrated good practice in making data on the movement (control and traceability) of livestock available (see Regulatory compliance investigations). This has contributed to overall transparency. However, the frequency and detail of reporting has changed.

From 2012 to 2013 the department published the results of 25 investigations in individual detailed reports. From 2014 to 2015 the department provided an annual summary of 7 finalised reports. Those summaries provided links to more detailed summaries for each report, including a snapshot of each livestock export market. In 2015 the department published 2 summaries – covering 1 January to 30 June and 1 July to 30 November. From 1 December 2015 subsequent summaries were published every quarter, making calendar or financial year assessment difficult. The amount of detail available in each summary has decreased. This reduces the value of the data set because it makes it difficult to assess compliance and regulatory performance trends consistently over time.

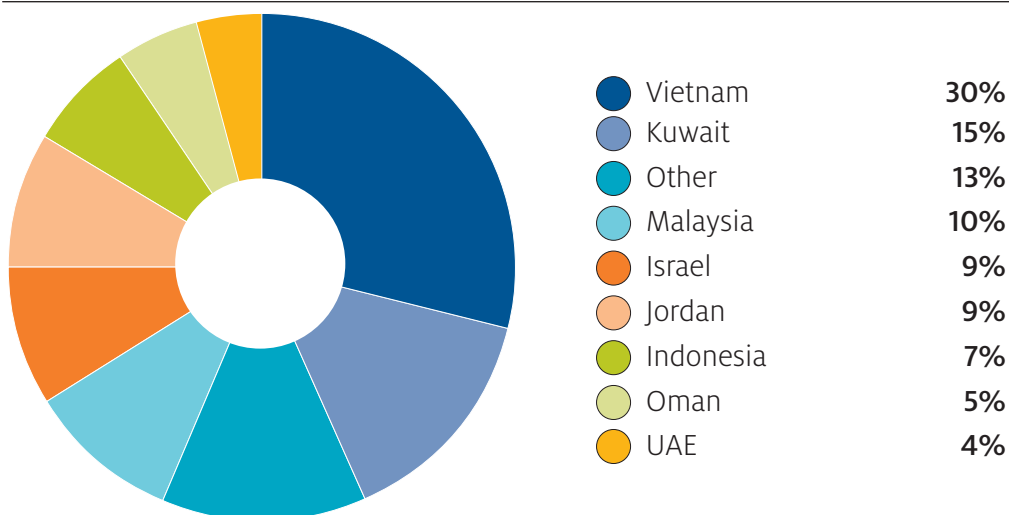
The inspector-general also heard criticism that if non-compliance is not found during an investigation, the exporter is only notified of the outcome when the quarterly report is published. The department should advise exporters and complainants involved in an investigation the outcome as soon as practical.

Inspector-general recommendation 7

The department should report the range of detected non-compliance and the range and number of sanctions or other regulatory responses that resulted from the non-compliance. The department should record non-compliance to examine the performance of individual exporters over time and analyse and understand issues within each market.

From 2012 to 2020 the department published 180 compliance and investigation reports. During this period, non-compliance was recorded in 20 countries. The majority were recorded in Vietnam (30%), Kuwait (15%), Malaysia (10%), Israel (9%) and Jordan (9%). The remaining 15 countries accounted for 27% of recorded non-compliance ([Figure 6](#)).

FIGURE 6 ESCAS non-compliance by country, 2012 to 2020



From 2015 to 2020 the department recorded 41 critical, 51 major and 45 minor non-compliance from ESCAS supply chains (Table 7). Loss of control and traceability accounted for most instances of non-compliance, noting that these non-compliances can also include animal welfare issues. During the same period, the department recorded 8 critical, 7 major and 28 minor non-compliances in relation to animal welfare issues.

Investigations may result in the department having insufficient evidence to reach a conclusion or finding that the exporter was compliant. In some instances, a non-compliance is not recorded for an incident that may have involved multiple exporters, because a single responsible exporter could not be identified.

From 2015 to 2020 departmental investigations that did not result in a non-compliance being recorded against the exporter accounted for 15% of all ESCAS investigation reports. Investigations involving more than one exporter accounted for 15% of all reports and 27% of all reports that concluded a critical non-compliance.

TABLE 7 Results of ESCAS compliance investigations 2015 to 2020

Non-compliance type	2015	2016	2017	2018	2019	2020	Total
Minor	8	16	4	10	6	1	45
Major	16	15	9	5	6	0	51
Critical	11	13	3	5	1	8	41
None	8	6	3	3	0	2	22
Total	43	50	19	23	13	11	159

Note: Four reports from 2020 are still under investigation

On 13 August 2019 a third-party reported ESCAS non-compliance for cattle slaughtered in Indonesia. The report, including video evidence, showed cattle from Australia being mistreated as they were slaughtered. Mistreatment included tail pulling, leg roping, standing and sitting on heads, and in one case up to 20 knife strokes were used to eventually slaughter the animal. The animals were slaughtered in a car park rather than the approved abattoir.

Up to 8 exporters were identified as having the abattoir in their supply chain. Initially, all exporters denied involvement. However, a few weeks later one exporter confirmed the cattle were from their supply chain. The investigation concluded that one of their abattoir managers had been selling stock directly to a third party, outside approved ESCAS facilities.

The abattoir was removed from the supply chain and the department recorded a critical non-compliance with ESCAS control and traceability and animal welfare requirements against the exporter. Multiple instances of minor and major non-compliance were also evident, but these were not recorded (DAWE 2020e).

ESCAS was introduced to improve animal welfare standards and to impose corrective actions or sanctions on participants identified as being responsible for an incident. This allows those not involved in an incident to continue to trade within a continuous improvement framework. However, it is difficult to determine trends in overall regulatory performance under ESCAS. The evidence that is available indicates that non-compliance and incidents are continuing in each market to varying degrees, with varying performance across individual exporters. For example, there were 5 recorded non-compliances for animal welfare issues in 2015, 11 in 2016, 4 in 2017, 12 in 2018 and 11 in 2019.

Good regulatory practice should strive for continuous improvement with decreasing trends in incidents and non-compliances. Existing trends suggest the department should consider whether it can do more to drive continuous improvement in ESCAS.

6.3 Responding to non-compliance

ESCAS breaches are classified in the department's Biosecurity Guideline for Management of Non-Compliance. The document provides guidance to departmental staff about the management of non-compliance in ESCAS supply chains. It includes information about the classification of findings and measures that could be applied in response to non-compliances.

The department can apply a range of compliance measures and sanctions on the livestock exporter. A minor, major or critical non-compliance may have one or more actions for the exporter and the components of the supply chain. Critical, repeated or multiple instances of non-compliance may result in the department suspending or cancelling an export licence, or not approving a future notice of intention to export (NOI) application. Serious non-compliance such as providing false or misleading information can lead to criminal sanctions. However, no prosecutions have been undertaken for failure to comply with ESCAS.

Compliance measures and sanctions that can be applied to exporters include:

- criminal sanctions
- revoking export licences
- issuing show cause notices
- applying conditions to export licences
- refusing to issue export permits
- cancelling a NOI
- revoking an ESCAS approval.

Analysis of the department's regulatory performance reports from 2016 to 2020 reveals that the most common sanction has been to remove or suspend a facility from an exporter's supply chain (37.7%). For the same period, the department was satisfied with the exporter's corrective actions in over 23% of cases. The next most common sanction has been to change the conditions of the exporter's ESCAS (18%). Typically, this will require the exporter to amend their supply chain management plan or increase their monitoring, oversight and reporting.

Other less frequently applied sanctions include increased audits (10%) and suspending exports to an importer's facilities (7%). An increased audit regime is usually applied when the investigation reveals major or critical non-compliance causing an increase in the facility's risk rating.

Since 2016 some exports have been suspended to an entire market. This occurred in 2016 with the suspension of sheep exports to Lebanon and in 2018 when exporters agreed not to export sheep to Malaysia during the Korban religious festival.

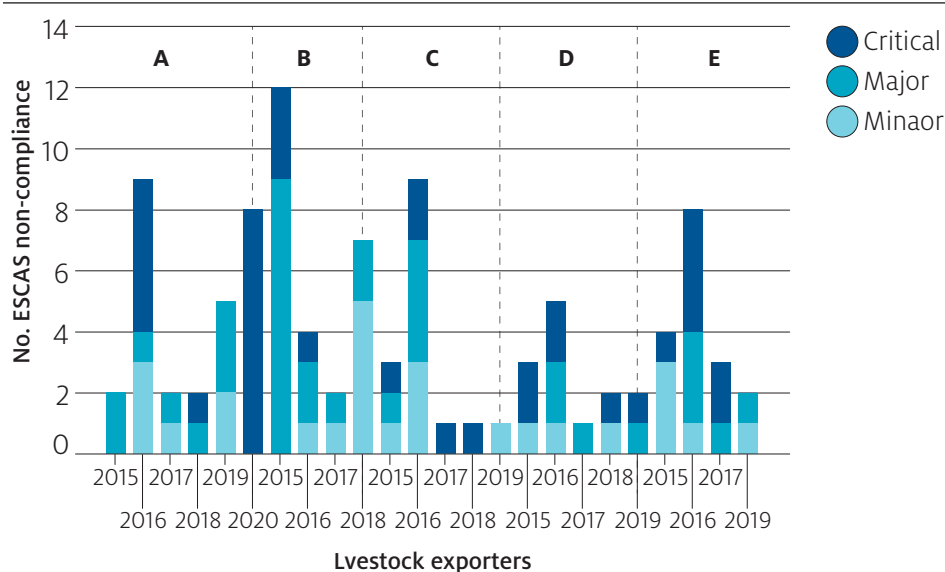
Several minor non-compliances can be an indicator of systemic failure that may lead to a more significant incident. If an assessment indicates this is the case, the department may respond to and report a series of minor non-compliances as a major non-compliance issue. Approaching non-compliance in this way is consistent with a proportionate regulatory response model. This model is intended to prevent serious incidents by escalating regulatory responses to achieve compliance before more serious incidents occur. It is an important element of a good practice regulatory model that demonstrate continuous improvement.

The inspector-general heard an example from industry where a non-compliance had been identified at a facility and had been subsequently rectified (in this example a broken restraint box that had then been repaired). The exporter considered that the rectification, and evidence demonstrating rectification, had been provided to the department. However, the exporter considered that repetitive and ongoing provision of evidence demonstrating the same simple rectification had continued to be required by the department for an extensive period of time. The department should ensure that it is clear on the actions it requires to rectify a non-compliance, the evidence that will satisfy it that the action has been completed and advise or close out the action in a timely manner.

The inspector-general noted the department often appears to determine the severity of an individual non-compliance in isolation from other factors. For example, a technical or administrative non-compliance may be automatically categorised as of low impact or severity and attract a regulatory response at the lower end of the department's proportionate response model.

A track record of non-compliance by an individual exporter does not appear to result in proportionate escalation in subsequent regulatory responses. This approach risks not correcting underlying and ongoing unacceptable performance. For example, from 2015 to 2020 the top 5 non-compliant exporters accounted for 57% of all minor, 70% of all major, 87% of all critical and 71% of total recorded non-compliance ([Figure 7](#)).

FIGURE 7 Number of ESCAS non-compliances by top 5 non-compliant exporters, by category, 2015 to 2020



Note: Non-compliance may also be against an exporter's facility. There are 4 incomplete investigations from 2020.

Not all Australian livestock have been slaughtered in compliance with ESCAS. Incidents of non-compliance have occurred where the animal welfare outcome was adverse or unknown. In these cases, the department can apply suspension sanctions to a specific facility, the supply chain or the whole market. The suspension can also occur before the investigation is complete. However, ESCAS was intended to avoid the suspension of a whole market.

In considering responses to non-compliance, departmental officers are guided by the *Biosecurity guidelines for the management of non-compliance*. These guidelines do not appear to have been reviewed or updated since 2012. The guidelines should be reviewed specifically for their application to live animal export regulation. The review should ensure that the guidelines incorporate a better practice application of a proportionate response model. See '[Implementation of Moss Review Recommendations](#)' (Review Report no. 2020/02, Section 2.1) for the inspector-general's discussion of this topic.

The inspector-general heard that animal welfare organisations had experienced an increase in responsiveness to their complaints and reports, with the department providing more timely investigations and responses in accordance with the client services standards. It is important that the department continues to:

- ensure that all members of the public can easily access information on regulatory requirements and responsibilities
- assist the public to navigate jurisdictions responsibilities to be able to raise concerns and lodge complaints with the correct institution in a timely manner
- provide high levels of responsiveness.

To ensure consistency with best practice regulation the department should indicate the full range of non-compliance, detected, and the range and number of sanctions or other regulatory responses that resulted.

Inspector-general recommendation 8

The department should review and update the *Biosecurity guideline for management of non-compliance* to incorporate the appropriate use of a proportionate response regulatory model that utilises the full range of sanctions and powers available under the *Export Control Act 2020*. The department should apply an escalating proportionate regulatory response model to improve compliance of exporters who continue to breach ESCAS.

Appendix A

Department's response



Australian Government
Department of Agriculture,
Water and the Environment

Ref: Report no. 2021-01

16 June 2021

Mr Ross Carter
Inspector-General of Live Animal Exports
Department of Agriculture, Water and the Environment
GPO Box 858
CANBERRA ACT 2601

via email: iglae@agriculture.gov.au

Dear Mr Carter *Ross*

Thank you for providing your draft *Review of the Exporter Supply Chain Assurance System* (ESCAS) to me on 21 May 2021, and for providing the opportunity to respond to your findings.

The department is proud of the change and reform that has been brought by the creation of ESCAS. The implementation of ESCAS has lifted the standards and practices that Australian animals are subjected to and has also had a range of benefits to the way in which non-Australian livestock are managed and slaughtered in many of the importing markets. As you have identified, the department has been successful in its implementation, which was a significant reform that has largely achieved its broad objectives.

The department agrees that there are further opportunities to improve the operation and outcomes of ESCAS. Reform of business processes around ESCAS will be a key efficiency improvement. The department has already commenced a number of projects to improve business systems and digitised services. This includes work undertaken in the Busting Congestion program as well as live animal export specific projects.

The department is also committed to an ongoing process of policy reform to ensure that the best welfare outcomes are achieved for livestock in-country. This will be achieved by review of guidelines and reporting, to take into account analysis of non-compliance and information arising from the performance of independent auditors, as you recommend. This will allow the department to apply an escalating proportionate regulatory response model to improve compliance of exporters who continue to breach ESCAS.

In addition, the department continues to work with industry around the implementation of Third Party Provider of Assurance Services scheme, notably the Livestock Global Assurance Scheme, to enhance ESCAS. I believe there are good opportunities for this approach to strengthen ESCAS and provide a greater level of ongoing improvement.

In relation to your recommendations, I have provided a detailed response at Enclosure 1.

Yours sincerely

Andrew Metcalfe

Andrew Metcalfe AO
Secretary

#	Inspector-general recommendation	Department response
1	<p>In delivering the Australian Government's Busting Congestion, Deregulation and Modernising Agricultural Trade budget reforms, the department should improve its business-facing systems and digitised services to streamline the efficiency of industry interactions and decision-making. These systems should:</p> <ul style="list-style-type: none"> • facilitate efficient submission of applications • assist with the quality of applications, including facilitating compliance • support efficient decision-making and access to information for departmental officers. 	<p>Agreed</p> <p>The department has commenced a number of projects to improve business systems and digitised services. Work is underway in the Busting Congestion program to digitise the application forms and processes for an export business to maintain the approvals for export, including for live animal exporters. There are live animal export specific projects that will deliver improved efficiency in the administration of the regulatory system, including the system the department and exporters use to transfer and manage information related to export consignments. The department also has a comprehensive program of work to improve digital capability across export systems.</p>
2	<p>The department should update the Exporter Supply Chain Assurance System (ESCAS) animal welfare standards (Export Advisory Notice 2018-01) to be consistent with the World Organisation for Animal Health (OIE) Terrestrial Animal Health Code 2019.</p>	<p>Agreed in principle</p> <p>The department will review the current ESCAS animal welfare standards against the OIE 2019 code and update them if required.</p>
3	<p>The department should use a risk-based approach to requiring the use of a visual recording devices and fixed radio frequency identification (RFID) tag scanning in markets, or for specific exporters, where loss of control and traceability is a systemic problem.</p>	<p>Agreed in principle</p> <p>While the department agrees that technology offers opportunities to improve ESCAS monitoring, the recommendation is overly specific, which limits the scope, and pre-empts the identification of potential alternative solutions to address identified system issues. In conjunction with recommendation 8, the department will review the ESCAS framework, including the development of control and traceability standards to complement the existing animal welfare standard. The scope of this review will consider the appropriate people, processes, systems and technologies for ESCAS control and traceability.</p>
4	<p>The department should undertake, and publish, a review of available technologies for accurate sheep and goat counting, and individual identification. The department should also undertake a cost-benefit analysis of requiring the use of improved counting and individual identification technology for sheep and goat exports. Depending on the outcome from the technology review, the department should consider requiring all sheep and goat exporters to utilise improved technology, or consider imposing this requirement on markets, or individual exporters, where counting inaccuracy and loss of control and traceability is systemic.</p>	<p>Agreed in principle</p> <p>The department recognises the capacity for innovative technological solutions to apply to the issues that arise around accurate sheep and goat counting and individual identification. This has led to the department taking part in the Business Research and Innovation Initiative – Regulatory Technology Round seeking ideas for digital technologies that will allow for remote and automated monitoring of export live health and welfare. There are also a number of technological approaches that are being developed or used in the livestock export industry, and the department will continue to assess the use of those new approaches.</p> <p>The department will consider this recommendation in conjunction with recommendation 8. In addition, the department will continue to work with the livestock export industry, and look at available solutions and technologies to determine which is the most appropriate to address the identified system issues.</p>

# Inspector-general recommendation	Department response
<p>5 The department should monitor the performance of independent auditors and consider not accepting reports from auditors who do not detect issues that may have contributed to non-compliance or who provide poor quality audits.</p>	<p>Agreed in principle</p> <p>While the department would not accept a report from an independent auditor it knew to be incompetent or corrupt, there is a very limited capacity for the department to assess the work of individual auditors. Auditors are engaged by exporters and are not accredited by the department but are subject to a requirement to have current accreditation by an appropriate authority such as a member of the international body for accreditation of Conformity Assessment Bodies – the International Accreditation Forum (IAF). To address the concerns raised here, the department considers it appropriate to undertake a broader review to determine how most effectively to identify and address poor auditor performance. Consideration will be given to the feasibility of developing an international standard for certification of bodies that provide audits of ESCAS. Alternatively, the successful implementation of the Livestock Global Assurance Program, under the Third Party Provider of Assurance Scheme, would address this issue directly by managing the use and training of auditors for exporters.</p>
<p>6 The department should change the required self-reporting period from 5 days to 'as soon as is practicable'.</p>	<p>Agreed</p> <p>The department will amend the current condition from:</p> <p><i>The exporter must notify the department in writing within five working days of becoming aware, or receiving information that suggests, that:</i></p> <ul style="list-style-type: none"> a. <i>an animal or animals exported to the supply chain(s) have or may have been transported to locations other than those specified in the ESCAS;</i> b. <i>the location of an individual animal or animals exported to the supply chain(s) is not able, or may not be able to be verified by the exporter in accordance with the animal traceability and tracking system specified in the ESCAS; or</i> c. <i>the animal welfare standards provided for in the ESCAS have not, or may not have, been met in relation to an individual animal or animals exported to the supply chain(s).</i> <p>to</p> <p><i>The exporter must notify the department in writing as soon as possible and not more than five working days of becoming aware, or receiving information that suggests, that:</i></p> <ul style="list-style-type: none"> a. <i>an animal or animals exported to the supply chain(s) have or may have been transported to locations other than those specified in the ESCAS;</i> b. <i>the location of an individual animal or animals exported to the supply chain(s) is not able, or may not be able to be verified by the exporter in accordance with the animal traceability and tracking system specified in the ESCAS; or</i> c. <i>the animal welfare standards provided for in the ESCAS have not, or may not have, been met in relation to an individual animal or animals exported to the supply chain(s).</i>

#	Inspector-general recommendation	Department response
7	The department should report the range of detected non-compliance and the range and number of sanctions or other regulatory responses that resulted from the non-compliance. The department should record non-compliance to examine the performance of individual exporters over time and analyse and understand issues within each market.	Agreed The department will implement this recommendation in conjunction with recommendation 8.
8	The department should review and update the <i>Biosecurity guideline for management of non-compliance</i> to incorporate the appropriate use of a proportionate response regulatory model that utilises the full range of sanctions and powers available under the <i>Export Control Act 2020</i> . The department should apply an escalating proportionate regulatory response model to improve compliance of exporters who continue to breach ESCAS.	Agreed The department will undertake a review as set out in recommendation 8 with a view to updating the guideline in 2022.

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