

Meat Industries Act
and Regulations

National Competition Policy
Review Report

By

Independent Review Panel
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November 2000

Terms of Reference

Generic Terms of Reference - *Meat Industries Act* and Regulations

The review of the *Meat Industries Act* and Regulations was conducted in accordance with the principles for legislation review set out in the Competition Principles Agreement utilising The Northern Territory National Competition Policy Steering Committee's guidance template. The underlying principle is that legislation should not restrict competition unless it can be demonstrated that:
The benefits of the restriction to the community as a whole outweigh the costs; and
The objective of the legislation can only be achieved by restricting competition.

The review

- Clarified the objectives of the legislation their continuing relevance and whether or not the *Meat Industries Act* and Regulations remains an appropriate vehicle to achieve those objectives;
- Identify the nature of the restrictive effects on competition;
- Analyses the likely effect of any identified restriction on competition and the economy generally;
- Assess and balance the costs and benefits of the restrictions identified; and
- Consider alternative means for achieving the same results, including non-legislative approaches.

When considering the matters referred to in clause 2, the review also identified any issue of market failure, which will need to be, or are being addressed by the legislation.

Consider whether the effects of the legislation contravene the competitive conduct rules in Part IV of the Trade Practices Act 1974 and the Northern Territory Competition Code.

The review shall consider and take account of relevant arrangements in other Australian jurisdictions and any reforms or reform proposals, including those relating to competition policy in other jurisdictions.

The review shall consult with, and take submissions from

- Domestic and export abattoir licence holders;
- Domestic or export poultry abattoir licence holders;
- Domestic or export meat processing licence holders;
- Domestic or export game meat processing licence holders;
- Pet meat processing licence and pet meat processing (transportable) licence holders;
- Cold store licence holders; and
- Other interested parties.

The review to be completed by 1st December 2000

Recommendations

A significant number of provisions within the *Meat Industries Act* and Regulations were identified as restrictive. The review panel recommends no changes as the benefits to the community outweigh the costs and no feasible alternatives to regulation were identified.

Provision	Short Description	Recommendation
Section 4 (5)	Fit and proper person	No change
Section 6	Permit to slaughter	No change
Section 17	Objection to proposed applications	No change
Section 19	Licences	No change
Section 20	Conditions of Licences	No change
Section 26	Transfer of Licences	No change
Section 29-32	Nomination of manage	No change
Section 33-34	Offences	No change
Section 34(4)c	Advertising at residence	No change
Section 36-38	Pet Meat Offences	No change
Section 39	Transport of Pet Meat	No change
Section 42	Persons with disease	No change
Section 44	Person not to alter establishment	No change
Section 46	Falsely identifying meat	No change
Section 53	Transport of meat	No change
Regulation 4 & 15	Pet meat imported into establishment	No change
Regulation 17	Processing only permitted	No change
Regulation 33	Shooting of animals	No change

The Northern Territory *Meat Industries Act* and Regulations should remain as no other vehicle could be identified to achieve objectives.

The Northern Territory *Meat Industries Act* and Regulations operates under the framework of the “The Agriculture and Resources Management Council of Australia” (ARMCANZ) adopting Australian Standards AS/NZS ISO 9000 (1994) series

- Construction of premises Processing Meat for Human Consumption
- Construction of premises Processing Animals for Human Consumption
- Hygienic Production of Game Meat for Human Consumption
- Hygienic Production of Poultry Meat for Human Consumption
- Hygienic Production of Rabbit Meat for Human Consumption
- Transport of Meat for Human Consumption

It is recommended that *Meat Industries Act* and Regulations continues to work under the framework of ARMCANZ

The long title of the Act should be rewritten to reflect the desired outcome not how to achieve the desired outcome.

The Minister should consider a review of the Northern Territory *Meat Industries Act* and Regulations in 3 to 5 years.

Introduction

National Competition Policy.

The Northern Territory National Competition Policy Steering Committee guidelines were used as the basis of the review and report.

Terms of Reference as per page 2. Summary of the key factors

- clarify the objectives of the legislation;
- identify the nature of the restrictions on competition;
- analyse the likely effect on the economy of each restriction on competition;
- assess the balance of costs and benefits of each restriction; and
- consider alternative means for achieving the same result including non-legislative approaches.

Review Panel

An independent review team was appointed to carry out this review. The team has no vested interest in the legislation comprised of:

Mr Ken Cohalan, ex-General Manager Pauls Limited NT, Vice President NTCC&I – (nominated by the NT Chamber of Commerce and Industry) – and

Mrs Brydget Barker-Hudson, Coordinator Legislation with the Department of Primary Industry and Fisheries, acted as Executive Officer for the review team.

Brian Radunz Chief Veterinary Officer Department of Primary Industries and Fisheries acted as liaison and supplied relevant information for this review.

Public Consultation

Submissions were invited from the public by advertisement in newspapers circulating throughout the Northern Territory.

No response was received from the invitation to comment on the Review.

Chair discussed the *Meat Industries Act* and Regulations with;

- Consolidated Meat Group
- Batchelor Meat Works
- Brunei Meat Export Company Ltd

No adverse comments were received from senior officers of the above companies.

Object of the Legislation

Clarify the objectives of the Legislation

The long title of the Act states:

"To provide for the control of the slaughter of animals and processing of meat for human consumption and for use as pet meat, to otherwise regulate the meat industries and for related purposes"

The long title of the Act should possibly be rewritten to reflect the desired outcome.

The objects of this Act are –

(a) to ensure that meat produced for human consumption is wholesome;

(b) to ensure that pet meat produced for pet food is not substituted for meat produced for human consumption;

*(c) to ensure the humane slaughter of animals for human consumption and pet meat;
and*

(d) to foster export and domestic markets for meat for human consumption and pet meat.

The cattle-based meat industries of the NT are presently worth approximately \$20 million and form part of the dynamics of the pastoral industries of the NT, which is worth in excess of \$160 million per annum.

The Act is focused on the public interest of food safety using a licensing regime and implementation of published National Standards. The NT contributes to the creation of such Standards and adds them to the statutory regime as they are produced progressively for industry sectors and functions.

Anti-competitive Provisions

The nature of the Act restricts provision of services by a licensing regime intended to uphold the integrity of the different market sectors, preventing meat substitution and therefore protecting public health and the access of industries to valuable markets. This by its nature is anti-competitive. However, throughout consideration of this Act the panel was of the opinion that the public interest was served by the restrictions.

Considerations of possibly anti-competitive provisions are detailed in the Attachment A. The nature of each restriction is categorised using the classification specified.

Under the guidelines seven types of restriction listed, detailed comments on the restrictions are covered in Attachment A

Govern the entry or exist

The cost of licences and compliance (noted in Public Benefits Test) are more than offset by protecting public health and markets. (estimated cost noted in Public Benefits Test)

The Act makes provision for 'religious' slaughter of animals. This is seen as reflective of our multi-ethnic / religious society.

The industry has had incidents of mismanagement in the past and 'fit and proper' persons provisions are required to ensure suitable management of this important industry sector to the rural economy of the NT and nation as a whole. Industry previously subject to censure under Royal Commission findings.

Price or Production Control

Comparative costs with or without the Northern Territory *Meat Industries Act* and Regulations are considered, noted under Public Benefits Test.

Quality or location restrictions.

Quality restrictions are in place to protect public health and markets. Detailed elsewhere in the report.

Location, there appears to be a duplication whereas the *Planning Act* and the *Meat Industries Act* both have jurisdiction in **land use control areas**. In practice both have expertise and responsibilities in different areas and work in conjunction would achieve desirable outcomes.

Differences;

<i>Meat Industries Act</i>	<i>Planning Act</i>
Cattle yarding and movement	Traffic movement and parking.
Animal and animal waste handling	Environmental factors
Disease and contaminant control	Community concerns
Hygienic meat processing and transport	Traffic control
Building design to reduce contamination	Building code
Implementation ARMCANZ Standards	Relevant Planning Act codes.
Permits 3 rd parties appeals	Does not allow 3 rd party appeals
Appeals – Local court	Appeals Land and Mining Tribunal
Appeals on merit	Appeal on evidence presented.

Advertising and Promotional Opportunities

Intention of Section 34 (4) was not to restrict advertising and has not been used for that purpose. It was to encourage small operators to promote services and for easy location by officer acting under the *Act*.

Restricts price or type of inputs in the production process

Unrefrigerated transport of fresh meat has been implicated in food poisoning of the public causing hospitalisation. The costs incurred are required to meet public health standards and expectations. The necessity of refrigerating fresh meat in tropical areas such as the Northern Territory is far greater than in temperate climates.

The costs are noted under Public Benefits Test.

Likely to confer significant operating cost to the business

The costs incurred are required to meet public health standards and expectations. In most instances if individual operators had to meet these standards on their volition the costs would be greater than collectively under the Act.

Provides advantage to some firms over others

No restrictions noted.

Summary (detailed comments are at Attachment A)

Provision	Health/Economic	Severity	Other Problems
Section 4 (5) Fit and proper person	Restrict entry	Minor	Criminal Implications
Section 6 Permit to slaughter	Selective restriction	Minor	Religious
Section 17 Objection to proposed applications	Cost entry	Minor	None
Section 19 Licences	Restrict entry	Minor	None
Section 20 Conditions of Licences	Restrict entry	Minor	None
Section 26 Transfer of Licences	Restrict entry	Minor	None
Section 29-32 Nomination of manage	Restrict entry	Minor	None
Section 33-34 Offences	Restrict entry	Minor	None
Section 34(4)c Advertising at residence	Selective restriction	Minor	None
Section 36-38 Pet Meat Offences	Restrict entry & Health	Minor	Meat contamination
Section 39 Transport of Pet Meat	Cost & Health	Minor	None
Section 42 Persons with disease	Public Health	Minor	None
Section 44 Person not to alter establishment	Price & Health	Minor	None
Section 46 Falsely identifying meat	Price & Health	Minor	Meat contamination
Section 53 Transport of meat	Price & Health	Minor	None
Regulation 4 & 15 Pet meat imported into establishment	Price & Health	Minor	Meat contamination
Regulation 17 Processing only permitted	Price & Health	Minimal	None
Regulation 33 Shooting of animals	Restrict entry	Minor	None

Public Benefit Test

The likely impact of each restriction is set out in Attachment A

Graham Kirby, Chief Economist Office Resource Development, Northern Territory Government, has prepared a report covering Public Benefit Test (see Attachment B).

The following factors are relevant in making an assessment of the relative benefits and costs of restrictions.

- Cost of implementing and control under the *Meat Industries Act* and Regulations
- Community service obligations
- Public Health and Safety.
- Economic benefit to Australian business

Cost of implementing and control under the *Meat Industries Act* and Regulations

The estimate cost of the Department of Primary Industries & Fisheries implementing and control under the *Meat Industries Act* and Regulations is less than \$300,000 per annum

Community service obligations

The community expects and demands that food they consume is safe and nutritional. There is ample evidence that the community is prepared to pay an additional cost to ensure compliance to high standards.

They also expect and demand that animals are treated in humane manner.

Public Health and Safety.

Graham Kirby Chief Economist report has covered this subject Attachment B

The cost of refrigerated hygienic transport of meat transport is offset by decrease in product quality, possible loss of meat, loss of sales and increase risk to public health.

Economic benefit to Australian business

Cost of Licences rang between \$50 and \$150. All abattoirs and meat processors are subject to regular audit (frequency is dependant on throughput) Audits have been free of charge to date, however in line with national trends charges for audits will begin in 2001.

To obtain third party accreditation required by an increasing number of companies such as Woolworths, Coles, and McDonalds if the controls of *Meat Industries Act* and Regulations was not in place. As there are no meat specific private accredited auditors based in the Northern Territory the costs are very high. Example, to achieve third party accreditation on McDonald dairy products cost approximately \$11,000 in 1997.

As at 9 December 1999, there were 11 abattoir licences, 2 processing licences, 16 game slaughter licences, 12 pet meat slaughter licences and 3 pet meat processing licences issued. It should be noted that the majority of abattoir licences are in bush community with low level of technical expertise. Thus the cost of third party accreditation to the industry would be in excess of \$150,000 per annum.

Alternatives

The *Meat Industries Act*, commenced in 1997, is compliant with and enforces National Standards in relation to meat production for human and pet consumption. These standards protect the health of consumers and breakdown of such standards has in recent years demonstrated the disastrous effects on individuals and industry with national and international implications.

To revoke the Northern Territory *Meat Industries Act* and Regulations and rely on voluntary code would not achieve the objectives. Lack of technical expertise, no other Northern Territorian business or body has the knowledge or expertise and the low level of marketing forces in remote communities would leave a dangerous vacuum resulting in potential adverse health and economic situation to arise.

There are no marketing management regimes in the Northern Territory such as Meat Marketing Boards. Marketing forces would not be sufficient to meet the objectives across the Northern Territory.

Individual provisions that are noted as anti-competitive and listed under anti-competitive provisions (page 6) have been examined in detail. Deletion, amendment or modification would not eliminate the overall restrictive provisions of the Northern Territory *Meat Industries Act* and Regulations and they would reduce the effectiveness of the Act.

The cost of alternatives to the stakeholders would be variable depending on the expertise and attention to detail. On the best advice available the cost of alternatives would be higher to the overall industry. The training, engagement of expertise, purchasing of required technology for the small operator would in many cases be beyond their capacity, or reduction in margin. The few large operators has some of the required this facilities to achieve a marketing advantage.

Other Jurisdiction Reviews

Review of the situation in other jurisdictions

Jurisdiction	Review	Status
Commonwealth	Export Control Act 1982	Does not appear to be completed
New South Wales	Meat Industry Act 1997	Review complete, expanded
Victoria	Meat Industry Act 1993	Tenders let 23 Mar 2000
Queensland	Meat Industry Act 1993	Not schedule for review
Western Australia	Meat Industry Authority Act	Minor changes, (levy)
South Australia	Meat Hygiene Act 1987	Review completed (see comments below)
Tasmania	Meat Hygiene Act	Review complete
Australian Capital Territory	Meat Industry Act 1931	To include provisions in Model Food Act – currently as a Bill

The Northern Territory *Meat Industries Act* 1997 differs from some other relevant Acts in other jurisdictions in that they are directed more towards butcher shops and retail. The Northern Territory Meat Industries Act concentrates on the animal slaughter, meat-processing side of the industry. The responsibility for public health responsibility at the retail level is with NT Food Act and progressively Australian New Zealand Food Safety.

The equivalent South Australian legislation is the *Meat Hygiene Act*. It requires meat processors to register their premises and apply quality assurance programs based on National Standards. Similar legislation exists in several other states.

The review of the South Australian legislation has been completed and is yet to be provided to the relevant Minister. It is understood that the review is likely to recommend;

- Extension of the Act to include rabbit meat, and
- Extension of the legislation to cover retail sales except businesses retailing only packaged meat.

Conclusion

The risk to public health is very high with a perishable product such as meat. There is ample evidence throughout Australia that Food Poisoning is on the increase and most serious cases death, some outbreaks can be directed to uncontrolled meat slaughtering and processing. The reduction of one death, normally the young or elderly is more than justify the cost of operating the Northern Territory *Meat Industries Act* and Regulations.

Economic importance to the Northern Territory and Australian meat and pastoral industry is very important through employment, export trade and provision of a nutritional food to community.

There are moves to implement uniform animal slaughter and meat processing standards through The Agriculture and Resources Management Council of Australia (ARMCANZ) Further development and, if applicable ARMCANZ standards will work

in conjunction with the Northern Territory *Meat Industries Act* and Regulations. Monitoring of these developments and a further review by the Minister of the Act should be undertaken at a desirable time. It should be noted that organisation and trained technical staff would be still be required to apply ARMCANZ standards.

Marketing forces will ensure major abattoirs and meat processors are strongly influenced to meet or exceed industry standards. The smaller abattoirs, the majority in the Northern Territory controlled under the *Meat Industries Act* and Regulations are little influenced by marketing forces.

No request or comment from interested parties was received to revoke the Northern Territory *Meat Industries Act* and Regulations or to modify provisions within the *Meat Industries Act* and Regulations.

No comments or evidence of excessive beuracracic interpretation by officers working under the Northern Territory *Meat Industries Act* and Regulations.

Methods other than licensing and establishment of auditable quality standards are unlikely to effectively control production of meat. The magnitude of the damage that could occur through an epidemic of food poisoning or through a major disruption to foreign trade or to local consumer confidence is considerable. An auditable paper trail, backed up by a simple licensing system, is considered essential to prevent any likelihood of meat substitution.

It is concluded that no changes to the Northern Territory *Meat Industries Act* and Regulations can be recommended.

ATTACHMENT A

Section 4(5): Fit and proper person

This section defines "fit and proper person" for the purposes of the Act.

Nature of restriction: Governs the entry of individuals into a market - in that it prevents persons deemed to be unfit or improper from becoming meat industry licence-holders.

Description: The criteria for achievement of fit and proper person status are clearly defined. Considerable flexibility is given to government enforcers: however there is no evidence of this flexibility being abused.

Likely effect on the economy. This regulation makes it more difficult for a person with a dubious criminal history to obtain a licence. The intention is to prevent recurrences of the meat substitution scandal of the early 1980s by attempting to ensure the integrity of licensees. The potential impact of removing this restriction would be a trend for more criminals to involve themselves in the trade in order to take advantage of the opportunity to make significant profits by meat substitution or other schemes. There is a real risk that markets for our export beef would be threatened if our customers detected such misleading statements.

Costs vs. benefits: No significant impact.

Comment: This section has anti-competitive tendencies but is considered to be required in the public interest.

Section 6: Permit to slaughter

This section provides that a permit may be offered to slaughter an animal for religious purposes.

Nature of restriction: Governs the entry of individuals into a market - in that it allows some people, for religious reasons, to slaughter animals for meat while excluding others. In that this section permits something that would otherwise be illegal, it may be considered not to restrict competition.

Description: The Chief Inspector may permit slaughter for religious purposes and impose conditions on such slaughter. Typically this might be used to permit slaughter on a farm to produce meat suitable for a religious festival, where such meat cannot be otherwise obtained. The permit conditions would deal with hygiene matters, and might require that an inspector supervise the slaughter.

Likely effect on the economy. This provision is unlikely to have any significant impact on the economy. It was included in the legislation following lobbying on behalf of religious groups, but has not been used since the legislation has been in force.

Costs vs. benefits: No significant impact.

Comment: Arguably, this section has anti-competitive tendencies. The reviewers consider that it is required in the public interest in order to recognise religious diversity in our society.

Section 17: Objections to proposed applications

This section provides that a person may object to proposals to build or amend a meat industry establishment.

Nature of restriction: Controls over price or production - in that it affects the location of where a business may operate.

Description: *Objections* must be on grounds that the site for a proposal is unsuitable. The Chief Inspector may take any such objection into account when considering approving a development proposal.

Likely effect on the economy. This provision is unlikely to have any significant impact on the economy. It

Costs vs. benefits: No significant impact.

Comment: This section has anti-competitive tendencies. The reviewers consider that it is required in the public interest in order to avoid the development of meat industry operations in unsuitable locations.

Section 19: Licences

This section provides that the Chief Inspector may grant various types of licence.

Nature of restriction: Governs the entry of individuals into a market - in that it institutes a licensing regime.

Description: The Chief Inspector may grant various licences provided the proposed premises meets with approved standards or otherwise meets hygiene requirements. There is no limit to the number of licences, which may be issued, and the impact on established meat industry operations is not taken into account in considering applications. This is in contrast to the 1985 *Meat Industries Act*, which specifically provided for objections to be made on this ground and therefore *de facto* limited the number of licences that could be issued. [Incidentally, that Act never came into force.]

Likely effect on the economy. Development of the meat industry might be facilitated in a minor way if these restrictions were removed. However this would be at the expense of the credibility of the industry in the eyes of the consumer and of national and international markets. Maintaining a licensing regime contributes to the economy by maintaining market access for the Territory's valuable meat industries. The reviewers consider that the net impact of maintaining these restrictions is positive.

Costs vs. benefits: It is considered unlikely that consumers would be able to access cheaper meat if these restrictions were removed. The potential cost of food-borne disease outbreaks as a result of removal of licensing requirements is considerable.

The reviewers consider that the costs, including social costs, of removing these restrictions outweigh the possible benefits in terms of cheaper product.

Comment: Licensing regimes by their nature can be seen as anti-competitive but this is seen to be in the public interest in this 'high risk' industry where there are Australia-wide Standards and international certifications to be upheld.

Section 20: Conditions of Licences

This section provides that the Chief Inspector may impose conditions on licences.

Nature of restriction: Controls on price or production - in that it may limit species, which may be slaughtered, or areas from which game meat can be harvested. Quality - in that it may require compliance with a quality assurance program, a standard or a code of practice.

Description: The Chief Inspector may impose conditions on licences. These are likely to require that nationally agreed hygiene standards be followed.

Likely effect on the economy. Minimal. This section is likely to be used only in rare, exceptional circumstances. Maintaining a flexible licensing regime contributes to the economy by maintaining market access for the Territory's valuable meat industries. The reviewers consider that the net impact of maintaining these restrictions is positive.

Costs vs. benefits: It is considered unlikely that consumers would be able to access cheaper meat if these restrictions were removed. The potential cost of food-borne disease outbreaks, or of meat substitution scandals, as a result of removal of licensing requirements is considerable. The reviewers consider that the costs, including social costs, of removing these restrictions outweigh the possible benefits in terms of cheaper product.

Comment: This could be implemented in arbitrary fashion. However, such improper exercise of power would be open to legal redress.

Section 26: Transfer of Licence

This section provides that the Chief Inspector may transfer various types of licence.

Nature of restriction: Governs the entry of individuals into a market - in that it institutes a licensing regime.

Description: The Chief Inspector may transfer various licences except game meat slaughter or pet meat slaughter licence provided the application meets certain conditions inline with application for a licence. There is no limit to the number of licences that may be transferred, and the impact on established meat industry operations is not taken into account in considering applications.

Likely effect on the economy. Development of the meat industry might be facilitated in a minor way if these restrictions were removed. However this would be at the expense of the credibility of the industry in the eyes of the consumer and of national and international markets. Maintaining a licensing regime contributes to the economy

by maintaining market access for the Territory's valuable meat industries. The reviewers consider that the net impact of maintaining these restrictions is positive.

Costs vs. benefits: It is considered unlikely that consumers would be able to access cheaper meat if these restrictions were removed. The potential cost of food-borne disease outbreaks as a result of removal of licensing requirements is considerable. The reviewers consider that the costs, including social costs, of removing these restrictions outweigh the possible benefits in terms of cheaper product.

Comment: Licensing regimes by their nature can be seen as anti-competitive but this is seen to be in the public interest in this 'high risk' industry where there are Australia-wide Standards and international certifications to be upheld.

Section 29-32: Nomination of manager

These sections require that a manager be appointed to assist the licensee in supervising operations at an establishment. It applies a "fit and proper" test on the nomination.

Nature of restriction: Governs the entry of individuals into a market - in that it may preclude some individuals from becoming managers of establishments if they are deemed to be not "fit and proper" persons.

Description: Having a manager who can supervise operations in the absence of the licensee facilitates effective management of facilities.

Likely effect on the economy. Minimal. Maintaining a flexible licensing regime contributes to the economy by maintaining market access for the Territory's valuable meat industries. The reviewers consider that the net impact of maintaining these restrictions is positive.

Costs vs. benefits: It is considered unlikely that consumers would be able to access cheaper meat if these restrictions were removed. The potential cost of food-borne disease outbreaks as a result of removal of licensing requirements is considerable. The reviewers consider that the costs, including social costs, of removing these restrictions outweigh the possible benefits in terms of cheaper product.

Comment: These provisions may be seen as inhibiting management of meat establishments, but are required to uphold the 'fit and proper persons' requirements of the meat industries regime. The provisions could be implemented in an arbitrary fashion. Such improper exercise of power would be open to legal redress.

Section 33-34: Offences

These sections provide that persons may not sell meat, slaughter an animal or process meat for human consumption except in accordance with a licence.

Nature of restriction: Governs the entry of individuals into a market - in that it requires that some industry operators be licensed. Controls on price or production - in that it requires that industry premises be licensed.

Description: This is a central provision to uphold the licensing regime. It is an offence to slaughter, process or sell meat other than under a licence. Licensing is used to ensure that hygiene standards are met and that meat substitution is deterred.

Likely effect on the economy. Minimal adverse impact. Licences are easily obtained for persons or facilities that meet with the reasonable requirements. On the other hand, removal of these restrictions could have far-reaching negative impacts on the economy by permitting situations to develop in which food-borne disease outbreaks could be more common, and meat substitution by only one operator could threaten market access for Australia's meat industries. The reviewers consider that the net impact of maintaining these restrictions is positive.

Costs vs. benefits: It is considered unlikely that consumers would be able to access cheaper meat if these restrictions were removed. The potential cost of food-borne disease outbreaks as a result of removal of licensing requirements is considerable. The reviewers consider that the costs, including social costs, of removing these restrictions outweigh the possible benefits in terms of cheaper product.

Comment: These sections have anti-competitive tendencies but are required to uphold the licensing regime and are not excessive or unjustifiable.

Section 34(4)(c): Advertising at a residence used for commercial meat processing

This subsection limits the size of advertising signs at a residence used for commercial meat production. Nature of restriction: Advertising.

Description: Section 34(4) in fact provides for small "cottage industry" operations, such as might be set up by a person preparing product for cooking and sale at local markets. This method of defining a cottage industry is as used in the

Planning Act and the special provisions for these operators were supported by Territory Health Services when the Act was drafted.

Likely effect on the economy. Section 34(4) is intended to facilitate small cottage industry operations, which are defined under section 34(4) consistently with the *Planning Act* definition. There is no adverse impact from this provision.

Costs vs. benefits: Removing this provision would hinder the operation of s.34(2)(b) as the size of the advertising signage is simply used to define a cottage industry situation.

The *Planning Act* requirement would still prevent development of meat industry operations in residences.

Comment: This provision could be seen as actually assisting competition in that 'cottage industries' do not have to meet the same standards required of 'commercial' licensees. It is considered that no change is required to this section.

Section 36-38: Pet Meat Offences

These sections provide that persons may not sell, slaughter, process or purchase pet meat except in accordance with a licence, and except if it is dyed blue as prescribed.

Nature of restriction: Governs the entry of individuals into a market - in that it requires that some industry operators be licensed. Controls on price or production - in that it requires that industry premises be licensed, and that product be identified.

Description: This is a central provision to uphold the pet meat-licensing regime. It is an offence to slaughter, process or sell meat other than under a licence. Licensing is used to protect public health by imposing basic hygiene standards (as pet meat is often cut up in kitchens where meat for human consumption is prepared) and to deter meat substitution.

Likely effect on the economy: Minimal adverse impact. Licences are easily obtained for persons or facilities that meet with the reasonable requirements. On the other hand, removal of these restrictions could have far-reaching negative impacts on the economy by permitting situations to develop in which food-borne disease outbreaks could be more common, and meat substitution by only one operator could threaten market access for Australia's meat industries. The reviewers consider that the net impact of maintaining these restrictions is positive.

Costs vs. benefits: It is considered unlikely that consumers would be able to access cheaper pet meat if these restrictions were removed. The potential cost of food-borne disease outbreaks, and meat substitution scandals, as a result of removal of licensing requirements is considerable. The reviewers consider that the costs, including social costs, of removing these restrictions outweigh the possible benefits in terms of cheaper product.

Comment: These sections have anti-competitive tendencies but are required to uphold the licensing regime and are not excessive or unjustifiable.

Section 39: Transport of Pet Meat

This section regulates transport of pet meat.

Nature of restriction: Controls on price or production - in that it requires that pet meat have been produced under a licence. Quality - in that transport conditions must not be conducive to deterioration of the product.

Description: This provision assists in establishing an audit trail to deter meat substitution, upholds the pet meat-licensing regime, and protects against deterioration of product.

Likely effect on the economy: Minimal adverse impact. On the other hand, removal of these restrictions could have far-reaching negative impacts on the economy by permitting situations to develop in which food-borne disease outbreaks could be more common, and meat substitution by only one operator could threaten market access for Australia's meat industries. The reviewers consider that the net impact of maintaining these restrictions is positive.

Costs vs. benefits: It is considered unlikely that consumers would be able to access cheaper pet meat if these restrictions were removed. The potential cost of food-borne disease outbreaks, and meat substitution scandals, as a result of removal of transport requirements is considerable. The reviewers consider that the costs, including social costs, of removing these restrictions outweigh the possible benefits in terms of cheaper product.

Comment: This section has anti-competitive tendencies but is required to uphold the integrity of the industry sectors and to deter meat substitution and is not excessive or unjustifiable.

Section 42: Persons with disease

This section prohibits persons with prescribed diseases from working in meat establishments.

Nature of restriction: Governs the entry of individuals into a market - in that it requires that persons working in meat establishments should not have transmissible diseases so as not to spread the disease.

Description: This provision is to protect public health.

Likely effect on the economy: No adverse impact. On the other hand, removal of this restriction could have negative impacts on the economy by permitting situations to develop in which food-borne disease outbreaks could be more common. The reviewers consider that the net impact of maintaining these restrictions is positive.

Costs vs. benefits: Consumers would not be able to access cheaper meat as a result of removal of this restriction, but could possibly gain access to food-borne diseases. The reviewers consider that the costs of removing these restrictions outweigh any possible benefit in terms of cheaper product.

Comment: This section could be read, as anti-competitive but public health considerations are paramount.

Section 44: Persons not to alter meat establishment

This section restricts persons from altering meat establishments except in accordance with their licence or a direction from an inspector.

Nature of restriction: Controls on price or production - in that it controls the manner in which changes can be made to a licensed establishment.

Description: This provision upholds the premises licensing provisions.

Likely effect on the economy: No adverse impact. Alterations to premises may be made after application for a licence variation. Approval depends on nationally recognised hygiene standards being met.

Costs vs. benefits: Consumers would not be able to access cheaper meat as a result of removal of this restriction, but could possibly gain access to food-borne diseases.

The reviewers consider that the costs of removing these restrictions outweigh any possible benefit in terms of cheaper product.

Comment: This section could be read, as anti-competitive but public health considerations are paramount.

Section 46: Falsely identifying meat

This section prohibits persons from falsely identifying meat for sale.

Nature of restriction: Control on price and production - in that it prevents fraudulent misrepresentation of meat.

Description: This provision is to deter meat substitution and to protect against the major national impacts that could flow from a meat substitution scandal.

Likely effect on the economy. No adverse impact. On the other hand, removal of this restriction could have negative impacts on the economy by permitting meat substitution to occur. Non-compliance by one small operator could jeopardise Australia's entire meat industries.

Costs vs. benefits: Consumers would not be able to access cheaper meat as a result of removal of this restriction. In fact, meat might be more expensive if cheaper cuts were passed off as more expensive ones. The reviewers consider that the costs of removing these restrictions outweigh any possible benefit in terms of cheaper product.

Comment: This section could be read as anti-competitive but public health and trade considerations are paramount. Although misrepresentation could be prosecuted under other legislation - the Commonwealth Trade Practices Act or the NT *Consumer Affairs and Fair Trading Act* - in practice it is useful to have this regulated in an agency that has special responsibility for this industry.

Section 53: Transportation of meat

This section regulates transport of meat for human consumption.

Nature of restriction: Controls on price or production - in that it requires that meat have been produced under a licence. Quality - in that meat must be identified and transported in certain ways.

Description: This provision upholds the Act's licensing regime, and regulates labelling and hygienic transport.

Likely effect on the economy: Minimal adverse impact. On the other hand, removal of these restrictions could reduce food safety for consumers and reduce the accuracy of labelling. The reviewers consider that the net impact of maintaining these restrictions is positive.

Costs vs. benefits: It is considered unlikely that consumers would be able to access cheaper meat if these restrictions were removed. The reviewers consider that the costs, including social costs, of removing these restrictions outweigh any possible benefit in terms of cheaper product.

Comment: This section has anti-competitive tendencies but is required to uphold food safety and accurate labelling.

Regulations 4 & 15: Pet meat imported into establishment

These regulations prohibit meat-for-human-consumption licensees from bringing pet meat into their establishments.

Nature of restriction: Controls on price or production - in that they prevent movement of pet meat product into an establishment producing meat for human consumption.

Description: This ensures separation of pet meat and meat for human consumption sectors, to deter meat substitution.

Likely effect on the economy. Minimal adverse impact. Abattoirs can still produce pet meat from animals slaughtered on the premises. Removal of this restriction could have negative impacts on the economy by facilitating meat substitution with potentially massive impacts on Australia's meat industries. The reviewers consider that the net impact of maintaining these restrictions is positive.

Costs vs. benefits: Removal of this restriction would be unlikely to result in significantly cheaper pet meat being produced. The reviewers consider that the costs of removing these restrictions outweigh any possible benefit in terms of cheaper product.

Comment: These regulations could be read as anti-competitive but they maintain integrity of the two market sectors.

Regulation 17: Processing only permitted at establishment

This regulation prohibits licensees from doing things other than at the establishment to which the licence relates.

Nature of restriction: Controls on price or production - in that licensed operations must be done in licensed premises.

Description: This ensures the integrity of the premises licensing system.

Likely effect on the economy. Minimal adverse impact. Licensees can apply for licences for additional premises if they desire. Those premises must meet with nationally agreed hygiene standards. The reviewers consider that the net impact of maintaining these restrictions is positive.

Costs vs. benefits: Removal of this restriction would be unlikely to result in significantly cheaper meat being produced. The reviewers consider that the costs of

removing these restrictions outweigh any possible benefit in terms of cheaper product.

Comment. These regulations could be read as anti-competitive but they maintain integrity of the licensing system.

Regulation 33: Shooting of animals

This section prohibits employees of licensed pet meat slaughterers from killing animals under their employer's licence.

Nature of restriction: Governs the entry of individuals into a market - in that it requires that the actual shooter be licensed.

Description: This provision is to ensure that a paper trail is readily auditable to deter meat substitution. Pet meat shooters operate in remote relatively inaccessible areas and personal licensing assists in keeping track of their activities.

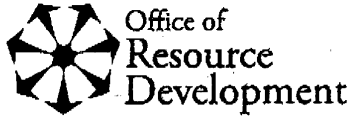
Likely effect on the economy: No adverse impact. Pet meat slaughtering licences are readily obtained. On the other hand, removal of this restriction could facilitate meat substitution by shooters operating with no possible monitoring for compliance. The net impact of maintaining these restrictions is positive.

Costs vs. benefits: Removal of this restriction would be unlikely to result in significantly cheaper meat being produced. The reviewers consider that the costs of removing these restrictions outweigh any possible benefit in terms of cheaper product.

Comment: These regulations could be read as anti-competitive but they maintain integrity of the licensing system.

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Mr. Ken Cohalan
Chair of Independent Review Panel for NT Meat Industries Act
C/o Department of Primary Industry and Fisheries
GPO Box 990
DARWIN NT 0801

Dear Ken

**RE: NATIONAL COMPETITION REVIEW OF THE NT MEAT INDUSTRIES
ACT - BENEFITS AND COSTS**

The following are my opinions, as a professional economist, on the benefits and costs associated with the *Meat Industries Act* of the Northern Territory. They are provided in the context of the National Competition Review of the Act. They are provided to you in response to your request to me.

Objectives of Legislation

Benefits and costs are relevant only when objectives are clearly defined. My understanding of the Act is that the key objectives are "To protect human health and meat markets through". I recommend that the wording of the objectives in the Act be changed to focus on the socio-economic objectives rather than the mechanisms of the Act.

Property Rights

The key objectives of this Act clearly do not involve any allocation of exclusive property rights. This Act contrasts with, for example, the *NT Mining Act* and the *NT Fisheries Act*, both primarily concerned with the allocation of exclusive Crown property rights. The *NT Meat Industries Act* does not attempt to exclude enterprise operations on commercial grounds but only on safety and product quality grounds.



Intervention Rationale

NCP Review of the *Meat Industries Act* was initially prepared in December 1999. In the follow up to this review, concerns have been formally expressed by other agencies questioning the justification for continued government intervention in those activities associated particularly with the processing of meat for crab bait.

In my opinion is that there are two very compelling reasons for government intervention in all those activities associated with meat processing, including meat for crab bait. Firstly, the risks of the loss, even temporarily, of Australian and international meat markets are very high in the event of any cross-species contamination. Australian history is witness to this reaction. In the event of a breakdown, the costs (loss of markets) are liable to be borne not only by the offenders but also by many other operators in the meat processing and allied industries.

Secondly, there is the public good associated with food safety. The public demands a very high standard with respect to food safety not only for individual health reasons but also because of the perceptions and knowledge that various forms of food contamination can spread easily through the population.

Benefits and Costs

Benefits of the Act derive from preventing the closure of domestic and global meat markets to NT meat. The loss of these markets would represent over \$20 million annually to the NT. More importantly the export markets for Australian meat represents over \$4 billion annually. Events, such as meat substitution, if they were to occur in one processing plant can readily lead to policy reactions affecting the whole of the Australian meat industry. Even temporary or partial closure of these markets represents a significant loss to the economy.

Benefits also derive from the cost savings associated with preventing human food poisoning. The benefits are in the form of saving in medical and associated costs and the prevention of a downturn in the demand for meat products.

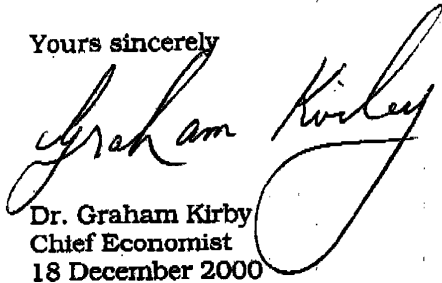
Costs associated with the supervision of the NT *Meat Industries Act* are understood to be less than \$300,000 annually. The meat processors to comply with the Act will incur additional operational costs. A major portion of the compliance cost would be incurred anyway in meeting the demands of the consumers. Additional compliance costs specifically to meet the legislative requirements are likely to be relatively small, perhaps in the same order of magnitude as the supervision costs. These compliance costs are expected to be broadly similar across Australia, thus giving competitive neutrality between individual processors.

Implementation of the Meat Industries Act represents a form of risk management on behalf of the NT and Australian communities. The benefits of the risk management are shared between industry and consumers. The direct costs are borne jointly by industry and the government while indirect costs are borne by consumers in the form of marginally higher meat prices.

In my opinion, the extra costs incurred by the operations of the Act will be outweighed many-fold by the benefits gained from reducing the chances of market and health losses.

Finally, I note that there may be equity issues arising from the Act but these would be addressed government and industry outside of the NCP Review.

Yours sincerely

A handwritten signature in cursive script that reads "Graham Kirby". The signature is written in black ink and is positioned to the right of the typed name and title.

Dr. Graham Kirby
Chief Economist
18 December 2000