

Coversheet: Livestock Export Review

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| Advising agencies | Ministry for Primary Industries |
| Decision sought | Agreement about preferred options for progressing the Livestock Export Review. |
| Proposing Ministers | Minister of Agriculture |

Summary: Problem and Proposed Approach

Problem Definition

In August 2019 the opportunity arose to reflect on how we can improve the welfare of livestock (cattle, deer, goats and sheep) being exported, while:

- protecting New Zealand's reputation as a responsible exporter of animals and animal products;
- operating in compliance with New Zealand's international obligations; and
- ensuring New Zealand's rural communities can be vibrant, resilient, and sustainable.

Animal welfare and protecting New Zealand's reputation have strong public good elements. As such, the Government has a key role in providing for them through controls under the Animal Welfare Act 1999 (the Act).

The tragic sinking of the *Gulf Livestock 1* shows that while we can manage the risks associated with livestock export, we cannot eliminate them completely.

Summary of Preferred Option or Conclusion (if no preferred option)

There are two approaches to respond to the problem being considered within the scope of the 2019 Review. The first approach will allow for trade to continue, but with stronger regulations, through maintaining strong animal welfare standards and enhancing New Zealand's long-term trade relationships.

The second approach is a ban on the export of livestock by sea with a transitional period. **S 9 (2) (g) (i)**

Live animal exports provide an economic boost to New Zealand's economy, rural communities, and broader primary sector stakeholders. Any move to prohibit the export of livestock would cause an economic loss to these groups and may make recovery from COVID-19 more difficult in the rural communities where livestock exports provide an additional source of income. For some individual businesses that impact is likely to be significant¹².

¹² During consultation, one company submitted that a ban on livestock exports would make a significant impact on their business since they provide a number of services required for the pre-export process.

New Zealand has a strong reputation in animal welfare and as a trusted trading partner. It is likely that a decision to continue livestock exports or banning the practice will impact on our reputation.

If livestock exports were to continue there is likely to be continued opposition to the trade by some stakeholders. Concerns about risks associated with New Zealand's livestock export trade could damage our reputation internationally as a leader in animal welfare. Likewise, if the trade was to be banned we could damage our reputation with trading partners, especially in countries where the trade is used to help the importing country meet its poverty reduction or rural economic growth policy objectives.

Section B: Summary Impacts: Benefits and costs

Who are the main expected beneficiaries and what is the nature of the expected benefit?

Monetised and non-monetised benefits

Rural communities and the New Zealand economy

If opportunities to export livestock are preserved the direct economic benefits to rural communities where this trade occurs and to the New Zealand economy would continue.

The direct value of New Zealand's livestock exports was \$261.5 million for the year ending December 2020¹³. Additional economic benefits accrue to New Zealand-based service providers such as domestic livestock transporters, veterinarians, fodder suppliers, quarantine facilities and regional accommodation providers.

Overall, livestock exports make a small but important financial contribution to individual farmers by helping diversify their income streams. Exports support farmers financially when domestic market and environmental conditions (for example droughts) are unfavourable. In addition to fetching premium prices¹⁴, if export cattle are sold as yearlings, farmers can receive an earlier than normal return on investment. Industry has indicated over the last ten years around 5,000 farmers, across all regions of New Zealand, have supplied breeding cattle for export¹⁵.

For some individual businesses, the contribution of livestock export to their business is significant as they provide a number of services required for the pre-export process.

Exporters

Exporters will benefit financially if opportunities to export are preserved.

¹³ This is in the context of the total trade in live animals which was worth \$484.5 million (including live seafood exports) for the year ended December 2020.

¹⁴ Industry has indicated that this premium could be 50-85% of the animal's value if it were sold within New Zealand: Unpublished briefing paper by the Animal and Germplasm Trade Association, August 2019.

¹⁵ Unpublished briefing paper by the Animal and Germplasm Trade Association, August 2019.

International customers

If opportunities to export are preserved, international customers will realise the benefits of New Zealand's livestock which is highly valued due to the combination of our animal genetics, animal husbandry practices, our environment and climate, and our investment in our biosecurity system (and consequent disease-free status).

Livestock exports form part of a network of trading activities that create and foster relationships and a customer base that support New Zealand's broader international trade objectives.

Animal Welfare Advocates

If the export of livestock is banned, animal welfare advocacy groups would likely strongly support the decision.

Where do the costs fall?

Monetised and non-monetised costs

Rural communities

Not everyone in rural communities supports livestock export. Some stakeholders are concerned that livestock export is incompatible with acceptable standards of animal welfare (during the voyage or **S 9 (2) (g) (i)**). Consequently, some believe that if the trade is preserved the net reputational impact for New Zealand would be negative.

If the trade is banned, rural communities where livestock exports are a source of income would suffer economic losses. This would likely have flow on effects to wider primary industry businesses related to the trade e.g. veterinary services, transport companies, stock handlers etc.

Exporters and related businesses

If the trade is preserved and new regulations and information requirements are implemented there will be increased compliance costs for exporters and related businesses. While MPI does not consider that these costs will be prohibitive, these will need to be scrutinised carefully during consultation on the details of any new regulations. MPI can recover the costs of administering its duties and functions under the Act (including administering the livestock export system).

If a decision was made to ban the trade, exporters and related businesses would suffer great economic losses that would likely result in businesses ceasing to operate.

Animal welfare advocates

During public consultation, some animal welfare advocacy groups commented that if the trade is preserved and exports continue, some people would suffer emotional distress. Submissions from animal advocacy groups strongly supported a total ban.

What are the likely risks and unintended impacts? how significant are they and how will they be minimised or mitigated?

The impact of livestock export on New Zealand's reputation is difficult to assess and requires a judgement call based on the values held by the decision maker. For example, livestock export is more likely to be considered harmful to our reputation from the perspective of international and domestic animal welfare advocates, and those they influence. It is more likely to be good for our reputation from the perspective of our international customers and trading partners, many of whom export livestock themselves.

MPI's view is that reputational impacts are real, but difficult to quantify. This is not unique to the animal welfare system, but is also the case when assessing the impact of reputation on matters such as food safety and suitability¹⁶. These risks should be taken seriously but can be managed through enhancing the regulatory framework for livestock export. Legally, New Zealand cannot have full control over animal welfare once they leave the country. Exporters retain some ability to influence animal welfare in receiving farms through commercial arrangements with these operators.

Regardless of any decision on whether to continue to export livestock ongoing advocacy against live animal export is likely to continue, within New Zealand and internationally. This could have ongoing negative reputational impacts.

Some risks will be affected by individual circumstances such as the length of the journey and method of travel, or the health status of individual animals. While we can manage these risks through our existing livestock export system, we cannot eliminate them completely (eg the sinking of the *Gulf Livestock 1*)

S 9 (2) (g) (i)

Some stakeholders argue that if New Zealand exports any livestock, then any international incident involving mistreatment of imported production animals could result in reputational damage. Even if it could be proven that the incident did not involve New Zealand animals, the public may conclude that our animals could face a similar outcome. Following this argument, the \$261.5 million of direct economic benefit from livestock exports (from the year ending in December 2020) in effect puts \$33.7 billion of trade in animals and animal products at risk.

S 9 (2) (g) (i)

¹⁶ KPMG (2017) *Animal Welfare System Operating Model*. Report developed for the Ministry for Primary Industries.

Section C: Evidence certainty and quality assurance

Agency rating of evidence certainty?

How confident are you of the evidence base?

The level of confidence in the evidence underpinning the analysis varies for the different objectives, namely, reputation, international obligations and ensuring rural vibrant communities.

Prior to the 2019 Review, MPI had limited data regarding the welfare of livestock during the voyage and post-arrival and the value of the trade to rural communities. Submissions from stakeholders provided a good qualitative evidence base that brought out the divergent values about livestock export and information on the breadth of those in the rural communities that benefit from the export trade. In addition, new daily reports, implemented as part of the review, provides better data regarding animal welfare on voyages.

However, there is limited research available on the impact of livestock exports on reputation both from a trade and animal welfare perspective. A recent MPI report¹⁷ noted that New Zealand's reputation is unlikely to be affected by very occasional incidents surrounding animal welfare. However, regular occurrences of animal welfare incidents could cause lasting reputational damage.

S 9 (2) (g) (i)

In their submission, SAFE included an online survey of 1000 people that they commissioned from Colmar Brunton on attitudes to live export. The survey showed that over half (53%) of participants were opposed to live export, with 27% "strongly" and 25% "somewhat" opposed. A further 29% were unsure or did not feel strongly either way, and 18% were supportive¹⁸.

To be completed by the quality assurers

Quality Assurance Reviewing Agency:

Ministry for Primary Industries

Quality Assurance Assessment:

The MPI Regulatory Impact Analysis Panel (RIAP) has reviewed the Regulatory Impact Statement (RIS) "Livestock Export Review" produced by the MPI. The review team considers that the RIS partially meets the QA criteria.

Reviewer Comments and Recommendations:

This RIS does not clarify how the underlying problem definition here links to social licence, which impacts on how convincing this RIS is. However, this RIS sets out the different value systems and their perspectives on the issue, which should enable a more informed final choice of option. As the RIS acknowledges, prior to the 2019 Review, MPI had limited data regarding the welfare of livestock during the voyage and post-arrival. Increased monitoring and audit requirements will better

¹⁷ MPI report on Livestock export and New Zealand reputation.

¹⁸ Research conducted by Colmar Brunton as part of an online omnibus survey 10-16 September 2019. Numbers do not sum to 100% due to rounding in the original research.

inform the evidence base for monitoring, evaluation and review of the livestock export system. Future regulatory interventions, if agreed by Government, will need to draw upon this more robust quantitative information.

PROACTIVE RELEASE

Impact Statement: Livestock Export Review

Section 1: General information

1.1 Purpose

The Ministry for Primary Industries is solely responsible for the analysis and advice set out in this Regulatory Impact Statement. It has been produced for the purpose of informing in-principle policy decisions to be taken by Cabinet.

If regulatory options are agreed to by Government in principle, a further Regulatory Impact Analysis will assess the specific impacts of any new regulations once MPI has completed targeted consultation and their detailed content has been confirmed.

1.2 Key Limitations or Constraints on Analysis

A key constraint on the analysis is that a full assessment of each option requires a judgement call based on values held by the decision maker, rather than technical matters. This will depend on the weight that the decision maker places on the different elements involved, including animal welfare performance, trade and reputational impacts, economic opportunities and rural community wellbeing and success.

This advice is based on technical judgements to determine how the options meet the objectives. Assessing which of many value sets should prevail is not in scope of a Regulatory Impact Assessment. Within this analysis, MPI has identified areas where value judgements are required, and the range of opinion.

S 9 (2) (g) (i)

The Act enables MPI to require post-voyage and post-arrival reports (pertaining to the period up to 30 days after arrival) from export certificate applicants. These reports can be used to monitor animal welfare outcomes and may inform future applications for an export certificate. However, the data provided in these reports, prior to the 2020 Independent Review¹⁹, is limited and improved reporting has only been implemented since October 2020. MPI can also regulate exporters and require additional information from them regarding any commercial arrangements in receiving countries.

MPI has undertaken the 2019 Review on the presumption that transporting animals, in and of itself, does not necessarily have an adverse effect on animal welfare. Animal transport is considered one aspect of humane use if done according to legal standards²⁰. However, transport of sentient animals exposes them to risk. These risks need to be managed to maintain acceptable animal

¹⁹ In response to the sinking of Gulf Livestock 1 on 2 September 2020, MPI temporarily suspended the consideration of applications for the export of livestock by sea and initiated the 2020 Independent Review. That review considered the assurances MPI receives when assessing an export certificate under the Act.

²⁰ New Zealand's animal welfare Strategy notes that using animals is acceptable as long as that use is humane: *Animal Welfare Matters*. (2013). Ministry for Primary Industries, Wellington.

<https://www.mpi.govt.nz/dmsdocument/3963-animal-welfare-matters-new-zealand-animal-welfare-strategy>

welfare standards²¹. Transparency within the regulatory framework helps assess risk, and assists New Zealanders' confidence that the system is working.

1.3 Responsible Manager (signature and date):

Grace Campbell-Macdonald

Director, Biosecurity and Animal Welfare Policy

Policy and Trade

Ministry for Primary Industries

10 March 2021

²¹ The European Commission took a similar approach in its 2020 report on the welfare of animals transported by sea: https://ec.europa.eu/food/audits-analysis/overview_reports/act_getPDF.cfm?PDF_ID=1543 European Commission (2020) *Overview Report on Welfare of Animals Exported by Sea*. DG Health and Food Safety.

Section 2: Problem definition and objectives

2.1 What is the current state within which action is proposed?

Nature of the market during consultation period (pre COVID-19)

New Zealand is a small part of a larger global system of livestock trading. While no livestock exported from New Zealand in 2019 were for slaughter, other countries export livestock for slaughter.

Table one shows the difference between the quantities exported by New Zealand, and other trading countries for the year ending December 2019

Table one: live animal export numbers for cattle, and sheep and goats for the year ending 2019. Source: Global Trade Atlas 2019, as of 18/3/20.

| Country/trading block | Cattle | Sheep and goats |
|-----------------------|-------------------|-----------------|
| United States | 306,983 | 60,549 |
| Canada | 746,300 | 13,341 |
| Mexico | 205,230 | 0 |
| Brazil | 535,289 | 1 |
| EU | 1,015,613 | 3,117,265 |
| India | No data available | 527,285 |
| United Kingdom | 13,403 | 259,903 |
| Australia | 1,771,415 | 1,089,404 |
| New Zealand | 39,700 | 4,008 |

There is no clear trend over time for livestock exports, with these being subject to fluctuations in demand and supply of suitable livestock from other exporting countries. One-off large shipments can have a disproportionate effect on export statistics.

Nature of the market (post COVID-19)

COVID-19 has impacted the global food supply chain in a variety of ways, increasing many countries' focus on the assurance of food supply, as well as food safety and security. Other countries have started turning their minds towards learning from the pandemic and looking at providing sustainable and self-reliant food systems within their countries, which could lead to protectionist measures regarding trade.

However, the last year has seen a rise in cattle exported, partly due to increased Chinese demand for breeding cattle (buyers have had difficulty finding a consistent supply of Australian animals due to drought). There are also potential issues with sourcing animals from the United States as their system is designed predominantly

around retaining replacement animals meaning they cannot provide large numbers of cattle for export.

While it is difficult to assess the full range of impacts COVID-19 may have on primary industries, livestock exports continued throughout the national lockdown period given the primary industries were defined as an essential service.

The temporary prohibition on livestock export

In response to the sinking of *Gulf Livestock 1* on 2 September 2020, MPI temporarily suspended the consideration of applications for the export of livestock by sea and initiated the 2020 Independent Review. That review considered the assurances MPI receives when assessing an export certificate.

To support MPI's decision to temporarily defer decisions on export certificate applications, and provide time for the review to be undertaken, Cabinet approved the Animal Welfare (Temporary Prohibition on Export of Livestock by Sea) Regulations 2020 on 21 September 2020. The regulations were in place until 30 November 2020.

A few immediate improvements recommended by the 2020 Independent Review have been implemented. These immediate improvements were made through extra conditions on export certificates and remain lawful after the end of the temporary prohibition. There is also a work stream underway to address the long term recommendations (refer Appendix one for further information).

Industry structure

While farmers from throughout New Zealand provide animals for export, livestock export is a specialist industry dominated by a limited number of exporters. In 2019 and 2020, cattle exports left New Zealand from New Plymouth, Napier and Timaru, with pre-export quarantine being managed from three main facilities. Livestock travelling by air have left New Zealand from either Christchurch or Auckland international airports. Two agencies (recognised under the Animal Products Act 1999) provide verification services during the pre-export quarantine period.

Social context

New Zealanders value good animal husbandry and ethical treatment of animals. Consumers increasingly care about where their food comes from. In general, animal welfare standards are a growing focus of consumers globally. Research by KPMG finds that animal welfare considerations are likely to be prioritised by consumers in the post COVID-19 environment²².

New Zealand's farming sector

The farming sector is New Zealand's largest export earner. External events such as climate change and global trading conditions will influence its success. The COVID-19 pandemic has had a global impact and will likely affect the farming sector in the long-term. In addition to the impacts of external events, government requirements will also impact sector performance, including changes related to

²² KPMG (2020) *The now normal' future*.

freshwater and climate change management, and new animal welfare standards and regulations.

With increasing pressures on the rural sector, retaining the option of exporting livestock may become more valued by rural communities.

International context

MPI undertook limited analysis of other countries' experience during the 2019 Review. The New Zealand livestock export industry has some features that are not always relevant elsewhere, particularly our conditional ban on livestock export for slaughter which, until the UK adopted a similar policy, was the only country to do so, and the physical distance from our trading partners. Although some countries, for example, some countries in South America do transport animals long distances.

Several exporters operating out of New Zealand also operate out of Australia. Aspects of the Australian legislative framework, particularly the licensing requirements for livestock exporters, were considered as possible initiatives to strengthen our regulatory system.

2.2 What regulatory system(s) are already in place?

Key features of the livestock export control system

The primary legislation governing livestock export is the Animal Welfare Act 1999. The Act recognises that animals are sentient²³, and sets a broad framework for protecting their welfare.

Exporting animals is regulated under Part 3 of the Act. The purpose of Part 3 is to protect animal welfare, and New Zealand's reputation as a responsible exporter of animals and animal products²⁴. Most exports of livestock require an export certificate from MPI before an export can proceed.

The Act provides that regulations may be made on a broad range of matters relating to export. This includes the ability to prohibit, either absolutely or conditionally, any specified type of export²⁵.

Appendix two illustrates the high-level decision-making process for exports of live animals, including livestock, under the Act. Key points are:

- if a conditional prohibition is in place, exporters first need to satisfy the Director-General of MPI that any risks to the welfare of the animals being exported and any risk to New Zealand's reputation can be mitigated before applying for an export certificate; and
- the export certificate approval process can result in a broad range of conditions being imposed to protect the welfare of animals being exported and New Zealand's reputation, and includes a right of review.

²³ Sentience means the ability to perceive or feel things.

²⁴ Section 38, Animal Welfare Act 1999.

²⁵ Section 183C, Animal Welfare Act 1999.

To gain final approval to export, there is a detailed operational process and a range of controls summarised in Appendix three. This can include separate approvals under the Animal Products Act 1999, and adhering to international transport regulations and guidelines.

Animal welfare and protecting New Zealand's reputation have strong public good elements. As such, the Government has a key role in providing for them.

2.3 What is the policy problem or opportunity?

In 2019 the Minister responsible for animal welfare considered that changes were required to maintain confidence in the export system. Accordingly, Cabinet directed MPI to lead the 2019 Review.

The 2019 Review presented an opportunity to assess how the current rules could better meet New Zealanders' expectations, and whether they reflect our values as a country. Concerns about livestock export centre on matters such as the welfare of animals during their journey, the standards of care and farming methods in the country of destination, and how the animals are eventually slaughtered. Some concerns have focused on the exports of large numbers of animals.

As well as being valued by New Zealanders, New Zealand's strong reputation for animal welfare adds value to our exports, and contributes to our standing as a responsible participant in the international trading system.

Although the value of New Zealand's reputation to our exports is difficult to quantify, this is not unique to the animal welfare system. While a strong reputation does not necessarily create access to new markets, it may stop New Zealand products from losing access.

New Zealand's reputation as an exporter of livestock may also affect its overall reputation as an exporter of animals and animal products. Our commitment to upholding animal welfare enhances our global reputation as a trusted food producer.

2.4 What do stakeholders think about the problem?

There is a range of opinion on livestock export, and its contribution to New Zealand.

Stakeholders' views are outlined in more detail in Section 5. In summary:

- Some stakeholders do not see that there is a problem that needs addressing and have confidence that the status quo is appropriate. Some exporters and other participants in livestock export fit into this category.
- Some stakeholders consider that improvements can be made to the system to ensure good animal welfare standards are upheld. They believe that improved risk management will ensure that New Zealand's reputation is maintained, and trade opportunities enhanced. Stakeholders in this category include those actively engaged in the industry.
- Some stakeholders, while not necessarily opposed to livestock export per se, see it as too much of a risk to New Zealand's reputation. From this perspective, any livestock export poses a risk to New Zealand's brand or intellectual property, and thus puts New Zealand's broader economic interests at risk.
- Finally, some stakeholders are opposed to livestock export in principle, or in most situations, as they see it as incompatible with acceptable animal welfare standards. Concerns may relate to the use of animals in production, the modes of transport, **S 9 (2) (g) (i)**
- From the online survey submissions during consultation (440 out of the 3791 total submissions), 437 submitters responded to a question about existing controls on livestock exports. 72% thought that existing controls on livestock exports were nowhere near strict enough, 19% thought they were about right and 1% thought they were too strict or far too strict.

2.5 What are the objectives sought in relation to the identified problem?

The objectives of the 2019 Review were to give New Zealanders the chance to reflect on how we can improve the welfare of livestock being exported, while:

- protecting New Zealand's reputation as a responsible exporter of animals and animal products;
- operating in compliance with New Zealand's international obligations; and
- ensuring New Zealand's rural communities can be vibrant, resilient, and sustainable.

Section 3: Option identification

3.1 What options are available to address the problem?

MPI developed four options for consultation. The options did not include the status quo as MPI considered changes were necessary to maintain confidence in the livestock export system. The four options were:

- Option one: total ban. No-one could export livestock.
- Option two: conditional ban. No-one could export livestock unless the Director-General of MPI was satisfied that the risks to the welfare of animals being exported and New Zealand's reputation could be managed.
- Option three: new regulations to enhance the export system that are not bans.
- Option four: continuous improvement of the system, most of which could be done without a formal rule change.

After analysing the above options and considering the responses from public consultation, MPI is now recommending two options for consideration that represents a consolidation of the original four options consulted on:

- a ban on livestock export; or
- continuing livestock export but with stronger regulatory and non-regulatory interventions – a consolidation of the options two, three and four that were consulted on.

Should the government decide that livestock exports would continue or pursue a ban, a second, analysis will be drafted following targeted stakeholder consultation on the specific regulatory proposals.

Non-regulatory continuous systems improvements may include new operational policies (such as shelter specifications during loading, audit processes or policies for when veterinarians should accompany shipments). The 2020 Independent Review recommended some of the standards should be aligned with the Australian system, and some of the changes currently being implemented as a result are equivalent or greater than the Australian Standards for the Export of Livestock (ASEL) standard for loading and on-board management.

3.2 What criteria, in addition to monetary costs and benefits have been used to assess the likely impacts of the options under consideration?

Criteria for evaluating the options

The criteria for assessing the options have different attributes. Assessing the options requires technical judgement and decisions about prioritising different values. In addition, our international obligations may place constraint on which options are available. For some criteria, assessing whether our options will meet each objective will largely be a technical judgement. An example is assessing the economic value of trade for rural communities. Others require a decision about

values. An example is deciding which perspectives are prioritised when assessing the impact of the trade on New Zealand's reputation.

Decision makers will place different values on the objectives (animal welfare performance, trade and reputational impacts, economic opportunities and risks and rural community wellbeing and success). Depending on this, the decision makers' judgement about the appropriate balance between the costs and benefits of each criteria will differ.

MPI has used the following criteria to assess the alternative approaches identified (a ban or continuation of trade under careful management). These criteria are a consolidation of the effectiveness and efficiency criteria in the discussion document.

Technical criteria

- Effectiveness
 - Improving animal welfare through greater transparency. Greater transparency will mean that we can more easily identify where in the system we can make timely changes to improve animal welfare. This includes assessing, avoiding and managing risk. An effective option will result in greater clarity about the system, from farm gate to the animals' final destination.
 - There is an ability to measure success. For options that score well there will be a direct link between implementation of the measure and tangible outcomes.
- Ensure consistency with New Zealand's international obligations. Options will score well under this criterion if they are in keeping with, or enhance, New Zealand's trading relationships and associated international obligations.
- Ensure New Zealand's rural communities are vibrant, resilient and sustainable. Options will score well under this criterion if they enhance opportunities for rural communities to meet their social and economic aspirations, now and in the future.

Value judgement criteria

- Ability to protect New Zealand's reputation as a responsible exporter of animals and animal products. New Zealand's reputation as a responsible exporter is based on its high standards of animal welfare and the ability to maintain a robust regulatory system. This criterion is a value judgement, and so the impact analysis that follows will identify the range of opinions around it.
- The measures imposed are the minimum necessary and proportionate to the level of risk. This criterion is also a value judgement, and so the impact analysis that follows will identify the range of opinions around it.

3.3 What other options have been ruled out of scope, or not considered, and why?

The Minister responsible for animal welfare indicated that changes were necessary to maintain confidence in the livestock export system. If the option to ban livestock exports is pursued, then primary legislation may be a mechanism for implementing the ban. Accordingly, the status quo was not considered as an option.

PROACTIVE RELEASE

Section 4: Impact Analysis

Marginal impact: How does each of the options identified in section 3.1 compare with taking no action under each of the criteria set out in section 3.2?

Key: ++ much better than doing nothing/the status quo + better than doing nothing/the status quo 0 about the same as doing nothing/the status quo - worse than doing nothing/the status quo
 -- much worse than doing nothing/the status quo N/A not applicable

| | Status quo | Option one (ban) | Option two (continuation of trade with strengthened regulatory requirements) |
|---|--------------------------------------|---|--|
| Technical criteria | | | |
| Effectiveness: • improving animal welfare through greater transparency | 0 | N/A A ban would mean no livestock export: greater transparency not relevant. | ++ Regulatory system and transparency strengthened. |
| Effectiveness • ability to measure success | 0 | ++ There is a clear link between implementing the option and the expected outcomes. | ++ There is a clear link between implementing the option and the expected outcomes. |
| S 6 (a) | | | |
| Rural communities | 0 Enables economic opportunities. | - Limits economic opportunities. | + Preserves economic opportunities and likely to enhance reputation and future opportunities through strengthened regulatory system. |
| Value judgement criteria | | | |
| Protecting NZ's reputation | 0 | ++ Advocates for a ban: This would protect NZ's reputation for good animal welfare standards' | -- Advocates for a ban: This would impact NZ's reputation as it would be seen as incompatible with maintaining acceptable animal welfare standards. |
| | | -- Advocates for continued trade: This would significantly impact our international reputation as a reliable exporter within the international rules-based trading system. | ++ Advocates for continued trade This would protect NZ's reputation a reliable exporter within the international rules-based trading system. |
| Measures are the minimum necessary and proportionate to risk. | 0 | ++ Advocates for a ban: This is the minimum necessary, and proportionate to the risks. | - Advocates for a ban: This does not address the full risks posed by the trade. |
| | | -- Advocates for continued trade: This level of intervention is disproportionate to the level of risk. | + Advocates for continued trade: This is the minimum necessary to protect animal welfare, and proportionate to the risks posed. |

4.1 Comment

A key constraint on analysis is how different values affect the assessment of each option against the status quo. For example:

- some stakeholders see a ban on livestock export as crucial to protecting New Zealand's reputation. In some cases, this is because they see livestock export as incompatible with maintaining acceptable animal welfare standards.
- other stakeholders believe that animal welfare can be managed to an acceptable level during export. Some of these stakeholders believe that livestock export enhances New Zealand's reputation as a reliable exporter within the rules-based trading system.

Similarly, whether an option is the minimum necessary and proportionate to respond to risks is dependent on whether a particular stakeholder considers that livestock exports is compatible with the objectives. For example, if a stakeholder believes that any livestock export poses grave risks to an animal's welfare, they will assess proportionality differently from a stakeholder who believes that the risks posed are negligible and can be managed.

Decisions on which value sets should be preferred are not in scope of a regulatory impact assessment. As such, the analytical table gives the range of likely opinion relative to the status quo where value judgements are required.

Section 5: Conclusions

5.1 What option, or combination of options is likely to best address the problem, meet the policy objectives and deliver the highest net benefits?

Stakeholder views from consultation

MPI consulted on the options for the 2019 Review between 18 November 2019 and 22 January 2020. MPI received 3791 submissions from diverse stakeholders, including around 2990 emails based on a template from an animal advocacy group's campaign website. Stakeholders who provided feedback included exporters, industry groups, farmers, advocacy groups and members of the public.

Submissions from animal welfare advocacy groups and individuals strongly supported a total ban. This included World Animal Protection, the Society for the Prevention of Cruelty to Animals (SPCA), the Animal Law Association, and Save Animals from Exploitation (SAFE). The key rationale for this position was that it was the only approach that would adequately protect animal welfare.

The National Animal Welfare Advisory Committee (NAWAC) also favoured a total ban, on the grounds that at present it was "the only way to fully protect animal welfare during and after livestock export". However, NAWAC noted that it could support a conditional prohibition or further regulations in certain circumstances (for example, if there were significantly enhanced post-arrival reporting).

Beef + Lamb New Zealand Ltd, the Meat Industry Association and the New Zealand Veterinary Association supported a conditional ban. Their positions represented a balance of concerns about animal welfare and New Zealand's reputation, while maintaining the broader benefits of trade to New Zealand, and flexibility for farmers to gain financially from livestock export.

Federated Farmers supported continuous improvement. It argued that New Zealand producers and exporters needed options for trade access to be maintained and improved, and that good animal welfare outcomes are compatible with livestock export. Dairy New Zealand did not submit on the 2019 Review.

Exporters and others involved in the livestock export industry generally opposed a total ban. The rationale for this position was that livestock export made a positive contribution to New Zealand's economy, and our reputation as a trading nation. Their view was that the trade could maintain strong animal welfare standards. In general, they preferred a combination of new regulations and continuous improvement.²⁶

How the options address the policy objectives

Based on the technical evidence and analysis of the proposed approaches, the continuation of trade, with careful management, is the approach that would best meet the policy objectives of the review. However, this is only one aspect of the considerations that will inform the final decision. The values and priority the decision maker places on the objectives (animal welfare performance, trade and reputational impacts, economic opportunities and risks and rural community wellbeing and success) also determines the final decision.

Should the Government decide in principle to **continue the trade**, the policy settings for future trade would be based on enhancing long-term trading relationships, prioritising value over volume, and continuing our existing focus on high-value breeding animals (rather than on animals for direct slaughter). The key initiatives would include regulations targeted at high risk areas, including a livestock exporter registration, export supply change approval process, and continuing the conditional ban on export of livestock for slaughter. Initiatives would also include non-regulatory enhancements include a systems-level audit process and new templates and guidelines so MPI has better information informing its decisions on individual exports.

These proposals are focused on improving animal welfare standards to enhance confidence in the system while preserving the benefits of trade, by increasing controls and oversight of the system.

Further regulatory impact analysis and targeted consultation would be required on the details of any new rules. Any new regulations would require further Cabinet decisions.

²⁶ One exporter did not agree with any of the options in the discussion paper, and advocated forming a taskforce to implement a collaborative, industry-led process to deliver the outcomes the Government wants.

- Regulatory measures

- significantly enhancing the regulatory pre-approval process for exporters. This would comprise new registration requirements under the Act and an export supply change approval process. This pre-approval requirement offers a significant opportunity to manage risks to animal welfare and New Zealand's reputation before exporters make commercial commitments, and well before they apply for an export certificate.
- maintaining the existing conditional prohibition on livestock export for slaughter²⁷.

- Non-regulatory measures²⁸

- reviewing MPI's Guidance Material for the Transport of Cattle by Sea, which sets the animal health and welfare standards required for exporters applying for an export certificate.
- enhancing system-level monitoring and auditing through a mechanism such as a working group to increase transparency and provide the ability to identify and modify any systems level issue in a timely manner.
- increasing transparency through a published exporter register as well as the continued uploading of summary reports onto MPI's website.

Should the Government decide to **ban the export** of livestock in principle, decisions would need to be made about whether to implement the ban through regulations or changes to primary legislation. A ban can be achieved through regulation alone. However, if implemented through primary legislation it may allow for a more enduring solution. Changes made to primary legislation potentially require a more extensive process, including a select committee review.

A ban would need to have a transitional period to allow for current contracts between exporter and importer to be fulfilled. This transitional period would also allow the domestic system to unwind and adjust, with alternatives to overseas export being sought.

S 9 (2) (g) (i)

S 6 (a)

²⁷ A conditional prohibition was in place between 24 October 2020 and 30 November 2020. During this period the Director-General of MPI may consider the export of livestock by sea, subject to any conditions deemed necessary following the 2020 Independent Review.

²⁸ Non-regulatory measures are those that can be introduced without requiring a law change. Some measures, such as the daily monitoring requirements, could be enforced through existing legal tools if, for example, they are part of the conditions for requiring an Animal Welfare Export Certificate.

5.2 Summary table of costs and benefits of the approaches

Continuation of the trade with strengthened regulatory requirements

| Affected parties | Comment: | Impact | Evidence certainty (<i>High, medium or low</i>) |
|------------------|----------|--------|---|
|------------------|----------|--------|---|

Additional costs of continuing livestock exports with increased requirements compared to taking no action

| | | | |
|-------------------|--|--|---|
| Regulated parties | New regulations are focused on exporters of livestock. Any increase in costs for exporters may result in decreased numbers of livestock exported or reduced returns to the export industry and ancillary businesses. | There may be some minor compliance costs associated with meeting any new reporting and registration requirements, such as a registration fee, and the direct costs of producing reports and accessing any additional information required. Some costs will be one-off or occasional (such as registration fees), others will be ongoing. | Low: will be tested further during targeted consultation on any future regulations. |
| Regulators | MPI can recover the costs of administering the Act. | MPI will incur some administrative costs to develop new regulations, which will be funded out of baseline. Once regulations are in place, costs related to implementing new regulations will be cost recovered. | High |
| Other parties | Consumer acceptance/societal value. Some submitters indicated that they suffered emotional or mental harm from the knowledge that New Zealand was continuing export livestock. | Individually variable. | High: based on submissions from individual people |

| Affected parties | Comment: | Impact | Evidence certainty (<i>High, medium or low</i>) |
|------------------|----------|--------|---|
|------------------|----------|--------|---|

Expected benefits of continuing livestock exports with increased requirements compared to taking no action

| | | | |
|-------------------|--|---|--------|
| Regulated parties | Exporters of livestock and related industries will benefit from the protection of New Zealand's reputation from an enhanced regulatory system. | Market opportunities will be protected and may be enhanced. | Medium |
| Other parties | Market access benefits | Maintaining the credibility of New Zealand's animal welfare regulatory system and ensuring that livestock export is in keeping with good practice and scientific knowledge will protect New Zealand's reputation. | Medium |
| | Consumer/societal acceptance | Maintaining and strengthening our regulatory regime is likely to support societal acceptance of that system. | Medium |
| | Animal welfare benefits | Greater transparency is likely to enhance risk management. | Medium |

Ban of livestock exports by sea

| Affected parties | Comment: | Impact | Evidence certainty (<i>High, medium or low</i>) |
|------------------|----------|--------|---|
|------------------|----------|--------|---|

Additional costs of implementing a ban compared to taking no action

| | | | |
|-------------------|---|--|--------|
| Regulated parties | There would be no more exporting which will reduce business for all exporters of livestock. | There would be economic losses to rural communities and wider primary industry groups where livestock exports are a source of income. Export companies are likely to find other sources of animals and the domestic groups will be the ones impacted the most. | High |
| Regulator | Implementation and consultation costs. | There would be a cost for MPI to consult on how a ban may be implemented and then the cost of carrying out the required regulatory work. | High |
| S 6 (a) | | | Medium |
| Other parties | Economic and Trade issues | Banning livestock exports would negatively impact New Zealand's economy. Specifically, in rural New Zealand. | Medium |

| Affected parties | Comment: | Impact | Evidence certainty (High, medium or low) |
|------------------|----------|--------|---|
|------------------|----------|--------|---|

| Additional benefits of implementing a ban compared to taking no action | | | |
|---|---|--|--------|
| Regulated parties | There would be minimal to no benefits of banning the trade for exporters as they would be losing a significant portion of their business. | Minimal beneficial impacts. | High |
| Other parties | New Zealand's reputation in animal welfare would improve. | New Zealand has a reputation for high standards in animal welfare, however, banning the export of livestock may be seen as a positive step for animal welfare and improve this reputation further. | Medium |
| | Animal welfare benefits | New Zealand would retain greater control over the welfare of livestock.. | High |

Section 6: Implementation and operation

6.1 How will the new arrangements work in practice?

If the government decides to continue with livestock exports, but with tighter regulations and continuous improvement, this would be implemented through a mix of new regulations, and non-regulatory initiatives, along with the retention of existing regulations.

MPI would be responsible for implementation. Options that are not regulations can begin to be implemented immediately. Further consultation on the detail of the regulatory system to improve the export system would be undertaken.

Any new regulations and practices would be implemented alongside the existing export certificate approval processes.

If the government decides to ban livestock exports, this could be progressed through regulation or primary legislation. Further consultation would be undertaken on the regulatory mechanism to implement the ban and the impacts of ceasing the trade.

6.2 What are the implementation risks?

Risks relating to implementing either a ban or continuing trade with careful management, were not a focus of the consultation. This was because consultation was about the broad options available, rather than the pros and cons of specific initiatives. Implementation risks will need full consideration as part of targeted consultation on any future regulations or implementation of a ban.

Section 7: Monitoring, evaluation and review

7.1 How will the impact of the new arrangements be monitored?

A feature of continuing livestock exports with increased requirements is enhanced monitoring of individual shipments, and a new system-level audit process. These enhancements would sit alongside existing reporting processes to improve monitoring, evaluation and review of the livestock export system.

Depending on the method used to implement a ban, MPI may monitor the impact of the ban through the export certificate application process for other methods of livestock export not affected by the ban e.g. air freight.

MPI may also monitor any increases in trade of genetic material to determine whether importing countries desired the genetics of our herds or whether the live animal was more important.

7.2 When and how will the new arrangements be reviewed?

Reviewing any new initiatives would be considered as part of future policy development.

Appendix one: Immediate improvements and long-term recommendations of the 2020 Independent Review

MPI has already made some immediate improvements to the system because of the 2020 Independent Review:

Implementing an interim period of focused maritime inspections of all livestock carrier ships coming to New Zealand to export livestock, to be conducted by Maritime New Zealand (MNZ) and reported on to MPI.

Decreasing the stocking density to 90 percent of the limits prior to the 2020 Independent Review. This limit will be re-visited during the current review of the Guidance Material For the Transport of Cattle by Sea (the Guidance Material) to determine if the new setting is appropriate or requires further adjustment.

Improving the quality of voyage reports, both by requiring new daily reporting on the vessel to monitor the animals health and on-board conditions during the journey, and improving the level of information included in the post-voyage report (refer Appendix one for further information).

In addition to the immediate improvements, the 2020 Independent Review recommended the long-term improvements outlined below. The longer-term recommendations are being considered as part of the development and implementation of the livestock exports work programme. The advisory group membership is currently being scoped, and the export certification application form has been expanded to require additional information as part of the export certificate assessment, including greater detail around crew competency.

requiring more information as part of the Export Certificate application process (relating particularly to the crew, vessel, and voyage);

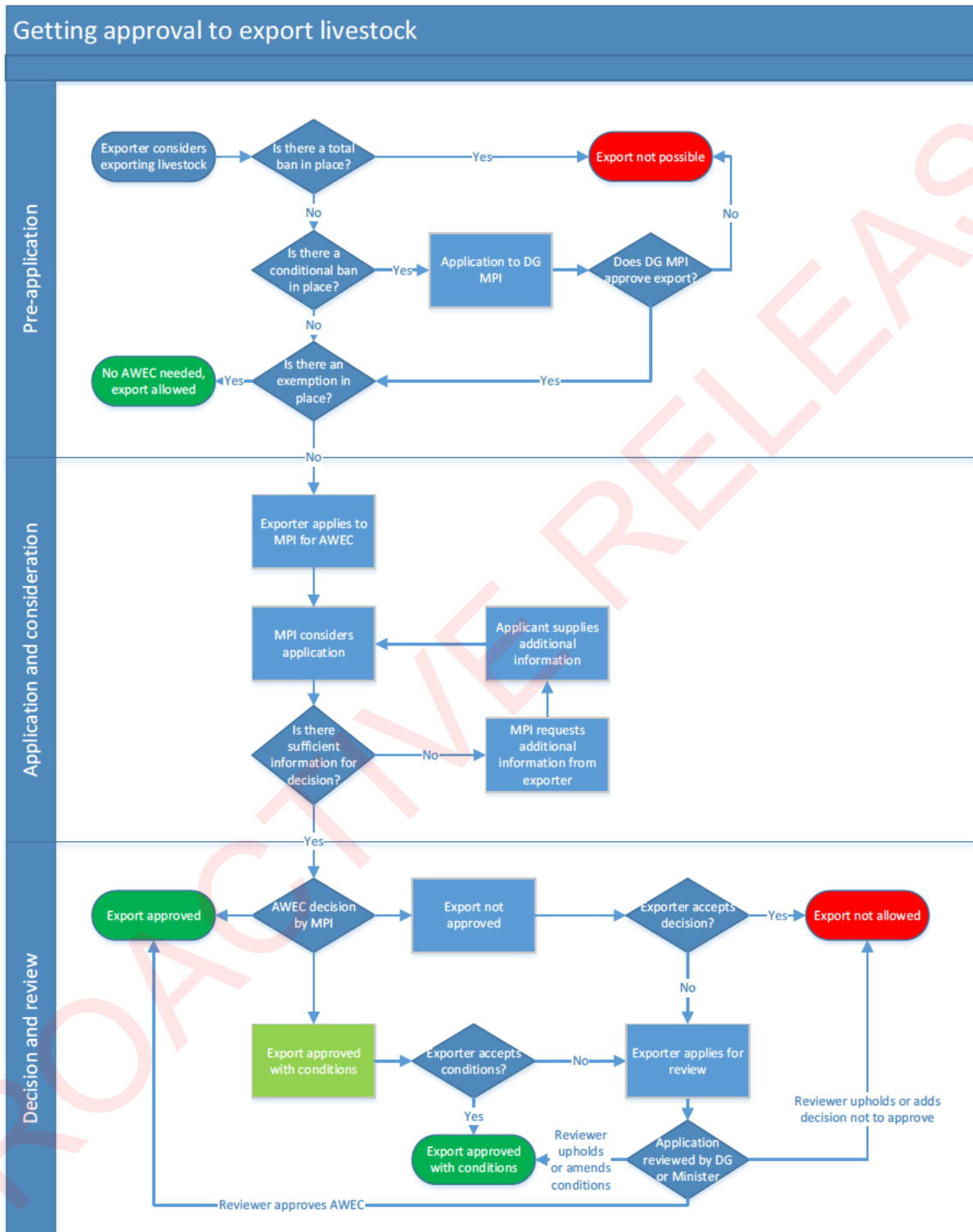
ongoing review of rules, guidance, and regulations, including a review of the MPI Guidance Material for the Transport of Cattle by Sea;

requiring at least one stock handler to have relevant qualifications specific to livestock export. All crew to receive basic ship safety training as a component of the accreditation process;

collecting more information about an exporter at the registration stage, and that process should be more rigorous. Additionally, MPI should work with MNZ to build the collective institutional knowledge of the international shipping watchdogs and the ships exporting livestock from New Zealand;

establishing an advisory group to work with MPI to develop and advise on a continuous improvement framework for the live export industry, and to undertake the work required to improve, on an ongoing basis, the Guidance Material and its implementation into the export certificate process.

Appendix two: Decision making process for livestock exports under the Animal Welfare Act 1999



Appendix three: The livestock export control system

This appendix provides details about the full range of practical controls livestock exports are subject to under existing legislation and guidelines (international and domestic).

While in New Zealand, anyone who owns or is responsible for animals must comply with the Animal Welfare Act 1999 (the Act) and Regulations. In addition, Codes of Welfare under the Act set out minimum standards for animal care and management. There is a Code of Welfare specifically on transport of animals within New Zealand.²⁹

Overseas Market Access Requirements (OMARs) may be required before an export can happen

- Most countries importing livestock require government guarantees, in the form of a veterinary certificate, that the animals are healthy and suitable for export.
- The requirements for getting a veterinary certificate must be agreed between MPI and the importing country. They are then issued as Overseas Market Access Requirements (OMARs) under the Animal Products Act 1999.

Exporters may need to be registered under the Animal Products Act

- When exports require a veterinary certificate, the exporter must be registered by MPI under the Animal Products Act.
- The exporter must comply with the Animal Products Act and various Notices issued under the Act.
- MPI has issued Codes of Practice which provide guidance on how to meet the minimum export standards supporting the issue of official assurances under the Animal Products Act.

Exporters work with Recognised Agencies and MPI Verification Services to prepare livestock for export

- The exporter organises the livestock, and a pre-export isolation facility. This facility is a holding place where animals stay while they undergo final assessments as to their suitability for export, and any pre-conditioning necessary for the voyage. An example of pre-conditioning is changing from a pasture-based, to a pellet-based diet.
- The exporter liaises with a Recognised Agency and MPI Verification Services to make sure that all the requirements of any OMAR, and the Animal Products Act, are met. A Recognised Agency is an individual or body recognised by MPI to carry out certain functions and activities under the Animal Products Act. An example of these functions is verifying that exporters meet export requirements.
- The Recognised Agency assesses and approves the pre-export isolation facility under the MPI Pre-export Quarantine and Isolation Code of Practice.
- The Recognised Agency assesses declarations and test results and asks for clarifications or corrections. They provide the exporter with a list of livestock that have met the requirements. These animals enter the pre-export isolation facility.

²⁹ Code of Welfare 2018: Transport within New Zealand.

Exporter applies for an Animal Welfare Export Certificate (AWEC)


- To export livestock, an AWEC is usually required under the Animal Welfare Act. Exporters must apply to MPI at least 20 working days prior to the intended date of shipment.
- MPI assesses the application. The decision on the AWEC is made by the Director-General or his or her delegate, depending on the nature of the application. In general, the higher the possible risks the export poses, the more senior the official who will decide on the application.
- Guidance material may be used to assess the application. For example, for exports of cattle by sea, MPI has issued Guidance Material for the Transport of Cattle by Sea.
- Exports of livestock by air are assessed using the International Air Transport Association Live Animal Regulations.
- The Animal Welfare Act sets out what must, and may, be considered during the AWEC assessment. Information that must be included is:
 - a declaration that the animals are not being exported for slaughter (under the Oaths and Declarations Act 1957);
 - the previous export history of the company;
 - stock type, number, and physiological state (animals must be a certain age/weight and cannot be in advanced pregnancy – cattle cannot be more than 6 months pregnant at the time of export by sea);
 - stocking density (ensuring each animal has minimum room as per MPI conditions or International Air Transport Association recommendation); and
 - details about the stockpersons accompanying the animals and their experience.
- The exporter may nominate a veterinarian as a stockperson. Otherwise MPI will require that a veterinarian is available at all times (or during any stops for animals traveling on passenger airplanes) by phone. MPI currently requires a veterinarian to be on a vessel as part of an AWEC condition.
- When making a decision on the AWEC, MPI can consider the post-arrival conditions for the management of the animals in the importing country, including the welfare of any animals previously exported up to 30 days after they arrived.
- If an AWEC application is acceptable, the exporter and MPI Verification Services are notified that the AWEC can be issued, and what specific and/or additional conditions have to be met.

Exports by air

- Small consignments of livestock may be shipped in the holds of commercial passenger planes. In this case there is no in-flight access to the animals and no stockperson would accompany the animals.
- For exports by air AWEC applications consider transport crate design, and any intermediate refuelling stops. Animals are transported on board planes in custom crates that are designed and manufactured according to International Air Transport Association specifications.


Exports by sea

- MPI requires a minimum of 1 stockperson per 1400 cattle. Stockpersons provide expert oversight of the animals, and are assisted by the ship's crew in day-to-day animal management. Requirements for stockpersons for other species are determined during discussions between MPI and the exporter.
- AWEC applications also consider details of the vessel, ventilation, power sources, drainage, pen design, fodder, water; and the length and nature of the journey.



Exporter responsibilities prior to loading

- Within several days of the scheduled shipping date, Recognised Agency veterinarians check all the livestock individually, and any unfit livestock are removed from the proposed consignment.
- Exporters need to supply a completed zoosanitary (animal health) export certificate with details of the livestock to be exported, test/treatment/vaccination details sent from the Recognised Agency to MPI Verification Services, and the supporting documents required to confirm that any conditions imposed as part of the AWEC process have been met.



Responsibilities during loading

Exports by air

- MPI Verification Services inspects the crates that are to be used, to ensure they comply with International Air Transport Association specifications and AWEC conditions.
- The airline determines the timing of the loading to ensure that airport and air traffic control requirements are met.
- Animals are either loaded into crates at the pre-export isolation facility, or transported to the airport and transferred to the crates there. Loading is supervised either by the Recognised Agency or MPI Verification Services, depending on circumstances.
- MPI Verification Services issues the veterinary certificate and AWEC, and crates are loaded onto the plane.

Exports by sea

- When the vessel arrives in port, MPI Verification Services inspects the vessel to ensure it meets the requirements of the OMAR (if required) and the AWEC. A Marine Surveyor also inspects the vessel. A Marine Surveyor is a specialist recognised by Maritime New Zealand who is qualified to evaluate whether a ship is fit for purpose, and complies with relevant maritime and marine protection rules. Maritime NZ also currently completes a Port State Control focussed inspection to ensure vessels meet international standards, including around safety and crew welfare. Once the vessel has passed inspection, MPI Verification Services advises that the livestock can be loaded out from the pre-export isolation facility. The livestock are loaded onto trucks, transported to the wharf, and loaded onto the vessel.
- MPI Verification Services oversees loading and checks the livestock on board before issuing the veterinary export certificate and the AWEC.



The exporter must provide daily, post voyage and post arrival reports

- As a condition of all livestock exports, MPI requires daily reports (including a veterinary report), post voyage and post arrival reports.
- The post voyage report must record any illness or deaths. It must be sent to MPI within 20 working days of the animals arriving in the destination country.
- Post arrival reports cover condition of the animals in the first 30 days in the importing country.

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