

Analysis of State-based processing costs

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1.0 MILESTONE DESCRIPTION

AMPC Project 2019-1020 “Analysis of state-based processing costs” draws on data analysed for AMPC Project 2017-1062¹ “Analysis of regulatory and related costs and duplication in red meat processing” (colloquially referred to as “Cost to Operate Report”). The latter report examined the key operating cost components in beef processing in Australia for 2015-16 and provided a comparison with costs incurred, including the regulatory components, in each of the United States, Brazil, Argentina supplemented by New Zealand.

The Achievement Criteria for Milestone 4 include:

-) Revise the Milestone 3 report in light of comments provided by AMPC in relation to the Milestone 3 report; and
-) Prepare and submit this Milestone 4 report.

2.0 ABSTRACT

The Milestone 4 report incorporates a summary of the operating costs associated with beef processing in Australia in 2015-16 and a comparative analysis for each of New South Wales and Queensland, which has been augmented through discussion with relevant State government bodies. It further analyses the regulatory cost components applicable in each State in comparison with the national average and distinguishes between regulated components subject to Federal or State legislation. It also provides estimates of the cost differential between facilities supplying the export market and those solely distributing to the domestic market. The relevant literature was reviewed and a bibliography is provided at Section 8.0 of this report.

3.0 PROJECT OBJECTIVES

The key objectives of this Project, as outlined in the project agreement, are as follows:

To provide state based red meat (beef) processing costs for NSW and Queensland to support a more detailed understanding of the cost pressures facing red meat processors, and thereby provide additional options to reduce the sectors costs.

4.0 COMPARATIVE ANALYSIS OF OPERATING COSTS AND THE REGULATED COMPONENTS

4.1 Australia

The following Table 1 outlines the distribution of operating costs amongst beef processors in Australia in 2015-16. It reflects a weighted average across all States with beef processing facilities and includes both grass-fed and grain fed cattle.

¹ SG Heilbron Economic & Policy Consulting, various Milestone reports, 2017 and 2018

Table 1: Distribution of operating costs, beef processing, Australia 2015-16

Australia - average		
Average number of head per day	1,149	
Average kg per head	296	
Cost components	Cost per head (AU\$)	As % of total costs (excl. livestock purchases)
Processing wages	\$166.91	46.3%
Salaries	\$16.11	4.5%
Payroll taxes	\$7.63	2.1%
Workers Compensation premiums	\$4.96	1.4%
Retirement benefits (superannuation)	\$14.93	4.1%
Sub-total - Labour-related costs	\$210.54	58.4%
Electricity	\$9.20	2.6%
Other fuel	\$5.51	1.5%
Water & sewerage	\$4.51	1.3%
Waste disposal	\$2.41	0.7%
Sub-total - Utilities-related costs	\$21.62	6.0%
Certification / Audit Cost (Govt)	\$7.29	2.0%
Packaging	\$26.80	7.4%
Transport - finished goods	\$54.01	15.0%
Repairs & maintenance	\$14.76	4.1%
Processing consumables	\$5.70	1.6%
Other costs	\$19.90	5.5%
Total (excl. livestock costs)	\$360.62	100.0%
Cost per kg	\$1.22	

On average, operating costs across Australia approximated \$360.62 per head of throughput or \$1.22 per kg HSCW. A brief summary of the key cost components and the regulated proportion of these is provided below.

4.1.1 Labour-related costs

On average, labour-related costs in Australia make up just over 58 percent of total operating costs, excluding livestock purchases. A significant proportion of labour-related costs in Australia are subject to either Federal or State government legislation, estimated to account for approximately 85 percent of total labour-related costs in the beef processing sector. These are broken down as follows:

-) Processing wages – the Meat Industry Award 2010 (the Award) sets down minimum wage rates by level of occupation in the meat processing sector and incorporates mandatory allowances for annual and personal leave. Many processing facilities have negotiated separate Enterprise Agreements where wage rates and allowances are higher than the minimum defined under the Award but which may provide the employer with more flexibility with regard to timing of annual leave and working hours. It has been assumed that Award rates are, on average, approximately 90 percent of the rates paid under negotiated Enterprise Agreements.
-) Salaries – whilst not subject to regulation in themselves, salaried employees are also entitled to 20 days annual leave and 10 days personal leave per annum (for full-time employees and

pro-rata for part-time employees) under the Fair Work Act. This equates to approximately 11.5 percent of total salary costs and does not take into account mandatory public holidays.

- J Payroll taxes – these rates are subject to State legislation and vary between jurisdictions. The quantum of payroll taxes has been derived from a weighted average of private data supplied and are 100 percent regulated. On average, based on the private data supplied, payroll taxes approximate 4.2 percent of combined wages and salaries. In each State, the calculation of payroll tax incorporates a minimum threshold above which payroll tax is applicable, calculated as a percentage of total remuneration payable above the threshold. The following table 2 illustrates the payroll tax rates for 2015-16, with data for 2018-19 provided for comparative purposes².

Table 2: Payroll tax by State, Australia 2015-16 and 2018-19

	2015-16		2018-19	
	Threshold	Rate	Threshold	Rate
NSW	\$750,000	5.45%	\$850,000	5.45%
QLD	\$1,100,000	4.75%	\$1,100,000	4.75%
VIC - metro	\$550,000	4.85%	\$650,000	4.85%
VIC - regional	\$550,000	4.85%	\$650,000	2.425%
SA	\$600,000	4.95%	\$1,500,000 - <\$1,700,000	0% - 4.95%
			\$1,700,000+	4.95%
TAS	\$1,250,000	6.10%	\$1,250,000	4.00% - 6.10%
WA	\$800,000	5.50%	\$850,000	5.50%

It should be noted that, in most States, the rate used to calculate payroll tax liabilities has not changed since 2015-16, although the threshold may have increased. A key exception to this is Victoria which now distinguishes between business operating in metropolitan and regional areas, with those in the latter paying a rate that is approximately half that in metropolitan areas. The definition of regional Victoria encompasses the local government areas outside Greater Melbourne. In order to benefit from this reduction in payroll tax rates, businesses must have an ABN registered business address in regional Victoria and must pay at least 85 percent of their Victorian taxable wages to regional employees. This could be expected to be advantageous to the beef processing sector in Victoria as the majority of red meat processing facilities are located in regional areas.

- J Workers compensation premiums – these are also subject to State legislation with the rates varying between States and influenced by historical safety records. The quantum of workers compensation premiums has also been derived from a weighted average of private data supplied and are 100 percent regulated. On average, based on the private data supplied, workers compensation premiums approximate 2.5 percent of combined wages, salaries and superannuation payments.

² <https://www.payrolltax.gov.au/harmonisation/payroll-tax-rates-and-thresholds>

- J Superannuation – a minimum rate of 9.5 percent is mandatory for all employees and is calculated on ordinary time earnings. Superannuation payments are not required for overtime earnings or for individuals employed on contracts.

Overall, it has been estimated that in 2015-16, approximately 85.3 percent of labour-related costs are subject to some form of government regulation, equating to \$179.60 per head of throughput. Of these regulated costs, almost 93 percent are associated with Federal regulation whilst 7 percent are subject to State regulation. The State regulated components are distributed at 4.2 percent to payroll taxes and 2.8 percent to workers compensation premiums. However, it should be noted that the value of the State regulated components is influenced by Federal regulation as both payroll tax and workers compensation premiums are based on wages and salaries costs and, in the case of workers compensation premiums, compulsory superannuation payments.

4.1.2 Utilities-related costs

Utilities-related costs have been estimated to approximate \$21.62 per head of throughput on average for beef processing facilities in Australia, of which the cost of electricity is the single biggest component accounting for approximately 42.5 percent of utilities-related costs.

In Australia the price paid for electricity by industrial consumers is generally subject to a negotiated contract. This is also usually applicable to natural gas consumption. The price per kWh is dependent on a range of factors including quantity and geographical location.

Wholesale electricity prices are not directly correlated with the price paid by consumers but do provide an indication for comparative purposes. In Australia, recent trends in wholesale electricity prices are indicated in Table 3³.

Table 3: Wholesale electricity prices, volume weighted average, selected states, Australia

Year	Volume weighted average price - \$ per megawatt hour				
	Queensland	New South Wales	Victoria	South Australia	Tasmania
2012-13	70	56	61	74	49
2013-14	61	53	54	68	42
2014-15	61	36	32	42	37
2015-16	64	54	50	67	97
2016-17	103	88	70	123	76
2017-18	75	85	99	109	88
2018-19	83	89	92	97	62

Source: Australian Energy Regulator, Wholesale statistics 2012-13 to 2018-19(YTD)

The components of the total cost of electricity consumption is affected by the type of customer. A recent report by the ACCC⁴ provides a breakdown of the cost components applicable for each of residential, small and medium enterprises (SME) and commercial and industrial customers (C&I). These results are illustrated in Table 4.

³ <https://www.aer.gov.au/wholesale-markets/wholesale-statistics/annual-volume-weighted-average-spot-prices>

⁴ https://www.accc.gov.au/system/files/Retail+Electricity+Pricing+Inquiry%E2%80%94Final+Report+June+2018_0.pdf

Table 4: Summary of cost stacks for the National Electricity Market, 2017-18

	Residential		SME		C & I	
	Cost - c/kWh	% of total	Cost - c/kWh	% of total	Cost - c/kWh	% of total
Wholesale	10.1	34.2%	11.1	41.9%	8.3	52.5%
Network	12.6	42.7%	10.0	37.7%	5.5	34.8%
Environmental	1.9	6.4%	2.2	8.3%	1.5	9.5%
Retail costs	2.5	8.5%	1.0	3.8%	0.2	1.3%
Retail margin	2.4	8.1%	2.2	8.3%	0.3	1.9%
Total	29.6	100.0%	26.5	100.0%	15.7	100.0%

As illustrated in the table, C&I customers which would be expected to include the majority of beef processing facilities, pay a substantially lower cost, measured in c/kWh than either residential or SME customers. This is due to substantially lower network charges per kWh and lower retail costs and margins. The ACCC report notes that *“The lower C&I network costs are due to the charging structure. In addition to the daily and usage charge, C&I customers incur a very large demand charge. However, this charge does not vary with usage. Usage as a proportion of a C&I customer’s bill is relatively lower (because of the demand charge); the c/kWh measure will also be lower”*. The report also notes that *“retail costs and margins are substantially lower for C&I customers because retailers do not incur costs to attract new customers and large customers have relatively low costs to serve”*.

Over the past decade, electricity charges for C&I customers have increased by approximately 58 percent in real terms. The key components in the increase have been driven primarily by network and wholesale costs, contributing 35 percent and 45 percent to the overall cost increase respectively.

The Australian Energy Regulator (AER) has responsibility for regulating the network costs associated with electricity supply and distribution by determining the maximum amount that a network owner can charge and the maximum revenue they can earn in each regulatory period. This has been estimated to comprise approximately 35 percent of total electricity charges in Australia for C&I customers⁵. The AER does not regulate either wholesale or retail prices. The latter has been subject to some form of State government regulation but for most of Australia, retail prices have now been deregulated.

Natural gas forms the second most significant source of energy consumed in red meat processing facilities, with its use as a source of boiler fuel increasing when a price on carbon was introduced in 2011. At that time, red meat processors were eligible, under certain conditions, to apply for government funding under the Clean Technologies Food and Foundries Investment Program with some processors seeking to move from coal-fired boilers to natural gas to reduce greenhouse gas emissions. At that time the wholesale price of natural gas varied from \$4.42 per gigajoule in New South Wales to \$5.78 in Queensland. However, since then, the wholesale price of natural gas in Australia⁶ has increased substantially, as indicated in Table 5 below.

Table 5: Natural gas prices, Australia, 2013 - 2018

⁵ This has been reduced from the 45 percent noted in AMPC Project 2017-1062 in light of the information provided in the ACCC report.

⁶ <https://www.aer.gov.au/wholesale-markets/wholesale-statistics/sttm-quarterly-prices>

	AU\$ per gigajoule		
	Wholesale Price		
Year ending	Adelaide	Brisbane	Sydney
September-13	5.01	5.78	4.42
September-14	3.84	2.34	3.85
September-15	5.67	4.23	5.07
September-16	9.57	7.22	7.85
September-17	8.25	6.72	9.03
September-18	9.33	9.49	9.44
Change 2013-2018	86.2%	64.2%	113.6%

As illustrated in the Table, the wholesale price per gigajoule for natural gas has increased by more than 86 percent in South Australia and more than doubled in New South Wales since 2013. Queensland had experienced more modest increases but witnessed a significant rise between the September quarters of 2017 and 2018.

The regulated component of natural gas supply relates specifically to covered gas pipelines and is subject to AER regulation on the maximum charge. The transmission and distribution component of natural gas prices varies significantly between States. An average regulated component of 25 percent has been assumed in this analysis for Australia as a whole.

Water and sewerage services costs amongst beef processing facilities across Australia equate to approximately \$4.51 per head of throughput. The rates applicable for the supply and consumption of water and for sewerage services are generally set by Local Councils which in turn are regulated by the relevant State government. Whilst there may be opportunities to negotiate the actual rate charged, it has been designated as 100 percent regulated at the State level for this analysis.

Waste disposal costs approximate \$2.41 per head of throughput for beef processing facilities in Australia on average. The regulated component of waste disposal charges has been assessed as 20 percent of total costs. This assumes a mix of on-site disposal, use of private contractors and accessing Local Council waste disposal facilities.

Overall, it has been estimated that in 2015-16, approximately 44.3 percent of utilities-related costs are subject to some form of government regulation, equating to \$9.59 per head of throughput. Of these regulated costs, almost 48 percent are associated with Federal regulation whilst 52 percent are subject to State regulation. The State regulated component is associated with water, sewerage (90 percent of the State regulated component) and waste disposal (10 percent of the State regulated component).

4.1.3 Certification-related costs

Overall, the weighted average costs associated with certification and associated audits in the beef processing sector is estimated at approximately \$7.29 per head. Information provided by processors was used to distribute this between costs associated with meeting public standards, those required under Australian legislation to process and export beef, and those required to meet private or external standards. Whilst the latter group may be required to supply individual customers both domestically

and overseas, they are not subject to government regulation. Overall, it has been estimated that the proportion of certification-related costs subject to regulation approximates 70 percent of these costs.

The estimated distribution of the total certification-related costs is illustrated in Table 6 below.

Table 6: Distribution of certification-related costs, beef processing, Australia 2015-16

Component	Percentage of costs
Approved Arrangement Certificate (incl. DAWR Certificate of Registration)	53.5%
Aus-Meat Certificate of Accreditation	14.5%
Relevant State Govt Accreditation	2.5%
External standards (e.g. BRC, SQF, Meat Standards Australia)	20.5%
Private standards (e.g. W'worths, Coles, McDonalds)	8.5%
Total	100.0%

Of the regulated component of certification-related costs, approximately 97 percent is attributable to Federally mandated charges. It should be noted that all beef processing facilities for which private data was provided were export-accredited, meaning that the above analysis relates to beef processing operations holding an Approved Arrangement Certificate. Furthermore, there are two Tiers of export-accreditation. The Tier 1⁷ arrangement was established to recognise that some markets accept product prepared in accordance with the relevant Australian Standard (AS) and with oversight by a State Regulatory Authority. There are restrictions on the countries to which these establishments may export, currently totaling 27 countries⁸.

Tier 2 export establishments can potentially access all export markets although specific approvals are required for some markets and products. Under the Tier 2 arrangement Australian Government Authorised Officers (AAOs) can be employed by an export registered abattoir or labour hire provider⁹. However, for those exporting to the European Union, it is a requirement that post-mortem inspections are performed by inspectors employed by a party other than the food business operation. Therefore, to export product to that market, AAOs must be sourced from an independent employer. It is worth noting that all beef processing facilities for which private data was provided were accredited under the Tier 2 arrangement with the majority noting that they export to the European Union.

⁷ <http://www.agriculture.gov.au/export/controlled-goods/meat/elmer-3/meat-establishment-tier1>

⁸ Tier 1 market access - Albania, Algeria, Bahrain, Cook Islands, Cuba, Egypt (subject to inspection visit and listing), Fiji, Ghana, Indonesia (subject to inspection visit and listing), Jamaica, Jordan, Kuwait, Mozambique, New Caledonia, New Zealand, Oman, Papua New Guinea (subject to listing), Qatar, Solomon Islands, Sri Lanka, Timor-Leste, Tonga, Tunisia, Tuvalu, United Arab Emirates, Vanuatu and Vietnam (subject to listing).

⁹ http://www.agriculture.gov.au/Style%20Library/Images/DAFF/___data/assets/pdffile/0005/2373134/aao-abattoir.pdf

4.1.4 Summary of regulated costs

The following Table 7 provides a summary of the key cost components in the beef processing sector across Australia and the proportion subject to some form of government regulation.

Table 7: Regulated cost summary, beef processors, Australia

	Cost per head (AU\$)	Federal regulated cost per head (AU\$)	State regulated cost per head (AU\$)	Total regulated cost per head (AU\$)	Regulated cost as % of total cost
Labour-related costs	\$210.54	\$167.01	\$12.59	\$179.60	85.3%
Utilities-related costs	\$21.62	\$4.60	\$4.99	\$9.59	44.3%
Certification / Audit Cost	\$7.29	\$4.95	\$0.15	\$5.10	70.0%
Other costs	\$121.17	\$0.00	\$0.00	\$0.00	0.0%
Total costs	\$360.62	\$176.56	\$17.73	\$194.29	53.9%
As % of total costs		49.0%	4.9%	53.9%	

Based on the revised analysis, approximately 53.9 percent of operating costs in the beef processing sector across Australia are subject to some form of regulation, with almost 91 percent of these regulated components being affected by Federal legislation.

4.2 New South Wales

The private data previously analysed for Australia as a whole has been disaggregated to reflect beef processing facilities located in New South Wales. That data covers a total of 6 facilities, representing approximately 68 percent of cattle slaughtered in New South Wales in 2015-16. The distribution of operating costs in beef processing in New South Wales is illustrated in Table 8, along with a comparison with the Australian average.

Table 8: Distribution of operating costs, beef processing, New South Wales 2015-16

	Australia - average		New South Wales		
Average number of head per day	1,149		1,010		
Average kg per head	296		287		
Cost components	Cost per head (AU\$)	As % of total costs (excl. livestock purchases)	Cost per head (AU\$)	As % of total costs (excl. livestock purchases)	New South Wales as % of Australia
Processing wages	\$166.91	46.3%	\$169.25	46.6%	101.4%
Salaries	\$16.11	4.5%	\$18.86	5.2%	117.1%
Payroll taxes	\$7.63	2.1%	\$8.85	2.4%	116.0%
Workers Compensation premiums	\$4.96	1.4%	\$5.73	1.6%	115.5%
Retirement benefits (superannuation)	\$14.93	4.1%	\$13.81	3.8%	92.5%
Sub-total - Labour-related costs	\$210.54	58.4%	\$216.51	59.7%	102.8%
Electricity	\$9.20	2.6%	\$11.50	3.2%	125.0%
Other fuel	\$5.51	1.5%	\$5.77	1.6%	104.7%
Water & sewerage	\$4.51	1.3%	\$2.32	0.6%	51.5%
Waste disposal	\$2.41	0.7%	\$3.46	1.0%	143.7%
Sub-total - Utilities-related costs	\$21.62	6.0%	\$23.05	6.4%	106.6%
Certification / Audit Cost (Govt)	\$7.29	2.0%	\$6.93	1.9%	95.1%
Packaging	\$26.80	7.4%	\$33.46	9.2%	124.8%
Transport - finished goods	\$54.01	15.0%	\$44.01	12.1%	81.5%
Repairs & maintenance	\$14.76	4.1%	\$14.75	4.1%	100.0%
Processing consumables	\$5.70	1.6%	\$6.73	1.9%	117.9%
Other costs	\$19.90	5.5%	\$17.50	4.8%	87.9%
Total (excl. livestock costs)	\$360.62	100.0%	\$362.94	100.0%	100.6%
Cost per kg	\$1.22		\$1.26		103.7%

Overall, total operating costs in beef processing in New South Wales are very similar to the Australian average when measured on a per head of throughput basis, although approximately 3.7 percent higher when measured per kg HSCW as a result of the lower average weight of cattle processed.

The following provides a comparison of total operating costs (excluding livestock purchases) in New South Wales with the average for Australia and an assessment of the regulated components.

4.2.1 Labour-related costs

On average, labour-related costs in New South Wales make up almost 60 percent of total operating costs, excluding livestock purchases. This is slightly higher than the proportion attributable to this cost component for Australia as a whole (58.4 percent). With the exception of superannuation costs, all individual components of labour-related costs are higher in New South Wales than the national average.

A significant proportion of labour-related costs in New South Wales are subject to either Federal or State government legislation, estimated to account for approximately 84.5 percent of total labour-related costs in the beef processing sector. The calculation of the regulated component of costs has been undertaken using the same assumptions adopted in calculating the national average.

- J Wages and salaries – that 90 percent of wage costs and 11.5 percent of salary costs are subject to Federal legislation. As described in the Cost to Operate report, Federal legislation covers Award Wages and leave allowances (20 days annual leave and 10 days personal leave per annum (for full-time employees and pro-rata for part-time employees)) under the Fair Work Act.
- J Superannuation - a minimum rate of 9.5 percent is mandatory for all employees under Federal legislation and is calculated on ordinary time earnings.
- J Payroll taxes – these are 100 percent regulated by the New South Wales government. On average, based on the private data supplied, payroll taxes approximate 4.7 percent of combined wages and salaries (compared with 4.2 percent for Australia as a whole). Based on the number of cattle slaughtered in New South Wales in 2015-16, it is estimated that the beef processing sector contributed approximately \$15.8 million in payroll taxes in that year. If a similar approach to calculating payroll tax to that adopted in Victoria, whereby businesses in regional parts of the State pay a rate that is approximately half of that levied on businesses in metropolitan areas, was in place in New South Wales, cost savings to the beef processing sector of up to \$7.9 million could accrue. This calculation is based on the fact that very few beef processing facilities are located in the Greater Sydney region. At the 2016 Census, only 13.6 percent of the total employment in Meat Processing in New South Wales was located in the Greater Sydney region. These employees include individuals working in sectors other than beef processing, including businesses not involved in the slaughter of cattle.
- J Workers compensation premiums - these are also subject to New South Wales legislation with the rates being influenced by historical safety records. The quantum of workers compensation premiums has also been derived from a weighted average of private data supplied and are 100 percent regulated. On average, based on the private data supplied, workers compensation premiums approximate 2.8 percent of combined wages, salaries and superannuation payments (compared with 2.5 percent for Australia as a whole).

Overall, it has been estimated that in 2015-16, approximately 84.5 percent of labour-related costs are subject to some form of government regulation, equating to \$182.90 per head of throughput. Of these regulated costs, approximately 92 percent are associated with Federal regulation whilst 7.9 percent are subject to State regulation, comprising approximately 4.8 percent in payroll taxes and 3.1 percent in workers compensation premiums. However, it should be noted that the value of the State regulated components is influenced by Federal regulation as both payroll tax and workers compensation premiums are based on wages and salaries costs and, in the case of workers compensation premiums, compulsory superannuation payments.

4.2.2 Utilities-related costs

Utilities-related costs have been estimated to approximate \$23.05 per head of throughput on average for beef processing facilities in New South Wales, of which the cost of electricity is the single biggest component accounting for almost 50 percent of utilities-related costs.

Electricity costs in New South Wales approximate \$11.05 per head, some 25 percent higher than the national average. As noted previously, network and wholesale costs account for the largest components of electricity costs for C&I purchasers.

There is limited information publicly available on the breakdown of electricity costs for C&I customers by State. However, the ACCC report does provide a distribution of costs for residential customers. Table 9 provides a comparison of the costs in New South Wales for 2017-18 with the average across the National Electricity Market (NEM).

Table 9: Summary of cost stacks, National Electricity Market and New South Wales 2017-18

	NEM	New South Wales
Wholesale	43.0%	43.0%
Network	34.0%	33.1%
Environmental	6.0%	6.3%
Retail costs	8.0%	7.7%
Retail margin	8.0%	9.9%
Total	100.0%	100.0%
2017-18 c/kWh	29.6	28.3

In 2017-18, residential customers in New South Wales paid a slightly lower rate per kWh than the average across the NEM, with a higher proportion being attributable to the retail margin. This does not reflect the variation found amongst beef processing facilities in New South Wales compared with the national average. It is possible that beef processing facilities in New South Wales consume larger quantities of electrical power per head than the average for Australia. The fact that the majority of beef processing facilities in New South Wales are located in regional locations when compared with e.g. Queensland may also impact on the higher apparent electricity costs.

Other fuel costs approximate \$5.77 per head of throughput, approximately 4.7 percent higher than the national average of \$5.51.

Water and sewerage services costs amongst beef processing facilities across New South Wales equate to approximately \$2.32 per head of throughput, just over half that recorded for Australia as a whole (\$4.51). Waste disposal costs approximate \$3.46 per head of throughput for beef processing facilities in New South Wales on average, approximately 44 percent higher than the national average.

Overall, it has been estimated that in 2015-16, approximately 36.8 percent of utilities-related costs are subject to some form of government regulation in New South Wales, equating to \$8.48 per head of throughput. Of these regulated costs, almost 64 percent are associated with Federal regulation whilst 36 percent are subject to State regulation, calculated using the same methodology as adopted nationally i.e. water and sewerage charges are 100 percent regulated whilst waste disposal charges are 20 percent regulated, although the latter will vary between facilities. The State regulated component is associated with water, sewerage making up 77.1 percent of the State regulated costs and waste disposal (22.9 percent of the State regulated costs).

4.2.3 Certification-related costs

Overall, the weighted average costs associated with certification and associated audits in the beef processing sector in New South Wales is estimated at approximately \$6.93 per head, approximately 4.9 percent lower than the national average. Information provided by processors was used to distribute this between costs associated with meeting public standards, those required under Australian legislation to process and export beef, and those required to meet private or external

standards. Whilst the latter group may be required to supply individual customers both domestically and overseas, they are not subject to government regulation. Overall, it has been estimated that the proportion of certification-related costs subject to regulation approximates 70 percent of these costs. Overall, the distribution of certification-related costs in 2015-16 in New South Wales is expected to be similar to the Australian average, notwithstanding the marginally lower quantum of costs. It should be noted that the private data provided as the basis for this study did not always differentiate between the different types of certification costs, and accordingly, re-analysis at the State level could be incomplete.

In New South Wales, licensing and certification are regulated by the NSW Food Authority which operates under the Department of Primary Industries. All beef processing facilities in New South Wales must be licensed by the State Government, irrespective of whether they are export-accredited or not.

Licence fees¹⁰ for beef processing facilities in New South Wales are calculated based on the number of full-time equivalent (FTE) employees involved in food handling. The definition of food handling effectively includes all process workers but excludes office and transport-related staff. The current rate (2018-19) for a facility employing more than 50 FTE is \$4,197.00. It should be noted that the licence fee calculation is applicable to both export-accredited and domestic-only beef processing facilities (including abattoir and further processing) and also applies to the following categories:

-) Cold Food Store;
-) Animal Food Processing Plant;
-) Game Meat Primary Processing Plant;
-) Knackery;
-) Meat Retail; or
-) Rendering Plant.

For smaller facilities, generally not applicable to export-accredited beef processing plants but potentially applying to domestic-only facilities, the rates charged are \$463.00 for those employing up to 5 FTE and \$956.00 for those employing between 6 and 50 FTE.

In terms of monitoring compliance, the NSW Food Authority distinguishes between red meat abattoirs and meat processing plants with different compliance and legislation requirements^{11,12}. As noted above, all beef processing facilities providing primary data for this analysis were export-accredited at Tier 2 level and are therefore subject to audits and certification by DAWR. However, there are a small number of facilities in New South Wales accredited under Tier 1 arrangements. These facilities are subject to regular audits for compliance by the NSW Food Authority in the same way as those beef processing establishments supplying only the domestic market, with DAWR and the NSW Food Authority conducting the initial assessment prior to granting certification. Only the NSW Food Authority is responsible for the initial inspection and subsequent audits in domestic-only beef processing facilities.

¹⁰ http://www.foodauthority.nsw.gov.au/Documents/licensesandforms/LIC003_food_premises_meat.pdf

¹¹ <http://www.foodauthority.nsw.gov.au/industry/meat/red-meat-abattoirs>

¹² <http://www.foodauthority.nsw.gov.au/industry/meat/meat-and-poultry-processing-plants>

Abattoirs, categorised as a Priority 1 establishment for audit purposes, need to meet the requirements set out in the following:

-) *Food Act 2003 (NSW)*
-) Food Regulation 2015 including relevant parts of the Meat Food Safety Scheme
-) Food Standards Code, including - Chapter 1, Part 1.2 - Labelling and other Information Requirements
-) Australian Standard AS 4696-2007, Hygienic production and transportation of meat and meat products for human consumption
-) *Industry Animal Welfare Standards for Livestock Processing Establishments preparing meat for human consumption (2nd edition)*
-) *Prevention of Cruelty to Animals Act 1979* -- overseen by NSW DPI
-) Prevention of Cruelty to Animals (General) Regulation 2006 -- overseen by NSW DPI
-) National Residue Survey

Meat processing plants, categorised as a Priority 2 establishment for audit purposes, need to meet the requirements set out in the following:

-) *Food Act 2003 (NSW)*
-) Food Regulation 2015, including relevant parts of the Meat Food Safety Scheme
-) Food Safety Schemes Manual
-) Food Standards Code, including sections relating to Labelling and other Information Requirements; Food Additives; Food Safety Practices and General Requirements; and Food Premises and Equipment
-) Australian Standard AS 4696-2007, Hygienic production and transportation of meat and meat products for human consumption

The frequency of 3rd party audits is dependent upon the priority categorisation of the business and the rating received at the previous audit. At a minimum, Priority 1 establishments are audited annually while Priority 2 establishments are audited every 24 months.

4.2.4 Summary of regulated costs

The following Table 10 provides a summary of the key cost components in the beef processing sector in New South Wales and the proportion subject to some form of government regulation.

Table 10: Regulated cost summary, beef processors, New South Wales, 2015-16

	Cost per head (AU\$)	Federal regulated cost per head (AU\$)	State regulated cost per head (AU\$)	Total regulated cost per head (AU\$)	Regulated cost as % of total cost
Labour-related costs	\$216.51	\$168.32	\$14.58	\$182.90	84.5%
Utilities-related costs	\$23.05	\$5.47	\$3.02	\$8.48	36.8%
Certification / Audit Cost	\$6.93	\$4.71	\$0.14	\$4.85	70.0%
Other costs	\$116.46	\$0.00	\$0.00	\$0.00	0.0%
Total costs	\$362.94	\$178.50	\$17.74	\$196.23	54.1%
As % of total costs		49.2%	4.9%	54.1%	

Based on the revised analysis, approximately 54.1 percent of operating costs in the beef processing sector in New South Wales are subject to some form of regulation, with almost 91 percent of these regulated components being affected by Federal legislation.

4.3 Queensland

The private data previously analysed for Australia as a whole has been disaggregated to reflect beef processing facilities located in Queensland. That data covers a total of 10 facilities, representing in excess of 80 percent of the cattle slaughtered in Queensland in 2015-16. The distribution of operating costs in beef processing in Queensland is illustrated in Table 11, along with a comparison with the Australian average.

Table 11: Distribution of operating costs, beef processing, Queensland 2015-16

	Australia - average		Queensland		
Average number of head per day	1,149		1,460		
Average kg per head	296		302		
Cost components	Cost per head (AU\$)	As % of total costs (excl. livestock purchases)	Cost per head (AU\$)	As % of total costs (excl. livestock purchases)	Queensland as % of Australia
Processing wages	\$166.91	46.3%	\$164.10	46.8%	98.3%
Salaries	\$16.11	4.5%	\$14.44	4.1%	89.7%
Payroll taxes	\$7.63	2.1%	\$7.23	2.1%	94.7%
Workers Compensation premiums	\$4.96	1.4%	\$4.03	1.1%	81.1%
Retirement benefits (superannuation)	\$14.93	4.1%	\$16.08	4.6%	107.7%
Sub-total - Labour-related costs	\$210.54	58.4%	\$205.88	58.7%	97.8%
Electricity	\$9.20	2.6%	\$8.34	2.4%	90.7%
Other fuel	\$5.51	1.5%	\$5.37	1.5%	97.5%
Water & sewerage	\$4.51	1.3%	\$5.56	1.6%	123.2%
Waste disposal	\$2.41	0.7%	\$1.64	0.5%	68.1%
Sub-total - Utilities-related costs	\$21.62	6.0%	\$20.90	6.0%	96.7%
Certification / Audit Cost (Govt)	\$7.29	2.0%	\$7.57	2.2%	103.9%
Packaging	\$26.80	7.4%	\$25.38	7.2%	94.7%
Transport - finished goods	\$54.01	15.0%	\$53.96	15.4%	99.9%
Repairs & maintenance	\$14.76	4.1%	\$14.35	4.1%	97.3%
Processing consumables	\$5.70	1.6%	\$5.63	1.6%	98.6%
Other costs	\$19.90	5.5%	\$17.10	4.9%	85.9%
Total (excl. livestock costs)	\$360.62	100.0%	\$350.77	100.0%	97.3%
Cost per kg	\$1.22		\$1.16		95.2%

Overall, total operating costs in beef processing in Queensland are approximately 2.7 percent lower than the Australian average when measured on a per head of throughput basis, and approximately 4.8 percent lower when measured per kg HSCW as a result of the higher average weight of cattle processed.

The following provides a comparison of total operating costs (excluding livestock purchases) in Queensland with the average for Australia and an assessment of the regulated components.

4.3.1 Labour-related costs

On average, labour-related costs in Queensland make up approximately 58.7 percent of total operating costs, excluding livestock purchases. This is slightly higher than the proportion attributable to this cost component for Australia as a whole (58.4 percent). However, only superannuation costs are higher in Queensland than the national average.

A significant proportion of labour-related costs in Queensland are subject to either Federal or State government legislation, estimated to account for approximately 85.8 percent of total labour-related costs in the beef processing sector. The calculation of the regulated component of costs has been undertaken using the same assumptions adopted in calculating the national average.

-)] Wages and salaries – 90 percent of wage costs and 11.5 percent of salary costs are subject to Federal legislation. As described in the Cost to Operate report, Federal legislation covers Award Wages and leave allowances (20 days annual leave and 10 days personal leave per annum (for full-time employees and pro-rata for part-time employees)) under the Fair Work Act.
-)] Superannuation - a minimum rate of 9.5 percent is mandatory for all employees under Federal legislation and is calculated on ordinary time earnings.
-)] Payroll taxes – these are 100 percent regulated by the Queensland government. On average, based on the private data supplied, payroll taxes approximate 4.0 percent of combined wages and salaries (compared with 4.2 percent for Australia as a whole). Based on the number of cattle slaughtered in Queensland in 2015-16, it is estimated that the beef processing sector contributed approximately \$26.9 million in payroll taxes in that year. If a similar approach to calculating payroll tax to that adopted in Victoria, whereby businesses in regional parts of the State pay a rate that is approximately half of that levied on businesses in metropolitan areas, was in place in Queensland, cost savings to the beef processing sector of approximately \$8 million could accrue. This calculation is based on the assumption that that an estimated 40 percent of beef processing facilities are located in the Greater Brisbane region. At the 2016 Census, approximately 50.3 percent of the total employment in Meat Processing in Queensland was located in the Greater Brisbane region. However, these employees include individuals working in sectors other than beef processing, including businesses not involved in the slaughter of cattle.
-)] Workers compensation premiums - these are also subject to Queensland legislation with the rates being influenced by historical safety records. The quantum of workers compensation premiums has also been derived from a weighted average of private data supplied and are 100 percent regulated. On average, based on the private data supplied, workers compensation premiums approximate 2.1 percent of combined wages, salaries and superannuation payments (compared with 2.5 percent for Australia as a whole).

Overall, it has been estimated that in 2015-16, approximately 85.8 percent of labour-related costs are subject to some form of government regulation, equating to \$176.69 per head of throughput. Of these regulated costs, approximately 93.6 percent are associated with Federal regulation whilst 6.4 percent are subject to State regulation, comprising 4.1 percent in payroll taxes and 2.3 percent in workers compensation premiums. However, it should be noted that the value of the State regulated components is influenced by Federal regulation as both payroll tax and workers compensation

premiums are based on wages and salaries costs and, in the case of workers compensation premiums, compulsory superannuation payments.

4.3.2 Utilities-related costs

Utilities-related costs have been estimated to approximate \$20.90 per head of throughput on average for beef processing facilities in Queensland, of which the cost of electricity is the single biggest component accounting for almost 40 percent of utilities-related costs.

Electricity costs in Queensland approximate \$8.34 per head, approximately 9.3 percent lower than the national average. As noted previously, network and wholesale costs account for the largest components of electricity costs for C&I purchasers.

There is limited information publicly available on the breakdown of electricity costs for C&I customers by State. However, the ACCC report does provide a distribution of costs for residential customers. Table 12 provides a comparison of the costs in Queensland for 2017-18 with the average across the National Electricity Market (NEM).

Table 12: Summary of cost stacks, National Electricity Market and Queensland 2017-18

	NEM	Queensland
Wholesale	43.0%	49.1%
Network	34.0%	35.2%
Environmental	6.0%	4.4%
Retail costs	8.0%	8.5%
Retail margin	8.0%	2.7%
Total	100.0%	100.0%
2017-18 c/kWh	29.6	29.4

In 2017-18, residential customers in South East Queensland paid a marginally lower rate per kWh than the average across the NEM, with a higher proportion being attributable to wholesale and network charges. The location of beef processing facilities in Queensland, with a significant proportion in the Greater Brisbane area and the wider south-east Queensland region in particular may impact on the lower apparent electricity costs per head of throughput in the State.

Other fuel costs approximate \$5.7 per head of throughput, approximately 2.5 percent lower than the national average of \$5.51.

Water and sewerage services costs amongst beef processing facilities across Queensland equate to approximately \$5.56 per head of throughput, approximately 23 percent higher than that recorded for Australia as a whole (\$4.51).

Waste disposal costs approximate \$1.64 per head of throughput for beef processing facilities in Queensland on average, approximately 44 percent higher than the national average.

Overall, it has been estimated that in 2015-16, approximately 48.5 percent of utilities-related costs are subject to some form of government regulation in Queensland, equating to \$10.15 per head of throughput. Of these regulated costs, approximately 42 percent are associated with Federal regulation whilst 58 percent are subject to State regulation, calculated using the same methodology as adopted

nationally i.e. water and sewerage charges are 100 percent regulated whilst waste disposal charges are 20 percent regulated, although the latter will vary between facilities. The State regulated component is associated with water, sewerage (94.4 percent of State regulated costs) and waste disposal (5.6 percent of the State regulated costs).

4.2.3 Certification-related costs

Overall, the weighted average costs associated with certification and associated audits in the beef processing sector in Queensland is estimated at approximately \$7.57 per head, approximately 3.9 percent higher than the national average. Information provided by processors was used to distribute this between costs associated with meeting public standards, those required under Australian legislation to process and export beef, and those required to meet private or external standards. Whilst the latter group may be required to supply individual customers both domestically and overseas, they are not subject to government regulation. Overall, it has been estimated that the proportion of certification-related costs subject to regulation approximates 70 percent of these costs. Overall, the distribution of certification-related costs in 2015-16 in Queensland is expected to be similar to the Australian average, notwithstanding the marginally lower quantum of costs. It should be noted that the private data provided as the basis for this study did not always differentiate between the different types of certification costs, and accordingly, reanalysis at the State level could be incomplete.

Further investigation of State-regulated certification costs has been undertaken during Milestone 2 of this Project. The results of that investigation are summarised below.

Safe Food Production Queensland (Safe Food) is a statutory body established under the Food Production (Safety) Act 2000, within the portfolio of Agricultural Industry Development and Fisheries, with responsibility for risk-based food safety outcomes in the primary production and processing sector in Queensland. All beef processing facilities in Queensland must be licensed by the State Government, irrespective of whether they hold a Federal Approved Arrangement Certificate or not.

Up until 2016-17¹³, the costs associated with licensing and accreditation of beef processing facilities in Queensland were dependent upon the type of processing establishment. Those facilities supplying the export market were previously charged an annual fee which was substantially higher than facilities only supplying products to the domestic market. In addition, they were subject to an annual audit with the associated fees charged on an hourly basis. However, in 2017, Safe Food removed the distinction in licensing fees between export-accredited and domestic-only beef processing facilities, with both now being charged a fee of \$1,623.45 per annum, a significant reduction on the current legislated (although not enforced) rate of more than \$8,000.00.

In 2017-18, Safe Food commenced trialling a new digital monitoring tool for businesses recognised as Tier 2 red meat establishments (i.e. export-accredited)¹⁴. This trial followed the implementation of a Safe Food Application now used by all Queensland poultry processing facilities which enables real time reporting against poultry meat industry agreed performance targets. In 2018-19, all export-accredited beef processing facilities in Queensland have signed an agreement with Safe Food to adopt and utilise the real time data collection facility which addresses a set of defined food safety parameters, although it has been reported that not all facilities are using the same App, with some reporting manually (e.g.

¹³ Safe Food Production Queensland – personal communication, 12th February 2019

¹⁴ https://www.safefood.qld.gov.au/wp-content/uploads/2018/10/Safe-Food-Annual-Report-2017-2018_FINAL-PUBLISHED.pdf

via spreadsheet) on a daily basis. However, Safe Food is working with the industry to ensure that all export-accredited facilities adopt the real time App.

The introduction of the real time data collection has removed the requirement for on-site audits at exported accredited establishments, further reducing the costs associated with State-regulated costs relating to certification in Queensland. Any non-compliance issues raised are addressed by DAWR and the processing facility concerned, with Safe Food being notified by DAWR and the facility.

The reduction in the licence fee for export-accredited establishments, combined with the removal of the requirement for on-site audits, will have reduced the State regulated component of certification, assessed as \$0.15 for 2015-16, to effectively close to zero today. This, however, does not take into account any cost savings (or increases) in terms of man-hours incurred in-plant.

Abattoirs and further beef processing facilities supplying only the domestic market i.e. not holding export accreditation, also currently pay an annual fee of \$1,623.45. Meat inspection is carried out by their own staff who must hold recognised qualifications. Domestic facilities are subject to an annual audit by Safe Food which is charged on an hourly basis. These physical audits also include a review of the facility's HACCP plan. Currently, the hourly rate for the audit (contact and reporting time only) is charged at \$293.30 plus GST, with an annual adjustment for CPI. The amount of time taken for each audit is dependent upon the size of the facility which may range from a few cattle per week for facilities undertaking service kill for local butchers to domestic-supply only facilities operating 5 days per week. Travel and set-up time are calculated separately with set-up time being generally standardized but travel time dependent on the location of the facility.

4.2.4 Summary of regulated costs

The following Table 13 provides a summary of the key cost components in the beef processing sector across Queensland and the proportion subject to some form of government regulation.

Table 13: Regulated cost summary, beef processors, Queensland, 2015-16

	Cost per head (AU\$)	Federal regulated cost per head (AU\$)	State regulated cost per head (AU\$)	Total regulated cost per head (AU\$)	Regulated cost as % of total cost
Labour-related costs	\$205.88	\$165.44	\$11.25	\$176.69	85.8%
Utilities-related costs	\$20.90	\$4.26	\$5.88	\$10.15	48.5%
Certification / Audit Cost	\$7.57	\$5.15	\$0.15	\$5.30	70.0%
Other costs	\$116.42	\$0.00	\$0.00	\$0.00	0.0%
Total costs	\$350.77	\$174.85	\$17.29	\$192.13	54.8%
As % of total costs		49.8%	4.9%	54.8%	

Based on the revised analysis, approximately 54.8 percent of operating costs in the beef processing sector in Queensland are subject to some form of regulation, with just over 91 percent of these regulated components being affected by Federal legislation.

5.0 COST DIFFERENTIAL BETWEEN EXPORT AND DOMESTIC-ONLY FACILITIES

As has been noted earlier, the private data provided by beef processing facilities which has been used in this analysis has been provided entirely by facilities holding export-accreditation under a Tier 2 arrangement. These processing facilities are therefore required to comply with all Federal Government requirements associated with export accreditation and certification. No data was provided by facilities solely supplying the domestic market, although all establishments that contributed do supply the domestic market to a greater or lesser extent.

Despite the lack of primary data from domestic-only processing facilities, the following section provides an assessment of the potential differential in the cost to operate between export-accredited and domestic-only beef processing facilities.

5.1 Labour-related costs

The key components of labour-related costs are subject to either Federal legislation relating to Award wages, Fair Work rules regarding annual and personal leave and legislation relating to compulsory superannuation contributions, or State legislation with respect to payroll tax and workers compensation premiums. This would suggest that there should be little difference between labour costs in export-accredited facilities when compared with those only supplying the domestic market. Individual facilities in either category may experience labour-related costs per head of throughput which are higher or lower than the average depending upon factors such as:

-) Variety of cuts produced;
-) Direct employment of meat inspectors; and
-) Ratio of salaried staff to employees under Award (or Enterprise Agreement) wages.

As noted previously, the quantum of costs associated with State regulated components of labour costs are influenced by Federally regulated costs, in that the State regulated component is assessed based on total wages and salaries paid. In New South Wales, payroll taxes account for approximately 4.1 percent of total labour-related costs on average. Given that the threshold above which payroll tax is payable is currently \$850,000, it is likely that only very small meat processing facilities e.g. those undertaking intermittent service kill for local butchers, would be below this threshold. Similarly, in Queensland, payroll taxes account for approximately 3.5 percent of total labour-related costs on average. The payroll tax threshold in Queensland is currently \$1.1 million, again indicating that very few facilities would be exempt from being charged payroll tax.

With regard to direct employment of meat inspectors, this may increase the labour costs in domestic-only plants, although the impact on overall costs will be counter-balanced by the costs associated with certification-related costs as addressed below.

5.2 Utilities-related costs

The differential between export-accredited facilities and those only processing beef for domestic supply could be expected to be minimal. Individual facilities in either category may experience utilities-related costs per head of throughput which are higher or lower than the average depending upon factors such as:

-) Quantum of production supplied as fresh, chilled or frozen; and
-) Number of days of operation, allowing for start-up times.

5.3 Certification-related costs

The costs associated with certification, which for Tier 2 export-accredited beef processing facilities approximate 2 percent of the total operating costs (excluding the purchase of livestock) nationally, would be lower for facilities solely supplying the domestic market.

Domestic-only facilities may choose to apply for AUS-MEAT accreditation, but this is voluntary. However, they are exempt from:

-) DAWR Certificate of Registration - \$0.70 per head for cattle;
-) DAWR compliance audits, although they are subject to State-regulated audits; and
-) External meat inspection fees, although they are required to employ qualified meat inspectors on-site which may increase the labour-related costs.

Depending upon the requirements of individual customers, the costs associated with external and private standards could be significantly lower than those for export-accredited establishments.

Overall, assuming that the domestic-only facilities have the same requirement for external and private standards as the export-accredited facilities, the certification-related costs could be expected to be approximately 25 percent lower.

Whilst certification-related costs may be lower for domestic-only processing facilities, the overall impact on total operating costs per head would be expected to be minimal. All other things being equal, the impact on beef processing facilities in New South Wales would be a reduction in total costs per head of 0.5 percent compared with export-accredited facilities whilst in Queensland the impact would also be 0.5 percent lower than export-accredited facilities.

6.0 STAGE SUMMARY

The above report provides a summary of the results of the revised analysis and commentary undertaken to complete Milestone 4 of this Project. This reflects the final stage of this Project.

7.0 OVERALL PROGRESS OF THE PROJECT

The submission of this report reflects the final stage of this Project.

8.0 CONCLUSIONS/ RECOMMENDATIONS

The investigations undertaken with relevant State Government departments during Milestones 2 and 3 have been analysed and the data re-cut for the purposes of the analysis in Milestone 1 has been checked and found valid. With regard to the regulatory component, as noted above there have been some variations identified through discussions with contacts and whilst the variations do not affect the cost analysis for 2015-16 (the base year for the analysis) they do impact on the current costs facing processors. They also provide the basis for recommendations for actions that could serve to reduce operating costs in the red meat processing industry.

Labour-related costs

As outlined above, the single biggest component of operating costs in beef processing nationally and in each of New South Wales and Queensland is associated with labour-related costs. The regulated component of these is predominantly influenced by Federal regulation associated with award wages, compulsory leave entitlements and superannuation. However, these in turn impact on the State legislated components of payroll tax and workers compensation premiums. Addressing payroll tax in particular, it is worth noting that Victoria has 2 tiers of payroll tax rates with a lower rate applicable to businesses operating in regional locations. Adopting a similar system in New South Wales and Queensland would be beneficial to the beef processing sector in each State whilst potentially also encouraging decentralisation of overall employment. On average in Australia, payroll tax was estimated to account for approximately 2.1 percent of total operating costs (excluding the cost of livestock) or \$7.63 per head. In New South Wales, the estimated costs per head are approximately \$8.85 whilst in Queensland the cost is approximately \$7.23 per head.

Utilities-related costs

State governments have little influence over the cost of utilities with the exception of water, sewerage and waste disposal costs. However, in line with the recommendations in the Cost to Operate report, State Governments should also support both economy-wide and industry-specific policies that underpin increased energy cost competitiveness for the red meat processing industry.

Certification-related costs

In 2015-16, the base year for analysis in this Project, licence fees for beef processing facilities in New South Wales did not differentiate between export- accredited facilities. In the same period, Queensland had a different charge for licence fees for export-accredited facilities when compared with those only supplying the domestic market. Based on current legislated charges, the licence fee in Queensland would have been approximately 94 percent higher than that in New South Wales. As both States required annual audits with the associated fees at that time, this supports the analysis that suggests that total regulated certification costs per head were higher in Queensland than in New South Wales in 2015-16.

However, over the past two years Queensland has removed the differentiation between export-accredited beef processing facilities and those only supplying the domestic market. It has also removed audit requirements for export-accredited facilities as a result of the introduction of real time monitoring and reporting. Whilst this Project is based on 2015-16 data it would appear that the State-regulated component of certification costs in Queensland has decreased significantly. Notwithstanding that these are a relatively small component of all regulated costs associated with certification, any saving in this area would obviously be beneficial to the industry.

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