

Sheep Producers Australia

National eID (Sheep) Tag Procurement Scoping Report

November 2023

ACKNOWLEDGMENTS

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1 EXECUTIVE SUMMARY

In September 2022, all Agriculture Ministers reaffirmed their commitment to work collaboratively with industry to enhance Australia's livestock traceability systems, including the introduction of national mandatory individual electronic identification (eID) for sheep and goats. The Sheep and Goat eID National Implementation Plan, developed by the Sheep and Goat Traceability Taskforce (SGTTF) and endorsed by Agriculture Ministers, was released on 6 April 2023 and outlined a general commitment to transition by 1 January 2025.

The main cost to producers of an eID system for sheep and goats is associated with the purchase of electronic tags, resulting in broad discussion about the merits of establishing a national tag tender and/or procurement system to support implementation of eID regulation for sheep and goats. Sheep Producers Australia (SPA), on behalf of members, agreed to investigate options for developing and maintaining a national tag tender and procurement system with the aim of providing low-cost, incentivised eID tags for Australian sheep producers.

To progress this commitment, SPA initially obtained advice on suitable business structures, governance frameworks and legal requirements for an entity responsible for procuring eID tags for Australian sheep producers. In June 2023, SPA commissioned this scoping report, which is informed by an extensive nationwide stakeholder consultation process. The consultation process involved representatives from diverse sectors, spanning state and territory, and federal levels. These representatives included government agencies, industry representatives and service organisations, tag manufacturers, tag retailers, and resellers. Through semi-structured interviews exploring six themes, the expertise of over thirty key agricultural agencies and organisations (termed participants) was sought to inform the following three consultation objectives:

- Explore and collate information on existing sheep industry National Livestock Identification System (NLIS) tag systems that may be relevant to the development and maintenance of a national tag tender process and online procurement service.
- Identify opportunities, risks and complexities associated with the development and maintenance of a national tag tender process and online procurement service.
- Obtain a greater understanding of the requirements and positions of external stakeholders to SPA regarding the development and maintenance of a national tag tender process and online procurement service.

Two primary systems designed to facilitate NLIS tag and device procurement for sheep producers were identified by participants, outlined below:

1. Agriculture Victoria (Victorian) NLIS Tag Supply System
2. Commercial tag purchase system (direct purchase from tag manufacturers, resellers or rural retailers)

The level of producer engagement in these systems (i.e., purchasing an NLIS device from the system) is dependent on geographical location and NLIS device requirements.

For the purposes of this report, the Victorian NLIS Tag Supply System has been used as the template for considering the development and maintenance of a national sheep industry tag tender process and procurement system. While some participants acknowledged several favourable outcomes resulting from the implementation of the Victorian NLIS Tag Supply System, including reduced costs of eID devices for producers, most believed the commercial tag purchase system was simpler and provided greater producer benefits overall.

All participants acknowledged that the legislative and regulatory responsibilities underpinning traceability, and therefore eID devices, sat with the state and territory (jurisdictional) governments. Representatives from jurisdictional governments noted that any national tag tender and procurement system created must align and complement existing jurisdictional legislative and regulatory obligations. Many non-government participants raised concern that the issues surrounding national harmonisation of traceability legislation and regulation was a critical challenge for the viability of a national system based on the Victorian NLIS Tag Supply System, particularly in terms of complexity, cost, and resourcing requirements.

Additionally, participants identified various policy and stakeholder engagement platforms at both jurisdictional and Commonwealth levels that facilitate industry-government collaboration on matters relevant to eID regulation. While there was general support for inquiries into the potential establishment of a national tag tender and procurement system, especially if it benefited producers, many participants emphasised the need for timely resolution of this matter to support ongoing discussions on transitional eID support via these platforms.

Participants identified a range of government and industry financial support packages currently in place to assist efficient implementation of eID regulatory requirements for sheep and goats. Most participants agreed that transitional financial support packages were suitable in the short term, however, longer term the cost of eID devices would need to be absorbed by business. Many participants believed that it was important to separate discussion on the transitional financial support required by producers to comply with new eID regulation from long-term structural solutions, such as the possible development of a national tag tender and procurement system. Participants also clearly indicated that the use of government and/ or industry financial support would not be palatable to support a national tag tender or procurement system.

In general, participants had a limited view and insights into the governance arrangements and costs associated with the establishment and maintenance of a system similar to the Victorian NLIS Tag Supply System at a national level, generating concern about costs and funding arrangements. Multiple participants indicated that they had investigated implementing a similar system, or had experience running them previously, but had ceased investigations or disbanded these systems, as they were considered onerous and expensive.

Although it proved difficult to obtain precise financial data, it was evident that the expenses associated with establishing and maintaining a national tag tender and procurement system vary greatly depending on the model chosen. These costs are influenced by the business structure of the entity used to achieve the procurement outcomes, and complexity of the procurement process. In addition, costs can be differentiated between fixed costs and throughput related variable costs, and generally be split into two main categories, establishment cost and on-going cost. Most participants

indicated a preference for the system to be funded through cost recovery and were of the opinion that it would be unfavourable for any organisation overseeing a national tag tender and procurement system to make a profit from providing this service.

Although more than half of the participants were in favour of incorporating all NLIS species into a national system, there was a general consensus that the inclusion of other NLIS species would introduce additional complexity and costs to the system, which should be cost recovered. The inclusion of additional NLIS species was viewed as a positive measure to ensure that all livestock producers could enjoy the system's benefits and reduce potential confusion that producers, especially those with mixed livestock enterprises, may encounter when accessing multiple procurement systems.

The majority of participants said their support for a national tag tender and procurement system was contingent on the resolution of critical issues, however almost one quarter of participants did not support development of the national system. Issues to be resolved included:

- Benefits to producers: Ensuring that the system effectively delivers additional benefits to producers (e.g., reduced tag price) while still delivering current benefits experienced (e.g., customer service, technical support and convenience).
- Operational considerations: Addressing matters such as cost, resource allocation, funding, system functionality, technical support, customer service, and governance arrangements.
- Market intervention: Addressing concerns related to competition, innovation, the sustainability of tag manufacturers' businesses, and the roles of resellers and rural retailers.

If a national tag tender and procurement system were to be developed and maintained, most participants did not believe there was currently a suitable organisation to take on this role. At best, several participants recommended that either government or the Integrity Systems Company (ISC) would be the most suitable entities to manage the system because of their connections with the NLIS system, responsibility for (or interaction with) regulatory requirements, and ownership of infrastructure that could support the system's operation. None of the participants interviewed expressed a willingness to undertake this responsibility themselves.

To analyse participant feedback, including case studies, two critical questions were subsequently explored in the scoping report:

1. If a national tag tender and procurement system was developed and maintained, would it operate as a voluntary system or a mandatory system?
2. Is there a robust business case to support the development and maintenance of a proposed national tag tender and procurement system?

This scoping report has determined that the proposed national tag tender and procurement system, if managed by industry, would likely operate as a voluntary scheme. Consequently, it would be vulnerable to market forces, including the potential loss of market share, as other participants enter the market or, in this instance, already exist.

Creating a strong business case is essential for evaluating the viability of the proposed national tag tender and procurement system's competitiveness in a densely populated and mature market. While further investigation should be carried out as deemed necessary, applying stakeholder

feedback to a business case framework suggests a high level of risk, particularly in relation to the value proposition, objectives and costs, associated with developing and maintaining the proposed national system.

Decision making on this matter must also consider the current challenges of a rapidly deteriorating operational landscape for sheep producers, marked by declining commodity prices and adverse environmental conditions, coupled with structural changes in pivotal markets. In light of these circumstances, it will be critical to maintain a clear distinction between long-term structural solutions, like the proposed national tag tender and procurement system, and the transitional support required to support producers during the implementation phases of new eID regulation.

2 KEY FINDINGS

Theme 1 – Existing NLIS tag tender and tag procurement systems - Key Findings

- 1) Participants identified two main systems that producers use to purchase NLIS tags dependent on their geographical location and device requirement:
 - a) Agriculture Victoria NLIS Tag Supply System (often referred to as the Victorian/AgVic tag tender and tag procurement system, herein to be referred to as the Victorian NLIS Tag Supply System): used by Victorian producers accessing sheep, goat and cattle eID devices and applicators. (Refer case study 4.1)
 - b) Commercial transaction directly with a tag manufacturer, reseller or rural retailer (herein to be referred to as the commercial tag purchase system): all non-Victorian producers accessing eID and visual devices (NLIS and non-NLIS) for all species, along with associated equipment (e.g., tag applicators, scanners, etc). Victorian producers also use this system to purchase non-eID devices and equipment, along with eID devices that they have received dispensation to use. (Refer case study 4.2)
- 2) Some participants also identified the following systems and initiatives:
 - a) Western Australian Government Tag Incentive Program (TIP), noting that this is a rebate program operating in conjunction with the commercial tag purchase system outlined in b. above. (Refer case study 4.3)
 - b) Australian Alpaca Association (AAA) Tag Ordering System: A case study on this system has been provided as an example of a national industry led tag procurement system operating in Australia. (Refer case study 4.4)
 - c) Participants also noted possible options of status quo (i.e., retain the free market), group buying schemes and a simple 'compare the market' style scheme.
- 3) The ordering service of the Victorian NLIS Tag Supply System is integrated with Agriculture Victoria's Property Identification Code (PIC) register, which leverages existing resources and streamlines regulatory checks. Given the system's internal structure, it seems unlikely that it could be transferred to another organisation to serve as the core of a national system, requiring the creation of a new system.
- 4) Numerous participants, including several tag manufacturers, outlined the significance of the rural retailer network for distribution and expressed a preference for this distribution model, or a hybrid model that combines rural retailers and internal manufacturer ordering systems. This process enables tag manufacturers to train rural retailers on their products, establishes a feedback loop and issue resolution process for producer device concerns, and permits the sale of a range of products beyond just eID tags.
- 5) While participants acknowledged several positive outcomes that have occurred as a result of the Victorian NLIS Tag Supply System, a greater number of benefits were attached to the commercial tag purchase system, including: greater convenience and commercial benefit for producers; producer preference for face-to-face technical and customer support from rural retailers; and, more competition and choice for producers. Participants noted that the

Victorian NLIS Tag Supply System successfully delivered lower price eID devices for sheep, cattle and goat producers, and identified the enhanced biosecurity data benefits for government.

- 6) Many participants noted concerns with the Victorian NLIS Tag Supply System, including: complexity and lack of transparency; additional 'red tape', including duplication of tag accreditation processes; ongoing reliance on rural retailers to provide technical support and customer service; business sustainability for tag suppliers; and, intervention into a market that already provides this service. Specific to the commercial tag purchase system, mixed feedback was provided regarding price transparency and consistency of mark-ups, along with minor issues regarding regulatory processes.

Theme 2 – Legislative, regulatory and policy - Key Findings

- 7) All participants recognised that legislative and regulatory responsibilities for biosecurity and traceability, which NLIS devices fall under, resides with state and territory (jurisdictional) governments. The Commonwealth maintains responsibility for export legislation and regulation, which often incorporates jurisdictional legislative and regulatory requirements.
- 8) Policy forums and stakeholder advisory committees exist at both national (e.g., SAFEMEAT) and jurisdictional (multiple forums in each jurisdiction) levels, providing an opportunity for industry and government to engage on biosecurity and traceability issues, including implementation of eID regulation in sheep and goats.
- 9) Participants identified the absence of nationally harmonised legislation and regulation, market intervention, system functionality requirements and transparency as impediments to a national tag system supporting legislative, regulatory and policy arrangements. Jurisdictional government representatives indicated that any system developed would need to be complementary and incorporate current legislative and regulatory arrangements.
- 10) While there was general participant support for inquiries into the potential establishment of this system, especially if it benefits producers, many participants emphasised the need for timely resolution of this matter to enable thorough discussions on transitional eID support.

Theme 3 – Government and industry financial support - Key Findings

- 11) The majority of participants from all sectors agreed that the provision of government financial support to producers and across the supply chain during the transitional phase of implementing eID regulation was critical to support efficient adoption of new regulation. Responses were mixed as to whether this should translate to direct support of eID tag costs.
- 12) Longer term, participants acknowledged that government resources were finite and the costs of eID devices and associated equipment would likely become a cost of doing business. Participants agreed that any systems developed to alleviate these increased regulatory costs

should not be funded by producer levies or government funding. Additionally, market intervention to reduce tag costs, regardless of whether it was government or industry body driven, was generally not viewed favourably.

- 13) Infrastructure across the supply chain, enhanced database capacity and capability, and communication and extension programs, were all seen as programs that could appropriately attract a mixture of industry and government financial support. Mixed responses were provided about enhancing producer IT infrastructure and associated training.

Theme 4 – Operational Costs - Key Findings

- 14) Most participants had a limited view and insights into the governance arrangements and costs associated with the establishment and maintenance of a system similar to the Victorian NLIS Tag Supply System, raising concern about costs and funding arrangements attached to the system. Multiple agencies indicated that they had investigated implementing a similar system, or had experience running them previously, but had ceased investigations or disbanded these systems as they were considered onerous and expensive.
- 15) The costs of developing and implementing a national tag tender and procurement system vary great depending on the model chosen. These costs are influenced by the business structure of the entity used to achieve the procurement outcomes, and complexity of the procurement process. This will also affect the associated fixed costs and throughput related variable costs.
- 16) Participants raised concerns about the expenses related to a system like the Victorian NLIS Tag Supply System replicated at a national scale, including; governance and operational costs; and, costs associated with supporting regulatory requirements across multiple jurisdictions. Additionally, most participants did not believe these costs should be supported by industry levies or government funds.
- 17) Several participants did not believe that a new system should be established to replace a service that was already being provided by the market, and most indicated that it would not be palatable for a body implementing this system to make a profit (cost recovery only).

Theme 5 – Additional Species - Key Findings

- 18) All participants identified sheep, cattle and goats as species included in the National Livestock Identification System (NLIS). Some participants noted traceability information for pigs is also held by the NLIS. One participant noted the alpaca industry now has NLIS Business rules and an industry led tag procurement scheme.
- 19) More than half of the participants supported all NLIS species being included in a national tag tender and/or procurement system, should it be developed, with a smaller number supporting only small stock. A quarter of participants did not respond, as they did not support the system or did not have a position.

- 20) Many participants believed that expanding the system to include more species would lead to increased complexity and cost, and most were in favour of the sheep industry recovering costs associated with including additional species. However, they also acknowledged that some species already had mature systems and may not see benefit in joining.
- 21) Several participants also observed that a considerable number of sheep producers have cattle and/or goats, which creates substantial communication and outreach challenges for a national system focused on a single species.

Theme 6 – Stakeholder Positions and Requirements - Key Findings

- 22) The participants' views and understanding of this issue were varied and influenced their responses. Their perspectives often depended on the specific characteristics of the proposed national tag tender and procurement system, specifically whether it resembled a Victorian NLIS Tag Supply System approach or adopted a more streamlined, "lite touch" approach.
- 23) Among the participants, the majority indicated their support was system dependent and would require a number of requirements being met before full support could be provided, almost one quarter of participants did not support the system, and one held a formal position in favour of the national tag tender and procurement system.
- 24) The majority of participants raised concerns about the following aspects of a national tag tender and procurement system:
- a) The appropriateness of any public body (government or industry) intervening in the provision of goods that were already being supplied by the free market.
 - b) Implications for competition, particularly in terms of Australian Competition & Consumer Commission (ACCC) requirements and the ability of smaller businesses being able to take part in the system.
 - c) Impact on eID device innovation, research and development and quality.
 - d) Long-term viability of tag suppliers operating in the Australian market if a national system based on the Victorian NLIS Tag Supply System was created.
- 25) The majority of participants emphasised the need for further information in the following aspects of a national tag tender and procurement system before granting their support:
- a) Clear details on system costs and funding.
 - b) Assurance of continued technical support and customer service, with a commitment to retaining resellers/retailers within the system.
 - c) Clarity on governance structures.
 - d) Opportunities for greater harmonisation across states and territories.
 - e) Specifications of the system's functionality.
 - f) A detailed assessment of the expected benefits, addressing concerns about the realisation of pricing benefits.
- 26) Approximately half of the participants could not identify a body that they believed could develop and maintain a national tag tender and procurement system, with the remainder of

participants predominantly identifying ISC or government (mixed responses for Commonwealth and jurisdictions).

- 27) Participants suggested that various entities, including industry bodies, government, tag manufacturers, and resellers/retailers, should be involved in the systems development and implementation.

Discussion key findings

- 28) It is likely that the proposed national tag tender and procurement system, if managed by industry, would be a voluntary scheme making it highly susceptible to market forces (including losing market share) as other participants enter the market, or in this case, already exist.
- 29) If a national tag tender and procurement system operates on a voluntary basis for both customers and suppliers, any organisation aiming to create and implement such a system must determine if a robust business case exists for the initiative.
- 30) The business case presented in this report serves as an assessment tool to appraise the competitiveness of the proposed national tag tender and procurement system in a mature and densely populated market. While SPA may consider additional guidance on specific aspects, incorporating stakeholder feedback into the business case structure points to a significant level of risk, particularly concerning the value proposition, objectives, and the associated costs in establishing and sustaining the proposed national tag system.
- 31) The opportunities, risks and complexities associated with the proposed national system will vary greatly depending on the model chosen:
- a) A national system modelled on the Victorian NLIS Tag Supply System is complex and carries significant inherent risks, particularly value proposition, objectives and cost.
 - b) A group buying approach is less complex but still entails business risk as it will face significant competition in a dense market, necessitating a clear value proposition and commercial support (suppliers and customers) for success.
 - c) A "compare the market" approach is relatively low in risk, functioning primarily as an information provider and connection point for producers and tag manufacturers.
 - d) Maintaining the status quo presents low risk to SPA, although the potential to deliver low cost eID tags for producers will not be realised.

3 INTRODUCTION

3.1 BACKGROUND

In July 2022 Agriculture Ministers agreed to develop an implementation plan for national individual electronic identification (eID) for sheep and goats with a transition date of 1 January 2025. The main cost to producers of an eID system for sheep and goats is associated with the purchase of electronic tags. An eID implementation plan, developed by the Sheep and Goat Traceability Taskforce (SGTTF) and endorsed by the State Agriculture Ministers, was released 6 April 2023.

While national implementation is slated for 2025, the Victorian Government introduced mandatory sheep eID in 2017. To support implementation, the Victorian Government currently acquires and distributes electronic tags through a tag tender process and online tag ordering service administered by Agriculture Victoria (AgVic), the Victorian NLIS Tag Supply System. Combined with a (non-ongoing) rebate, this process allows Victorian producers to purchase eID tags at a lower cost than their interstate counterparts.

The Government of Western Australia (DPIRD) separately announced a Tag Incentive Payment program on 29 March 2023 to encourage voluntary uptake. The Government of South Australia also announced additional investment as part of the 2023-24 State Budget. This includes rebates on eID tags and essential infrastructure required for implementation of eID across the supply chain. A \$38 million NSW Sheep and Goat eID Infrastructure Rebate Scheme was announced with applications from producers and stock and station agents to open from October 2023.

To progress this commitment, SPA obtained advice on suitable business structures, governance frameworks and legal requirements for an entity responsible for procuring eID tags for Australian sheep producers that could deliver the following outcomes:

- Ensure competition between potential suppliers, considering their commercial, legal, technical, and financial capabilities
- Achieve ongoing, quantifiable value-for-money benefits
- Maintain a high level of satisfaction within the supplier community

To date, SPA's investigation into this matter have primarily concentrated on enhancing their comprehension of the commercial and legal obligations necessary for developing and maintaining a national tag tender and procurement system. The work commissioned by SPA through this consultation provides a greater understanding of existing NLIS tag systems, opportunities and risk associated with a national tag tender and procurement system, and the positions and requirements of stakeholders.

3.2 PROJECT TERMS OF REFERENCE

3.2.1 Scope

The scope of this consultation has been limited to requirements for the sheep industry, however *Theme 5* considers the inclusion of additional species to inform consultation objectives.

3.2.2 Purpose

Undertake a national consultation process that informs a greater understanding of the requirements for a national sheep industry tag tender process and online procurement system, including development and ongoing maintenance. Issues for consideration may include:

- Exploration of existing tag tender and procurement systems and arrangements (and how they may or may not complement and/ or leverage a national system)
- Legislative, regulatory and policy requirements
- Cost implications, including understanding of current and future financial support
- Positioning of stakeholders regarding the development and maintenance of a national system
- Consideration of other species involvement in the system

3.2.3 Objectives

The overall project objectives identified for this project include:

- Explore and collate information on existing sheep industry NLIS tag systems that may be relevant to the development and maintenance of a national tag tender process and online procurement service.
- Identify opportunities, complexities, risks and benefits associated with the development and maintenance of a national tag tender process and online procurement service.
- Obtain a greater understanding of the requirements and positions of external stakeholders to SPA regarding the development and maintenance of a national tag tender process and online procurement service.

3.2.4 Deliverables

Contractual deliverables for the project include:

- National consultation process to inform the development of a scoping paper.
- Scoping paper which meets the agreed objectives outlined in 3.2.3

3.3 METHODOLOGY

The national consultation process was set up to explore the requirements and positions of key stakeholders regarding the development and maintenance of a national tag tender and online procurement service to assist decision making. SPA and the Project Team agreed the most effective and efficient approach was to conduct semi-structured interviews with representatives from federal and state government departments, industry organisations and peak industry bodies and commercial agencies.

3.3.1 Consultation level


The Project Team was guided by the International Association of Public Participation (IAP2) in the consultation for the project.

The IAP2 Spectrum of Public Participation (Figure 1), advises the different levels of impact stakeholders can have on the decision being made. For the tag procurement scoping project, consultation was set at the consult level.

IAP2 Spectrum of Public Participation



IAP2's Spectrum of Public Participation was designed to assist with the selection of the level of participation that defines the public's role in any public participation process. The Spectrum is used internationally, and it is found in public participation plans around the world.

INCREASING IMPACT ON THE DECISION 					
	INFORM	CONSULT	INVOLVE	COLLABORATE	EMPOWER
PUBLIC PARTICIPATION GOAL	To provide the public with balanced and objective information to assist them in understanding the problem, alternatives, opportunities and/or solutions.	To obtain public feedback on analysis, alternatives and/or decisions.	To work directly with the public throughout the process to ensure that public concerns and aspirations are consistently understood and considered.	To partner with the public in each aspect of the decision including the development of alternatives and the identification of the preferred solution.	To place final decision making in the hands of the public.
PROMISE TO THE PUBLIC	We will keep you informed.	We will keep you informed, listen to and acknowledge concerns and aspirations, and provide feedback on how public input influenced the decision.	We will work with you to ensure that your concerns and aspirations are directly reflected in the alternatives developed and provide feedback on how public input influenced the decision.	We will look to you for advice and innovation in formulating solutions and incorporate your advice and recommendations into the decisions to the maximum extent possible.	We will implement what you decide.

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Figure 1. IAP2 Spectrum of Public Participation

3.3.2 Consultation steps

1. **Confirm target stakeholders:** SPA worked with the Project Team to finalise the list of key stakeholders to be included in the consultation. The final list is available in *Appendix 1* and included 30 organisations/agencies (referred to as participants) covering governments, industry and commercial organisations. Of the 30 participants invited, 84% (26) completed interviews, 13% (four) did not respond and 3% (one) contact details were not provided.
2. **Introductory email from SPA:** An initial email was distributed from SPA to each invited stakeholder to introduce them to the project, the Project Team and to prepare the stakeholder for future communication about the consultation process.
3. **Invitation to participate in the consultation process:** An information pack was developed and sent by the Project Team to each participant with further explanation and background. The email invited stakeholders to indicate preferred interview dates and times from a specified range and to confirm the name and contact details to send appointments to.

4. *Complete the questionnaires and/or interviews:* Semi-structured, videoconference interviews were conducted over Microsoft Teams with nominated participants. Project Team representatives read an introduction and obtained consent to participate as well as verbal consent (recorded on meeting summaries – refer 5. below) to record interviews for note taking purposes. Interviews were scheduled for 45 minutes.
5. *Compile feedback from consultation:* The Project Team captured summaries from each conversation which were shared back with the participants involved to confirm accuracy. All meeting summaries are stored on the ANU server and are covered by ANU privacy and security policies.
6. *Feedback considered in scoping paper:* Stakeholder input has shaped this scoping report.
7. *Draft scoping report provided to SPA:* Draft scoping report provided to SPA for discussion and feedback.
8. *Closing the loop:* SPA to decide whether to issue a copy of the report to participating stakeholders for information.

3.3.3 Consultation themes

Stakeholder interview questions were divided into the following themes:

1. *Existing NLIS tag tender and tag procurement systems:* Exploration of existing sheep industry NLIS tag tender and procurement systems and/or arrangements (both government and/ or commercial).
2. *Legislative, regulatory and policy requirements:* Consideration of the legislative, regulatory and policy requirements relevant to sheep industry NLIS tag tender and procurement systems and/or arrangements.
3. *Government and industry financial support:* Exploration of the current government and industry support available relevant to NLIS tag tender and procurement systems and/or arrangements.
4. *Costs considerations:* Investigation into the operational costs associated with existing sheep industry NLIS tag tender and procurement systems and/or arrangements (both government and/ or commercial).
5. *Additional Species:* Consideration of other species (e.g., goats, cattle, etc) relevant to sheep industry NLIS tag tender and procurement systems and/or arrangements.
6. *Stakeholder positions and requirements:* Investigation into the current position and requirements of key stakeholders regarding the development and ongoing maintenance of a national sheep industry tag tender and tag procurement system.
7. *Other issues* that arise throughout the consultation process.

4 NLIS TAG PROCUREMENT SYSTEMS – CASE STUDIES

KEY FINDINGS

- 1) Participants identified two main systems that producers use to purchase NLIS tags dependent on their geographical location and device requirement:
 - a) Agriculture Victoria NLIS Tag Supply System (often referred to as the Victorian/AgVic tag tender and tag procurement system, herein to be referred to as the Victorian NLIS Tag Supply System): used by Victorian producers accessing sheep, goat and cattle eID devices and applicators. (Refer case study 4.1)
 - b) Commercial transaction directly with a tag manufacturer, reseller or rural retailer (herein to be referred to as the commercial tag purchase system): all non-Victorian producers accessing eID and visual devices (NLIS and non-NLIS) for all species, along with associated equipment (e.g. tag applicators, scanners, etc). Victorian producers also use this system to purchase non-eID devices and equipment, along with eID devices that they have received dispensation to use. (Refer case study 4.2)

- 2) Some participants also identified the following systems and initiatives:
 - a) Western Australian Government Tag Incentive Program (TIP), noting that this is a rebate program operating in conjunction with the commercial tag purchase system outlined in b. above. (Refer case study 4.3)
 - b) Australian Alpaca Association (AAA) Tag Ordering System: A case study on this system has been provided as an example of a national industry led tag procurement system operating in Australia. (Refer case study 4.4)
 - c) Participants also noted possible options of status quo (i.e., retain the free market), group buying schemes and a simple 'compare the market' style scheme.

- 3) The ordering service of the Victorian NLIS Tag Supply System is integrated with Agriculture Victoria's Property Identification Code (PIC) register, which leverages existing resources and streamlines regulatory checks. Given the system's internal structure, it seems unlikely that it could be transferred to another organisation to serve as the core of a national system, requiring the creation of a new system.

- 4) Numerous participants, including several tag manufacturers, outlined the significance of the rural retailer network for distribution and expressed a preference for this distribution model, or a hybrid model that combines rural retailers and internal manufacturer ordering systems. This process enables tag manufacturers to train rural retailers on their products, establishes a feedback loop and issue resolution process for producer device concerns, and permits the sale of a range of products beyond just eID tags.

The following case studies have been developed to provide a greater understanding of the NLIS (sheep) tag procurement systems that currently exist and outlines possible systems that participants identified as options to consider. This section also satisfies the core consultation objective to explore and collate information on existing sheep industry NLIS tag systems that may be relevant to the development and maintenance of a national tag tender process and online procurement service.

4.1 SYSTEM CASE STUDY: VICTORIA'S NLIS TAG SUPPLY SYSTEM

The case study presented in this scoping report was prepared by Agriculture Victoria (AgVic) in September 2023. The project team would like to express their gratitude to Agriculture Victoria for their valuable assistance and contributions throughout this consultation.

Introduction

Sheep and goat producers in Victoria have access to seven NLIS (Sheep) ear tag brands through Agriculture Victoria's centralised tag ordering service. Approximately 10.5 million electronic NLIS (Sheep) tags are expected to be supplied via this service in 2023.

The NLIS (Sheep) tag brands that are currently available and the retail price of each device including postage and handling are as follows:

- Allflex RapID \$0.92
- Leader Multipin \$0.94
- Zee Tags FET \$0.94
- Shearwell SET \$0.95
- Leader Multitronic \$0.99
- Zee Tags Tagfaster \$0.96
- Allflex 2-piece \$1.30

Producers when ordering NLIS tags also pay a \$10 per order fee to cover Agriculture Victoria's order processing and contract management costs.

Producers ordering tags online can see the current average time period from point of order to dispatch by the manufacturer. At present, tag orders received from Agriculture Victoria are being processed by contracted suppliers within two business days of orders being received. Tags arrive at the producer's mailing address typically within five to ten business days of their order being lodged with Agriculture Victoria.

Before ordering NLIS (Sheep) tags, a producer must review and refresh their Property Identification Code (PIC) details on Victoria's PIC register. This helps to ensure that Victoria's register of sheep and goat producing properties is up-to-date and can be relied on during a biosecurity or food safety incident.

How are attractive prices obtained?

Victoria's attractive NLIS (Sheep) tag prices, which are approximately half the retail prices paid by producers in other states, are the result of:

- Periodic competitive tendering by government

- A centralised tag ordering service that reduces tag manufacturer costs
- A subsidy sourced from Victoria's Sheep and Goats Compensation Fund
- A GST exemption for the NLIS tags that Agriculture Victoria sells

Each of these components is discussed below.

Competitive tendering

Victoria's first tender for electronic NLIS (Cattle) devices took place in 1998. Victoria's first tender for electronic NLIS (Sheep) devices occurred in 2007. Through periodic competitive tendering, Agriculture Victoria has consistently been able to secure very attractive wholesale prices for both NLIS (Cattle) and NLIS (Sheep) tags.

The last competitive tender for electronic NLIS (Sheep) tags occurred in late 2020. Contracts with successful tenderers were for an initial term of three years with a further two-year non-binding option. The next competitive tender for NLIS (Sheep) tags is expected to be conducted by Agriculture Victoria in late 2025.

Evaluation of tenders

Submissions from manufacturers lodged in response to the 2020 tender were evaluated by an evaluation panel (both government and industry personnel) who scored submissions based on the following criteria:

- Capacity to supply
- Tag performance and durability
- Customer service
- Technical knowledge relating to the operation of the NLIS
- Innovation
- Compliance with social procurement guidelines

The financial capacity of tenderers and the 'value for money' of tendered prices were also considered. Only tags that have NLIS accreditation are eligible to be included in the submissions.

Probity and legal advice

To support the tender, Agriculture Victoria engaged an external probity advisor who oversaw the preparation of tender documents and the evaluation of tender submissions. A legal firm with expertise in the drafting of commercial contracts was engaged to prepare the proforma contract that formed part of the Request for Tender documentation. This firm then prepared customised contracts for execution with each of the successful tenderers.

Contract requirements

Contracts with successful tenderers contain specifications relating to tag performance, and requirements relating to customer service, data confidentiality, issue management, and reporting and approval obligations. Agriculture Victoria can suspend or terminate contracts following the breach by a manufacturer of their contractual obligations. Successful tenderers can seek CPI and exchange rate related wholesale price adjustments on an annual basis.

Unsuccessful tenderers

Not all tag manufacturers who submitted tenders in 2020 were offered supply contracts. Manufacturers who had accredited NLIS (Sheep) tags but who choose not to tender, or that tendered and were not awarded a supply contract, are able to seek permission from Agriculture Victoria to sell their NLIS tags to Victorian producers. Unsuccessful tenderers who secure permission to sell their tags to Victorian producers do so independently of Agriculture Victoria, and do not have access to the tag subsidy.

Centralised tag ordering service

Agriculture Victoria's PIC register includes functionality that:

- Maintains a list of Victorian livestock producers and their allocated PICs
- Receives and stores orders for NLIS tags and related products such as applicators
- Downloads orders from Agriculture Victoria's on-line web 'store' known as Tags On-line
- Produces order files and transmits them to the manufacturers of the tag brands that producers have chosen
- Downloads, processes and stores files from manufacturers relating to the acknowledgement of orders and the dispatch of tags
- Validates that ordered NLIS tags have been registered on the NLIS database
- Processes for payment electronic invoices received from manufacturers

Agriculture Victoria's centralised tag ordering service processes approximately 15,000 NLIS (Sheep) tag orders annually. Approximately 88% of NLIS (Sheep) tag orders are received from producers via the Tags On-line NLIS tag ordering service. Producers, if they wish, can also submit a paper-based tag ordering form or call the Victorian NLIS Helpdesk on 1800 678 779. Paper-based forms are processed by Agriculture Victoria staff. Producers can also engage a rural retail outlet to lodge a tag order on their behalf. They pay a fee to the retail outlet for this service.

Agriculture Victoria's centralised tag ordering service significantly reduces manufacturer costs because they have no direct interaction with producers, receive tag orders electronically from Agriculture Victoria in a format that enables them to print and dispatch tags without manual data entry, and are paid without delay for the tags they supply by Agriculture Victoria.

Tag subsidy and GST exemption

Tags purchased under NLIS (Sheep) tag supply contracts are jointly paid for by producers (via the retail price paid to Agriculture Victoria when tags are ordered) and via a confidential subsidy sourced from the Sheep and Goats Compensation Fund (SGCF) Tag Subsidy Project budget. The budget is set based on the recommendation of the industry-led, Sheep and Goats Compensation Advisory Committee. The SGCF receives income from the stamp duty paid by producers when they sell their sheep and goats.

A confidential subsidy sourced from the SGCF ensures that all owners of a sheep or goat, not just the breeder, contribute to the cost of the NLIS tags purchased and used by breeders. The confidential subsidy also ensures that wholesale tag prices remain confidential. A GST exemption can be secured for goods and services that a business is required by law to obtain and use.

Summary

The contracting of tag manufacturers by Agriculture Victoria following competitive tenders has consistently secured attractive wholesale NLIS tag prices, principally because of the centralised tag ordering service maintained by Agriculture Victoria which reduces manufacturer costs.

The centralised tag ordering service operates as part of Victoria's PIC register. Producers must refresh their PIC details before being able to order the NLIS (Sheep) tags that they need.

A confidential subsidy sourced from the Sheep and Goats Compensation Fund ensures that all owners in the life of a sheep or goat contribute to the cost of the NLIS (Sheep) tags purchased by breeders through the stamp duty they pay.

Victoria's centralised tag ordering service and tag tendering arrangements benefits producers by enabling them to access NLIS (Sheep) tags at attractive retail prices. Agriculture Victoria also benefits because its centralised tag ordering service assists in ensuring that Victoria's PIC register is up-to-date and can be relied on during biosecurity and food safety incidents.

Stakeholder feedback on this system is provided at section 5.1 Existing NLIS tag tender and procurement systems.

4.2 SYSTEM CASE STUDY: COMMERCIAL TAG PURCHASE SYSTEM

Using the information gathered from participants through the consultation process the following case study was prepared to outline how the commercial tag purchase system operates.

Tag purchases direct from tag manufacturer

Some, but not all, tag manufacturing companies have an online system which allow producers to go directly to their respective website to order and pay for tags and eID equipment directly. Producers may also be able to order tags and devices direct over the phone. The tags and equipment are then delivered directly to the producer or a nominated delivery location.

The ordering of tags requires producers to add in their Property Identification Code (PIC), PIC property name and address, the registered owner/lessor/managers name, the state or territory that the PIC is located in and other additional tag details such as colour, print comments, etc.

This system requires PIC verification from the tag company with the states and territory governments – a process which varies between jurisdictions.

Some tag manufacturers have strong relationships and reliance on the rural retailer network to support distribution, and prefer this distribution model, or a hybrid distribution model that combines services provided by rural retailers and their internal ordering system.

Tag purchase from resellers/ rural retailers

Tags and equipment can be purchased through resellers/ rural retailers. This process requires producers to order their tags through their reseller/ rural retailer. This requires producers to provide their PIC, accompanying PIC details as well as additional tag details such as colour, print comments, etc. to their reseller/ rural retailer.

The reseller/ rural retailer then places the order with the tag company. This system requires PIC verification from the reseller/rural retailer or the tag company with the states and territory governments – a process which varies between jurisdictions.

The tags are delivered to the reseller/ rural retailer for producers to collect or are delivered directly to the producer or a nominated delivery location.

The commercial arrangement of price is between the tag company and the retailer/ rural reseller or retailer buying group, who pass the cost plus a margin (undisclosed) onto the producer. Producers who are a customer of the reseller/ rural retailer will often have an account with 30-day payment terms.

This system enables producers to conveniently acquire their lamb marking supplies, including NLIS tags, associated devices, as well as other essential health and husbandry items, all from a single source. This not only offers convenience to producers but also the potential for cost-saving benefits when making bulk purchases of multiple products.

Furthermore, producers have the added advantage of accessing technical support and customer service from rural retailer staff who have received training directly from tag manufacturers (and animal health companies). This two-way communication loop ensures that producers' feedback reaches tag manufacturers through rural retailers or resellers, allowing for the prompt identification and resolution of tag and device issues.

Stakeholder feedback on this system is provided at section 5.1 Existing NLIS tag tender and procurement systems.

4.3 SYSTEM CASE STUDY: WESTERN AUSTRALIA 2023 TAG INCENTIVE PAYMENT PILOT

The following case study was prepared based on information provided to the Project Team by representatives from the WA Department of Primary Industries and Regional Development (DPIRD) in September 2023. The Project Team would like to extend our thanks to the DPIRD team for their assistance and contribution.

The Western Australia Government is piloting discounted eID tags for the 2023 lamb and kid drop to support and prepare Western Australian sheep and goat producers for mandatory eID requirements for sheep and goats in 2025 onwards. Announced in March 2023 and extended in June 2023, the Tag Incentive Payment (TIP) scheme involves a discount of 75 cents per tag on fully accredited NLIS eID tags for 2023 purchased either online or through resellers/retailers. Only particular tags in the sky blue, 2023 year-of-birth colour are eligible and are for sheep and goats only and will be available until 31 December 2023¹.

¹ Department of Primary Industries and Regional Development (DPIRD), Government of Western Australia, 2023, 2022/23 Tag Incentive Payment Pilot Scheme Frequently Asked Questions, <https://www.agric.wa.gov.au/sites/gateway/files/FAQs%20for%20Tag%20Incentive%20Payment%20Pilot%202022-2023.pdf> (accessed on 28 September 2023).

The TIP Scheme is funded by the Department of Primary Industries and Regional Development (DPIRD) using funds provided under Royalties for Regions. The total amount of funds available for allocation under this Scheme is \$1.85 million. This aims to allow for approximately 2.4 million tags for lambs and kids born in 2023.

The objectives of the TIP pilot scheme are to:

1. Help achieve the objectives of the 1 January 2025 milestone date for eID implementation by maximizing the number of producers marking their sheep and lambs with eID tags prior to that date.
2. Mitigate some of the cost pressure on industry associated with having to meet the new mandatory eID tagging requirement.
3. Ensure sufficiently large number of sheep and lambs are moving through the supply chain prior to 1 January 2025 with eID tags, to allow for troubleshooting and bedding down of new eID infrastructure in the supply chain.

What is the intent of the scheme?

- The TIP scheme is intended to reduce the retail price of eID tags for sheep and goat producers. The State Government, through DPIRD and fully accredited eID tag manufacturers will take a collaborative approach to the operation of the TIP scheme. Under this approach, DPIRD will enter into a deed agreement (TIP Deed) to reimburse manufacturers for a portion of the cost of fully accredited eID tags and manufacturers will offer the tags at a reduced cost to retailers and consumers.
- The discounts offered by the scheme are only available to people who hold a valid WA PIC.
- The intent is to have the TIP reflect approximately 50% of the net cost of an eID tag.

A core principle of the TIP scheme is that manufacturers and retailers are free to set their own retail prices for tags. As this is a pilot, the WA Department will monitor the effect on retail prices of tags and whether discounts are being passed along to the customer.

It is essential to emphasise that this program serves as a support initiative rather than a formal tender or procurement system. Nevertheless, it acts as a supplementary system that aligns with and complements the commercial tag system, with the primary aim of aiding producers in the implementation of eID. The program has been acknowledged by many participants during consultation, underscoring its relevance in the context of the discussion.

Stakeholder feedback on this system is provided at section 5.1 Existing NLIS tag tender and procurement systems.

4.4 SYSTEM CASE STUDY: AUSTRALIAN ALPACAS ASSOCIATION TAG PROCUREMENT SYSTEM

The following case study was prepared in conjunction with the Australian Alpacas Association (AAA) in September 2023 to support this scoping report. The Project Team would like to extend our thanks to AAA for their assistance and contribution. This case study, which provides an example of an industry body (AAA) leading a tag procurement program in Australia, serves as a valuable reference point for assessing the factors that an industry body should consider when contemplating the implementation of a comparable scheme.

AAA was established as a not-for-profit organisation in 1990 and is recognised by the Australian Government as the peak industry body for the alpaca industry in Australia. The Association has evolved into a company representing owners at all levels and is the collective voice of over 700 members in all states of Australia, providing tools, information and support to bring owners together for the future of alpaca farming as a fully commercial industry².

A key policy priority for the AAA over the past decade has been advocating for the inclusion of alpacas in the National Livestock Identification System (NLIS) to support enhanced traceability outcomes. In July 2023, the National Livestock System for Alpacas and Llamas Business Rules were successfully endorsed by SAFEMEAT³. NLIS Business Rules for Alpacas remain voluntary as no state has yet legislated their usage, and there is no defined timeline for such legislation. However, internally within their organisation, they are moving to a position over time where the adherence to these rules will be mandatory.

The Alpaca industry initially used brass tags for identification, but they have recently transitioned to sheep tags that meet NLIS standards since early to mid 2023. A single tag manufacturer was the sole provider of brass tags to the industry and AAA maintained a relationship with tag manufacturer to sell the brass tags to alpaca producers. This system was a voluntary group-buying scheme (procurement but no tender function) whereby the tag manufacturer supplied the brass tags and AAA managed the sales, charging a small percentage on each tag to contribute to future NLIS system and future biosecurity costs. This relationship extended to NLIS tags. AAA indicated that, while they believed they had secured the exclusivity to sell the tags via this voluntary system, resellers/ rural retailers maintained their ability to sell tags to alpaca producers. This placed significant competitive pressure of the AAA scheme given the challenge of identifying a clear value proposition for the AAA scheme versus purchasing via a reseller or rural retailer. AAA has recently enacted a policy to mandate member purchases of NLIS tags through the AAA tag procurement scheme. This effectively mandated the AAA tag procurement system given approximately 90-95% of the Australian alpaca producers are members of AAA⁴.

Key Benefits:

- Potential for self-funding the system in the future
- Access to biosecurity and animal health funding
- Integration of the stud registry with NLIS numbering on the tag, resulting in:
 - Alignment of the herd registered number with the NLIS number.
 - Preparedness for potential government mandated NLIS adoption.
 - Management of NLIS traceability by ISC, with the manufacturer coding the tag specifically for alpacas.
 - Management of the breed registry by AAA.

² [Australian Alpaca Association](#)

³ [National Livestock Identification System Alpacas and Llamas](#)

⁴ [Alpaca Tag Order Form - Australian Alpaca Association](#)

Key learnings/watchouts

- The system's sustainability relies on a mandate requiring tag purchases through AAA, or an independent levy for the biosecurity and NLIS future costs.
- Defining a clear value proposition for a voluntary system has proven challenging due to the diversity of needs of alpaca producers.
- The costs associated with the system have been manageable and justified, noting:
 - The development of an internal, web-based ordering system was necessary.
 - Ongoing cost implications must be considered.
 - Despite online ordering, manual order processing remains a part of the workflow.
 - The system must remain adaptable to accommodate evolving tag standards.

4.5 PARTICIPANT SUGGESTED STRUCTURES FOR CONSIDERATION

Participants also indicated that the following initiatives/ schemes could be considered as an alternative to a Victorian Tag Supply System style national tag tender and procurement system:

- Group buying structures (can be informed by previous consultant's report provided to SPA that outlines key considerations)
- Compare the market style website that consolidates different prices and links producers to their chosen tag supplier

This report as not explored these options further for the following reasons:

- Both options are out of scope of this report
- SPA has previously received advice on group buying schemes that it may refer back to

They have, however, been incorporated into the business case scenario in Section 6.

5 STAKEHOLDER CONSULTATION FINDINGS

The following section presents the results derived from semi-structured interviews conducted with representatives from across government, industry representative and service organisations, tag manufacturers, and tag resellers and rural retailers.

The project team when quantifying these results noted two key issues:

Quantification of Key Themes: Efforts have been made to accurately quantify the key themes and concerns raised during these interviews. While this quantification provides valuable insights, it is essential to highlight that semi-structured interviews inherently differ from structured surveys. Participants had the flexibility to express their thoughts and concerns in their own words and to provide multiple answers to questions.

In this context, percentages have been attributed to key 'mentions' from the interviews to provide a sense of the frequency with which particular themes were raised. It is important to note that these percentages are indicative of the relative prominence of these themes among the interviewees.

Diversity of Participants and Theme Significance: It is also important to recognise the diversity of participants in this consultation, which included government agencies, industry representative and service organisation, tag manufacturers, resellers and rural retailers.

This diversity results in certain issues to be more relevant to some sectors than others. In some cases, it may appear that a response may account for a lower percentage overall, however it holds significant importance within a specific subgroup. As such, the findings have been examined to identify instances where a theme, although representing a lower overall percentage, holds particular importance for a specific group and should therefore be called out in the section below.

5.1 EXISTING NLIS TAG TENDER AND PROCUREMENT SYSTEMS

KEY FINDINGS

- 5) While participants acknowledged several positive outcomes that have occurred as a result of the Victorian NLIS Tag Supply System, a greater number of benefits were attached to the commercial tag purchase system, including: greater convenience and commercial benefit for producers; producer preference for face-to-face technical and customer support from rural retailers; and, more competition and choice for producers. Participants noted that the Victorian NLIS Tag Supply System successfully delivered lower price eID devices for sheep, cattle and goat producers, and identified the enhanced biosecurity data benefits for government.
- 6) Many participants noted concerns with the Victorian NLIS Tag Supply System, including: complexity and lack of transparency; additional 'red tape', including duplication of tag accreditation processes; ongoing reliance on rural retailers to provide technical support and customer service; business sustainability for tag suppliers; and, intervention into a market that already provides this service. Specific to the commercial tag purchase system, mixed feedback was provided regarding price transparency and consistency of mark-ups, along with minor issues regarding regulatory processes.

Stakeholder Consultation Questions

- 1) What NLIS tag (both visual and eID) tender and/ or procurement systems and/or arrangements (both government and/ or commercial) exist in your jurisdiction?
- 2) If you are involved in the system, can you provide a brief outline of how this system operates.
- 3) For this/ these system/s:
 - a) What other systems, departments and organisations does the system/s interact with?
 - b) What works well, what doesn't?
 - c) Does the system provide additional benefits?

Participant Feedback

Feedback from question 1) – 3) a) was collated and presented in the case studies included under Section 4.

- *What works well?*

Commercial tag purchase system (Case Study 4.2)		
1	Producer convenience and commercial benefit	54%
2	Technical support and customer service	46%
3	Competition	35%
Victorian Tag Supply System (Case Study 4.1)		
4	System benefits	23%
WA Tag Incentive Payment (TIP) (Case Study 4.3)		
5	System benefits	12%

1. Producer convenience and commercial benefit

- 54% of participants believe the current commercial tag procurement system provides the greatest producer convenience and commercial benefit for the following reasons:
 - The system is viewed as simple, efficient and complementary to other farm inputs (one system to support all purchases, but producers still have access to multiple brands, retailers and resellers to support competition)
 - It works well, is efficient, and suits the demographic (producers)
 - Producers find it convenient for logistics, special orders, and as a one-stop shop for lamb marking supplies
 - There are commercial benefits such as seasonal promotions, discounts for larger orders, and credit terms offered
 - In smaller communities, rural resellers/ retailers are vital for the functioning of businesses and the wider the community and many producers like to support these local businesses

2. Technical support and customer service:

- 46% of participants believe the current commercial tag procurement system provides the greatest technical support and customer service for producers purchasing tags (and associated tag products) for the following reasons:
 - Many producers prefer face-to-face support, and this is easily accessed via their local rural retailer
 - Technical support is provided by resellers/ rural retailers who have often been trained by tag manufacturers (and animal health/ husbandry businesses)
 - Producer feedback can usually be addressed by a reseller or rural retailer, otherwise it is easily passed onto the appropriate tag manufacturer representative to address
 - Complexity associated with tag orders (such as printing requirements) is handled well by resellers/ rural retailers

- Resellers/ rural retailers reduce the risk for producers when ordering tags, and keep the manufacturer connected to producers and/ or any issue arising with tags and associated equipment.
3. Competition
- 35% of participants believe the current commercial tag procurement system provides the greatest completion for tags (and associated tag products) for the following reasons:
 - The system allows for competition in the market, which supports producers access to multiple products, brands (tag manufacturers), resellers and rural retailers – producers want to maintain this choice
 - More competition leads to better tag prices and greater innovation/quality of tags
 - Note: participants provided mixed (both positive and negative) feedback regarding price transparency via resellers and retailers (i.e., the mark up placed on tags)
4. AgVic Tag Supply system
- 23% of participants believed that the AgVic run tag tender and procurement system provided the following benefits:
 - Tag prices are reduced for producers as a result of the tender process, financial support from the Victorian SGCF, GST exemption and streamlined distribution
 - The system is thorough and operates efficiently after operating for several years
 - Producer PIC and biosecurity information is updated regularly via the Victorian NLIS Tag Supply System which is critical for good traceability
 - API (IT ordering system) provides a centralised online order system which is helpful for creating a single order and reduces overheads for tag manufacturers
 - The system still allows producers to buy via their resellers/ rural retailers (the reseller/ rural retailer orders via the Victorian NLIS Tag Supply System on behalf of the producer and will decide whether to charge a fee for this service)
 - The Victorian NLIS Tag Supply System has raised awareness that eID in the sheep and goat industries can work efficiently and effectively
5. WA Tag Incentive Program (TIP)
- 12% of participants believed that the WA TIP system provided the following benefits:
 - Direct transaction between government and tag manufacturers is more efficient than a direct transaction between government and a large number of producers
 - Producers receive a tag discount and manufacturers are incentivised to ensure their tags are fully NLIS accredited
 - While audit processes are being refined/finalised, it was still believed that the discount is being passed on to producers and the system is transparent

- *What doesn't work well?*

Commercial tag purchase system		
1	Transparency of pricing via resellers/retailers	23%
2	Identification on database/regulatory checks	12%
AgVic Tag Supply System		
3	Complexity and transparency of the system	42%
4	Added 'red tape', including duplication of accreditation	38%
5	Business sustainability	27%
6	Reseller and rural retailer support	19%
7	Market intervention	15%

1. Transparency of pricing via resellers/ rural retailers
 - 23% of participants provided mixed (both positive and negative) feedback regarding price transparency via resellers and retailers – some believed that pricing was fair, transparent and competitive, while others did not.

2. Identification on database/regulatory checks
 - 12% of participants believed that the following issues occurred as a result of the commercial tag procurement process in place:
 - Species tags (sheep and goat) are incorrectly sold, creating database coding issues
 - Minor issues had been noted regarding jurisdictional regulatory checks

3. Complexity and transparency of the system
 - 42% of participants mentioned the following issues related to the Victorian Tag Supply System
 - The Victorian NLIS Tag Supply System was often viewed as complex
 - Some participants had undertaken investigations to establish a similar system but stopped due to a lack of transparency, particularly in relation to cost and resourcing requirements
 - Lack of transparency regarding who pays for the system (e.g., use of SGCF)
 - There was concern that increased cost for manufacturers resulting from the system is passed onto producers in other ways
 - Similar government run programs have previously been run in different jurisdictions for several species, but they were discontinued as they were considered too onerous and expensive (for both government and producers)
 - Concern about fairness in the tender process if a tender application is denied
 - Lines of liability between the government and manufacturers were blurred, however this issue was not experienced in the commercial tag supply system
 - The government system is unresponsive and slow to respond to issues
 - Issues with P2P (property-to-property) still persist

4. Added 'red tape', including duplication of accreditation

- 38% of participants mentioned the following issues related to the Victorian Tag Supply System
 - Several participants expressed the view that simplifying and streamlining the regulatory process is crucial; they also had concern that a nationwide extension of this system could introduce even more complexity due to varying regulatory requirements in multiple jurisdictions.
 - Some participants believe that this system duplicates the already rigorous ISC tag accreditation process and proposed that tags already accredited with ISC should automatically be eligible for inclusion in any other supplementary tag systems
 - Insights gained from the introduction of cattle eID systems revealed that additional government-led systems were initially set up but eventually discontinued because they did not complement commercial arrangements. Instead, they created an additional layer of complexity for producers when purchasing farm inputs.

5. Business Sustainability

- 19% of participants mentioned the following issues related to the Victorian Tag Supply System
 - Margins on tags are already very low which results in little to no profit made on eID tag sales in Victoria, which is not sustainable. Many participants held significant concern about ongoing business viability if this process is expanded nationally
 - There are difficulties in meeting contractual arrangements – often Victorian orders will be prioritised to meet contractual requirements which caused concern that these obligations can't be maintained in a national system
 - If voluntary, question mark as to whether tag manufacturers would or could participate in a national tender process given concerns about business sustainability and contractual obligations
 - Businesses felt government has a low understanding of business cost and risk, which is reflected in the lack of flexibility in the tender and procurement arrangements

(Note: this percentage increases significantly in *Theme 6* when considering the same issue in a national system)

6. Reseller and rural retailer support

- 19% of participants mentioned the following issues related to the Victorian Tag Supply System
 - Agents still support producers to use the Victorian NLIS Tag Supply System, however they are not remunerated for these services
 - Multiple participants indicated that agents across several states don't support the Victorian NLIS Tag Supply System

7. Market Intervention

- 12% of participants believed that the following issues occurred as a result of non-market-based systems being established:
 - Financial support (rebates) has the potential to create a trade risk
 - Full benefit of financial support is never passed on due to inflation effect

- Challenge to maintain quality, innovation, and investment in research and development within a system that focuses on price
- Reputational risk for government or industry led organisations taking business from local businesses
- Lack of harmonisation across states is inefficient and creates problems for the broader supply chain

5.2 LEGISLATIVE, REGULATORY AND POLICY REQUIREMENTS

KEY FINDINGS

- 7) All participants recognised that legislative and regulatory responsibilities for biosecurity and traceability, which NLIS devices fall under, resides with state and territory (jurisdictional) governments. The Commonwealth maintains responsibility for export legislation and regulation, which often incorporates jurisdictional legislative and regulatory requirements.
- 8) Policy forums and stakeholder advisory committees exist at both national (e.g. SAFEMEAT) and jurisdictional (multiple forums in each jurisdiction) levels, providing an opportunity for industry and government to engage on biosecurity and traceability issues, including implementation of eID regulation in sheep and goats.
- 9) Participants identified the absence of nationally harmonised legislation and regulation, market intervention, system functionality requirements and transparency as impediments to a national tag system supporting legislative, regulatory and policy arrangements. Jurisdictional government representatives indicated that any system developed would need to be complementary and incorporate current legislative and regulatory arrangements.
- 10) While there was general participant support for inquiries into the potential establishment of this system, especially if it benefits producers, many participants emphasised the need for timely resolution of this matter to enable thorough discussions on transitional eID support.

Stakeholder Consultation Questions

- 1) For the existing NLIS tag tender and procurement systems and/or arrangements identified in question 1:
 - a) What legislation and regulation governs these systems in your jurisdiction?
 - b) What policy relevant to these systems exists, and how is it developed and agreed?
 - c) How could a future national tag tender and tag procurement system support the legislation, regulation and policy identified above?

Participant Feedback

- *Relevant jurisdiction legislation and regulation*

Table 1. Stocktake of national and state and territory legislation, regulation and policy development

Location	Legislation and regulation	Policy development
National	<ul style="list-style-type: none"> • Regulation of export of livestock – <i>Export Control Act 2020</i>, • Export Control Rules 2021 (Animal Rules, Meat and meat product rules) • <i>Biosecurity Act 2015</i> • <i>Privacy Act 1988</i> 	<ul style="list-style-type: none"> • The National Biosecurity Committee (NBC) established the Sheep and Goat Traceability Taskforce to develop National Implementation Principles • Agricultural Traceability Policy • National Agricultural Traceability Strategy 2023 to 2033, • Australian Agricultural Traceability Governance Group • SAFEMEAT, • Animal Health Committee (AHC) • ISC tag accreditation • NLIS Sheep and Goat Standards (2020) • NLIS Standards Committee – moving to NLIS Animal Identification Technology Standards Committee • Government procurement rules • Intergovernmental agreement on biosecurity
NSW	<ul style="list-style-type: none"> • Biosecurity Act 2015 <ul style="list-style-type: none"> ○ Biosecurity (NLIS) Regulation 2017 • Property Identification Codes • Permanent Identification of Stock (under the Act) 	<ul style="list-style-type: none"> • NLIS Standards – provides minimum standards to assist the supply chain meet state legislation and regulation. • SAFEMEAT, including Jurisdictional Traceability Group (JTG) – key platform for NLIS policy development advice, troubleshooting, etc. SAFEMEAT Partners will seek advice from SAFEMEAT Advisory and JTG. • National Biosecurity Committee (NBC) • Animal Health Committee (AHC)
QLD	<ul style="list-style-type: none"> • <i>Biosecurity Act 2014</i> (commenced 2016) <ul style="list-style-type: none"> ○ Biosecurity Regulation 2016 ○ RBEs defined under <i>the Act</i> 	<ul style="list-style-type: none"> • Queensland Traceability Advisory Group – advisory function to QDAF

VIC	<ul style="list-style-type: none"> • <i>Livestock Disease Control Act 1994</i> <ul style="list-style-type: none"> ○ Livestock Disease Control Regulations <p>(Currently working to reform into a single Biosecurity Act)</p>	<ul style="list-style-type: none"> • Board created to support tag tender governance via recommendations to Agriculture Minister for tender award. • AgVic apply NLIS standards but incorporate state legislative requirements.
SA	<ul style="list-style-type: none"> • Livestock Act 1997 <ul style="list-style-type: none"> ○ Livestock Regulations 2013 <p>(Currently working to introduce Biosecurity Act)</p>	<ul style="list-style-type: none"> • South Australian Biosecurity Policy 2020-2023 • Sheep Blueprint • Establishing an industry advisory committee for eID implementation.
TAS	<ul style="list-style-type: none"> • <i>Animal (Brands and Movement) Act 1984</i> <p>There is a legislative reform agenda with new draft regulations in place. Biosecurity and Traceability regulations that will sit under the new Biosecurity Act (2019). Aiming for the regulations to be enacted by the end of 2023.</p>	<ul style="list-style-type: none"> • Consultation mechanisms currently being considered/ established.
WA	<ul style="list-style-type: none"> • <i>Biosecurity and Agriculture Management Act 2007</i> <ul style="list-style-type: none"> ○ <i>Biosecurity and Agriculture Management Regulations (Identification and Movement of Stock and Apiaries) 2013.</i> • LPA accreditation • Brand registration 	<ul style="list-style-type: none"> • Dedicated stakeholder advisory group, WA NLIS Sheep and Goat Advisory Group, to inform eID in WA. • TIP Scheme • Governmental governance consultation <ul style="list-style-type: none"> ○ “Your Say” page for broader, public feedback.

- *How could a future national tag tender and tag procurement system support (or not support) the legislation, regulation and policy identified above?*

1	Lack of harmonisation	62%
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1. Lack of harmonisation
 - 62% of participants believed that the following issues regulatory issues may stifle a proposed national tag tender and/or procurement system:
 - Lack of regulatory harmonisation across jurisdictions may hinder system effectiveness
 - Traceability is a state-level issue so a national system may not be effective
 - Necessitates a high level of agreement and consensus among stakeholders
 - Expectation of regulatory checks to be completed by the platform (similar to Victorian NLIS Tag Supply System)
 - No regulatory changes are expected to accommodate the system, the system must incorporate current jurisdictional requirements
 - Implementation timeframes must align with jurisdictional transition programs

- Depending on the system, it must support fast and efficient enforcement and compliance for states, which hold legal responsibility for tags entering from one state into another
- Processing various jurisdictional requirements would impose a substantial administrative workload, and it is expected that a significant amount of staffing would be needed to manage these demands
- System may require state-specific hubs

5.3 GOVERNMENT AND INDUSTRY FINANCIAL SUPPORT

KEY FINDINGS

- 11) The majority of participants from all sectors agreed that the provision of government financial support to producers and across the supply chain during the transitional phase of implementing eID regulation was critical to support efficient adoption of new regulation. Responses were mixed as to whether this should translate to direct support of eID tag costs.
- 12) Longer term, participants acknowledged that government resources were finite and the costs of eID devices and associated equipment would likely become a cost of doing business. Participants agreed that any systems developed to alleviate these increased regulatory costs should not be funded by producer levies or government funding. Additionally, market intervention to reduce tag costs, regardless of whether it was government or industry body driven, was generally not viewed favourably.
- 13) Infrastructure across the supply chain, enhanced database capacity and capability, and communication and extension programs, were all seen as programs that could appropriately attract a mixture of industry and government financial support. Mixed responses were provided about enhancing producer IT infrastructure and associated training.

Stakeholder Consultation Questions

- a. Specific to eID NLIS tag system/s:
 - i. What government or industry financial support exists and how long will it continue? If it doesn't currently exist, is it likely to commence?
 - ii. What benefits and risks result from this support?
 - iii. Should this support continue? Why/ why not?
 - iv. Excluding tag costs, are there any other producer costs associated with mandated eID that should be supported by this financial support?
 - v. Are there any costs that you think the government or industry should not support?

Participant Feedback

- *Summary of current financial support packages relevant to eID in sheep and goats (as of 30 September 2023)*
 - Commonwealth Government: \$22.5 million for NLIS database uplift and matched support for jurisdictions
 - Victorian Government: ongoing maintenance of the Victorian NLIS Tag Supply System (amount undisclosed)
 - Victoria's Sheep and Goat Compensation Fund (SGCF): ongoing financial support of the Victorian NLIS Tag Supply System, specifically to reduce the price of eID tags (amount undisclosed)
 - Western Australian Government: \$3.4 million WA Government commitment to including the implementation of the 2023 Tag Incentive Program (TIP) that directly reduces the cost of tags for WA producers by \$0.75/tag
 - New South Wales: \$38 million NSW Sheep and Goat eID Infrastructure Rebate Scheme (tag rebate not included)
 - South Australia: The SA Government has committed funding to assist the supply chain to transition to eID through a 50% discount per eligible eID tag in 2023–24 and 2024–25 for lambs and kids and support of 75% towards the cost of essential infrastructure required for implementing eID across the supply chain
 - Queensland: Package in development
 - Tasmania: Package in development

- *Industry and government financial support considerations*

Short v long-term financial support		
1	Short term transitional financial support	88%
2	Long term financial support	50%
Financial support inclusion and exclusions		
3	Communication and extension	27%
4	Supply Chain	23%

1. Short term transitional financial support
 - 88% of participants believed that transitional government support for the implementation of mandatory eID in sheep (and goats) was appropriate for the following reasons:
 - Transitional financial support supports a smooth transition for producers (and the supply chain) to meet new regulatory requirements
 - Financial support must focus on incentivisation rather than subsidisation
 - Many participants believed the costs of tags are the biggest barrier to adoption of this regulation, therefore they should be funded, however there was general acknowledgement that government resources are finite
 - Suggestions that tags costs should be capped during transition and limited to \$1/tag, however this must be viable for manufacturers and requires financial support package

- More Commonwealth funding will likely be required to support data systems (with funding already provided acknowledged)
 - Decision to mandate eID in sheep and goats was made before major commodity price drops and the announcement of El Nino, these factors must be considered
2. Long term funding
- 50% of participants identified the following issues relevant to long term funding:
 - Long term, free market should remain intact and ultimately deliver competitive prices, high quality product and customer support
 - Long term funding of a tag tender/procurement system would need to be self-supporting
 - There was a general view that industry levies paid by producers to subsidise tag costs was not palatable, especially as producer levies are not uniformly available across all states.
 - However, some participants also indicated that, long-term, funding for such a system should come from producers or be market driven.
 - Many indicated that the primary source of funding would need to be cost recovered
 - Questions about whether costs are recouped on other products or if it is a "robbing Peter to pay Paul" situation.
 - Victorian NLIS Tag Supply System
 - Not enough transparency in system as to how industry funds were applied
 - Concern about increasing industry slaughter levy (Victorian SGCF)
 - Need for greater equity of cost sharing across the supply chain and with government, this should not be a cost for producers only
 - Concerns raised about subsidies, including: market distortion; bad for innovation and price in long run; implications for WTO/ FTA; structural solutions are required as rebates are not a long-term solution; and, suitability of creating a new industry driven system when the service is provided commercially.
 - Other species don not receive support so is it equitable?
 - Slow decision-making on financial support and implementation places pressure on tag suppliers (unusual order activity by producers)
3. Financial support inclusion and exclusions – communication and extension
- 27% of participants identified the following issues relevant to financial support of communication and extension:
 - Communications and extension support suitable
 - Opportunity for producer funded desk in government departments
4. Financial support inclusion and exclusions – supply chain
- 23% of participants identified the following issues relevant to financial support of the supply chain:
 - Saleyards - management, infrastructure, maintenance
 - Abattoirs and processing - infrastructure

- On farm infrastructure could cover a basic reader, but not more expensive drafting equipment, etc.
- Feedback was mixed about providing support to producers for IT (i.e., computers, training, etc)

5.4 COST CONSIDERATIONS

KEY FINDINGS

- 14) Most participants had a limited view and insights into the governance arrangements and costs associated with the establishment and maintenance of a system similar to the Victorian NLIS Tag Supply System, raising concern about costs and funding arrangements attached to the system. Multiple agencies indicated that they had investigated implementing a similar system, or had experience running them previously, but had ceased investigations or disbanded these systems as they were considered onerous and expensive.
- 15) The costs of developing and implementing a national tag tender and procurement system vary great depending on the model chosen. These costs are influenced by the business structure of the entity used to achieve the procurement outcomes, and complexity of the procurement process. This will also affect the associated fixed costs and throughput related variable costs.
- 16) Participants raised concerns about the expenses related to a system like the Victorian NLIS Tag Supply System replicated at a national scale, including; governance and operational costs; and, costs associated with supporting regulatory requirements across multiple jurisdictions. Additionally, most participants did not believe these costs should be supported by industry levies or government.
- 17) Several participants did not believe that a new system should be established to replace a service that was already being provided by the market, and most indicated that it would not be palatable for a body implementing this system to make a profit (cost recovery only).

Stakeholder Consultation Questions

- 1) For the existing NLIS tag tender and procurement systems and/or arrangements identified in question 1:
 - a) What were the development costs associated with operating this system?
 - b) What are the maintenance costs associated with operating this system?
 - c) How are these operational costs funded?
 - d) Is this funding arrangement appropriate and sustainable? Why/ why not?

- *Cost assumptions based on stakeholder feedback and case studies*

The costs of developing and implementing a national tag procurement vary greatly depending on the model chosen. These costs are influenced by the business structure of the entity used to achieve the procurement outcomes, and complexity of the procurement process. In addition to differentiation between fixed costs and throughput related variable costs, costs can be broken generally categories into two main phases, establishment cost and on-going cost.

Establishment costs will vary depending on whether the procurement model is established as a standalone legal entity or an activity (or business unit) within an existing business. A new legal entity will require the establishment of appropriate governance and business documentation (constitution, charter etc) and systems to meet company reporting requirements. The procurement process chosen will also affect establishment costs. Complex tender processes like the system set up by Agriculture Victoria have high levels of probity to ensure compliance with legislative requirements. These costs are recurring due to the associated periodic nature of the procurement program. A simple purchasing portal model would have lower costs. If individual state jurisdictions seek to apply tag rebates, there may also be a need for data sharing functionality to allow processing of rebates based on tag purchases to reduce duplication for producers.

While the development cost of a simple functional online website would likely be comparatively small, ensuring that the service provided is high quality and fit for purpose will require on-going maintenance and improvement. The service may also require a technical support/helpline for producers. Helpline services of this nature may field 100's to 1000's of calls depending on the number of users. Helpline/support costs may be somewhat variable (increase due to volume) however actual costs will be influenced by the staff/outsourcing structure deployed. Some producers find the NLIS system to be complex, with NLIS/tag related enquires fielded by state jurisdictions across a number of areas. A helpline for online tag purchases would likely also field calls of this nature, adding to cost of running the service.

- *Victorian NLIS Tag Supply System example*

Using the Agriculture Victoria price outcomes for producers as a guide to project outcomes for a voluntary national procurement scheme has a number of key limitations. The price discounts received in Victoria are a combination of lower tag prices from the manufacturer due to direct procurement, the application of the funds provided by the SGCF and GST exemptions. The Victorian Department also has existing structures and staffing that can be deployed to support the administration of the program, which may cost effectively reduce the operating cost of the program.

The ordering service of the Victorian NLIS Tag Supply System is integrated with Agriculture Victoria's Property Identification Code (PIC) register, which not only leverages existing resources, but also streamlines regulatory checks. Given the system's internal structure, it seems unlikely that it could be transferred to another organisation to serve as the core of a national system, requiring the creation of a new system and additional resources to maintain the system.

The Victorian model is also mandatory, not all producers will purchase tags through a voluntary national procurement scheme, and not all tag vendors will participate. Both of these factors will have an impact on purchase volume and the associated revenue that could be generated to recover the cost of establishing and administering the scheme.

Producers may also have high levels of brand loyalty and may not purchase tags through a voluntary procurement scheme if their preferred vendor does not participate. Similarly, some producers may still prefer to purchase tags via a retailer as part of their broader service relationship.

Lower tag volume as a result of these factors will reduce the cost savings achieved on tags through a national procurement scheme, as fixed costs are spread over fewer tags. Not all producers will prefer to purchase online (as seen in Victoria with 88% of orders being online), this will further reduce the potential total number of tags purchased through a national scheme if it were an online only model. Expanding the service to paper and phone-based orders (as provided by Agriculture Victoria) would add additional processing costs to the system. Currently the Victorian system is processing approximately 15,000 transactions per annum, with approximately 1,800 (12%) being processed via paper or phone. If those numbers translate to national system, it will result in a 4-5-fold increase in the number of paper and phone-based orders, or an associated reduction in tag throughput if an online only model is progressed.

Given the voluntary nature of the scheme, there may be a requirement for advertising and marketing to increase producers' awareness of the scheme. A voluntary scheme will also be susceptible to market forces (including losing market share) as other participants enter the market, or in this case, already exist. Would the offering only be differentiated from the current market offering due to price, or would other services/products be delivered as part of the offering? For some tag manufacturers, eID tags are one of a number of products that they sell through a relationship with agricultural retailers. In a voluntary scheme, any benefits to the manufacturer achieved through supply chain simplification may not outweigh the benefits they currently achieve across the product range they sell through retailers.

- *Summary of cost considerations*

Multiple participants noted a lack of transparency and clarity on how the Victorian NLIS Tag Supply System worked, particularly in relation to the actual cost of the system and the way in which it was funded. While the scope of this project did not extend to full costing of this system, and the lack of publicly available information would make this a challenging exercise, participant feedback and case studies suggest the following costs would likely be incurred.

- Company/legal entity establishment
 - Company and governance documentation
 - Company reporting requirements
 - Establishing and operating board of directors
 - General business administration
- Governance arrangements
 - Tender process
 - Awarding of contracts
- Tender process
 - Legal
 - Probity
- IT costs (online service)
 - Site/portal establishment and maintenance
 - Financial transactions (would likely be automated, but would require QA)

- Producers ordering
 - Tag supplier invoicing
 - Regulatory checks (usually completed by manufacturers, but completed by AgVic in Victoria)
- Ordering system
- Data sharing arrangements to facilitate the payment of rebates
- Telephone and paper based (direct contact service)
 - Telephone and paper-based system establishment and maintenance
 - Financial transactions (would likely be automated, but would require QA)
 - Producers ordering
 - Tag supplier invoicing
 - Regulatory checks (usually completed by manufacturers, but completed by AgVic in Victoria)
 - Ordering system
 - Data sharing arrangements to facilitate the payment of rebates
- Technical support and customer service
 - Managed in house or outsourced
 - If outsourced, requires training material and account management

5.5 ADDITIONAL SPECIES

KEY FINDINGS

- 18) All participants identified sheep, cattle and goats as species included in the National Livestock Identification System (NLIS). Some participants noted traceability information for pigs is also held by the NLIS. One participant noted the alpaca industry now has NLIS Business rules and an industry led tag procurement scheme.
- 19) More than half of the participants supported all NLIS species being included in a national tag tender and/or procurement system, should it be developed, with a smaller number supporting only small stock. A quarter of participants did not respond, as they did not support the system or did not have a position.
- 20) Many participants believed that expanding the system to include more species would lead to increased complexity and cost, and most were in favour of the sheep industry recovering costs associated with including additional species. However, they also acknowledged that some species already had mature systems and may not see benefit in joining.
- 21) Several participants also observed that a considerable number of sheep producers have cattle and/or goats, which creates substantial communication and outreach challenges for a national system focused on a single species.

Stakeholder Consultation Questions

- a. For the existing NLIS tag tender and procurement systems and/or arrangements identified in question 1:
 - i. To your best knowledge, what other species are currently supported/ included in these systems?
- b. Should additional species be included in a proposed national tag tender and tag procurement system? What would be the benefits and risks associated with this?

Participant Feedback

- *Species included in the NLIS*

All participants identified the NLIS as Australia's system for the identification and traceability of cattle, sheep and goats, which supports Australia's commitment to biosecurity and food safety and provides a competitive advantage globally. Some participants also noted that traceability information for pigs is held by the NLIS, while one participant noted that the alpaca industry has recently received SAFEMEAT endorsement of their NLIS business rules.

- *Should additional species be included in a proposed national tag tender and tag procurement system? What would be the benefits and risks associated with this?*

Species to be included in a proposed national tag tender and tag procurement system		
1	All NLIS species	62%
2	Small stock only	15%
3	Not Applicable	23%
Additional comments about the risks and opportunities associated with including additional species in the proposed system		
4	Ownership, complexity and cost	42%

1. All NLIS Species:
 - 62% of participants supported including all NLIS species in the proposed system for the following reasons:
 - Ensure equity across all producers that have a responsibility to meet NLIS requirements (assuming producers would benefit from the proposed system)
 - Many producers run mixed enterprises that farm multiple NLIS species (e.g., sheep and goats, sheep and cattle, etc.) so a single system would be simple and efficient
 - Focus should be on the system not the tag, therefore it should be species agnostic
2. Small stock only:
 - 15% of participants supported including all small stock (sheep and goats) for the following reasons:
 - Current mandate for eID exists for both sheep and goats
 - The cattle industry has been using eID for a significant period of time and has mature system in place – “no need to reinvent the wheel”

3. Not Applicable:
- 23% of participants answered the question not applicable (N/A) for the following reasons:
 - Their organisation did not support the development of this proposed system
 - It is seen as another burden for producers who are already mandated to engage with multiple systems (risk of disenfranchising producers further about eID)
 - There is scepticism regarding the claims being made about the system
 - The decision on whether or not to participate should be left to individual species

Additional comments about the risks and opportunities associated with including additional species in the proposed system

4. Ownership, complexity and cost
- 42% of participants provided the following additional comments, regardless of the answer they provided about which species should be included:
 - Decision making on the inclusion of additional species will likely depend on who has ownership and control of the system
 - Including additional species will make the system more complex and costly (and ultimately, producers will have to pay for that additional cost)
 - Additional species costs should be covered by relevant industry, not subsidised by the sheep industry
 - It may be necessary to incentivise species that already have established systems
 - Some participants had heard that there were issues with the broader cattle eID system and therefore questioned whether it was a risk to incorporate this species into a proposed new system

5.6 STAKEHOLDER POSITIONS AND REQUIREMENTS

KEY FINDINGS

- 22) The participants' views and understanding of this issue were varied and influenced their responses. Their perspectives often depended on the specific characteristics of the proposed national tag tender and procurement system, specifically whether it resembled a Victorian NLIS Tag Supply System approach or adopted a more streamlined, "lite touch".
- 23) Among the participants, the majority indicated their support was system dependent and would require a number of requirements being met before full support could be provided, almost one quarter of participants did not support the system, and one held a formal position in favour of the national tag tender and procurement system.
- 24) The majority of participants raised concerns about the following aspects of a national tag tender and procurement system:
- a) The appropriateness of any public body (government or industry) intervening in the provision of goods that were already being supplied by the free market.
 - b) Implications for competition, particularly in terms of Australian Competition & Consumer Commission (ACCC) requirements and the ability of smaller businesses being able to take part in the system.
 - c) Impact on eID device innovation, research and development and quality.
 - d) Long-term viability of tag suppliers operating in the Australian market if a national system based on the Victorian NLIS Tag Supply System was created.
- 25) The majority of participants emphasised the need for further information in the following aspects of a national tag tender and procurement system before granting their support:
- a) Clear details on system costs and funding.
 - b) Assurance of continued technical support and customer service, with a commitment to retaining resellers/retailers within the system.
 - c) Clarity on governance structures.
 - d) Opportunities for greater harmonisation across states and territories.
 - e) Specifications of the system's functionality.
 - f) A detailed assessment of the expected benefits, addressing concerns about the realisation of pricing benefits.
- 26) Approximately half of the participants could not identify a body that they believed could develop and maintain a national tag tender and procurement system, with the remainder of participants predominantly identifying ISC or government (mixed responses for Commonwealth and jurisdictions).
- 27) Most participants suggested that various entities, including industry bodies, government, tag manufacturers, and resellers/retailers, should be involved in the systems development and implementation if progressed.

Stakeholder Consultation Questions

1. What is your organisation/ agency position on a national tag tender and procurement system?
2. What are the opportunities and risks associated with a national tag tender and procurement system?
3. Can you identify existing organisations that could develop, deploy and maintain this system?
4. Who do you think should be involved in this system?

Participant Feedback

- *Stakeholder positions on the proposed national tag tender and procurement system*

What is your organisation/ agency position on a national tag tender and procurement system?		
1	Support	4%
2	Do not support	19%
3	System dependent	69%
4	No position	8%

1. Support
 - 4% of participants supported the development of a national tag tender and procurement system with no additional comments
2. Do not support
 - 19% of participants did not support the development of a national tag tender and procurement system with no additional comments
3. System dependent
 - 69% of participants did not have a formal position, however indicated that a number of requirements, outlined in the following response, would need to be met before they would provide formal support
4. No position
 - 8% of participants did not have a position on the development of a national tag tender and procurement system given the role of their organisation

- *What are the opportunities and risks associated with a national tag tender and procurement system?*

Market requirements		
1	Market intervention	71%
2	Competition	54%
3	Innovation, R&D and quality maintenance	38%
4	Business Sustainability (tag suppliers)	27%

Operational requirements		
5	Funding	77%
6	Technical and customer service (role of reseller)	50%
7	Governance	46%
8	National harmonisation	46%
9	System functionality	35%
10	Benefit	27%

MARKET REQUIREMENTS

1. Market intervention

- 71% of participants raised concern about potential intervention in a free market transaction for the following reasons:
 - Concerns regarding government (or industry body) intervention in this market
 - Acknowledgment that the free market is already providing this service and strong support for maintaining a free and open commercial market
 - Many participants noted that pricing decisions are commercial decisions for businesses
 - Concerns about the potential for other groups to establish similar services, leading to market distortion
 - Consideration of potential manufacturer boycotts of a voluntary industry body led system and the impact this would have on success, particularly the need for sufficient throughput for system success
 - Financial support (rebates) has the potential to create a trade risk
 - Full benefit of financial support is never passed on due to inflation effect
 - Reputational risk for government or industry led organisations taking business from local businesses
 - Lack of harmonisation across states is inefficient and creates problems for the broader supply chain

2. Competition

- 54% of participants raised concern about competition for the following reasons:
 - Concern as to whether a new system may contravene ACCC requirements
 - Would a new system influence how small v. large companies could participate?
 - Was there a risk that the system would drive tag suppliers out, resulting in a lower number of organisations ultimately supplying the system and influencing pricing in the long term

3. Innovation, R&D and quality maintenance

- 38% of participants raised concern about competition for the following reasons:
 - How is quality maintained if price is the driver?
 - Duplication of ISC accreditation process creates inefficiencies

4. Business Sustainability (tag suppliers)

- 27% of participants raised concern about business sustainability of tag suppliers for the following reasons:
 - Margins on tags are already very low which results in little to no profit being made on eID tag sales in Victoria, which is not sustainable. Many industry and tag manufacturer representatives held significant concern about ongoing business viability if this process is expanded nationally
 - There are difficulties in meeting contractual arrangements – often Victorian orders will be prioritised to meet contractual requirements which caused concern that these obligations can't be maintained in a national system
 - If voluntary, question mark as to whether tag manufacturers would or could participate in a national tender process given concerns about business sustainability and contractual obligations
 - Businesses felt government has a low understanding of business cost and risk, which is reflected in the lack of flexibility in the tender and procurement arrangements

OPERATIONAL REQUIREMENTS

5. System costs and funding

- 77% of participants raised concern about the cost of any future system and how it would be funded:
 - Exploration of the system's viability without the need for rebates, as producer levies may not be palatable
 - Doubts about ICF (industry-government cost-sharing) covering national expenses
 - Recognition that government levies may not be sufficient to support the system
 - Recognition of Western Australia having a strong system in place, but this is unlikely to be a long term financial support package
 - Emphasis on simplicity and avoidance of complexity with a preference for a streamlined, regulation-lite approach
 - System should operate on cost recovery model rather than profit generation
 - General concerns about the overall cost of the system, particularly significant set-up

6. Technical support and customer service

- 50% of participants indicated technical support and customer service must be maintained to the same level currently provided by rural resellers/ retailers:
 - Technical and customer service for producers best provided by current system (reseller/ rural retailer role)
 - Clear responsibilities between reseller/ rural retailer and tag manufacturer, less definitive in the Victorian model
 - Reseller/ rural retailer should not be removed as they provide multiple benefits
 - Reseller/ rural retailer has important role to play in eID uptake

7. Governance

- 46% of participants noted strong governance and safeguards would be required for a national system:

- Governance arrangements to support equitable ownership and decision-making
 - Necessity for appropriate safeguards and standards
 - Contention surrounding governance, funding, etc. highlighting the importance of comprehensive consultation on models to gain consensus and address complex questions
 - Concerns about transparency, particularly in the context of the Victorian model
 - Recognition of the reputational risk to organisations due to the potential unpopularity of certain decisions
8. National harmonisation
- 46% of participants raised concern about a national system operating in the federated system:
 - National harmonisation would be required for this system to work efficiently and cost effectively, but it is unlikely to be achieved
 - Stifles industry/ government negotiations on NLIS issues, particularly new regulation
9. System functionality
- 35% of participants indicated the following system functionality would be required:
 - System functionality must be ensured to support ease of use by customers and suppliers (may require phone and paper based service as well as online)
 - Requirement for NLIS access for anyone setting up the system
 - Necessity for a responsive system to support all stakeholders (producers, tag suppliers, government agencies, etc.)
 - Emphasis on maintaining:
 - traceability and biosecurity
 - consistent supply of tags
 - Focus on reducing prices while still ensuring tag quality and customer support
 - If the system is established, it must be sustainable and viable in the long term
 - Potential to disenfranchise producers who are already dealing with multiple mandated systems
 - Avoiding confusion among producers by minimising additional steps or systems
 - Recognition of potential issues if a single organisation is responsible for the system (lag times, bottlenecks, etc.)
 - Consideration of offering a broader range of products beyond just eID tags
10. Producer benefit
- 27% of participants questioned the system benefit assumptions (i.e. reduced tag cost):
 - Pricing benefits are an assumption which are yet to be proven on a national scale
 - Victorian NLIS Tag Supply System in place but tag prices are increasing in Victoria
 - Concern about reliance on rebates (industry and government), tender processes and removal of reseller/ rural retailer network to drive tag cost reduction

- *Can you identify existing organisations that could develop, deploy and maintain this system?*

1	No organisation identified	46%
2	Government	31%
3	Integrity Systems Company (ISC)	27%
4	Animal Health Australia (AHA)	8%
5	No Position	8%
6	Sheep Producers Australia (SPA)	4%

- *Who do you think should be involved in this system?*

1	Integrity Systems Company (ISC)	38%
2	Government	38%
3	No organisation identified	35%
4	Manufacturers	31%
5	Industry groups	27%
6	Retailers	15%

6 APPLYING STAKEHOLDER FEEDBACK TO DECISION MAKING

The discussion section of this report aims to provide a framework, which incorporates key findings from stakeholder consultation (including case studies), to support decision making on the proposed development and maintenance of a national tag tender and procurement system. In order to do this, two critical discussion questions will be explored:

1. If a national tag tender and procurement system was developed and maintained, would it operate as a voluntary system or mandated system?
2. Is there a robust business case to support the development and maintenance of a proposed national tag tender and procurement system?

KEY FINDINGS

- 28) It is likely that the proposed national tag tender and procurement system, if managed by industry, would be a voluntary scheme making it highly susceptible to market forces (including losing market share) as other participants enter the market, or in this case, already exist.
- 29) If a national tag tender and procurement system operates on a voluntary basis for both customers and suppliers, any organisation aiming to create and implement such a system must determine if a robust business case exists for the initiative.
- 30) The business case presented in this report serves as an assessment tool to appraise the competitiveness of the proposed national tag tender and procurement system in a mature and densely populated market. While SPA may consider additional guidance on specific aspects, incorporating stakeholder feedback into the business case structure points to a significant level of risk, particularly concerning the value proposition, objectives, and the associated costs in establishing and sustaining the proposed national tag system.
- 31) The opportunities, risks and complexities associated with the proposed national system will vary greatly depending on the model chosen:
 - a) A national system modelled on the Victorian NLIS Tag Supply System is complex and carries significant inherent risks, particularly value proposition, objectives and cost.
 - b) A group buying approach is less complex but still entails business risk as it will face significant competition in a dense market, necessitating a clear value proposition and commercial support (suppliers and customers) for success.
 - c) A "compare the market" approach is relatively low in risk, functioning primarily as an information provider and connection point for producers and tag manufacturers.
 - d) Maintaining the status quo presents low risk to SPA, although the potential to deliver low cost eID tags for producers will not be realised.

6.1 VOLUNTARY VS. MANDATED SYSTEMS

Discussion Question 1: If a national tag tender and procurement system was developed and maintained, would it operate as a voluntary system or mandated system?

Assumptions and Analysis Informing Discussion Question 1

When considering whether to progress the development and maintenance of the proposed national tag system it is critical to determine if the system would operate as a voluntary or mandatory system for the following reasons:

- Competing in a mature and densely populated market: A newly established national tag tender and procurement system will need to compete in an established market already populated by a large number of resellers and retailers. The system would be highly susceptible to market forces, including losing market share, as other actors enter the market, or in this case already exist, if the system operated on a voluntary basis.
- Ensuring a strong value proposition exists: If operating as a voluntary system, the newly established national tag tender and procurement system will need to clearly define a strong value proposition to entice suppliers and customers to the system. Consultation feedback and case study findings indicate significant challenges in creating a compelling value proposition that would ensure a national system modelled after the Victorian Tag Supply System would be more attractive than the currently existing alternatives. These issues are explored further in Section 6.2 below.

This report will operate on the assumption that the proposed national tag system will operate on a voluntary basis. The report makes this assumption based on analysis of the two tag tender and/ or procurement systems that operate outside of the commercial free market as follows:

1. Victorian NLIS Tag Supply System: developed and maintained by Agriculture Victoria, Victorian producers (cattle, sheep and goats) can only order their tags via the Victorian NLIS Tag Supply system. This requirement has been in place for cattle producers since the inception of NLIS (Cattle) in 1999. Prior to the introduction of mandatory eID for sheep and goats, producers who wanted to order sheep/goat eID tags voluntarily could only do so through the NLIS Tag Supply System, procuring NLIS visual tags directly manufacturers when the sale of visual tags was permitted in Victoria. Victoria has an approval/licensing framework for tag manufacturers. It is covered under the *Livestock Disease Control Act 1994* Sect 9C (http://www8.austlii.edu.au/cgi-bin/viewdoc/au/legis/vic/consol_act/ldca1994273/s9c.html). This is utilised to regulate the sale of tags to producers.

In cases where a tag manufacturer possesses an NLIS approved device but lacks a contract with Agriculture Victoria, producers seeking to order these tags must request an "approval to order" from Agriculture Victoria. Once this approval is granted, they can then engage directly with the tag manufacturer to make their tag purchases. Importantly, these tags are not subject to any subsidies, meaning that producers are required to pay the full price for them.

2. AAA NLIS Online Tag System – developed and maintained by the Australian Alpaca Association (AAA), alpaca producers that hold membership to the AAA are compelled to use this procurement system due to an internal AAA policy that directs members to buy from the system. Presently, approximately 90-95% of alpaca producers are AAA members, effectively mandating the system for alpaca producers.

In both systems outlined above, the organisations that own the system are able to effectively mandate their system, however it is unlikely an industry body, such as SPA, would be able to apply similar mechanisms for the following reasons:

1. Legislative/ regulatory powers: Industry bodies, such as SPA, lack the legislative authority to mandate the system. It is highly unlikely that government would undertake the necessary legislative processes to enforce system-wide mandates to enforce use of this system.
2. Membership Dynamics: SPA's membership is not primarily composed of producers, and it is unlikely to garner unanimous support from members to impose a mandatory system. Even with such support, SPA's membership does not constitute a majority share of grass-roots producers, unlike the example provided by the AAA case study.

6.2 APPLYING A BUSINESS CASE FRAMEWORK

Discussion Question 2: Is there a robust business case to support the development and maintenance of a proposed national tag tender and procurement system?

Assumptions and Analysis Informing Discussion Question 2

The following high-level business case has been developed to provide a framework, incorporating key findings from stakeholder consultation (including case studies), to support decision making on the proposed national tag system. The business case has been based on the Victorian NLIS Tag Supply System, and also presents alternative approaches identified during stakeholder consultation for additional consideration.

While the business case serves as an initial framework for determining the feasibility of advancing the proposed national tag system, it is essential to acknowledge that further investigation will likely be necessary if the system moves forward, including the development of an implementation plan. Additional investigation may include, but is not limited to, seeking further legal, probity and financial advice from qualified experts. It is important to emphasise that this business case should not be seen as comprehensive; instead, it should be regarded as a practical starting point for informed decision-making on this issue based on stakeholder feedback.

#	Business Case Issue	Business Case Question	Consultation feedback and case study	Risk Level
1	<i>Problem statement</i>	<i>Can a clear problem (or opportunity) statement be developed for the proposed national tag system, modelled on the Victorian NLIS Tag Supply System?</i>	<p>Yes:</p> <ol style="list-style-type: none"> 1) The introduction of mandated electronic identification (eID) regulations has led to a substantial rise in the cost of NLIS tags for sheep producers. 2) Simultaneously, sheep producers are facing growing climate and weather challenges, economic pressures, and changes in market dynamics. 3) Provision of NLIS tags, and associated equipment, is predominantly provided through free market commercial transactions between producers and tag suppliers and/ or tag resellers/ retailers, except for Victoria (where a mandated government system exists). 4) In response to these challenges, SPA is exploring ways to lower tag prices to provide support to sheep producers without jeopardising the viability of tag supply businesses. 	LOW
2	<i>Value Proposition</i>	<i>Can a clear value proposition be developed for the proposed national tag system, modelled on the Victorian NLIS Tag Supply System?</i>	<p>Challenging:</p> <ol style="list-style-type: none"> 1) The proposed national tag system would likely operate as a voluntary scheme and would need a clear and robust value proposition to ensure it was competitive in this mature and densely populated market. 2) The proposed national tag system would face strong competition from tag resellers and rural retailers who offer additional animal health and husbandry products, along with in-person technical support and customer service and potential commercial benefits (seasonal promotions, credit terms for purchases). 3) Developing a strong value proposition for the voluntary system faces significant challenges for the following reasons: <ol style="list-style-type: none"> a. Customers (producers) – most participants indicated that the proposed national tag system must demonstrate clear benefits to producers, particularly reduced tag prices, while upholding tag quality, technical support and customer service, and a simplified process for purchase, to gain their support. Additionally, many participants expressed reluctance towards disrupting the current market (i.e., removal of resellers/ rural retailers) or relying on government or industry- 	HIGH

			<p>funded tag rebates as sustainable methods for reducing prices. Given these caveats, achieving cost reduction for producers without these mechanisms will be a challenging task.</p> <p>b. Suppliers (tag manufacturers) – numerous participants noted that participating in the Victorian NLIS Tag Supply System was often complex, administratively burdensome and duplicative, and could become economically unsustainable for suppliers in the long run due to the challenges in managing input and business costs effectively. Additionally, contractual obligations under the Victorian NLIS Tag Supply System can be challenging to fulfil, and while these issues were presently being handled by giving priority to Victorian orders this solution would not be feasible in a national system. Some participants questioned the viability of participating in a national system modelled on the Victorian Tag Supply System as the constraints outlined above would be harder to overcome on a national scale.</p> <p>4) Based on their experience of establishing an industry tag procurement arrangement, the Australian Alpaca Association (AAA) noted the significant challenge of developing a value proposition for a voluntary system in the current mature and densely populated tag procurement market. (Refer case study in Section 4.)</p>	
3	<i>Objectives</i>	<i>What are the objectives that will drive the development of the proposed national tag system, modelled on the Victorian NLIS Tag Supply System, will they be supported, and can they be met?</i>	<p>Challenging:</p> <p>1) Producer benefit (reduced tag price): Most participants expressed support for lower tag prices. However, as outlined above, participants had concerns about the feasibility of achieving this goal without ongoing industry/ government financial support, market disruption that excluded resellers/ rural retailers from the system, or implementation of a tender process that may not be supported by suppliers.</p> <p>2) Sustainable funding stream for industry reinvestment: Most participants indicated developing the proposed system to create a sustainable funding stream to be reinvested into industry would not be well received, advocating instead for a cost recovery approach.</p>	HIGH

			<p>3) Minimal disruption to the market: Similar to point 1), participants’ expressed concerns that expanding the Victorian NLIS Tag Supply System into a national system could potentially negatively disrupt the current market that facilitates tag, and associated devices, procurement.</p> <p>4) Resourcing and cost implications: Most participants were also concerned about the complexity and cost associated with the proposed national tag system if modelled on the Victorian NLIS Tag Supply System and the resources required to deliver this system.</p>	
4	Scope	<p><i>What is the scope of the proposed national tag system, modelled on the Victorian NLIS Tag Supply System, and does a SPA developed system have the capacity and capability to service the scope required?</i></p>	<p>Moderately challenging:</p> <p>1) Sheep with the inclusion of additional species (e.g., goats, cattle, etc): While many participants view this as a logical step, they acknowledged that inclusion of additional species will likely introduce complexity and costs to the system, necessitating substantial commitment, collaborating and coordination with other species’ stakeholders.</p> <p>2) Provision of eID tags only or comprehensive equipment support: The prevailing sentiment among participants is that this system should encompass a broader range of products beyond just eID tags, including visual tags, applicators, scanners, etc. to support producers. This level of service delivery significantly increases the complexity, cost and resource requirements of this style of system.</p> <p>3) Tag reseller versus comprehensive tender and procurement system: There are several options available to SPA (outlined in 7. Alternatives below) outside the Victorian NLIS Tag Supply model. The level of services expected from the scheme would be contingent on the chosen model. For instance, participants generally expected a Victorian NLIS Tag Supply System style national system would be responsible for overseeing regulatory checks (typically conducted by manufacturers) in each state, and providing online, telephone and paper-based ordering options. Additionally, participants also indicated that the proposed national tag system should provide more than eID tags (i.e., tag applicators, visual tags, scanners, etc) as noted above. Again, this level of service delivery significantly increases the complexity, cost and resource requirements of this style of system.</p>	MEDIUM

5	<p><i>Cost Considerations</i></p>	<p><i>What are the cost considerations for the proposed national tag system, modelled on the Victorian NLIS Tag Supply System?</i></p>	<p>Challenging:</p> <ol style="list-style-type: none"> 1) Participants generally had a limited view and understanding of the costs associated with the establishment and maintenance of a system similar to the Victorian NLIS Tag Supply System, however there was general concern that this system lacked cost transparency and was likely very expensive to run. 2) Multiple participants had considered implementing a similar system, or had experience running them previously, but has ceased investigations or disbanded these systems as they were considered onerous and expensive. Due to this lack of transparency, it is difficult to put costings around this system (this was also out of scope of this project). 3) When considering the costs associated with a system similar to the Victorian NLIS Tag Supply System, many participants noted issues surrounding harmonisation, and large costs to support governance and operations. Conversely, most participants did not believe these costs should be supported by industry or government funds. 4) Many participants did not believe that a new system should be established to replace a service that was already being provided commercially and also questioned why tags should be treated differently to other farm business inputs. 5) The costs of developing and implementing a national tag procurement system varies greatly depending on the model chosen. These costs are influenced by the business structure of the entity used to achieve the procurement outcomes, and complexity of the procurement process. This will also affect the associated fixed costs and throughput related variable costs. (Individual cost lines are consider in Section 5.) 6) Currently the Victorian system is processing approximately 15,000 transactions per annum, with approximately 1,800 (12%) being processed via paper or phone. If those numbers are extrapolated to a national system, it will result in a 4-5-fold increase in the number of paper and phone-based orders (7,200 – 9,000), requiring significant resource. Alternatively, an associated reduction in tag throughput would occur if an online only model is progressed. This would significantly increase if additional products were offered to additional species. 	<p>HIGH</p>
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			7) The Victorian NLIS Tag Supply System is integrated into the Victorian PIC system (including staffing), suggesting it is unlikely the system could be 'transferred' to another organisation to expand nationally. A national system would likely need to be developed from scratch, presenting significant development costs.	
6	<i>Market Considerations</i>	<i>What are the market risks associated with the proposed national tag system, modelled on the Victorian NLIS Tag Supply System, and can these risks be mitigated?</i>	<p>Moderately challenging:</p> <p>1) Competition:</p> <ul style="list-style-type: none"> a. Most participants noted the proposed national tag system would need to address any competition issues that may be addressed by the Australian Competition & Consumer Commission (ACCC), however appropriate steps can be taken to mitigate these issues. For example, the Victorian NLIS Tag Supply model addresses competition issues using legal and probity advisors, while the AAA employs a group buying scheme that satisfies competition requirements under the ACCC. b. Some participants noted that the proposed national tag system could potentially benefit specific groups or industries at the expense of others (particularly large v small suppliers), leading to perceptions of unfairness. Additionally, if only a small number of suppliers could operate in the system, they could potentially influence tag prices negatively into the future due to reduced competition. c. Participants also queried the appropriateness of any public body (government or industry) intervening in the provision of goods that were already being supplied commercially. <p>2) Innovation, research and development and maintenance of quality</p> <ul style="list-style-type: none"> a. Some participants raised concern that excessive intervention may impact the quality of tags, particularly if the focus of the proposed national tag tender is on price, given margins on tags are already low. b. Similarly, a singular focus on tag price may reduce the incentive for businesses to invest in research and development which could hinder technological progress. <p>3) Economic efficiency and business viability for commercial providers:</p>	MEDIUM

			<ul style="list-style-type: none"> a. Significant concern was held about the long-term viability of tag suppliers operating in the Australian market should a national system being established that was based on the Victorian NLIS Tag Supply System. This concern was based on the significant reduction of margin on an already low margin product, lack of flexibility to manage input costs and challenging contractual obligations (particularly in relation to logistics). b. Intervention can disrupt the natural function of markets, making it challenging to adapt to changing circumstances. Rapid, unexpected, or poorly supported changes could result in market instability which could make it difficult for producers to meet regulatory requirements. c. Interventions that rely on rebates or external support may not be sustainable in the long run. There is a risk of market dependence on government or industry assistance, which can be financially burdensome. d. Implementing and managing interventions can be administratively complex, requiring significant resources and expertise. Administrative inefficiencies can lead to increased costs and delays. 	
7	<i>Alternatives</i>	<i>What are the alternatives to the development and maintenance of the proposed national tag system and what is the risk attached to them?</i>	<p>Yes:</p> <ul style="list-style-type: none"> 1) Group buying scheme: while less complex, this option still bears risk, requiring a well-defined value proposition and robust commercial support for viability. Earlier advice provided to SPA by consultants and legal counsel outline the requirements for a group buying scheme. The AAA approach, discussed in section 4, also constitutes a group buying scheme. 2) "Compare the market": carries relatively lower risk, primarily serving as an information provider and facilitator of connections between producers and tag manufacturers. 3) Status quo – no market intervention poses minimal risk to SPA, although potential repercussions on producers' costs should be taken into account. 	LOW

Business Case Overall Risk Assessment

What is the overall risk associated with the proposed national tag system?

Risk level: High

#	Business Case Issue/ Section	Perceived Risk Level
1	Problem Statement	LOW
2	Value proposition	HIGH
3	Objective	HIGH
4	Scope	MEDIUM
5	Cost considerations	HIGH
6	Market considerations	MEDIUM
7	Alternative options	LOW

7 CONCLUSION

In July 2022 Agriculture Ministers agreed to develop an implementation plan for national individual electronic identification (eID) for sheep and goats with a transition date of 1 January 2025. The main cost to producers of an eID system for sheep and goats is associated with the purchase of electronic tags. An eID implementation plan, developed by the Sheep and Goat Traceability Taskforce (SGTTF) and endorsed by the State Agriculture Ministers, was released 6 April 2023.

Sheep Producers Australia (SPA), on behalf of members, has undertaken the commitment to consider the practicalities of developing and maintaining a national tag tender and procurement system modelled on the Victorian NLIS Tag Supply System. SPA initially sought guidance on suitable business structures, governance frameworks, and legal requirements for a national entity responsible for purchasing eID tags for Australian sheep producers. Subsequently, they commissioned this scoping report supported by a nationwide consultation process to gain a comprehensive understanding of this matter.

National consultation for this scoping report invited over 30 organisations to provide their expertise and understanding on six key themes related to the development and maintenance of a national tag tender and procurement system. These themes included: Existing NLIS tag tender and tag procurement systems; Legislative, regulatory and policy requirements; Government and industry financial support; Costs considerations; Additional Species; and Stakeholder positions and requirements.

The feedback provided by participants was further analysed through the lens of two critical questions:

1. If a national tag tender and procurement system was developed and maintained, would it operate as a voluntary system or a mandatory system?
2. Is there a robust business case to support the development and maintenance of a proposed national tag tender and procurement system?

This scoping report has established that if an industry body, such as SPA, were to oversee the proposed national tag tender and procurement system, it would probably function as a voluntary program. Importantly, this implies that a system of this nature would be significantly influenced by market dynamics, especially in the mature and densely populated market sheep tag market.

By applying stakeholder feedback to the business case structure, this report identified a high level of risk, particularly in relation to the value proposition, objectives, and costs, associated with developing and maintaining the proposed national tag tender and procurement system. The scoping report also presents alternative options (refer section 6.2) and requirements that should be addressed to support next steps on addressing this issue.

8 APPENDIX

8.1 APPENDIX 1 – PARTICIPANT LIST

ID	Organisation
1	Wool Producers Australia (WPA)
2	Goat Industry Council of Australia (GICA)
3	Australian Livestock and Property Agents (ALPA)
4	NSW Producers Association
5	AgForce
6	West Australian Producers (WAF)
7	PGA of WA
8	Livestock SA
9	Tasmanian Producers and Graziers Association (TFGA)
10	Department of Agriculture, Fisheries and Forestry (DAFF)
11	VIC - Agriculture Victoria
12	WA - Department of Primary Industries and Regional Development
13	SA - Department of Primary Industries and Regions (PIRSA)
14	TAS - Department of Natural Resources and Environment Tasmania
15	QLD - Queensland Government - Department of Agriculture and Fisheries
16	NSW - Department of Primary Industries
17	Integrity Systems Company (ISC)
18	Animal Health Australia
19	Eartags Warehouse
20	Nutrien Ag Solutions
21	Allflex
22	Leader Products
23	Shearwell
24	Datamars (Zee Tags)
25	Enduro Tags
26	Victoria's Sheep and Goat Compensation Fund reps
27	Elders
28	Delta Ag
29	Cattle Australia
30	Victorian Producers Federation (VFF)
31	AgnVet