SUBMISSION TO SENATE STANDING COMMITTEE ON RURAL AFFAIRS AND TRANSPORT

Inquiry into the Role and Effectiveness of Government Meat and Livestock Australia, LiveCorp and Relevant Industry Bodies in Improving Animal Welfare Standards in Australia's Live Export Markets

By

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THE AUSTRALIAN MEAT PRODUCERS GROUP

The Australian Meat Producers Group ("AMPG") is a think tank made up of leading industry figures that was established following the large Beef Industry Forums held in Armidale and Rockhampton last year to advise on restructure and reform options for the Australian Red Meat Industry organisations.

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EXECUTIVE SUMMARY

1. This submission suggests that:

   a. the public outcry about the animal welfare abuses of slaughter of Australian cattle in Indonesia and the consequent temporary ban of live cattle exports to Indonesia was foreseeable and preventable;

   b. the Government MLA, LiveCorp and the other relevant industry bodies have collectively failed to:

      - fulfil their role in improving animal welfare standards in the public interest and the interest of the livestock export trade;
      - effectively provide the collectively needed commercial outcomes required by the red meat industry;
      - meet their stated aim of facilitating a more internationally competitive red meat industry in Australia.

   c. the current dual accountability regulatory separation between Government and Meat and Livestock Australia (“MLA”) and LiveCorp and the relevant industry bodies which occurred in 1998 has in practice left a dysfunctional void between the regulatory and commercial requirements of industry;

   d. the cross sectoral one stop shop Red Meat Advisory Council (“RMAC”) is ill equipped to provide relevant sectorial advise to Government on sectoral regulatory issues; and

   e. the MLA, LiveCorp and the other relevant deregulated industry bodies who have primary commercial responsibility to maintain a long term sustainable livestock export trade are fundamentally flawed because they fail to effectively vest ownership in the levy payers whose needs they serve.

2. This submission contends that:

   - the structural flaws in the constitution and operations of the MLA, LiveCorp and the other relevant deregulated bodies stem from:

     ⇒ mistakes made during the implementation process of the Red Meat Industry Organisational Restructure that took place in the late 1990’s; which led to

- ⇒ inappropriate governance voting and board selection structures in the MLA and other relevant industry bodies which effectively defeated the stated aim of the restructure to encourage accountability and grass roots ownership; and

- ⇒ fundamental changes in the global economy and communications that have occurred during the last fourteen years means that the organisational structures that may have been appropriate to meet the needs of the red meat industry in the 1990's are no long appropriate to meet the needs of the red meat industry in the current decade;

- consequently MLA and some of the other relevant industry bodies have lost touch with their grass roots members needs; and

- the current structure of the MLA and some of the other relevant industry bodies:

  ⇒ encourage a predetermined budget driven identification and delivery of collective functions; rather than

  ⇒ the need for collective functions driving and determining the expenditure and budget requirements;

  ⇒ consequently, the current structures are defining the outcomes and the expenditure rather than the outcomes defining expenditure and the structure.

- in short, MLA defines the programs and then "sells" the outcomes to their levy payers rather than providing the services <u>called for</u> and <u>needed by</u> industry;

- in the result many feel that the levy funded industry organisations are failing to deliver value for the levy money invested by their members;

- the current deregulated levy funded industry body structure provides for dual accountability between the Federal Parliament and industry bodies to protect the public interests and the interests of the industry, but:

  ⇒ whilst the Government's public interest and responsibilities extend to both animal welfare and the live export trade;

  ⇒ under the current industry deregulated organisational structure, <u>primary responsibility</u> for the commercial effect of animal welfare issues of the live export trade lies with the MLA, LiveCorp and the other relevant industry bodies;

- the current Government and industry body structure has failed in the stated aim of the 1990's restructure to facilitate a more internationally competitive red meat industry in Australia and the current burden of uncompetitive Government influenced costs and charges on the Australian Red Meat Industry is unsustainable.

3. This submission recommends that:

- the current MLA and LiveCorp and the other relevant industry bodies be reformed so that they can effectively provide the collectively needed commercial outcomes required by the Red Meat Industry in the current decade; and

- consideration be given during that reform process to:

  ⇒ identification of those necessary industry functions that need to be carried out collectively because of market failure;

  ⇒ the raising of the funds necessary to provide reduced agreed necessary collective functions through a slaughter levy rather than a transaction levy;

  ⇒ the removal of research and development functions into a separate statutory R & D corporation under *The Primary Industries & Energy Research and Development Act 1989*;

  ⇒ separate sheep and beef marketing corporations;

  ⇒ separate producer and processor corporations;

  ⇒ steps that can be taken in consultation with Government to set up an action plan for Government and industry to achieve greater international competitiveness for the red meat industry and improve responsiveness to consumer requirements in domestic and overseas markets;

- the cross sectoral RMAC be disbanded and the interface between Government and the deregulated Red Meat Industry bodies be enhanced and strengthened by the establishment of a small departmental regulatory Secretariat (along the lines recommended by the 1996 Steering Committee and Task Force set up by the Minister to advise on the 1990's restructure) to provide the necessary regulatory industry underpinning including regulatory underpinning to accommodate both the commercial and public interests in the live export trade and the public interest in animal welfare;

Roles and Responsibilities for Improving Animal Welfare Standards

1. The effectiveness of Government, Meat and Livestock Australia ("MLA"), LiveCorp and the other relevant industry bodies role in improving animal welfare standards in Australia's live export markets is ultimately determined and limited by:

    - the nature of the industry structures themselves; and

    - the interface between Government and the deregulated statutory levy funded industry bodies.

2. The red meat industry bodies were effectively deregulated in the 1990's, and export licencing of livestock safety and hygiene vested with the Government and the collective commercial functions for the livestock trade vested in the deregulated industry bodies.

3. The legislation, funding agreements and the provisions of the Constitutions of the deregulated red meat statutory levy funded industry bodies provides for dual accountability between the Federal Parliament and the industry bodies to protect the public interest in expenditure of levy funds, the commercial interests of the industry and the public interest in health and safety and animal welfare.

4. Consequently, Government, MLA, LiveCorp and the other relevant industry bodies must all accept some responsibility for the consequences of the recent outcry over animal welfare standards in Australia's live export industry.

5. The public outcry over live cattle exports to Egypt in 2006 and live sheep exports to the Middle East and the recent live cattle export debacle in Indonesia suggests that the Government, MLA and LiveCorp and the other relevant industry bodies have collectively failed to deliver the welfare standard outcomes required to promote and develop long term sustainable live export markets.

6. MLA and LiveCorp are statutory levy funded bodies specifically established (amongst other things) to look after and promote the interests of the live animal export industry.

7. Whilst the Government's public interest, responsibilities extend to both animal welfare and the live export trade itself, under the current deregulated organisational structure the <u>primary responsibility</u> for the commercial effect on live export trade of any animal welfare issues lies with MLA, LiveCorp and the other relevant industry bodies.

Primary Responsibility for the Indonesian Live Cattle Export Debacle

8. MLA and LiveCorp are deregulated statutory levy funded bodies specifically established (amongst other things) to look after and promote the interests of the live animal export industry.

9. This gave rise to a special duty by MLA and LiveCorp to ensure that exporters of live cattle to Indonesia, were aware of the Animal Welfare time bomb that was waiting to explode.

10. The MLA and LiveCorp appear to have breached that duty.

11. As a consequence of the Federal Government banning of the live cattle exports to Egypt following the press revelations of the brutal Egyptian slaughter practices five or six years ago, MLA and LiveCorp, must have been aware that if similar brutal slaughter practices of Australian cattle were exposed in Indonesia then the Federal Government may impose a ban on live cattle exports to Indonesia until the unacceptable Animal Welfare Practices were rectified.

12. The MLA's and LiveCorp's jointly funded live trade Animal Welfare Partnership Report published in May 2010 and the chain of correspondence between Minister Ludwig and representatives of those organisations earlier this year (which has now been tabled in Parliament) show that both MLA and LiveCorp were aware of the particular inhumane brutal slaughter practices depicted in the Four Corners story.

13. Every brutal inhumane action shown on the Four Corners Report is referred to in that Live Trade Animal Welfare Report.

14. When MLA and LiveCorp did intervene in some Indonesian abattoirs in an attempt to improve the situation by installing restraining boxes they appear to have failed in their duty to make sure that those restraining boxes were used humanely.

15. Having apparently told the Minister earlier this year that the Animal Welfare issues in Indonesia would take up to five years to rectify MLA and LiveCorp now propose to spend $9 million of their reserves as a matter of urgency to try and rectify the Animal Welfare problem in Indonesia which they have known about from at least the beginning of last year and in reality since 2002 when they introduced the restraining boxes - part of the $9 million is to be spent on remodelling the restraining boxes.

16. If MLA and LiveCorp had spent the $9 million that they have now agreed to commit to rectifying the Animal Welfare problem years ago and called for regulatory conditions for the issue of live export permit along the lines that have now been introduced the current crisis would never have occurred and the Government wouldn't have had to step in and impose a ban or even a partial ban whilst the rectification took place.

17. MLA and LiveCorp failed to make many live exporters at the top end of Australia aware of the imminent time bomb waiting to explode and many of these live exporters only became aware of the brutal slaughter practices in Indonesia when they saw the Four Corners programme.

18. There are many within the industry that believe that this failure to effectively address the animal welfare issues to ensure and promote a long term sustainable live export market stems from fundamental flaws in the current red meat organisational structure.

The Need for Meat Industry Organisational Restructure

19. There is a growing view within the Red Meat Industry that the current Red Meat Industry structures are outdated and that the corporations have lost touch with their grass roots members and levy payers and are no longer effectively and efficiently delivering the collective outcomes and value for levies needed by industry.

20. MLA, LiveCorp and the other relevant statutory funded Red Meat Industry bodies were incorporated in the late 1990's.

21. Australia's Red Meat Industry organisations were restructured in 1960's, 1970's, 1980's and 1990's as economic circumstances, communications and the needs of industry changed over the decades.

22. The global economy and communications have changed enormously over the last fourteen years and an increasing number of people in the Red Meat Industry believe it is time for another root and branch review of the red meat industry organisational structures.

23. The 1996 Steering Committee and Task Force Report into Australian Meat and Livestock Reform for the Future set up to advise the Minister on the 1990's Red Meat Industry Restructure noted that "*Market and industry circumstances (had) changed and what might have been appropriate in the 1980's (was) judged to be unsuccessful in the current commercial climate. The need for a change to*

24. The operational circumstances of the Red Meat Industry in Australia have again changed significantly, for instance:

- in early 1996 the largest five processing companies in Australia processed 28% of the national cattle killed and the largest five sheep processors sees 38% of the national sheep kill.

- in 2011 the three largest red meat processing companies in Australia will account for over 46% of the national sheep and cattle killed despite, the fact that sheep kill has declined by almost 60% since the mid 1990's, which suggests that in 2011 the three largest beef processing companies in Australia will slaughter close to 50% of the national cattle kill;

- in the five year period between 1987 and 1992 the percentage of beef sold on the domestic market through supermarkets rose from 20% to 35%;

- Coles and Woolworths now sell 50% of the beef eaten in Australia and IGA, Aldi and the other minor supermarkets another 7% or 8% taking the supermarket share of Australia's domestic beef sales to about 58% or 1.6 times the supermarket share of Australian beef sales in the early 1990's;

- in the 1990's Australia's sheep population was in excess of 170 million and today it is less than 70 million;

- in 1996 the value of the Australian dollar averaged 75 US cents and in the last few months the value of the Australian dollar has fluctuated between parity and $1.10 US.

Restructure Guidelines

25. When considering industry organisational structures and regulations:

- the first step is to consider, the necessary regularity functions such as export licensing for livestock and meat health inspection requirements which need to be maintained by Government in the public interest;

- the second step is to look at the collective commercial outcomes that cannot be provided by market forces because of market failure that need to be achieved by the industry controlled bodies and having determined that, then set up (design) the industry controlled structures best equipped or most likely to produce those outcomes.

26. The outcomes needed should define the structure rather than the structure define the outcome.

27. If the desired outcome is research and development then the R & D corporations should be governed by scientists or people with suitable expertise in consultation with industry along the lines set out in Section 131 of the *Commonwealth Primary Industries & Energy Research & Development Act* 1999 ("PIERD Act") (ie. the CSIRO or the Cotton Research & Development Corporation ("CRDC")) and not by marketing directors, if the desired outcome is marketing then the corporate structure should be governed by marketing directors and not scientists.

28. Specialised corporations set up to service the collective commercial needs of an industry in rapidly changing economic circumstances, need to have flat uncomplicated governance structures which encourages the management of that corporation to keep in touch with and respond to the rapidly changing needs and circumstances of their grass root members and levy payers.

29. The projects undertaken by the specialised corporations should be driven by the specific needs of the grass roots levy payers on the basis of cost benefit analysis and not by corporate staff with marketing expertise who may be tempted to spend much of their time, effort and levy payer funds "selling" and "promoting" projects that they have designed rather than just delivering the outcomes that their constituents need.

30. The levy funded budget and expenditure of specialised corporations should be determined by the collective functions needed by industry rather than devising projects and promoting outcomes to justify a predetermined budget.

The "Marketing" Approach to Functions

31. The perfect example of the "marketing" approach to functional activities such as improving animal welfare standards can be found in the final report of the Beef Marketing Funding Committee as part of the MLA 2009 Beef Levy Review which identifies animal welfare issues as a major threat to the live cattle trade and responds by budgeting for:

- a $186,000.00 annual expenditure on animal welfare issues and $725,000.00 on expenditure for the media management of any public outcry with respect of animal welfare issues in the live export trade.

- an increased annual expenditure of 137% (from $.8 million to $1.9 million a year) for "*increased defence activities against welfare and environmental claims*".

32. Instead of dealing with the actual animal welfare cruelty issues with traceability protocols and animal welfare audits, the supply of stun guns, remodelling of restraining boxes, and appropriate conditions of licence as the MLA, LiveCorp and the Government are now belatedly doing as a matter of urgency, the Funding Committee emphasis had been on "media management" and "defence activities".

33. One of the official aims of MLA when it was incorporated in 1998 was to increase per capita consumption and over $100 million has been spent by the MLA on MSA towards that end.

34. Despite the early promotion of the MSA science by MLA domestic beef consumption has continued to decline at the same rate per year as it did prior to the introduction of MSA.

35. Having failed to meet their increased beef consumption KPI's, MLA have latterly changed their reporting response by reducing the emphasis on per capita beef consumption and concentrated on publishing the total *value* of the beef being sold by Australian retailers without any adjustment for inflation and without publishing the share of that value that goes to the retailers and back through the other members of the supply chain to the producers.

36. Compared to their overseas competitors Australian cattle producers receive a relatively small percentage of the total retail value of their product;

37. The Australian Beef Association claimed two years ago that American producers received approximately 47% of the retail value of their feeder steers while Australian producers only received approximately 27% of the retail value of their feeder steers.

38. It follows by necessary implication that the MLA have utilised the total value of beef sold by Australian retailers to promote the effectiveness of the MSA program and domestic promotional activities without reference to the return of their levy paying producers are receiving on their investment.

MLA Fails to Deliver Value for Money

39. In the 1990's the previous corporations are AMLC and MRC were replaced because their combined budgets had blown out from $14 million in the early 1980's to $138 million whilst real cattle prices had declined by 20% and domestic per capita beef consumption had declined at a rate of 1.7% a year.

40. The MLA started off with a budget of $96 million which has now blown out to $170 million and cattle prices after taking into account inflation have continued to decline and per capita domestic beef consumptions has continued to fall at a rate of 1.7% a year (from 41.3kgs per person in 1997 to 32.7kgs per person in 08/09).

41. The EYCI has fallen 41 cents from 415 cents in August 2005 to 374 cents in August 2011 and over that six year period the EYCI averaged 342.93 cents or 17.3% below the August 2005 figure.

42. In the same six year period:

- Australian CPI inflation has increased by 23.1%; and
- the MLA has spent almost a billion dollars (including over half a billion dollars of levy paying funds) to try and promote the interest of the Australian Red Meat Industry.

43. Consequently many levy payers don't believe that they are getting value for the money that they have invested.

44. Whilst many MLA projects have been worthwhile and have benefited industry, when you stand back and look at the MLA from a distance there is a real question as to what it has achieved.

The Structural Causes of Bad Industry Outcomes

45. As stated earlier in this submission, industry structures define the outcomes, if the structures put in place to provide the outcomes are inappropriate it is likely that bad outcomes will be achieved rather than good.

46. The 1998 industry restructure arrangements were designed to:

- provide industry with greater responsibility to run its affairs and to move it towards a less Government regulated environment;

- to enable collectively funded meat and livestock industry programs to be delivered more effectively;

- to facilitate a more internationally competitive red meat industry in Australia.

47. The current red meat organisations were structurally flawed from the outset and ill equipped to provide the outcomes recommended by the 1996 Steering Committee.

48. Many of the recommendations of the Steering Committee and Task Force established to advise on the 1998 industry restructure were ignored or inefficiently implemented including recommendations of voting and Board selection and separate specie and producer/processor corporations. For instance:

Ownership and Accountability

- The 1996 Steering Committee recommended that the proposed new organisations needed to be accountable to ensure that the levy payers felt that they had ownership of its operations.

- To this end the 1996 Steering Committee and Task Force recommended that:

⇒ Peak Councils hold 50% of the voting rights (class A members) and levy payers who opted to take up membership in the MLA (class B members) hold the remaining 50% of the voting rights with all votes being on a one man one vote basis rather than by the amount of levies paid.

⇒ The Board selection committee should constitute nominees from Peak Councils with the right for any twenty class B registered levy payer members of the company to nominate Board membership candidates to the selection committee.

⇒ Important decisions such as increases or decreases in levies to be passed by a majority of those entitled to vote on a one man one vote basis at the AGM. With director/board and specific program no confirmations being allowed from registered levy paying class B members;

⇒ A national agreement between Commonwealth and the States to coordinate regulatory policy to be implemented by the existing regulatory agencies supported by a small departmental Secretariat.

1998 Industry Organisational Restructure Implementation Outcomes

- As the 1996 Steering Committee noted "*The culture of an organisation is inevitably influenced by its ownership and accountability arrangements*";

- During the implementation phase, the 1996 Steering Committee voting and ownership recommendations were abandoned, and the current MLA voting allocation is tied to the amount of levies paid and the Board selection process vests the right to nominate candidates for election to the Board in a selection committee comprising an equal number of Peak Councils representatives, producers and representatives of the existing MLA Board.

- The two register direct voting and direct election system without any intervening role by non-levy paying Peak Councils adopted by the Australian Meat Processor Corporation (AMPC) Constitution with one register being on a one man one vote and the other register based upon the dollar value of the levies paid which provides an appropriate balance between democratic one man one vote principles and the rights of those paying the most in levies was not adopted in the MLA constitution

- Consequently the ownership and accountability principles recommended by the 1996 Steering Committee were lost and many cattle producers now feel disenfranchised from their own corporation and only about a third of the levy payers have bothered to become members and only about a fifth of those bothered to vote at the MLA AGM.

- A recent article in the Northern Star by Peter Weeks claimed that the top fifty levy payers effectively control the vote at a MLA AGM. A copy of the voting entitlements of the top fifty producers at the 2008 MLA AGM is **attached**.

- The structure of many of the Peak Councils are based upon the 1950 configuration of branch, district, regional, state and national committees and councils which leaves representatives of those Councils who interface with Government, far removed from the rank and file, in sharp contrast to some of the emerging organisations and for the purpose groups which use the internet and teleconferencing to create a flatter and more inclusive structure.

Product Specific Corporations

- The 1996 Steering Committee and Task Force recommended that two product specific separate beef and sheepmeat specie split statutory funded corporations be established. This recommendation was ignored;

- In 1996 there were over 170 million head of sheep in Australia and there are now less than 70 million head;

- There are many in the sheep and the cattle industry who still believe that their interests would be better served through separate specie corporations.

Producer/Processor Split

49. The 1998 Red Meat Industry Restructure proceeded on the basis of separate producer corporation (MLA) and processor corporation (AMPC) because it was the considered that the interests of the processors and producers were often in conflict and the processors often did not support many of the collective levy funding activities proposed by the producers.

50. Consequently it was decided that the processors would need to pay reduced slaughter contractual contributions rather than levies to the Australian meat processor corporation AMPC and that the AMPC would fund agreed joint functions on a "willing partnership" basis with the MLA and similar arrangements were put in place for live exporters.

51. Those implementing the restructure did not however realise the full extent of integrated backgrounding and feed lot interests of processors and the evolution of that integration over the following decade has led to significant voting entitlements vesting in the hands of the larger meat processors.

52. There are many processors and producers who believe that the question of split processor and producer corporations should be revisited.

53. Separation of processor and producer corporations could be facilitated by replacing the current transaction levy with a once only slaughter levy, with the slaughter levy being payable by the entity that owned the cattle (say) 14 days before slaughter. The slaughter levy with respect to all feed lot and background cattle (or sheep) owned by the processor of the cattle (or sheep), would be paid to the processor corporation (ie. the AMPC) and the slaughter levy from stock owned by producers would be paid to a restructured producer owned MLA.

MLA and AMPC R & D

54. Vesting responsibility for industry R & D grants to industry bodies, whose directors are also significant players in that industry has led to many expressions of concern regarding governance and transparency issues.

55. Levy payers whose applications are refused become disgruntled and feel unfairly treated when other research and development applications by companies associated with the MLA and AMPC directors are approved.

56. Research and development funds have been applied for questionable R & D purposes such as supplying small abattoirs with computers and software to increase productivity, subsidising the employment of undergraduates in abattoirs, studies into the reasons why abattoir workers leave the industry (ie. they are not treated well or paid enough) and many of the industry feel that much of the research and development is treated as commercially in confidence and not shared with the rest of industry.

57. The concept of marketing directors supervising R & D is flawed. The skill set required for a marketing director does not usually bring with it the requisite rigor required for research and development. R & D should be supervised by scientists or people with relevant expertise as it is in the CSIRO or in the CRDC under Section 131 of the PIERD Act 1989.

58. The current practices of having the expenditure of marketing and R & D levies managed by a single corporation controlled by the industry gives rise to a perception of bias and improper practice and scuttlebutt even if that is found not to have occurred.

59. Consideration should be given to separating the R & D functions from the marketing arm of the MLA as they were in the 1980's and 1990's with all R & D controlled by the Government through a statutory research and development corporation under the PIERD Act 1989 as it is in the Australian cotton industry.

RMAC

60. The Red Meat Advisory Council (RMAC) was an ill conceived attempt to set up a one stop shop advisory body for government.

61. The structure of RMAC makes it virtually impossible for RMAC to meaningly fulfil its one stop shop advisory role.

62. A cross sectoral advisory body is singularly ill equipped to advise Government on sectorial regulatory issues.

63. RMAC is made up of cattle producers, sheep producers, meat processors and live stock exporters, who represented different sectors of the industry whose commercial interests are often diametrically opposed.

64. At best RMAC comes up with watered down “consensus” decisions and at worst they can’t reach agreement.

65. A perfect example of this was the recent support by AMIC of the Government’s ban of live cattle exports to Indonesia which the live exporters were/are desperately trying to revive.

66. RMAC was also unable to come to an agreed position because of competing single sectorial interests with respect to the allocation of EU & US Beef Quotas.

67. The Peak Councils and RMAC have received millions of dollars from the interest earned on the reserve fund administered by RMAC.

68. Many think that this gravy train drip makes the Peak Councils reluctant to rock the boat on controversial issues which inevitably leads to poor outcomes for industry.

69. The concept of industry being funded by statutory levies (or taxes) to lobby the Federal Government seems to involve an inherent contradiction;

70. The cotton industry Peak Council—Cotton Australia—is funded by voluntary contributions equal to the amount of the statutory Cotton Research Development Corporation (“CRDC”) levy and paid voluntarily by approximately two thirds of the cotton producers.

The Growing Consensus for Red Meat Organisational Reform

71. Many in the Red Meat Industry believe that the statutory levy funded corporations need to be reformed and there is a general view that a number of these corporations do not provide value for the levies paid, have lost touch with their grass roots and their members feel disenfranchised.

72. The 1998 restructure that produced the current industry organisational bodies took place in the context of concerns about the then current world beef prices, declining domestic red meat consumption and increased competition in the world markets.

73. The terms of reference for 1996 Steering Committee and Task Force Report into Australian Meat and Livestock Reform for the Future were to:

i. identify options for the meat and livestock industry organisations to deliver collectively funded industry programs more effectively;

ii. to assess and document the costs and delivery efficiencies of the previous statutory corporation structure;

iii. propose key Government, or joint industry Government policy and program actions including those that extend beyond the functions of industry organisations to facilitate a more internationally competitive Red Meat Industry in Australia.

74. Export beef prices have fallen significantly in Australian dollar terms in the last year, domestic red meat consumption (particularly beef) has continued to decline over the last decade and the Australia Red Meat Industry continues to be burdened with ever increasing uncompetitive Government influenced costs and charges.

75. The 2001 Hielbron Report commissioned by MLA on the impact of uncompetitive Government influenced costs and charges on Australian Red Meat Industry found that:

- Australian producers paid one third of their revenue in Government influenced costs and charges;

- New Zealand paid one sixth of their revenue in Government influenced costs and charges; and

- The USA producers paid one eighth of their income in Government influenced costs and charges; and that

- Australian meat processors paid twice as much as USA meat processors in Government influenced costs and charges.

76. Increasing Australian Government influenced costs and charges since the Hielbron Report published in 2001 such as NLIS, increased MLA and AMPC levies and the 100% AQIS fee recovery from 1 July 2011 this year have collectively increased the Government influenced costs and charges by almost $15.00 a head and the red meat industry will shortly face a further Government imposition of approximately $8.00 a head which will flow from the proposed

carbon tax bringing the total increased costs and charges since 2011 on the beef industry to $23.00 a head.

77. Australia slaughters approximately 8 million head of cattle each year and $23.00 per head additional Government influenced costs and charges would result in an additional impost on the industry of around $184 million a year.

78. Our overseas competitors have not suffered similar increases in their Government influenced costs and charges since 2001.

79. Additionally, Australian beef processing costs are $150.00 AUD a head higher for grass fed cattle than the costs for Brazilian grass fed processing and $140.00 AUD a head higher for grain fed cattle than for US processors which puts the Australian industry at a further disadvantage of over $1 billion a year on the processing costs of the 8 million cattle slaughtered in Australia each year, viz a viz their US and Brazilian counterparts.

80. These internationally uncompetitive costs and charges are unsustainable and threaten the survival and livelihood of approximately 150,000 cattle producers in Australia.

81. The Rural and Regional Affairs and Transport Legislation Committee Second report into existing Government advisory structures of the Australian Meat Industry recommended in 2002 that:

- the MLA Board consult with its membership on the democratic reform of its Constitution; and

- in the absence of progress on this matter before the 2003 MLA AGM that the Minister engage in detailed and open consultation with levy payers on the reform options for a more democratic MLA Board selection process;

- the Minister initiate discussions with the signatories to the Memorandum of Understanding (MOU) and all sections of Australian Red Meat industry on options for a reformed role or alternative industry advisory structure to RMAC that alternative arrangements to be made for the disbursement of earnings of the Red Meat Industry Reserve Fund.

82. Despite the recommendations of the 2002 Senate Committee Inquiry into the Red Meat Industry Organisational structures there have not been any meaningful reforms.

83. In 2004 1,500 cattle producers convened at Roma in central Queensland calling for a root and branch industry organisational reform and a reduction in the level of uncompetitive Government influenced costs and charges.

84. In 2010 over 1,000 people attended a Beef Forum in Armidale and over 500 producers attended a follow-up Beef Forum in Rockhampton which passed unanimous resolutions calling for urgent industry reforms along the lines of the reforms suggested in this submission.