



Australian Livestock Export Corporation Limited

ACN 082 408 740/ABN 88 082 408 740

Suite 601, Currency House, 23 Hunter Street, Sydney NSW 2000

Telephone (02) 9223 7655 Facsimile (02) 9223 7650

Email – livecorp@livecorp.com.au

Submission To

Senate Rural and Regional Affairs and Transport Committee

Inquiry into Agriculture, Fisheries and Forestry Legislation Amendment Bill (No 2) 2004

1. Introduction

This submission is presented in support of the Bill.

In March 2004, the Australian Livestock Exporters' Council presented a submission to the Hon Warren Truss, Minister for Agriculture, Fisheries & Forestry in support of a proposal to implement a statutory levy on the Australian livestock export industry, to fund industry support services.

This paper draws on that submission and provides an update on other matters relevant to this issue.

2. Background

Size of Industry and/or Public Benefit – Calendar Year 2003

	Cattle	Sheep	Goats
Number Exported	774,248	4,742,227	70,913
Value FOB	\$486,180,630	\$342,150,832	\$12,396,451
# Consignments by Sea	383	97	55
# Consignments by Air	20	20	48
Exports by State			
NSW	15,802	195	7,251
NT	246,065	352	9,677
Qld	142,316		1,018
SA	16,071	813,376	17,576
Tas		120,685	
Vic	52,900	707,608	5,642
WA	301,094	3,100,011	29,749
# Export Sea Ports	16	11	8
# Export Air Ports	3	3	5

In 2003, the Australian livestock export industry contributed over \$840M in export earnings with substantial flow-on benefit as a result of higher livestock prices, regional employment and service industries. In 2002/03 this contribution was in excess of \$1B.

A voluntary levy for LiveCorp has operated reasonably effectively since introduced in July 1998. There have always been a small number of exporters who were not prepared to contribute for a range of reasons (including that it was not compulsory).

A number of factors have combined since mid 2003 to increase this attrition rate, including the more difficult trading environment (Value of \$A, sheep and cattle prices), more stringent preparation requirements, and the introduction of the levy to repay costs incurred during the Cormo Express difficulties. This latter levy is significantly higher than the LiveCorp fee levels and has resulted in reduced compliance with LiveCorp voluntary funding arrangements.

Under these circumstances a voluntary levy could no longer achieve the same result, and there is little likelihood that this situation can be changed.

With the decline in exporter support for voluntary funding arrangements, the export industry will have difficulty maintaining ongoing funding levels for valuable collective programs.

3. Levy Proposal

The trade involves the handling and management of live animal in transit through a range of climatic and geographical situations. Exporters must thoroughly evaluate and act to minimise risk and operate with care and responsibility, in accordance with world's best practice procedures. It is vital that industry and community expectations about the welfare of animals are met.

The statutory levy will enable the livestock export sector to maintain a direct financial commitment to:

- Research and Development
- Industry Standards and Quality Assurance
- Overseas technical and veterinary services in support of animal welfare
- Industry Communications and Issues Management

It will be a new levy, and replace the existing LiveCorp voluntary funding arrangement. Levy rates proposed by the industry are:

Cattle \$2.50 per head exported

Sheep \$0.30 per head exported

Goats \$0.25 per head exported

The exporter would pay the levy, with the funds collected by the Levies Revenue Service (LRS) of DAFF along the same lines applying for the existing levy to fund the costs associated with the Cormo Express shipment. Funds from this new levy would be paid direct to LiveCorp by LRS under a Statutory Funding Agreement (SFA) between DAFF and LiveCorp.

Levy contributions will be directly in proportion to the throughput (export numbers) of the contributor, ensuring an equitable or consistent per head impact of the levy on all exporters. The benefit resulting from the collective activity funded from levy proceeds will be available to all, and accrue equitably to exporters.

The following is an estimate of the anticipated amount to be collected under the proposed levy in 2004/05:

Cattle Exports	600,000 @ \$2.50	\$1,500,000
Sheep Exports	3,500,000 @ \$0.30	\$1,050,000
Goat Exports	40,000 @ \$0.25	\$10,000
	Total	\$2,560,000

The levy will be utilised in accordance with a comprehensive Annual Operating Plan (AOP) developed in consultation with the export sector through the Australian Livestock Exporters' Council Ltd (ALEC). This consultative process also closely involves the livestock production sector through Meat and Livestock Australia (MLA), and the outcome represents an agreed plan for the MLA/LiveCorp Joint Program. The organisational chart as set out in the AOP shows the operational interrelationship between MLA and LiveCorp (Attachment 1).

The LiveCorp Quality Management System is accredited under ISO 9001:2000.

4. Purpose of the Levy and Accountability

It is important that the industry undertake thorough, practical research and development to provide an objective, scientific underpinning to the industry best practice operating standards.

Individual exporters are not in a position to undertake comprehensive research projects covering all aspects of best practice through the supply chain. If individual operators identify improvements, then these will not necessarily be shared if some competitive advantage exists. A collective approach to R&D is essential to ensure the necessary emphasis on critical and on-going evaluation of industry practise occurs.

Likewise, the implementation of identified improvements through industry operating standards, can only be guaranteed with an agreed industry approach. Existing Quality Assurance arrangements require a sound-funding base to ensure they have credibility, independence and integrity.

The same applies to overseas technical and veterinary support services. Individual exporters will not invest in this level of infrastructure or advisory service if they are not able to fully capture the benefit. A collective approach ensures industry resources can be directed to areas of highest priority and greatest animal welfare need.

Improving industry knowledge and understanding through effective communications is a service, which has broad industry benefit. As well, the management of issues, which affect the industry as a whole, is important to the industry's future and to Australia's reputation as a reliable supplier. Communication, issues management and co-ordination of the industry response can only occur effectively on an industry collective basis.

The statutory levy would signal an on-going commitment of livestock exporters to fund essential industry support initiatives. The LiveCorp Board would be fully accountable, direct to the exporter levy payers for the expenditure of levy monies for activities and efficient service delivery. There would also be a clear line of accountability from the industry through LiveCorp to the Commonwealth under the SFA.

Being directed to an exporter owned company, the funds would also provide the basis for a continuing real partnership between exporters and producers, targeted at future industry improvement and development.

5. Corporate Governance

A Special General Meeting of LiveCorp members adopted changes to the LiveCorp Constitution in July 2004, as part of a restructuring of the company in preparation for the transition from a voluntary funded organisation to a statutory levy funded body. This involved:

- Altering membership arrangements to take into account the statutory member payments
- Establishing a skills based Board of Directors comprising:
 - 4 Special Qualification Directors
 - 3 Exporter Directors

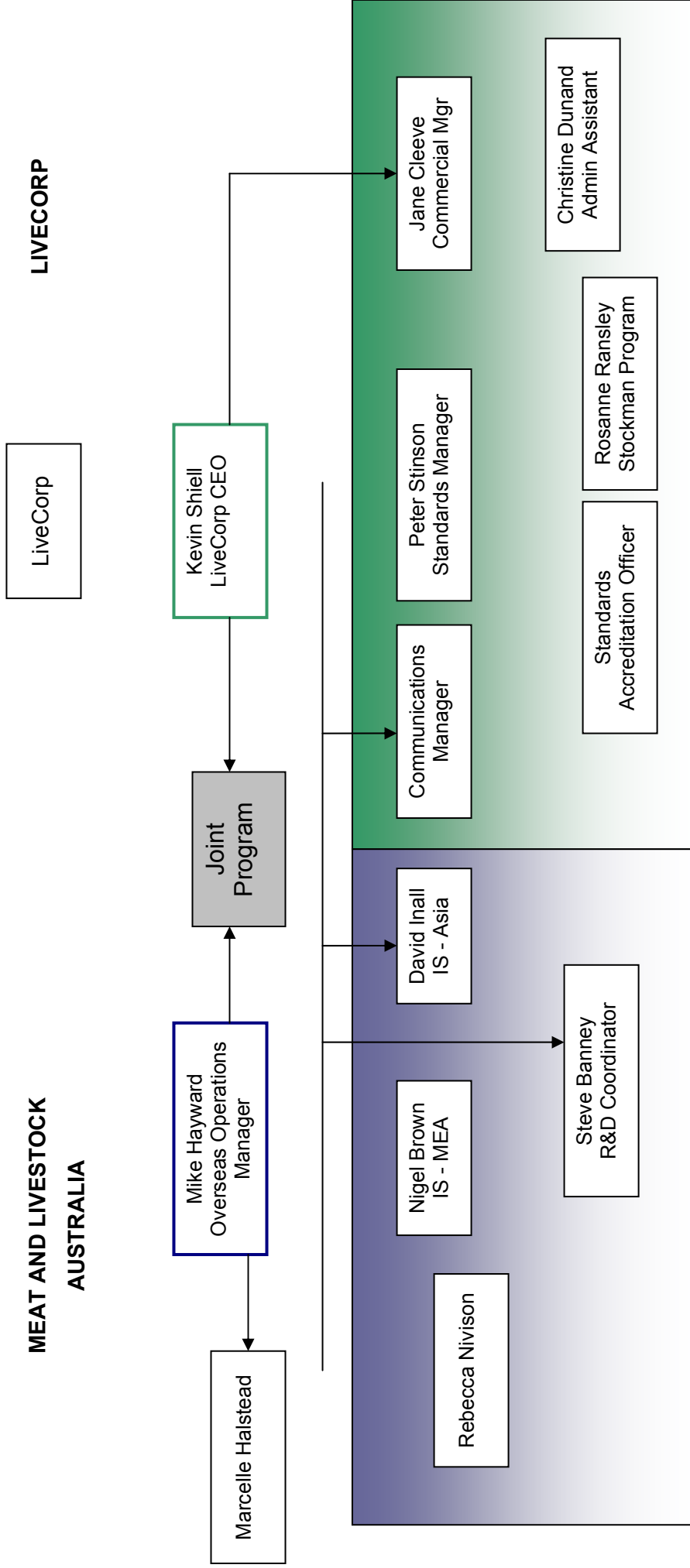
An independent Selection Committee was set up to consider applicants for the four Special Qualifications Directors. A Media Release on the outcome of this process, issued by the Chairman of LiveCorp is attached (Attachment 2). These Directors will take up their position following the LiveCorp AGM in October 2004.

The remaining three Exporter Directors will be selected prior to the AGM, as follows:

- One elected by the members of LiveCorp
- One elected by Levy Contributors to LiveCorp (1 vote per \$100 levies paid)
- One selected by the industry peak policy body – The Australian Livestock Exporters' Council (ALEC).

Attachment 1.

ORGANISATIONAL STRUCTURE





News Release

MR LC 05 / 04

26th July 2004

Fresh faces on LiveCorp Board

Chairman of the Australian Livestock Export Corporation (LiveCorp), Peter Frawley, today announced a restructuring of the LiveCorp Board, and the names of four new independent directors.

The restructuring involves the appointment of two additional skill-based directors and the reduction in the number of industry based directors from five to three. In addition, a number of board members have completed their maximum six-year terms and are therefore not available for re-appointment.

“LiveCorp received 110 applications for the four available independent director positions, and they were chosen on the recommendation of an independent selection committee chaired by Clinton Condon, former chairman of the Australian Wheat Board,” Mr Frawley said.

“As well as bringing a fresh outlook to the Board, the new independent members will broaden both stakeholder input and the range of non-exporter skills. The new members have an impressive range of backgrounds that will bring valuable experience to one of Australia’s most important rural industries.”

The names and brief backgrounds of the new directors are as follows:

Mr Ned McCord, from Broome, WA, has extensive experience in the management of broad-acre cattle properties across northern Australia and the development of beef cattle herds suitable for the live export trade.

Mr Christopher Buller of Darkan, in south-western WA has extensive experience in broadacre sheep breeding and management. Mr Buller is experienced in local government and has demonstrated an extensive commitment to excellence in property and livestock management.

Chairman of Animal Health Australia, Dr Roly Nieper of Maleny, Queensland is a veterinarian who has extensive experience at the interface between government and industry. Dr Nieper has a demonstrated commitment to animal welfare issues and a sound understanding of the live export industry.

Mr Michael Nugent of Sydney, NSW will bring wide experience in corporate management to the Board as well as practical management involvement in livestock exports. He has held senior management positions in Elders and Goodman Fielder and his areas of expertise include marketing and corporate finance.

Appointees will officially take up their positions following the LiveCorp Annual General Meeting in October. A further three Directors representing exporters will be elected by Livecorp members prior to the AGM.

For further information contact:

Peter Frawley
Chairman
LiveCorp
Mobile 0419 623 871

Gavin Atkins
Communications Manager
LiveCorp
Tel 02 9223 7655 Mobile 0439 800 379