



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE

Reference: Australian meat industry consultative structure and quota allocation

FRIDAY, 27 SEPTEMBER 2002

CANBERRA

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SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION COMMITTEE

Friday, 27 September 2002

Members: Senator Heffernan (*Chair*), Senator Buckland (*Deputy Chair*), Senators Cherry, Colbeck, Ferris and O'Brien

Participating members: Senators Abetz, Boswell, Brown, Carr, Chapman, Coonan, Eggleston, Chris Evans, Faulkner, Ferguson, Harradine, Harris, Hutchins, Knowles, Lightfoot, Mason, Sandy Macdonald, McLucas, Murphy, Payne, Ray, Stephens, Tchen, Tierney and Watson

Senators in attendance: Senators Buckland, Colbeck, Heffernan and O'Brien

Terms of reference for the inquiry:

To inquire into and report on:

- (a) performance and appropriateness of the existing government advisory structures in the Australian meat industry; and
- (b) the most effective arrangements for the allocation of export quotas for Australian meat, both to the United States and Europe.

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Committee met at 9.01 a.m.

CHAIR—I declare open this public hearing of the Senate Rural and Regional Affairs and Transport Legislation Committee. The hearing continues the committee's inquiry into the Australian meat industry consultative structure and quota allocation. Today the committee is concentrating on the industry's consultative structure. Today's hearing is public and open to all, and a *Hansard* transcript of proceedings is being made. It should be noted that the committee has authorised the recording, broadcasting and rebroadcasting of these proceedings in accordance with the rules contained in the order of the Senate on 23 August 1990 concerning the broadcasting of committee proceedings. Before the committee commences taking evidence, let me place on the record that all witnesses are protected by parliamentary privilege with respect to submissions made to the committee and evidence given before it. While the committee prefers to hear all evidence in public, if the committee accedes to such a request, the committee will take evidence in camera and record that evidence. Should the committee take evidence in this manner, I remind the committee and those present that it is within the power of the committee at a later date to publish or present all or part of that evidence to the Senate. The Senate also has the power to order production and/or publication of such evidence. I should add that any decision regarding publication of in camera evidence or confidential submissions would not be taken by the committee without prior reference to the person whose evidence the committee may consider publishing.

CARTER, Mr John Edward, Chairman, Australian Beef Association

CHAIR—Welcome. Would you like to make an opening statement?

Mr Carter—Yes. The Australian Beef Association believes that RMAC should be abolished. We do not believe that it is a representative of industry. The members of RMAC on the producer side include the Cattle Council of Australia, which has seven members which are state bodies. We believe that, at maximum, only 18,000 cattlemen form those seven members. That would represent around 10 per cent of the 182,500 beef levy payers. The other members are ALFA—Australian Lot Feeders Association—which has around 100 members, and the Sheep Meats Council of Australia, which has seven members, Livecorp and the processor bodies. People will say, ‘But ABA only has 823 members.’ That is 0.45 per cent of the levy payers. The Liberal and Labor parties each have around 0.2 per cent of Australia’s voters but, like the ABA, they achieved around 35 to 39 per cent of the vote.

The ABA has averaged 37 per cent of the vote at the last three annual general meetings which is, as I said, similar to the vote of the two major parties in Australia. We have got probably twice their membership in terms of the percentage of the people who are entitled to seek a vote. We believe that if compulsory voting were introduced to the levy payers in the beef industry, we would achieve between 80 and 90 per cent of the vote. In other words, we are representing the wishes of the vast majority of beef producers.

We do not believe that RMAC has delivered what it was set up to deliver, under the memorandum of understanding, which was the meat industry strategic five-year plan due for delivery at the end of last year. Unfortunately, those six points have failed, and some of them have failed very dramatically. If the MLA—which is the producer owned service company—did not have compulsory levy backing, they would be bankrupt. They have embarked on various programs on behalf of producers which have quite catastrophically failed.

We believe that the correct means of giving advice to the minister is with a democratically elected Meat and Livestock Australia, as occurs in other industries, and we are in the process of yet again putting forward a motion at the annual general meeting in November to make that organisation more democratic by having the majority of its board members elected by the levy payers. Currently it is a form of compulsory unionism, where everyone must pay their levy but we are not allowed to stand for the board unless we go through a selection committee which is dominated by the peak councils and the MLA board itself. Only two of the nine members of the selection committee are not connected with the peak councils or the MLA board.

So we are trying to open up the scene. This is going to be extremely difficult and we are going to need the help of you as a committee to help the minister put pressure on the chairman of the MLA and on peak council chairmen to agree that change must come through, because 75 per cent must be achieved at that meeting to get any change under corporate law. And the peak councils, who are members of RMAC, are special members and have the right, under article 2.9(c) of the MLA constitution, to vote on all matters arising under the Corporations Law. Consequently, they have the power to stop any motion that is put by the members despite the fact that there might be a 90 per cent vote in favour of it. It is completely undemocratic, but to change it we need the help of the Senate and of the minister because unless the chairman, with

his proxies and open proxies, is persuaded to vote in favour, there is no way this can be changed.

RMAC is funded from interest on levy reserves, with \$40 million left from the AMLC-MRC wind-up. They get about \$2 million a year in interest from those levy reserves. We feel very strongly that this is quite incorrect. The ABA asked to become a prescribed body three years ago. Various ministers have not exactly said no but not exactly said yes, and we have been hanging in limbo. But if we were made a prescribed body by the minister we could not go onto RMAC unless there was a unanimous vote by the members of RMAC to admit us. As they are sharing \$2 million between them, the possibility of them unanimously voting to reduce their income by allowing in a seventh body is very remote. So we believe that RMAC should be disbanded and that it should be replaced for industry advice by a democratically elected Meat and Livestock Australia.

I could go to great lengths about the failure of the industry to deliver the MOU. There were six points in our submission about this and basically one of them was getting a premium over the United States for comparable beef in the Japanese market by 2001. We have fallen behind this at great speed. The target was to increase domestic consumption by five per cent; it has fallen by 10 per cent. We have spent nearly \$400 million of our money in that time. We are basically very dissatisfied; we want change. We believe that this is a mirror of compulsory unionism where everyone is forced to pay and a few unelected people control the use of the money. We are really looking for support from the committee because there can be no change to the MLA without a motion to alter its constitution being carried by 75 per cent of the registered members.

When I go to Townsville to move the motion—I have two motions with the MLA at present for the meeting—there will be about 3,900 people who have registered out of the 182,000 levy payers. The vote will be very much in the hands of the chairman, as is normal at a corporate annual meeting. He has had 45 per cent of the proxies on average over the last few years. My vote is from a group spearheaded by the ABA—not all ABA members by any manner or means but representative of the wishes of the members of MLA—and it has averaged 37 per cent. I personally have had more proxies than all the peak council chairmen combined on each occasion.

We are representing the wishes of the majority of beef producers even though we only have 800-odd members. We look to the Senate committee to give leadership to the minister to use his levy control powers to persuade the MLA board, the Cattle Council and Sheep Meats Council of the need for change. We have new models for wool, pork, horticulture and eggs and we want to go in that direction.

Senator COLBECK—What discussions have you had with the RMAC board or any of the peak bodies with respect to the membership of RMAC?

Mr Carter—We have asked the minister and we have had one discussion with the Cattle Council and two with ALFA. Each time they were not in favour of ABA becoming a member. The Cattle Council offered us associate membership without voting power, which meant that, if we paid \$2,500 to the Cattle Council, we would be able to sit at their meetings and have no vote, which of course is quite unacceptable. ALFA has not been interested in us becoming a member of RMAC. I understand that RMAC voted unanimously against us becoming members

when the minister approached them earlier this year. We do not believe that being a member of RMAC is the answer at all. We believe that RMAC should go and we should have a MLA board that is elected, that represents the wishes of the people and can pass them on to the minister.

Senator COLBECK—How familiar are you with the pork industry structure and how would you see that as fitting, for example, your industry?

Mr Carter—I believe it would be a great step forward. The minister is concerned that it has a fully elected board and is also in a position to lobby politically. Having chaired the Meat Industry Authority in New South Wales for 10 years, with a fully elected producer representative, there was never any clash between a political end and the wishes of the people. We went to the minister quietly on things. At no stage did we attack the minister, and the minister used us as a shield on occasions, saying, ‘The people you have elected have made the decision, and I am abiding by it.’

Senator COLBECK—My understanding of Australian Pork Limited is that it combines policy, research and marketing but is not able to engage in agropolitical activities. How does that fit with what you have just been saying?

Mr Carter—I have no problems with that, because agropolitical activities really should revolve around the points that you have made. I do not have a problem with it; I did not in New South Wales and I cannot see that there is a conflict.

Senator COLBECK—You argue in your submission that the Cattle Council has perhaps 50 per cent of their claimed constituents running cattle. How did you calculate those figures?

Mr Carter—Those figures were taken from a couple of surveys in South Australia and one in New South Wales that was done some years ago. Basically, the current membership claimed is around 35,000 in total, and that includes chicken farmers, grain farmers, sheep farmers and many other industries, including horticulture, which the state farm organisations represent.

Senator COLBECK—So you are saying that they are counting all memberships of state farm organisations in that representative number that they are claiming?

Mr Carter—Yes.

Senator COLBECK—Likewise, the Cattle Council claims 70,000 beef producers; your submission suggests that there are 182,700. How do you calculate that?

Mr Carter—That is based on the Animal Health Australia—that is their new title—survey, which estimated 182,500 beef producing entities in Australia, when they were doing their work on Johne’s disease.

Senator COLBECK—You said in your submission that you have not received a copy of the peak council business plan. Do you have any knowledge of the plan?

Mr Carter—No, we do not.

Senator COLBECK—Thank you.

Senator O'BRIEN—Just on that 182,500 figure: obviously, Animal Health figures would include the dairy farmers?

Mr Carter—Yes, who produce beef.

Senator O'BRIEN—Would the figures include any size entity from a very small number upwards?

Mr Carter—That is right. They all pay levies. If they sell a beast, they pay levies. The figure is, I believe, conservative. In New South Wales there are 76,000 beef producers—that is on the authority's actual levy figure—so 182,500 for Australia would strike us as being conservative.

Senator O'BRIEN—Is the rate at which levies are paid relevant to the say that a producer should have?

Mr Carter—Yes. There is a method of poll voting on most things, and that is calculated on the amount in levies they pay. In other words, Stanbroke, with half a million cattle and perhaps selling 150,000 or 200,000 cattle, would have a far greater vote than somebody like me who is selling 300 or 400 head of cattle.

Senator O'BRIEN—I am trying to understand the MLA type model that you want. You want each of the 182,500 producers to have a vote for the members of this industry board?

Mr Carter—We would go along with the fact that only those who had registered to vote were allowed to vote, and it should be on a poll basis because we feel quite strongly that the larger producers, who have a huge investment in the industry—as in any corporate body with people who own shares—should have a larger say in who goes on the board.

Senator O'BRIEN—Explain to me how that is different from the current arrangement.

Mr Carter—The current arrangement is that you cannot become a member of the board of the MLA unless you are approved by the selection committee.

Senator O'BRIEN—I am talking about the election process.

Mr Carter—The actual voting process would not be altered.

Senator O'BRIEN—So the key is the power of veto.

Mr Carter—The power of veto to change the method of selecting or electing the board of the MLA.

Senator O'BRIEN—You made a comment in your submission regarding quota allocation. You say that industry and politicians have made fools of themselves over the quota debate. I would like you to expand on that point. I am wondering if you are suggesting that the committee has no legitimate interest in the issue.

Mr Carter—No, I was not suggesting that. The issue was blown right out of proportion initially by the peak councils and three or four abattoirs. The latest information, as of yesterday, is that the quota will not be triggered until 20 November, which leaves 10 days of quota. We do not believe it will be triggered next year. There has been an enormous amount of effort put into making something very complex which, if it had been left alone—

Senator O'BRIEN—That is a bit self-fulfilling, isn't it? When you put in quota management tools at the beginning of July, you stopped a lot of beef going on the water.

Mr Carter—It slowed things down.

Senator O'BRIEN—You are saying because the quota management tools trigger a reduction in exports that somehow we were wrong to trigger a reduction in exports.

Mr Carter—From a cattleman's point of view, I believe it would have been better to let it go straight through, because we predicted early that the Japanese market would recover in the spring and this is happening.

Senator O'BRIEN—The price has not recovered but the volume has.

Mr Carter—The volume and the price have recovered. The problem with the price is McDonald's are doing special hamburgers over there for about 30c. It is a great promotion, but we would hate the Japanese to get into the habit of buying beef that cheaply.

Senator O'BRIEN—One wonders what the future holds, but of course we cannot predict that. You say you are happy with the current tribunal. Are you talking about its membership, its process or both?

Mr Carter—The process. I do not believe that a minister should be under pressure to decide between various abattoirs. I have had 10 years as an administrator under a minister with abattoirs fighting one another. RMAC was certainly not the place to sort it out because there are so many different interests. I have sympathy for you, as a committee, in that you have been pressured from all different directions just with vested interests. It is very hard and that is why I like the idea, if quotas are required, of there being a totally independent tribunal. Regarding membership, I do not know but I would like the tribunal to be totally independent.

Senator O'BRIEN—I wonder whether you are suggesting that we are not independent of the industry and therefore not able to make an informed judgment about how best to manage quota, given that the panel relies entirely on the department for the information that it makes its decisions on and all its secretarial services. I do not know how they are any more independent than we are.

Mr Carter—If you are relying entirely on the department, I would be happy with that. I am happy with the department's approach. The department throughout this has been very good. Historically, I have not been a great defender of AFFA, but in this and a few other matters over the last six months, they have been very professional.

Senator O'BRIEN—I am sure they will be pleased to have your vote of approval.

Mr Carter—They do not get many.

Senator O'BRIEN—That is why I am sure they will be pleased.

Senator BUCKLAND—Did you discuss at all the abolition of RMAC with the minister?

Mr Carter—I have only met with the minister twice, once informally and once formally, and I made it quite clear to him what I thought should happen. The minister did not commit himself at all. He basically said that he would await the outcome of the Senate inquiry and then he would pass judgment.

Senator BUCKLAND—So you have not discussed the new structure that you are suggesting?

Mr Carter—Yes, I told him what I thought.

Senator BUCKLAND—You told him but did it go beyond you telling him? Was there a discussion? Did you get a response from him?

Mr Carter—No, the minister was noncommittal. In his position, I would have been the same. While there is a Senate inquiry going on, there is no pressure to make a decision, and consequently he did not make one.

CHAIR—Do you think there is duplication in the various bodies that are on RMAC? Do you think fewer bodies could represent the meat industry in Australia?

Mr Carter—I think it is a dog's breakfast. I really believe that an elected MLA is the way we should handle the industry because then the board is totally responsible for what happens and they can be voted out every third year, as can politicians. I believe that is the best form we have come up with yet.

CHAIR—RMAC did not form a view on quotas for this committee. Do you read anything into that, given that they are the representative body?

Mr Carter—I think it is terribly hard for them to make a considered view because the process is one of bodies representing different interests. If we take the three hot boners for argument's sake, I think they are members of NMA and they were pushing very hard for a historical basis for the quota. Then there were other members of the AMC who were pushing very hard for a global system. As I understand it, the Cattle Council were supporting that lot. How the Sheep Meats Council formed any opinion at all I would not know because it really did not have anything to do with them. So, it was not the body to make the decision.

CHAIR—Does that mean that, in not providing advice to this committee, as an advisory body they have made it pretty hard for us to form a view on the industry?

Mr Carter—I have complete sympathy for you as a committee. After 10 years of being an administrator in the meat industry, it is a pretty rough road because people have a lot of money at stake in this issue and they take some very fierce public and private positions. They certainly made it hard for the minister and make it hard for you as a committee.

CHAIR—Do you think that you are considered to be a serial pest by RMAC?

Mr Carter—Absolutely. I am quite proud of it, too. I intend to continue to be one until it is abolished.

CHAIR—Do you think it is rather unusual that there is no accountability—I cannot see where there is any—as to how people spend their money?

Mr Carter—It is most unusual and I think it is wrong. Everyone that I have spoken to about it, who is outside the industry, has trouble believing the structure that is in place and the lack of accountability and transparency.

CHAIR—Thank you very much.

Mr Carter—Thank you, Chair. Thank you, committee.

[9.29 a.m.]

HUNT, Mr Norman, Principal, Hunt Partners

CHAIR—Welcome. If you would like to make an opening statement, I would welcome it.

Mr Hunt—Thank you for the invitation to appear before the committee. I will get straight to the point and I will be forthright. I am mindful of the fact that, appropriately, John Carter and I have been in the duck pond position and other people have the right of reply during the day. I am going to limit my remarks mainly to RMAC, although I do not necessarily disagree with what John Carter had to say in relation to MLA. In fact, I think its structure has a lot of issues. If RMAC were working, we would not be here today and this committee would not be convening; your time would not be taken up and taxpayers' funds would not be being spent. If it were working you would not have had to hold the inquiries into the US beef quota or into the allocation of the European Union beef quota a year or two ago, but you have. If it were working, you and the minister would not have had to step in, as both of you have done, to protect minority interests. If it were working, the directives from the minister and the government in relation to issues they wanted to report on would be coming in a timely manner.

On 17 March 1997, when John Anderson—the then minister for agriculture—announced the establishment of the current meat industry structure, he stated that one of the top priorities he wanted the new RMAC board to address was the issue of the national meat rating system. That was in March 1997. Late last year the current minister issued a directive to RMAC seeking an urgent report on the introduction of a national meat rating system into Australia. As far as I am aware, he is still awaiting that report. It is now late September 2002. My fundamental premise is that RMAC, as an advisory body, as an institution, does not work. I believe it is a concept that was flawed from the outset.

I want to make it clear that my criticism is about its structure and it is certainly not about the people who are in it, because the people who are in it have a great deal of knowledge about the industry. They represent significant interests in the industry. They are people of integrity. And that is the very point; because they are people of integrity and they represent a whole lot of agropolitical organisations, they are bound at law and ethically to represent the interests of their members—and they do. But the interests of their members are often diverse; they are often at odds with each other, so the problem is with the structure.

What RMAC represented was an attempt, introduced in the mid-nineties, to interpose a one-stop shop advisory body between industry and the government. I suspect that the concept was that it would make life easy for the minister of the day. But as John Carter alluded to when he spoke, it is actually a group of peak councils that make up the board of the RMAC. They are protected by legislation, they are set in stone but they are funded from levy payer funds and they have a veto over any new entrant—the right of any new entrant to enter the club. Presumably RMAC is going to sail into the next millennium in its exact nature. It is a body that is made up of industry organisations which represent butchers, retailers, brokers, livestock exporters, feedlotters, and sheep, cattle and goat farmers, and they all have a right to vote on each other's issues—it was doomed from the outset.

The fact that it was doomed from the outset has been borne out by subsequent events. When all the other industry organisational structures were being reorganised during the 1990s in response to the brave new world of deregulation, none of them adopted the meat industry model. The cotton industry has never had any peak council and never had any structured advisory bodies, yet it manages its affairs. The wool industry was restructured in 1999, and there is no wool producer peak council, there is no structured advisory body and there are no industry organisations funded from levy payers' money. I think there is one advisory group on R&D, and it is an appointed voluntary group. There are no one-stop shops for any of those structures, so why do we have it in the red meat industry?

The political organisations and groups have lobbied governments and politicians from time immemorial. They arise for particular purposes and they disappear. For instance, the Australian Wool Growers Association—which arose for the very purpose of seeking restructure in the wool industry—has now disbanded because its purpose has been fulfilled. Yet, when you look at the RMAC model, it presumes these industry organisations will continue ad infinitum. It also presumes some sort of pre-eminence or right in terms of government advice. I can understand why it does, because there are acts of parliament and MOUs that give it a special place in the sun.

The AMC, in its submission to this committee in August, called for the retention of RMAC as the vehicle for industry consensus and it called for RMAC to be protected from being undermined by individual lobbyists outside the process. In other words, if you cannot get through RMAC, you should not have a voice at the table. Without being too unkind, I should say I have news for the AMC: RMAC has failed and will continue to fail to deliver a genuine consensus on any contentious issue that affects individuals' bottom lines, especially in matters as significant as the quota.

RMAC claimed to have a consensus on 29 April in relation to its recommendation, but I suspect that none of you senators actually believe there was genuine consensus because you have seen the significance and the vigour of the response by people who did not agree with it. In fact, the people who did not agree with it—at the time that I came to represent on this—were representing 40 per cent of the historical exports to the US and something like 50 per cent of Australia's total exports, yet they were presenting to the Senate and to the world a genuine consensus. It was a consensus of a committee, it was a consensus of compromise, but it was not genuine. You all know only too well that the people I would have been representing throughout that debate did not agree. The other thing that I can assure the AMC of is that, since time immemorial and continuing, minority groups that get rolled will, as sure as night follows day, continue to lobby politicians and push their points of view.

I could go on and on, but I think I will spare you a lecture in jurisprudence. Perhaps I can be a little bit irrelevant and endorse John Carter's proposal that the RMAC should be abolished. If you want to be Machiavellian and you are in opposition, you should recommend its continuation because it will give you plenty of free kicks against the government; even if you are in the coalition and you want to give your coalition partner a touch-up every now and again, recommend its continuation because there are plenty of these meetings being reconvened.

But, if you want to have an industry that is streamlined—that is following the practice that is happening in horticulture, pork, cotton and wool—then recommend its abolition, have the levy funds that it is trustee of apportioned between the MLA and the AMPC and let the industry get

on with its business. Let the agropoliticians and their representatives lobby, speak to ministers and push the interests of their members, as they should—and push them genuinely without any attempt to enforce compromise consensus to protect the minister of the day from carrying out his duty, which is to be the ultimate umpire.

CHAIR—Thank you.

Senator COLBECK—Mr Hunt, you mentioned the pork industry. What is your knowledge of the pork industry structure and how would that fit with the industry?

Mr Hunt—My knowledge of the pork industry structure is not great; I have far greater knowledge of the wool industry structure. I understand that they are not too dissimilar.

Senator COLBECK—So you believe that that would be something that might fit comfortably with the red meat industry?

Mr Hunt—Yes, certainly I think that the wool industry structure would fit comfortably, subject of course to some finetuning because it is now five or six years since it was all put in place. The MLA certainly has some issues, which were recognised at the outset, in terms of democracy and the ability to change and allow in new interests. Again, there were attempts to set it in stone and protect its board from being overthrown. But the whole idea of a corporate industry structure is to allow the full rights of Corporations Law: to allow boards to be rolled and to put them under pressure.

If you are having a corporate structure in a deregulated economy, why, when it comes to industry, do you alter the rules? Why do you have one foot in one camp and one in the other? The wool industry have got away from that. They will have their own corporate battles—they have one looming right now—so do other boards; so do companies.

CHAIR—They sure do.

Mr Hunt—Let them get on with it.

Senator COLBECK—What is your knowledge of the stated objectives of RMAC and how do you align those with their specific achievements?

Mr Hunt—I have seen a report from RMAC—I think they made a submission to this committee as well—setting out their achievements and their goals. What I observed was that there were far more things to be done than had been done. I think that, because they are representing such a diverse body, again it is structural. I do not think there is a lot of impetus or drive because half the people sitting around the table on any one issue have no real, genuine interest in it.

Senator COLBECK—Do you think that conflict of interest or potential sectoral interests restrict the capacity of that body to achieve what it set out to achieve?

Mr Hunt—Yes, that is it exactly. I think that, structurally, it cannot. If you have a look at the recent quota debate you see that NMAA was not really ever able to reach a decision because half its members sold the majority of their product onto the global market and the other half

sold the majority of their product onto the US market. How could they reach a decision? What happens in those instances is that groups hive off—as they did in this debate—and pursue their own interests. They should be allowed to do that.

Senator COLBECK—Has your group had any discussions with the RMAC board about specific involvement with the body?

Mr Hunt—No, because our group is very much a for-the-purpose group. Certainly, we were invited as a group to make submissions to the RMAC workshop that was held in February to consider it.

Senator COLBECK—My recollection is that your submission was not actually—in your view—properly considered.

Mr Hunt—That was a late submission that we put in in April. I understand that they refused to consider that submission, which I thought was a great pity.

Senator O'BRIEN—Is it your view that RMAC should be replaced by a set of industry specific entities or are you adopting the submission of Mr Carter in respect to representative bodies?

Mr Hunt—I am not sure that I am adopting his submission but perhaps they are in parallel. I do not believe you need any such body. If the industry organisations see a need, they should coalesce in a similar way as I understand the wool industry are doing. They are putting up a wool package, a producers' council or something. It is purely voluntary, not funded, not propped up by a levy—that is, government funding. It is just their own amalgamation, their own peak get together. Each individual representative organisation survives on the funding from its own membership and acts in the interests of its own membership.

Senator O'BRIEN—If RMAC has the difficulties in being representative that you say, would it make it so different from any other body trying to, as best as it could, represent the diverse views of any industry or sets of industries, which you might call the red meat industry?

Mr Hunt—You have given the answer in your question in that it is sets of industries. There is the biggest obvious problem—you have from manufacturers to livestock exporters, sheep meat people, cattle people and lot feeders. Their interests do not necessarily coincide. They are often completely at odds or half the issues are irrelevant to the other half. In my view, there is no logic and no positive outcomes from trying to put them together in a legislatively protected manner to sit there with this one-stop shop. It does not work.

Senator O'BRIEN—So the solution, in your view, is not adjusting the model; it is doing away with it?

Mr Hunt—Exactly. I endorse what John Carter said. Obviously it is a huge failing that an organisation such as the ABA has not been given a seat at the table. The answer is not to give them a seat at the table because, with all respect to Mr Carter, that will not solve the problem. He will not be able to wave a magic wand and start getting positive outcomes out of the structure because it is the structure that is the problem.

Senator O'BRIEN—I understand your submission very well. Thanks.

Senator COLBECK—Leafing through the submissions, it appears that support or otherwise from groups ebbs and flows based on whether or not they are actually in the loop. Would you agree that that is a fair assessment?

Mr Hunt—I am not sure that I understand the question.

Senator COLBECK—If you are a peak body and you are getting funded, your support for the model is strong because you have a resource base secured; but if you are not, you have a different view of the world.

Mr Hunt—Certainly, when the structure of the RMAC was being put in place, I know that the AMC historically had a policy in the previous structure not to accept funding from the AMLC because the AMLC used to give limited funding to insure organisations, and they made it deliberate policy because I guess of issues of compromise, of being bound to the hand that feeds them. Those issues were certainly discussed and put on the table at the time that RMAC evolved. The AMC, somewhat to the surprise of many, eventually agreed to accept funding from the RMAC body, I suspect on the basis that if everyone else was, why shouldn't they. But there is an obvious compromise, there is an obvious benefit that flows to an organisation that is receiving funding, and there is an obvious disadvantage to any organisation that is outside the loop, as you put it, who does not have the same access.

Senator COLBECK—The levy structure that exists at the moment obviously has the potential to do a lot of good for the industry if it is applied properly, so that therefore is a significant resource. Also there is the residual fund that funds the RMAC body. Do you think that the industry players as a whole would continue to participate at the same sorts of levels if it became a structure that was not bound up with the sort of legislative support that it has now?

Mr Hunt—I suspect that you would be besieged with representations to the same degree that you are now and to the same degree that you are from every other industry because the fundamental interest is their business interests in their industry, and that is what is driving the representation—it is the driver of the whole operation. I know that that was John Anderson's concern at the time, that the AMLC, by being tightfisted in its funding of industry organisations, had adopted the role of political representation which I think he quite rightly perceived should not vest in a body such as that. The proof has been in the pudding in the wool industry, the pork industry, the cotton industry and the horticultural industry. The world gets on without the equivalent of a red meat advisory council.

Senator COLBECK—Thanks, Mr Hunt.

CHAIR—Before we commence with the Cattle Council, I note that we have received a supplementary submission from Mr John Carter and the ABA. Would the committee give consideration to the publication of that submission? Thank you.

[9.54 a.m.]

ADAMS, Mr Keith, President, Cattle Council of Australia

WYLD, Mr John, Vice-President, Cattle Council of Australia

CHAIR—I welcome to the table Mr Wyld and Mr Adams. If you have an opening statement, we would be most grateful.

Mr Adams—We wish to take the opportunity to make an opening statement. We will be as brief, as concise and to the point as possible. I have brought a copy of a submission along this morning. I am tabling this document this morning. I have provided a number of copies for you.

CHAIR—Does the committee agree to the publication of this document? There is no objection to the publication.

Mr Adams—I will begin with a short presentation and John Wyld will follow. We believe there is no need for change to the current structures. There may be a need for some rationalisation of RMAC and some of that is happening now in the processor representation side of RMAC. I believe that there could well be scope on the production side for some rationalisation as well, albeit not amongst the players who sit around the RMAC table.

During Mr Carter's earlier submission, you would have heard that the Cattle Council had made an invitation to his organisation to become a member of the Cattle Council. As he pointed out, that was on the basis of associate membership, which would allow them to partake in debate and decision making without having a vote and provide them with the rest of the advantages of Cattle Council membership. We believe that there ought to continue to be a separation of powers in the meat industry. A separation between the political and policy side of the industry from the administration and service delivery is in effect what we have now. I understand RMAC are making a submission to this Senate hearing, so we will not touch on any of that.

CHAIR—We have not been informed of that.

Mr Adams—I have a submission that I believe has been forwarded to you from RMAC.

CHAIR—We will write to RMAC today inviting them.

Senator O'BRIEN—Have we received a submission from RMAC?

Mr Adams—It says it was received on 16 August.

Senator O'BRIEN—Yes, we have that. Thank you.

Mr Adams—We believe representation through the Cattle Council state member organisations is quite extensive. According to ABS statistics, in 1999-2000 there were 35,200

establishments whose main income was derived from beef cattle. There is another 27,500 whose main income involves significant contributions from beef cattle. That represents about 19 per cent. The earlier quoted figure represents about 24 per cent.

Cattle Council's state member organisations represent about 25,000 specialist beef producers of a total—from the ABS statistics—of 35,200. That simple arithmetic adds up to about 70 per cent of specialist Australian beef cattle producers. Additionally, the Cattle Council represents a further proportion of beef cattle producers who, whilst they may have significant sized beef herds, may derive their income from other sources such as sheep or grain—or both—sugarcane or a number of other activities. It is very hard to decipher from the ABS statistics exactly what that is and to be more precise. Our state member organisation network has over 62,000 members. It services the industry through a combined annual budget expenditure of around \$25 million.

To add a little bit on the MLA board and structure, the current board is a skills based board. We do not see the need for a popularly elected board. For obvious reasons, we think there are certain skills that are needed at that level which cannot be guaranteed by putting a popularly elected board in place. I will hand over to John Wyld to finish off our submission.

Mr Wyld—The point we would like to get across is that we have a positive view about the industry. Many comparisons have been made, particularly this morning, about other industries. I am a wool grower, and I am aware of the turmoil in the wool industry currently because of the failure of their structures. As a wool grower, I am totally unaware of who does what anymore, because it has been so confused over a long period. We went through period of turmoil in beef in 1998 when Minister Anderson reviewed, revised and reformed the industry. That process diverted an awful lot of scarce energy and resources into internalising all our efforts. At the end of it, out of it came the RMAC, the MLA and structures we have now. Clearly, at the time, they were subject to vigorous argument and debate. I do not think any group entirely agreed with everything that came out of that. However, that was the structure that was determined. Minister Anderson at the time was very keen to see peak councils adequately resourced for the work they do on behalf of all industry, not only their members.

Keith Adams referred to our state member bodies. They have a collective budget of about \$25 million servicing industry needs. The small amount of recompense that the Cattle Council receives from RMAC is in respect of all the work we do on many committees that affect the whole industry. We cannot quarantine the benefits or the issues to our members only; there are always national issues. That is one of the reasons we have the funding. The funding is very much accountable. Business plans have to be submitted to RMAC. Performances have to be measured. Our business plan is on the Internet on our web site. There is nothing secret about it; it is fully available. It is submitted to RMAC on an annual basis and it has to be ticked off by the whole RMAC committee before any funds are handed over, so it is very much accountable.

I think the beef industry has done remarkably well under very difficult circumstances this year. We are world leaders in research. Many decisions made in the US now are based on Australian research, because we are leading the way. We have led the way on QA on farm, ID and the knowledge we have gained out of the MSA research. We are the world's largest exporter. I do not share the view that somehow everything is a failure. Something must be going right, otherwise we would not be achieving all these things in the world markets. Clearly, we have problems in Japan but, over time, they will be recovered. Clearly, we will have to spend

some money to do that. I believe the current structure we have, where we separate the politics out of the delivery, is very important.

One can imagine the sort of election we would run every three years if we tried to have a popularly elected board—simply, the noisiest people with the most money to spend on a campaign would get elected. There is absolutely no guarantee that you would have the range of skills that you would need to administer a board. I am not aware that BHP, AMP or anyone else runs a popular election for chairman—some people may say they should. Most boards have a board selection process of sorts so that these things can be dealt with in a timely way so that the skills that are needed on a board are properly put in place at the next annual meeting. I have opened up on a few topics there. We could respond to some of the other comments that have been made this morning, but I think we will leave it to the committee to form the questions.

Senator COLBECK—I was not aware that your business plan is on the Internet, and I am interested to hear that. I was going to ask you for a copy of it. We have heard in evidence that it has been hard to get hold of, so I am pleased to see it is available. Because I have not seen it, what would you say the key elements of your business plan are?

Mr Wyld—I did not bring a copy of the Cattle Council business plan with me—it is several pages long. Obviously, our vision is to deliver profitable opportunities for all beef producers throughout Australia. There is a whole raft of issues dealing with animal health, marketing of the product, research issues. I could certainly provide it on notice.

Senator COLBECK—I might ask the secretariat to get a copy of it if it is on the Internet. You mentioned the funding that comes in through the industry and that there is a significant levy infrastructure that comes down through MLA. You are also funded as a peak body through the interest on the reserve fund. As I said to Mr Hunt before, obviously it provides a valuable resource for the industry for things like research, marketing and those sorts of things. With a change to the structure, and being aware of the issues relating to levy at the moment, do you think there is a danger that participation levels in that resource might be jeopardised?

Mr Wyld—There is no funding out of MLA.

Senator COLBECK—I understand that.

Mr Wyld—The funding that the Cattle Council receives is partly membership and partly out of the reserves that are held in trust by RMAC. I do not believe there is any less interest in participation because of the funding. In fact, it is probably heightened because we have the responsibility to deliver on behalf of every levy payer out there.

Mr Adams—There is a quite rigorous accountability process that we have to go through for funds that come through RMAC from the industry fund. It is quite comprehensive. We can table the reporting mechanism, if you require it.

Senator COLBECK—I would be interested to see that; thank you. You mentioned the selection process that currently exists with the board process—a popularly elected board. Do you think that the interest in the board structure and how it is put together would be as such if the industry generally was satisfied with the board and how it was put together?

Mr Adams—I think basically most of the industry players are satisfied with the structure of the board now and with delivery from the board as well. There are some quite vocal groups who express a different opinion but, if you look at the representation through the Cattle Council state member organisation network, and if you refer to the ABS figures I have quoted, you will see that by far the greatest representation is through that sector and that network.

Senator COLBECK—On that basis, if largely you believe the industry is satisfied with what is happening, why is there an issue with having a board elected based on perhaps votes aligned to levy payment levels?

Mr Adams—Do you mean a board elected on a regional basis?

Senator COLBECK—No, a board elected on the basis of your vote in proportion to the levy amounts you put in.

Mr Adams—But the board of MLA is elected with processes very similar to that now.

Senator COLBECK—Why would it be any different if you took away the selection process that you put in place?

Mr Adams—If you take the selection process away, as John Wyld quite correctly points out, you will have a popularly elected or a politically elected board of MLA and there are no guarantees that you will get the skills that are necessary to oversee what is quite a sizeable and dynamic industry.

CHAIR—Do you think that is a reflection on the way we elect parliament?

Mr Adams—I will not comment on that.

Mr Wyld—We are not looking for representation on the MLA board; we are looking for skills. We need skills in research, marketing, finance—

CHAIR—It is just the way it was phrased.

Mr Wyld—The other problem we have is with regional geography: if you do not have someone from this area or that area, it always creates animosity. But there are people out there who are going to oppose everything. They have a 30-year history of opposing everything. They opposed the old meat board, the AMLC, the AMLC mark 2, the MLA and the RMAC. It is just a fact of life—you will never get consensus on Saddam Hussein, the GST or anything else.

CHAIR—But don't you think it is better to have someone in the tent than out of the tent, in the old terminology?

Mr Wyld—We agree, and that is why on many occasions we have invited in other groups.

CHAIR—You are better off having the warriors on board to tense up the argument within your own organisation, aren't you? It dinges it a bit if you don't.

Mr Wyld—As you are probably aware, we have worked very hard for unity over many years. Thirty years ago, we had a farmer organisation for every farmer, I think, and we have managed to achieve unity. The trouble is that once you amalgamate you always get a splinter group here or there who are going to keep everybody honest—maybe that is their role in life. Some people do not want to be in the tent because they get more notoriety and publicity by being outside the tent. That is one of the political problems that I think we all face.

Senator COLBECK—How many meat industry groups have you spoken to with respect to their wanting to achieve peak industry status?

Mr Adams—We have spoken to the Australian Beef Association in that regard. We have had no other approaches.

Senator COLBECK—What about the Branded Beef Association?

Mr Adams—We have not had an approach from them. Until we saw the list of participants in the inquiry, we did not know that there was such an organisation.

Mr Wyld—It is also important to note that our structure is designed to evolve policy on a democratic basis. There are nearly 900 branches out there. It is also an organisation used by government and others to disseminate information. That is why it was set up. It is all very well for other groups to say, 'We want to be there,' but do they have a structure that actually delivers policy, consensus or views from the grassroots? It is pretty important to consider, when you are trying to give a national voice, that you genuinely represent the grassroots and that you have a democratic process. I think most of us are elected several times a year to sit here. It is important that we are accountable and not self-appointed.

Senator COLBECK—I am not making any judgment by that. My perception is that some of these groups have appeared through specific interests, including the process that we have just been going through with quota and perception of representation by the structures that exist and otherwise. That is the reason behind my question.

Mr Adams—There are a number of interest groups who are associate members of Cattle Council. They are provided in the submission which we gave you.

Senator COLBECK—Part of the disbursement principles calls on the peak councils to commit resources to provide services to nonmembers. As Cattle Council, how many nonmembers have you provided specific services to?

Mr Adams—We could claim that we are providing a service to every producer and every member of MLA.

Mr Wyld—On page 4, we have a list of all the committees that we are required to be on.

Senator O'BRIEN—When do you think it is appropriate for the minister to go directly to organisations such as yours, and when do you think the minister should go to RMAC for advice? I am wondering when you think the minister should seek advice from a range of industry sectors to then form a view based on all of that input.

Mr Adams—First of all, I think there is some misconception about RMAC's role in the scheme of things. RMAC is not a policy making body as such; RMAC is an advisory body to the minister, albeit advising on industry policy.

Senator O'BRIEN—That is the basis of my question.

Mr Adams—It is entirely the minister of the day's prerogative to seek advice wherever he wishes. In some cases, that advice will come from organisations such as the Cattle Council and other peak industry organisations. When the minister desires some consensus in the advice from the industry in general, I would assume the minister would look to an organisation such as RMAC to provide that advice to him.

Senator O'BRIEN—So there is not any guidance that we should be looking to for an indication of what sort of issues it would be important for a body like RMAC to form a consensus view on?

Mr Adams—I do not believe it was ever the intention that RMAC, as has been quoted earlier, should be a one-stop shop. The minister of the day will take advice from a number of sectors, wherever he thinks he can be best served.

Senator O'BRIEN—There was some criticism this morning about RMAC's non-delivery of advice. You heard that: have you got any comments to make about that?

Mr Adams—I will reiterate the remarks I made to the Senate inquiry on previous occasions, that RMAC was able to provide 100 per cent industry consensus advice. That was not the view of all players in some sectors of the industry because of the commercial interests that were involved. I believe RMAC discharged its duty and gave the minister a set of advice that all of the peak councils that make RMAC up agreed upon.

CHAIR—On RMAC, given that you represent the growers—

Mr Adams—Cattle.

CHAIR—Who has the numbers?

Mr Adams—If we go back to the representation networks: the Cattle Council state member organisation—

CHAIR—If life is all about numbers in assembling a view in RMAC, who have the numbers, the processors or the producers?

Mr Wyld—It is about lineball.

Mr Adams—There is ALFA, the Cattle Council and the Sheepmeats Council on the producers' side, and the National Meat Association and the Australian Meat Council on the processors' side.

CHAIR—So on a difficult issue such as quotas, where RMAC declined to have a view—

Mr Adams—In the last round, we gave the minister a 6-0 consensus view. In the previous round, we furnished the minister with a 5-0 with one abstention view advice from the industry. In the last round of advice, every peak council around the RMAC table voted in favour of that particular advice.

Mr Wyld—In fact, it does not come to vote. It is a matter of consensus because, if one of the major peak councils totally disagrees, they will go out there and say so. RMAC is not the first stop for policies. If the minister requests advice, it is there to do their level best to give him that advice.

Senator O'BRIEN—You have the bodies that make up RMAC and other bodies who, on a particular issue, will have a view and may seek to communicate it. The minister, on the other hand, has RMAC as an advisory tool should he so choose. Obviously, the tension in this was that RMAC came to a consensus on the basis of the collective view of the people sitting around the table. A group of processors vehemently disagreed with that consensus. If you go back to my original question: does the minister have a responsibility, having an advisory body and tasking them to give advice, to look to that advice? Or do we accept what you say, Mr Adams, that that is irrelevant, he can take his advice however he chooses?

Mr Adams—It is there for advice. RMAC provides the minister with advice. It is the minister's prerogative whether he takes that advice or not. It is not of much value me putting forward my personal view on whether he should or not.

Senator O'BRIEN—As a matter of principle, not on the issue. That is the difficulty I have from the start: if the minister has a body that he tasks to give advice—which is put in place under the laws of his government and supported financially—and he asks for advice, I have always thought that that advice should have some status.

Mr Wyld—I think we would agree with that proposition. The difficulty with the US quota was not so much that the peak councils could not agree, it was that the membership within each peak council, or in particular on the meat processing side, could not come to a view. That is where the difficulty was. In the past the AMLC, and previous to that the meat board, handled all these issues internally and they never generated this amount of heat because it was out of the political arena. RMAC was there to give the best advice they could and they gave unanimous advice. It is up to the minister how much weight he gives it; as Keith said, we could probably have a view about that. But he chose not to take that advice.

Senator O'BRIEN—Having said that, should we ascribe a value to RMAC without considering the fact that the minister could not accept its advice?

Mr Adams—RMAC is able to provide some very valuable advice, and hopefully guidance, for the minister and for the government in this regard. I do not think its importance in the scheme of things ought to be overlooked. There are many other things that RMAC has given advice on and deliberated on. There are only a couple of things, and they are both issues that come to mind, that were driven by a lot of commercial pressures in the background.

Senator O'BRIEN—I presume that the role of RMAC is as an advisory body to government?

Mr Adams—To the minister, I believe.

Senator O'BRIEN—Sorry; I think you can interchange the terms pretty well. In terms of financial responsibility, what actual money comes from the minister, as distinct from levies, to fund RMAC?

Mr Wyld—None; it is generated out of the levy or the levies residue left over from the split-up. Minister Anderson, as I referred to before, was very keen to see some money set aside to adequately fund the work peak councils do. It is about \$40 million, and the responsibility is to maintain that fund in real terms, generate enough to keep itself and to fund the peak councils according to their business plans.

CHAIR—Whose head comes off if they cock that up?

Mr Wyld—It is all subject to an MOU, which is jointly between the Commonwealth and industry.

CHAIR—But who actually makes the decision? Who says, 'We're going to invest it there instead of there'?

Mr Adams—RMAC takes advice from specialists in that area.

CHAIR—So who oversees this? You blokes are on RMAC—

Mr Adams—Yes, RMAC oversees that.

CHAIR—Do you sit down around a table and say, 'I think this crowd are charging us too large a management fee to manage this month'?

Mr Adams—Yes. It is the board of RMAC that oversees that process.

Mr Wyld—But it also has two other functions, apart from giving advice or to be there for advice: one is to look after the meat industry strategic plan to make sure it is reviewed appropriately and regularly; and the other is to look after the fund.

CHAIR—If you have a year in which there is a serious downturn in however you have invested the money—which may not have occurred to this point, but could in the future—is there an understanding in the distribution that you will only distribute—

Mr Wyld—It would be reduced. When it was set up, it was not actually amounts that were set up. There was a formula for the distribution of the interest, so that if you do not look after the fund adequately the funds are reduced to the players, to the peak councils.

Senator O'BRIEN—It is truly performance based pay: is that what you are saying?

Mr Wyld—Yes.

CHAIR—Is there a risk in the way the funds are invested, because I have got no idea how they are invested, that you could lose some of your capital base? Are there higher risk investments?

Mr Adams—No. I am a director of RMAC, but I would prefer these questions be directed to the chairman of RMAC, if you want to know that.

Senator O'BRIEN—In essence, the Cattle Council's submission is that the status quo should remain?

Mr Adams—It is that the status quo should be preserved while recognising that there can be some rationalisation in the membership or make-up of RMAC. As I have already said, we are seeing that happen in the processing sector.

Senator O'BRIEN—Obviously, the ABA is a competitor with the Cattle Council for a role. They complain bitterly about what is effectively a right of veto. How should we address their submission in regard to that?

Mr Adams—Are you referring to the right of veto through the MLA process? They simply do not have a right of veto. Cattle Council cannot block a constitutional resolution; none of the peak councils can. That right was removed some time ago at an extraordinary general meeting. We do have the right to block a resolution that seeks to remove us as special members. As far as I am aware, that is the only right that peak councils have.

CHAIR—But, if the ABA became a prescribed body through the grace of the minister, the process that is in place would still require a unanimous vote for them to be on RMAC?

Mr Adams—That is a different area. I would have to take advice on that.

Senator O'BRIEN—Perhaps we should ask the chairman.

Senator BUCKLAND—I am interested in the advice you give to the minister. How do you formulate that advice? As a Cattle Council representative on the body, who do you consult with? Do you go outside the Cattle Council to some of the minority groups?

Mr Adams—No, we consult through our state member organisation network and a very extensive branch network, which every state has. Our policy is generated from the ground up; our policy comes from the state member organisations whose policy is presumably generated through their branch networks. It comes up through the process and is debated at the Cattle Council table. Policy is formed on a national basis there, having taken into account the input from the states. That policy on industry-wide issues is taken to RMAC, where in practice the policy from the other peak councils and organisations is brought together, and in many cases we are able to form a consensus view.

Senator BUCKLAND—But is that a consensus view of the Cattle Council, state by state, or does it take into account any of the smaller industry groups that are not represented directly on the board?

Mr Adams—Besides the state member organisations—which I am sure you are familiar with so I will not run through them—it takes into account the Australian Registered Cattlebreeders Association, Australian Association of Cattle Veterinarians, North Australian Beef Research Council, Australian Business Research Institute, Beef Improvement Association, Young Cattle Producers and, recently, the Southern Australian Beef Research Council.

Senator BUCKLAND—Would you remind me of how many members are on the RMAC board?

Mr Adams—There are six peak councils as members.

Senator BUCKLAND—Would you take me through who they represent once again?

Mr Adams—The Cattle Council, Australian Lot Feeders, the Sheepmeat Council, the National Meat Association, the Australian Meat Council and the livestock exporters.

Senator BUCKLAND—Is it only one member from each organisation?

Mr Adams—It is one director—one member—from each organisation.

Senator BUCKLAND—So do you have input into the sheepmeat industry?

Mr Adams—Not really, no. We would take advice.

Senator BUCKLAND—Would they have input into the beef industry?

Mr Adams—If I can refer to the quota debate: they listened to the debate at RMAC and they formed a view. Although no vote was taken, they were part of the consensus view at the end of the day.

CHAIR—Could a cynic say, though, that in that position it is a case of ‘If you scratch my back, I will scratch yours’?

Mr Adams—A cynic might say that, but in practice that is not happening.

CHAIR—That would never happen?

Mr Adams—No. In practice, there is full debate and a quite rational process at work. This quota debate was something that RMAC agonised over for quite a long period of time, as you can appreciate.

CHAIR—Do you really think that the sheep industry people should have an influence on what happens with the Cattle Council?

Mr Adams—They do not have any influence.

Senator BUCKLAND—In reality, the whole industry is not represented by RMAC, is it?

Mr Adams—The potential is there through the RMAC—

Senator BUCKLAND—But potential is not fact, is it? They are not all represented.

Mr Adams—If they are not represented, it is because they choose not to be.

Senator BUCKLAND—They choose not to be a member of the Cattle Council?

Mr Adams—They choose not to be a member of any of the organisations that make up the Cattle Council's state member organisation network or any of those organisations that—

Senator BUCKLAND—So it has to be an industry closed shop; is that what you are saying?

Mr Wyld—We are not like the unions, Senator; we are quite open.

Senator BUCKLAND—It sounds worse than the unions.

Mr Wyld—Everybody is open to join, and when you sit at RMAC—

Mr Adams—There is no compulsory membership.

Senator BUCKLAND—So if you are not a member, you are not represented? That is the reality.

Mr Wyld—You are in fact, because part of our duties at RMAC is to represent the whole industry. That is why we are funded out of the fund: because of the work that we do in representing everybody. Nobody is free from lobbying.

Senator BUCKLAND—You are not representing everybody, because not everybody is getting a say—only those who happen to be members.

Mr Wyld—Isn't that true in parliament—that if someone is not a member of a political party they are not represented? You have to represent everybody in your electorate, whether they are a member of your party or not.

Senator BUCKLAND—It is somewhat different.

Mr Wyld—Is it?

CHAIR—Senator Buckland, I think you have probably made your point.

Senator BUCKLAND—I think I have.

Senator COLBECK—Having spoken to a couple of the RMAC board members at the Beef Australia 2003 launch the other week, I am aware that there are some changes within the structure, and I think that is welcome. Would it be fair to say that those changes are occurring because of external pressures such as this inquiry—that the industry has decided, 'If we do not do something about this issue ourselves, somebody is going to do it for us'?

Mr Wyld—There is probably an element of that, but the amalgamation of the two meat organisations is something that they have been trying to achieve for as long as I can remember. The wheels have always fallen off at the eleventh hour—but I think this is going to happen. I do not think it is really to do with pressure on RMAC. The impression has been gathered that everything we do finishes up at RMAC; that is not right. The only thing that goes to RMAC is if the minister requests advice. Most of our policy making is dealt with at the peak council level. The amalgamation of the meat organisations would be something that everybody desires because disunity is always a problem. It is a difficult challenge; there are a range of different operators within those meat companies.

Senator COLBECK—We in the political industry also understand disunity, I can promise you! You commented on the 6-0 consensus on the US quota decision; it would have to be qualified, particularly after this committee's hearings. From my perspective, players came in and said, 'We support the industry' or 'We support the RMAC model, but—' and then went on to put forward a different slant or perspective completely. That is one of the reasons that my view of the current RMAC model became jaundiced—because we were being told up-front, 'This is the consensus, but this is what we really think.' It is very difficult to have faith in the integrity of the system when you are getting different views and in some cases the same people coming back in two or three different submissions.

Mr Adams—I see nothing extraordinary about that. Cattle Council's policy on the quota, for example, was not aligned 100 per cent with what the consensus view at RMAC was. I think you could say the same of every member of RMAC: they had a certain view and it was through discussion and debate, and some slight change in policy, that they ended with a view that the six players around the table were able to support. It probably was not consistent with the policy that they went in with.

Senator COLBECK—As representatives of the cattle growers, how do you feel your members came out of the overall system? I would have thought that they were probably going to be the biggest losers no matter what happened.

Mr Adams—Looking at the recommendations that RMAC made, we believe that was the best that could have been achieved for the industry at the time.

Mr Wyld—There is no doubt quota arrangements always disadvantage producers no matter what scheme you use.

Mr Adams—It all goes backwards to the saleyards.

Senator COLBECK—I agree.

Mr Wyld—We have to maximise the competition in a bad set of circumstances.

CHAIR—How would you describe who the Australian Lot Feeders Association represent? At the end of the day, are they dominated by processors?

Mr Adams—I understand they will be presenting evidence to the hearing later on—

CHAIR—Take a deep breath and answer.

Mr Adams—They have a number of quite large feedlotter and some of those very large feedlotter have processing interests as well.

CHAIR—I think there are some lovely toasted ham and bacon sandwiches for morning tea, so we will adjourn for morning tea—they are disguised as dry Sao biscuits. Before we do that, I wish to announce that we are bringing forward the Australian Meat Council to 11.30 a.m. and AFFA to 12.30 p.m. We will conclude at 1.15 p.m. Thank you.

Proceedings suspended from 10.37 a.m. to 11.00 a.m.

SEWELL, Mr Robert James, Executive Director and Company Secretary, Australian Lot Feeders Association

CHAIR—Welcome. Would you like to give an opening statement, and then we will ask some deep and meaningful questions.

Mr Sewell—I would like to put in an apology for Mr Sandy Maconochie, the president of ALFA. We had only one week's notice of this meeting and we had our conference last week, and being a one-man operator and having an honorary position as chairman, he was not able to make it.

We have submitted two previous submissions to the Senate that have covered some of the issues that you are covering in today's committee meeting. Consequently, I have not prepared another update on those statements that we have made in the previous submissions but I would like to review a couple of those items that were in there and also a few of the comments that have been made so far today.

I think it is important that the senators understand that RMAC is not dysfunctional. We have said a number of times that RMAC is a forum that was put in place under a political decision to provide advice to the minister. At no stage was it ever intended that the individual members of RMAC would be bound solely by an RMAC decision. If they felt that they had issues under their own particular sector, they could quite easily make their own submissions to anybody without fear or favour. For that matter, I think that is possibly why you have got a disappointment in that RMAC perhaps have not been as forthright coming forward on this particular issue as you probably wish they would have been in that the chairman is one of the members of RMAC. He is not an independent chairman. He has his own independent policies to work with from a sheepmeat perspective in this case. But it is up to the individual members of RMAC to be here and talk to you about how we see RMAC, not how RMAC sees itself, because it is coming from a different perspective as being a policy directive body. It is a forum more than anything else.

The RMAC's role, its compliance and its effort, in terms of what it was originally set up for, we have said in our submission that we believe it complied 100 per cent. As you have heard a number of times this morning, it delivered a unanimous decision to the minister. The problem started when the minister refused to accept that recommendation and then opened it up to a great many other individuals and groups to talk to him, which he is entitled to do. But RMAC did deliver on the day.

Also, you have heard that it was under a great degree of compromise that that recommendation was made. After the minister refused to accept the RMAC decision, the individual members of RMAC said that if it was going to have a separate inquiry, which we have been through twice before with you, individual members of RMAC had to put their own case. That is what happened. That is why you have seen a split from the RMAC recommendation, because it was ignored initially by the minister.

So we would say to you that RMAC was part of the political decision that John Anderson put in place when he was the minister. From a feedlot perspective, we did not agree with the

restructure principles. We were talking up to that stage that perhaps it was a good time to have a beef only council—Beef Incorporated or something along that line—because, to be quite open about it, the beef and the lamb industries have got quite a lot of competitiveness in the marketplace.

A number of the recommendations that the minister put in place—such as MLA and RMAC and their make-up, how they were managed and how they were elected—we did not agree with, but the political decision was made and we decided, ‘Well, there’s nothing much we can do about it; we will work with the system.’ I think you have to keep in mind that virtually all the peak councils have tried to make the system work that we were given.

With regard to the MLA side of it, the political decision was to have the MLA as a service provider company. There was never any intention that it be a policy body, and that is the way that ALFA in particular has made it work. We have around our own board table 12 active managers of feedlots, and they have the expertise of knowing what goes on with the industry. More importantly, we make contact on a regular basis, not only with the ALFA members but also with every accredited feedlot in Australia. There are only 700 of them, and we can talk to them overnight in a fax. So we consult on policy, we consult on what are the best programs that suit them from a marketing and R&D perspective, and we keep in touch with them as industry crises come along and provide the information. So from a feedlot perspective we believe the way the MLA works is what John Wyld said earlier: provided that the board have the skills for management to be able to manage a fairly extensive staff in progressing the various programs and projects—expertise in funding, expertise in investment and expertise in human resources—the expertise in the production sector is not necessary because that is around the individual members, the peak councils, who are given the role within the new structure of developing policy for the individual sectors.

That is what we do, and we believe we do it well. We have a very good relationship with MLA in developing the programs. MLA will say to us, sometimes, that they think we are in the kitchen with them, but we make no apologies for that because we do not have a lot of money from a feedlot perspective—we have about a \$7 million budget from levies—and that is very carefully measured as to where it will best give the value in a particular program. We change the mix every year from marketing to research to meet the program that we pick. I think we have been working reasonably well with the system we have got. It is not perfect, but again, when Mr Carter talks about an election among levy payers of the popularly elected members of MLA, it is different—we are looking for skills other than for production. We are saying to you that the production expertise is around the tables of the peak councils.

There have been many attempts, of course, to change the MLA constitution, as Mr Carter pointed out. I think the one coming up in November will be the fifth attempt to change the constitution. Each time it has failed miserably. It has not reached a 50 per cent majority, let alone a 75 per cent majority. There is a significant cost involved in putting those things forward. We had a special general meeting, in fact, at one time, and that cost the sector a significant amount of money. If the phrase is ‘status quo’, we think that RMAC has a role. If you look at what it was set up to be, it is not the be-all of policy development—that belongs to the individual members and their sectors. It has achieved: it has done what it had to do. It also came up with a recommendation with the EU quota, as you are aware. Again that was rejected and again that fell into a fair bit of political debate.

The other issue I want to touch on is the issue of peak councils receiving funding from interest from reserves. ALFA receives about \$200,000 a year from industry reserves that are managed by RMAC. We report on that on an annual basis. We have to have our own auditors go through to be satisfied on the cost centres and that the costs were actually incurred.

Most years, I personally average between about 150 and 160 meetings to do with the meat industry, and 99 per cent of them are whole of industry related. They are nothing to do with ALFA membership; I just do not get the time to do that. This year there are probably closer to 170 meetings. According to my diary, this is the 19th day I have spent on US quota type review panel consultations. They are the issues that are of whole of industry benefit. We believe there is full justification for getting assistance in progressing whole of industry matters. As I said, nearly all my time, and all the time of one of my executive officers, is spent on whole of industry issues. There is no way really of quarantining any victories or wins that you have or any progress that you make.

We have a significant number of free riders in the country. Every association has them. Then there are those who wish to progress their industry, to be part of their industry, and who are prepared to pay a membership. Peak councils have voluntary membership and they have to work with that. In the industry restructure, we were given the responsibility for representing the total industry. We have taken that on board. We receive \$200,000—which is close to a third of our income—each year, and we would miss it. If we did not have it, we would not be working for the industry; we would be working solely for our membership.

We are required under the MOU to give justification of our expenditure and we provide that. I would be quite prepared to give the Senate a look at our latest report for the last financial year. Our actual costs for servicing the whole industry were \$340,000, of which we got \$200,000. Our members are cross-subsidising those whole of industry matters. We have had that situation for the last three years. This year we have probably had a better percentage than we have in other years. We may not agree with the system but we have a system in place. Any change to a system is a destabilising time—it takes a long time to get settled in—and I do not think it is broke.

CHAIR—You say that there are 12 board members in ALFA.

Mr Sewell—Yes.

CHAIR—How do you get on the board of ALFA?

Mr Sewell—We have an annual general meeting each year, which we happened to have last week. Every member of ALFA is able to nominate, and we have an election based on the members' poll.

CHAIR—Where do you see the balance of ALFA's representation being? Do you think you are a processor representative or a producer representative?

Mr Sewell—It is interesting. I was smiling when you asked that question. I think the processors probably think we are producers and the Cattle Council sometimes think we are processors, because a lot of the time we fit in the middle on policy areas. Most feedlotter are small, of course.

CHAIR—What does your board represent? How is it split up?

Mr Sewell—We have everything from the fully vertically integrated down to the smaller feedlot.

CHAIR—Who has the majority? Are they producers or processors on the board?

Mr Sewell—This year I would say we probably have more producers, or it would be about six-all, I would suggest.

CHAIR—You say your annual budget is \$7 million?

Mr Sewell—Yes. That is from levies for which we are responsible to develop policy. I am talking about cattle transaction levies.

CHAIR—Do you earmark the \$200,000 you get from RMAC?

Mr Sewell—Absolutely.

CHAIR—Do you report back to RMAC on how you have spent it?

Mr Sewell—That is right. We are required to put up a business plan each year. The money is not to be used for agripolitical purposes or general membership purposes.

CHAIR—You cannot use it on the Christmas party.

Mr Sewell—No. We justify every cost centre. For every cost that we put through—we do it on a monthly basis—we apportion meeting costs according to what the issue was.

CHAIR—Where does this committee find that accountability report?

Mr Sewell—That accountability report is required to go to AFFA and then through to the minister.

CHAIR—Would you care to provide that report?

Mr Sewell—I would be more than happy to provide you with our last three reports if you want them.

CHAIR—Thank you very much. That would be great.

Senator O'BRIEN—I asked the Cattle Council about the role of RMAC versus bodies like yours and about what weight the minister should give to a recommendation he sought from RMAC as against the view of an industry participant or body. Does ALFA have a view on that?

Mr Sewell—Yes, our answer would be a very simple yes. He should have taken the recommendation from RMAC because it was not as if RMAC is not representative. I challenge some of those discussions of earlier in the day. RMAC spent about \$44,000 on getting some

expert advice. Every party was asked to come on two separate occasions to put their point of view. As you well know—and I think you have probably seen with your previous Senate inquiries on the US quota allocation—you will never, ever get a consensus. There is always going to somebody who is disadvantaged.

I think that, when you look back at it now, the RMAC decision looked exceptionally good. It would have been off and running now. People walked away from that meeting with a unanimous decision, and they would have stuck with it if the minister had agreed with it. It might not have been popular with everybody, but we would have stuck with it. As soon as it was not agreed to it, it opened up Pandora's box and it was actively encouraged, really, to start shooting it down. So, given it was in place as the ministerial advisory body, that was what it was there for and we believe the minister should have taken heed of it.

Senator COLBECK—In the circumstance of a clean sheet of paper—you said before that you had problems with the structure when it was first set up and you have obviously become accustomed to working with it—what would be your ideal model? I understand that we are going back in history a bit, but you would obviously have a view.

Mr Sewell—Basically, I think some our concerns at the time have probably been allayed somewhat. We were coming from the Australian Meat and Livestock Corporation, which was very much top driven. Policy was coming from a board that was selected by committees. From a production point of view, ALFA had very little consultation with those policy decisions. We had very little part to play in our own destiny. With this current structure we have found that we have been able to develop policies, because we do have separate policies and needs to the grass-fed industry. We have different R&D requirements and we have a different product for marketing.

There are a lot of issues, such as food safety and market access, we agree on. We all have a general requirement on those issues and we have very good joint working relationships with every sector on those broad issues. But we do have separate requirements, and there are no better people to start looking at what the requirements are than a properly constituted, representative group of those who are in this particular sector. That is what we have around our table. We have 12 directors—who manage everything from 50,000-head feedlots down to 50-head feedlots—and we get the cross mixing; it is a good interaction. As I said, we have only had one case in four years where we have sent out recommendations for policy and had significant changes recommended by our members. I think that is a fair indication that we have the representative people on our board.

Senator COLBECK—That is obviously your sectoral industry structure, but I am talking about on an overall industry basis.

Mr Sewell—Again, from an MLA perspective, we are happy with the way that the management of the marketing and R&D programs works currently, with MLA having the expertise to manage the programs and projects that are given to them. We get a lot of feedback from them. They recommend to us particular programs. Sometimes we accept them and sometimes we do not; sometimes we modify them. I think that works reasonably well.

As far as RMAC is concerned, as I said earlier, you are never going to get to the stage of having a cohesive policy body. It is pie in the sky stuff to think that you are going to have

another new industry structure and prevent associations such as the peak councils being able to lobby on their own behalf. It just will not happen. I think RMAC is as good as you are going to get as far as being representative goes. And I think it has a history of working well together.

CHAIR—I would like to come back to this interesting question of who you are. Do the majority of your organisation's members purchase their cattle to fatten them?

Mr Sewell—Yes, the majority do.

CHAIR—So in fact you do not represent the growers.

Mr Sewell—No, I did not say that. We are a bit of a mixture of both.

CHAIR—But it would not be in the interests of the growers if most of your members have to take the growers on in the sale yards or at private sales.

Mr Sewell—No. We do not say we represent producers; we represent our sector, which is a value added sector in the middle of the two.

CHAIR—I was just trying to get an idea of the balance in RMAC. Would it be fair to say that the best interests of the growers are not represented by your organisation?

Mr Sewell—Yes. That is why we have a separate peak council.

CHAIR—As there are no further questions, thank you very much for your attendance.

[11.20 a.m.]

HETHERINGTON, Mr William, Chief Executive Officer, Australian Meat Council

CHAIR—Welcome, Mr Hetherington. Would you like to make an opening statement?

Mr Hetherington— I offer apologies on behalf of Roger Fletcher, who could not make it today. I have a short prepared statement. The Australian Meat Council wishes to thank the committee for the opportunity to appear before it today. I advise that my comments today are also endorsed by the National Meat Association. I will not detail the functions of RMAC, as those are well understood by the committee. However, I do wish to stress that, in our view, RMAC has delivered advice to government on all matters referred to it. There have been some highly charged issues—such as certification reform and particularly quota management—where RMAC has delivered consensus advice from industry. In the case of quota, this advice was not accepted by government. However, I do not believe this constituted a failure by RMAC. In future, I believe closer cooperation with RMAC by the minister’s advisers and departmental staff will assist in an alignment of desired outcomes. I would like to take this opportunity also to place on record that the directors of RMAC are all commercially active in the meat and livestock industry, albeit in different sectors. I believe this commercial background and experience has been invaluable in ensuring decisions are taken from a commercial perspective.

In relation to the wider question of industry structure, the committee needs to be cognisant of the good work undertaken by Safemeat in ensuring ongoing market access for our red meat industry. The issues managed by Safemeat concern food safety only and therefore tend to be less politically contentious. Safemeat is nominated under the MOU to fulfil this role. It is a true partnership between government and industry and, I believe, would be the envy of our competitors.

Safemeat ensures that Australia remains at the forefront of food safety developments and issues. It has identified eight key programs, each of which has defined timing and funding. They include: standards and regulations promoting quality based systems; emergency management, to cope with food safety emergencies quickly and effectively—and I believe we have a strong record in that regard; animal diseases, such as the instance of surveillance for BSE; residues, which unfortunately affect us all too often; pathogens, and risk based research and management of pathogens; systems development, including the national vendor declaration and animal identification programs, including barcoding; biotechnology, including attention to the emergence of gene technology; and communication and education, which are ably managed by Meat and Livestock Australia.

In summary, the AMC believes that industry structures must always remain subject to review but that the current structure has resulted in some very positive outcomes. One positive outcome I have not mentioned is the AMPC—the Australian Meat Processors Corporation—which, as part of the restructure, is voluntarily funded and again has been successful in gaining support from processors throughout the country. There are a small number of free riders, but the organisation is still a very functional one.

CHAIR—What is your annual budget?

Mr Hetherington—For the AMC it is about \$1 million a year.

CHAIR—You got \$420,000 last year?

Mr Hetherington—Yes, that is correct.

CHAIR—How do you account for that?

Mr Hetherington—Account for the use of it?

CHAIR—Yes.

Mr Hetherington—The same procedure, as agreed under the MOU. We have a business plan that is scrutinised and audited, and those records are sent to the department and through RMAC's secretariat to the minister.

CHAIR—Could you make that available from the last three years?

Mr Hetherington—Yes.

Senator O'BRIEN—I wanted to ask the same question about AMC's view of whether it thinks it is appropriate for the minister to go to direct to organisations like yours and when it is appropriate for the minister to go to RMAC for advice.

Mr Hetherington—The minister, as has been said previously, is entitled to take advice, but I would have thought that RMAC, being funded the way it is funded and bringing together the peak councils, should certainly be listened to.

Senator O'BRIEN—RMAC does not give gratuitous advice, does it? It responds to a request for advice.

Mr Hetherington—It has responded to every request it has been given to the minister.

Senator O'BRIEN—Does it advise in circumstances other than when advice is requested?

Mr Hetherington—I cannot recall any. Recently, it requested some information from MLA on the effects of the current drought. I am not sure if that information has been passed to the minister, but by and large it waits for the minister to request advice.

Senator O'BRIEN—Is there a case to broaden the representation on RMAC?

Mr Hetherington—With what the AMC and the NMA are trying to achieve in coming together, the answer would be to consolidate rather than expand numbers on RMAC.

Senator O'BRIEN—I suppose it is always difficult for industry organisations to represent every view. Given the commercial ramifications of advice, is there a case to perhaps override the unification purpose and have as many views as possible represented?

Mr Hetherington—The challenge is for those who are on RMAC to ensure that they are bringing to the table the diverse views. I have a feeling that if you expanded the number—and I am not saying that that should not happen—in a practical and a workable sense, it would become probably even more difficult to get consensus. The balance then is between the difficulty in getting consensus and a group not being heard, and I appreciate that.

Senator O'BRIEN—Is there a case to separate the beef sector from other sectors?

Mr Hetherington—I can only say that in my view we are a red meat industry. There was quite a desire for a restructure at the beginning of the year to consider a sheep-beef split. There are probably a lot of areas where we have commonality and some areas where we are actively against each other. Similarly, with the livestock export industry, obviously we are competing with our own live animals in the Middle East. It is a tough one to answer but, in terms of representation, my view is that we would probably be better off at this time staying with a red meat focus rather than a species split.

Senator O'BRIEN—Which groups on RMAC represent both sectors?

Mr Hetherington—Sheepmeat Council represents sheep meat. Livestock Exporters represent both. Certainly the AMC and the NMA, as processing, exporting, retailing sectors, have interests in both.

Senator COLBECK—You mentioned the amalgamation discussions you are involved in at the moment. In your view, what have been the key imperatives to that?

Mr Hetherington—The industry is a shrinking industry in terms of processor numbers; it is also a shrinking industry in terms of retail outlets. The supermarkets account for a very large percentage. In previous times, there was a more clearly defined division in so much as the NMA tended to represent the domestic retail side of the industry and the AMC, or the AMEFC as it was then, represented the export industry. But that has become a very grey area now and with the decreasing numbers of processors and so forth, it is eminently logical to try and put something together that is more functional.

Senator COLBECK—You said in your submission that the government previously did not interfere—I am interested in that as a term—in quota allocation policy. Where do you see that being best managed?

Mr Hetherington—Was that in the AMC submission?

Senator COLBECK—Yes. It says:

This is one of the fundamental changes that has occurred since July 1998.

Do you think it is best left in the industry's bailiwick to manage or for the government to deal with?

Mr Hetherington—There is no doubt that when it was managed by the AMLC as a statutory body we never encountered the intensity of debate that we have had. It is not a simple matter of saying, 'It's now with government, let's pass it to the MLA, which is not a statutory body.' So it

is quite an issue for us. Clearly, it has been highly charged and there must be a better way of managing it.

CHAIR—Is it your considered opinion that the growers' interests have a balanced representation in RMAC?

Mr Hetherington—My view is that there is a high degree of cohesion within the players in RMAC. When you think that the directors are changed generally annually there is still quite a strong degree of cohesion. I have not detected any real differences of opinion on policy considerations between the Sheepmeat Council, the Cattle Council and even the live exporters and ALFA. From our perspective, ALFA and the livestock exporters are seen as more producer groups than processing groups. I think RMAC's problems have perhaps stemmed more from differences within the processing sector sometimes.

CHAIR—One of the challenges in representing the growers in a body that does not have a grower majority is that, as we all know, it goes backwards. Any misfortunes or bumps in the road are always passed backwards to the poor old bloke who backs the truck into the saleyards. Thank you.

[11.33 a.m.]

NEGLINE, Mr Andrew Joseph, Member, Australian Branded Beef Association

POINTER, Mr Michael Alexander, Joint Convenor, Australian Branded Beef Association

CHAIR—I welcome to the table the Australian Branded Beef Association. Would you like to make an opening statement?

Mr Pointer—We have made a submission to this committee, but we would like to make some comments before you quiz us on it. Basically, we believe that the industry advisory structure is generally satisfactory. However, we think that it needs to be more open and inclusive. The Australian Branded Beef Association represents an emerging sector of the beef industry that is not a constituent of any of the existing industry bodies. In fact, we believe that our constituency is probably the most important stakeholder group, and I apologise for the pun, in the beef industry and that is the consumer.

As indicated in our written submission, the current group of successfully operating branded beef products are a result of the MLA's substantial investment in the BeefNet program that was implemented with the intention of developing branded beef products through alliance programs.

Many of these alliances are modelled on similar successful alliance programs operating in the United States, where there are now 53 major branded beef programs operating, and they will be supplying 50 per cent of the US market by 2005. In Australia, we are shadowing that development but at a faster rate of acceleration. One of our members, Certified Australian Angus Beef, with which I am involved, is in exactly the same point of its development in year six of its existence as the certified Angus beef program in the United States was in year 12 of its program. That certified Angus beef program will sell this year 250,000 tonnes of product. It is currently in year 22 of its operations.

This association was formed by a diverse group of Australian branded beef products as a result of the closed club-like nature of the current industry advisory structure in Australia. During the initial consultations on the US quota issue, the interests of our members fell through the cracks of the current structure and were not even considered in the first round of advice that was tendered to the government. A number of our members then made submissions to this committee, government and industry, some of which were recognised and others not. This association then approached RMAC, who handpassed our request for a consultation to one of their constituents representing producers, who proceeded to ignore our interests. We believe that that RMAC response was inappropriate. In fact, it was not even a formal response.

We have recently heard that some members of RMAC suggest our interests could be represented by the merged AMC-NMA entity. We also think that is inappropriate as the processors also are not our constituency. The branded beef programs are an emerging sector of a dynamic and rapidly changing Australian industry. We believe that that dynamism must be recognised, as must inevitable change in the industry. We have together submitted to this committee that an appropriate outcome from this inquiry would be for the committee to recommend that the Australian Branded Beef Association be nominated as a prescribed body

under the act or otherwise appropriately recognised within the industry and thereby ensure a more open and inclusive industry advisory structure.

I was somewhat surprised earlier this morning when the Cattle Council, in answer to Senator Colbeck's question about the Australian Branded Beef Association, said that they did not know about them until a submission to this committee was noted. I would just like to refer to an email we received from RMAC on 3 September in response to our approach to RMAC that stated that, at a meeting which was held on 3 September:

The Cattle Council of Australia undertook to keep you fully informed and to ensure your views were put.

I think that that has demonstrated that all that has happened so far is that those cracks have got a bit wider.

CHAIR—Thank you very much. Mr Negline, have you got anything you want to add?

Mr Negline—I fully support Mr Pointer's statement. From our point of view, Hereford Prime Ltd represents 650 shareholders. Pre-drought, between us, we owned 750,000 breeding cattle. It is significant enough for us that we are a meat business. We are not a breed society. We want to have our own opinion in this industry.

CHAIR—So you are very much producer based?

Mr Negline—Correct. We are talking about active producers who want a stake in this industry, not today but in the future.

Senator COLBECK—Do you believe that perhaps the government would be best taking advice from individual peak body units rather than the structure that we have at this point in time? If that is the case, how would those groups be identified?

Mr Pointer—As I said at the outset and we said in our submission, the general structure is satisfactory. What is required is for the peak group, in this case, RMAC, to have the opportunity of getting the views of all the participants in the industry.

We believe we represent a group that up until now has not been represented and its views have not been heard. They are not adequately represented by any one of the current peak councils because, in the alliance programs that we represent, all those alliances deal with each sector of the industry to look for a common outcome. If we tried to break apart the current structure, as somebody said earlier, and we had, say, 20 different bodies, the government would get 20 different sets of advice.

Senator COLBECK—You said that the industry is evolving and changing quickly. You are obviously an emerging sector in the industry. How do you manage the process of accommodating those changes and those emerging sectors? What process would you suggest be put in place to manage the industry to ensure that those voices and representations are heard?

Mr Pointer—Through processes like this, where those emerging and changing areas of industry can be tabled, recognised and discussed. Also, the major peak industry body could be consultative with what is happening in the marketplace.

Senator COLBECK—You are essentially suggesting that they are not necessarily in touch with everything that is going on. Obviously, you stated in your presentation that they are not representing your particular sector.

Mr Pointer—Correct.

Senator COLBECK—If they are not doing that, how are they going to take on board the fact that you are around and you want to get in?

Mr Pointer—In some respects, the ball is in our court to put forward our case to them, which we did. We were handballed aside to Cattle Council who, on the one hand, say that they have undertaken to keep us fully informed and to represent our view and, on the other hand, they come into this meeting and say that they have never heard of us.

Senator COLBECK—So what structure do you put in place? We do not want to be sitting around this table every time there is a change in the industry, having to review it. Obviously, the minister has some restrictions on how he can make an appointment. There is essentially a capacity for veto by the RMAC board. What changes would you put in place to ensure that an emerging interest can be heard?

Mr Pointer—The position that we have put is that we believe that we should be nominated as a prescribed body and then have the opportunity to negotiate with the other peak councils under the existing memorandum of understanding to become part of that RMAC organisation.

Senator O'BRIEN—As I understand it, your organisation represents growers primarily rather than processors.

Mr Pointer—No, the branded beef programs are alliance programs that are operating with producers, feedlots, processors and the distribution end of the industry. In fact, the constituent members are involved in all aspects of producing components for a beef meal. They range across that whole range of activity.

Senator O'BRIEN—We have representatives for processors, for feedlots and for producers. You span all three. What would your membership, if it were mandated, add to RMAC other than a sectoral view?

Mr Pointer—We would bring a whole of industry focus and the beef consumer focus to the peak body.

Mr Negline—We would bring the change that needs to happen in this industry. That makes it exciting and different. That is something that has not been listened to on this occasion.

Senator O'BRIEN—You have expressed a criticism of the Cattle Council. What about lot feeders?

Mr Pointer—In what way? Our criticism of the Cattle Council is purely and simply that, on our approach to RMAC, the Cattle Council undertook, as I have said several times, to keep us fully informed and to represent our interests. That may well have happened with ALFA, but it did not.

Senator O'BRIEN—They did not give the undertaking but they may well have represented the interests of your sector in so far as it intersects with their organisation.

CHAIR—Are you a member of ALFA?

Mr Pointer—No. But most of the feedlots that feed the cattle that go into the various branded beef programs are ALFA members. All of the branded beef products that I am aware of require, in the case of their cattle being lot fed, that they are lot fed in ALFA accredited feedlots.

Senator O'BRIEN—Presumably a lot of the product from your sector would have gone into the EU high quality beef quota area.

Mr Pointer—Some, but it has gone right across the board. A lot of it is sold domestically.

Senator O'BRIEN—But obviously the branded beef sector would be a sector with a keen interest in that market, you would have thought.

Mr Pointer—Certainly.

Senator O'BRIEN—What consultation was there with your organisation in relation to that quota management arrangement?

Mr Pointer—None.

Senator O'BRIEN—What representations did you make to RMAC about that issue?

Mr Pointer—When that issue was being discussed this association had not been formed. Some of the members had made individual representations.

Mr Negline—I might add that, on the current situation for us into the EU, we have made direct representation to AFFA regarding EU access. However, once again we have to work through our processor to determine our outcome.

Senator O'BRIEN—When was the Australian Branded Beef Association formed?

Mr Pointer—It was formed during the course of this committee's inquiry into the US beef quota management issue, and directly, as I said in the opening remarks, out of the fact that as part of that initial consultation our members and their interests fell through the cracks.

CHAIR—Was part of that because the process itself in quota management included the processor of record as the keeper of the quota? Is that the major disadvantage?

Mr Pointer—One of the reasons, yes—and an important reason. We have noted your interim recommendations on that matter.

CHAIR—Do you think that that recommendation would have come forward if you had not put your head up?

Mr Pointer—Perhaps I should be asking you that question, Senator. I would like to think that it would not have come forward if we had not put our head up.

Senator O'BRIEN—I understand the position of branded beef. The difficulty with the submission is obviously that each of the sectors you represent already has someone on RMAC.

Mr Pointer—Yes.

Senator O'BRIEN—I am not sure what the solution is—whether duplication is necessarily the way to go. Maybe there is another solution. You previously asked for some sort of commitment to consultation. Is that a solution—that there is a firm commitment to consultation with your organisation from RMAC?

Mr Pointer—If there was a firm commitment directly from RMAC for consultation with us, that would be a very good solution.

Mr Negline—One of the worrying things, and we did things through the right channels, was that the leadership in that organisation did not show any positive signs that it wanted to recognise us. Lack of strength in leadership is not something this industry needs. I think, given the right circumstances, someone who was close to industry would know and recognise this and our needs as a growing concern for this industry.

Senator COLBECK—When you had your discussions with RMAC and Cattle Council, was there any structured process put in place for consultation? Basically there was a meeting and an agreement that you would be kept in the loop. Was there any discussion about how this consultation or keeping in the loop process was going to happen?

Mr Pointer—None whatsoever. We have not had a formal meeting with either RMAC or Cattle Council. We wrote to RMAC and our correspondence was tabled at their board meeting. As I said, we have never had a formal reply to our formal request to them for consultation. We actually nominated a number of issues that we were aware that RMAC was going to be discussing that were of direct relevance to our members' activities. The only correspondence we have had as a consequence of that is the email that we received that I have quoted two or three times already.

Senator COLBECK—What were the issues that you were talking about?

Mr Pointer—Quality assurance and MSA grading were two of the major issues, and at that stage the US quota management issue was one that was also under consideration.

Senator COLBECK—Were they listed just as issues, or did you provide an opinion as to your view on those issues in your letter?

Mr Pointer—We wrote to RMAC and said, 'We understand that these are issues that you will be addressing; they are matters that we have direct and considerable interest in and we would like the opportunity of reviewing them and discussing them with you and having our views put forward to you.'

Senator COLBECK—So at this point of time you have not had the opportunity to put your perspective on those views at all?

Mr Pointer—No.

CHAIR—Given that you represent, as you say, a whole of industry approach to cattle, do you think there is a dominant force in the present structure? Do you think one particular segment of your whole of segment approach to the thing dominates the present advice stream to the government?

Mr Pointer—I think that the advice to government is being dominated by the processor and producer groups. It seems to us that they are the two predominant groups.

CHAIR—Do you consider that to be a fatal flaw in the long term?

Mr Pointer—No, not fatal. As we have said, we think that whole process just needs to be a little more open and inclusive.

Senator BUCKLAND—I presume that before the creation of Branded Beef Association your members would have been members of one or a number of industry organisations.

Mr Pointer—Probably not—some of them may have been and some constituent parts of those memberships may have been. A lot of the branded beef programs operate in different ways, so they could have areas that are part of those other associations. For instance, in the program that I am involved with, I know that the processor that we use is a member of the Australian Meat Council, I know that the feedlots that we use are members of ALFA, and some of our producer members, not all of them, are members of the constituents of Cattle Council.

Senator BUCKLAND—I think you mentioned something earlier about Hereford Prime Ltd's 650 shareholders. Is that the company's size?

Mr Negline—That is correct.

Senator BUCKLAND—What about the others; are they all of a similar size or magnitude?

Mr Pointer—No, they vary quite substantially in size, structure and modus operandi.

Senator BUCKLAND—So what is the real agenda for branded beef at the moment? Is it to get recognition and consultation with the peak body or to get a seat on the board?

Mr Pointer—To have its voice heard in policy matters in the industry that are affecting our members. The one thing I can assure you that is not on our agenda is looking for a share of the income from the pie that is about at the moment. If that happened, that would be a different story. But we are not looking for a share of the \$40 million, I can assure you.

Senator BUCKLAND—So it is not necessarily board membership that you are looking at; it is simply to be heard and to be involved in the process?

Mr Pointer—That sums it up very nicely.

CHAIR—Do you know how the RMAC disbursement to the peak bodies is spent?

Mr Pointer—Only what we read in their reports. That is as much information as we have about it.

CHAIR—But you do see it in their reports?

Mr Pointer—Yes.

Senator COLBECK—If you were recognised as a peak group by the minister and therefore eligible to sit around the RMAC table, you would be quite happy to do that but without sharing in the \$2½ million that comes out of the fund. It is just an access issue, to get your industry's point of view across.

Mr Pointer—Exactly. Our members are quite willing and happy to fund our organisation, but we want our view put on the table, heard and debated. We would like our view to be accepted but we recognise that that might not happen all the time.

CHAIR—There being no further questions, thank you very much for finding the time to come and see us today, and we are listening. This will all be available in *Hansard* to you later on.

[11.57 a.m.]

MORTIMER, Mr David Kenneth, Executive Manager, Food and Agriculture, Department of Agriculture, Fisheries and Forestry

PARADICE, Mr James Page, Executive Officer, Meat and Livestock, Department of Agriculture, Fisheries and Forestry

PITTAR, Mr Roland Yorke, Senior Manager, Meat and Livestock, Meat, Wool and Dairy, Department of Agriculture, Fisheries and Forestry

WILLIAMSON, Mr Gregory John, Acting General Manager, Meat, Wool and Dairy, Department of Agriculture, Fisheries and Forestry

CHAIR—I now welcome to the table Australian Agriculture, Fisheries and Forestry and express the committee's appreciation for making yourselves available earlier.

Mr Mortimer—I will just make some short comments, if that is okay, and then we will take your questions. By way of background, the current meat industry arrangements were put in place by the government in 1998 to enable a more self-regulated, responsible and market driven approach to industry, which could take responsibility for its own affairs. The residual government involvement was confined to core government activities such as emergency management, food safety and market access. Statutory levy flows were reorganised within these reforms, with the processors opting for voluntary arrangements underpinned by a binding MOU of agreed levels of contributions at a zero rate of levy and of producers moving to a transaction statutory level approach that collects in the order of \$60 million per annum. Priority for expenditure of levy funds are developed collectively through Meat and Livestock Australia in consultation with the Red Meat Advisory Council, RMAC, and individually with peak industry body members and in accordance with the broad framework agreed in the meat industry strategic plan, for which RMAC has responsibility.

RMAC's role essentially is to assess the performance of MLA against its identified milestones and performance indicators. This advice is also passed on to the Commonwealth for information and to assist in monitoring the obligations of the company set out in the deed of grant. RMAC continues to be the main industry vehicle for developing whole of industry positions on key policy issues for the purposes of advice to the government and strategic direction to the MLA and other incorporated industry bodies. I think that sets out the essential elements of the framework that operate for the meat industry and makes the role of RMAC in it fairly clear. We are happy to take questions on that basis.

Senator O'BRIEN—Has the department identified any deficiencies in the current model that you have just described?

Mr Mortimer—Not at this stage, Senator.

Senator O'BRIEN—When you say 'not at this stage' does that mean that the department is conducting a review of the model?

Mr Mortimer—No, there is no review being undertaken at this stage.

Senator O'BRIEN—In terms of the interface between RMAC and the department, is there a free flow of information? If RMAC request information, is it freely made available to them?

Mr Mortimer—I would expect that any reasonable information or any proper information that RMAC requests would be provided by the department.

Senator O'BRIEN—So, in their role in developing their view on a model for US beef quota management, if they ask for information about trade history, what limitations would apply to the supply of that information?

Mr Pittar—Any information that would be regarded as commercial-in-confidence at the company level would not be provided to RMAC. Information that might be aggregated so as not to identify commercial-in-confidence matters at the company level would be the sort of information that the department could provide to RMAC.

Senator O'BRIEN—So their position would be no different to this committee's in terms of that sort of advice—is that right?

Mr Pittar—In general terms, that would be correct.

Senator O'BRIEN—What differences would there be?

Mr Pittar—There were in-room discussions with some RMAC executive directors at various stages, but that information did not identify individual companies.

Senator O'BRIEN—I am trying to understand that. In-room discussions without identifying individual companies—how is that different from the aggregated information that you said you would have supplied? Or is it different?

Mr Pittar—In broad terms it is similar, but there was a greater level of disaggregation in some of it, but without identifying individual companies.

Senator O'BRIEN—So you said, 'Company A, B, C—

Mr Pittar—Words to that effect.

Senator O'BRIEN—are like this, and these are the effects of this particular model on their trading pattern.'

Mr Pittar—That sort of information.

Senator O'BRIEN—Would that sort of information be easily accessible and freely available in those terms to an advisory body such as RMAC?

Mr Pittar—That sort of information was discussed with some of the executive directors of RMAC.

Senator O'BRIEN—It is not a problem for the department to provide that? I am looking at the role of an advisory body and the ability to advise on the best information possible. Obviously the department has that information at its fingertips. Is that a fair comment?

Mr Mortimer—I think it is reasonable that if the department can assist the committee or the council in ways that are proper, that is fine.

Senator O'BRIEN—So the sort of information which is relevant to quota management—that is, trade history, global trade history, US trade history, EU trade history—can, in the context of the limitations you describe, be made available basically on request?

Mr Pittar—The sort of information that was presented related to what quota allocations there may be, rather than specifically trade or tonnages put into specific markets.

Senator O'BRIEN—It is my understanding that the department has a very good record of the trade history of each of the exporting processors or traders.

Mr Pittar—The companies, in applying for quota certificates, provide information on the tonnages or volumes that they are putting into particular markets. It is commercial-in-confidence in relation to those particular companies and is material which, under privacy and commercial-in-confidence considerations, we feel obliged to maintain.

Senator O'BRIEN—Is that information accurate on a daily or weekly basis? Can you say, 'At this particular point in time, this is the precise information'?

Mr Pittar—In terms of exports into particular markets, for example, it is accurate within the space of a week, generally.

Senator O'BRIEN—We have been told today that members of RMAC who receive a disbursement of funds from RMAC, account for their expenditure through the department to the minister. Is that process working adequately?

Mr Mortimer—We have no reason to believe it is not. We monitor these arrangements and report to parliament through the appropriate accountability arrangements. We have no reason to believe there is anything improper there.

Senator O'BRIEN—Has any complaint been made to the department about the process of accounting for or expending of the funds that come to RMAC participants?

Mr Williamson—We are unaware of any complaints.

Mr Mortimer—Nothing has been received in the department.

Senator O'BRIEN—Has the department been directed to make inquiries about whether there is satisfaction with the process?

Mr Williamson—No.

Mr Mortimer—Again, we have not had any such direction.

Senator O'BRIEN—In terms of requests for advice from the minister to RMAC, has RMAC complied with those requests and provided advice as requested in all cases?

Mr Pittar—Generally, they would have. We have a list of tasks that RMAC has addressed in recent years, which we would be able to convey to the committee if that were required—or RMAC itself might want to do that.

Senator O'BRIEN—I am interested in the department's view. There was a suggestion that there has been a direction which has not been complied with. I am interested to know whether it is the department's view that there have been requests for advice that have not been met with the provision of such advice.

Mr Mortimer—Could you say that again, Senator? Are you saying you are aware that there has been a request?

Senator O'BRIEN—No, I am saying there is a suggestion that there has been a request for advice that has not been met. I am interested to know whether the department is aware of any such request.

Mr Mortimer—Could you elucidate on that?

Senator O'BRIEN—I am uncertain. I do not have the precise details, but it is to do with meat quality standards.

Mr Mortimer—Are you aware of anything on that?

Mr Williamson—No.

Mr Mortimer—We will take that on notice.

Mr Paradise—My understanding of that particular request is that it is ongoing. RMAC have provided some initial advice with regard to meat standards, but it has not been concluded yet.

Senator COLBECK—If it is going to be taken on notice, could you include the timeliness of the advice with respect to the issues? I think you have partly explained it anyway, but could you provide information on the issues from your perspective?

Mr Mortimer—Okay. That is fine.

Senator O'BRIEN—I am keen to know whether there is an issue about the compliance of RMAC with requests for advice from the minister. That is their charter so, essentially, that goes to the question of whether they are fulfilling their role. It seems to me that you are saying they are, but I am not trying to put words in your mouth.

Mr Mortimer—I appreciate what you are saying, Senator. We can certainly examine that and come back on that one.

Senator COLBECK—Each of the peak industry councils are required to lodge business plans with you. I take it from what you said before that those are regularly assessed against performance to check that the peak councils are actually complying with the business plans and their performance is benchmarked against those, including the expenditure of the funds.

Mr Paradise—We have in place a number of deeds of agreement with the various industry bodies and with RMAC. Particularly under the scheme rules as agreed between the Commonwealth and the Red Meat Advisory Council there is a number of reporting requirements. They furnish us with reports on a regular basis—quarterly and annually—and those reports are checked against the business plans and our expectation of what they will be doing.

Senator COLBECK—Do you have a reporting process on that checking? Would you be able to, say, provide us with an assessment over the last two or three years of your perspective of how they have matched up with the business plans versus—

Mr Mortimer—We do a reporting against the statutory requirements as set out under the MOU and the arrangements in terms of what accountability is needed to the minister and the government. But the sort of issue you are raising could be addressed to RMAC.

Senator COLBECK—If the reports are being provided to you and you are doing the benchmarking, why would RMAC be able to tell us?

Mr Mortimer—We operate within a framework where the government gets certain reports in terms of the funding et cetera, but there is also a requirement for RMAC to report on its particular outcomes.

Senator COLBECK—So what you are saying is that each of the industry bodies provides its business plan to RMAC and then RMAC would benchmark whether the expenditure that has been given to each of those peak bodies has matched up with its business plan.

Mr Paradise—That is correct. Each of the peak bodies provides a business plan to RMAC and RMAC in turn provides those business plans to the Commonwealth. I believe RMAC monitors the performance against the business plans of each of the peak councils.

Senator COLBECK—So you do not do any monitoring of performance against business plans and expenditure against business plans?

Mr Paradise—We monitor the RMAC scheme fund as managed by RMAC. But in terms of against individual business plans, I would have to check on the level of detail we go into.

CHAIR—Is there a risk that those reports just gather dust deep down in the bowels of AFFA?

Mr Mortimer—No, I do not think that is the case, Senator. We are certainly very conscious—

CHAIR—There would be foxes in charge of the chicken pen, sort of thing. Who makes the assessment of whether these people are on the pace or off the pace if it is not you?

Mr Mortimer—That is a good question. The government has overall responsibility because there are levy moneys raised that underpin these arrangements. Part of the philosophy, including the structure of these arrangements, is that industry should be managing its own affairs. That is why the arrangements are structured in the way they are—through companies limited by guarantee and operating through arrangements such as MOUs.

CHAIR—Who devised the formula on which the funds are disbursed?

Mr Paradice—That would have been generated through the working group that was in charge of the transition to the new arrangements.

Senator COLBECK—Are you aware of RMAC ever raising issues with any of its peak bodies with respect to the expenditure of the funds?

Mr Williamson—We are unaware of any issues like that.

Senator COLBECK—Essentially, in terms of what you do, RMAC would provide you with a regular report on expenditure and you would monitor that rather than the individual peak councils?

Mr Williamson—We monitor that against the deed of agreement and the memorandum of understanding that underpins the whole arrangements.

Senator COLBECK—Is there any report or document which you could provide to the committee that demonstrates that monitoring or review?

Mr Williamson—We would have to check within the department.

Mr Mortimer—I would say that all statutory levies are monitored through our levies management unit in terms of accurate and proper compliance.

Senator COLBECK—I take it from your comments that essentially you have said that the idea of this process was for the industry to take responsibility for its affairs and you believe that has largely been successful?

Mr Mortimer—It would appear that—and other members of the team here can comment—there have been no particular issues or controversies put to the government that have caused any concern about the operation of these arrangements. There has been a controversy about the allocation of US meat quota, but apart from that we are not aware of any issues about the operation of these arrangements of burning concern or controversy within the industry.

Senator COLBECK—Given that the model has been in since 1998—so for about four years—from the department's perspective, perhaps a review time frame is appropriate. What improvements might the department suggest, or would the department suggest any improvements to the system that we have in place at the moment?

Mr Mortimer—At this stage, there is no requirement for a review. The arrangements were put in place to continue with an expectation that they will continue for as long as they are proper, agreed and work to everyone's satisfaction.

Senator COLBECK—We are essentially doing the review now, aren't we?

Mr Mortimer—Yes, you are.

Senator COLBECK—Do you have any suggested improvements to the structure?

Mr Mortimer—On my part, I have no particular suggestion to make.

Senator COLBECK—Have you put your mind to any potential changes?

Mr Mortimer—To be quite honest, we have not done that. In particular, I guess it is fair to say that the key issue in front of us has been the allocation and management of the US quota arrangements—which has been a considerable task for AFFA. We are conscious that this committee is inquiring into the operation of RMAC and that that could have implications for the broader arrangements. The minister and the government will consider those issues and decide how to respond to them.

Senator COLBECK—I am not sure if I am stepping over any boundaries, Chair. Is it appropriate for me to ask whether the department might formulate some opinion on that?

CHAIR—I do not think the department should comment on government policy. If you can avoid that, go for your life.

Senator COLBECK—I am essentially saying the department now have experience over a period of four years in dealing with the structure, and they or may not have come up with any issues within that.

Mr Mortimer—It is important to reiterate that the driving philosophy behind these arrangements was that the government wanted industry to manage its affairs and to advise the government on key issues. There was a definition or an allocation of responsibilities. The government, if it sees something is not particularly working well, clearly will respond. Equally importantly, the government is going to be interested in getting the views of industry and in seeing whether there is a strong view from the constituent industry members that there is a need for change. I think it is fair to say that we have not seen that clamour from industry for a rethink or a reorganisation of these arrangements at this point.

CHAIR—Would part of the answer be that the parts of the industry that want change do not have a voice which gets to you? We have heard some people say today, 'We are not being listened to.' Would it be fair to say that the processor of record question with quota allocation is a classic example of that. I understand that there was some stubbornness from some people about changing that arrangement, which this committee has recommended be changed. Do you not think that there is a risk with it being a sort of a closed shop arrangement?

Mr Mortimer—From our point of view, we are happy to hear views from anyone at any time. As a department, AFFA is ready to talk to industry and does so. In terms of these arrangements, there are a number of constituent parts. There are six key bodies that are involved and there are linkages between them, both in how they interact in this model and indeed how they report back to their members and stakeholders. It is probably reasonable in the first instance that that path be pursued. If parties in industry believe that they are not being

adequately represented, in the first instance they should operate through their own industry organisations. Indeed, there are mechanisms to do that.

Senator BUCKLAND—How were the six key bodies selected to initially form the peak body?

Mr Paradice—In terms of the specifics, I would have to take that on notice. In general terms, I think it came about as a result of the transition team basically looking at who the levy payers in the industry were and then providing the levy payer groups with a voice through RMAC.

Senator BUCKLAND—Could you give us that in more detail?

Mr Paradice—Certainly.

Senator BUCKLAND—They could simply have been drawn out of a hat.

Mr Mortimer—I would be surprised if that were the case. Typically, every effort is made to draw all the players into the arrangements. Speaking from the perspective of looking at the arrangements, it is clear that there are a number of organisations there and it would appear that efforts were made to ensure that effectively there was a voice or a home for all the different members of the industry. When you look across it in terms of producers, processors, lot feeders and so on, it would appear that a key element of the arrangements is an attempt to be comprehensive in drawing all these different strands and interests together within the one framework.

Senator BUCKLAND—You said that you consult with the industry. How do you do that? I am surprised you say that no-one has approached you about wanting to be a part of this board. If you are out there talking to people, how has this not come to your notice? I am a bit concerned about that. What is your process for talking to the industry? Do you just go to the peak body? Is that all you are doing or do you go out to the industry itself?

Mr Mortimer—Communication with peak bodies is clearly the key channel of communication. It is not possible for us to regularly talk with everyone, although we are open to being approached.

CHAIR—Could a cynic have the view that the hands of the minister are tied somewhat in enabling new, emerging interests in the industry to be represented through the peak bodies? I guess it is fair to say that the minister's hands are tied in that if he prescribes a body, it is up to the will of RMAC as to whether that prescribed body becomes part of the representation of the industry. Do you think there is a need to change that aspect of the way the system works?

Mr Mortimer—You said that new bodies can be acknowledged and brought into the arrangements. It is really a matter of organising that within the model. If there is an interest in doing that, any group of producers can certainly put a case to the minister.

CHAIR—One of the curiosities of the present system is that RMAC actually makes a disbursement to the peak bodies and the peak bodies are RMAC. In a way, therefore, the formula is very important. A cynic might say that there is a conflict of interest there. In your view, is there any need for the department to review the formula?

Mr Mortimer—The formula—I was not around at the time; Mr Paradise might explain it—was settled at the time and was essentially a bridge from previous arrangements to the current arrangements when there was a shift away from the previous MLA to this set of arrangements and there were funds in place. The question would have been how to properly use them and allocate them amongst, effectively, the people who contributed them. My sense would be that that would have been done on the basis of best serving the interests of the stakeholders and to do it in a fair way.

CHAIR—Do you think we are still on the bridge? Are we still in transition?

Mr Mortimer—No, we are not in transition.

CHAIR—Have we walked off the end of the bridge?

Mr Mortimer—The new arrangements are clearly in place and are working.

CHAIR—Would it be fair to say that we are through the transition period; this was a mechanism set up for the transition and maybe it would be timely to review that.

Mr Mortimer—It is also reasonable to say here that the industry members who are party to that arrangement are clearly going to be key to the process. What we have with RMAC now is a company limited by guarantee, which legally is owned by that group of interests and therefore change needs to be agreed with them.

CHAIR—So how do you buy a share in the company if you are a new player?

Mr Mortimer—By negotiation, Senator.

Senator COLBECK—Is there a mechanism to review the disbursement formula that was set down in the transition process?

Mr Paradise—The distribution formula is an attachment to the scheme rules. Any variation on the distribution formula would require consultation with signatories to the memorandum of understanding and the agreement of all the peak councils or signatories to the scheme rules. There is a mechanism for it to be varied, if required.

CHAIR—But no outside mechanism; it is an internal process.

Mr Mortimer—To make it happen, it certainly requires internal agreement amongst—

CHAIR—Genius; it would require genius.

Mr Mortimer—I will place that in context; these arrangements change when there is broad consensus that change is needed. I dare say that was the situation in 1997 and 1998 which led to the movement to these arrangements. Again, if the situation were to arise where there was broad consensus that there was a need to change in some shape or form, the key players would find ways of coming together and negotiating that.

CHAIR—I feel some responsibility, and I am sure this committee does too, that we do not get to a position where wool arrived at a few years ago where, at Goulbourn, they really did not want to hear the argument; they just wanted to put the motion to sack the committee, as it were, because it was beyond the argument. We need a process so that people like some of the witnesses who have appeared this morning, who feel disenfranchised in some way, can have a structure that allows them to be heard rather than at the will or the whim or the wish of a peak body.

Mr Mortimer—That is a fair proposition and I would reiterate my earlier point that the key thing is that it really has two dimensions. In the first instance, industry should discuss amongst itself, and between the relevant bodies, how this might be done and find ways of generating agreement to do that. Beyond that they should approach the government and the minister to put proposals on the table. The question then becomes whether there is broad consensus to make any change.

CHAIR—Thank you very much for your attendance and, once again, I reiterate the appreciation of the committee for your coming early.

Mr Mortimer—Thank you very much, Senator.