

Dissenting Report – Senator the Hon Ian Macdonald

1. Preliminary

1.1 I strongly disagree with Recommendations 1 and 5 of the RRAT Committee Report.

1.2 But before I deal with those issues and suggest alternatives I want to congratulate the Chairman of the Committee, Senator Glenn Sterle for his skill and fairness in Chairing the inquiry and ensuring that all those who wanted to be heard were given the opportunity of a fair and open hearing by the Committee. I thank all of the other Committee Members and particularly the Secretariat who, as always, have done an almost inexplicably good job on the report and for their assistance with this Dissenting Report.

1.3 I also want to make particular mention to those who gave written evidence and those who accepted the Committee's invitation to give verbal evidence to the inquiry, noting in particular the sombre day the Committee was in Rockhampton, the Beef Capital of Australia, not long after the death of one of the icons of the beef cattle industry, Mr Graeme Acton.

1.4 As a Queensland Senator I also want to acknowledge the input from Queenslanders who represent the largest individual section of the Grass Fed Beef Cattle Industry and in particular can I mention the assistance provided by the Australian Beef Association, Agforce, and Cattle Council representatives from my state and individual producers from Queensland.

1.5 I would hope that as a result of the inquiry and the various recommendations made, there will be a fairer and more transparent operation of the Grass Fed Beef Cattle Levy and the Research and Development and Marketing and other elements that are funded by that levy.

1.6 Although I am only a Participating Member of the Senate Rural and Regional and Transport Committee which conducted the inquiry, I attended most of the hearings of the Committee, but unfortunately because of other commitments, was unable to attend all of them. For those I did not hear in person, I had the advantage of being able to review the Hansard records.

2. Levy allocation to CCA for strategic policy development

2.1 I disagree with Recommendation 1.

2.2 The majority of the evidence from grass-fed producers and their current representative bodies is that, while this sector provides most of the levy money, it is commonly believed that the sector does not receive a commensurate return on its investment. While this may not always be the case, it is certainly the perception.

2.3 While there are many reasons advanced for this, it appears from most of the evidence that it results from a lack of both direction and the sector's decision-making ability.

2.4 Most witnesses who were asked by the committee agreed that the sentiment of the 1998 reforms were beneficial but many said those words and principles had not been transformed into action and operations.¹

2.5 Most submitters who represented by far the majority of grass-fed cattle producers including Western Australian Farmers Federation, Pastoralists and Graziers Association of Western Australia, AgForce Queensland – representing the greatest number of producers, Northern Territory Cattlemen's Association, and NSW Farmers' Association (with qualifications), thought the current arrangements were basically working.² However, they put the argument that producers didn't have the resources to conduct advocacy and provide effective oversight of MLA, which is needed to make MLA's investment in R&D and marketing more beneficial to the sector.³

2.6 Many submitters to the inquiry thought the current arrangements were basically correct but that the representative body of the sector needed better resourcing so it could do the job required of it under the red meat MOU. Under the terms of the MOU, CCA as the sector's PIC is required to develop the strategic objectives, give direction and set policy for the sector while oversighting levy expenditure.⁴

2.7 CCA charged with representing an \$8 billion sector and has operated on an average income over the past five years of \$1.39 million (excluding service agreements) with only five staff.⁵

2.8 Many producers voiced concerns about funding CCA any further as there is a common belief (obviously erroneous) that CCA already obtains and manages the \$5 levy.

2.9 Rather than involve the Government in legislating for a producer-owned body – something that would be almost unique in today's governance arrangements – and involving the cost that such establishment might involve (which is estimated by some at \$15 million both in cash and effort in design and establishment), existing infrastructure should be used and reformed, as necessary, to achieve the desired outcomes.

2.10 Possibly the best way to achieve this end is for the Government to legislate to add another category to the existing levy allocations for distribution to CCA. Provision of sufficient funding and resources through allocation of a portion of the levy would enable CCA to properly oversight MLA marketing and R&D decisions. This is difficult under the current arrangements because the principal source of CCA

1 Australian Meat Producers Group and Concerned Cattle Producers, *Submission 184*, pp 12–18.

2 Pastoralists and Graziers Association of WA, *Submission 112*; Tasmanian Farmers and Graziers Association, *Submission 156*.

3 AgForce Queensland, *Submission 151*; Northern Territory Cattlemen's Association, *Submission 185*.

4 Meat and Livestock Australia, *Submission 154*, p. 28.

5 Mr Jed Matz, Cattle Council of Australia, *Committee Hansard*, 7 March 2014, p. 37.

funding is derived from service agreement payments from MLA, the body CCA is supposed to oversight and direct.

2.11 For this reasons, I recommend that a new allocation within the existing cattle transaction \$5 levy be introduced and directed to CCA. Termed the 'strategic policy development levy' (SPD levy), I propose that the levy allocation be used by CCA to carry out strategic policy development.

2.12 Implementation of this recommendation would prevent any increase in the amount of levies paid by producers while also providing the necessary strategic policy development required to resource CCA and the sector to better direct and oversight MLA. It should be noted that strategic policy development is already defined in the Australian Pork Ltd constitution and accepted as a legitimate use by that representative body

2.13 The current levy allocations across three existing areas, namely National Residue survey (29 cents), Animal Health Australia (13 cents) R&D (92 cents matched by an equal government contribution) should remain. However, the marketing levy of \$3.66 could be reduced by approximately 35 cents with that 35 cents directed to the new strategic policy development levy component.

2.14 This change to the levy allocations could be achieved by straightforward legislative and administrative amendments. It would provide CCA with the resources, expertise and authority needed to advocate for levy revenue investment that is better directed and carried out in the interests of the levy-paying majority.

2.15 Furthermore, producers would then have an entitlement to vote and have a say in the direction of MLA through MLA membership (provided the following recommendations on the identification of levy payers are adopted). Levy payer members would also have a direct say on and vote in a better-resourced CCA. I note in this regard that CCA recently altered its Articles of Association to provide for direct producer membership – possible for non-SFO members for a fee of \$100 and for SFO members free of charge.

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3 Flexibility in levy adjustments

3.1 I recommend a new recommendation in relation to flexibility in the adjustment of levy allocations.

3.2 The industry would benefit from legislative change to allow more flexibility in determining the apportionment of the levy between MLA marketing, MLA R&D, Animal Health Australia, the National Residue Survey and the proposed CCA SPD as long as the total amount of the levy remains at \$5.

4 Red Meat Advisory Council

4.1 I disagree with and do not support proposed Recommendation 5 (para 7.40 and 7.41) concerning the abolition of RMAC.

4.2 RMAC provides a useful industry-wide source of advice to Government and should be retained under the current arrangements.

4.3 A better resourced SPD levy funded-CCA will ensure RMAC can work better. The majority of submitters or at least submitters representing the majority of producers see value and merit in RMAC and believe its abolition or change would disadvantage the industry-wide approach and therefore have a detrimental effect on the overall industry.

5 Amendment to the MLA constitution

5.1 To ensure improved representation of grass-fed cattle producers, the MLA constitution requires the following three changes:

- a. reduce the number of MLA directors on the selection committee from 3 to 0 and increase the number of grass-fed producer representatives;
- b. ensure greater emphasis on grass-fed cattle production as a required skill amongst the MLA board; and
- c. provide for the selection committee to endorse more than 1 candidate for each position on the board.

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