

Foreword

1.1 This inquiry has brought to the fore frustrations felt by many grass-fed cattle levy payers with MLA's management of levy funds, investment decisions, as well as with the levy system and underpinning structures. For levy payers, the levy system is complex and difficult to understand while mechanisms available to influence investment decisions regarding levy revenue are almost impenetrable.

1.2 The committee was therefore pleased to note MLA's announcement on 18 August 2014 that it was restructuring its R&D investment consultation model in an effort to provide all levy payers with an opportunity to have their say. MLA noted that the restructure addressed the recommendations of the 2013 review of MLA's Livestock Production Innovation unit and responded to concerns raised by levy payers raised during the committee inquiry. As part of the proposed restructure, producers would be invited to provide input at the local level on Research, Development and Extension (RD&E) priorities which then feed into the regional RD&E investment plans. These plans would then be provided to the Northern Australian Beef Research Council (NABRC), a reinvigorated Southern Australia Meat Research Council (SAMRC) and a new regional group encompassing southern Western Australia. The chairs of these groups, together with representatives from the peak industry councils and MLA, would then develop the national RD&E investment plan which would also be informed by the National RD&E Framework and the Meat Industry Strategic Plan.

1.3 MLA stated that it expected the full efficiency and effectiveness review to be completed within weeks of the announcement, while the new restructure would be operational by October 2014. According to MLA, its review will inform decisions that are required to achieve a 10 per cent reduction in fixed costs (or \$6 million) over the next 12 months. At the same time, MLA announced that it has taken steps to initiate the development of a full assessment of the automation of levy payments to voting entitlements. MLA also flagged the prospect of a resolution at its 2014 annual general meeting to amend the composition of the MLA board selection committee.

1.4 To the extent that the proposed reforms seek to provide levy payers with a greater say in how their levy funds are invested, MLA's announcement is a step in the right direction.

1.5 In light of the substantial changes that have taken place to the industry since the current systems were put in place, the committee has identified in this report a series of gaps and flaws within the existing system. These shortcomings require structural reforms that go well beyond MLA's announced changes. In detailing the mechanisms available to levy payers to influence the quantum and investment of the levy, the committee has raised serious questions about accountability and transparency in relation to the both the current levy system and red meat industry structures. Issues of contestability, transparency and efficacy within the red meat industry structures and levy system has led the committee to the conclusion that serious reform is required to ensure the future viability of the Australian cattle industry.

1.6 In this report, the committee has formulated seven recommendations to achieve this reform. The recommendations are directed at providing levy-paying

producers with the opportunity to represent themselves, manage levy investment decision processes and to enjoy the resultant benefits. The objective underpinning the committee's recommendations is to maximise the benefits and opportunities for Australian cattle producers into the future.

1.7 The principle that levy payers have greater control over their levies underpins both MLA's announced changes and the committee's recommendations. Both sets of reform are therefore necessary and complementary. MLA's reforms simply provides a starting point from which the wider structural reforms recommended by the committee will flow.

1.8 Finally, on 25 August, an online article reported that a draft of this report had been leaked prior to being tabled in the Senate and authorised for publication. The article provided some detail of the contents of the draft report. The committee is extremely disappointed that the draft report was disclosed and notes the disquiet brought about by speculation regarding the contents of the draft and its implications for the Australian cattle industry, particularly when the industry is already at crisis point. However, the unauthorised disclosure cannot undermine the importance of this report to cattle producers, many of whom provided valuable evidence to the committee. To this end, securing the future livelihood of Australian cattle producers is the central tenet of this report of the committee.