

Commissioner  
Rural RDC Model Inquiry  
Productivity Commission  
[Rural-research@pc.gov.au](mailto:Rural-research@pc.gov.au)

30 June 2010

Dear Sir,

I am writing in support of the submission by LiveCorp to the Productivity Commission's inquiry into the rural RDC model. LiveCorp is a livestock exporter owned company providing R&D and marketing services for our industry. The Australian Livestock Exporters' Council (ALEC) is the Peak Council representing livestock exporters. Almost all livestock exporters are members of ALEC, either directly or via membership of their state livestock exporter association. ALEC is therefore well able to represent the views of the live export industry. It determines policy and sets the strategic direction for the industry and LiveCorp, and lobbies Government in pursuit of the industry's interests. LiveCorp consults closely with ALEC during the development of its strategic and annual operating plans, which must be formally approved by ALEC each year. An ALEC nominee (currently myself as the ALEC Chairman) is a member of the LiveCorp Board and ALEC provides 4 members of the Live Export R&D Advisory Committee (LERDAC). ALEC is a member, and currently holds the chair, of the Red Meat Advisory Council, the peak industry advisory body to the Minister for Agriculture, Fisheries & Forestry on red meat industry matters.

The livestock export industry is a significant contributor to the national economy and to regional economies. In particular it provides thousands of jobs in rural and regional Australia, and earns much needed export income. In 2009 954,153 Australian cattle were exported live, earning export income of \$662 million. Live cattle exports accounted for 11% of total adult cattle turnoff in 2009. Live sheep exports totalled 3,567,609 head, valued at \$323 million. Live sheep exports accounted for just over 10% of total sheep and lamb turnoff in 2009. In addition in 2009, 97,621 goats were exported live valued at over \$11 million.

In its submission, LiveCorp identified two elements of the current arrangements for rural research and development that must be preserved. Firstly LiveCorp must remain as a separate entity to ensure accountability to livestock exporters for expenditure of the levy funds they contribute for research and other activities. Secondly the Government must at least match the levies that livestock exporters contribute for research and development.

ALEC members are very strongly of the view that a separate live exporter owned company is critical in maintaining their support for compulsory levies to fund

livestock export research and development. Separate governance arrangements has ensured both full consultation with and strong accountability back to levy payers ensuring that RD&E funds are used in the best interests of livestock exporters. LiveCorp operates in partnership with Meat & Livestock Australia (MLA), the R&D and marketing company owned by livestock producers. While the partnership with MLA provides many benefits, separate RDCs for livestock producers and livestock exporters are essential to ensure that the interests of each levy paying sector are fully met. Livestock exporters and livestock producers are separate sectors of the livestock supply chain. The two sectors are very different in terms of types of businesses, skills and knowledge, and the issues each confront. In the years prior to 1998 R&D for livestock exporters, livestock producers and meat processors was managed by a single organisation, the Meat Research Corporation (MRC). This arrangement did not provide a satisfactory level of consultation or accountability for the use of levy funds contributed by livestock exporters. This was one of the primary reasons for the formation of LiveCorp in 1998. Separate governance arrangements also improve the chances of a whole of supply chain focus for RD&E and improve adoption by exporters of RD&E outcomes.

Matching Government funding for collective RD&E is essential because the majority of live export RD&E funding is for research that addresses a societal issue – the concern of the Australian public for the welfare of livestock exported from Australia. In fact this has been further evidenced by the additional Government funding provided, over the past 5 years and committed for the next two years, for animal welfare activities in key livestock export markets. More than half of live export research funds are spent on animal welfare research to address concerns of the Australian public. It is essential that the Government provide funding to at least match the funds contributed for research by live exporters.

Livestock exporters have been strong supporters of the compulsory levy to fund R&D and other activities. Seventy five percent of all licensed livestock exporters, accounting for 96% and 97% respectively of all live sheep and live cattle exports voted in favour of a compulsory levy (only 2% voted against, with 23% providing no response). Notably this compulsory levy was introduced following a recommendation from a committee of review established by the Government in 2003. If the Government were to reduce or cease funding live export research there would be little or no incentive for livestock exporting companies to fill the breach. Individual exporters would be unable to undertake the type of research undertaken in the live export research program and we are certain that our members would be unwilling to increase levies to maintain the same level of collective research.

ALEC has complete confidence in the arrangements that LiveCorp has in place to plan and undertake the live export research program. Our members have ample opportunity for input during the planning process, and are kept well informed of the outcome of research projects that they help fund. Surveys of livestock exporters, as part of the triennial review of LiveCorp's performance, demonstrate strong support by our members for LiveCorp in recent years. In the survey carried out for this year's performance review LiveCorp was rated 4 on a scale of 0 to 5 in providing value to the live export industry. This rating was up from just over 3.5 in 2007 and up from much lower scores in earlier surveys.

ALEC is also confident that LiveCorp manages the live export research program cost effectively and that the program returns a high level of benefits to its funding partners – livestock exporters, livestock producers, and the Government.

The current RDC model, with a separate industry owned company providing R&D and marketing services for our industry, and with Government contributing funds for R&D to match the levy funds provided by industry, is strongly supported by ALEC members. These arrangements are a vast improvement on those in place prior to the formation of LiveCorp in 1998. Since the early 2000s the industry has undergone fundamental reform that has enabled it to regain the confidence of the general public and the Government. Much of this reform was underpinned by research undertaken within the live export R&D program, jointly funded by livestock exporters, producers, and the Australian Government, and managed by LiveCorp. It is essential that the current RDC model be maintained to ensure that this research effort continues.

Yours sincerely



Ian McIvor AM  
CHAIRMAN