
Australian Livestock Export Corporation (LiveCorp) Performance Review: 2010 – 2013



Final Report
26 November 2013

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Abbreviations

AGM	Annual General Meeting
AHA	Animal Health Australia
ALEC	Australian Livestock Exporters Council
AMLI	Australian Meat and Livestock Industry Act
AMSA	Australian Marine Safety Authority
APFINDO	Indonesian Feedlotters Association
AQIS	Australian Quarantine Inspection Service
AOP	Annual Operating Plan
ASEL	Australian Standard for the Export of Livestock
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange
AVA	Australian Veterinary Association
BRD	Bovine Respiratory Disease
CBA	Cost Benefit Analysis
CEO	Chief Executive officer
CRRDCC	Council of Rural Research and Development Corporations
DAFF	Australian Government Department of Agriculture Fisheries and Forestry
DOA	Department of Agriculture (previously DAFF)
DEWHA	Australian Government Department of Environment, Water, Heritage and Arts
DFAT	Australian Government Department of Foreign Affairs and Trade
DOFD	Australian Government Department of Finance and Deregulation
ESCAS	Exporter Supply Chain Assurance Scheme
GVP	Gross Value of Production
ICWA	Industry Collaborative Welfare Agreements
KPI	Key Performance Indicator
LEP	Livestock Export Program
LERDAC	Livestock Export R&D Advisory Committee
LRS	Levy Revenue Service
MENA	Middle East and North Africa Livestock Export Improvement Awards
MISP	Meat industry Strategic Plan
MLA	Meat and Livestock Australia
MOU	Memorandum of Understanding
NGO	Non-Government Organisation
NTLEA	Northern Territory Livestock Exporters Association
OH&S	Occupational Health and Safety
OIE	World Organisation for Animal Health
QA	Quality Assurance
QLEA	Queensland Livestock Exporters Association
R&D	Research and Development
RDC	Research and Development Corporation
RIRDC	Rural Industries Research and Development Corporation
RMAC	Red Meat Advisory Council
RMP	Risk Management Plan
ROI	Return on Investment
RSPCA	Royal Society for the Prevention of Cruelty to Animal
SALEA	South Australian Livestock Exporters Association
SFA	Statutory Funding Agreement
SOP	Standard Operating Procedure
SWOT	Strengths, Weaknesses, Opportunities and Threats analysis
UQ	University of Queensland
WALEA	Western Australian Livestock Exporters Association

Acknowledgements

The report's authors wish to acknowledge the assistance of:

- Sam Brown, Chief Executive Officer, LiveCorp
- Danielle McDonald, Finance Analyst / Company Secretary
- Hugh Dornan, Senior Policy Officer, Department of Agriculture

DISCLAIMER

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Michael Clarke
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Executive Summary

This document is a performance review of the Australian Livestock Export Corporation (LiveCorp or the Company) consistent with the requirements of the Statutory Funding Agreement (SFA) between LiveCorp and the Australian Government. It covers the period 1 July 2010 to 30 June 2013. The review addresses the performance of LiveCorp in meeting its obligations under the SFA; the provision of plans and reports; implementation of plans to deliver benefits to industry; and the effectiveness of measures put in place by LiveCorp to ensure its ongoing viability.

Compliance with the SFA including provision of plans and reports

LiveCorp is compliant with the SFA. Company constitution, funding allocation and general SFA compliance requirements have all been met. A change to the Company's constitution was made in order to move to a skills based Board and comply with the current SFA. Recommendations made in the previous SFA review (AgEconPlus 2010) have either been adopted or are no longer relevant.

LiveCorp has satisfactorily discharged its obligations with respect to the provision of strategic plans, annual operating plans (AOP), other plans, annual reports and budgets. Plans and budgets had to be revised following the temporary suspension of the livestock export trade in June 2011. Revised documents reflect a sustained reduction in LiveCorp's revenue and the new livestock export operating environment. Revised documents focus on meeting the requirements of the Exporter Supply Chain Assurance Scheme (ESCAS). ESCAS was a critical recommendation of the Farmer Review (August 2011) arising from temporary trade suspension.

LiveCorp's plans focus on four high priority strategic imperatives: (1) animal health and welfare improvements; (2) supply chain efficiencies; (3) market access; and (4) communication with stakeholders.

Implementation of plans, efficiency and the delivery of industry benefits

LiveCorp invests through its own programs and jointly with Meat & Livestock Australia (MLA), Industry and the Australian Government to deliver industry benefits. Consistent with Centre for International Economics (CIE 2010) it was not possible to unbundle benefit attribution to individual entities other than on a share of total investment basis. However, those consulted during the performance review, including senior Department of Agriculture (DOA) officers, were firmly of the opinion that industry outcomes, especially in relation to animal health and welfare, would not have been achieved in the absence of LiveCorp's contribution. Stakeholders point to the networks and knowledge LiveCorp brought to the development, rollout and refinement of ESCAS that were not available to either Department of Agriculture or MLA.

Implementation of LiveCorp strategic plans has delivered benefits to industry including lower levels of ship-board morbidity and mortality; partnering in the development of the through supply chain animal welfare system ESCAS; analysis and coordination to lower the cost to industry of ESCAS compliance; provision of technical information and research to inform reviews of the Australian Standard for the Export of Livestock (ASEL); and the opening of additional livestock export markets.

The review has uncovered no evidence of waste or inefficiency in preparation or in giving effect to LiveCorp's plans. Industry and Government stakeholders consulted were not aware of any wasteful or low priority LiveCorp activities. The present Chief Executive Officer (CEO) has delivered on the brief provided by the LiveCorp Board i.e. lower costs and increase high priority Company outputs. LiveCorp is a lean outcomes focused operation. The downside of the current positive LiveCorp culture is that high and possibly unsustainable workloads may lead to staff burn out.

Effectiveness of measures instituted by LiveCorp's for its ongoing viability

The review finds that LiveCorp is currently viable and will remain viable while it maintains its focus on a limited number of priorities and its funding partnership with MLA. Livestock exporters, who generate the majority of LiveCorp's funding, have a preference for the current 'standalone' model. The current model recognises that livestock exporters, while part of a shared supply chain, have their own strategic priorities that are not the same as those of livestock producers.

Review recommendations

Review recommendations are as follows. Each recommendation includes a bracket to show the relevant report section where supporting analysis and discussion is found.

1. LiveCorp contributed to a structured evaluation of the Livestock Export Program (LEP) in 2009-10 (CIE 2010). A systematic assessment of LEP and LiveCorp Program costs and benefits post ESCAS should be scheduled for 2014-15 and be available to inform the next SFA performance review (Section 4.2).
2. That the next evaluation of the LEP include a 'stage 1' analysis that is a simple listing of all RD&E projects including the institution, project budget, start and finish date, whether the project was completed on time and budget, whether results have been published, their likely contribution to improved export outcomes,ASEL or ESCAS, where this is relevant and potential benefits to the trade. A 'stage 1' review of this type is consistent with RIRDC's long standing approach to program evaluation. A detailed 'stage 2' economic evaluation is then completed (Section 5.5).
3. There are no Key Performance Indicators (KPIs) in the LEP Annual Operating Plan for 2013-14 and this would appear to be an important omission. KPIs should be prepared for the 2014-15 LEP Annual Operating Plan so that LiveCorp, MLA and Government are more easily able to describe what has actually been achieved with the fundsinvested (Section 4.2).
4. That the annual report better describe progress against LEP key performance indicators. If reporting LEP progress is an MLA responsibility, work with MLA to ensure KPIs are described and reported. Simple KPIs around progress with heat stress, salmonella, inanition, training, risk and gap analyses completed may be appropriate. Many of these industry issues have been around for a long time and it is hard to know what additional progress has been achieved as a result of recent investments (Section 4.3).
5. LiveCorp work on a process of continuous improvement with its planning documents to ensure consistency of terms and budget forecasts (Section 4.4).
6. Stakeholders point to the pivotal role played in a small organisation by the current CEO and the gap that would exist if the incumbent was to leave. To minimise the risk to corporate and industry knowledge of CEO departure, LiveCorp must ensure ongoing up to date documentation of industry issues, appropriate Company systems and give consideration to adding capacity to deliver a sustainable work load for the CEO (Section 4.5).
7. The July and August 2013 reviews of the Risk Management Plan, the Fraud Control Plan and the Intellectual Property Management Plan be completed by LiveCorp in a timely way and the resultant updates provided to Department of Agriculture in line with the requirements of the SFA. LiveCorp should also consider staff training in fraud control and risk management in line with best practice corporate governance (Section 4.7).

8. To further address the concern that the LEP is secretive and selective in its release of RD&E reports, MLA and LiveCorp give consideration to a more structured RD&E update for key stakeholders every six to twelve months. The RD&E updates would provide information relating to research commissioned, its progress and or findings. Presentations would be made to Department of Agriculture policy makers, state governments and their parliaments, and in time to NGOs such as the RSPCA (Section 5.5).
9. LiveCorp and MLA continue to review its committee structures to ensure the views and interests of a broad cross section of interested parties are represented. For example consideration might be given to inclusion of the Australian Veterinary Association or welfare groups or agencies on the Livestock Export R&D Advisory Committee (LERDAC). This recommendation can be further considered during formulation of the strategy to inform the industry's social media project 'Future Eye' (Section 5.5).
10. Review funding arrangements to ensure both the short and long term sustainability of livestock export RD&E. Issues for review include the adequacy of management resources and whether grants may be appropriate to fund additional animal health and welfare research given LiveCorp's small revenue base and the importance of the issue to the Australian community (Section 5.5).
11. That LiveCorp appoint a consultant to complete an independent review of the Board in 2014-15. The last independent review was completed by Virginia Hickey in 2008 and found to be beneficial. It is appropriate to review the Board in 2014-15 given its new size, focus on skills and composition. New directors are scheduled to join the Board and there is a requirement for the current Chairman to retire in October 2013 (Section 6.2).
12. LiveCorp staff pursue training and mentoring programs. The CEO's mentoring program with a CEO from a similar sized RDC is highly beneficial and team members require training in their new roles (Section 6.3).
13. Within the livestock export sector there are three relevant plans – the industry strategic plan 2010-14, ALEC Strategic Plan, and the LiveCorp strategic plan. Some rationalisation of these documents and the processes needed to generate them may assist with industry efficiency – noting that LiveCorp cannot partake in agri-political activities (Section 6.5).
14. Additional programs of work proposed by members, the LiveCorp Board or Department of Agriculture only be considered alongside an increase in statutory levies.

Review Conclusion

LiveCorp is an efficient, effective and viable company that generates benefits of value to the Australian livestock export industry. LiveCorp's present level of viability is dependent on at least the current level of exporter levies being maintained.

1 Introduction

This document is a performance review of the Australian Livestock Export Corporation (LiveCorp or the Company) consistent with its Statutory Funding Agreement (SFA or the Agreement) with the Australian Government. The performance review covers the period 1 July 2010 to 30 June 2013.

1.1 Term of Reference

The SFA requires an independent organisation to review LiveCorp's performance against its plans, taking into account:

1. The performance of LiveCorp in meeting its obligations under the SFA
2. The implantation of Annual Operating Plans (AOPs) and the Strategic Plan and the effectiveness of LiveCorp in meeting the targets and budgets set out in those plans
3. The efficiency with which LiveCorp carried out those plans
4. The delivery of the benefits to the industry foreshadowed by those plans
5. Other matters required to be covered by the Minister.

The Minister for Agriculture, Fisheries and Forestry has asked that *'With regard to item five in the terms of reference, the review should also consider the effectiveness of measures instituted by LiveCorp for its ongoing viability as the declared industry services body for the livestock export industry'* (letter to Dr Roly Nieper AM, Chairman, LiveCorp dated 12 April 2013).

The exercise of the Commonwealth's legislative powers to impose compulsory levies on livestock exporters places obligations on the Australian Government to ensure that the monies collected from exporters are spent efficiently and effectively and for the purposes for which they are being collected i.e. for marketing and Research and Development (R&D).

Significant changes have taken place during the SFA review period within the livestock export industry and within government which impact on LiveCorp. Aligned with these changes has been a significant reduction in LiveCorp's income. The reduction in LiveCorp's income places considerable pressure on LiveCorp's ability to deliver industry services. This performance review required in the lead-up to the negotiation of a new SFA in 2014 provides an opportunity to review the Commonwealth's funding relationship with LiveCorp in line with its legislative obligations.

1.2 Review Context

In 2013 LiveCorp is funded through statutory levies collected through the livestock exporters. It does not receive any direct government contributions. Hence it is faced with a volatile income stream dependent on the volume of animals exported. LiveCorp's finances were adversely impacted during the review period when exports to Indonesia were temporarily suspended (June 2011). At that time the Department of Agriculture agreed that LiveCorp put on hold the development of its Annual Operating Plan (AOP) pending the outcomes of the various reviews of the livestock export industry which were put in place. Following the respective reviews, LiveCorp chose to amend its strategic plan to reflect the new regulatory environment.

The Strategic Plan 2013-2015 and Annual Operating Plan (AOP) 2013-14 purport to respond to the new environment in which total net income is estimated at just under \$3 million a year (down from \$4.5 million to \$5 million prior to 2008-09). There is now a question for government and exporters about the future role and viability of LiveCorp within the existing arrangement.

Approximate timeline of events relevant to the SFA Performance Review are:

- Commencement of the review period, Strategic Plan 2011-14 prepared by LiveCorp Chief Executive Officer (CEO) Cameron Hall in consultation with industry is the relevant document. An Annual Operating Plan (AOP) is prepared for 2010-11– July 2010.
- Suspension of the live cattle trade with Indonesia following the screening of the ABC 4 Corners program ‘A Bloody Business’ and resultant public concern about the trade – June 2011.
- Rob Sutton appointed LiveCorp CEO: The Australian Livestock Exporters Council (ALEC) has sole responsibility for advocacy. Rob Sutton proposes that LiveCorp becomes eligible to attract Research and Development matching funding from the Commonwealth and tender the delivery of R&D services; effectively terminating the Livestock Export Program (LEP) joint venture with MLA – July 2011.
- An Australian Senate Inquiry and the Farmer Review lead to the introduction of the Exporter Supply Chain Assurance Scheme (ESCAS) with its requirement for control, traceability of animals through the supply chain, animal welfare, reporting and auditing to ensure handling and slaughter meet OIE guidelines – October 2011.
- The reworked strategic direction proposed by CEO Rob Sutton did not meet industry requirements. Sam Brown appointed CEO and given a brief by the LiveCorp Board to restructure and downsize the organisation, deliver an appropriate Strategic Plan that aligned with Farmer Review recommendations, prepare an AOP and restore the relationship with MLA – March 2012.
- Department of Agriculture acknowledged the difficulties facing LiveCorp and accepted that the AOP for 2011-12 would not be provided to the Department of Agriculture in 2011-12.
- New Strategic Plan 2013-2015 and AOP 2013-14 were developed by LiveCorp CEO Sam Brown in consultation with Industry Representative Bodies, exporter members and associated members. The new strategic plan and AOP were submitted to the Minister, minor changes were requested and the documents were finalised– July 2012. The current Strategic Plan is available on the LiveCorp website.

Given the changed operating environment associated with the implementation of ESCAS and the importance of the 2013-15 strategic plan to LiveCorp’s efficiency, effectiveness and ongoing viability, the 2013-15 strategic plan and the AOP for 2012-13 are considered in this review. Linkages between strategic plan 2011-14 and 2013-15, the pipeline of projects supported and the generation of industry benefits is demonstrated in the relevant review sections.

1.3 Review Method

The review was completed using program logic. The Department of Environment, Water, Heritage and Arts and Department of Agriculture (2009) provide a detailed explanation of project logic methodology. Program logic is also relevant to the Program Framework Guidelines detailed in Schedule 4 of the SFA. The review framework was populated with data from LiveCorp planning and reporting documents, stakeholder consultation and analysis.

Stakeholder consultation included a targeted program of interviews with the Chair, CEO and Company Secretary of LiveCorp, Department of Agriculture (Governance, Livestock Policy, Animal Welfare and Animal Biosecurity), MLA (International Markets and the Livestock Export Program (LEP)), ALEC (CEO and Chair), the Peak Councils and a selection of exporters. Targeted consultation was supplemented with an online survey emailed to all LiveCorp members.

A draft report was made available to Department of Agriculture and LiveCorp at the same time.

1.4 Outlook for Livestock Exports and LiveCorp Levies

The short term outlook for the livestock export industry through to the end of 2013-14 is relatively flat at current trade volumes (see ABARES June 2013 and confirmed during consultation with relevant MLA staff). As a consequence, LiveCorp revenues are forecast to remain at approximately \$3 million per annum in 2013-14 rather than the \$4.5 million to \$5 million achieved following statutory levy establishment and the development of the first SFA with the Australian Government.

A vote on a LiveCorp statutory levy increase is likely to be delayed until industry profitability has recovered post introduction of ESCAS. Introduction of a statutory levy for live dairy cattle will increase LiveCorp's total income. However, most of the additional income raised will be directed to live dairy cattle related R&D and marketing projects. A statutory levy on live dairy cattle will make only a modest contribution to LiveCorp's present activities.

Consequently, LiveCorp's ongoing viability will need to be assessed against an income of approximately \$3 million per annum.

1.5 Previous Performance Review Findings

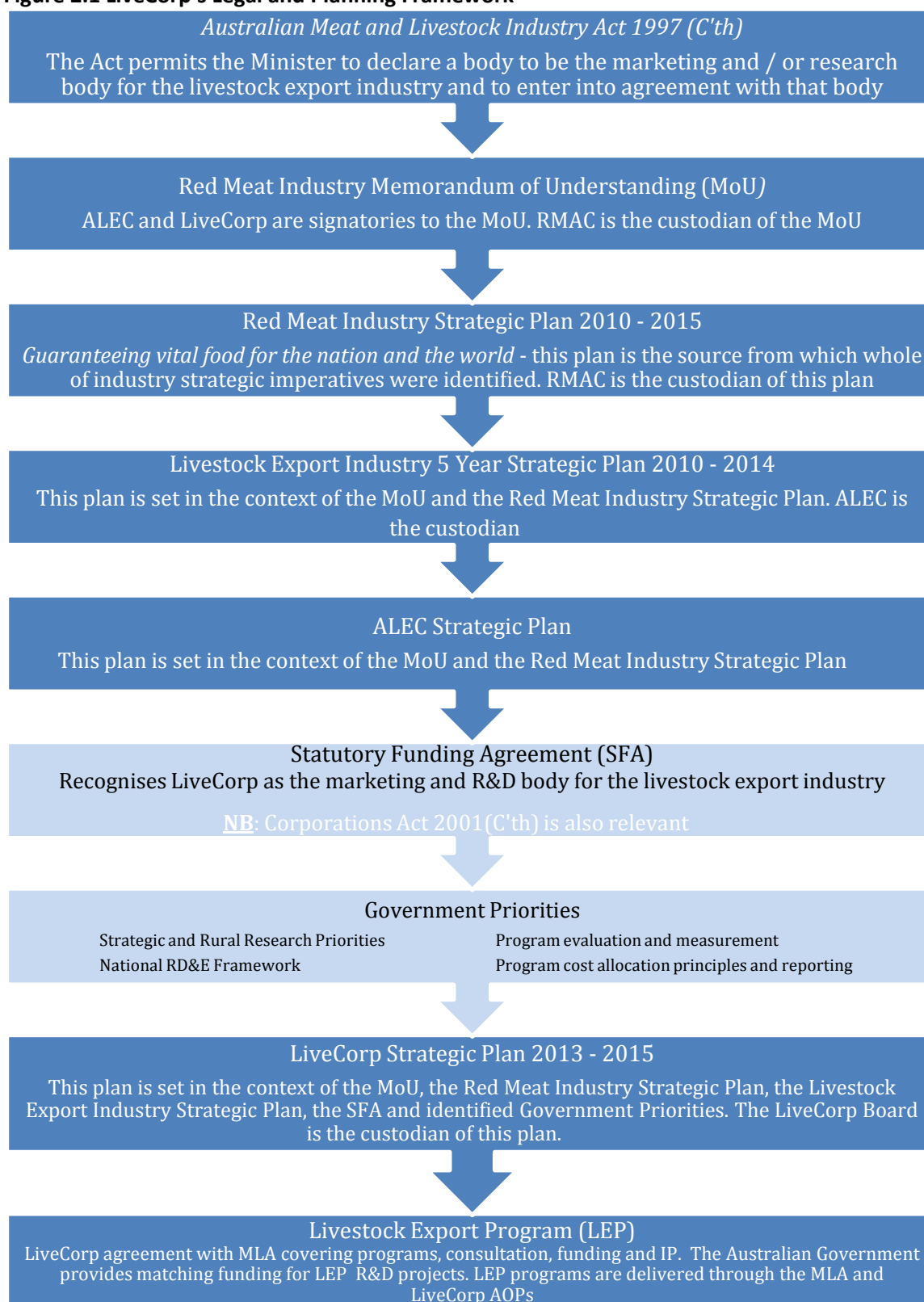
The LiveCorp 3-Year Performance Review completed in March 2010 made fourteen recommendations for consideration by LiveCorp and the Department of Agriculture (AgEconPlus 2010). This review finds that recommendations have either been addressed or are no longer relevant – see Appendix 1 for detail.

2 Legal and Planning Framework for LiveCorp Operations

2.1 Legal and Planning Framework

LiveCorp operates within a legal and planning framework that includes Australian Government guidelines set out in the SFA and a raft of other key strategic initiatives. A summary of the relevant legal and planning framework is provided in Figure 2.1.

Figure 2.1 LiveCorp's Legal and Planning Framework



Source: Adapted from LiveCorp Annual Report 2011-12

2.2 Statutory Funding Agreement

The current SFA came into effect on 1 July 2010 and expires 30 June 2014. It replaces LiveCorp's last SFA with the Commonwealth which covered the period 1 July 2007 to 30 June 2010.

The SFA is a contract between the Commonwealth of Australia and LiveCorp for the purposes of the *Australian Meat and Industry Livestock Act 1997 (C'th)*. The SFA enables LiveCorp to perform the functions of the declared Livestock Export Marketing Body and the Livestock Research Body.

Substantive sections of the SFA relevant to a review of LiveCorp's performance relate to the constitution and membership, the application of funds, strategic and operating plans, risk management, fraud control and intellectual property plans, annual reports, additional reports and audit.

Substantive issues covered in the current SFA that were not present in the previous agreement address:

- Section 4 Board Corporate Governance – ASX Corporate Principles and a skills based board.
- Section 7 Management of Funds – clear and separate reporting of R&D and Marketing funds. The section is not new, but clear and separate reporting of R&D is emphasised in Section 7 and again in Schedule 3.
- Section 14 Reports, Meetings and Consultation – as well as meeting the Minister's representative every six months, LiveCorp is required to meet with Industry Representative Bodies.
- Section 15 – LiveCorp is no longer required to provide six monthly financial statements.
- Schedule 3 - 'Cost Allocation Policy' requires separate reporting of Marketing and R&D expenditures.
- Schedule 4 Program Framework Guidelines – compliance with the guidelines is required to ensure LiveCorp's strategic plan is structured around programs of agreed activities with defined outcomes.

The requirements of these components along with LiveCorp's performance in their delivery are spelt out in the balance of the review. A comment on whether LiveCorp has appropriately addressed the more general requirements of the SFA is also provided.

3 Performance in Meeting SFA Obligations

3.1 Company Constitution

LiveCorp is appropriately constituted as a public non-listed company limited by guarantee; its income has been directed at the objects of the Company; the Board of Directors has worked to ASX Corporate Principles; and the Company has managed its responsibilities in relation to Corporation's law and agri-political activity.

LiveCorp's constitution was reviewed in 2012 following receipt of legal advice that if it wished to move to a skills based Board to comply with the SFA and reduce the number of directors from seven to five, a constitutional amendment was needed. Due process was followed. The change to an all skills based Board appointed by selection committee along with official recognition of an ALEC nominee as an Ex-Officio director was put to the LiveCorp AGM. The motion to move to appointment of the LiveCorp Board by a selection committee was rejected. In 2013 a proposal to have a skills based Board of five,

with three directors appointed by a section committee and two appropriately skilled member directors directly elected was passed. The 2013 proposal delivered the outcome sought by LiveCorp, its Members and is consistent with the SFA. The Minister and the Department was advised and supportive of the changes.

3.2 Application of Funds

The SFA requires that LiveCorp keep complete and detailed accounts of receipts and expenditures, meet targets and budgets set out in its plans and separately account funds for marketing and R&D purposes. Table 3.1 shows income by source and expenditure broken down by corporate operation (overhead), LiveCorp Programs and contributions to the LEP. LiveCorp Programs include industry capability building; consultation with ALEC, government and members; improving the efficiency of ESCAS, and the provision of funding for activities such as the National Arbovirus Monitoring Program. The LEP is jointly funded with MLA and resources provided for R&D under the LEP are matched by the Australian Government.

Table 3.1 Application of Funds – Budget versus Actual (\$'thousand)

	Budget 2011	Actual 2011	Budget 2012	Actual 2012	Budget 2013	Actual 2013
Income						
Levy Revenue	4,500	3,995	2,928	3,461	2,670	3,050
Less collection costs	(86)		(84)		(53)	(46)
Other Income	11	227	23	16	200	371
Total Net Income	4,425	4,222	2,867	3,477	2,817	3,375
Expenditure						
Corporate Operation (a)	1,618	897	1,177	1,595	529	1,051
LiveCorp Programs (b)	879	1,643	999	931	954	940
LEP Contributions:						
1. Market Access	98	142		23	62	62
2. Trade Development	324	296			72	72
3. Animal Health and Welfare	508	708			317	417
4. Communications	185	327			29	29
5. Industry Capability	0	84				
6. Accrual	317					
7. R&D	426	540	394	426	600	600
Total LEP (c)		2,097		449		1,180
Total Expenditure (a + b + c)	4,355	4,637	2,570	2,975	3,085	3,109
Surplus/Deficit	70	(415)	297	502	(268)	266
Overhead/ Total Expenditure %	37%	19%	46%	54%	17%	34%

Source: LiveCorp Company Secretary, August 2013

Table 3.1 shows that:

- Budget alignment to actual has been disrupted by the need to respond to temporary suspension of the live cattle trade with Indonesia and assist industry with the implementation of ESCAS i.e. a one off increase in LiveCorp programs of \$764,000 in 2011 and an increase in Corporate Operation of \$418,000 in 2012.
- Details of budget and actual expenditure for 2011-12 have not been provided by LiveCorp and this is consistent with the absence of the lodgement of an AOP with Department of

Agriculture for that year. Again this absence of detail on the application of funds reflects the disruption caused to the organisation by temporary trade suspension and the need to respond to a changed operating environment including the rollout of ESCAS.

- LiveCorp has adjusted to revenue reductions from approximately \$4.2 million in 2011 to \$3.4 million in both 2012 and 2013 by reducing overheads and making smaller contributions to the LEP. At the same time as LiveCorp has needed to reduce its contributions to the LEP, MLA has increased its LEP expenditure (see for instance LEP AOP 2013-14). MLA reports that the increase in LEP investment is consistent with the priorities of its levy paying members, especially those from Northern Australia, and the MLA Board.
- LiveCorp has maintained its contribution to R&D throughout the review period, averaging \$522,000 per annum. R&D contributions 2010-11 to 2012-13 are greater than those made during the last review period which averaged \$336,000 (AgEconPlus 2010).
- The ratio of overheads to total expenditure remains high. Large RDCs such as Horticulture Australia are able to achieve overhead to expenditure ratios of approximately 10% to 15%. While cost reduction lowered this ratio below the 25% recorded in the last SFA review in 2011 (AgEconPlus 2010), the ratio of overheads to expenditure was 54% in 2012 and 34% in 2013. The high ratio of overheads to total expenditure is a function of LiveCorp's work in a highly specialised area with little prospect of further reducing cost or drawing on economies of scale. LiveCorp has relatively low income in relation to its fixed costs. This issue is further addressed in Chapter 7 Ongoing viability of LiveCorp as a standalone entity.
- LiveCorp has demonstrated sound corporate governance in recovering from a deficit of \$415,000 in 2011 to a surplus of \$502,000 in 2012 and a surplus of \$266,000 in 2013. In 2013 LiveCorp has financial reserves equivalent to one full year's operating expenses.

3.3 Cost Allocation Policy

The SFA requires that LiveCorp develop a Cost Allocation Policy to allocate costs in a transparent manner between the Marketing and R&D Program for effective implementation of the Program Framework (Schedule 4 of the SFA). In accordance with the SFA, LiveCorp's Cost Allocation Policy and amendments to that Policy need to be agreed with Department of Agriculture.

LiveCorp's Cost Allocation Policy document was submitted to Department of Agriculture 14 May 2013. The policy is based on earlier work completed by the LiveCorp Company Secretary and Department of Agriculture R&D Policy and Governance which produced a schedule for allocating expenditures between marketing and R&D. The LiveCorp auditor completes an annual review of the schedule. R&D is defined in the SFA. Evidence of the policy's implementation is provided in the LEP Annual Operating Plan 2013-14. The LEP AOP shows proposed expenditure broken down by activity and source with separate reporting for R&D funds provided by MLA and LiveCorp and Government matching contributions.

During the course of the review, questions were asked about whether LiveCorp's contributions to Industry Collaborative Welfare Agreements (ICWA) were being met with R&D funds. It is inappropriate to use government monies to meet the cost of regulation. Clarification on this issue was straightforward, the AOP for the LEP 2013-14 shows that LiveCorp's contribution to ICWA was met through marketing levies.

3.4 SFA General Requirements

Research and consultation undertaken by this review reveals that in relation to the SFA:

- LiveCorp has received all relevant funds from the Commonwealth and these resources have been paid into an appropriate Australian bank account. Government has been satisfied that the application of funds has been in accordance with the SFA and LiveCorp has acknowledged funding provided by the Commonwealth.
- LiveCorp has demonstrated a capacity to comply with the requirements of the SFA including the provision of plans, reports, record keeping and audit requirements. The auditor has provided unqualified reports on LiveCorp's accounts throughout the review period.
- Regular six monthly meetings have been completed with the Minister's representatives. The meetings provide Department of Agriculture with an update on LiveCorp's progress with the implementation of plans and a valuable and in depth understanding of industry developments.
- Regular meetings have occurred with other stakeholders and Industry Representative Bodies. MLA and ALEC report that communication with LiveCorp is routine and through both formal and informal channels. Relationships are both productive and professional.
- Department of Agriculture is satisfied that LiveCorp has managed its responsibilities in relation to ethical issues and agri-political activity during the review period. Department of Agriculture subscribe to a media monitoring service and review lobbying activity to ensure compliance occurs. During temporary trade closure in 2011 the industry was represented by the Northern Territory Cattleman's Association and ALEC.
- Suspension of fund payments, termination, conflict of interest and dispute resolution has not risen between the parties. Access to records and use of information by the Commonwealth has been appropriate.
- The SFA has not required revision as a result of any action taken by LiveCorp.

3.5 SFA Compliance Cost

SFA costs are confined to strategic plan, AOP, corporate governance manuals, annual report preparation and a three year performance review. Compliance with these processes is consistent with the *Corporations Act 2001 (C'th)*, sound business practice and would be required by members regardless of the SFA. Both LiveCorp and the Department of Agriculture benefit from six monthly meeting and both parties are more aware of development within the others jurisdiction as a result of the dialogue. LiveCorp was not able to suggest changes to the SFA including changes that would lower compliance costs. Suggestions proposed by the Department of Agriculture are described in the balance of the document.

4 Preparation of Plans and Reports Required by the SFA

In assessing LiveCorp's plans and reports SFA Schedule 4 - Program Framework Guidelines have been used as a template. The assessment is informed by document review and consultation.

4.1 Strategic Plans

The SFA 2010 – 14 requires that LiveCorp has an appropriate strategic plan covering a 3 to 5 year period. Two LiveCorp strategic plans are relevant – 2011-14 prepared prior to ESCAS and 2013-15 that responds to the reduction in LiveCorp's income and the industry's changed operating and regulatory environment following the implementation of ESCAS. Both strategic plans comply with SFA requirements – Table 4.1.

Table 4.1SFA Requirements for a Strategic Plan

SFA Strategic Plan Requirement	LiveCorp's Response
Develop and adopt a 3 to 5 year strategic plan	A strategic plan was developed in 2010 and then fully revised in 2012 to reflect industry's changed operating and regulatory environment. The revised plan met the requirements of the Program Framework and suggestions were provided by Department of Agriculture to improve future alignment of the strategic plan and AOPs. The 2013-15 strategic plan is available for download on the LiveCorp website.
The strategic plan must foster the development of best practice animal health and welfare outcomes	Improving animal health and welfare outcomes is the first objective of both strategic plans. Under the 2013-15 document this objective is slated to receive 40% of available LiveCorp resources.
Include a vision or mission	LiveCorp's mission is articulated in the 2013-15 Strategic Plan as to enhance the productivity, sustainability and competitiveness of Australia's livestock export industry by undertaking RD&E, providing technical services / support and monitoring and reporting on programs and issues that facilitate animal welfare, market access and supply chain performance.
Assess LiveCorp's operating environment including SWOT, trends and implications	A succinct summary of LiveCorp's operating environment is provided including the 'unprecedented change to the regulatory framework and responsibilities of Australian exporters' brought about by ESCAS; the fundamental strength and regional importance of livestock exports; and a summary of trends including ongoing government support for the industry.
Detail, programs, planned outcomes, key deliverables, performance indicators, estimates of income and expenditure and collaboration with other RDCs	Each strategic plan objective is broken up into programs, sub-programs, activities, key performance indicators and a target resource allocation. Income and expenditure is forecast through to 2014-15. Collaboration with MLA, through the LEP, is detailed in each objective as is LiveCorp's intention to work closely with other RDCs who have an interest in animal health and welfare.
Be consistent with Australian Government National and Rural R&D Priorities	The 2013-15 strategic plan acknowledges the importance and need to align with the LEP Strategic Plan 2010-14, Government RD&E priorities and the Farmer Review. The earlier strategic plan prepared in 2010 shows consistency between objectives and Government RD&E Priorities.
Provide a corporate governance statement outlining the director's responsibilities	A corporate governance statement is included in the strategic plan. LiveCorp's governance is underpinned by its Corporate Governance Manual and the ASX's ten core principles.
Provide the strategic plan and its updates to the Minister and consult with the Minister during strategic plan preparation	Both documents were provided to the Minister. The revised document was delayed due to ESCAS and a change in LiveCorp CEO. Scheduled meetings were held with the Minister's representative throughout the review period and LiveCorp worked closely with Department of Agriculture during the development of ESCAS.
Ensure there is effective consultation with Charge Payers and hold formal consultations with key Industry Representative Bodies	The first strategic plan was informed by a whole of industry workshop held in Canberra in 2010. The second strategic plan drew on outcomes from the first strategic plan. LiveCorp routinely meets with ALEC, the Cattle Council, Sheepmeat Council and the seven state exporter's associations.

4.2 Annual Operating Plans

There are gaps in LiveCorp's provision of AOPs to DOA resulting from changes in LiveCorp's operating environment. The AOP was not submitted in 2011-12. AOPs provided 2010-11, 2012-13 and 2013-14 and internal documents for 2011-12 and 2012-13 were compliant with the requirements of the SFA – Table 4.2.

Table 4.2SFA Requirements for Annual Operating Plans

AOP Requirement	LiveCorp's Response
Prior to 1 July each year LiveCorp must provide the Minister with a copy of the AOP to implement the strategic plan	An AOP was provided by LiveCorp for 2010-11. AOPs for 2011-12 and 2012-13 were not provided due to ESCAS related disruptions. Department of Agriculture agreed to the delay of both ESCAS implementation affected AOPs. An appropriate AOP was provided by LiveCorp for 2013-14 it includes the AOP for the LEP.
AOP content to include intended operations, key activities aimed at best practice animal health and welfare, alignment of activities with guidelines, deliverables, performance indicators, income and expenditure separated into Marketing Program and R&D Program	<p>The 2013-14 AOP identifies:</p> <p>Intended operations centred around Corporate Operations (e.g. Board and company administration), LiveCorp Programs (e.g. technical support for ALEC, Arbovirus monitoring), and LiveCorp Services and Innovations (e.g. stockperson training and the LEP).</p> <p>Key animal welfare related activities were focussed on the industry and regulator identified priorities of heat stress, respiratory diseases and salmonella / inanition as well as in-market risk and gap analysis of supply chains, training and information seminars. The LEP AOP describes investments in health and monitoring systems RD&E, ESCAS support and ICWA.</p> <p>The AOP describes 34activities. The LEP AOP details a further 76 activities. KPIs are set around SFA compliance, stakeholder support and demonstrating value. There are no KPIs described in the LEP AOP.</p> <p>Separation of income and expenditure into Marketing program and R&D program is provided through the AOP for the LEP which is attached to the relevant LiveCorp document.</p>
AOP development must consider Ministerial direction, community and levy payer expectations, support relevant National RD&E frameworks, collaboration with other RDCs and establish a structured evaluation plan. The evaluation plan will provide a systematic assessment of the costs and benefits of LiveCorp's key investments.	The AOP was informed by stakeholder expectations; animal health and welfare initiatives include collaboration with MLA and Dairy Australia. LiveCorp outlined and delivered on plans to participate in CRRDC meetings and National Animal Welfare RD&E Strategy. LiveCorp contributed to a structured evaluation of the LEP in 2009-10. A systematic assessment of LEP costs and benefits post ESCAS along with investments in LiveCorp Programs (e.g. technical support for ALEC, Arbovirus monitoring) should be scheduled for 2014-15 and be available to inform the next SFA Performance Review.
AOP reporting requirements address schedule 2 relating to compliant Annual Reports	See Section 4.3 Annual Reports.
Miscellaneous provisions including the need for the Commonwealth to maintain confidentiality, the need for LiveCorp to advise of AOP revision and update of progress at six monthly meetings.	Department of Agriculture maintained confidentiality where this was relevant and LiveCorp kept the Commonwealth updated on progress with the implementation of the relevant AOP through its six monthly meetings.

Recommendation: LiveCorp contributed to a structured evaluation of the LEP in 2009-10 (CIE 2010). A systematic assessment of LEP and LiveCorp Program costs and benefits post ESCAS should be scheduled for 2014-15 and be available to inform the next SFA Performance Review.

Recommendation: There are no KPIs in the LEP AOP for 2013-14 and this would appear to be an important omission. KPIs should be prepared for the 2014-15 LEP AOP so that LiveCorp, MLA and Government are more easily able to describe what has actually been achieved with the funds, including research funds, invested.

4.3 Annual Reports

Annual reports for 2010-11 and 2011-12 are available on the LiveCorp website. The annual report for 2012-13 was being prepared by the LiveCorp CEO at the time of the review. The two available annual reports were reviewed and found to be compliant with the requirements of the SFA – Table 4.3.

Table 4.3 SFA Requirements for Annual Reports

Annual Report Requirement	LiveCorp's Response
Sources of income and separate identification of Marketing and R&D funds. Significant LiveCorp activities and transactions are documented.	There is a clear statement of income sources and expenses by program and expenditure including a breakdown for R&D. Significant activities and transactions are documented in both annual reports reviewed.
Progress made in implementing plans and progress against performance indicators specified in LiveCorp's plans particularly with respect to best practice animal health and welfare standards	Both annual reports describe progress against strategic plan objectives. Animal welfare projects are described including their capacity to improve animal health and regulatory outcomes. Reporting of progress would be facilitated if the LEP included KPIs and projects were reported against LEP targets.
Collaboration with other RDCs and government research priorities. Report on evaluations undertaken, commercialisation, IP created, joint ventures, changes in LiveCorp membership, executive and Board structure, corporate governance practices and other significant matters	Relevant annual reports address collaboration, IP, RD&E commercialisation, LiveCorp membership, the executive, Board, and governance principles.

Recommendation: that the annual report better describe progress against LEP performance indicators. If reporting LEP progress is an MLA responsibility, work with MLA to ensure KPIs are described and reported. Simple KPIs around progress with heat stress, salmonella, inanition, training, risk and gap analyses completed may be appropriate (why – many of these industry issues have been around for a long time and it is hard to know what additional progress has been made as a result of recent investments).

4.4 Scope to Improve the Planning Hierarchy

Establishing and reporting an organisation's strategic planning hierarchy is a process of refinement and continuous improvement that is not assisted by major changes in operating environment and limited LiveCorp staff. Careful review of the 2013-15 Strategic Plan, the 2013-14 AOP and LEP plan reveal minor inconsistencies in terminology and figuring which work against the logical cascade of strategic objectives, key program activities, budgets and KPIs. Terms change and budget forecasts have been updated in one document and not the others. It is likely that the new SFA agreement will require the Minister to approve the strategic plan and even higher document standards will be required.

Recommendation: LiveCorp work on a process of continuous improvement with its planning documents to ensure consistency of terms and budget forecasts.

4.5 Risk Management Plan

LiveCorp maintains an appropriate Risk Management Plan and is compliant with the SFA. Risks addressed are categorised under: financial; technological; public and insurance; legislative; human resources; environment and market; strategic; and natural disaster and other. The Risk Management Plan has been re-written since the last SFA review in 2010. The Risk Management Plan was updated by the Governance and Remuneration Committee of the LiveCorp Board in February 2013 and a full review was being completed by the Company Secretary in August 2013.

While the Risk Management Plan identifies and categorises relevant human resource risks as 'high', stakeholders point to the pivotal role played in a small organisation by the current CEO and the gap that would exist if the incumbent was to leave. LiveCorp is dependent on the CEO and the Department of Agriculture Division of Animal Welfare is reliant on the LiveCorp CEO to keep it informed. The pivotal role of the CEO is further emphasised by the imminent retirement of LiveCorp's experienced and knowledgeable Chair.

Recommendation: Stakeholders point to the pivotal role played in a small organisation by the current CEO and the gap that would exist if the incumbent was to leave. To minimise the risk to corporate and industry knowledge of CEO departure, LiveCorp must ensure ongoing up to date documentation of industry issues, appropriate Company systems and give consideration to adding capacity to deliver a sustainable work load for the CEO.

4.6 Fraud Control Plan

LiveCorp maintains an appropriate Fraud Control Plan and is compliant with the SFA. The Fraud Control Plan addresses:

- Plan development - overall responsibility for fraud control, monitoring fraud control, qualifications of staff, investigation of fraudulent matters, reporting and investigation, prosecution, statutory reporting and fraud awareness training.
- LiveCorp control environment – policies and procedures, delegations and authorisations, ethical behaviour and culture, internal audit and updating fraud risk assessment data.
- Required process reviews – information and communication technology, tendering and contracting, purchasing and accounts payable, revenue collections, credit cards, corporate travel, salaries, leave, assets, and physical security.

The Fraud Control Plan is in existence and was being updated as per the review schedule by the Company Secretary in August 2013.

4.7 IP Management Plan

LiveCorp maintains an appropriate Intellectual Property (IP) Management Plan and is compliant with the SFA. Where projects give rise to IP its ownership is managed by the LEP on behalf of stakeholders. Review of LiveCorp annual reports reveals that no IP was created during the review period. AgEconPlus (2010) found that the 'only IP developed related specifically to industry and included 'Hot Stuff' computer model and aircraft ventilation software'. The LiveCorp IP Management Plan was reviewed by the Governance and Remuneration Committee of the Board in February 2013 and a recommendation made to align the LiveCorp IP Plan with the MLA plan. A consultant was engaged to update the document and simplify the content. A draft of the consultant's update (draft dated 8 July 2013) was viewed during the review.

Recommendation: The July and August 2013 reviews of the Risk Management Plan, the Fraud Control Plan and the IP Management Plan be completed by LiveCorp in a timely manner and the resultant updates provided to the Department of Agriculture in line with the requirements of the SFA. LiveCorp consider staff training in fraud control and risk management in line with best practice corporate governance.

4.8 In Summary

LiveCorp has satisfactorily discharged its obligations with respect to the provision of plans and reports in the context of the disruption of its income during the suspension of trade.

5 Implementing Plans and Delivering Industry Benefits

The effectiveness of LiveCorp in implementing plans and delivering industry benefits is best considered with reference to a 'pipeline'. The 'pipeline' acknowledges the lapsed time between marketing and R&D project investment, outputs, their adoption by exporters and practice change.

Review of LiveCorp Strategic Plan objectives 2007-11, 2011-14 and 2013-15 (Table 5.1) shows continuity of corporate investment priorities.

Table 5.1 LiveCorp Strategic Plan Objectives 2007-11, 2011-14 and 2013-15

Strategic Plan 2007-11	Strategic Plan 2011-14	Strategic Plan 2013-15
Market access and development	Ongoing improvement in animal welfare outcomes	Improving animal health and welfare outcomes – across the supply chain
Industry capability	Improve industry efficiencies, capabilities and livestock performance through the supply chain	Improve supply chain efficiencies and regulatory performance
Livestock management and welfare	Build Government and community support for the industry and increase stakeholder awareness and satisfaction	Enhance market access conditions – for existing and new markets
Stakeholder communication and consultation	Improve market access conditions and build demand for Australian livestock	Enhance communication – providing information and services on program progress and issues to industry and government
	Deliver member and stakeholder confidence and value through strong governance, planning, evaluation and review	Improve corporate operations – governance, planning, evaluation and review to ensure efficient and effective investment

Source: various LiveCorp Strategic Plans

Consequently, the analysis of outputs, outcomes and benefits focuses on the four strategic imperatives that are consistent across the current and historical planning periods: (1) animal health and welfare improvements; (2) supply chain efficiencies; (3) market access; (4) communication with stakeholders.

Corporate governance is addressed in Chapter 6. Building government and community support for the industry, Objective 3 in the 2011-14 Strategic Plan, is included in analysis of pillar four – communication with stakeholders.

5.1 Animal Health and Welfare Improvements

The following actions, outcomes and benefits accrue from joint Government, MLA, LiveCorp and industry collaboration. Consistent with CIE (2010) it was not possible to 'un-pick' attribution to individual entities other than on a share of total investment basis. However, those consulted during the review, including senior officers in the Department of Agriculture, were firmly of the opinion that animal health and welfare outcomes and industry benefits achieved would not have occurred in the absence of

LiveCorp's contribution. Stakeholders point to the networks and knowledge LiveCorp brought to the development, rollout and refinement of ESCAS that were not available to either Department of Agriculture or MLA.

Table 5.2 Animal Health and Welfare – Plan Implementation and Benefit Delivery 2007-13

<p>LiveCorp Objectives</p> <ul style="list-style-type: none"> • Improve livestock management and welfare • Ongoing improvement in animal welfare outcomes • Improving animal health and welfare outcomes – across the supply chain
<p>LiveCorp Performance Indicators</p> <ul style="list-style-type: none"> • Community and government support for the trade • Fewer reported incidents and successful livestock delivery rates • LiveCorp technical support on animal welfare adds value to exporter businesses • RD&E outcomes that improve welfare are effectively communicated • Training programs undertaken domestically and in-market, are best practice and independently reviewed
<p>Joint Investments</p> <ul style="list-style-type: none"> • Heat stress research including Hot Stuff V4 software to inform stocking densities and improve delivery rates • Vaccine development including a drinking water based salmonella vaccine for sheep • Vaccination strategies for scabby mouth to ensure Australian sheep remain free of this disease • Bovine respiratory disease/pneumonia R&D to provide a greater understanding of cattle stress factors • Livestock Air Transport Safety Assessment software V2 – ventilation capacity by aircraft and species • Best practice design of livestock airfreight crates • Development of a veterinary disease investigation handbook and data collection system • 'Pen walking' strategies to improve the health of stock held in in-market feedlots • Feedlot software to improve the monitoring of sheep and reduce inanition • Oral antibiotic therapies to treat pink eye in sheep • Training guides on stock handling and slaughter prepared and translated into Bahasa and Arabic • Training courses completed for stevedores, stockmen, feedlot operators and slaughtermen • Liaison with DOA to develop and test animal welfare policy positions and collate exporter feedback • Standard Operating Procedures (SOPs) and working instructions developed and covering all ESCAS nodes • SOPs developed to improve animal welfare in all markets and species including dairy cattle • Communication of ESCAS requirements to exporters and importers • Assistance provided to exporters and importers to interpret and implement ESCAS requirements • Assistance provided in completing and lodging ESCAS documents for DOA assessment • Completion of risk and gap analyses to ensure ESCAS is effective • Provision of exporter feedback and analysis to improve the efficiency of ESCAS operation • Identification of efficiencies including singular audit of facilities used by more than one export supply chain • Joint funding of in-country welfare officers through Industry Collaborative Welfare Agreements • Mark IV slaughter box review with improvements for more effective welfare outcomes
<p>Industry Benefits</p> <ul style="list-style-type: none"> • Trade operates at a higher level (i.e. more animals exported) than would otherwise have occurred (CIE 2010) • There are fewer on-board mortalities (offset by higher input costs for exporters) (CIE 2010) • Livestock producer and exporter incomes are higher than would otherwise have occurred (CIE 2010) • The cost to exporters of ESCAS compliance has been reduced (industry consultation) • Ongoing government support for the trade (literature review and government consultation)
<p>Animal Welfare Outcomes</p> <ul style="list-style-type: none"> • LEP investments have delivered lower animal morbidity and mortality rates during transportation (CIE 2010) • In-market handling and slaughter occurs in a more humane way i.e. OIE compliance through ESCAS • 'Spillover' benefits – country wide improvement in welfare in markets receiving Australian stock (DOA)

Source: LiveCorp Annual Reports and project consultation

5.2 Supply Chain Efficiency

Supply chain efficiency includes industry capabilities, livestock and regulatory performance and is strongly linked to animal health and welfare improvement (Section 5.1). The Farmer Review (2011) resulted in a whole of supply chain approach to animal welfare and the existing Australian Standard for the Export of Livestock (ASEL) which covers loading to disembarkation was augmented with ESCAS. ESCAS includes the in-market supply chain through to and including slaughter. LiveCorp made technical contributions to ASEL reviews and was instrumental in developing and implementing ESCAS during the SFA review period.

Table 5.3 Supply Chain Efficiency – Plan Implementation and Benefit Delivery 2007-13

LiveCorp Objectives <ul style="list-style-type: none"> • Improve industry efficiencies, capabilities and livestock performance through the supply chain • Improve supply chain efficiencies and regulatory performance
LiveCorp Performance Indicators <ul style="list-style-type: none"> • Provision of constructive and timely input into regulatory reviews of ASEL and ESCAS • RD&E and technical material that improves the performance of Australian livestock • Advice on regulatory issues that is valued by industry • Training programs to support ESCAS implementation
Joint Investments <ul style="list-style-type: none"> • Technical input into ASEL review of inspection procedures pertaining to the Port of Fremantle • Advice provided to ALEC, the Peak Industry Body, to inform the ASEL Port of Fremantle review • Provided technical input that allowed development of a Breeder Export Policy • Emergency response to changed market conditions e.g. ship to ship transfer of livestock to prevent stranding • Technical input to assist the Australian Government implement Farmer Review recommendations • Managed information flows between exporters and Government • Representation of exporter interests at key meetings aimed at developing and implanting ESCAS • Assisted exporters with development of standard ESCAS applications using a common template • Engaged in-market stakeholders to negotiate the implementation of ESCAS compliant supply chains • Provided technical advice on supply chain infrastructure, systems and procedures • Provided training to exporters and importers in ESCAS implementation • Ensured ESCAS was effective through gap (pre-establishment) and risk (post establishment) analysis • Provided ongoing review of ESCAS to lower audit and compliance costs
Outcomes <ul style="list-style-type: none"> • Facilitated establishment of ESCAS a whole of supply chain approach to animal welfare • Reduced ASEL prescribed requirements for withholding sheep after shearing from 5 to 3 days • Reduced ESCAS audit and compliance costs by an estimated 30% (NB: DOA charge on a cost recovery basis)
Industry Benefits <ul style="list-style-type: none"> • Industry re-establishment following temporary suspension of the live cattle trade with Indonesia • Improvements in ASEL and ESCAS that have reduced the cost to exporters without compromising welfare

Source: LiveCorp Annual Reports and project consultation

5.3 Market Access

Market access objectives, KPIs, outcomes and benefits are summarised in Table 5.4. Markets targeted and successes achieved by the LiveCorp supported Protocol Committee are summarised in Table 5.5.

Table 5.4 Enhancing Market Access Conditions – Plan Implementation and Benefit Delivery 2007-13

LiveCorp Objectives <ul style="list-style-type: none"> • Market access and development • Improve market access conditions and build demand for Australian livestock • Enhance market access conditions – for existing and new markets
LiveCorp Performance Indicators <ul style="list-style-type: none"> • Volume and value of livestock exports together with industry growth • Market share and global trade security • Maintenance of access and access conditions for existing markets • Opening of new markets or significant progress toward opening new markets • Facilitation of trade delegations to support market access objectives • LiveCorp advice on market access issues well regarded by ALEC and the Australian Government
Joint Investments <ul style="list-style-type: none"> • Provide secretariat support for the Protocol Committee which sets access priorities based on trade potential • Liaison with Government officials in existing and potential markets as well as DOA and DFAT • Formation of the Indonesian Taskforce November 2010 – negotiates weight restrictions, quotas and welfare • Agreement on technical issues in the Lebanese market • Expansion of the closed loop cattle supply system in Egypt • Hosted a Turkish delegation that visited Australia to evaluate the Arbovirus (blue tongue) monitoring • LiveCorp CEO visited China to further market access for breeding cattle
Outcomes <ul style="list-style-type: none"> • Access granted to seven markets since July 2010 • Investment made in thirteen markets to maintain or beneficially amend access protocols • Work progressed to gain access to further thirteen markets
Industry Benefits <ul style="list-style-type: none"> • Access to new markets to expand the industry and reduce reliance on exiting outlets • Cost reduction in servicing existing markets e.g. relaxation of blue tongue testing saves industry \$600,000 pa

Source: LiveCorp Annual Reports and project consultation

Table 5.5 Market's targeted by LiveCorp for Access or Improved Access Since July 2010

Access Granted Since July 2010	Maintenance or Protocol Amendment	Working to open
Georgia	Bahrain	Afghanistan – fielded an inquiry
Philippines	China –feeder and slaughter	Algeria
Solomon Islands	Egypt	Cambodia
Turkey – sheep and cattle	Fiji	Iraq
Vietnam	Japan	Iran
	Jordan	Korea
	Israel	Lebanon
	Kuwait	Mexico
	Libya	Taiwan
	Mauritius	Thailand – close to opening
	Pakistan	Ukraine
	Russia	Uzbekistan
	Saudi Arabia	
	Kazakhstan	
	Malaysia –goats post Hendra virus	
	Ukraine	

Source: LiveCorp personal communication, 19 July 2013

5.4 Communication with Stakeholders

Communication with stakeholders is LiveCorp's fourth strategic pillar. Stakeholders report that despite a rationalisation of communication resources post the introduction of ESCAS, the Company's processes are appropriate. As one key stakeholder commented 'LiveCorp are the communication bridge between industry and government. They have done a very good job in this area e.g. ESCAS Exporter Forum with Department of Agriculture in 2013'. Company communication with the Australian community will be strengthened by the implementation of a strategy to build community support for the livestock export trade in partnership with ALEC– Table 5.6.

Table 5.6 Communication with Stakeholders – Plan Implementation and Benefit Delivery 2007-13

LiveCorp Objectives
<ul style="list-style-type: none">• Stakeholder communication and consultation• Enhance communication – providing information on program progress and issues to industry and government
LiveCorp Performance Indicators
<ul style="list-style-type: none">• Stakeholders regard LiveCorp advice on issues management and industry statistics as valuable• Briefings are provided to producers, exporters and governments on key issues• Circulars and newsletters are provided to LiveCorp members on key issues• LiveCorp communication strategy is revised• LiveCorp website is redeveloped and provides access to RD&E information
LiveCorp Investments
<ul style="list-style-type: none">• LiveCorp is working to position itself as the voice of industry for the delivery of R&D and marketing services• Support materials have been provided to ALEC to inform key policy positions• ALEC values support materials provided by LiveCorp• Focus of communication with exporters has been on ESCAS, a clear highest priority since 2011• The new LiveCorp website includes a searchable RD&E database and up to date industry statistics• New website includes a schedule of activities which does away with the need for 'inbox clogging' emails• A new simple and clear strategic plan has been prepared and communicated to stakeholders• LiveCorp is able to access MLA media capacity to communicate with the Australian community• A new social media project is underway, its aim is to address negative community perceptions ('Future Eye')
Outcomes
<ul style="list-style-type: none">• Stakeholders report that LiveCorp communications are effective post Company restructure• The relationship with MLA, tarnished during the early part of the review period, has been restored
Industry Benefits
<ul style="list-style-type: none">• LiveCorp provides a sound information base for use in policy and commercial decision making

Source: LiveCorp Annual Reports and project consultation

5.5 Effectiveness of Plan Implementation – Stakeholder Questions

Stakeholders raised a number of questions relevant to consideration of LiveCorp's effectiveness in implementing plans and delivering industry benefits. These questions are recorded and addressed in Section 5.5.

A list of RD&E projects: Department of Agriculture Animal Welfare Division requested a list of RD&E projects that provides information on start and finish date, status in relation to completion on time and budget, whether the results have been published and their likely contribution to ASEL and ESCAS. The request arises from a concern expressed by animal welfare groups that research 50% funded by Australian taxpayers may be shelved if its findings are not favourable to the livestock export industry.

It is already an Australian Government policy requirement that publically funded research that is not commercial in nature be published. The LiveCorp Board is accountable for RD&E funding and reporting and is liable if results are withheld. The next generation of Statutory Funding Agreements effective, in LiveCorp's case from 1 July 2014, will further strengthen requirements for demonstrating accountability via R&D adoption and the delivery of value for money.

LiveCorp report that project recording makes it possible to separate LiveCorp funded RD&E projects from the LEP total. Projects are published on both the LiveCorp and MLA websites. Projects contributing to ASEL and ESCAS include research addressing stocking densities, inspection regimes, salmonella control, bovine respiratory disease, pink eye, SOPs and other guidance material. Department of Agriculture also has a complete listing of RD&E projects, their findings and their relevance to the standard (Department of Agriculture May 2012 'Recommendations arising from Industry funded research into live animal exports', confidential draft).

Recommendation: That the next evaluation of the LEP includes a 'stage 1' analysis that is a simple listing of all RD&E projects including the institution, project budget, start and finish date, whether the project was completed on time and budget, whether results have been published, their likely contribution to ASEL and ESCAS where this is relevant and other potential benefits to the trade. A 'stage 1' review of this type is consistent with RIRDC's long standing approach to program evaluation. A detailed 'stage 2' economic evaluation is then completed.

Recommendation: To further address the concern that the LEP is secretive and selective in its release of RD&E reports, MLA and LiveCorp give consideration to an RD&E 'Road Show' every six to twelve months. The R&D 'Road Show' would provide updates on research commissioned, its progress and findings. Presentations would be made to the Department of Agriculture policy makers, state governments and their parliaments, and in time to NGOs such as the RSPCA.

Strategic alignment of RD&E investment with regulatory requirements: Department of Agriculture point to the strategic approach adopted by the Australian Egg Corporation in systematically reviewing the Model Code of Practice for the Welfare of Domestic Poultry and aligning RD&E expenditure with gaps in knowledge. The question was raised as to whether a similar approach should be pursued in livestock exports.

LiveCorp and MLA, through the LEP, complete ASEL RD&E gap analyses and use analyses results to establish R&D priorities. Priorities are recommended to the Livestock Export Research and Development Advisory Committee (LERDAC) for funding. Gap analyses will be completed for ESCAS on the same basis.

Which organisation has the ultimate responsibility for ensuring the most important "export oriented live" animal welfare RD&E is completed– MLA or LiveCorp: Department of Agriculture expressed concern that accountability is hard to unravel.

Accountability for selecting the most relevant animal welfare RD&E and ensuring it is published is a shared responsibility between MLA and LiveCorp. Accountability is codified in the LEP and LERDAC prioritise projects. LERDAC includes representation from MLA, LiveCorp, industry and the peak councils. Accountability is achieved through the LEP and consistent with Chapter 4 recommendations it is important that the LEP AOP has appropriate performance indicators.

Should LERDAC include non-industry capacity in order to provide a more balanced perspective: The Peak industry body is concerned that the LEP is too internally focussed and does not provide assistance with regaining/strengthening the livestock export industry's social licence to operate.

While the livestock export industry is somewhat hesitant about including industry outsiders in its R&D priority setting, the process would benefit from fresh insight from a broader base.

Recommendation: LiveCorp and MLA give consideration to inclusion of stakeholders such as the Australian Veterinary Association on LERDAC to build bridges with a wider group of stakeholders and provide fresh insight into community thinking on animal welfare. This draft recommendation can be further considered during formulation of the strategy to inform the industry's social media project 'Future Eye'.

Industries are reliant on productivity growth to remain viable, this industry places too little emphasis on productivity related RD&E: Exporter concerned about the long term competitiveness of their industry and a possible conflict between welfare and industry productivity.

Review of available project reports and LEP priority setting documents reveals that while there is a strong emphasis on animal welfare RD&E, most projects also address long term and sustainable industry efficiency. Relevant RD&E projects and programs include minimising the cost of regulation without compromising animal welfare, improving supply chain efficiency and increasing the number of markets available to the livestock export industry.

Is the LEP budget sufficient to address relevant welfare questions: Question posed by this review concerned about the small total budget available given the size and importance of the industry.

The LEP Program Manager reports that budget available aligns with research proposals received but that the real pressure point is a shortage of resources available for program management and planning. Additional management resources would allow the LEP to be more proactive in completing gap analyses and describing research sub-programs.

Longer term it may be necessary to increase funding available to the program through a levy increase, when industry profitability has recovered. In the short term management resources may need to be increased. If in the short term the LEP budget is insufficient to address relevant animal welfare priorities then consideration should be given to Australian Government RD&E grants. Grants may be appropriate given the public good nature of animal welfare research and industry's limited short term revenues.

Recommendation: review funding arrangements to ensure both the short and long term sustainability of livestock export RD&E.

Reporting non-compliance with ESCAS: In the past the Department of Agriculture has expressed concern about MLA and LiveCorp's lack of willingness to report ESCAS non-compliance in countries receiving Australian livestock. Welfare groups argue to the Department of Agriculture that third party audit is a weak compliance device. MLA and LiveCorp argue that if breaches are small, it is better to work with in-market partners rather than drive non-complying practices 'underground'.

This issue has been addressed and resolved between the Minister and MLA. Consequently, there is little advantage in revisiting compliance reporting policies in this review of the SFA.

What progress has been made with moving the industry forward with a QA scheme in line with Farmer Review recommendations: the Department of Agriculture is concerned that the process has stalled.

LiveCorp has moved forward with QA scheme development. At the time of the SFA review a consultant's report had been commissioned and a draft received. QA implementation is an issue for industry and ALEC rather than LiveCorp, the R&D and Marketing service provider.

5.6 Efficiency of Plan Implementation

The review has uncovered no evidence of waste or inefficiency in preparation or in giving effect to LiveCorp's plans. Industry and government stakeholders consulted were not aware of any wasteful or low priority LiveCorp activities. The present CEO has delivered on the brief provided by the LiveCorp Board i.e. lower costs and increase Company outputs.

5.7 In Summary

LiveCorp has given effect to its plans. Industry benefits include lower levels of ship-board morbidity and mortality; partnering in the development of the through supply chain animal welfare system ESCAS; analysis and coordination to lower the cost to industry of ESCAS compliance; provision of technical information and research to inform ASEL reviews; and the opening of additional livestock export markets.

It is not possible to overstate the importance of establishing ESCAS during the SFA review period. ESCAS resulted in the reestablishment of the industry. ESCAS was the result of hardworking partnership between LiveCorp, MLA and the Department of Agriculture. LiveCorp's role in building the 'bridge' with industry was pivotal.

6 LiveCorp Operating and Reporting Structures

Review of LiveCorp's operating and reporting structures provides further insight into the efficiency with which the Company has carried out its plans.

6.1 Corporate Governance

The governance of LiveCorp involves members, directors, management and employees, and is affected by regulatory requirements, as well as the interests and expectation of other parties including Government, MLA, ALEC, the Peak Industry Bodies, industry partners and communities.

In discharging its corporate governance requirements LiveCorp:

- Has clearly defined roles and functions for its Board and staff
- Has moved to a skills based Board of directors in line with SFA requirements
- Uses a selection committee to appoint a majority of directors
- Applies the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations to guide governance
- Works to a clear set of principles detailed in its Corporate Governance Manual that covers code of business conduct, roles and values, standards, responsibilities, performance review and committees – the Corporate Governance Manual was last updated February 2013
- Works to clearly enunciated remuneration guidelines
- Has formed and makes use of a Finance, Audit & Risk Committee and a Governance & Remuneration Committee
- Works towards business best practice and has put in place a culture of continuous improvement.

Compliant auditor's reports were sighted by the review – 2010-11 and 2011-12 were published in the relevant Annual Reports and for 2012-13 the audit had been completed, no concerns were raised by the auditor and at the time of the review it was understood that the report was simply waiting sign-off by the relevant audit partner. Corporate governance is in line with SFA and Corporations Law requirements.

6.2 Board Performance

The LiveCorp Board met face-to-face seven times in 2011-12 and meetings were held over a single day. Briefing papers and an agenda are circulated in advance. A standard agenda is used and papers and minutes are of an appropriate quality.

The LiveCorp Board has not been independently reviewed since 2008 i.e. prior to the current SFA.

Recommendation: that LiveCorp appoint a consultant to complete an independent review of the Board in 2014-15. The last independent review was completed by Virginia Hickey in 2008 and the LiveCorp Chair reports that this review was beneficial. The Virginia Hickey review targeted:

- What works well on the LiveCorp Board
- Areas requiring improvement including Strategy, CEO KPIs, Succession Planning, Board Size/Composition, Subcommittees, Board Training and Development, Meeting and Board Papers
- Comparison with past Board Performance Evaluations

It is appropriate to review the Board in 2014-15 given its new size, focus on skills and composition. New directors are scheduled to join the Board and there is a requirement for the current Chairman to retire in October 2013.

6.3 Management and Staff

LiveCorp staff members have position descriptions outlining responsibilities, conditions of service and termination entitlements. Staff roles and responsibilities reflect the requirements of the strategic plan and the AOP. The Corporate Governance Manual details standards expected of management and staff.

When the LiveCorp performance review was completed in 2010 the Company had five employees and the LEP had six (AgEconPlus 2010). The LEP has maintained its staffing while LiveCorp has reduced human resources to 3.5 FTE:

- CEO (1 FTE)
- Company secretary/finance analyst (0.2 FTE)
- Industry capability manager – market access and government regulation (1 FTE)
- Industry services manager (0.3 FTE)
- Administration (1 FTE)

LiveCorp management and staff are well regarded by industry, comments received during consultation include:

- The recent change of CEO at LiveCorp has resulted in a very focused and effective organisation that serves its member base well
- Given the resources available to LiveCorp, I believe the staff do a very good job in providing technical support and capacity to the key program areas it is involved with. The senior operatives of the Company do a thankless job on occasion but remain committed to the pursuit of making LiveCorp an efficient and effective service delivery organisation.
- LiveCorp went through a difficult period 18 months ago when performance of the then CEO fell short of requirements. This led to a significant loss of industry confidence in the organisation. That was rectified with the appointment of a new CEO who is performing very well.
- Considering the difficulties the industry has experienced I believe the management and staff have performed extremely well in trying to steer the industry through a difficult time of regulatory change and operating environment.

Stakeholders were also concerned about the workload of management and staff, especially the CEO:

- The personal health and wellbeing of staff are suffering, work load is unsustainable. Industry must look at the return on investment it is getting and the cost of losing the CEO and the current team.
- LiveCorp seem slightly under-resourced and too small an organisation for their important role.
- The CEO performs a pivotal role in a small organisation; there would be a substantial gap in the capacity of both LiveCorp and DOA if the incumbent were to leave. DOA relies on the LiveCorp CEO for industry insight.
- When we deal with LiveCorp, it is always with the CEO, the fact that there is no other staff goes to the question of the ongoing viability of the organisation.

The management team and staff point to an unusually high workload during the period 2011 to 2013 that has including trade closure, ESCAS, two changes to the LiveCorp Constitution, two physical relocations, staff reallocation and the current need for staff training. Staff also point to the small revenue base of the Company and the difficulty in justifying additional resources. Nevertheless there is a need for additional capacity in the organisation.

Recommendation: Consistent with Section 4.5 LiveCorp give consideration to adding management capacity to deliver a sustainable workload for the CEO and ensure key person risk is managed.

Recommendation: LiveCorp staff pursue training and mentoring programs. The CEO's mentoring program with a CEO from a similar sized RDC is highly beneficial and team members require training in their new roles.

6.4 Relationships with Suppliers and Others

LiveCorp's relationships with its suppliers are critical to it functioning effectively. The Company's key non-stakeholder relationships include:

- Minchin Moore – who provide a legal services to LiveCorp
- Prescott Securities – investment manager for the Company
- HLB Mann Judd – LiveCorp's auditor
- Researchers – managed through the LEP by MLA and include a diversity of suppliers and skills.

All professionals engaged by LiveCorp have been selected in accordance with the principles outlined in the Fraud Control Plan. Appropriate relationships have been established and maintained with each of these parties through formal and suitable contract agreements.

6.5 ALEC and LiveCorp

ALEC and LiveCorp's roles and responsibilities are codified in an advisory services agreement which is reviewed by Department of Agriculture. In 2013 there is a clear demarcation between ALEC and LiveCorp. ALEC works on policy and is the public face of the industry while LiveCorp provides technical input into policy development. The CEOs of both organisations have a productive working relationship and SFA requirements for six monthly meetings are augmented with routine contact and information exchange.

Both organisations are guided by an industry strategic plan as well as individual strategic plans for ALEC and LiveCorp.

Recommendation: within the livestock export sector there are three relevant plans – the industry strategic plan 2010-14, ALEC Strategic Plan, and the LiveCorp strategic plan. Some rationalisation of these documents and the processes needed to generate them may assist with industry efficiency.

6.6 MLA and LiveCorp

MLA and LiveCorp's relationship is formalised through the LEP. The LEP is a vehicle for giving effect to LiveCorp's strategic plan and AOPs. The LEP is jointly funded by LiveCorp and MLA and funds allocated to RD&E are matched by the Australian Government. AgEconPlus (2010) found that LiveCorp and MLA were equal funding partners in the LEP. Since that time MLA has committed record additional amounts to the LEP and maintained the program when LiveCorp resources were depleted during and immediately after trade closure. In 2013-14 LiveCorp will contribute \$2.1 million, MLA \$5 million and the Australian Government \$1.2 million to LEP implementation. LiveCorp's relationship with MLA has been restored following an earlier plan by a previous LiveCorp CEO to withdraw from the LEP. A measure of the restored cooperation between LiveCorp and MLA is that LiveCorp has sublet office space from MLA and retained this shared arrangement when MLA relocated in September 2013.

6.7 Collaboration with Other RDCs

In addition to its close collaborative relationship with MLA, LiveCorp works with other RDCs both bilaterally and through combined activities. LiveCorp engages directly with Dairy Australia in relation to issues and projects that benefit live dairy cattle exports. LiveCorp participates in Council of Rural Research and Development Corporation (CRRDC) meetings and benefits through information sharing, the opportunity to participate in policy making (e.g. the opportunity to contribute to a joint submission to the Productivity Commission), provision of another opportunity to engage with Department of Agriculture, and the sharing of templates and frameworks prepared by other larger RDCs. LiveCorp has become actively involved in the National RD&E Framework for Animal Welfare. This is a broad forum that meets annually and supports cross sectoral RD&E projects. To date LiveCorp has not contributed to funding of projects under the National RD&E Framework.

Collaboration is one way a small RDC style organisation like LiveCorp can leverage its limited resources.

6.8 Liaison with Government

Department of Agriculture report a productive relationship with LiveCorp:

- LiveCorp were helpful in communicating industry views, design and implementation of ESCAS.
- An effective working partnership has been formed through the Industry Government Implementation Group for ESCAS. This group meets fortnightly and includes state government representatives, exporters, LiveCorp, MLA and the Department of Agriculture.
- The six monthly meetings required by the SFA occur and are productive. Informal weekly conversations also take place with relevant sections of Department of Agriculture e.g. Live Animal Exports Division.
- While six monthly meetings are formally about governance, they also provide an opportunity for Department of Agriculture to be updated on industry developments and ensure the Department is providing the Minister with the most current and relevant policy advice.
- The LiveCorp CEO is proactive in advising timeframes for key deliverables and does not create unwelcome uncertainties.
- From Department of Agriculture's perspective LiveCorp's capacity to communicate with its stakeholders is acceptable.

During the current review period there has been none of the adversarial behaviour from LiveCorp that characterised the previous review period (AgEconPlus 2010). LiveCorp is now recognised by Government as a service provider rather than an industry advocate. The current CEO's experience in Government means that LiveCorp has a clear understanding of Department of Agriculture's role.

LiveCorp and LiveShip report that the relationship with the industry's other regulator, the Australian Marine Safety Authority is functioning effectively and without incident.

6.9 Tools and Processes Used for Liaison with Industry Stakeholders

Consistent with Section 5.4 addressing Communication with Stakeholders, the review finds:

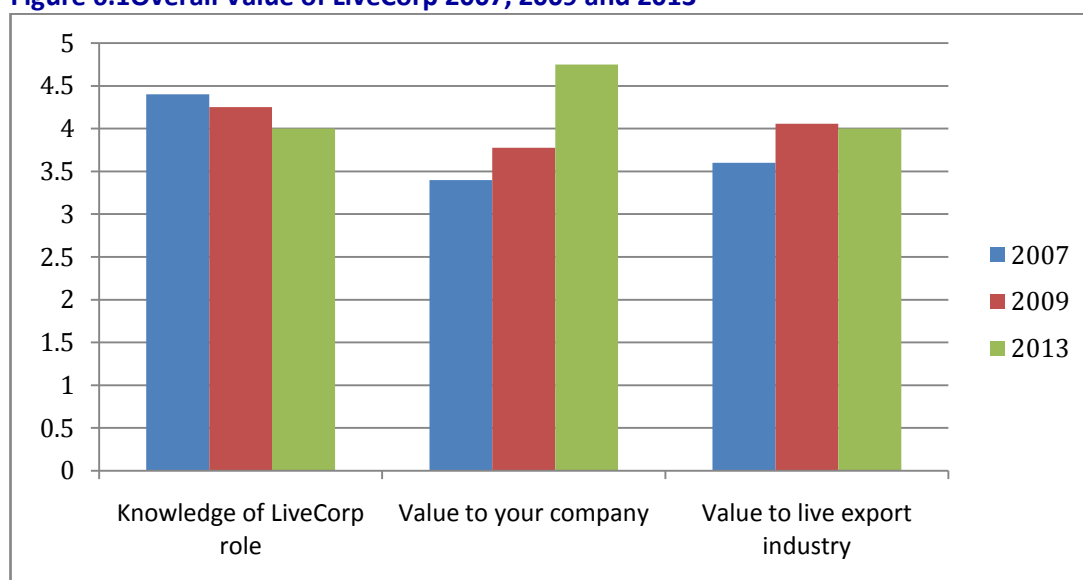
- That the LiveCorp CEO attends and contributes to state chapter meetings (WALEA, SALEA, NTLEA, QLEA) along with MLA producer meetings.
- Members are provided with appropriate opportunity to contribute to the development of Plans and resultant documents are available for scrutiny.
- The LiveCorp website provides a LiveCorp work schedule, RD&E reports, assists with the clarification of the Company's role and facilitates member interactions such as registration for the LiveCorp AMG.
- Annual and Statutory Financial reports are circulated prior to the AGM.
- The Board encourages participation by members at the AGM.

LiveCorp provides appropriate routine and *ad hoc* structures for communication with industry stakeholders.

6.10 Consultation Findings

Stakeholder perceptions of overall value in 2013 are compared to value in the first review period (SED Consulting 2007) and the second review period (AgEconPlus 2010), are shown in Figure 6.1.

Figure 6.1 Overall Value of LiveCorp 2007, 2009 and 2013



Source: SED Consulting, AgEconPlus 2010 and 2013 (NB: Y Axis is rating out of 5, where 5 is excellent)

Stakeholder perceptions of LiveCorp's value to the stakeholder's company and the industry remain high.

Comments received from stakeholders in relation to LiveCorp's performance are summarised in Table 6.1. Member and broader stakeholder groups are satisfied with LiveCorp's performance over the review period.

Table 6.1 Findings from Stakeholder Consultation

LiveCorp Performance Question	Stakeholder Rating / Response
Improving animal health and welfare outcomes across the supply chain?	Very good to excellent
Improving supply chain efficiency and regulatory performance?	Good to very good
Enhancing market access conditions for existing and new markets?	Good to very good
Communication with industry and government?	Good to very good
Improving corporate operations – governance, planning, evaluation and review to ensure efficient and effective investment?	Good to very good
Managing and delivering outcomes from the joint R&D program?	Very good to excellent
Clarity and appropriateness of LiveCorp's strategies and plans	Good to very good
Appropriateness of funding allocation across LiveCorp activities (i.e. welfare, supply chain efficiency, market access, communication)?	<ul style="list-style-type: none"> Funding split is about right More on improving the efficiency of ESCAS needed in the future
Animal welfare is obviously a key element of LiveCorp's activities. Are you satisfied with LiveCorp's activities are they providing benefits to the industry?	<ul style="list-style-type: none"> Yes, effective and practical programs Business as usual was not an option Demands continue to increase and I am concerned about LiveCorp's capacity to fund welfare from existing levy streams
Are there any areas where you believe LiveCorp should be decreasing its efforts?	<ul style="list-style-type: none"> No Critical that we invest in market access Only invest in dairy cattle the resources provides to LiveCorp
Are there any new areas in which LiveCorp should be investing (e.g. industry QA)?	<ul style="list-style-type: none"> Yes QA development and implementation (ESCAS efficiency and market access viewed as important)
Do you believe it is important that LiveCorp remain a 'stand-alone' entity rather than be re-incorporated into MLA?	<ul style="list-style-type: none"> Yes Goals, priorities and stakeholders differ Incorporation into MLA would result in a loss of current sharp focus on our industry Merging is a distraction, offering limited cost savings Status quo provides funding and strategy independence
Given that the last increase in the LiveCorp Marketing and R&D levy was in 2006, would you support a proposal for a modest levy increase?	<ul style="list-style-type: none"> 50% of member respondents said yes LiveCorp can't deliver if funds are limited We have an unsustainable cost base (no afford levy increase) The industry is on its knees (no afford levy increase) LiveCorp has shown it can deliver with low levels of receipts
Members rating of LiveCorp's communication	<ul style="list-style-type: none"> 60% of respondents said communication was either good or very good and the CEO was accessible A single new member had difficulty with LiveCorp communicating eligibility, processing and approving his application.
Members provided with an understanding of membership entitlements?	<ul style="list-style-type: none"> Information provided by LiveCorp is clear and concise
Members receiving advice from LiveCorp in relation to conduct of AGMs, provision of Annual Reports, etc.?	<ul style="list-style-type: none"> Very good

Source: AgEconPlus consultation

6.11 Encouraging New Members

At 30 June 2013 the population of licensed livestock exporters was 41 and the membership of LiveCorp stood at 41 full members, one associate member and seven industry members. Of the 41 licensed exporters who are LiveCorp members, LiveCorp advise that 23 are active in the market place and six account for 90% of the trade. All six large exporters are LiveCorp members. LiveCorp has strong industry coverage.

6.12 Company Values and Culture

The 2011-14 strategic plan identifies LiveCorp's values as:

Animal welfare:	Commitment to the wellbeing of animals throughout the supply chain.
Innovation:	Always striving for a better way to achieve.
Members:	Commitment to our members' success.
Excellence:	Aim for the best we can do in all our activities.
Integrity:	Always act with professionalism, honesty and respect.
Governance:	Deliver strong governance, planning, evaluation and review.

These values also inform the 2013-15 strategic plan. The 2013-15 strategic plan has a clear focus on a limited number of high priorities. With its limited resources, LiveCorp is committed to 'doing a few things well'.

By the end of 2012 Company moral was very low. A new CEO, a 'can do' attitude and a willingness to step outside past traditions has revitalised the Company. The current LiveCorp team mirrors the new younger generation moving through the livestock export industry and both groups work well together. The downside of the current positive LiveCorp culture is that high and possibly unsustainable workloads may lead to staff burn out in the longer run.

6.13 In Summary

Review of LiveCorp's operating and reporting structures reveal a company that is operated efficiently.

7 LiveCorp's Ongoing Viability as a Standalone Entity

An assessment of the effectiveness of measures instituted by LiveCorp for its ongoing viability includes definition of the perceived problem; systematic review of the issues raised; whether alternative models would better address the Minister's and other concerns; industry preferences for a standalone entity; and a positive conclusion that LiveCorp is able to function effectively as the declared industry services body.

7.1 Concern about LiveCorp's Ongoing Viability

The review terms of reference include instruction from the Minister to consider the ongoing viability of LiveCorp as the declared industry service body i.e. does LiveCorp have the resources to discharge its future roles and responsibilities.

LiveCorp's capacity to meet future roles and responsibilities will depend on future cash in-flows as well as:

- Whether it is currently viable – with a sustainable revenue base of \$3 million, overheads of \$1 million, industry program commitments of \$900,000 and LEP contributions of \$1.1 million, the Company is viable. This review has shown that LiveCorp is compliant with the SFA and is delivering benefits consistent with industry's priorities.
- Capacity to remain focussed on a limited number of highest priority industry issues. To this end LiveCorp has a concise and clear strategic plan that proposes to address only four issues (welfare, supply chain regulation, market access and communication). Working against extreme specialisation is a new LiveCorp Board which is likely to have additional issues it will want to have addressed. LiveCorp will remain viable if additional resource intensive issues are considered alongside a levy increase.
- Ongoing funding support from MLA. As explained in Section 6.6 and Section 3.2, MLA has increased its funding support for the LEP since the last SFA review and is committed to this increased allocation for the foreseeable future – a sustainable livestock export sector is consistent with the priorities of MLA's Board and levy paying northern beef producers.
- No new regulatory costs are imposed on the industry. New regulatory costs might include individual identification for live export sheep and or operating QA systems in parallel with ESCAS. Review of intentions with the regulator did not uncover any additional measures that might limit the trade and LiveCorp's capacity to service it.
- Livestock export numbers and values do not contract any further. While livestock export is subject to uncertainty including sovereign risk in both receiving and domestic markets, the outlook for livestock exports is for stability for at least the short to medium term (see Section 1.4).

In the absence of a major change to the status quo, LiveCorp will be able to continue to deliver its roles and responsibilities to industry and Government. Furthermore it is likely that over time as LEP RD&E and LiveCorp technical services improve the efficiency of ESCAS and address other industry roadblocks, there will be less rather than more need for LiveCorp resources. For example the training and embedding of welfare officers in overseas supply chains is currently funded 50:50 LEP and industry, over time industry will entirely fund this initiative.

In addition to the Minister's question in relation to LiveCorp's ongoing viability, relevant member and external stakeholder issues raised included:

- The ratio of overheads to total expenditure is high. This issue is dealt with in Section 3.2. It is noted in passing that LiveCorp contributes funds to the LEP which are matched by the Commonwealth. It is also worth noting that most of LiveCorp's funding comes from marketing levies that are not matched by the Australian Government. Australian Government matched RD&E payments are a modest \$600,000 per annum. Any relevant red meat organisation (such as a major retailer) can similarly make voluntary contributions for eligible R&D through the MLA Donor arrangement for matching payment. The efficiency with which levy income is spent is a question for levy payers. The SFA review is completed to ensure that levies are used for the purposes for which government has collected them.

- The cost to the Department of Agriculture of the SFA and governance for two organisations (LiveCorp and MLA) is not an issue. With two organisations it is sometimes difficult to unpick who has the ultimate responsibility for service delivery. The LiveCorp CEO does an excellent job of keeping the Department of Agriculture Division of Animal Welfare informed on industry and market developments. The Department of Agriculture resources saved by outsourcing this intelligence function to LiveCorp more than compensates for the marginal cost of administering the SFA and governance for two organisations. Accountability for livestock export services is delivered through annual audits and the SFA review.
- LiveCorp has limited depth in its capability. The need to support the incumbent CEO with additional resources is noted as a recommendation in Section 6.3. However, those who question the depth of LiveCorp's capability also acknowledge the organisation's capacity to respond immediately to urgent requirements and provide an acceptable timetable for non-urgent matters. The range and breadth of requirements imposed by stakeholders, especially government, exacerbates current resource pressures.

Recommendation: additional programs of work proposed by members, the LiveCorp Board or the Department of Agriculture be considered alongside an increase in statutory levies.

7.2 Consideration of Alternative Models

A review of the pros and cons of alternative industry service delivery models for the livestock export industry *visa vie* the current model is provided in Table 7.1. The table reveals a preference for the current LiveCorp model.

Table 7.1 Pros and Cons of Alternative Service Delivery Models for the Livestock Export Industry

Service Delivery Model	Advantages	Disadvantages	Conclusion
Merge LiveCorp with MLA	<ul style="list-style-type: none"> • Cost savings include Board and strategic plan (relatively minor) • Single entity responsible for the sector may on some level improve accountability 	<ul style="list-style-type: none"> • Membership base is not the same, i.e. livestock exporters are not livestock producers • Live export sector may be overshadowed by processing sector interests. The sharp focus on livestock exports may be lost along with funding and strategy independence • Exporters argue that a single entity was ineffective in the past. Merger with MLA is not supported by exporters or ALEC in 2013 (see Section 7.3) 	<ul style="list-style-type: none"> • Minor cost savings do not justify potential loss of focus.
LiveCorp becomes a standalone RDC	<ul style="list-style-type: none"> • Directly receive government matching payments • This structure allows LiveCorp overheads to be included for Government matching payments 	<ul style="list-style-type: none"> • Loss of leverage and through chain focus of working with MLA • Loss of access to specialist MLA staff that a small RDC cannot employ (e.g. media skills) 	<ul style="list-style-type: none"> • This option was investigated in 2011 and rejected by LiveCorp
Merge LiveCorp and ALEC	<ul style="list-style-type: none"> • Cost savings include Board and strategic plan (relatively minor) • Opportunity to share staff including management capacity • Successful precedents in other small industries e.g. pork and eggs • Pre statutory funding the voluntary levy was used for the Peak Industry Body (PIB), R&D and marketing 	<ul style="list-style-type: none"> • Inconsistent with current SFA and Government policy in relation to the separation of service delivery and agri-political activity • Using the Commonwealth's taxing powers to provide PIB funding is inconsistent with market failure • To achieve a single office it may be necessary for LiveCorp to move to Canberra and away from key partner MLA • Does not generate significant new revenue for LiveCorp (minor cost saving only) 	<ul style="list-style-type: none"> • Model has some long term potential. However there are advantages in keeping the two sets of functions separate while the industry is experiencing poor public perception
Revert to a voluntary levy	<ul style="list-style-type: none"> • SFA compliance cost savings (SFA compliance is insignificant) • No constraint on agri-political activity 	<ul style="list-style-type: none"> • Very difficult to achieve compliance with a voluntary levy (voluntary dairy levy a significant portion of potential receipts) 	<ul style="list-style-type: none"> • This model was in place prior to the Corno Express, failed and was rejected by industry

7.3 Member Support for a Standalone Entity

The following quotes were provided by member stakeholders during review consultation:

- 'As a standalone entity, LiveCorp is able to focus solely on the live export industry. If incorporated into MLA, it could be sidelined if MLA was taken in a different direction due to industry and outside political influences'.
- 'Each organisation has different goals and priorities and different stakeholders. MLA has a producer, consumer, meat marketing focus while LiveCorp should focus on the exporting of live animals'.

- 'LiveCorp needs to stand alone as they represent the industry, MLA is more of a representation of the livestock producers. Too many people are involved in making decisions for the exporters'.
- 'Don't fiddle with structures which are inevitably costly and distract people from the real game. If the performance is a problem then fix the performance issue. LiveCorp are now sharing facilities with MLA and there is not a lot of low hanging fruit to find savings'.
- 'Industry requires its own representation in order to deliver specific "exporter" requirements. A corporation the size of MLA loses sight of individual entities and what LiveCorp is all about is enhanced by close relationships with its member exporters'.
- 'MLA is a valuable and valued big brother for the live export sector. However, exporters want to maintain their funding and strategy independence. Amongst the reasons for this is that LiveCorp can bring a sharper context to discussions with government about the industry'.
- 'LiveCorp must remain 'standalone'. Our business is highly specialised and we need a specialised team including an executive to represent the industry'.

7.4 In Summary

The review finds that LiveCorp is currently viable and will remain viable while it maintains its focus on a limited number of high priorities and its funding partnership with MLA. Livestock exporters, who provide most of LiveCorp's funding have a preference for the current model.

8 Review Conclusions

The performance review for the period 1 July 2010 to 30 June 2013 finds that LiveCorp is compliant with the SFA. Company constitution, funding allocation and general SFA compliance requirements have all been met. Within the context of the disruption to its income during the suspension of the trade in 2011, LiveCorp has satisfactorily discharged its obligations with respect to the provision of plans and reports. Implementation of plans has delivered benefits to industry including lower levels of ship-board morbidity and mortality; partnering in the development of the through supply chain animal welfare system ESCAS; analysis and coordination to lower the cost to industry of ESCAS compliance; provision of technical information and research to inform ASEL reviews; and the opening of additional livestock export markets. LiveCorp is currently viable and will remain viable while it maintains its focus on a limited number of high priorities and its funding partnership with MLA.

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CIE (May 2009) Review of LiveCorp's Key Performance Indicators prepared for MLA and LiveCorp

CIE (August 2010) Evaluation of the LiveCorp, MLA and the Australian Government and Industry Partnership – the collaboration and co-investment in the Live Export Program, LiveCorp and the Live Animal Trade Program

Department of Agriculture (May 2012) Recommendations arising from Industry funded research into live animal exports, confidential draft

DEWHA and DOA (2009) NRM MERI Framework <http://www.mla.com.au/files/8c731cd2-12f6-4896-8af0-9fce00f552b8/>

Farmer Review (August 2011) Independent Review of Australia's Livestock Export Trade http://www.liveexports.gov.au/_data/assets/pdf_file/0016/2030380/independent-review-of-australias-livestock-export-trade.pdf

LiveCorp Annual Operating Plan 2010-11

LiveCorp Annual Operating Plan 2011-12 (internal not provided to the Department of Agriculture)

LiveCorp Annual Operating Plan 2012-13 (internal not provided to the Department of Agriculture)

LiveCorp Annual Operating Plan 2013-14 (current and aligns 2013-15 Strategic Plan)

LiveCorp Strategic Plan 2011 to 2014 (replaced)

LiveCorp Strategic Plan 2013-15 (current) <https://www.livecorp.com.au/livecorp-strategic-plan-0>

LiveCorp Statutory Funding Agreement 2010 – 2014 (the Department of Agriculture Website)

LiveCorp amended constitution 21 May 2013

LiveCorp Annual Report 2010-11

LiveCorp Annual Report 2011-12

SED Consulting (2007) LiveCorp Performance Review 2006-2007

Senate Committee Inquiry (November 2011) Animal Welfare Standards in Australia's Live Export Markets

Appendix 1: Recommendation & Response, LiveCorp Performance Review 2010

Issue	Action Taken
LiveCorp retain its current practice of reporting only medium and high risks and ongoing mitigation action in the Annual Report.	Retention of risk reporting framework
The Fraud Control Plan be reviewed annually by the Board and staff receive appropriate training in fraud detection.	Plan updated Feb 2013 No training
LiveCorp's policy of working towards financial reserves equal to one full year of operating expenses is sound and should be retained.	Reserves \$1.5M 12 months reserves for programs (including LEP) 6 months for R&D ongoing commitments
The SFA should be updated to incorporate the twelve across RDC issues identified by Su McCluskey CRRDCC following her meeting with DOA 10 November 2009.	No longer relevant
Specific LiveCorp SFA changes to include twelve monthly Minister's representative meetings (current practice) and discontinuation of six monthly financial statements.	Meeting schedule maintained and financial statements discontinued
LiveCorp must endeavour to improve its working relationship with AQIS the industry regulator. Stakeholders (both industry and Govt) report an ongoing overly adversarial style.	Both parties report a sound working relationship
LiveCorp's relationship with the Department of Agriculture's policy and governance sections is sound. However, there may be scope for DOA to streamline the number of contact points required of LiveCorp.	No change in contact points
Benchmarking of project costs to overhead expenditures across RDCs on a consistent basis is recommended to address the question of whether LiveCorp has unreasonable overhead costs.	LC was dramatically decreased its overheads
Consideration should be given to additional investment in research capacity building given the limited pool of researchers available to the industry (eg welfare research scholarships).	LiveCorp have developed capacities including PhD scholarships in animal welfare and pathology
Careful thought and communication of R&D investment decisions is required to address emerging industry concerns that welfare R&D produces negative productivity outcomes.	Industry is developing a greater appreciation of the link between welfare R&D and long term profit
Consideration should be given to increasing the R&D levy – relative to other industries the percentage of GVP invested remains modest.	LC Board has considered a levy increase, understands its importance and has delayed the business case until recovery of industry profit
The current mix of industry experience and governance skills be retained on the LiveCorp Board. Consideration be given to a five person rather than seven member configuration. A five person Board would lower LiveCorp overhead costs.	Skills based Board of five adopted that also includes industry experience
LiveCorp communicates effectively with exporters. However, care is needed to ensure that small players do not feel excluded from industry decision making.	Communication has contracted as has the number of small exporters

Appendix 2: Consultation Completed

Stakeholder	Status
LiveCorp	
Dr Roly Neiper, Chair LiveCorp	Face to face and complete
Sam Brown, CEO LiveCorp	Face to face and complete
Danielle McDonald, Company Secretary, LiveCorp	Face to face and complete
Greg Oliver Tech Market Access, LiveCorp	Telephone and complete
MLA	
Peter Barnard, GM International Markets and Economic Services MLA	Face to face and complete
Peter Dundon Manager Livestock Export, MLA	Telephone and complete
Department of Agriculture	
Rebecca Irwin, First Assistant Secretary Division of Animal Welfare, DOA	Face to face and complete
Allen Sheridan Director of Animal Welfare Technical and Legal Matters, Animal Welfare Branch, Biosecurity Animal Division, DOA	Face to face and complete
Hugh Dornan, R&D Policy and Governance Agricultural Productivity Division DOA	Face to face and complete
Peter Hewitt, Animal Biosecurity DOA	Online and complete
JoffridMackett, Live Animal Exports DOA	Face to face and complete
Tom Parnell, Livestock Policy, DOA	Face to face and complete
Georgy Philip Livestock Policy, DOA	Not able to attend meeting
James Wallner, previously Animal Biosecurity, DOA	Online and complete
Lee Cale, DOA	Preferred not to participate
PIBs	
Peter Kane Chair ALEC	Online and complete
Alison Penfold, CEO ALEC	Face to face and complete
Jet Matz, Deputy Director Cattle Council of Australia	Messages left
Ron Cullen, CEO Sheepmeats Council of Australia	Online and complete
Roger Timms, LiveShip	Online and complete
AndrewNeimeyerLiveAir (and airfreight exporter)	Messages left
Northern Territory Livestock Exporters Association	Not able to contact
Western Australian Livestock Exporters Association	Not able to contact
Industry	
Garry Robinson, GM Livestock Shipping Services	Online and complete
Steve Meerwald, ex Wellards and an experienced industry leader	Messages left
Richard Trivett, AUSTREX and Chair LERDAC	Messages left
Justin Slaughter AUSTREX	Messages left
Graham Daws – Emanuel	Online and complete
David Jarvie, ASEL Review Committee	Messages left
John Edwards, GM Al Jabri Australia and ASEL Review at Fremantle	Online and complete
Adam Armstrong, Lembiru (airfreight exporter)	Online and complete
Paul Eliseo, Director P&D Exports	Online and complete
John Kaus SEALS	Messages left
Fiona Lander, Director Capricorn Pastoral	Online and complete
Ashley James, Manager North Australian Cattle Company	Online and complete
Colin Grant, Grant Agri (Australia) Pty Limited	Online and complete
Andrew Pennefather, Global Livestock Marketing	Online and complete
Jake Morse, Australian Rural Exports Pty Ltd	Online and complete