



LIVECORP PERFORMANCE REVIEW 2016-2020

SUMMARY PUBLISHED NOVEMBER 2020

As a recipient of statutory levies from the Commonwealth Government, LiveCorp must periodically undertake an independent review to assess its performance against specific funding criteria.

Summary

LiveCorp's activities are governed, in part, by a Funding Agreement signed every five years with the Commonwealth Government. This sets out a range of requirements, including the need for an independent review ahead of negotiation on a new agreement.

The latest review, for the period 2016 to 2020, was carried out by SED Advisory, a Ballarat-based company offering services in governance, strategy and planning (www.sedadvisory.com). The Terms of Reference are listed on page 10.

SED Advisory found that LiveCorp had complied with the terms of its Funding Agreement, according to its Constitution, and within the relevant legislation.

Further, LiveCorp provided an adequate level of leadership and governance, including the application of members' funds. It consulted its members, provided information about its activities, and judiciously implemented any recommendations.

From an operational perspective, there was a general consensus that LiveCorp performed well in difficult circumstances with the few resources at its disposal, by maintaining focus and providing credible advice to both its members and the Commonwealth.

The recommendations are listed on page 6.

"the review period is notable for the quantity and intensity of the challenges the industry faced"

LiveCorp response

The LiveCorp Board has accepted the recommendations made by the consultant, and an implementation plan is being developed.

There was recognition by the consultant of the extraordinary depth of inquiry and examination of the livestock export industry over the review period, and the additional pressure that placed on LiveCorp's small team.

A timeline of significant events in the final report (section 5.1) highlights the magnitude of change which faced the industry, including policies adopted by trading partners, domestic droughts and floods, industry initiatives, and reviews aimed at structural reform. The industry's on-board animal welfare performance came under intense scrutiny following the 'Awassi incident', triggering legislative changes to industry practice and a number of inquiries, reports and reviews which required both speed and quality in LiveCorp's response.

In the midst of this, LiveCorp was required to accelerate research initiatives, including a world-leading dehumidification trial on board a vessel in the Middle East, and undertake a breeder monitoring program in Indonesia – both complex and sensitive projects attracting direct government grants.

It was pleasing to see the consultant conclude that "the performance of LiveCorp as the smallest, least resourced RDC, with the most volatile income stream, is commendable".

The review noted the complexity created by the Funding Agreement and the red meat industry's Memorandum of Understanding (MoU), which mean LiveCorp does not receive matching Commonwealth funding for its research levies. It funnels much of its budget through the Livestock Export Program (LEP) which is operated and managed by Meat & Livestock Australia (MLA).

The consultant recognised the impact this has on LiveCorp's ability to provide benefits to members: from having to comply with the same regulatory burden as other, much larger RDCs that receive matching funding; and from being dependent on the performance of another organisation as a result of having to outsource members' service provision to MLA.

In spite of this, the conclusion was that members were generally satisfied with LiveCorp's performance, and its role was acknowledged, valued and appreciated. There were reservations in a couple of key areas, notably the management and operation of the LEP (both RD&E and in-market services), and LiveCorp's capacity to scope and deliver major industry initiatives, specifically LGAP. Communication within the industry was also seen to be problematic at times, relating to the selection and reporting of RD&E projects, as well as communicating industry achievements to stakeholders and the community.

The LiveCorp Board took the decision to have its own operations reviewed in 2016, and instigated a review of the LEP's RD&E Program in 2018. The consultant assessed LiveCorp's response to these reviews, concluding all recommendations had been addressed to the standard required. This resulted in fewer gaps and therefore a reduced number of new recommendations in this formal review. However, there are still some areas to be addressed from the 2019 Board review.

LiveCorp is creating a more focused and targeted LEP program with MLA, and will invest in projects that provide value for money and effective services for exporter members and producers, while continuing to identify other opportunities to leverage knowledge and funding more broadly. LiveCorp's focus with LGAP is to support members to identify implementation issues and work through them to develop the necessary framework, where possible, to realise the benefits the industry initially set out to achieve for exporters, the regulator, supply chain participants and AniMark.

Overall, the Board believes the results of the performance review are a positive reflection on the effort made by staff and management to service the industry. It is recognition of the complex environment in which LiveCorp operates, and the high expectations of the international trading companies that make up its membership.

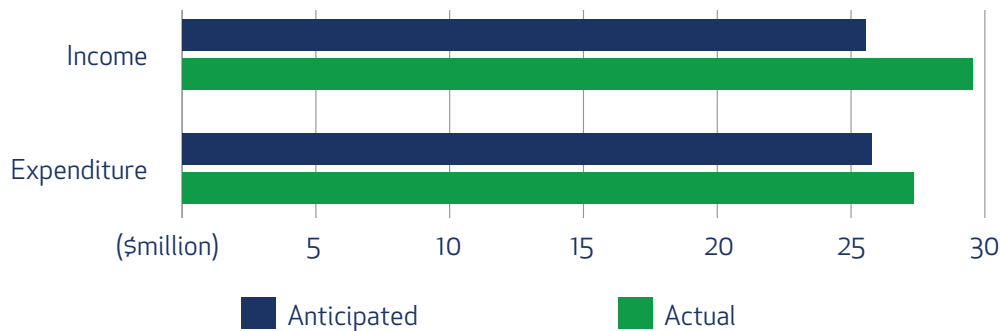
Strategic Plan delivery

The period covered by the performance review aligns with the delivery of LiveCorp's *Strategic Plan 2016-2020*.

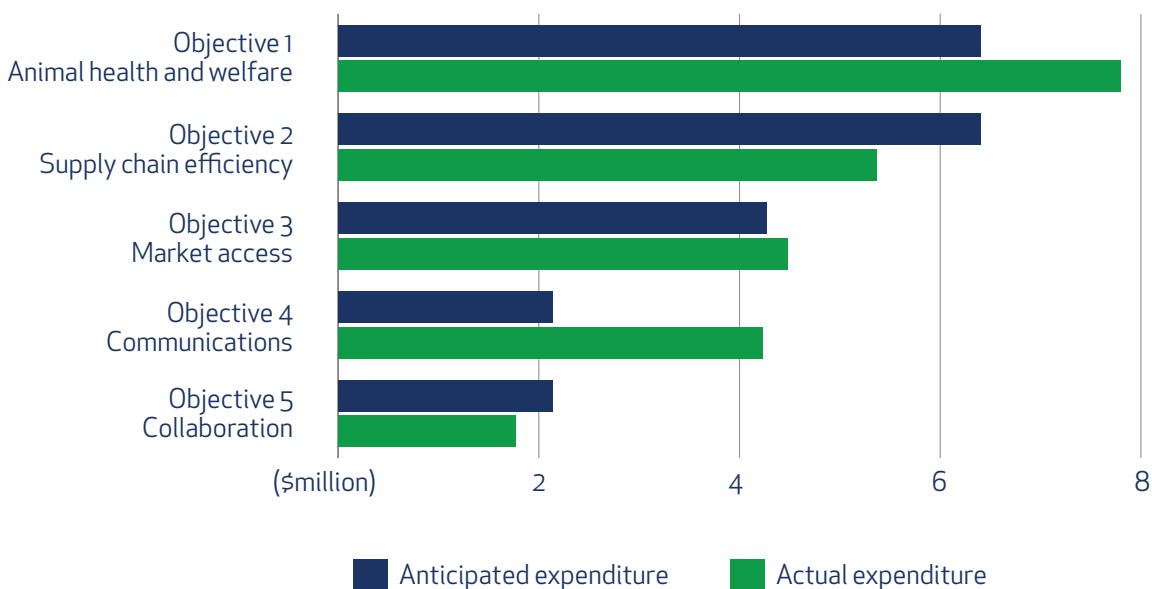
The strategic objectives aimed to deliver on LiveCorp's vision, of *driving world leading research, development and extension, supported by innovative services, that underpins the sustainability of the livestock export sector as a trusted, valued and connected contributor to animal health and welfare.*

LiveCorp delivered against all 20 of its objectives over the five years of the strategic plan.

LiveCorp income and expenditure against the *Strategic Plan 2016-2020*



Investment against objectives from the *Strategic Plan 2016-2020*



Objectives	Deliverables	
1: Achieve continuous improvement in animal health and welfare across the supply chain.	The provision of animal welfare technical support is identified through market research as adding significant value to exporters' businesses and the Australian livestock export industry.	✓
	Training programs are undertaken domestically and in-market with demonstrable improvements in animal welfare and implementation of regulatory requirements.	✓
	Increased adoption of training and support programs is evidenced through reduced animal health and welfare issues reported.	✓
	R&D outcomes that improve animal health and welfare are extended and communicated to industry stakeholders effectively.	✓
2: Improve supply chain efficiencies and regulatory performance.	Improved regulatory systems are adopted by industry and the level of red tape is reduced.	✓
	Peak Councils and the Australian Government regard LiveCorp's advice on livestock export industry issues as significantly valuable.	✓
	Improvements to skills development, infrastructure, port facilities, registered premises and other supply chain elements are identified to support supply chain efficiencies.	✓
	R&D input and support for the development and improvement of key regulatory or industry standards and systems (e.g. ASEL, ESCAS) leads to a more co-regulatory process.	✓
	The RD&E program outcomes are adopted and deliver new innovations and technical materials improving the performance of livestock throughout the Australian livestock export supply chain.	✓
3: Enhance market access and conditions for both existing and new markets.	Industry and government confirm their support of LiveCorp market access activities.	✓
	Maintain and improve access activities to existing markets and assist with the opening of new markets.	✓
	Facilitation of trade delegations to and from Australia in support of market access objectives is increased.	✓
	RD&E projects are conducted to facilitate continued access to existing markets and the opening of new markets.	✓
4: Develop and deliver targeted exporter, government and other stakeholder communications that serve to secure, promote and inform the activities of the livestock export sector.	LiveCorp communications are delivered to target audiences in a timely, accessible and professional manner.	✓
	Annual reviews of the effectiveness of LiveCorp communications are held with key stakeholder groups.	✓
	R&D programs and the benefits that they provide are reported to exporters and the Australian community via managed LiveCorp, ALEC and MLA channels.	✓
	Briefings are provided to producers, exporters and governments on key issues.	✓
5: Maximise collaboration with key Australian and international stakeholders involved in the livestock export industry.	Key projects involving collaboration with Australian and international livestock and livestock export related, health or welfare organisations including aid programs are investigated and developed.	✓
	Linkages with major international organisations with an interest in collaborating on animal health and welfare projects are investigated and developed.	✓
	Collaboration is achieved at a national level with RDCs, research providers and the Australian livestock export industry delivering RD&E and marketing services.	✓

Details of the activities against each deliverable can be found in LiveCorp's annual reports.

 delivered
  in progress
  not delivered

SED Advisory completed a detailed documentary review of LiveCorp operations from 2016 to 2020, supported with consultation findings and targeted interviews.

Review process

The Australian Livestock Export Corporation (LiveCorp) is a rural research and development corporation (RDC) for the livestock export industry in Australia. As a recipient of statutory levies from the Commonwealth Government for investment in industry development activities, it is governed by a Funding Agreement. This requires an independent review to be carried out periodically, to assess its performance against specific funding criteria.

In 2020, the consultant looked at the regulatory environment, with a detailed assessment of compliance against LiveCorp's Funding Agreement and its own constitution (see page 6).

The review also covered LiveCorp's operational performance (see page 7). This provided context to the activity and volatility of the environment LiveCorp had to navigate, including a documentary review and canvassing the views of members and other stakeholders as to their rating of LiveCorp's work, its achievements, industry interactions and benefit to members.

The terms of reference must be agreed with the Commonwealth (see Appendix; page 10). The review must be carried out by an independent organisation which has not carried out any corporate governance or similar activities with LiveCorp within the previous four years. The Commonwealth must be provided with a copy of the draft Performance Review Report at the same time as LiveCorp receives a copy.

Summary of results

SED Advisory formed the opinion that:

- LiveCorp operations from 2016 to 2020 were compliant with the terms and conditions of its Funding Agreement with the Commonwealth, the LiveCorp Constitution and the *Australian Meat and Livestock Industry Act 1997*.
- Given the time line of events, the level of resources at its disposal and the body of work undertaken over the review period, together with the restrictions surrounding its operational environment, LiveCorp performed effectively in light of the circumstances.

Environmental context

The review took into account LiveCorp's operating environment, noting the company does not operate in a vacuum; rather it is a complex and contested environment that faced significant challenges and underwent profound change over the review period. This included a number of 'touchstone' moments, including when the Awassi footage aired on 60 Minutes in 2018.

Both its members and the Commonwealth relied on LiveCorp, as the industry RDC, to help navigate the way forward when the trade was clearly under threat. The acute nature of the issues and the fundamental changes LiveCorp was required to deal with, were seen by the consultant as demonstrably greater than those faced by other RDCs, many of which are endowed with greater resources.

"the performance of LiveCorp as the smallest, least resourced RDC, with the most volatile income stream, is commendable"

Recommendations

With strong compliance and effective performance identified, SED Advisory made four recommendations.

Government element	Recommendation
Governance framework	Compliant. No recommendation.
Beneficiaries	Compliant. Address the completion of recommendations relating to board terms and stakeholder mapping as identified in the Board performance review.
Regulatory	Compliant. Ensure for the purposes of consistency and review, that all relevant documents, including but not limited to the Funding Agreement, submissions, reports, reviews etc., are dated; whether it be the date of execution, agreement, creation, received or, when it was published
Strategic direction	Compliant. Build a more defined connection between the strategic development process and Board risk appetite using an industry risk hierarchy model.
Guidelines	Compliant. In light of the disparity in funding, and arrangement as recognised in the Funding Agreement, consider proportionate compliance according to prescribed relationship with MLA on R&D and the level of respective autonomy, management and control, to leverage existing oversight on the use of funds, governance and compliance.
Management	Compliant. No recommendation.
Monitoring	Compliant. No recommendation.
Renewal	Compliant. No recommendation.

Compliance review

LiveCorp is eligible to receive levies under the *Australian Meat and Livestock Industry Act (1997)*. The Board is accountable to its members through the *Corporations Act 2001* and to the Minister for Agriculture through Funding Agreements for the receipt of Commonwealth funds.

The review:

- assessed adherence to the conditions outlined in the Funding Agreement 2017 – 2021, and found LiveCorp to be fully compliant.
- assessed adherence to each clause outlined in the Constitution during the review period 2016 – 2020, and found LiveCorp to be fully compliant with its constitutional powers.
- found LiveCorp complied with clauses in the Funding Agreement regarding strategic planning and the Annual Operational Plan.

LiveCorp is supported by an effective governance structure, and effective guidelines, process controls and reporting, including external and independent assessments through sub-committees and organisational audits.

The implementation of LiveCorp's strategy is the responsibility of its staff. There was strong evidence of active involvement in the process of planning, priority setting, delivery and measurement of each function. Annual reports were seen as being of high professional standard, transparent, compliant and informative. The consultant did identify the issue of disproportionate time allocation to compliance and regulatory matters, relative to LiveCorp's size.

It was noted that LiveCorp had to deal with a number of acute issues over the period being considered. Consultation with members indicates a view the Board and senior management successfully acted promptly to ensure limited resources were applied to greatest effect.

Governance is more than compliance; it is a way of thinking and acting on behalf of stakeholders. The review concluded there was appropriate content in Board papers to enable directors to discharge their responsibilities. It also supported the implementation of remaining recommendations from a Board review carried out in 2019.

The review considered the application of funds, and confirmed it was appropriate, guided by the rigour of the levy payer consultation and budget process and consistent with guidelines. Monitoring of expenditure and activity was carried out through performance measures, including to members through annual reports.

Performance assessment

Consultation with stakeholders

Interviews were carried out with LiveCorp Board members and management, and representatives of the Australian Livestock Exporters' Council (ALEC) and MLA. This was largely done remotely, due to COVID-19 restrictions.

The consultant also relied on stakeholder statements made to a number of reviewers and other sources, supplemented by follow-up one-on-one interviews where required. This was due to the small pool of LiveCorp members and the significant and substantial consultation undertaken recently with industry, including the canvassing of similar issues in the process of developing the *LiveCorp Strategic Plan 2025*.

From the consultation, members appeared generally satisfied with LiveCorp's performance, and its role was valued and appreciated.

The Livestock Export Program (LEP) appeared to draw most criticism and remained a major area of concern to levy payers and members. This included both selection of research projects and in-market trading relationships. The consultant noted that most members don't seem to acknowledge, understand, or empathise that LiveCorp is heavily dependent on MLA for the effectiveness and performance of the LEP - possibly as they view their relationship is with LiveCorp, not MLA.

The Department of Agriculture, Water and the Environment was challenged over the review period, along with industry, and underwent a significant and profound change process. It is unclear whether LiveCorp members understand the extent of the role that LiveCorp plays as a resource to the department for advice on industry matters.

Consultation by phone with members of the department elicited responses including:

- Anecdotal evidence suggests that LiveCorp has serviced industry as well as it could.
- LiveCorp effectively communicates with the department. At times, given the level of LiveCorp's resources, it is acknowledged that the department's expectations may be unrealistic.
- Regarding animal welfare matters, moving away from mortality to animal welfare measures is of interest, as is on-board data collection, monitoring and reporting.
- It is the Commonwealth's position to support a sustainable live export trade that meets community expectations.

Delivery of projects that benefit industry

General

LiveCorp's work in facilitating health protocol arrangements with other countries appeared well recognised and appreciated by its members and industry in general.

Over the review period, LiveCorp identified animal welfare issues that required quick and effective responses, and negotiated grant funding from the department. All the grant projects were completed on, or under budget and on, or before time, even the high-risk and complex dehumidification trial.

Livestock Export Program

Consultation confirmed that this was perhaps the greatest source of dissatisfaction with LiveCorp's performance by its members; that it is an intractable and ongoing issue and, due to the multifaceted causal linkages with the Commonwealth and wider red meat industry, will prove difficult and be problematic to resolve.

LiveCorp does not receive any matching funding from the Commonwealth for research levies. This service is provided under the LEP RD&E Program that is operated and managed by MLA. This does not, however, preclude LiveCorp from initiating or influencing RD&E content. It was acknowledged that LiveCorp had responded to members' criticisms of the LEP's RD&E processes by commissioning a review around how projects are selected, prioritised, managed and monitored.

The consultant noted that the LEP RD&E program expenditure is around \$2 million – a relatively modest sum which needed to be aligned to stakeholder expectations and well targeted in order to provide value-for-money in return.

LEP market access services were originally established to provide mainly in-country marketing activities on behalf of the live export industry. They are jointly funded by LiveCorp and MLA, with the latter primarily responsible for the operational management of all overseas offices and activities.

Industry consultation indicated LiveCorp's members question its efficacy and whether or not it provided value for their investment. The general tenor of the comments made by those with exposure to in-market operations characterises the system as being "broken".

The consultant noted LiveCorp's intention to continue to participate in the LEP where it sees opportunities to realise value for its members. However, expenditure on in-house programs increased proportionally over the review period, indicating that LiveCorp viewed alternative programs as better value for money than the LEP.

Livestock Global Assurance Program

The lengthy development of LGAP, a quality assurance framework for exporters, appeared to be both a source of frustration and a subject of debate within the industry and among members.

While industry has indicated its support for LGAP as an important and necessary measure of accountability required to counter industry criticism, there still appeared to be a level of angst among industry participants around its implementation.

Matters affecting the delivery of benefits to industry

Industry structure

Under the Red Meat MoU and its Funding Agreement with the Commonwealth, LiveCorp has clearly defined roles and responsibilities. In other areas, LiveCorp's authority is constrained and its role is to influence, rather than direct. The consultant suggested LiveCorp could consider better defining and articulating what it can and can't do.

Role as a change agent

Constant and continual change within the live export industry has been a feature for a number of years. LiveCorp played a major role in that process, largely as an industry mediator, to both its membership and the Commonwealth. There was a general perception that the organisation was able to successfully moderate outcomes for industry, while agreeing to initiate mutually acceptable and genuine change in return.

Animal welfare

This remains the headline challenge industry needs to address, and is one of LiveCorp's primary responsibilities. The consultant's view is that LiveCorp provided industry leadership and demonstrated sound environmental awareness in driving real change in response to this particular industry challenge. In this respect, to some extent, it had to lead, rather than follow, its members through the process.

Communication

Consultation with stakeholders indicated communication within the industry could be problematic at times. However, they admitted responsibility did not solely rest with LiveCorp, as they were time poor and had limited capacity to determine what was relevant to their individual businesses. Given the possibility of information overload, particularly related to information regarding the RD&E Program, the consultant suggested LiveCorp develop ways to help members quickly identify communications priority and relevance.

Collaboration

This is a requirement of the Funding Agreement and encouraged by the current Minister for Agriculture. By virtue of its size and the Red Meat MoU, LiveCorp collaborates daily at an operational level and is an active participant in the Council of Rural Research and Development Corporations.

Resourcing

Perhaps more than any other RDC, LiveCorp dealt with a complex industry, sustained an intense level of service, and saw volatile income over the review period. Despite having fewer resources, LiveCorp is subject to the same Commonwealth compliance requirements as RDCs that receive matching funds, leaving less time and money available to service members' needs. To illustrate this point, it was estimated that around 90% of LiveCorp's time was spent on activities that were for "the greater good" of the industry, with only 10% provided to individual exporter issues.

Industry relationships

The relationship between the peak industry council, ALEC, and LiveCorp was described as 'symbiotic' and 'joined-at-the-hip' by members, with constant and open communication between the CEOs and Chairs of both organisations. This is critical given the limited resources, common membership and the nature of their industry.

When it came to the relationship between LiveCorp and MLA, the consultant was encouraged by indications from the new Managing Director at MLA, of improving industry recognition of the importance of live exports, and a desire to improve cooperation between the RDCs.

Sustainability and representation

The extent to which livestock exports underpin regional communities needs to be understood, particularly in northern Australia and Western Australia. It suggests that producers in those regions would be far more likely to align with LiveCorp's focus on the trade, compared to that of MLA. Yet under the current structure, all their transactional levies flow to MLA, despite live exports being Australia's fourth largest red meat market.

LIVECORP PERFORMANCE REVIEW 2016-2020

The consultant argued that forcing LiveCorp to 'go cap in hand' to MLA to service its constituency affected LiveCorp's operational performance and provided long-term risk to the sustainability of its operations. While not a formal recommendation, the consultant encouraged industry and Government to consider the merit of producers having the option to direct their transactional levies towards the RDC that best represented their interests and had the appropriate structure to do so.

Equally with in-market operations, the consultant noted that Australian product sold overseas is either boxed or live, and it would appear rational to align these services to either LiveCorp or the Australian Meat Processor Corporation, depending on the RDC whose members were active in those markets, as opposed to MLA, whose members only have an arms-length relationship at best.

The consultant also noted that the role of an RDC should be to educate, encourage, advise on and facilitate change, especially in a foreign constituency. Enforcing foreign sanctions or reporting non-conformance was counterproductive, destroyed the implicit trust of trading relationships, raised internal RDC governance concerns, created market confusion, and would only lead to systemic dysfunction.



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Appendix: Terms of reference

The terms of reference of the Performance Review must take into account LiveCorp's performance in:

- Meeting its obligations under the Funding Agreement with Commonwealth of Australia represented by the Department of Agriculture, Water and the Environment and the *Australian Meat and Live-stock Industry Act 1997 (Cwlth) (Act)*
- Progressing recommendations from its past performance reviews
- Implementing governance arrangements and practices for ensuring proper use and management of the Marketing and Research & Development funds, including consideration of board performance, and the development and implementation of probity policies for making funding decisions and managing intellectual property
- Meeting the planned outcomes and targets of its *Strategic Plan 2016-2020*
- Delivering grants and programs funded by the Australian Government that are in addition to activities delivered under the Funding Agreement
- Delivering the dairy cattle export program and the voluntary dairy cattle export charge
- Delivering benefits to members, Levy Payers, industry and the broader community
- Satisfying the Research & Development and Marketing interests and meeting the needs of members, Levy Payers and the industry
- Managing and investing funds under the Donor Arrangement with Meat & Livestock Australia, including progressing implementation of the recommendations from the 2018 Noetic Group Review
- Consulting with Levy Payers and Prescribed Industry Bodies and other stakeholders.

