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## SECTION FIVE

# FACTORS SHAPING FUTURE ORGANISATIONAL STRUCTURE

### 5.1 ASSESSMENT OF FUTURE COLLECTIVE FUNCTIONAL NEEDS

This report is about future action and structures into the next century. An assessment of functions cannot therefore limit itself to the current range of statutory authorities.

On the other hand, what may be considered appropriate to today's industry circumstances would prove out of date and irrelevant in a dynamic market and industry setting. Similarly, the role and policy requirements of government are changing. This is addressed more fully under Purpose (3) of the Terms of Reference.

Taking these into account, the Task Force has developed a set of principles against which to test not only the suitability of current and future collective functions, but also the extent and method of implementation of functions.

A total of 14 guiding principles were designed, but in arriving at this list the following broad considerations were seen as pertinent to industry reform and government policy objectives:

- (i) Reduction in industry regulations and improvement in the application of such regulations where they persist to minimise industry impediments. The role of statutory bodies should be developed and assessed in this context, recognising that deregulation can also require action by industry itself to ensure success, sometimes with risks and difficulties which were formally concealed behind regulatory provisions with tax or levy payer based across subsidies.
- (ii) Minimisation of government charges on industry. This is highly pertinent given that agricultural and meat industry levies are both legally and constitutionally specific-purpose taxes. They are government charges and go into consolidated revenue, even though the legislation specifies appropriation to the statutory functions of the MIC, AMLC and MRC. Unless levy levels are addressed, subsequent best structures cannot be determined properly. Accountability

contentious.

Similarly, if levies are to remain, how can parliamentary taxation responsibility be best addressed with minimal intervention and without losing industry accountability and ownership. Any new structures must pass this test.

- (iv) Reform and streamlining public sector structures and finances including statutory bodies in the agricultural sector.

While each has its purpose, there is a need to address the scope to reduce the number, either by streamlining or amalgamations, to achieve efficiencies, activate improved cohesion and synergies, and achieve cost-reductions, including overhead costs where possible.

The avoidance of duplication is also essential, since this is not only wasteful of resources, but is also a source of confusion and ineffectiveness.

- (v) Active implementation of the principles of competition policy in both the private and the public sector. Statutory corporations will inevitably come under scrutiny in the competition policy applications and will need to withstand the litmus test of impeding commercial activity and net public benefit. Collective actions by statutory corporations based on levies will need to stand up against these tests, which significantly influence future operations, including core functions and structures for the meat industry institutions.

## 5.2 THE 14 GUIDING PRINCIPLES

To establish an effective foundation on which the future industry institutional arrangements could be built, and to provide an objective set of rules against which structural option could be tested, the Task Force and the Steering Committee developed a set of guiding principles for industry organisational structure. These are as follows.

- (1) The structure(s) should optimise the capacity of the industry to deliver the strategic imperatives in the Meat Industry Strategic Plan and its successors. This should include an optimal level of industry involvement in the delivery and

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assessment of outcomes in the fields of marketing, promotion, food safety, product consistency, management and leadership.

- (2) Collectively funded activities through statutory levy collection should comprise only those that are required for industry benefit (if industry-funded) or joint industry/public good (if joint industry/government-funded) purpose.
- (3) There should be contestability in agency service delivery, consistent with national competition policy.
- (4) Collectively funded agencies should not operate businesses that compete with private associations/enterprises.
- (5) The organisational structure(s) should transparently reflect the different interests of the beef, sheepmeat, goat and the respective live animal export industries.
- (6) The structure(s) should ensure delivery and clarity in accountability of boards to stakeholders and, where necessary, answerability to Parliament.
- (7) The structure(s) should facilitate agency performance measurement and monitoring.
- (8) The structure(s) should induce a commercial and business approach in collectively funded agencies and be capable of attracting creative and talented people.
- (9) All organisations that are funded through statutory industry levies should have a clearly defined relationship with industry that clearly distinguishes regulatory functions from service delivery in both management structure(s) and funding.
- (10) Government involvement in service delivery functions funded by industry should be limited to the level necessary to ensure integrity of regulations.
- (11) The structure(s) should minimise duplication of industry-funded services to industry and government clients, and between regulatory bodies.
- (12) The structure(s) should facilitate effective integration and coordination of industry and government-funded activity.
- (13) The structure(s) should ensure the best possible mix of flexibility, objectivity and industry involvement

The following are implications for the functions to be carried out by collectively (ie. levy) funded agencies derived from the preceding draft *Guiding Principles in Meat Industry Organisation Structures*:

- (a) Functions should be for 'industry good' purposes if industry-funded, or joint industry/public good if jointly funded.
- (b) Functions should *exclude* operating business that compete with private associations/enterprises.
- (c) Regulatory functions should be clearly separate from service delivery functions.
- (d) Government involvement in service delivery functions should be strictly limited.

The preceding implies a limited set of functions comprising only those collectively funded activities that cannot be effectively done by industry associations or enterprises.

#### **5.4 LINKAGES BETWEEN PRINCIPLES AND STRUCTURE**

The linkage between these principles and structure are summarised in Table 5.1

**Table 5.1 - Linkages between guiding principles, MISP and proposed new organisation structure (LFA=funded agency)**

Guiding principles adopted by	Strategic imperatives	Structure/function implications
<p><b>Task Force (in summary)</b></p> <p>Structure optimises capacity to deliver strategic imperatives with optimum industry involvement</p> <ul style="list-style-type: none"> <li>•</li> <li>•</li> <li>•</li> <li>•</li> </ul>	<p>Achieving 'best in class' marketing</p> <p>Describing eating quality accurately</p> <p>Guaranteeing food safety</p> <p>Supplying more consistent product</p> <p>Achieving optimal industry structures</p> <p>Improving management and leadership</p>	<p>Through chain' planning and delivery capability needed since MISP delivery requires this</p>
<p>Restrict levy funds to industry/government 'good purposes</p> <p>Contestability in service delivery</p> <p>Levy-funded agencies (LFAs) should not run businesses that compete with private sector</p> <p>Structure transparently reflects different interests of various industries</p> <p>Structure should ensure delivery and clarity in accountability of boards to stakeholders and Parliament where necessary</p> <p>Structure should facilitate agency performance measurement and monitoring</p> <p>Structure should induce commercial and business approach and attract creative and talented people</p> <p>LFAs should have clearly defined relationship with industry that distinguishes regulatory functions from service delivery</p> <p>Government involvement in service delivery functions funded by industry limited to extent necessary to ensure integrity of regulations</p> <p>Structure should minimise duplication of industry-funded services to industry and government clients, and between regulatory bodies</p> <p>Structure should facilitate effective integration and co-ordination of industry and government-funded activity</p>	<p>Limited range of LFA functions</p> <p>Government agencies providing non-regulatory services to bid for work</p> <p>Current LFA owned business to be divested</p> <p>Must be clear industry-specific focus</p> <p>Simple, clear accountability processes needed</p> <p>Those owning the business, and paying for it, should be able to measure its performance</p> <p>Private enterprise business culture needed</p> <p>Regulatory activity to be separated from industry services</p> <p>Government should not operate food safety service agencies unless essential for regulatory credibility</p> <p>Structure should separate government 'public good' business from industry business and clarify different responsibilities</p> <p>Structure should ensure that commercial functions through LFA are separate from government 'public good' functions, but with a mechanism</p> <p>to integrate efforts in food safety/standards</p> <p>Industry ownership of LFA optimal solution + close relationships with strengthened industry associations</p> <p>Strategic planning function essential in new structure</p>	<p>Through chain' planning and delivery capability needed since MISP delivery requires this</p>
<p>Structure should ensure best possible mix of flexibility, objectivity and industry involvement</p>	<p>Improving management and leadership</p>	<p>Strategic planning function essential in new structure</p>
<p>Structure should provide capacity to ensure global and long-term perspective</p>	<p>Improving management and leadership</p>	<p>Strategic planning function essential in new structure</p>

imperatives of the Meat Industry Strategic Plan (MISP) are to achieve:

- a 'through chain' approach embracing quality assurance and food safety and
- a 'seamless' development process from concept to delivery, encompassing research, development and implementation.

A seamless approach implies that organisational boundaries will be minimised, and boards/senior management can plan and implement change through the marketing chain, and across functions.

This is best diagrammatically represented as follows:

**Table 5.2 - The 'through chain' characteristics of the MISP**

Meat industry enterprise activity				Strategic imperative			Identified Delivery responsibility for related goals	
1 EXPORT MEAT	2 DOMESTIC MEAT	3 LIVE ANIMAL EXPORTS	4 COMMON TO ALL	linkage to marketing chain				
Exporters	Retailers	Exporters	<p>←</p> <p>Wholesalers /Brokers</p> <p>↑</p> <p>Meat processing facilities</p> <p>↑</p> <p>Agents Saleyards Transport</p> <p>↑</p> <p>Feedlots</p> <p>↑</p> <p>Farms</p>	Achieve 'best in class' marketing		→	AMLC/MRC/MIC	
					Describing palatability accurately	→	AMLC/MRC/MIC	
					Guaranteeing food safety	←	GOVT/MRC/AMLC/MIC	
					Achieving optimal industry structures	→	MRC/MIC	
					Improving management and leadership	→	MRC/INDUSTRY ASSOCIATIONS/GOVT/MIC	
					←	Supplying more consistent product	→	AMLC/MRC/ALFA

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## 5.6 LESSONS FROM THE OPERATIONS REVIEW

The Coopers & Lybrand review of the AMLC, MRC and MIC has highlighted lessons for future structure which can be summarised as follows:

- The need for marketing services (AMLC currently) to focus on a very small number of strategically important goals.
- The need for market research to be organisationally integrated with marketing services.
- Economies achieved in overseas representation functions should be retained in any new structure.
- The inherent scope for organisational overlap when strategic direction and plan approval powers interact with the separate planning and program delivery activities of the AMLC, MIC, as well as the MRC, operating within a very broadly defined 'gate to plate' charter.
- The difficulty of measuring performance in government-owned organisations that do not have a 'bottom line', and with mixed accountability to both the Commonwealth Government and different industries and sectors.

## 5.7 INDUSTRY STRUCTURE, DEVELOPMENT NEEDS AND OPPORTUNITIES

These were set out in detail in Section 3 'Industry Scope and Analysis', and may be summarised as:

### 5.7.1 Structure

The level of specific product focus is at the enterprise level, that is, there is a large core of beef industry specialists who generate most of the beef industry output from farm through to processing.

A specialist lamb industry is developing and needs to be facilitated.

The 'gate to plate' chain of the beef industry is, in large part, quite different from that of the sheepmeat industry, and implementation of 'through chain' functions must take this into account.

The beef industry's overseas competitors, in large part, have a specific beef industry focus at the institutional and industry levels (USA, EU, South America and domestic beef industries in Asia).

The United States is poised to become the world's largest beef exporter, is increasing its market share in Australia's strategic beef markets, and is making vigorous efforts to further sharpen its competitive edge.

The South American beef industry is starting to penetrate the US market, and is likely to have the medium term capability to compete with Australia in Asian markets.

The Australian beef industry needs to urgently rectify product quality and cost disability problems to meet the challenge.

New Zealand, Australia's key sheepmeat competitor, has made rapid strides in micro-economic reform.

### **5.7.3 Opportunities**

The opportunity which exists if the beef industry can:

- be responsive to the changing global beef economy
- address declining market share
- consistently supply beef graded to describe eating quality and
- reduce costs in cattle finishing, processing and the provision of infrastructure.

The opportunity which exists if the sheepmeat industry can:

- improve consistency of supply – quality and quantity
- foster the development of the specialist prime lamb industry
- provide customer and consumer assurance with credible food safety programs and quality assurance and
- improve 'through chain' integration to meet specific market needs.

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The separate nature of the livestock export industry and the opportunity which exists if the industry can:

- achieve a credible quality and welfare assurance mechanism and
- focus its marketing and technical support endeavours as a discrete industry sector.

