

Request for Proposal Review of the Sheep and Lamb Transaction Levies

Project Overview

Sheepmeat Council of Australia (SCA) is the prescribed industry body for the purpose of section 59 of the *Australian Meat and Livestock Industry Act 1997*. This gives SCA the role of providing advice to the Australian Government Minister for Agriculture on levy arrangements for the industry.

The sheep and lamb transaction levy (STL), is utilised in the collection of industry funds for marketing, research, development and adoption (Meat and Livestock Australia (MLA)) and for funding the sheep industry's commitments to health and welfare (Animal Health Australia (AHA)) and chemical residue testing programs (National Residue Survey (NRS)).

The STL levy appropriation to AHA is segregated by agreement between the sheepmeat and wool industries. Total funds are divided between sheepmeat and wool based on the three-year rolling average of Gross Value of Production (GVP) of each industry sector.

The last complete review of the sheep and lamb transaction levies was in 2005.

The growth of the industry over the 11 years since the last review, means there is now a significant disparity between the levy paid for sheep versus lamb, with many sheep meeting the cap of \$0.20 (sale price of \$10) and lambs meeting the cap of \$1.50 (sale price of \$75).

Over this period there have also been significant changes to the costs of conducting research, development and adoption, marketing and other services, in particular, a focus on biosecurity partnerships. For all activities to be undertaken in the Meat Industry Strategic Plan 2020 relevant to the sheepmeat sector at an annual investment of \$58 million, the plan would deliver increased net industry income of \$728 million by 2020 and \$3.49 billion by 2030 on the baseline projection. The overall benefit cost ratio is 2.8:1 at 2020 and 5.7:1 at 2030. However, the current levy income received across the supply chain is insufficient to allow investment of all priorities outlined in the Sheep Industry Strategic Plan 2015-2020.

A preliminary review (the Review) into potential alterations to the STL has been considered by the SCA Board to be appropriate. The first phases in the review will be a desktop study. Should it be recommended that changes be made to the STL, subsequent phases, including consultation and an economic modelling project will be undertaken.

Governance / oversight

The review will provide advice to the SCA Board and will be accountable to terms of reference, budgets, timelines etc through a Review Steering Committee.

Purpose of the Review

- *To determine that the quantum of the STL and the methodology for calculation of the STL model is sufficient to allow investment in all priorities outlined in the Sheep Industry Strategic Plan 2015-2020¹ (SISP2020) and future industry strategic plans.*
- *To determine the most equitable and efficient levy structure to ensure that it adequately funds and resources the requirements of Industry Service Provider organisations (AHA, MLA, NRS) in providing these services; and if not, what potential amendments to the current system are appropriate to achieve these outcomes.*

Review Scope

1. (Phase 1) To assess the current levy model is being used effectively and efficiently to achieve its objectives
2. (Phase 2) To assess the suitability of:
 - 2.1. The total of the STL to adequately fund and resource the requirements of Industry Service Provider organisations
 - 2.2. The distribution of levy funds to service providers currently and into the future (taking into account industry service provider strategic plans and likely (inflationary) cost increases
 - 2.3. The flexibility of the levy distribution process to meet legislative and regulatory requirements while meeting future industry priorities
 - 2.4. The process by which alterations to the rate of the levy are made (including taking into account point 2.2. above).
3. (Phase 2) Make recommendations on:
 - 3.1. The value and distribution of levy funds to service providers
 - 3.2. The levy system and improving flexibility for future changes to the STL.
4. (Phase 3) Develop a strategy to implement recommendations that relate to:
 - 4.1. The requirements to meet the Government's levy principles and guidelines, including the level and nature of consultation required to make changes to the STL
 - 4.2. The required economic analysis/modelling that would need to support any proposed changes for industry's consideration
 - 4.3. The process and timelines required to implement any recommendations
 - 4.4. A timeline monitoring and evaluation process to be conducted by the STL Steering Committee following any implemented recommendations.

Review process

The review, as outline above, will be conducted in a phased approach, with subsequent phases only commencing on completion of the previous phase and with the approval of the SCA Board to proceed to the following phase.

Therefore, the Steering Committee, is initially seeking proposals for phase 1, *to assess the current levy model is being used effectively and efficiently to achieve its objectives*, however applicants may provide additional information regarding subsequent phases.

The review will ascertain whether the current levy model provides a levy quantum that adequately funds and resources the requirements of service companies to provide services that meet world best marketing, research, adoption, sheep health programs and

¹ <http://www.sheepmeatcouncil.com.au/sheepmeat-industry-strategic-plan/>

contaminants testing to underpin the profitability and sustainability of the industry through meeting the SISP2020 (and future plans).

It is also critical to determine if the current levy investment is being conducted as efficiently and effectively as possible. MLA are subjected to a five-year performance review and therefore this information is already available. However, a review of programs currently managed by AHA and NRS, to determine the effectiveness and efficacy of these programs is required.

The consultant is therefore expected to report to the SCA Board on the whether the current levy model is being used effectively and efficiently to achieve its objectives.

Milestones (Phase 1 only)

Date of milestone	Nature of milestone
8 August 2017	Terms of Reference for Phase One of the review finalised
11 September 2017	Request for Proposal for phase 1 circulated
29 September 2017	Tenders close
6 October 2017	Appointment of consultant by Steering Committee
Week of 23 October 2017	Consultation with steering committee for feedback
6 November 2017	Draft report presented to steering committee for consideration
13 November 2017	Draft report presented to stakeholders (including SCA Board)
15 December 2017	Final report due to the SCA Board for approval
	Commence phase 2 if appropriate and approved by the SCA Board

Requests for Tender

Expressions of interest (EOI) are sought from suitably experienced consultants to undertake the Review of the Sheep and Lamb Transaction Levy. EOIs should be sent by email to jmcgoverne@sheepmeatcouncil.com.au no later than COB on Friday, 22 September 2017.

Background - Sheepmeat Council of Australia

The SCA is the national Peak Industry Council representing and promoting the needs of Australia's lamb and sheepmeat producers.

The objectives of the SCA are;

- to represent and promote the interests of Australian sheepmeat producers;
- to conduct activities necessary for the advancement of the sheepmeat and live sheep export industries;
- to collect and disseminate information concerning the sheepmeat and live sheep export industries;
- to co-operate with industry stakeholders and organisations at the state, national and international levels;
- to maintain interaction and co-operation with its Members, relevant Government departments and authorities at Federal, State, and local government levels, and with other relevant industry organisations;
- to promote the development and resourcing of the agricultural and pastoral industries of Australia;
- to act as the Prescribed Body for the sheepmeat industry in Australia within the Red Meat Industry Memorandum of Understanding (MoU) under the Australian Meat and Livestock Act 1997 (the Act).

SCA represents sheepmeat producers in Australia and provides a mechanism to bring a diverse range of issues and needs to the policy making process. The Council draws on many formal and informal processes to achieve this. Principal amongst these is input from the state farming organisations, which have extensive networks within their jurisdictions.

As the recognised peak body for the sheepmeat industry under the Act, SCA sets the strategic objectives to be pursued by the levy funded organisations Meat & Livestock Australia (MLA), Animal Health Australia (AHA), and the National Residue Survey (NRS), examining and approving their programs and budgets. We are involved in priority setting for industry R&D and marketing activities both domestically and internationally as set out in the Red Meat MoU. Under the MoU SCA assesses the performance of services delivered by expenditure of lamb and mutton levies.