National Aquaculture Council

Productivity Commission

Review into the Rural Research and Development Corporations

Submission by the National Aquaculture Council

June 2010

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Introduction

The National Aquaculture Council welcomes the opportunity to provide this submission the Productivity Commission's review into the Rural Research and Development Corporations.

This submission is not intended to cover all of the questions posed by the Productivity Commission in the Issues paper it released on 31 March 2010. Instead the submission covers the core issues important to the aquaculture industry in its dealings with the Fisheries Research and Development Corporation (FRDC). The NAC is a representative organisation of the FRDC.

The aquaculture industry and the National Aquaculture Council

According to the Australian Bureau of Agriculture and Resource Economics (ABARE) the Australia aquaculture industry produces 62,500 tonnes of seafood worth $868 million. This is accounts for about 30% of Australia's seafood production by value and volume. The aquaculture industry has averaged a growth rate of almost 9% per annum over the last 15 years, making it one of, if not the fastest growing primary industry sector in Australia. The Government's investment in partnership with the industry through the FRDC has been a crucial and significant factor in this growth.

The NAC members account for around 78% of the GVP and around 87% of the volume of Australian aquaculture production and include:

- Atlantic Salmon (represented by the Tasmanian Salmonid Growers Association)
- Southern Bluefin Tuna (represented by the Australian Southern Bluefin Tuna Industry Association)
- Prawns (represented by the Australian Prawn Farmers Association)
- Abalone (represented by the Australian Abalone Growers Association)
- Oysters (represented by the Shellfish Industry Council of Australia)
- Barramundi (represented by the Australian Barramundi Farmers Association)
- Yellow Tail Kingfish and Mulloway (represented by the Australian Marine Finfish Farmers Association

The NAC also has two observer sectors:

- Mussels (represented by the Australian Mussel Industry Association), and
- Pearls (represented by the Pearl Producers Association)

In addition to the sector members the NAC also has the following state aquaculture associations:

- South Australian Aquaculture Council
- Tasmanian Seafood Industry Council/Tasmanian Aquaculture Council
- Queensland Aquaculture Industries Federation
- Northern Territory Seafood Council

The NAC also has three corporate members in the Sydney Fish Market and feed suppliers Skretting Australia and Ridley Aquafeeds. In addition to the above NAC members there are also a number of smaller sectors, including: Rainbow Trout; Yabbies, Marron and Redclaw; Eels; Silver Perch; Murray Cod and ornamentals.

Other than the oyster industry which dates back to the early 1900's, all the other sectors listed above are contemporary industries that really only began in a serious way around 25 years ago. However, only the Atlantic salmon industry has reached a size where it could be considered a significant primary industry sector.

The aquaculture industry operates at the interface of commercial interest and public good in so far as it utilises a community resource – water - for private benefit. At this point it is worth noting however that aquaculture uses/utilises water to grow aquatic animals, but does not consume water. The type water used in aquaculture varies depending on the location and includes:

- Fresh water
  - From private or public water storages, or
  - Extracted from lakes and rivers and returned after treatment to the environment, either directly or through local sewage infrastructure
- Salt water
  - The sea or ocean in open systems, e.g. cages or oyster racks
  - Extracted from the sea or ocean and returned to the environment

The NAC Supports the Productivity Commissions Review

The NAC believes this review by the Productivity Commission (PC) is timely, given that the PIERD Act is now almost 20 years old. The Act and model have served the aquaculture industry well, however review is an important part of improving the model and the outcomes it delivers. It also comes at a time when the focus on our primary industries should be at its greatest as the debate on global food security gains increasing importance.

A Government vision for Primary Industry's role in the Australian economy

The NAC recognises that the PC is bound by the TOR when it reports. However, in delivering its report to the Government the PC should highlight that the Australian Government does not have a vision for Australia's primary industry sector, including fisheries and aquaculture. Without such a vision, the NAC believes it is impossible to make any modifications to the current system. That is not to say that modification is not warranted, but in the absence of the vision, NAC questions how Australia's RD&E system can deliver.

Food security, at a national and international level, has gained increased attention over the last five years. The NAC finds it difficult to understand that a secure food supply is rarely discussed as a public good. In releasing its 2010 Environmental Scan of skills requirements in the agrifood industries, AgriFood Skills Australia makes the following statement *"2030 is now considered the deadline when existing food and fibre production must increase by 50 per cent to meet a rapidly growing world population - and from a trajectory of less water, less arable land, fewer nutrients, diminishing fossil fuels, and a more erratic and warmer climate. It's what many commentators are referring to as the 'perfect storm of shortages'"*[1]. Thus investment in RD&E to secure our food supply and at the same time ensure the long term sustainability of the natural resource from which our food is produced should always be considered a public good. It is unfortunate that the issues paper focuses on the private benefits received by primary producers rather than the fact that they are producing food.

The NAC supports the retention of the FRDC

The NAC supports the FRDC and the role it plays in planning, investing in, and managing aquaculture research, development and extension. In the aquaculture

[1] AgriFood Skills Australia, 2010. Media release 21 April 2010.

industry the FRDC plays an important role as a facilitator between individual industry members, the industry and the RD&E providers. While it cannot assure total efficiency in service delivery, it is NAC's view that FRDC presence in the RD&E space is a force for increased efficiency. In the context of one of the key concerns in the issues paper around duplication of effort the FRDC's role cannot be underestimated. To the NAC, duplication often is reinforced by poorly conceived discretionary grants programs and subsequent funding allocations administered by Government departments. Thus the NAC rejects any notion to centralise current government primary industry RD&E funding initiatives. The NAC contends that a better outcome for industry would be if the FRDC administered all government funding related to the aquaculture industry.

The NAC recognises the broader context in which the Productivity Commission is undertaking its review. However, with regard to the generalisations made about the Rural Research and Development Corporations (RDC's) and rural RD&E more broadly in the issues paper, the NAC contends that the very special case of the FRDC and the role it plays in the development of the aquaculture industry must be recognised and supported.

While this submission focuses on the specifics of aquaculture, many of the issues are equally applicable to the other sectors under the FRDC's remit, i.e. commercial, recreational and indigenous fishing. This is highlighted on page 4 of the issues paper where it is stated "*All bar one cover single (though often broad) rural industries (e.g. horticulture, grains)*". The NAC assumes that the PC is referring to the RIRDC in this instance. If this is the case then only a cursory glance at the FRDC's 'industry' stakeholders shows the FRDC is more similar to the RIRDC than the other commodity based RDC's. Taken further, an analysis of the aquaculture sectors highlights the very different RD&E needs between sectors. There are significant differences between the farming of prawns and the farming of Atlantic Salmon for instance.

The PC makes the point that R&D is inherently risky. One of the factors that should make the RDC model appealing to government is that there is significant stakeholder engagement throughout the RD&E process. The desired RD&E outputs and outcomes are identified from the start of the project and this guides the project throughout its life. If project is not delivering then it is terminated and industry moves on, removing much of the risk.

Support for the retention of the FRDC public good funding

While the PC is undoubtedly aware, the NAC wishes to highlight the very important difference between the FRDC and most other RDC's. The FRDC receives from the government a significant proportion of its funding (0.5% fisheries and aquauculture GVP) as a public good allocation. The NAC defines public good RD&E as RD&E where:

- The benefits are captured collectively by the whole industry and not by individuals or small groups.
- It is pre-competitive
- The output is unable to be commercialised
- The benefits are realised in the long-term

The NAC believes the public good allocation recognises the context in which aquaculture operates, i.e. utilising the public resource of water. The NAC supports the

retention of this component as it is important for the development of the Australian aquaculture industry.

The Australian aquaculture industry is highly regulated. This is highlighted by the Productivity Commissions own report in 2004 titled "*Assessing Environmental Regulatory Arrangements for Aquaculture*". In response to the regulatory environment, the industry is continually undertaking research to justify its existence. Under the above terms, the whole aquaculture industry benefits from the RD&E investment. The community also benefits by having an aquaculture industry that meets its expectations for environmental stewardship. The NAC argues that the Australian community benefits through FRDC management of RD&E investment that supports sustainable social, environmental and economic returns from Australia's natural resource base.

Support for the retention of matching government contribution

The current government policy of matching the industry dollar is supported by the NAC. This policy provides the incentive for individuals to contribute to RD&E that benefits the whole industry.

Consistency in matching dollar across sectors

In all other industries the maximum matching is capped at 0.5% of GVP (rolling 3 year average), whereas at the FRDC it is capped at 0.25%. Regardless of the matching percentage going forward into the future, the NAC seeks that the government apply the same rate to aquaculture as other sectors.

Direct Industry Contributions matched by Commonwealth

The FRDC is not supported by a statutory levy, except for the prawn farming sector. The term often used to describe the funding source is a 'voluntary industry levy'. The voluntary aspect of the contribution is that it comes from industry via state jurisdictions that may or may not forward the 'levy' on the FRDC - hence the term 'voluntary'. Further, some states have in the past not even recognised that the money was collected from industry and directed the expenditure to their own needs. However, for industry, the levy collection at the state level is often compulsory and is collected through license fees. There are exceptions to this. The abalone aquaculture sector collects a voluntarily contribution amongst themselves, forwards it to a cooperating state government agency, who then passes the money to FRDC, where it is matched.

The aquaculture industry would prefer a model whereby the industry can, should it choose, voluntarily contribute to the FRDC directly and have these contributions recognised for the purposes of government matching without the need for the funds to pass through the states. An example would be the abalone industry cited above.

Expanded list of activities for the FRDC

Like other RDC's the FRDC relies upon the production sector for its funding base. Multiple research reports have shown the complexity of the seafood supply chain in Australia, with seafood product sometimes being handled by up to 8 intermediaries before reaching the consumer. However, in the RDC model these important members of the industry are not able to contribute nor access the matching dollar provided by the government, much less participate in RD&E projects. The result is a massive

information gap between the people who grow and harvest seafood and the people who sell it to the consumer.

The NAC believes that there are areas of industry development and extension activity that the FRDC could be involved in that would complement its current RD&E role, including, but not limited to, seafood retail RD&E, promotion and marketing, residue survey programs, and trade and market access issues. The NAC believes there is scope to broaden the range of activities the FRDC could undertake through changes to the PIERD Act.