Submission to the Productivity Commission: Rural Research and Development Corporations June 2010

Tasmanian Seafood industry Council

The Tasmanian Seafood Industry Council (TSIC) is the peak industry body representing the interests of wild capture fishers, marine farmers and seafood processors in Tasmania. The seafood industry, including the food service sector contributes more than $743 million annually to the Tasmanian economy (DPIPWE 2009).

The council contributes to the setting of research priorities and the development of research projects through various forums including the Tasmanian Fisheries Research Advisory Board (TasFRAB) and research advisory groups (RAGs) for the individual industry sectors. In addition, TSIC has taken the lead role in the development and implementation of research projects funded by the Fisheries Research and Development Corporation (FRDC) that address industry research and development priorities.

TSIC is a member of the National Seafood Industry Alliance (NSIA) the organisation that represents the seafood industry at a national level.

Productivity Commissions Review of Rural Research & Development Corporations (RDCs)

TSIC supports the review of RDCs being undertaken by the Commission. The Australian Government contributes, through the RDCs, more than $200 million to research for rural industries in Australia. It is therefore appropriate that model used for the disbursement of these funds is subject to periodic review.

The Australian Governments Investment in Fisheries & Aquaculture RD&E

Support for Public Good Funding

We submit that the fisheries and aquaculture primary industry sectors operate in a business environment that differs fundamentally from other rural industries. The fisheries and aquaculture sectors are dependant on access to publicly managed natural resources, fish stocks and marine and estuarine waters. As typically no one group within the fisheries and aquaculture sectors can capture the benefits of RD&E market failure exits. The benefits of RD&E are generally captured collectively by participants in each industry sector and not by individuals and small groups. As a result the outputs and outcomes from fisheries and aquaculture RD&E are unable to be commercialised.

Further we believe that the government as the steward and manager of aquatic resources on behalf of the community must ensure these resources are managed so that the benefits derived from the exploitation of these resources flow to the wider community. This requires targeted research across a number disciplines. Often there is little or no capacity for individuals or groups within the seafood industry to undertake research

Many of the benefits of fisheries and aquaculture RD&E are realised in the long-term making it even more difficult to determine directly which group or individuals will capture the greatest benefit. As per the Commissions Issues Paper (p8) we contend that the very nature of the operating environment for fisheries and aquaculture will ensure that '…without the government contribution, socially valuable investment in R&D *will* be permanently discouraged'.

For the reasons outlined above we believe that the 0.5% of GVP FRDC receives from the government as a public good allocation is justified and should be retained.

Support for Matching Funding
The current government policy of providing matching funding for the industry dollar is strongly supported by TSIC. The policy provides a powerful incentive for industry to contribute to RD&E that has benefits that flow beyond industry to the wider community.

A related issue is the cap on matching funding. For all other rural industries the maximum matching cap is set at 0.5% of GVP. The maximum for the fisheries and aquaculture sectors is set at 0.25%. We request that the matching rate for the fisheries and aquaculture sectors be set at the same rate as for other sectors.

TSIC Support for FRDC

We strongly support the retention of the FRDC in its present form. The FRDC plays a pivotal role in planning, investing and managing RD&E for fishers and aquaculture. We understand there is desire within some sectors of government to rationalise the number of rural RDCs. As for many of the reasons outlined above supporting continued government investment in RD&E we contend that the current model for the management of government and industry funding for fisheries and aquaculture RD&E is the most appropriate.

We believe that if required to merge with other RDCs the skills and expertise contained within FRDC that make it such an effective manager of the governments and industries RD&E investment will at best be marginalised and at worst lost. Further, we understand that the FRDC spend on its administration of its research portfolio compares more than favourably with that of other RDCs. We see no natural synergies with other rural RDCs and a forced marriage is likely to produce suboptimal outcomes for both industry and the Government.

The issues paper makes note of the capacity for duplication inherent in the current system. It is our view that FRDC continues to demonstrate it is a force for increased efficiency. Duplication and the resulting suboptimal RD&E outcomes often flow from poorly conceived discretionary grants programs administered by various Government departments. A better outcome for industry and Government maybe achieved if FRDC were given the responsibility for administering all funding for RD&E for the seafood industry.

The Commission notes that RD&E is an inherently risky process. In response TSIC contends that the high level of stakeholder engagement throughout the RD&E process currently administered by FRDC assists in significantly reducing the risk.