ALM Group
Australian Land Management Group

Submission by the Australian Land Management Group to the Productivity Commission Inquiry into the Australian Government Research and Development Corporations Model

Introduction

The Australian Land Management Group (ALM Group) (www.almg.org.au) is a not-for-profit organisation established by landholders in 2003 to improve environmental outcomes in ways that enable the achievements of landholders and their support organisations to be recognised and rewarded.

ALM Group people have had extensive experience with the RDCs from having being involved in the development of the model, from being Board Directors, from being funded contractors and researchers, from being consultant reviewers, from being employed research coordinators and from being levy payers to the RDCs. Nevertheless, this submission is developed primarily through the ALM Group prism, a relatively new organisation working with landholders and the broader community to improve environmental outcomes.

Do not separate investment for public and private goods

Combining investment for public and private goods (as technically defined) is a key feature of the RDC model. It is critical that it be maintained and strengthened for several reasons including:

- There are few if any outcomes that can be defined as solely public or private goods and none that leads to only private or public benefit/cost. The one that is often touted to be a public good, biodiversity conservation is important for both conservation and production and hence it is part public good, part private good.
- Private investment is the principal driver of landscape health. There is little or no investment by land managers that does not impact in some way on landscape health. Attempts by ABS and others to define and limit conservation investment by landholders are essentially misleading. To improve environmental outcomes we need to improve the environmental impacts of land managers and the broader community across the totality of their activities, not just in relation to some specific remedial activities, like fixing erosion.
- Land managers will improve environmental outcomes if there is recognition and reward for doing so. Some of this recognition and reward is intrinsic, some extrinsic; some is farm based and other is external; and some is market based and other not. We need audited management systems that can deliver across the breadth of these

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> drivers and benefits and these will only develop if we have, at least through the RDC model, investment that integrates public and private investment.

Our own experience attests to the desirability of not separating public and private investment.

The foundation supporters of the ALM Group, to improve environmental outcomes, come from the private sector through the national agri-business firm **ELDERS** and from the public sector through the catchment management organisation, the **Queensland Murray Darling Committee.** These organisations, from different perspectives, see value in a combined investment delivering goods that are part public, part private.

But it does not stop there.

As consequence of a very modest and innovative investment by **Australian Wool Innovation Ltd (AWI)** the ALM Group has secured support from the giant Japanese and Korean textile firms, **Onward Kashiyama** and **Cheil Industries**. Additionally **The Merino Company (TMC)** offers wool growers a three percent price premium for wool grown on properties with ALM Group certification. This international and domestic recognition of a land management certification system is unique and is illustrative of what can be achieved by innovative activities spanning delivery of mixed public and private goods.

Hence we submit that the Commission should reject the proposition that

> RDCs be funded solely by levies and other private sources, to deliver industry-specific R&D, and that their current public funding for broader research is allocated to a new body, or to other research programs.

We submit also that the Commission should reject the proposition that the formulaic approach for allocating government funds to each of the RDCs be replaced with some form of contestable grants arrangement. The formulaic approach to funding the RDCs has been one of its greatest strengths delivering a strong industry-government funding partnership.

There are situations wherein contestable grant arrangements have a place but they are open to political interference, uncertainty and high transaction costs. Given the peaks and troughs in levy revenue there is a need to avoid the additional uncertainty inherent in a contestable grant arrangement for core funding. In fact the Commission may look at how the funding formula might be adjusted to take away the most extreme variability in annual income.

Re-examine the cross sectoral issue

When the RDC model was being developed there was a robust debate on whether there should be many industry specific corporations or one or a small number across sectors. In our view the correct decision was taken for it engendered ownership and built capability. However it has not been without its shortcomings and now it should be a key issue for reconsideration.

There is little evidence that coordination and collaboration has delivered outcomes in difficult areas such as in the nature of arrangements, including legislative arrangements, driving environmental performance. First hand though somewhat dated personal experience with the CRRDCC mechanism leads to the judgement that it is one of the least effective aspects of the RDC model.

At the highest level even the terminology of 'across sectors' is concerning for it implies that rural Australia is just about the sum of 'sectors. Even more restrictive is to include only agriculture, forestry and fisheries under the broad term 'rural'. This agriculturally centric misuse of the term 'rural' has substantial negative implications for the understanding and servicing of rural Australia.

This is a complex issue with many different elements. There is consideration of the linking across functions, functions such as R&D, marketing, industry programs and capacity building. There is the tendency to overstate the importance of scale driven management efficiencies at the expense of effectiveness, ownership, motivation and creativity. There is the issue of capture of organisations by dominant established elements of industries which arguably limits innovation.

We do not have a simple position to put on this issue but we do have experience that should inform the outcome. Our experience spans a decade of being involved in environmental management systems (EMS) policies, programs and system development and implementation.

In 2000 and 2001 we were involved in the development of Australia's National Framework for Environmental Management Systems in Agriculture. The framework was endorsed by the Natural Resource Management Ministerial Council in October 2002. Essentially the framework is sound although, with hindsight, perhaps it should have taken a landscape/land management perspective rather than an agricultural one.

Unfortunately the Australian government did not apply the framework principles. This enabled funding to flow to a wide range of industry specific groups, primarily industry RDCs and State based farm organisations that were not applying the agreed framework. There were many adverse consequences including:

- The application of environmental management systems in rural Australia was approached agricultural industry-by-industry notwithstanding the essential multi-industry nature of most Australian farms with over 60% having two or more industries producing over 70 % of production by value (See Appendix). Additionally this fragmented agricultural industry approach excludes the 40% of Australia not dedicated to agricultural production.

- An environmental management systems approach with a focus on improving environmental outcomes was replaced with an environmental assurance approach with a focus on protecting the environmental credentials of farmers and of the products they produce. This seemingly subtle shift will substantially constrain environmental improvement. Additionally it will limit the potential for Australian agriculture to have internationally credible verification for its currently unsubstantiated claim for the green part of its ‘clean and green ‘claims.

- Enormous fragmentation, stop-start programs and inefficiencies in the development of tools and training.

The primary lesson is that there are some issues that are product specific, there are some that are industry or industry-cluster specific, there are some that span all industries and irrespective of this categorisation there are some that should not be addressed on an industry only basis irrespective of coverage.

Traditionally RDC s have responded to pressure to act across industries by forming co-ordinating committees and /or programs. In some instances these have been moderately successful but not universally. Additionally RIRDC (and previously LWA) exerts some influence to promote cross industry activities. However these efforts are as often frustrated rather than supported by the industry specific Corporations.

The effectiveness of across corporation committees needs to be examined closely. It is one thing to establish a corporate body with the required dedication and breadth of skills and expertise and another to cobble together representatives of different RDCs, representatives who together may or may not have the necessary skills and expertise and who may or may not be interested in the success of the joint nature of the activity.

It is interesting and pleasing to note that RIRDC has recently established ***New Rural Industries Australia***, an organisation to deal across all new and emerging industries (www.nria.org.au). Perhaps we need an equivalent ***Established Rural Industries Australia*** independent of industry specific RDCs as a well resourced, expertise based organization with inputs not just from industries but also from a wider spectrum of community interests and activities. Further this mechanism would go some way to fill the gap left by the abolition of Land and Water Australia (LWA).

As an aside the abolition of LWA would have to stand as a pinnacle of poor public policy. No one seems to have justified the abolition on the basis of poor performance and in any event if that was the problem closing it down is no solution. No, rather it appears to have just being a bad decision, unjustified and unjustifiable on any public policy grounds.

Protect creativity

We submit that the Commission should be very mindful of the importance of enabling creativity.

Work done in the 1990s clearly points to the massive impact the RDCs have on what is researched and how, an impact that goes far beyond that indicated by their financial contribution. It also evidenced the way many accountability processes adopted by RDCs constrain creativity.

The challenges facing rural industries and the protection of rural landscapes are complex requiring high and persistent levels of insightful thinking. In the search for more and more accountability and for more and more operational efficiency it is easy to lose sight of the need for people to identify good problems, to reconstruct and own issues, to apply insightful thinking and to have the protected space to elaborate and test ideas. It is easy to lose sight of the need for creativity.

Inputs from beyond 'industry'

The following statement from the Issues Paper is of interest:

> 'despite the RDC model having been designed to help ensure that the research undertaken is reflective of stakeholder needs, in practice, that research can still become driven by the existing skills, interests and capabilities of the research providers and managers.'

We reject the inherent judgment that only 'industry' can see the future. Researchers, research managers and others in the broad community have legitimate and essential roles to play in determining needs and in determining approaches to meet those needs. In fact it is probable that constraints to the identification of longer term opportunities and challenges will come more from industry advisory committees than from younger, more broadly based, better educated dedicated researchers and others who are encouraged to think and act creatively.

Advocate transparent governance

We submit the Commission should act to protect the governance regime that:

- is designed to translate the Government's national research priorities and the associated rural research priorities, together with those of industry levy payers, into five year strategic plans and annual operating plans
- provides for after-the-event annual reporting on outcomes and performance.

This is important for we support the proposition that there seems to be a 'failure by the Government to effectively and consistently communicate priorities and requirements to RDCs and to follow these through when over sighting strategic and operational plans'.

Senate enquiries in the early 1980s and our own experience point to the undesirability of Governments appointing a government nominee to the Boards of the RDCs. Accountability to both industry and government should be through the Chair supported by open and transparent mechanisms such as those listed above.

If expertise in public policy and related issues is required it should be sought openly in the same way as applies for other areas of expertise. Further currently serving public servants should not be eligible to apply in the same way as current agro-political industry people should not be eligible to apply. Rather than ask ‘How might any negative impacts of the removal of government nominees from the boards of the statutory corporations be ameliorated?’, one might better ask how to avoid the negative impacts of such appointments (notwithstanding the capabilities and intentions of such appointees).

Our experience and anecdotal evidence points to increasing *ad-hoc* interference from both government and industry in the operations of the RDCs. This interference usually lacks transparency. Mechanisms are needed to prevent it.

Another aspect related to governance is the extent to which RDCs generally, and particularly the IOCs, fail to provide and support processes to ensure open and accountable discussion of the rationale for significant program investments. As the organisations mature the extent of contestably allocated funding for R&D and for external transparent evaluation of program options has fallen substantially. This results in a narrowing of the thinking and expertise being brought to bear on significant issues. Most importantly it enables internal rent seeking across programs so that alternative options are excluded without proper consideration.

In our own field a classic illustrative example is the investment by Meat and Livestock Australia (MLA) over many years in the now abandoned Land Leader program and currently in the development of the MLA Environmental Module. At public meetings MLA project officers have relied on decade old discredited information to support the approach being adopted by MLA, one for which drivers for adoption have not been identified. The key rationale for the approach being adopted, if one exists, seems to be that it will fortify the roles of related parties in the management of the proposed system. There is no willingness to evaluate or to parallel trial alternative approaches.

Appendix. Industry mix on Australian farms (year ending 30th June 2001)*

	Proportion (%) of producers in that group with only 1 industry (e.g. beef), with 2 industries or with more than 2 industries			Proportion (%) of estimated value of agricultural operations attributed to producers in that group with only 1 industry (e.g. beef), with 2 industries or with more than 2 industries		
All Industries	**1 Industry**	**2 Industries**	**> 2 Industries**	**1 Industry**	**2 Industries**	**> 2 Industries**
Beef	39	34	27	29	30	41
Dairy	26	41	33	11	37	52
Sheep (wool and meat)	38	40	22	39	37	24
Poultry	11	35	54	3	23	74
Pigs	43	33	24	55	25	20
Other Livestock	6	18	76	10	16	74
Cereal Crops	6	48	46	2	36	62
Oilseed Crops (excluding cotton)	5	29	66	3	21	76
Other Crops (excluding cotton & sugar cane)	0	7	93	0	4	96
Cotton	1	11	88	0	7	93
Sugar	10	29	61	10	26	64
Vegetables	68	21	11	52	28	20
Fruit (including grapes, apples, pears & stone fruit)	32	35	33	33	30	37
Nurseries (including cut flowers and turf)	59	25	16	52	25	23

* Gleeson T., Grosser M. and Lewis L (2005) Alliances to assist implementation of environmental management systems. Rural Industries Research and Development Corporation, Canberra [data supplies by ABS]