RDC Inquiry Coordinator
Productivity Commission
LB2 Collins Street East
Melbourne VIC 8003

Productivity Commission Draft Report on Rural Research & Development Corporations

Dear Sir/Madam

Thank you for the opportunity to comment on the Productivity Commission Draft Report on Rural Research & Development Corporations. While we agree with a large part of the report, there are some issues which we have a fundamental disagreement with based on our experience in the industry.

Please find attached a detailed response to the recommendations posed by the Productivity Commission (attached). I would be glad to elaborate on any of the issues raised in the submission or on any additional issues if desired.

Yours sincerely

Tony Battaglene
General Manager
Strategy & International Affairs

Submission to the Productivity Commission Draft Report on Rural Research & Development Corporations

Winemakers Federation of Australia and Wine Grape Growers Australia

Tony Battaglene

General Manager, Strategy & International Affairs[1]

Winemakers Federation of Australia

Introduction

The Winemakers Federation of Australia (WFA) is the national peak body for the wine industry with voluntary membership representing more than 95% of the wine produced in Australia. It develops policies and programs for the whole industry on a range of political, social, environmental, trade and technical issues with both a national and international dimension.

Wine Grape Growers Australia is the peak industry body for Australia's wine grape growers, established in 2005. WGGA plays a significant role in improving the performance of the winegrape sector, by:

- Contributing growers' perspectives to national industry policies and strategies
- Providing better industry data and information for growers
- Improving relationships between growers and wineries
- Targeting viticultural research and development
- Managing national vineyard bio-security
- Advocating for the grower sector with Government.

Overall spending on, and funding for, rural R&D

Draft finding 5.1 *It would not be appropriate to establish a target level for overall spending on rural R&D — nor a target for rural R&D intensity. Rather, the emphasis should be on ensuring that the policy framework is comprehensive and soundly based, and that settings within the framework facilitate efficient use of available public and private funding, and timely and effective funding responses to emerging needs.*

Draft finding 5.2 *Setting an indicative target for the share of total spending on rural R&D to be met by governments would be a blunt, and quite possibly counterproductive,*

[1] PO Box 3891, Manuka, ACT 2603; email: tony@wfa.org.au; mob. +61413014807

approach. Rather, the appropriate share — and in turn the appropriate overall level of public funding — should 'emerge' from:

- *an assessment of all of the various programs through which governments currently contribute funding to rural R&D against the public funding principles spelt out in draft recommendation 5.1; having particular regard to the characteristics of the R&D conducted and thus the likelihood that public funding will induce a commensurate amount of additional, socially valuable, research*
- *any evidence that the current program portfolio is failing to cater for particular types of socially valuable rural R&D that would meet the additionality requirement for public funding support.*

Response: Draft findings 5.2 and 5.3 acknowledge the difficulty in determining the appropriate amount of R&D spend from the public purse. However, given the later recommendations which recommend that data is collected on the total R&D spend, programs and shares of respective private and government parties, it would appear that some the information should be available to determine relative investment by sectors and whether there is an underinvestment in any particular sector. This would also provide the government with the means to determine if there is a market failure leading to the appropriate provision of R&D funding and if so, is it a public policy failure or due to the inherent nature of the particular sector.

We would contend that there is an underinvestment in rural research and for the wine and grape sector. In 2006, the wine sector estimated it required an increase in R&D investment by some $50 million over the next five years to ensure that we can capture the new emerging markets and maximise market share in existing markets. The industry's marketing plan ("The Marketing Decade") calls for $5 billion in exports in 2010. This outcome will only be achieved if the wine industry grows demand for Australian wine by characterising and reacting rapidly to consumer preference signals through an integrated and sustainable production chain.[2]

The Australian grape and wine sector is innovative. This means that companies and individuals have used human resource abilities, technological factors and business acumen to drive and build the sector. Wine is now worth directly about $5 billion pa to the Australian economy with around $2.5 billion of this coming from the export market.

To achieve this position, Australia has had to focus on continuous quality improvement and efficiency in production, as the industry did not have the history or prestige of the traditional European producers. This focus has delivered a competitive advantage not to be taken for granted. In particular, the product quality improvements flowing from R&D coincided with the expansion of grocery retailers in off-trade channels and their need for larger volumes of wines with consistent quality.

People, ideas and reputation are central to success in a global market for wine and all of these aspects are integral to R&D and innovation (after Dept Trade & Industry, UK, 2004). In a rapidly changing domestic and global market it is clear that continued innovation will safeguard and deliver more jobs, successful businesses, better wines and services for customers and consumers, and new, more environmentally friendly processes.

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[2] Winemakers Federation of Australia (2006), Investing in innovation, A Research Prospectus for the Australian wine industry 2006-2—8.

Defining an appropriate amount for R&D investment will always be difficult. Individuals and companies will have their own objectives. But if we acknowledge that we are in a global consumer business that is notoriously fickle, then we also need to invest to secure our future. Knowledge will connect the wine sector to its consumers in all markets, deliver new ideas to improve our competitive position, and inspire people in all areas to provide the innovation that will ensure profitability and sustainability.

While individuals and companies will have their own methods for determining business success, general analyses of the grape and wine sector demonstrate a return of about $8 for every $1 invested in R&D. This is a strong return but it is also useful to reflect on the quantum of investment in R&D. Recent reports by Booze Allen Hamilton, (Jaruzelski et al 2005)[3] and Arthur D Little(Little 2005)[4] found that across a wide range of global companies the ratio of R&D-to-sales was about 4.5%, and increasing at about 6.5% per annum (Figure 2). While they provided warnings about "money not simply buying results" it was very clear that in addition to the direct returns from R&D, the culture surrounding R&D and innovation can have positive impacts on the business. Using the average figure of R&D budget to be 4.5% of total sales, and a gross value of product for the Australian wine sector to be five billion $ pa, our industry should be spending $225 million pa on R&D. There is a case that we have a large under-investment in R&D at present.

Public funding principles

DRAFT FINDING 5.1 The Australian Government should incorporate the following high level public funding principles in all of its rural R&D policies and funding programs:

- The primary aim of government funding is to enhance the productivity, competitiveness and social and environmental performance of the rural sector and the welfare of the wider community by inducing socially valuable R&D that would not otherwise be undertaken.

- Public funding programs for rural R&D should:

  - give appropriate recognition to non-R&D related drivers of performance improvement in the rural sector
  - facilitate, or at least not impede, structural adjustment in the sector
  - be consistent with other policies and programs designed to improve the performance of the sector.

- The design of individual funding programs should:
  - encourage the efficient delivery of quality research outputs, including through promoting effective intra- and inter-program coordination
  - build in appropriately resourced mechanisms to facilitate the adoption of worthwhile research outputs
  - promote transparency and accountability in regard to program outcomes through effective governance, evaluation and reporting requirements

[3]Jaruzelski, B, Dehoff, K & Bordia, R (2005). The Booze Allen Hamilton Global Innovation 1000: Money Isn't Everything Strategy & Business 41, Winter 2005.
[4] Little, Arthur D. (2005). Innovation Excellence Study 2005 - How companies use innovation to improve profitability and growth.

- promote transparency in funding flows and discourage leveraging behaviour that is administratively costly and/or designed solely to shift costs.

The Australian Government should further:

- commit to regular independent review of its various rural R&D programs against these principles
- through the Primary Industries Ministerial Council, seek the agreement of State and Territory Governments to incorporate the principles and the review requirement:
  - in all of their rural R&D policies and funding programs
  - in the National Primary Industries RD&E Framework initiative.

Response: These are sensible recommendations which we agree to. There is potential for the National Primary Industries RD&E Framework initiative to be used as to actively collate data and review existing programs within the sector frameworks and cross-sectoral frameworks.

Framework data collection and program coordination

DRAFT RECOMMENDATION 5.2 In consultation with its State and Territory Government counterparts, the Department of Agriculture, Fisheries and Forestry should establish a process for assembling and maintaining robust data on:

- total funding for rural R&D in Australia — including from R&D programs not specific to the rural sector, and indirectly through the charging practices of government research suppliers
- the respective shares of that funding provided by governments and private parties
- the programs and other channels through which this funding is spent, and the way in which spending is delineated across the main rural R&D provider groups.

Response: Agreed. State and Australian government programs should take into account industry and government R,D&E priorities when allocating funds under specific programs.

DRAFT RECOMMENDATION 5.3 The Australian Government should establish a mechanism to better inform and coordinate the totality of its funding for rural R&D with a view to:

- promoting consistency in approaches across specific and more general Australian Government programs that provide funding for rural R&D
- assisting in the identification of gaps or unnecessary overlaps in program coverage and means to address them
- informing considerations of the effectiveness of overall Australian Government funding support for rural R&D
- ensuring that the States and Territories and other relevant entities are fully aware of changes in Australian Government funding programs and the likely implications for other rural R&D funding arrangements.

The Commission seeks further input from participants on what precise form this new mechanism should take and what particular functional responsibilities should be encompassed within it.

Response: The National Primary Industries RD&E Framework initiative and the Primary Industries Ministerial Council is the appropriate mechanism for this to be undertaken.

Changes to the configuration of, and funding for, the RDC model

DRAFT RECOMMENDATION 6.1 The Australian Government should retain a modified Rural Research and Development Corporation (RDC) model:

- It should establish and fund a new RDC, 'Rural Research Australia' (RRA) to sponsor non-industry specific R&D intended to promote productive and sustainable resource use by Australia's rural sector.

  - RRA's remit should broadly encompass land, water and energy use, with the precise coverage of its activities determined having regard to the further input to this inquiry.
  - `As part of that coverage decision, consideration should be given to the benefits and costs of bringing the 'national rural issues' R&D that is currently the responsibility of the Rural Industries RDC within the new entity.
  - However, RRA's remit should not extend to the sector-specific 'public good' research undertaken by the Fisheries RDC.

- RRA should be created as a statutory R&D corporation under the Primary Industries and Energy Research and Development Act 1989 (Cwlth).

  - It should be funded by an annual appropriation from the Australian Government under a quadrennial funding agreement.
  - RRA should be able to supplement its appropriation from the Australian Government with funding from other sources, including from other RDCs.

- Following the establishment of RRA, the other RDCs — except for the Fisheries RDC — should focus predominantly on sponsoring R&D of direct benefit to their levy payers.

- In consequence, the funding contributions from the Australian Government for all of the existing RDCs, except for the Fisheries RDC, should be gradually reduced (see draft recommendation 7.1).

Response: WFA and WGGA would support the establishment of a new RDC, 'Rural Research Australia' (RRA) to sponsor non-industry specific R&D intended to promote productive and sustainable resource use by Australia's rural sector *only* if it did not take away existing funding from current RDCs. We emphatically do not support the reduction of government funding from existing RDCs.

The premise which the Productivity Commission makes this recommendation is that industry will increase its funding to the industry RDC (in our case the GWRDC) to make up the short fall.

This will not happen. Market failure in the industry means that most individuals do not understand the direct link between research levies and the research that provides for improvement in industry efficiency or translates into sales.

The Productivity Commission also asserts that government provides a greater proportion of funding then is required to meet is public good policy objectives. The Productivity commission provide no good evidence for this assertion and ignores the positive impacts of rural research on industry productivity and its flow on effect to rural and regional Australia. This short sighted analysis will inevitably underestimate the positive spill-over effects of R&D on the community.

One of the great benefits of the RDC model is that it has contributed to a culture of cooperation, where companies are willing to invest in collaborative research and share the benefits. The WFA policy on intellectual property is that commercialization of IP is not the key driver for wine industry research. From the industry perspective, the critical issue surrounding R&D is to make sure that any IP policy does not prevent the timely dissemination of research results. Speed of extension of research results provides the greatest benefit to industry.

Reduced government investment in the RDC will mean that the incentive is there for companies to invest in proprietary research and lock up the benefits to gain exclusive use. They will try and maximize benefits from the research and undertake in-house or contract research aimed at preventing 'leakage'.

DRAFT RECOMMENDATION 7.1 The Australian Government should contribute to the cost of rural R&D sponsored by the Rural Research and Development Corporations (RDCs) on the following basis:

- There should be direct appropriations for the proposed new RDC, Rural Research Australia (RRA); for 'public-good' research sponsored by the Fisheries RDC; and for 'national rural issues' research sponsored by the Rural Industries RDC (RIRDC), unless responsibility for this research is transferred to RRA (see draft recommendation 6.1).

- The appropriation for RRA should be progressively increased over five years to around $50 million a year, with additional funding provided for any research responsibilities transferred to the new entity from other programs (see draft recommendation 6.1).

- The Australian Government should continue to link its funding for the industry-specific RDCs to contributions made by the industries concerned.

    – However, the cap on matching contributions for all statutory levies should be reduced from 0.50 per cent to 0.25 per cent of an industry's gross value of production (GVP). This reduction should be phased in over ten years, with the cap reducing by 0.025 per cent of GVP each year during this period.
    – The appropriation for RIRDC should allow it to continue to match voluntary industry contributions at the current level.

The Commission seeks further input on the appropriate remit and funding for the proposed Rural Research Australia (RRA) and, in particular, on:

- areas and types of non-industry specific rural R&D that would be relevant to promoting productive and sustainable resource use by the sector

- opportunities to beneficially consolidate funding and management of research that is currently the responsibility of other entities within this new Research and Development Corporation
- whether $50 million a year, plus additional funding for any research responsibilities transferred from other programs, would be a reasonable target for the government appropriation for RRA having regard to:

  – the desirable breadth of the entity's research remit
  – the extent of unmet, socially valuable, research needs within that remit
  – the appropriate degree of leveraging for an entity of this nature

- the rate at which RRA's funding appropriation could reasonably be increased towards the target level.

Response: The WFA and WGGA support the establishment of the RAA with an additional $50 million per year of government appropriation to improve the coordination of cross sectoral R&D; to undertake evaluations of R&D expenditure and to partially alleviate the under-expenditure in rural R&D. The WFA and WGGA do not support the reduction in government matching funds for the reasons given above. Currently, the relationship and communication between the GWRDC and the industry sector is very good and there is strong ownership of the GWRDC decisions. The creation of a RAA will not have strong ownership as it will be seen as political and its funding decisions will inevitably be seen as politically driven or favouring those larger rural sectors.

Principles to guide the future operation of the RDC program

DRAFT RECOMMENDATION 8.1 As a condition of receiving government funding, Rural Research and Development Corporations (RDCs) should:

- invest in a balanced project portfolio that includes longer-term, riskier and potentially higher-reward research, as well as short-term, low-risk, and adaptive research
- to ensure timely adoption of research results
- use government funding solely for R&D and related extension purposes and not for any marketing, industry representation or agri-political activities
- promote effective communication with industry stakeholders, researchers and the Australian Government
- publish information on the outcomes of all completed research projects in a timely manner
- implement board selection processes that result in boards with an appropriate balance of relevant skills and experience, rather than a balance of representative interests
- pursue ongoing improvements in administrative efficiency
- undertake rigorous and regular ex ante and ex post project evaluation
- participate in regular and transparent independent performance reviews
- remedy identified performance problems in an effective and timely manner.

For its part, the Australian Government should:

- • engage openly and constructively with RDCs and their industry stakeholders
- • discharge its administrative responsibilities in relation to the RDC program in
- a timely and efficient fashion
- • ensure that nominated representative bodies for each of the statutory RDCs

- continue to be suitably representative of the interests of the industries
- concerned, and not dependent on funding from the RDCs they are meant to
- oversight
- monitor the RDCs' performance in a way that will enable transparent assessment of the outcomes of the program as a whole, and identification of specific performance problems
- effectively communicate with RDCs in regard to opportunities to improve performance, and take prompt and appropriate action if performance problems are not satisfactorily addressed.

Response: These are good corporate governance provision that should be in place now. Certainly, the GWRDC is along way towards meeting these objectives. I would draw your attention to WFAs' Innovation Policy which states*, inter alia*, :

Individual members of the Australian wine industry, suppliers to the industry, private companies and consulting organisations are responsible for their innovation activities; however, the Australian wine sector, in seeking to maximise the return from the efficient investment of levy funds and funds from other sources in research, extension and pre-competitive technical activities:

- **encourages a range of institutions, public and private, Australian and international, to compete for levy funds;**
- **encourages these institutions to seek co-investment from sources other than that of the levy funds, provided that the priorities and interests of the industry are met;**
- **encourages institutions to develop an area/s of expertise, particularly those relying on levy funds for infrastructure and core funding, to reduce duplication and to increase efficient use of scarce levy funds;**
- **encourages institutions to collaborate, e.g. utilising the Wine Innovation Cluster on the Waite Campus of The University of Adelaide, to integrate research across the entire supply/value chain from the environment to the consumer;**
- **invests up to 30% of levy funds in knowledge generation activities in areas of long term interest to the industry;**
- **supports, wherever possible, a strong nexus between research and education activities to maintain the intellectual capacity of the industry;**
- **supports targeted extension activities to ensure that research information is made available quickly and efficiently to levy payers;**
- **supports pre-competitive technical collaborative activities against industry priorities by organisations other than those publicly funded;**
- **allocates up to 30% of levy funds to entities, such as the AWRI and the National Grape and Wine Industry Centre (NGWIC), for infrastructure and core funding;**
- **supports the industry's own research organisation, the AWRI, with sufficient funds to undertake key wine research and extension priorities and to harness to maximum extent the resources of all wine industry supportive organisations, including CSIRO, the universities and Departments of Agriculture/Primary Industries, by collaborative and non-duplicative endeavour.**

Specific changes to help give effect to the principles

DRAFT RECOMMENDATION 8.2 Consistent with the overarching public funding principles for the rural R&D framework (see draft recommendation 5.1), the legislation and statutory funding agreements for Rural Research and Development Corporations (RDCs) should indicate that the ultimate objective of the public funding they receive is to induce socially-worthwhile rural R&D that would not otherwise be undertaken.

With that guidance and the RDC-specific principles (see draft recommendation 8.1) in place, requirements for formal Ministerial involvement in priority setting and approving RDCs' plans should be removed, except for the Fisheries RDC and Rural Research Australia.

Response: The role of government with respect to the RDC's should certainly be reviewed. There are some sound corporate governance principles which could be incorporated with respect to Board selection. For example, the Chair of the Board could be advertised along with the rest of the Board. Alternatively, the Chair could be selected by the Board from their members. Both of these are better models of corporate governance then a Chair independently appointed by the Minister.

Board selection should also be independent and made according to merit on not based on principles not included under the PIERD Act.

DRAFT RECOMMENDATION 8.3: The Primary Industries and Energy Research and Development Act 1989 (Cwlth) should be amended so that the statutory Rural Research and Development Corporations (RDCs) can add marketing to their functions, where this is supported by the majority of levy payers and approved by the Minister for Agriculture, Fisheries and Forestry. The amendments should ensure that government contributions to any RDC that takes on marketing functions are only used to fund research and development, as defined in the Act.

The case for making industry representation a generally-allowable function for any RDC — statutory or industry-owned — should be considered as part of the proposed future review of the new RDC arrangements (see draft recommendation 9.5). In the interim, the two RDCs that already have an industry-representation role — the Australian Egg Corporation and Australian Pork Limited — should be allowed to maintain that function.

Response: Agreed. The Winemakers Federation of Australia has long been of the view that merging statutory authorities and combining policy development functions into a single body creates efficiencies, improves service delivery, and ensures a single strategic direction for the sector, consistent with government policy. WFA would suggest that while we need to quarantine research funding for research, their could be some capacity to move funds around and direct them to marketing activity if required on a short term basis.

DRAFT RECOMMENDATION 8.4: Provision should be made in statutory funding agreements for the Australian Government to appoint a director to the board of an industry-owned Rural Research and Development Corporation (RDC) where that RDC requests such an appointment in order to complement existing board skills and improve dialogue with the Government. This director should not be a current Commonwealth public servant, but should have experience in, and knowledge of, government policy processes and public administration.

For the same purpose, the Primary Industries and Energy Research and Development Act 1989 (Cwlth) should be amended so that the Government can, if requested to do so by a statutory RDC, select and appoint a single director to that RDC's board outside of the usual nomination process. Such a director could be, though need not be, a current Commonwealth public servant.

Response: Agreed. I would note that if a Director is a Commonwealth Public Servant, then they should not serve in the line area of the Department that the RDC provides direct research for.

DRAFT RECOMMENDATION 8.5 The Primary Industries and Energy Research and Development Act 1989 (Cwlth), and the statutory funding agreements for industry-owned Rural Research and Development Corporations (RDCs) should be amended so that all RDCs are required to participate in a regular, transparent and comprehensive programwide project evaluation process, such as that currently facilitated by the Council of Rural Research and Development Corporations (CRRDC).

Through the CRRDC, the RDCs should continue to explore means to increase the robustness of this evaluation process, including through:

- examining the scope to quantify, or put orders of magnitude on, environmental and social impacts
- including an allowance for overhead costs and implicit subsidies from publicly-funded research providers in all evaluations
- making provision for peer review of the evaluations
- informing future evaluations with periodic reviews of past evaluations to assess whether assumptions about adoption rates and additional extension related
- costs have proved to be reliable.

Response: Agreed.

DRAFT RECOMMENDATION 8.6 The Primary Industries and Energy Research and Development Act 1989 (Cwlth) should be amended so that statutory Rural Research and Development Corporations (RDCs) are required to commission an independent performance review at least every three years, as is currently required for industry-owned RDCs.

Among other things, performance reviews for both the statutory and industry owned RDCs should explicitly examine:

- whether there has been investment in a balanced project portfolio that includes longer-term, riskier and potentially higher-reward research, as well as short-term, low-risk, and adaptive research
- the scientific merit of the research involved
- whether research outcomes have been made sufficiently accessible to all levy payers and other researchers.

Review reports should be provided to the Minister for Agriculture, Fisheries and Forestry — along with proposed actions to address any identified performance deficiencies — and then be made publicly available.

Response: We largely agree with the principle of this recommendation, but would suggest some modifications. If this approach is adopted, review reports should also be provide to

representative bodies at the same time as the Minister for Agriculture, Fisheries and Forestry, recognising the partnership arrangement of RDC's.

We should also recognise that RDC's have a Board of Directors whose responsibility should be to ensure that RDC's meet these requirements in any case. Directors need to measure performance against these criteria and report on an annual basis. This should prevent the need for an expensive independent performance reporting process, as directors should be directly accountable to their shareholders (industry and government) at the Annual General Meeting and through the Annual Report.

DRAFT RECOMMENDATION 8.6 The Australian Government's Department of Agriculture, Fisheries and Forestry should prepare a publicly available, consolidated, annual monitoring report on the activities of the Rural Research and Development Corporations (RDCs).

These monitoring reports should draw, as appropriate, on the outcomes of the program-wide project evaluation process (see draft recommendation 8.5) and independent performance reviews (see draft recommendation 8.6), and contain:

- detailed data on each RDC's funding arrangements, including a breakdown of industry and matching government contributions, as well as the division of expenditure between R&D-related activity and any other functions
- a broad overview of R&D sponsored by the RDCs and associated outcomes
- details of any identified breaches of obligations under relevant legislation and associated funding agreements during the monitoring period; and the steps that have been, or will be, taken to address those breaches
- a summation of the Department's performance in implementing new R&D levies, and changes to existing levies (see draft recommendation 9.3).

Response: Agreed. I would note that this information is provided individually for RDc's in their Annual Report, so we should ensure a common template to permit that information to be used in the consolidated report.

Information Request: The Commission seeks further input on what 'intermediate' sanctions could be used to address ongoing underperformance by a Rural Research and Development Corporation prior to any withdrawal of public funding for the entity concerned.

Response: Surely this is the responsibility of the Directors and those that elect them. An underperforming RDC should result in a change to the board of Directors. The provision of such information as recommended above will provide that opportunity. The ability to call for a special general by any of the major shareholders (representative bodies or government) that provides for a no-confidence motion and spill of directors would be an appropriate legislative change.

Levy arrangements

Recommendation 9.1 Product-specific maximum levy rates should be removed from schedules 1 to 26 to the Primary Industries (Excise) Levies Act 1999 (Cwlth).

Response: Agreed

Information Request

The Commission seeks further input on whether R&D and marketing levies should be separate; or combined into a single industry levy, with some scope for a Rural Research and Development Corporation (see draft recommendation 8.3) to vary the allocation of funds between R&D and marketing without seeking the formal approval of levy payers.

Response: Agreed. Noting that the Wine Sector has two statutory bodies; the Australian Wine and Brandy Corporation deals with promotion and compliance; and the GWRDC deals with research. Implementation of this recommendation would require a merger of the two Corporations.

DRAFT RECOMMENDATION 9.2 The Australian Government's Department of Agriculture, Fisheries and Forestry should revise the Levy Principles and Guidelines document to ensure that thecosts for an industry of seeking a change to a levy are commensurate with the magnitude of the proposed change.

Response: Strongly Agree

DRAFT RECOMMENDATION 9.3 **An indicative time limit of six months should be introduced for the implementation of new levies, and changes to the rates of existing levies, following the receipt of a complying proposal. As part of its annual monitoring report on the overall Rural Research and Development Corporation program (see draft recommendation 8.7), the Australian Government's Department of Agriculture, Fisheries and Forestry should report on its performance against this requirement, and where the requirement has not been met, indicate the reasons for this.**

Response: Strongly Agree

DRAFT RECOMMENDATION 9.4 The Levies Revenue Service should routinely monitor its performance and the costs of collecting levies, and promptly communicate the results of that monitoring — along with details of any proposed changes to its procedures or cost allocation protocols — to stakeholders.

Response: Agree in principle. I would note that the LRS have always been very good at this and from our perspective, already meet the requirements of the recommendation.

DRAFT RECOMMENDATION 9.4 R&D levies on processors should not be extended beyond their current application.

Response: I would note that the GWRDC is already in receipt of a processor levy and the system works very well in our sector. Indeed the levy paid by the wine levy (processor) exceeds that paid by the grape levy (grapegrower).

DRAFT RECOMMENDATION 9.5 Rural Research and Development Corporations (RDCs) should continue to recognise and cater for differing regional research needs. However, RDCs should not be required to more precisely calibrate the expected regional distribution of the benefits of their project portfolios with the regional distribution of levy payments. Similarly, in determining the regional spread of their spending with research suppliers, RDCs should be cognisant of the intent of the National Primary Industries RD&E Framework.

Response: Agreed.

Further review

RECOMMENDATION 9.6 At the end of the ten-year phase-in period for the new arrangements governing the funding and operation of the Rural Research and Development Corporations (RDCs), there should be a further independent and public review.

Response: Agreed.