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Inquiry into Rural Research and Development Corporations
Productivity Commission
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CFA: Submission to Rural Research and Development Corporations Draft Inquiry Report

The Commonwealth Fisheries Association (CFA) welcomes the opportunity to comment on the Productivity Commission's draft recommendations (September 2010) from the Inquiry into Rural Research and Development Corporations.

The Australian fishing industry is a significant contributor to the Fisheries Research and Development Corporation (FRDC). As noted in our earlier submission the FRDC has delivered strong results to commercial fishing stakeholders in an environment of continuous improvement.

The CFA welcomes and supports the recommendations in the draft report in relation to the role and continuation of the current funding model for the FRDC. CFA believes that the current model for delivering fisheries RD&E is important to achieving the Australian Government's broader public policy goals. Policy areas of significance are the sustainable management of Australia's marine environment and natural resources as well as the economic future of Australian fishers and the communities in which they operate.

CFA also welcomes and supports the proposed new set of Principles to guide the future operation of the RDC program that foster good governance, engagement, accountability and transparency.

Specific Comments

Recommendation 6.1

> *"RRA's remit should not extend to the sector-specific 'public good' research undertaken by the Fisheries RDC." "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."*

CFA strongly supports this recommendation in relation to the Fisheries RDC.

CFA considers that the establishment of an RRA cannot replace nor diminish fisheries industry specific RD&E. The development of any funding model for an RRA should not result in diversion of funding from FRDC to any extent that it would undermine its ability to deliver strategic fisheries RD&E outcomes.

CFA considers that the continuation of the current level of government contribution is fundamental to ensuring wider fishing industry commitment to RD&E. It will also reduce the risk of inequity in the source of those contributions, and free-rider situations, noting the current mix of voluntary and mandatory levy contributions. We draw to your attention that the fishing industry comprises of a range of businesses sizes, including many small enterprises. This makes it difficult for those enterprises or groups of enterprises to undertake their own research let alone public good research

Draft Recommendation 7.1

> *"There should be direct appropriations for the proposed new RDC...; for 'public good' research sponsored by the Fisheries RDC:..." and "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."*

CFA supports the recommendation as it relates to FRDC.

Draft Recommendation 8.1

> *"As a condition of receiving government funding, RDCs should: ... For its part, the Australian Government* should*:...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."*

The CFA supports this recommendation being such a representative body for the FRDC. We note the PIERD Act provides for minor reimbursement of costs relating to travel etc. This is an appropriate contribution to industry representative bodies to allow them to effectively participate and contribute to the strategic direction of an RDC.

Draft Recommendation 8.2

> *"With that guidance and the RDC-specific principles in place, requirements for formal Ministerial involvement in priority setting and approving RDCs' plans should be removed, except for the Fisheries RDC…"*

The CFA supports this recommendation in relation to the FRDC. CFA believes continuing Ministerial involvement is appropriate in circumstances of substantial government funding contributions and that this involvement should not hinder the expertise and capability of the FRDC in setting effective priorities for fisheries RD&E.

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 CFA in principle supports this recommendation. However, CFA would not support an interpretation that the recommendation relates to a single levy for the whole industry. CFA supports an amendment to the PIERD Act as the mechanism that would provide for the collection of a levy for marketing functions. Further consideration and development of appropriate levy structures would be undertaken with the fishing industry or specific fishing sectors. It is important that the marketing function targets activities for maximum benefit.

We draw to your attention that the fishing industry received indicative support to pursue the option of a marketing levy by the previous government in July 2010 and that the appropriate mechanism identified was through the FRDC.

> *"The case for making industry representation a generally-allowable function for any RDC...should be considered as part of the proposed future review of the new RDC arrangements..."*

CFA does not, in principle, support this recommendation. The draft report provides good examples of the potential benefits of industry organisations combining functions and only limited examples of detriments. Given the potential for significant efficiencies and cost savings it seems undesirable and unreasonable to limit and delay the options for how industries may structure their representative bodies for 11 years or more.

Notwithstanding this position, CFA is not countenancing that FRDC be able to take on industry representative functions.

Draft Recommendation 8.4

> **"**...[PIERD Act] *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."*

CFA supports this recommendation. CFA acknowledges that flexibility in procedural practices can assist in greater efficiencies in administration of those procedures.

Draft Recommendation 8.5

> *"The [PIERD Act] ...should be amended so that all RDCs are required to participate in a regular, transparent and comprehensive program-wide project evaluation process,..."*

CFA supports this recommendation as a matter of good governance and program and project management. However, any processes put in place must not create a disproportionate regulatory burden to that of the core functions of RDCs – eg RDE&A.

Draft Recommendation 8.6

> "(*RDCs) are required to commission an independent performance review at least every three years..."*

CFA supports regular independent review as a matter of good governance and management.

However, we suggest further consideration be given to the recommended three year time-frame. We note that such reviews can be resource intensive. In addition, CFA questions the value of the timeframe given that many projects are undertaken over a number of years including the important extension and adoption component. Three yearly reviews may not capture the outcomes of investments made. CFA suggests some flexibility in relation to timing of these reviews.

Draft Recommendation 8.7

> *"The Australian Government's [DAFF] should prepare a publicly available, consolidated, annual monitoring report on the activities of the ...(RDCS)."*

CFA, in principle, supports this recommendation as a matter of good governance, transparency and accountability. Again, we question an annual timeframe and suggest further consideration be given to a more flexible monitoring framework. Also refer to comments above. CFA reiterates the importance of the appropriate balance of requirements in relation to monitoring and reporting and that this should not detract from the core RD&E functions.

Draft Recommendation 9.1

> *"Product-specific maximum levy rates should be removed from schedules 1 to 26 to the Primary Industries (Excise) Levies Act..."*

CFA supports this recommendation. However, CFA would not support the combining of R&D and marketing levies. CFA considers it important for industry to secure ongoing support for both functions (separately) given the diversity of fishery sectors and consequent R&D and marketing needs. The combing of levies and varying the allocation of funds without seeking the formal approval of levy payers has the potential to lead to less than optimal results from expenditure without industry input and support.

CFA looks forward to the outcomes of this inquiry.

Yours sincerely

Trixi Madon
Chief Executive Officer