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Committee Secretary
Senate Standing Committees on Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Committee Secretary

Inquiry into the Rural Research and Development Legislation Amendment Bill 2014

The Council of Rural Research and Development Corporations (the Council) is an unincorporated body established by the ten industry-owned companies and five statutory corporations collectively known as the rural research and development corporations (RDCs). The role of the Council is to support and facilitate the RDCs to fulfil their broad purpose where action by any of the individual organisations would be impossible, impractical, inefficient or ineffective. The Council provides a mechanism for the RDCs to harness the strength of their combined resources and networks, aggregate intelligence, amplify and disseminate messages and engage with common stakeholders. In particular the Council operates on behalf of all RDCs to promote, strengthen and provide advocacy for Australia's highly regarded rural RDC model, the research investment made and the benefits delivered.

In response to the Senate Rural and Regional Affairs and Transport Legislation Committee Inquiry into the Rural Research and Development Legislation Amendment Bill 2014, the Council makes this submission on behalf of the 15 RDCs. The RDCs themselves may also make specific submissions focused on their particular business environments.

The Council welcomes the opportunity to make a submission and is supportive of some of the amendments being proposed, particularly those to reduce red tape, increase efficiency or correct errors in current legislation. We support a principle of consistency in treatment and requirement across all RDCs and welcome the government's decision to remove Parliamentary tabling requirements for dairy, forest and wood products, livestock export and sugar. The Council also notes the removal of the PIRD Act requirement for the Minister to organise an annual meeting of statutory corporation chairs, and acknowledges the ongoing role of the Council that is fulfilling the original intent of the PIRD Act.

Australian Grape and
Wine Authority

Cotton Research and
Development Corporation

Fisheries Research and
Development Corporation

Grains Research and
Development Corporation

Rural Industries Research
and Development
Corporation





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While we welcome some of the proposed amendments, the Council has concerns about the major effect of this Bill in implementing a budget decision that changes the way the Australian Government funds its memberships of a number of international commodity and regional fisheries management organisations.

The government will continue to have responsibility for determining which organisations Australia will be a member of, the level of engagement with and the value obtained from participation, and the process of actually paying the membership fees. But the government is now seeking to shift the costs of memberships to the RDCs by recovering funds from the Commonwealth matching contributions. This measure is claimed to save the government \$7 million over four years.

The Council's concerns relate to the policy, the precedent and the long-term implications.

Policy

Under the *Primary Industries Research and Development Act 1989* (PIRD Act) and related acts for specific industries, the Australian Government matches levy funds expended on RD&E up to a maximum of 0.5% of the gross value of production (a more complex formula applies to the fishing and aquaculture industry). This commitment was made by the Australian Government for the purpose of encouraging increased industry contributions to RD&E, in the knowledge of market failures that prevent private investment in most rural RD&E, and that the PIRD Act required the RDCs to invest in RD&E that has wider environmental and social benefits for the Australian community.

The capped matching model for government and industry co-investment is at the heart of the primary industries RD&E investment arrangements. Any changes to this model will change the intent and weaken the model. The impact will be a loss of support for RD&E investment and a decrease in RD&E investment. Through this Budget measure the government will change the nature of the co-investment model and reduce the capacity for the RDCs to fulfil their legislated responsibilities to levy and tax payers, with the impact potentially greater than the amount of the fee. RDC budgets are not managed by funding source but with regard to overall strategic priorities and opportunities to deliver benefits across a wide range of stakeholders. Any reduction in funds available for RD&E investment, either through cuts to funding or increased compliance requirements, has implications for what remains.

The PIRD and other Acts are also explicit in intention regarding the funding and administration of defined research and development for primary industries, as opposed to a generalised notion of delivering industry benefits. The Council makes no suggestions regarding the merits or otherwise of Australia engaging with a range of international government-to-government organisations, but unless this is explicitly for the purposes of primary industries research and development, by definition it must fall outside the Act. If the purpose of participation is not related to research and development the government should identify a more appropriate funding source. If involvement does align with the Act, the amendments are unwarranted.



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Precedent

Under the proposed amendments for the PIRD Act, Subsection 29A (3) will allow the Minister to determine the identified international organisations as well as specify to which RDC each organisation relates. This proposal outlines an inappropriate precedent in terms of the government unilaterally reallocating funding away from strategic and prioritised investments in rural R&D, and the legislation imposes few limits on the future scope of organisations and payments involved. No detail has been provided in the proposed amendments or the explanatory memorandum to outline how future decisions about memberships will be made, whether they relate to joining a new organisation, ceasing membership of an existing one, or extension of the policy to other international bodies and for other, non rural R&D-related purposes. Accordingly, as a minimum the Council recommends amendment of the legislation to limit the potential for future scope creep, and to ensure full consultation with the affected industries and relevant RDCs prior to a change being made.

Long-term implications

The government suggests that this budget measure will result in a 'saving' of approximately \$7 million over four years, or \$1.75 million per year. As the amendment does not have a sunset clause this change represents a permanent reduction in funding for rural R&D. Estimating the returns on investment for rural research is a complicated task made more challenging for the presence of a wide range of difficult to quantify industry and public goods. However, studies undertaken locally and around the world show returns for public investment in rural research are consistently high. Analysis by ABARES suggests a \$12 gain in productivity for each dollar invested in broadacre cropping. Evaluations undertaken by the RDCs across the portfolio of productivity and sustainability-driven research show average returns over 25 years of approximately \$11 for every dollar invested. The benefits of rural R&D investments are not in question and accumulate over time. The Council is unaware if the Department of Agriculture modelled the long-term cost of this measure in gains foregone versus the short-term saving achieved, but suggest this would be worthwhile prior to the amendments being made.

On behalf of the Council I wish to thank the Committee for the opportunity to provide this submission.

Yours Sincerely

Selwyn Snell
Chairman, Council of Rural Research and Development Corporations