



CSIRO Submission

Forestry Marketing and Research and
Development Services Bill 2007

Forestry Marketing and Research and
Development Services (Transitional and
Consequential Provisions) Bill 2007

June 2007

Enquiries should be addressed to:

Dr Mikael Hirsch

Biotechnology Coordinator

Office of the Group Executive, Agribusiness

GPO Box 1700

Canberra ACT 2601

Ph: (02) 6246 4450

Email: mikael.hirsch@csiro.au

Contents

Executive Summary	4
Introduction	5
CSIRO and Ensis' relationship with FWPRDC	5
The purpose of the new Services Company	6
The transitional arrangements to FWPA	6

Executive Summary

CSIRO supports the transitional arrangements as outlined in the Transitional and Consequential Provisions Bill as well as the draft Constitution for FWPA.

The addition of an industry-wide marketing and promotion function is a welcome move that will provide a focus for government, research providers, and industry organisations to service the entire industry.

The proposed changes in governance arrangements will lead to a greater level of self-determination by the industry. This will foster improved industry ownership of, and accountability for, research and marketing outcomes.

CSIRO supports the draft Constitution of FWPA as proposed by the industry organisation, in particular the concept of a skills based Board rather than a representative model.

CSIRO would welcome the opportunity to be represented on the proposed Industry Advisory Group as well as provide nominees for Directors of FWPA

Given the long lead times in this industry, it will be important that funding for scientific research does not decrease under these new arrangements.

Introduction

CSIRO welcomes the opportunity to make this submission in support of the Forestry Marketing and Research and Development Services Bill 2007 (the Bill) and the Forestry Marketing and Research and Development Services Bill (Transitional and Consequential Provisions) Bill 2007.

CSIRO research has made a significant contribution towards the improved performance of the forestry sector in the past, and CSIRO has a continuing commitment to invest in research for the sector, not least because there are exciting opportunities for new bioproducts and bioenergy based on wood fibre.

CSIRO believes the transition from a research corporation to a broader industry services organisation as encapsulated in these two Bills will help reposition the forest and wood products industries as key drivers for the Australian bioeconomy.

CSIRO and Ensis' relationship with FWPRDC

CSIRO is the largest research provider for the forest and wood products sector in Australia and has co-invested with FWPRDC over many years to enhance the global competitiveness of Australian forest and wood products industries. CSIRO has also been represented on the Board of the Corporation.

If the forestry sector is to maintain and strengthen its global competitiveness, it will need to adopt a systems approach to solve the complex problems it is facing. Such an approach will take advantage of (and respond to) the opportunities and challenges resulting from the need to integrate advanced genetics and breeding of new tree varieties with the industry's long production cycles, and the need to respond to climate change and biosecurity impacts, etc. This will have to take place within broader landscape utilisation and social contexts in order to develop new value-added products in response to consumer demands.

Adopting such an approach sets the additional challenge of building scale and sufficiently large teams of experts to deal with these issues in a multidisciplinary, integrated way. Accordingly, CSIRO and Scion (the former New Zealand Forest Crown Research Institute) have formed an unincorporated joint venture, Ensis, to establish the necessary critical mass in forest and forest products research.

This venture incorporates the former CSIRO Division of Forestry and Forest Products and is one of the world's largest science collaborations for this sector. The six business units of Ensis: Ensis Papro (pulp, paper and packaging), Ensis Genetics, Ensis Wood Quality, Ensis Wood Processing, Ensis Forests and Environment, and Ensis Forest Biosecurity and Protection, span the entire value chain from seeds to forest products.

In addition to Ensis, which receives some \$1-2 million annually from FWPRDC, other divisions of CSIRO have partnered with FWPRDC on joint projects. These divisions include Manufacturing and Materials Technology, Marine and Atmospheric Research, and Sustainable Ecosystems. They have received funding of around \$0.5-1 million annually from FWPRDC. Given that FWPRDC makes an annual investment in research projects in the order of \$6-7 million, CSIRO (including Ensis) accounts for a very large proportion of the research corporation's funds.

It is important to recognise that CSIRO supports the research funded with FWPRDC through co-investment from its appropriation and from other funds to build large research projects that draw together capabilities across the entire organisation, which probably make CSIRO the biggest research provider for this sector.

CSIRO has demonstrated its long term commitment to value-adding and growth of the forest and wood products industry through its research investment mechanisms in partnership with the FWPRDC. In doing so, CSIRO draws both on the broad set of industry-specific science capabilities vested in Ensis but also utilises the wider bioscience and advanced materials capabilities embedded throughout the organisation. This has provided the focus and track record that has developed new and differentiated products, fostered technology adoption, improve industry sustainability, as well as addressed barriers to productivity gains.

The purpose of the new Services Company

CSIRO support the evolution of the FWPRDC to a broader service company for the forest industry sector. The overall success of the Research and Development Corporation model to provide industry-driven research outcomes has been well established, in particular for primary industry sectors which have significant public good outcomes.

Indeed, the recent Productivity Commission Study into Public Support for Science and Innovation commented: “The governance design of the Rural R&D Corporation model is inherently sound. Levies that are decided by, and apply to, all beneficiaries of the R&D overcome free-riding and the resultant under-provision of rural research. There are strong grounds for significant public co-funding of those RRDCs where there are spill-over benefits beyond industry members and where that research would not proceed in the absence of support (for example, research into improving salinity-damaged areas).”¹

However, as in many other sectors of the Australian economy, research and development alone is not sufficient to drive productivity gains in a globally oriented sector like the forestry and wood products industries while responding to increasing consumer demands for differentiated products and delivering enhanced environmental sustainability. The addition of an industry-wide marketing and promotion function is a welcome move that will provide consolidation and focus for government, research providers, and industry organisations to service the entire industry.

CSIRO recognises the intent of the changes to the research and development corporations generally as a result of the Uhrig review, and appreciates that the proposed changes in governance arrangements will provide a greater level of self-determination by the industry, which ultimately will foster improved industry ownership and accountability of research and marketing outcomes.

CSIRO supports the two Bills as an important mechanism to consolidate and focus the essential services for the industry. CSIRO endorses the intent to strengthen the forest industries capacity to maintain and improve its competitiveness through ongoing research and development, and the adoption of innovation practices, supported through the provision of an appropriate industry-wide marketing and promotional program.

The transitional arrangements to FWPA

CSIRO is looking forward to working with the new FWPA and notes that there is a strong commitment from the government, industry bodies, and the FWPRDC to ensure a smooth transition.

The Bill provides an appropriate division of levies collected for the purposes of research versus marketing. CSIRO understands that there is the potential for additional levies in support of marketing activities, and that the proposed interim structure of FWPA will ensure that the current research funding arrangements is likely to continue in its current form.

Whilst the Bill is silent on the governance arrangements of FWPA, CSIRO supports the draft Constitution of FWPA as proposed by the industry organisation, in particular the concept of a skills-based Board rather than a representative model. However, CSIRO would urge some continuity in Board composition, in particular to ensure strategic stability in research priorities and direction while the new marketing and promotion functions are being shaped.

It is important to the industry that funding for scientific research is maintained at its current level, as a minimum, under these new arrangements – in particular given the long lead times in this industry.

CSIRO supports the new emphasis on adoption of new technologies and innovative practices but notes that, at times, this may be a grey area that can fall between marketing and applied research. CSIRO believes that whilst this area is important for the industry, it would be unfortunate if there is an increasing emphasis on technology transfer to the detriment of funding strategic and mission-directed scientific research. After all, it is the strategic research that underpins new product development and differentiation and a continued emphasis on this aspect would be in the best long-term interest of the

¹ Productivity Commission 2007, Public Support for Science and Innovation, Research Report, Productivity Commission, Canberra., page XXVIII

industry. The challenge for FWPA will be to seek increased levies specifically for technology adoption.

CSIRO notes that the exiting FWPRDC has developed a sensible approach to intellectual property ownership and commercialisation, which is well aligned with the particular needs of this industry and its research providers. CSIRO would urge the new FWPA to adopt similar practices for intellectual property management that ensures an appropriate balance of income to the company from royalties and levies.

CSIRO would welcome the opportunity to be represented on the proposed Industry Advisory Group as well as provide nominees for Directors of FWPA.

CSIRO supports the transitional arrangements as outlined in the Transitional and Consequential Provisions Bill as well as the draft Constitution for FWPA.
--