

**Submission to the Productivity
Commission's Draft Report on Rural
Research and Development
Corporations.**

By Irrigation Australia Ltd

1. Background

Irrigation Australia Ltd (IAL) is a national, not-for-profit organisation representing the whole of Australia's irrigation industry, including both rural and urban irrigation. IAL seeks to lead the development of a professional irrigation industry embracing best practice to underpin healthy, sustainable urban and rural communities and lifestyles through the provision of technical training, certification and information services. We are not political lobbyists, but advocates of technical information on best practice irrigation. As such, IAL invests significant funds into irrigation focussed projects for the benefit of the industry.

Traditionally, IAL has had a close working relationship with HAL, as horticulture is a significant beneficiary of IAL's work and investment in irrigation projects. The primary focus of these projects is extension and adoption, rather than research.

2. Submission

The table below is taken from the draft report's "Draft Recommendations at a Glance" and comments have been added. These comments form the basis of IAL's submission and are in addition to IAL's original submission in response to the issues paper.

<i>Recommendation</i>	<i>Targeted benefits</i>	<i>Comments</i>
Public funding principles		
<ul style="list-style-type: none"> • Institute an overarching set of public funding principles covering: the basis for government to contribute to the cost of rural R&D; the relationship with other policy levers; and good program design features 	<ul style="list-style-type: none"> • Provision of clear and consistent guidance on what public funding is intended to achieve and how those goals are best pursued. Improved program evaluation and thereby greater accountability. 	Strongly support. There needs to be an increased recognition of the public benefits flowing from the research. This is often overlooked. Equally, with "appropriate" public funding the opportunity to widen the scope of relevant project proposals to take a more holistic approach for the benefit of the wider community could lead to better research and greater benefit for the investment. Examples of this approach would include socio-economic studies and irrigation efficiency projects (which normally have considerable environmental benefits).
Framework data collection and program coordination		
<ul style="list-style-type: none"> • Establish a process to collect and maintain robust data on funding and spending flows within the framework. 	<ul style="list-style-type: none"> • Address a major information impediment to effective policy making in the rural R&D area 	Strongly support. Very important for good governance and transparency.
Changes to the configuration of, and funding for, the RDC model		
<ul style="list-style-type: none"> • Create a new RDC, 'Rural Research Australia' (RRA), to sponsor non-industry specific rural R&D. Leave industry-specific RDCs to focus on research of direct benefit to levy payers. 	<ul style="list-style-type: none"> • Remove the tensions that arise under the current arrangements from the attempt to use industry-specific RDCs to simultaneously meet both industry and broader research needs. 	An imperative. However, thought needs to be given to how this would operate to avoid RDCs and researchers "word smithing" projects to fit a specific RDC and/or commodity. The current lack of cooperation and collaboration between RDCs, commodities and researchers is a severe impediment to maximising research outcomes and return on investment. Depending upon how the RRA operates and the interaction it has with the other RDCs, this problem could either be reduced or exacerbated. Project applications should be evaluated for their potential benefit to other commodities and cooperation actively encouraged. <i>The RRA should and must become an important player, but will not develop if the existing RDCs and researchers starve it of projects. The RRA might easily be perceived as a competitor to existing RDCs, especially given that they charge admin costs on all project and therefore have a financial</i>

<i>Recommendation</i>	<i>Targeted benefits</i>	<i>Comments</i>
<ul style="list-style-type: none"> • Progressively build up government funding for RRA to around \$50 million a year (with additional funding provided for any research responsibilities transferred from other programs). Over ten years, reduce government funding for the existing, industry-specific, RDCs to half the current rate 	<ul style="list-style-type: none"> • Reduce unnecessary subsidisation of research that primary producers would have had sound financial reasons to fund themselves, and use some of the savings to fund the sort of broader rural research that has been under-provided by the current arrangements 	<p><i>interest in maximising the number of projects they administer..</i></p> <p>Strongly support funding for the RRA. Do not agree with the underlying premise justifying reducing government funding that “in helping to address under investment in rural R&D, levy arrangements rather than the funding contributions from the government have been the most critical factor”. This completely ignores the reality of dealing with diverse primary industries and their often fragmented leadership. Government co-funding is an important incentive to growers, and it must be recognised that the commodity peak industry bodies often had to fight very hard to win support for the levy applications and/or increases. Without the carrot of co-funding, this task would often have been impossible. From a levy payer’s perspective, industry politics will always mean that the average levy payer believes (rightly or wrongly) that a lot of the R&D is of little or now value to them personally, so the Federal funding helps to overcome this perception. It also must be acknowledged that the funding is NOT 50:50 from the levy payer’s perspective. Once various RDC administrative charges are recovered, the levy payers ultimately contribute closer to 60% of the cost of the project. On top of this are the “hidden costs” of the PIBs work in developing proposals and/or managing levy payer liaison etc and it is likely many PIBs and levy payers would question the value of the system and place it in jeopardy. However, if funding was transferred from the current RDCs to the RRA in recognition of it’s role and total government funding was maintained or only reduced commensurate with overall savings from R&D collaboration, the outcome would be of benefit to all stakeholders.</p>
Principles to guide the future operation of the RDC program		
<ul style="list-style-type: none"> • Implement a set of principles setting out the conditions that should attach to public funding for RDCs and the obligations on the Government as a key stakeholder in the program 	<ul style="list-style-type: none"> • Greater flexibility for RDCs to tailor requirements to their particular circumstances, subject to them meeting overall performance obligations. More onus on the Government to engage constructively with the RDCs and take effective action where an 	<p>Support within the comments above regarding the government co-funding. One further and important opportunity which could be utilised is the setting of more specific priorities by the government in regard to directing R&D funding. This could then attract a higher proportion of matching</p>

<i>Recommendation</i>	<i>Targeted benefits</i>	<i>Comments</i>
	RDC breaches its obligations.	funds for strategic investment in such issues as the Murray Darling Basin.
Specific changes to help give effect to those principles		
<ul style="list-style-type: none"> • Lessen Ministerial involvement in the priority setting and planning processes of the industry-specific RDCs. 	<ul style="list-style-type: none"> • Greater scope for RDCs to bring their expertise to bear in the formulation of research portfolios and reduced administrative costs. 	<p>This would be successful in the case of the majority of RDCs who deal with a single commodity. For those RDCs who have a diverse portfolio of industries, this would require a much closer working relationship and understanding of the individual industry's needs. There is also an untapped opportunity to for the multi-commodity RDCs to act as a "broker" and encourage industries to collaborate on similar projects and/or ensure the new knowledge and technologies were <i>actively</i> made available to other industries.</p>
<ul style="list-style-type: none"> • Allow statutory as well as industry-owned RDCs to take on industry-funded marketing functions. • Defer assessment of whether industry representation should be a generally allowable RDC function until next review (see below). 	<ul style="list-style-type: none"> • Realisation of synergies and administrative efficiencies through the combination of functions. • Assessment informed by experience with stronger proscriptions on agri-political activity in statutory funding agreements 	<p>Marketing functions often complement industry development activities and this is a sound move which allows commodity specific generic marketing. Levy funding of agri-political activity can be woven into "representation" and "consultation" projects. It is a fine-line, easily abused.</p>
<ul style="list-style-type: none"> • Provide for the consensual appointment of a 'government director' to RDC boards 	<ul style="list-style-type: none"> • Complement existing RDC board skills and improve dialogue with the Government. 	<p>Strongly support. Would provide much needed clarity to the RDC Boards regarding government policy and priorities and improve governance given that the government is a major stakeholder.</p>
<ul style="list-style-type: none"> • Require all RDCs to participate in a regular, comprehensive and transparent program-wide project evaluation process. 	<ul style="list-style-type: none"> • Better information on project outcomes with flow on benefits for future investments. 	<p>While this is clearly good management and should be supported, the reality is that the RDCs will claim that this is currently being undertaken, and it is with varying degrees of success. It is probably true to say the the commodity specific RDCs perform this task relatively well, with their Program Managers being in touch with their industry's needs and take an interest in each project. Larger, multi commodity RDCs struggle, with the emphasis ultimately evolving from this more "hands on" model to one which is more bureaucratic. Unfortunately, it is not certain that these RDCs have this capability and such evaluations would add considerably to project costs (and ultimately increase the cost to levy payers of doing business through the RDCs). Better guidelines for project approval (for instance stronger emphasis and funding on adoption) might be a better solution.</p>
<ul style="list-style-type: none"> • Require all RDCs to commission regular, independent, performance reviews, including 	<ul style="list-style-type: none"> • Through extension and augmentation of the requirement already in place for industry-owned 	<p>Strongly support. Additionally, reviews should incorporate administration charges, which can be</p>

<i>Recommendation</i>	<i>Targeted benefits</i>	<i>Comments</i>
an assessment of the balance in their portfolios between short-term and longer-term research; the scientific merit of that research; and whether research outcomes have been sufficiently accessible to all levy payers and other researchers.	RDCs, enhance performance disciplines and the quality of research, and help ensure that potentially high payoff research is not ignored.	significant when taken as a percentage of project costs. The common fixed percentage can be inequitable as the administration costs are not proportional to project budgets.
<ul style="list-style-type: none"> • Require DAFF to prepare a consolidated, publicly available, annual report on RDC program outcomes. 	<ul style="list-style-type: none"> • More onus on the Government to effectively monitor the RDC program and take prompt and effective action to deal with any ongoing poor performance by an RDC. 	Strongly support. If the report is structured appropriately, further benefit could be obtained by identifying where cross-industry and cross-RDC opportunities have been utilised, or not.
Levy arrangements		
<ul style="list-style-type: none"> • Abolish product-specific maximum levy rates. 	<ul style="list-style-type: none"> • Removal of an impediment to primary producers taking on a greater role in funding rural R&D 	This is an appropriate move, however it should not be seen as a way of potentially allowing the matching funds to be diminished. Rather it is an important option to allow further R&D, if required by the industry. One very good example of where this would be of benefit would be to ensure extension and adoption was specifically and significantly required within an R&D project. This is normally overlooked, with adoption rates subsequently being much lower than desirable (and thus severely limiting the benefits of the investment).
<ul style="list-style-type: none"> • Streamline those parts of the levy principles and guidelines dealing with changes to levy rates. 	<ul style="list-style-type: none"> • Ensure that the costs for rural industries of seeking levy changes are commensurate with the magnitude of the change. 	Agree, subject to a solid case being established for those changes. However, it must be acknowledged that the consultation phase is crucial in obtaining support for either the introduction of variance of a levy. This can be a difficult and protracted process, but must be undertaken extensively, transparently and professionally.
<ul style="list-style-type: none"> • Introduce an indicative time limit of six months for implementing a levy proposal that complies with the relevant requirements. 	<ul style="list-style-type: none"> • Increase the discipline on DAFF to process levy change proposals in an expeditious fashion. 	This is a sound recommendation in theory. In practice, levy proposals and the consultation phase can become heavily politicised and thus DAFF does not always have the ability to keep to strict time frames as the delays are often caused by difficult consultation. <i>Effective</i> consultation is vital for the long-term support of the levy and to avoid politicising the process and undermining the support for the Peak Industry body sponsoring the proposal.
<ul style="list-style-type: none"> • Require the Levies Revenue Service to routinely monitor its performance and promptly communicate the results to levy payers. 	<ul style="list-style-type: none"> • Greater surety for levy payers that there is minimum leakage of their levies to collection costs. 	Support as will improve governance and transparency. Report should also identify any slippage of levy collections that LRS has not been able to address satisfactorily. Slippage, or perceived slippage, is a common rationale given by levy payers for not

<i>Recommendation</i>	<i>Targeted benefits</i>	<i>Comments</i>
		supporting a levy or a proposed variation to the levy.
Further review		
<ul style="list-style-type: none"> • After the new RDC arrangements have been fully implemented, undertake a further, independent, public review. 	<ul style="list-style-type: none"> • Opportunity to examine how the new arrangements have influenced program outcomes and what further changes should be made, including in response to changes in other parts of the rural R&D framework 	Strongly support. A review and evaluation process is vital to ensure that the intended outcomes are achieved.

Further general comments:

1. There is scope through ensuring collaboration and sharing of knowledge from research to reduce the overall cost of R&D and improve efficiency and efficacy. Many RDCs and/or commodity organisation undertake research with a silo mentality, leading to either the need to reinvent the wheel for each industry and/or a significant loss of opportunity, especially for the smaller industries on a more limited budget. A smarter approach to project development which encompasses an analysis of the proposal's potential value to other commodities would be an important and significant step forward.
2. Extension and adoption are generally poorly considered when developing a R&D program. This leads to some significant issues, including poor/slow adoption and in many cases sub-optimal adoption as growers will often fail to fully understand the new concepts without assistance.