



PRODUCTIVITY COMMISSION REVIEW
OF RURAL RESEARCH and
DEVELOPMENT CORPORATIONS
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Our Organisation

High Security Irrigators-Murrumbidgee (HSI-M) is a new body formed from the former Murrumbidgee Horticulture Council. Changes were made to allow the organisation to more accurately represent all high security water users in the Murrumbidgee Valley. Our members grow a widely diverse range of crops from Citrus and Winegrapes to many different types of nuts and vegetables as well as seed and cereal crops. Many of these commodities attract levies for R&D, the proceeds of which passed on to a number of different RDCs.

Why should government provide funding support for rural R&D?

While most of the RDCs have headquarters in various capital cities around Australia much of the research commissioned by them is carried out in much smaller regional towns and cities. This is of course because of the rural nature of the research and the fact that much of the infrastructure to carry out that research was established by state governments during the “golden age” of rural research, that was then the responsibility of those state agricultural departments. Indeed in the past even Commonwealth organisations such as CSIRO had regional research centres. It is essential to maintain the few centres that are still left in regional areas so that vital research infrastructure is preserved. It is also important to make sure that the centres are maintained at a viable size to ensure that the quality of the research is not compromised and there are sufficient numbers of researchers at each site to ensure peer support. It is also important for the continuity of those communities where these centres are situated, as to lose numbers, especially of highly qualified professionals, has a serious flow on effect for school numbers and other local infrastructure. Hospitals, Doctors Etc.

Is the case for government funding support for rural R&D stronger than for other parts of the economy?

The reason why support for rural R&D is stronger in rural parts than non rural parts of the economy is that most rural commodities that attract research dollars are grown in many different locations scattered across the country, hence the benefits of such research is widely spread. As many of the RDCs address sustainability issues associated with food products in a world that is facing climate change, food safety/security and over population issues, the wider benefit to the community at large is more easily demonstrated than merely to the rural industry concerned.

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Are differences in the benefits that individual producers receive from RDC-funded R&D likely to constrain their collective willingness to offset any reduction in government funding through increased levy payments?

While it is true that the rate of uptake of the results of R&D by rural producers of differing commodities varies, it is clearly evident that by looking at a single piece of research several years after it's release, that the level of value placed on it can be judged by the degree of adoption by levy payers. It is impossible for small individual producers to carry out their own R&D, because of the size of the resources required to achieve meaningful results. The RDC model allows for the combined strength of many small producers to fund meaningful research projects that are relevant to their own operations. It is clear that the benefits to the government by co-investing in these projects is far greater than by choosing other avenues to spend their (the government) research dollars. The tax breaks given to encourage private investment while helpful are generally not enough to overcome the large amounts of funds required for any meaningful project. At the current low level of most rural commodity prices, increases in levies to offset any proposed reductions in government funding to RDC would be extremely unpopular and difficult to achieve.

How important is it that government contributes to the cost of maintaining core rural research skills and infrastructure?

It is absolutely vital that the government maintains rural research skills and the few institutions left in rural Australia. The decline in the capacity of research capability in the country over the last ten years or so has been nothing short of criminal in the minds of most rural inhabitants. The closure of at least two research stations by CSIRO and others by both the Victorian and NSW Governments and probably by other states as well, that this writer is not aware of, has led to the overall reduction in capacity and has contributed to the general feeling of being devalued by rural communities. The excuse given all the time is that the need for rationalisation and other budgetary constraints outweigh the need for continued investment in rural areas. The real reason is more likely that city based decision makers have little understanding of the whole R&D process and rural R&D in particular. The RDCs contribute to the maintenance of the few rural research institutions left by allotting resources for projects to be carried out in country areas. Indeed one could go so far as to say without this funding there would be further closures of research facilities in rural Australia. The research carried out in rural Australia could not be replaced by adapting overseas technology as most of the research is unique to Australian conditions and indeed in many cases world leading.

What importance should be placed on outcomes-based rationales for government funding support of rural R&D, such as enabling Australia's rural industries to meet increased global completion; facilitating adjustment to climate change; furthering food and bio-security objectives; and fostering regional development?

Outcomes such as these should be the cornerstone of all the RDCs currently operating. Most of the individual projects of the RDCs have these as existing outcomes already, so the danger of government funding to achieve outcomes like this and in the process distort the RDCs pattern of investment thus reducing overall returns to the community would seem to be pretty remote. Indeed it could be argued that by RDCs adopting such outcomes, would greatly add to the returns to the general community.

Should the level of public funding have any regard to government support for rural industries in other countries?

The level of public funding to Australian RDCs should have absolutely no relevance to government support for rural industries in other countries. In most cases our major competitors in the EU and USA have levels of support for the production of the actual commodity as well as support of R&D for them, something that we in Australia can only envy. The only time overseas country's spending on R&D has relevance, is if our spending drops to a level that makes rural Australia unable to compete or to a level that affects the continued sustainability of our research institutions. In the view of HSI-M that level is rapidly approaching. In world terms Australia is a small contributor to rural R&D, major developed countries such as the USA, Japan and European Countries contribute a much higher percentage to rural R&D. Even emerging countries like China and India contribute a higher percentage than Australia. In 2008-09 it was estimated that total Rural R&D funds in Australia were around \$ 1.6 billion of which RDCs contributed \$ 500 million, with 50% of course, contributed by levy payers. This compares to \$30 billion spent world- wide (2000).(Core, P 2009, A Retrospective on Rural R&D in Australia, DAFF.) While it is difficult to find information on total spent on R&D in other countries Dr Per Pinstrup-Andersen from Cornell University suggests most countries spend around 2% of GDP on R&D. Australia spends around 1% of GDP on R&D.

How effective is the current rural R&D extension framework and is the role of the RDCs within that framework appropriate and clearly defined ?

R&D extension varies from state to state. In NSW there is still a state run extension service funded by that state. In other states there are other methods that rely on part user pay type arrangements to full user pay services provided by consultants. Most projects funded by RDCs have to have some form of extension component built in to enable the results to be widely disseminated. In practise the level of uptake of such results varies according to the significance of impact the findings have on the economic benefit that the individual levy payer perceives he might gain. Again in practise observation would suggest the greater the gain the quicker the uptake. However it would be fair to say that many levy payers do not avail themselves of online information services that the RDCs provide. Targeted field days and small group sessions provided by research workers to key parts of the information chain, such as grower liaison officers and rural service providers all play a part in the dissemination of research findings.

Are there any particular difficulties created for the RDCs by the current arrangements?

While there are large number of research entities and programs spread across the spectrum of all the RDCs there appears to be a level of cooperation between them that does allow some cross fertilisation of ideas and co-investment which would be to the benefit of both the levy payer and the tax payer. In terms of the mix between long term (blue sky) research and short term objective targeted outcome research, the individual industry strategic review groups provide guidance as does the Commonwealth Government's own research priorities as to what is the right mix for each RDC. To suggest that levy payers have less input to the activities of RDCs could be dangerous for the long term continuance of them. The fact that the RDCs have survived the worst drought in history is testament to the strength of the RDC model. The RDC model provides for flexibility in sourcing other forms of funding as evidenced by some RDCs picking up additional funds through other government initiatives such as money for climate change research and other similar sources.

RDC Board Composition and Industry Representative Bodies.

Generally the balance between industry expertise and more general skills in the makeup of most RDC boards seem to be about right. (Although, if comments regarding the Wool industry prove to be correct, then that one, may be the exception.) All the RDCs are dealing with specialist type industries that have little in common with each other so that it is inevitable that they require some industry input. The selection process that provides the Minister with recommendations of appointment to the RDCs after widely canvassed advertising is heavily biased towards industry by the composition of the selection committee. Invariably industry representative bodies are going to take a great interest in the RDC associated with their particular industry. If this process is handled sensibly by both parties then little conflict of interest should arise. The current arrangement whereby office holders of peak industry bodies are excluded from RDC board membership of that particular industry is right and should be continued. Industry consultation varies from each RDC, while most have regular consultations with stakeholders by holding meetings in regional areas, the legislative requirement for consultations with peak industry bodies should remain if for no other reason other than to remind RDCs of the need for such consultation to continue.

Statutory Funding Agreements and RDCs.

To increase the level of governance that the PIERD Act imposes on RDCs would be counterproductive, as the current arrangements appear to be quite adequate particularly as to date none of the RDCs have been censured for not complying with all the measures that the act imposes on them. To suggest that the Governments contribution to RDCs be managed separately from levy payer funds to simplify governance requirements is ridiculous, for to do so would reduce the size of the research program because of the extra funds required to meet the extra burden of compliance.

Improving the Levy Arrangements

All RDCs should have adequate “ceiling levels” built in to their levy arrangements to enable the levies to be increased within in a range that does not require the lengthy and tedious process of getting legislative approval to have the ceiling increased. Once this is achieved, obviously with stakeholder approval, adjustments to the levy rate can be achieved by regulation.

The cost of collection of the levies by DAFF has always and probably will continue to be a source of contention within the ranks of most RDCs. Could the collection process be out sourced to allow for

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competitive bids to provide this service? If this was permitted the true costs of providing a collection service would emerge as DAFF's costs could then be properly scrutinised and compared with other service providers.

The 0.5% of GV of industry matching government funding should remain and be applicable to mature, emerging and high growth industries. To do otherwise is tantamount to Government picking winners and losers with all the problems that would ensue from such moves.

In the past there have been occasions when there was a mismatch between regional distribution of levy payments and regional benefits. In the case involving the GWRDC the NSW wine industry was not happy with the way funds were being directed away from that state. However this was subsequently solved by negotiation to the satisfaction of all parties.

Conclusion

It is essential that the existing level of matching contribution to RDCs be maintained by the Commonwealth Government. The consequence of not continuing this funding is to allow Australia to slip even further behind an ever increasing competitive world market. Recent projections suggest that Australia's population may reach 40 million by 2040 and that world population levels will be approaching 9 billion by then. Surely the need for increased research funding for the rural sector should be apparent to all to determine how this increase in demand for both food and water can be managed in a sustainable manner to meet the dual challenge of climate change and increased population. Indeed should the level of funding to rural RD be increased, the costs of the increases would quickly be offset by the wider benefits to the Australian community and the world at large.