



24 June 2010

Submission to the Productivity Commission Inquiry into Rural Research and Development Corporations

Please note, Australian Fisheries Management Authority (AFMA) Commissioners who are current members of any rural research and development corporation (RRDC) boards were not involved in the development of this submission.

Introduction

AFMA is a regulator of the commercial wild-catch fishing industry operating in Commonwealth waters and as such is positioned as both a funding provider and research user within the current research and development (R&D) system. AFMA collects levies on behalf of the Commonwealth, to support internal and commissioned research functions. In addition, a component of these levies are provided to the Fisheries Research and Development Corporation (FRDC) in support of their functions as a R&D funding provider.

Should the Commonwealth government be funding R&D?

There remains a strong case for Commonwealth government investment in R&D. The rationales for public investment in R&D have been explored extensively (Core, 2009; Productivity Commission, 2007; Stephens *et al.*, 1995) and include:

- Publicly funded R&D is a significant contributor to innovation in the functions performed by government.
- There are spillover benefits to the wider community that cannot be captured by the immediate industry.
- In the absence of government support, if individuals or private companies are not able to gain enough of the benefits of a successful research outcome, the private sector will underinvest in R&D relative to the level that will maximise the net benefits to society.

Based on these rationales, AFMA supports continued Commonwealth government investment in R&D that appropriately benefits the government and wider community.

Why is fisheries R&D different?

With regards to fisheries specific R&D (page 10), the rationale for Commonwealth government support is no less relevant now than when it was iterated in the 1989 policy statement, *New Directions for Commonwealth Fisheries Management in the 1990s* (DPIE, 1989):



The government has the responsibility of effectively and efficiently managing fisheries on behalf of the community so as to ensure both profitable exploitation and protection of the resource.

Further to the recognition of the stewardship responsibility of government towards ensuring the long term sustainability of living marine resources, AFMA also considers the following considerations to be relevant:

- Compared to many other primary industries, there are many more users of fisheries resources. Examples of other users include charter and recreational fishers and indigenous fishers. While AFMA is committed to expanding the use of statutory fishing rights to enable the commercial fishing industry to accrue more of the benefits from fisheries management, these other users result in the commercial fishing industry capturing less of the benefits of research. Therefore some fisheries and marine research that provides net benefits to the nation would not be funded without the extra government contributions to fisheries research.
- By taking a role in fisheries R&D, the government is able to direct research to cross-sectoral issues (e.g. climate change) that may not otherwise attract funding from one sector alone. This is of particular importance to fisheries, as freshwater, estuarine and marine environments are open systems with a myriad of users and inputs from land-based industries, which can have indirect but significant impacts.

The funding model for fisheries R&D differs from that of other industries. The Commonwealth government provides funding for fisheries R&D through a two-tiered cost sharing model (Figure 1). The first tier is an amount equal to 0.5% of the average gross value of production (AGVP) of Commonwealth, State and Territory fisheries provided directly to the FRDC. The second tier is a further amount, up to 0.25% of the AGVP, based on matching industry contributions (levies or voluntary contributions) (AFFA, 2003, Tate, 1991).

The unmatched funding component for fisheries R&D is in recognition of the Commonwealth, State and Territory governments' stewardship of publicly owned natural resources. The matching of industry contributions is based on a beneficiary pays principle, in recognition of the benefits industry derive from the use of natural resources and the research itself (FRDC, 2009). For other industries, there is generally no unmatched funding from the Commonwealth government with the government matching compulsory industry contributions up to a ceiling of 0.5% of the industry's AGVP.

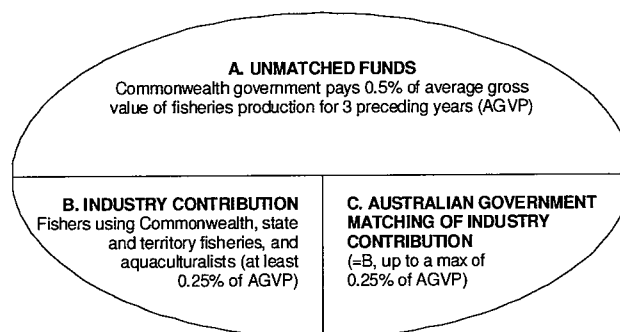


Figure 1: FRDC's principal revenue base (FRDC, 2005).



Further to this, the collection of levies avoids free-riding/fast follower problems, where imitators reap the benefits but do not incur the costs which the innovator (originator of R&D) has had to bear. Levies are also particularly effective in industries characterised by a large number of individuals with dispersed interests, such is the case for fisheries.

Additional funding for fisheries R&D, equivalent to 0.25% of the AGVP of Australian fisheries is provided by the Commonwealth government through the Fisheries Resource Research Fund (FRRF) and AFMA Research Fund (ARF). The FRRF provides for a rolling program of assessments of all Commonwealth fisheries undertaken by the Australian Bureau of Agricultural and Resource Economics (ABARE) and the Bureau of Rural Sciences (BRS), and targeted biological, economic and social research to underpin the government's response to current and emerging fishery policy and management issues. The ARF provides for research in support of AFMA's core functions. Additional Commonwealth government funding is also appropriated for purposes relating to fisheries R&D by, among others, universities, the Commonwealth Scientific and Industrial Research Organisation (CSIRO), ABARE, BRS and cooperative research centres (CRCs). Thus, fisheries R&D in Australia is predominantly publicly funded (Lal *et al.*,1994).

Taking into account the central role the Commonwealth government performs in managing for the sustainable exploitation of fisheries resources, common property considerations and the support provided for cross-sectoral R&D, AFMA believes the current model for fisheries R&D funding is justified and in the absence of a viable alternative would support it continuing in its current form.

The fisheries R&D model is fundamentally sound

With regards to significant number of research entities, programs and funding pools (page 12), AFMA is of the view that the differentiated funding structure in relation to fisheries R&D is effective. Research organisations differ in their expertise and the nature of research they pursue, from blue-sky to strategic to applied to simple observation. In AFMA's experience, while there may be some similarities between the research conducted, by having an independent funding source AFMA is able to pursue research in support of its core functions, which might not attract funding from the FRDC. Generally, this is either due to the research falling outside the FRDC's scope or the processes not being responsive to time critical issues (Figure 2).

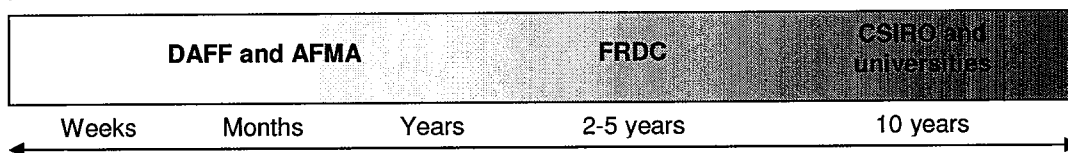


Figure 2: Operational horizons for different organisations

For research that falls outside of the FRDC's scope, such as stock assessment or other routine management activities, independent funding, including through the ARF, is critical to delivering this research. To address a lack of responsiveness in its funding processes, the FRDC created the Tactical Research Fund (TRF) in order to respond to stakeholder issues where the FRDC's traditional annual funding round would fail to deliver benefits to stakeholders in a timely manner. The traditional funding process which involves the identification of research priorities, a call for research proposals, assessment and allocation of funding takes about 18 months before the research actually commences. However, TRF funding rounds occur frequently throughout a year



and funding is mobilised for immediate use. Funding is limited to \$75,000 per project and projects must be delivered within 18 months. This adaptive framework has gone some way towards addressing this issue and ensures both long and short term research priorities are better catered for.

With regards to the suggestion to devolve the administration of government funds (page 19), this has some merit with regards to potential efficiencies from consolidation and better meeting government's R&D requirements. However, fisheries R&D encompasses a broad spectrum of stakeholders and issues. As such there is a high demand for funding from a diversity of interests specifically the commercial (comprising wild-catch, aquaculture and post-harvest), recreational and indigenous sectors and the broader community. AFMA is of the view that the current RDC model is highly effective at balancing identified priorities and delivering funding fairly across all sectors. The current model also effectively manages the complexities associated with multi-jurisdictional management.

In the case of the FRDC, in order to balance the delivery of research across a range of stakeholder interests, the FRDC contributes to a network of Fisheries Research Advisory Bodies (FRABs). The primary role of this network is to provide advice to funding partners and provider agencies, with respect to fisheries research relevant to the information needs and objectives of funding partners, including the FRDC itself. The Commonwealth FRAB (ComFRAB) provides the primary planning and entry point for proposals for Commonwealth fisheries research funding. ComFRAB's focus is to evaluate proposals against the relevant strategic research plans, identify a funding source including the appropriate funding mix, and assist the FRDC with communication and extension of results. AFMA, as member of ComFRAB, provides advice on research that is a priority to AFMA (as determined by the AFMA Research Committee, an internal advisory body) and finds this to be an effective forum.

AFMA considers the framework of the current fisheries R&D model to be fundamentally sound in its ability to balance and deliver against research priorities across a diversity of interests, including the government and the wider community. Notwithstanding, ongoing oversight is necessary to ensure the framework is being administered efficiently and effectively against identified priorities and delivering outcomes particularly value for money from funded programs and projects.

Other considerations

AFMA's research priorities encompass both strategic issues and those relating to day-to-day management. While AFMA's research priorities align broadly with the *National Research Priorities*, *Rural Research and Development Priorities* and those of the FRDC, at a finer scale AFMA's research needs cannot be wholly met by the FRDC. While AFMA currently relies on separate funding to deliver research in support of its core functions (e.g. stock assessments) a gap is emerging between AFMA's research needs and the research agenda being delivered by the FRDC.

AFMA believes the fisheries R&D environment has changed and matured over time. Primary research has provided the foundation for current fisheries management practices and now research is needed that supports routine fisheries management (e.g. stock assessment and investigation of population dynamics). AFMA believes there is a need for a strategic review of research priorities across fisheries R&D funding providers to reflect this changing environment and needs.



In summary, AFMA regards the rationales for Commonwealth government investment in R&D, including those specific to fisheries, as fundamentally sound. AFMA also supports the continuation of the current model for fisheries R&D, particularly in relation to the administration of government funds by the FRDC. However, as with any service provider, oversight and review is necessary to ensure services are being administered and delivered efficiently and effectively and are meeting identified needs.

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