

ForestrySA Submission relating to the Productivity Commission Enquiry into the Australia Government Research and Development Corporation's model

ForestrySA is a government business enterprise owned by the South Australian Government (more information can be obtained from the website <http://www.forestrysa.sa.gov.au/>).

ForestrySA maintains its own research program with a focus on addressing operational research issues, but as is necessary in a forestry business with due consideration for the long term impacts of management practices on the growth and productivity of plantations and conservation of native forests. As part of its research programs, ForestrySA collaborates with and assists in funding a range of research providers such as: CRC for Forestry, the Southern Tree Breeding Association and the National Sirex Taskforce.

ForestrySA wishes to make comment against the Terms of Reference of the Productivity Commissions Enquiry.

TERMS OF REFERENCE

A. Examine the economic and policy rationale for Commonwealth Government investment in rural R&D.

The forest industry is a major economic, social and environmental contributor in rural areas across Australia. The plantation growing industry supports regional value adding and manufacturing industries that are important to the maintenance of rural communities. Forest industries in rural areas also contribute a significant public benefit. This benefit is realised in terms of recreational opportunities, conservation and other environmental benefits.

Australia is a net importer of forest products and has a policy (the 2020 Vision) of increasing the production from plantation forests to address this imbalance. Research-based improvements that increase plantation productivity per unit area contribute to the intent of the 2020 Vision and increase the international competitiveness of Australia's forest industries.

B. Examine the appropriate level of, and balance between public and private investment in rural R&D.

ForestrySA believes the current approach which balances contributions between public and private investment in rural research and development forest research is appropriate.

Previous models of Government investment within the forest industry have benefited the industry broadly and are recognised as solving a number of the significant problems that occur when improving the growth and yield of forest and then developing a viable economically, socially and environmentally industry upon plantation and native forest resources. Having established these industries in rural areas the RDC model encourages the development of partnerships to between government and private interests to each party's mutual benefit.

The balance struck between public and private investment in research and development does ensure that both Government and private industry can work to identify areas of mutual interest in developing the industry. The requirement for private industry to contribute to the RDC funding ensures that they are able to be engaged by the Commonwealth Government in the achievement of national level research and development priorities. The extent to which private industry can be engaged will likely be directly proportional to the contribution that the Commonwealth makes to research and development funding.

The reducing contribution to forest industry research and development by the Commonwealth Government through the CSIRO and by State Governments through their various agencies means that the RDC model is even more necessary to ensure that the Commonwealth can influence the forest industry to better align with areas of national policy importance.

C. Consider the effectiveness of the current RDC model in improving competitiveness and productivity in the agriculture, fisheries and forestry industries through research and development.

A major challenge for the forest industry is the coordination of responses to issues of common interest where ownership is distributed across different and spatially dispersed organisations, located away from capital cities. This makes the forest industry like some other agriculturally based industries and at a disadvantage compared with more urbanised industries. The RDC model is entirely appropriate for providing a mechanism for industry coordination and focus.

The current Forest and Wood Products Australia (FWPA) entity encourages cooperative development and research programs across the forest industry. The FWPA is administratively efficient and its structure including the industry advisory groups are effective in blending Commonwealth Government national research priorities and with the research and development requirements of industry. This facilitates the development of a set of consolidated research priorities that are used for evaluating research priority proposals and indeed for actively promoting the areas of research that are likely to receive funding from the FWPA.

D. Examine the appropriateness of current funding levels and arrangements for agricultural research and development, particularly levy arrangements, and Commonwealth matching and other financial contributions to agriculture, fisheries and forestry RDCs.

The demand for research and development funding on a cooperative basis through the FWPA exceeds the supply of that funding. This suggests that the Levy could be increased and that the additional funds collected from industry and if matched by the Commonwealth Government contributions could be effectively and efficiently employed into the development of forestry research programs.

Currently, the Levy matching from the Commonwealth Government is constrained to 0.5% of industry gross value of production. The Commonwealth Government should consider increasing the limitation of the 0.5% of industry gross value, as in the case of the FWPA, this appears to be a constraint on the funds available for research and development.

E. Consider any impediments to the efficient and effective functioning of the RDC model and identify any scope for improvements, including in respect to governance, management and any administrative duplication.

The impediment to funding levels identified under Item D, is also alleviated by additional voluntary contributions from industry As sometimes is currently the case.

F. Consider the extent to which the agriculture, fisheries and forestry industries differ from other sectors of the economy with regard to research and development; how the current RDC model compares and interacts with other research and development arrangements, including the university sector, cooperative research centres and other providers; and whether there are other models which could address policy objectives more effectively.

Some of the points made under the previous comments on the Terms of Reference could be repeated here to explain why the forest industry sector is different from urbanised sectors with regard to research and development.

What should be considered under the FWPA model is the development of a funding arrangement that can assure ongoing cashflow where this is necessary to support long term research. A point of difference between forestry plantation growing and processing industries compared with many other rural industries is the capital intensive and long term nature of the investments required. Correspondingly, the nature of the industry often requires that research and development are conducted over long timeframes and this is difficult to accommodate under the RDC funding model. For example, gathering data and analysing the impacts of plantations on water resource availability requires extremely long term (often greater than 20 years or more) investments in research installations. Yet clearly plantations and water research is an ongoing need that has implications across all rural and in some cases urban stakeholders. The implications in this example are much broader than just improving the economic performance of plantations or processing investments.

There are a number of examples within Australia of important long term research trials, water and forest impact research included, that have been scaled back or abandoned due to difficulties in obtaining funding for long term research. This is despite the data and analysis from these trials being essential to addressing some of the National Water Initiative and resultant regional water resources management issues. The long term ecological research in Warra, Tasmania is another example of substantial work in understanding forest and water resource interactions.

The FWPA model on the other hand works particularly effectively where shorter term benefits can be easily demonstrated. An example is the development of an industry wide herbicide research cooperative where the benefits from the research can be demonstrated within very short timeframes.

- G. Examine the extent to which RDCs provide an appropriate balance between projects that provide benefits to specific industries versus broader public interests including examining interactions and potential overlaps across governments and programs, such as mitigating and adapting to climate change; managing the natural resource base; understanding and responding better to markets and consumers; food security, and managing biosecurity threats.**

One substantial strength of the RDC model is that it provides a non political/lobbyist basis, for the provision of authoritative scientific advice. This is critical when matters of national importance are being considered including water resource management, climate change mitigation, carbon trading systems and environmentally efficient building standards.

- H. Examine whether the current levy arrangements address free rider concerns effectively and whether all industry participants are receiving appropriate benefits from their levy contributions.**

It is significant to note that in the case of the FWPA that all state government forest agencies are voluntarily contributing equally with the levy payments made by private entities. The concept of free rider concerns is thereby minimised.

However, there are circumstances where Government policy may wish to encourage the development of a new industry where the point of collection of the Levy does not incorporate that industry until sales are made. For example, the development of a new plantation based industry may find it difficult to access funding under the RDC model.