



CHERRY GROWERS OF AUSTRALIA INC

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Reg. No. A003374IM

SUBMISSION: RDC Inquiry
TO: Productivity Commission
DATE: 25th June 2010

EXECUTIVE SUMMARY:

The Australian Cherry Industry is one of the sectors within the Horticulture industry and has a GVP of approximate \$90 million. Cherries are grown by some 650 medium to small businesses in diverse growing regions throughout most States within Australia.

Cherry Growers of Australia Inc strongly supports the current RDC model as it relates to Horticulture and believes that the Horticulture Australia Limited model is an appropriate model to implement, manage and drive Research, Development and Extension within the Australian Cherry Industry.

*Cherry Growers of Australia Inc believes that if the government support for rural R&D did not exist then we would not believe that there would be appropriate levels of broad industry input into research and development.
One source of funding is a catalyst for the other.*

Cherry Growers of Australia Inc believes that the success of past food production and food security has been based around strong and effective R&D. In 2010 and going forward this will be no different. In fact if we are going to ensure secure food production in Australia there is a strong argument for increasing R&D activities and funding.

In managing the levy process and ensuring the best return on investment Cherry Growers of Australia Inc has implement a range of levy payer based advisory groups to define the priorities, manage and review the programs and undertaken evaluation.

*The situation is that Cherry Growers of Australia Inc has been involved with the Horticulture RDC process since the late 1980's. The industry is supportive of the RDC model and the use of statutory levies to fund specific industry programs and projects.
The organization is an active participant in the activities of Horticulture Australia Limited and has supported the changes and modifications made as an annual refinement of the structure and programs.*

Cherry Growers of Australia Inc has over the past three years had an increased contribution into R&D funding. This has resulted in the increase in very important R&D that was not previously possible.

As we progress more and more of our R&D funding will go into longer-term, more strategic R&D. At the moment we are trying to 'catch-up' on that much needed shorter-term adaptive research.

Cherry Growers of Australia Inc believes that as the State Governments wind back research, development and extension the gap will be filled by industry organisations. They will look to use their R&D levies to build that capacity.

Cherry Growers of Australia Inc would believe that in the case of Horticulture the RDC model is fundamentally sound and has built a strength and capacity in all areas of horticulture that would not have occurred if the RDC model did not exist.

Cherry Growers of Australia Inc supports the continuation of both the compulsory and voluntary levy systems with the R&D framework. The voluntary levy is complimentary to the compulsory levy and shows commitment by those making the voluntary levy to the broader principles of the R&D framework.

Cherry Growers of Australia Inc believes the current RDC model and frameworks are fundamentally sound and should be maintained. Obviously there is opportunity to 'tweak' both the model and the framework to ensure continuous improvement but it is essential that this done through a partnership approach and not one driven by pure economic rationalization.

Without the RDC model and framework the Australian Cherry Industry would not be

- as strong and active as it currently is,*
- the strong contributor in the Australian and International R&D arena,*
- producing food that is both enjoyable to eat and healthy.*



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Productivity Commission.
LB2, Collins Street East,
MELBOURNE. VIC. 8003.

Dear Sir/Madam,

RE: RDC Inquiry.

Horticulture is a major Australian agricultural industry which has a GVP of approximately \$7.8 billion and covers produce including fruit (but excluding wine grapes), nuts, vegetables and nursery with Horticultural exports at \$1.168 million in 2009. The Australian Cherry Industry is one of the sectors within the Horticulture industry and has a GVP of approximate \$90 million.

Cherries are grown by some 650 medium to small businesses in diverse growing regions throughout most States within Australia. The major regions include NSW (Young and Orange), Victoria (Yarra Valley, Goulburn Valley, North East Regions), Tasmania (Huon, Derwent and Tamar Valley's), South Australia (Adelaide Hills, Riverland and South East), Western Australia (Manjimup, Donnybrook, Mt Barker and Perth Hills) and Queensland (Stanthorpe). The wide spread of production regions allows Australia to produce and supply cherries for the domestic and international markets from mid October through to early March.

Cherry production has increased dramatically over the past decade with annual production increasing (subject to climatic conditions). Over the past few years production estimates commenced at the 13,000 ton level but diminish to between 9,000 and 10,000 ton due to crop losses from rain, frost or heat at the inappropriate times of the year. Given a clean season and with the new trees in the ground coming into production it is possible that production will reach the 15,000 ton level. Having strong domestic, export and processing sectors is most essential and undertaking research, development and extension in each of these areas is crucial.

Strategic Planning:

Cherry Growers of Australia Inc currently has a Strategic/Corporate Plan for the period 2008 to 2013 which is the basis from which the industry develops its priorities. This plan is then supplemented by an Operational Plan which gives greater detail to the day to day actions and results. The Plans are regularly amended as priorities change and specific actions are achieved.

The Australian Cherry industry vision has two elements – the 'Industry' and the 'Consumer'. The Industry Vision identifies what the industry wants for itself recognizing that this will not be achieved

unless industry is customer focused and satisfy their needs. Both visions are important and directly linked; one will not be achieved without the other.

Industry Vision

The vision for the Australian cherry industry is to grow the industry to capture domestic and export market opportunities through the development of efficient and effective supply chains, which maintain industry profitability and consumer confidence.

The industry in the future will have:

- Profitability at all levels of the industry maintained and increased
- Total demand growing.
- Cherry production (in terms of variety, growing region, volume and quality) meeting demand.
- Structural change and rationalism continuing.
- Sustainability maintained

Consumer Vision

Consumers are positive about cherries and feel that they are worth their premium price.

This is because consumers perceive cherries to be:

- Always sweet, juicy, large, firm and delicious
- Seasonal and a 'special fruit'
- Available throughout their season
- Consistently good quality
- An ideal, convenient snack
- Healthy and nutritious

The mission statement as defined by the Australian cherry industry is:

“The Best Cherry to Meet Consumer Needs”

The Australian Cherry Industry’s operating environment, and that of the cherry industry is complex and ever changing. Over the life of this plan, CGA will work with Australia’s cherry growers, partners and government to respond to a range of present and emerging challenges, whilst maintaining capacity to capture opportunities as they arise. The most recent broad priorities set by the Industry are as follows:-

Challenge/Opportunity	Priority
Fruit Fly Research and Protocols	7
Market Access to key new Markets	7
Export Market Entry Support	7
Resources – IDO and Administration	7
Domestic Market Research	6
Export Market Gain/Retain	6
Industry Standards/Shed Regulation	6
Systems Approach to Protocols	6
Better Industry Statistics	5
MRL’s for Export Markets/Chemical Residue Reduction	5
Website and Communication Platform	5
Research on other Pests and Diseases	4

Evaluation of Varieties	4
Industry Best Practice	4
Environmental Stewardship and Regional Sustainability	4
Repositioning Cherries/Health Benefits	3
Commercialization of Varieties	2
Interstate Access	2
Plant Health Australia	Ongoing Strategy

These are considered as broad priority activities with many of them interlinked and with broader issues like Water, Climate Change and emerging new issues intertwined within one or more of the challenges/opportunities.

Involvement with RDC's

Cherry Growers of Australia Inc was a member of the original Horticultural Research and Development Corporation (HRDC) and had a R&D levy of 1 cent per kilogram. When the new structure of Horticulture Australia Limited was formed Cherry Growers of Australia Inc became a Class 'A' member.

During the period 2003 to 2006 Cherry Growers of Australia Inc consulted with industry with regards changes to the levy. In 2006 growers agreed to the following:-

- a) Increase the R&D levy from 1 cent to 4 cents a kilogram,
- b) Introduce a Marketing levy set at 3 cents per kilogram,
- c) Introduce a Plant Health Levy set at 0 cents per kilogram.

Currently Cherry Growers of Australia Inc is consulting with the levy payers with the aim of retaining these levies for a further period. A consultation and engagement process has been conducted during late May and early June with a formal vote being undertaken during July 2010.

The situation is that Cherry Growers of Australia Inc has been involved with the Horticulture RDC process since the late 1980's. The industry is supportive of the RDC model and the use of statutory levies to fund specific industry programs and projects.

The organization is an active participant in the activities of Horticulture Australia Limited and has supported the changes and modifications made as an annual refinement of the structure and programs.

With the increase in the Research and Development levy Cherry Growers of Australia Inc has been able to take additional activities particularly in relation to market access and market maintenance. This has been extremely important given the increase in production that has taken place over the past decade. Also the industry organization has been able to improve communications with levy payers and build capacity within the association with a half-time Industry development Officer (IDO) and a full-time Chief Executive Officer.

Without the levy structure and the programs being undertaken by the industry and other R&D organizations the Cherry Industry would still be a 'cottage' industry.

In managing the levy process and ensuring the best return on investment Cherry Growers of Australia Inc has implement a range of levy payer based advisory groups to define the priorities, manage and review the programs and undertaken evaluation.

The advisory groups include:-

- Cherry Industry Advisory Group (Independent Chair plus six industry representatives)
- Cherry research and development Advisory Group (five industry representatives)
- Cherry Marketing/Promotions Advisory group (seven industry representatives)
- Cherry Export Advisory Group (eleven industry representatives)
- Cherry Market Access Advisory Group (four industry representatives)

National Cherry Breeding Program Evaluation Advisory group (five industry representatives) Cherry Growers of Australia Inc is an incorporated association with the five (5) State affiliates being the legal members. Individual cherry growers are members of the State Affiliates. This ensures 'grass roots' growers have direct input into the activities of both the State and National organizations. The Board of Cherry Growers of Australia Inc can be up to ten (10) members with a President, Vice President, Honorary Treasurer, a representative from each of the State affiliates. These eight (8) board members must be cherry growers. The other two board positions are 'discretionary' board members and do not have to be growers thus bring addition skills to the board. Given this structure each of the State affiliates is invited nominated skills based people to participate on the Advisory groups.

Comments relating to the RDC Issues paper.

Cherry Growers of Australia Inc, the Peak Industry Body for the Australian Cherry Industry, has reviewed the Issues Paper relating to and we would offer the following comments:-

- 1) *Cherry Growers of Australia Inc strongly supports the current RDC model as it relates to Horticulture and believes that the Horticulture Australia Limited model is an appropriate model to implement, manage and drive Research, Development and Extension within the Australian Cherry Industry.*
- 2) Cherry Growers of Australia Inc supports the more detailed submission prepared and submitted by Horticulture Australia Limited titled "Review of Rural Research & Development Corporations: Response to PC Issues Paper". Our submission is both supplementary and complementary to the HAL submission.
- 3) Cherry Growers of Australia Inc supports the more detailed submission prepared and submitted by a group of across Agriculture Industries including Cherry Growers of Australia Inc and is titled "Productivity Commission: Inquiry into Rural Research and Development Corporations.. Our submission is both supplementary and complementary to this across Agriculture submission.
- 4) Cherry Growers of Australia Inc has reviewed the Issues Paper prepared by the Productivity Commission and has made the following comments to a range of questions posed within the paper.

RESPONSE TO SOME OF THE QUESTIONS WITHIN THE ISSUES PAPER:

Why should government provide funding support for rural R&D? Does the basic case for such support rest mainly on wider (spillover) benefits for the community, or are there other important rationales that the Commission should take into account?

The simple response is that if the government support for rural R&D did not exist then we would not believe that there would be appropriate levels of broad industry input into research and development. One source of funding is a catalyst for the other.

Is the case for government funding support for rural R&D stronger than in other parts of the economy and, if so, why? Do the various rationales apply with equal force to the RDC component of rural research as to the activities of, say, CSIRO and the universities?

Food Security is one of the most important issues facing Australia and all global countries. The ability to feed the ever increasing world population is the most challenging issue of this period and if we do not get this right then it is highly likely many more people will starve and/or suffer from poor health. Maintaining and increasing food production within Australia is essential not only for all Australian's but for many others in the world. Australia has a strong history of producing environmentally sustainable, good and nutritious food.

The success of past food production and food security has been based around strong and effective R&D. In 2010 and going forward this will be no different. In fact if we are going to ensure secure food production in Australia there is a strong argument for increasing R&D activities and funding.

What specific evidence is there to indicate that projects funded by the RDCs have produced wider benefits for the community that are significant relative to those enjoyed by the industries concerned?

Where rural R&D leads to increased productivity with a business and/or industry then this leads to the maintenance and even increase in employment resulting in stronger more resilient regions and towns. There are many regional communities that are reliant on horticultural industries including cherries eg the Young township and district, Adelaide Hills and Tasmania.

What are the practical constraints on basing government funding support for rural R&D around notions of private/industry benefits versus wider benefits, and/or on the degree to which government funding is likely to induce additional R&D activity? Could a naïve application of such an approach have unintended consequences? Where does the appropriate 'sweet spot' between principles and practice lie? For example, can the notion of industry versus wider benefits usefully be employed to determine that at least some R&D should either clearly be inside or clearly outside the government funding net?

The simple but basic situation is that all R&D research has a combination of both private/industry and community benefit.

Firstly, to undertake the research we require structures, facilities and people so this adds to the productivity of a particular organization and/or community.

Secondly, the research once utilized produces a level of productivity gain which means improved production, increased employment and stronger and more resilient businesses, industries and ultimately communities.

A strong R&D sector produces a stronger industry and this flows to a stronger economy. This is a win-win situation for all within Australia.

The argument about the level of private/industry benefit versus the wider community benefit creates a 'them and us' mentality which is detrimental to strong and effective research.

Let's accept the basic principle of the win-win-win scenario and get on with producing a stronger, resilient and productive R&D sector.

What factors might mute the strength and/or timing of any increase in private funding in response to a withdrawal of public funding for industry-focused R&D? How important in this context are:

- **divergences between the point in the supply chain where the research is funded and conducted, and the point where most of the benefits of that research are realised**
- **the long lags before many of the benefits may be realised?**

Any withdrawal of public funding for industry focused R&D will have a very negative effect on private funding of R&D. Private funders will take the view that if Government is not interested in funding research why should we.

This is already happening as State Agencies reduce their involvement in research, development and extension. If the current situation continues R, D and E in Australia will become nothing better than that in some third world countries.

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? Are there other features of the levy system, or any regulatory issues, that discourage private investment in rural R&D?

Currently we do not believe that the Cherry Industry would have a willingness to increase their levies to offset any reduction in funding. Without the regulatory system and a principle of the whole industry paying there would be a dramatic decrease in private investment in rural R&D.

How important is it that government contributes to the cost of maintaining core rural research skills and infrastructure? Without that support, how specifically would the capacity to adapt overseas technologies to meet the particular requirements of Australia's rural sector be compromised? What role do RDCs play in maintaining core rural R&D capacities?

There is a need for government and industry to contribute to core rural research skills and infrastructure.

The systems whereby government departments and agencies employed graduates through specific programs, cadetships etc were very important in building succession planning while undertake core research. The loss of these programs has resulted in a decrease in the research and extension capacity within Australia.

What importance should be placed on outcomes-based rationales for government funding support for rural R&D, such as enabling Australia's rural industries to meet increased global competition; facilitating adjustment to climate change; furthering food and bio-security objectives; and fostering regional development? Is there a risk that seeking to use government funding to drive specific outcomes such as these could distort the pattern of R&D investment and thereby reduce the overall returns to the community?

The whole thrust of the cherry industry strategic/corporate plan is about achieving these broad objectives of rural industries meeting increased global competition; facilitating adjustment to climate change; furthering food and bio-security objectives; and fostering regional development. While the particular topics are not necessarily specific objectives within the cherry industry plan they are the building blocks from which the priorities are developed. Aspects like climate change and food security are intertwined within many of the R&D projects that industry undertakes.

What the Cherry Industry can do better is to ensure that these base building blocks are built into the fundamental structure of our written plans.

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

We do not see that there is much relevance in what other countries do other than learning from them if they have better systems and/or services in place.

The important issue is that Australia does what is best for the Australian industry and community to give industry the best possible competitive advantage within an ever increasingly difficult international environment.

Is the RDC model fundamentally sound?

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

Cherry Growers of Australia Inc is really only in a position to comment on the R&D framework and the role of RDC's as it relates to Horticulture and the RDC Horticulture Australia Limited. We believe the current R&D framework is highly effective and that Horticulture Australia Limited is a valuable and professional RDC.

For a period Horticulture Australia Limited appeared to lose focus on what its core business was but as a result of major strategic planning processes over the past eighteen months the core business is now better defined and the Company is back on track.

This process of review and redefining core business and company priorities highlight that the structure of the Horticulture RDC is working and receptive to the needs of the members including the government.

Does the significant number of entities, research programs and funding pools cause problems? For example, are there areas of major R&D overlap or gaps?

Again Cherry Growers of Australia Inc would find it difficult to comment on the broader issues of other RDC's but would believe that with the current number of RDC's including RIDIC there are no obvious gaps across rural industries.

Does any focus on 'leveraging' contributions across the various funding pools cause inefficiencies or perverse outcomes, or does it incentivise desirable behaviour?

The concept of 'leveraging' contributions is already occurring within Horticulture through the ever increasing use of individual industry funds within the horticulture pool and being used on across industry and multiple industry projects and programs.

Cherry Growers of Australia Inc believes that this is a very good model and as industries become better in their medium to long term strategic planning we will see an increase in this form of pooling.

Is there sufficient oversight of, and coordination and collaboration between, the different components of the framework? Are there any particular difficulties created for the RDCs by the current arrangements?

Again it is not possible to comment on other RDC's but in relation to Horticulture we would believe that there is an ever increasing coordination and collaboration between the 40 plus industries represented through Horticulture Australia Limited. This is well highlighted by the across industry program and projects and the increasing number of multiple industry projects being developed and undertaken.

Does the framework facilitate strategic assessment of R&D needs across the whole of the rural sector?

We believe that the current Horticulture RDC framework does facilitate an increasing assessment of R&D across the whole of Horticulture.

We are not convinced that is feasible or productive to facilitate strategic assessment across the whole of the rural sector. It such a large and diverse sector and as a result some of the more specific and

important research required by industry sectors could be lost or reduced in importance by another sector or sectors.

Is there an appropriate mix between longer-term and broadly applicable R&D and shorter-term adaptive research, and where in this context should the RDCs be focussing their activities?

Cherry Growers of Australia Inc has over the past three years had an increased contribution into R&D funding. This has resulted in the increase in very important R&D that was not previously possible. As we progress more and more of our R&D funding will go into longer-term, more strategic R&D. At the moment we are trying to 'catch-up' on that much needed shorter-term adaptive research. Notwithstanding this there will always be a need for very urgent and immediate short-term research particularly in the areas of market maintenance and market access. The single most important aspect of the RDC model is to ensure flexibility to allow immediate and urgent short-term research to be undertaken.

Is the framework sufficiently flexible to accommodate future changes in circumstances and requirements? What impacts have recent initiatives to improve the framework had on outcomes thus far? What are likely to be the particular implications of recent and prospective changes to the framework for the RDCs?

With regards Horticulture and Horticulture Australia Limited we would believe that there is sufficient flexibility to accommodate future changes but it is important that the changes are about improving the return on investment to the relevant levy payers – industry and government – and not about additional and burdensome 'red tape'.

Recent initiatives have appeared to increase the level of compliance and governance which at times makes it harder and more costly to undertake programs. The greater the cost of compliance at all levels the less funds available for the real activities of R&D.

We all accept the need for strong and effective governance given that we are involved in spending individual and government funds but the process must be balanced to ensure maximum R&D activities and maximum return on investment.

Are there significant gaps in the data base which are impeding the effectiveness of the framework? For example, should there be greater effort devoted to assembling data on the total amount of public funding for rural R&D available through the variety of funding programs?

Hasn't the PISC process do this?

The National Framework for Horticulture R, D & E appeared to have a reasonable amount of data on where funding was coming from and how it was being spent.

Industry would question the validity of some of the figures but at least it is a base to start from.

Is there sufficient emphasis on the evaluation of outcomes and sharing the lessons learned? Are there any particular lessons for the RDC model from developments in other components of the framework?

The areas of 'evaluation of outcomes' and the 'sharing of lessons learnt' are certainly two areas that could be improved.

Our concerns have always been that R&D undertaken is at times not adequately transferred to the 'grass roots' grower. Cherry Growers of Australia Inc is aware of this and is taking steps to improving technology transfer through

- a) Our industry magazine – Tree Fruit
- b) E-news
- c) Members/levy payers only sections within the website

- d) Technical ‘road shows’, and
- e) Other forms of communication

Horticulture Australia Limited has regularly encouraged those industries within Horticulture to share the lessons learnt. The twice yearly member’s forums allow for some of that exchange of learning to occur.

Some specific strengths and weaknesses of the RDC model

Are there any reasons to argue that the RDC model is no longer fundamentally sound? Or can deficiencies in the model be addressed through more minor modifications to the current requirements?

Cherry Growers of Australia Inc would believe that in the case of Horticulture the RDC model is fundamentally sound and has built a strength and capacity in all areas of horticulture that would not have occurred if the RDC model did not exist.

There are always areas that can be done better and the process implemented by Horticulture Australia Limited and the individual industry members ensures that the process and programs are always being reviewed, modified (where necessary) and made relevant to those paying the levy.

Any deficiencies should be addressed through minor modifications and not through major changes to the RDC model.

If more fundamental changes might be warranted, what form could these take? How difficult would it be to replicate the strengths of the RDC model within such approaches? Is there scope for ‘halfway’ house approaches that would harness the respective strengths of the RDC model and alternatives to it? Are there any overseas approaches that are particularly instructive?

Cherry Growers of Australia Inc does not believe that there should be any major fundamental changes to the Horticulture RDC model. In fact we believe some of the components of Horticulture Australia Limited could be used by other RDC’s.

Industry and Government should always be looking at what is being undertaken overseas to see what is good or bad and use those good aspects to modify and improve our systems.

The Deciduous Fruit Trust in South Africa is a model that has some interesting components that could be utilised with the Horticulture model in Australia, In particular the use of R&D funds to build capacity by training and educating relevant individuals to fulfil gaps in research, extension, surveillance and diagnostics.

(Trevor Ranford, Chief Executive Officer of Cherry Growers of Australia Inc is willing to offer more detail to the Productivity Commission on this model and his perceptions of what is good in the model)

Are there other major changes required to the role of the RDCs?

Do the current levy payment and governance arrangements for the RDCs lead to an excessive focus on R&D effort within the ‘farm gate’ and, if so, how might this be addressed? If there are prospective, high payoff, research opportunities further down the value chain, why are these not being taken up by processors and other downstream stakeholders?

Within the Cherry Industry and most other horticultural industries the R&D levy is ultimately paid by the grower and as a result the grower wants to see the funds spent to ensure return on investment to the grower. Obviously ‘farm gate’ R&D is going to be of a high priority. Notwithstanding this the cherry industry is funding R&D activities that are further down the chain particularly in the area of fruit quality at the retail level, retailer training and the health attributes of cherries.

The use of voluntary contributions is also used to implement addition value chain R&D.

Can we do value chain, processing and downstream R&D better? Yes we can but it is all about growers through their industry organisations better communicating and engaging others within the supply chain and for those in the supply chain adding funds to the process and/or programs.

Is overlap with the work of the CRCs largely complementary, or are changes warranted to either or both programs to reduce that overlap? Will the new guidelines for CRCs make it more difficult to get new rural CRCs approved and, if so, what are the implications for the future role and activities of the RDCs?

Cherry Growers of Australia Inc believes that the CRC model should be complimentary to the RDC model. It is through specific CRC's that major and broad based research can be undertaken through the combining of resources from a larger number of groups including industry, RDC's, Federal agencies, State Agencies, Universities and overseas organisations, The CRC for Biosecurity is one of those that use this model to bring together all groups and undertake that bigger and broader research. Also they can build a new level of capacity within research, extension, surveillance and diagnostics. The major problem is that CRC's can be established then closed after the round of funding 'runs out' resulting in the loss of programs, capacity and continuity of programs. There needs to be a greater strategic planning process by government and industry, in partnership, to select the appropriate CRC's that can complement and supplement the RDC model.

If State Governments continue to wind back their role in R&D and extension, should the RDCs be seeking to fill the gap, or are there private players that could effectively fill this role?

Cherry Growers of Australia Inc believes that as the State Governments wind back research, development and extension the gap will be filled by industry organisations. They will look to use their R&D levies to build that capacity. Industry Development Officers at national and state level; funding across industry research positions; advanced technology transfer; and more industry driven training and education are just a few of the areas we believe industry will fill the void. State Agencies have through the PISC process committed to certain roles in research, development and extension but the manner and nature of this commitment is lacking within the document and does not fit the process of cut backs being undertaken by all State Governments. The whole R&D structure, food production, food security and biosecurity are under serious threat and true 'market failure' from the wholesale cut backs occurring at State level.

Do RDCs manage Intellectual Property issues effectively? In particular, do their current approaches give rise to any difficulties for bringing new technologies to market? Can any shortcomings in this area be readily addressed within the current model?

We cannot really comment on what other RDC's do but within Horticulture the Intellectual Property appears to be managed effectively. The area of concern is how the Intellectual Property held by Horticulture Australia Limited is transferred to industry. This issue will become more important as we look to commercialize more material from the National Breeding Program.

Funding level issues

What principles and benchmarks should the Commission bring to bear in assessing appropriate funding for the totality of rural R&D, and the right balance between public and private funding? Is there any new empirical work which specifically focuses on how changes to current overall funding would affect community well-being? Is it possible to determine the right balance between public and private funding across the totality of rural R&D using broad indicators and

principles? Or must such assessment have regard to the characteristics of individual programs that provide public funding for rural R&D and, in particular, to the type of R&D that is sponsored through each of these programs?

Cherry Growers of Australia would reiterate the points made to an earlier question being that the simple but basic situation is that all R&D research has a combination of both private/industry and community benefit.

Firstly, to undertake the research we require structure, facilities and people so this adds to the productivity of a particular organization and/or community.

Secondly, the research once utilized produces a level of productivity gain this means improved production, increased employment and stronger and more resilient businesses, industries and ultimately communities.

A strong R&D sector produces a stronger industry and this flows to a stronger economy. This is a win-win-win situation for all within Australia.

The argument about the level of private/industry benefit versus the wider community benefit creates a 'them and us' mentality which is detrimental to strong and effective research.

Let's accept the basic principle of the win-win-win scenario and get on with producing a stronger, resilient and productive R&D sector.

Some particular considerations

Is there evidence to suggest that available funding prevents RDCs from investing in R&D which could provide a significant payoff to the wider community; or, alternatively, that RDCs are investing in some projects expected to generate only very modest returns? What does the fact that some RDCs have built up significant surpluses indicate about the availability of worthwhile projects to invest in?

Cherry Growers of Australia Inc believes that R&D funds are being utilized in the best interests of the industry but with consideration to the wider community when it results in increased productivity and other down-stream benefits.

In relation to industry surpluses the Cherry Industry is only holding surpluses as determined by Horticulture Australia Limited and these are the bare minimum.

We would believe this surplus policy is as required through the Statutory Agreement between Government and HAL

If the focus of most of the RDCs is on industry-specific and adaptive R&D and related extension, does this suggest that the bulk of the benefits accrue to levy payers? If so, and given the recent evaluations suggesting that these benefits are large in overall terms, why is a significant public contribution justified?

NO. There is always some benefit to the wider community as indicated earlier.

What other benchmarks should the Commission consider in assessing the appropriate level of public funding support for the RDC program?

Cherry Growers of Australia Inc would believe the simple benchmark is a return on investment equal to or more than the original funds invested. We would believe that the return on investment is far greater than 1 for 1.

In addition if there are improved productivity gains which result in stronger businesses, industries and communities then this should highlight the success of such investment.

The allocation of public funding across RDCs

Is there any need to rebalance the Government's funding contribution across the individual RDCs? For example, do the general appropriations for the RIRDC and the Fisheries RDC give too much or too little weight to the somewhat different nature of the R&D projects that they fund?

Cherry Growers of Australia Inc does not believe there needs to be a rebalance of the Government's funding contributions across the individual RDC's.

Does the RDC model — and, in particular, the RIRDC industry umbrella arrangement — appropriately cater for the research needs of emerging primary industries? If not, what should be changed? In allocating government funding to the industry RDCs, should any account be taken of differences in the longer term competitive prospects of those industries, or their potential for productivity improvements? Alternatively, does basing the government contribution on the value of industry output provide an appropriate means to calibrate contributions given the inherent risks in trying to pick winners or losers?

Our dealing with RIRDC through the pollination/bee industry has been most positive and RIRDC appears to be well structured to cater for the research needs of emerging primary industries. What needs to be considered is what happens when an emerging industry becomes more mature? Should that industry then become a member of another more relevant RDC?

Improving the RDC model

Where do the main opportunities for enhancing the current governance regime lie? Does the fact that some RDCs seem to have more satisfied stakeholders than others provide any insights on how to improve governance arrangements, or are such differences mainly due to the nature of the industries concerned? What changes might be possible to reward (or punish) good or (bad) governance without risking perverse outcomes?

The main way of enhancing governance regimes is through strong partnerships between government, industry stakeholders and the relevant RDC.

So often the industry stakeholder is 'sidelined' from the process and as a result does not always feel part of the process. If industry, as a representative of the body of levy payers, has involvement in the process then there is a level of ownership which will result in improved systems and governance.

It is essential that governance is practical, cost effective and achieves real and tangible results.

Governance for governance sake will not make the system any better.

More specifically:

What practical impacts (positive and negative) have the national and rural research priorities had on the activities of the RDCs?

Given that there is a contribution by the Australian Government to the R&D process then the inclusion and consideration of national and rural research priorities into the relevant industry priorities would be acceptable to the Cherry Growers of Australia Inc.

As previously indicated we believe that most if not all of the current priorities are embedded into the current strategic plan and industry research priorities.

What would be most beneficial is for those setting national and rural research priorities to meet and discuss the possible priorities before finally releasing them. This would ensure better linkages and streamline the planning processes for all stakeholders.

Does the specification of these priorities strike an appropriate balance between signalling what the Government is seeking in return for its funding contribution, and providing the RDCs with flexibility to carry out their responsibilities efficiently and effectively? If not, what changes should be made?

Cherry Growers of Australia Inc would believe that the balance is nearly right. As indicated in the response above we would believe that it is essential that there are better communications and discussions about priorities before they are finally released. At times we see duplication in the priorities given that industry is often already working with a priority before it is set by government. Also government might not see one of their specific priorities as it is already embedded into the wider aspects of the program without specifically being listed.

Is there in fact significant synergy between the research needs of the sector and the Government's stated research priorities?

Cherry Growers of Australia Inc believes that there are very strong synergies between the cherry industry research needs and the Government's stated research priorities. In fact many of the Government's research priorities are entwined and embedded into the strategic plan of Cherry Growers of Australia Inc.

Are there likely to be greater challenges in securing industry uptake of some of the outcomes of R&D directed at meeting the Government's priorities than for R&D which reflects the priorities of levy payers? If so, can this problem be cost-effectively addressed?

Cherry Growers of Australia Inc believes that as an industry it is looking to achieve the intertwining of government priorities with industry priorities. If this is done then there is a win-win situation. As indicated in other responses it is important that Government talk with industry again as a partner in setting priorities and in this way there will be better integration of priorities. It is important to realise that industry has a three to five year plan in which industry priorities are set at the beginning. It is often difficult part way through a plan to add a brand new set of priorities. When industry is undertaking its planning strategies is the best time for government priorities to be considered and built into the plan. Maybe this requires greater involvement by government strategists in industry planning sessions.

Does feedback from the Government on strategic and annual plans add significant value to the process and is that feedback communicated effectively? If not, what could be done to improve the arrangements?

Cherry Growers of Australia Inc does not really receive Government feedback on industry strategic and annual plans. We would be happy to have input and feedback from appropriate Government representatives and utilise the skills of those people in improving the two way process of R&D research.

Developing partnerships with Government in improving return on investment is something the Cherry Industry would be comfortable with.

What is the scope to improve the effectiveness of RDC boards?

Cherry Growers of Australia Inc believes that the current horticulture RDC – Horticulture Australia Limited – is an effective RDC Board and is working hard all the time to improve its effectiveness.

Is there an appropriate balance on boards between industry expertise and more general skills? If not, is this a result of deficiencies in the processes for electing/appointing boards, or does it reflect other factors?

In relation to Horticulture Australia Limited we believe that there is a good balance between industry expertise and more general skills on the Board.

Cherry Growers of Australia believes that the current processes for electing/appointing the Horticulture Australia Limited Board is robust, fair and achieving good, strong boards that are capable of leading the R&D process for Horticulture.

The annual review of this process allows all stakeholders the opportunity to make changes that improve the process.

How has the Ministerial approval process for appointments to the boards of the statutory corporations affected outcomes?

Cherry Growers of Australia Inc is not in a position to comment on this issue.

How might any negative impacts of the removal of government nominees from the boards of the statutory corporations be ameliorated? For example, has the attendance of a departmental representative at the board meetings of some of these corporations been helpful?

Cherry Growers of Australia Inc is not in a position to comment on this matter.

What lessons can be learned from differences in the procedures for appointments to individual IOC boards?

Cherry Growers of Australia Inc believes that the processes used in Board appointments at Horticulture Australia Limited are worthy of consideration as a model for other RDC's.

Has board composition influenced whether individual RDCs have focussed on encouraging adoption of new technologies by more innovative 'top end' producers or, alternatively, on pulling 'bottom end' producers up? What other factors have played a role in the different strategies in this area and what lessons can be learned from the results?

Cherry Growers of Australia Inc does not believe that the board composition of Horticulture Australia Limited has influenced one way or the other the adoption of new technologies.

Are there any significant conflict of interest issues that need to be addressed in regard to the appointment and membership of boards, the relationships between RDCs and industry representative bodies etc?

Cherry Growers of Australia Inc believes the model for horticulture – Horticulture Australia Limited – while having some problems in the past is currently working well and there are no conflicts of interest between HAL and the industry representative bodies.

Through a process of discussions, debates and continuous improvement and conflicts and/or issues are resolved.

Are there aspects of the governance arrangements applying only to the statutory corporations, or only to the IOCs, that should apply across the board? For example, would it be possible and desirable to increase the input of the Minister into the strategic and annual plans of the IOCs? Would there be benefits in extending the periodic external review requirements for the IOCs to the statutory corporations?

Cherry Growers of Australia Inc would be happy to personally engage the Minister in the strategic and annual planning process but in reality this is not likely to happen particularly if all industries requested the Ministers involvement.

How useful are the Statutory Funding Agreements, including as a means to ensure that the IOCs meet the core requirements in the PIERD Act? Would greater standardisation of these agreements across the IOCs be desirable?

The Statutory Funding Agreement is a useful tool in setting the parameters in which any or all of the RDC's operate. It is essential that the Statutory Funding agreements, while being prescriptive have sufficient flexibility in them to ensure that RDC's can move with changing government and industry parameters. In addition the balance of corporate governance must be right to achieve the right legal roles and responsibilities against being too burdensome and therefore too costly to implement. The major principle is to ensure that the maximum R&D funds are spent on R&D activities to ensure the best return on investment for all contributors and stakeholders.

To what extent would governance be simplified if the Government's contribution was separately managed, leaving the RDCs to manage contributions from levy payers? Do the benefits for RDCs and levy payers that come with the government contribution outweigh the costs of the more complex governance regime and, in particular, the constraints on the way in which funds can be spent?

Cherry Growers of Australia Inc does not believe that it is practical to have the Government's contribution managed separately from levy payers going to the RDC. This process would produce unnecessary duplication which is as we understand one of the major concerns of the Minister for Agriculture.

The challenge is about making the governance regime practical, cost effective and achieves real and tangible results. Governance for governance sake will not make the system any better.

How effective are current industry consultation protocols? Are all of the key stakeholders routinely consulted, or at least provided with adequate opportunity to make their views known? Should the legislative requirement for some RDCs to consult with particular peak industry groups be scrapped and replaced by a more generic requirement simply requiring consultation with an appropriate range of stakeholders?

Cherry Growers of Australia Inc believes that the current industry consultation protocols for horticulture are both adequate and appropriate. Given the structure of the industry organisation and the advisory committees/groups as defined above we believe that key industry stakeholders are regularly consulted and have a number of opportunities to have input into the appropriate programs and/or projects. The Peak Industry body is an integral part of the process and ensures a more focussed and managed response to the issues. A generic process of consulting with 650 cherry levy payers by either the RDC and/or government would costly, cumbersome and potentially result in 650 different opinions. It would result in chaos and a very much reduced return on investment.

Can the consultation process be improved? Most certainly.

Cherry Growers of Australia Inc believes that it can improve its representative of stakeholders on individual committees/advisory groups by involving representatives from government agencies and research institutions where the skills gaps are deficient.

What are the benefits and costs of the combination within the IOCs of R&D responsibilities and other industry services? To what extent have synergies between the two been a factor which has motivated the transformation of some statutory corporations into IOCs? What have been the other drivers and what have been the downsides experienced during and after such moves?

Cherry Growers of Australia Inc would believe that the combining of the original Horticultural Research and Development Corporation with the Australian Horticultural Corporation into the single identity, Horticulture Australia Limited, was and still is a most beneficial move.

This integration was about saving costs through the removal of duplication.

While the marketing levy is not matched with government funds the management of the two statutory levies through one organization offers the desired efficiencies.

Again we would argue that while the system is not always perfect it is a system that is always in a state of continuous improvement.

Increasing administrative efficiency

What scope is there to reduce the costs of administering the RDC model without diminishing the outcomes it delivers?

Cherry Growers of Australia Inc believes that Horticulture Australia Limited is working very hard and in strong consultation with the member stakeholders to reduce the costs of administering HAL.

The balance between core business and programs that might be nice to have is always a challenge and both the RDC and the member stakeholders need to be regularly reviewing this issue.

With regards what other RDC's we are not in a position to comment.

Are there too many RDCs and, if so, how might this number be reduced? How big are the potential downsides of amalgamations, such as loss of focus and the increased challenges of dealing with a more diverse, and possibly hostile, range of industry stakeholders? Would wider application of the RIRDC approach be a means to reduce total administrative overheads, while still allowing individual industries to retain their 'research identity'?

Cherry Growers of Australia would find it difficult to comment on whether there are too many RDC's but would indicate that Horticulture Australia Limited is an effective RDC in that it brings together over 40 different industry sectors. Imagine if each horticultural industry sought their own RDC?

We do not see that there would be any value in looking to amalgamate HAL with another RDC.

We would argue that HAL is the RIRDC model for Horticulture.

It could also be suggested that as some of the emerging plant industries currently in RIDIC become more established then they could transfer to HAL.

Are there examples where ineffective collaboration and coordination across the RDCs has led to a significant wastage of administrative resources? Are there unrealised opportunities for greater sharing of skills amongst the RDCs? Are there other features of the RDC operating environment or governance regimes which lead to unjustified escalation in executive salaries, board fees, infrastructure costs, overheads and the like?

Cherry Growers of Australia Inc cannot comment on the management of other RDC's but would believe that because Horticulture Australia Limited manages the levy process for over 40 horticulture

industries there is effective collaboration and coordination across those 40 industries ensuring an effective administration structure.

Again it can always be done better and our experience is that industry stakeholders and the management and board of Horticulture Australia Limited are always working on improving the effectiveness and efficiency of the structure.

More robust ex post project evaluation

To what extent will the National Primary Industries R&D and extension framework, once fully implemented, be likely to improve broader coordination and prioritisation of the research task and facilitate its execution in an efficient and effective manner? Will it provide flexibility to cater for future changes in the composition of the rural sector, or could it tend to lock in the current levels of funding support and infrastructure relevant to individual industries? How might the activities of the Rural R&D Council best add value to the overall effectiveness of the rural R&D effort?

On behalf of Cherry Growers of Australia Inc we would make the following comments relating to the current document titled “National R D&E Framework for Horticulture: A plan for future investment in Australia’s horticultural industries”.

- 1) We understand the need to develop an efficient and effective Research, Development and Extension program and process for Australian Horticulture including the Australian Cherry Industry and support the process in achieving such a result. In saying this we are most disappointed in the lack of real consultation with the relevant industry organizations in this process. Again it appears that the Government Agencies have spent a long time trying to piece together a framework but have not included industry through the length of the process. Instead industry has come it at the end when most, if not all, of the decisions have been made.

- 2) Over the years the horticulture industry has been criticized for being a disjointed industry. All levels of Government have continually asked the industry to become more unified and speak with a single voice. To their credit the industries have worked hard to develop and maintain structures like Horticulture Australia Limited, Plant Health Australia and Horticulture Australia Council (or its modified structure) to present a more united front on many issues. More recently we have been requested by Government to undertake more across industry and/or multiple industry projects. Again the sectors are working hard to change their individual focus and/or plans and build greater synergies.
What we see with the PISC process particularly for Horticulture is the exact opposite process. State Agencies have cut up the broad industry of Horticulture into the specific commodities and from an R, D & E process treated them each as individual industries.
An example of this is the assessment by the Horticulture Coalition of SA in relation to how Horticulture is being considered by Primary Industries and Resources SA.

“The Framework has three basic terms of the “Major Priority” agency, leading R, D & E for that crop and the support and link agencies. Definitions for these terms are taken from the National Primary Industries Research, Development and Industry Development Framework Statement of Intent and are as follows;

- **Major Priority Role:** *This is a national leadership role where there is a major priority for the relevant government agency and the government agency endeavours to give a high priority to funding research, including infrastructure, for that sector.*

- **Support Role:** in this role the relevant government agency undertakes research, but leadership and the major activity is provided by another government jurisdiction or party.
- **Link Role:** in this role the relevant government agency will undertake little or no research but access information and resources from other governments or parties to meet industry needs through D & E.

Through the PISC process South Australia has taken the following responsibilities:

Major Priority Role: Cucurbit Vegetables and Melons (Crop Production and Plant Health)

Carrots (Plant Health, Environment)

Onions (Plant Health, Human Health, Export)

Support Role:

Stonefruit (Breeding and Post Harvest)

Cherries (Breeding)

Citrus (Post Harvest, Plant Health, Market Access)

Lettuce, Celery, Leafy Asian (Plant Health, Crop Production)

Brassica Vegetables (Plant Health)

Fresh Potatoes (Plant Health, Environment)

Processing Potatoes (Plant Health, Environment)

Almonds (Crop Protection, Plant Health)

Link Role:

Apples

Berries

Tomato, Capsicum

No Role:

Pears

Table Grapes

Dried Fruit

Sweet Corn

Asparagus

Beans

Peas

Mushrooms

Nursery/Garden

Turf

Exotic Flowers

Olives (not even in the PISC program)

There has been no consultation with industry relating to what crops and what disciplines should be included in this process.”

Extracted from the document titled “Securing Food Production & Supply for South Australia to 2020 and beyond: A blueprint for the South Australian Horticultural Industry”. February 2010.

If a similar assessment was made across other State programs a similar picture would emerge. As a result there are some industries that will have no agency taking responsibility for R, D & E.

We believe that the whole process should have been built around a single Horticulture Industry rather than the individual commodities and that research should be built around the broader

topics as defined by HAL and linked the strengths of each State agency with these broader research areas.

- 3) Horticultural research is built around infield programs and projects. Much of the required research cannot be undertaken in a laboratory and/or glasshouse situation. Australia has had a network of research stations that have been the envy of other countries. These research stations have undertaken extensive high quality research, development and extension. Current actions to stop research and downgrade the facilities are inappropriate and not acceptable to industry particularly given that industry and researchers have been willing to fund ongoing programs. An effective network of horticultural research stations must be retained as active research facilities and the management of the facilities could be undertaken by joint industry/government committees. The National Framework fails to detail how the research will be undertaken when many if not all of our infield research centres are sold off by Government.

- 4) We believe that there are many areas of research that need to be included within the new R, D & E plan

The following are some of those:-

- Market chain development
- Australian product differentiation and promotion
- Post Harvest
- Breeding
- Water efficiency
- Soil health and management
- Production costs
- Crop mechanisation.

In addition, Australian horticultural industries face a number of common challenges into the future. These include:

Climate Change

Climate change and variability (e.g. reduced rainfall and higher temperatures in southern Australia, more extreme weather events in northern Australia) is a major R, D&E driver for all crops. Implications are reduced access to irrigation water in southern Australia (particularly along the Murray), heat stress and lack of chilling hours, major crop losses from severe weather events, increased risks of exotic disease incursions and changes in the distribution of pests and diseases. These threats apply to all crops and provide a possible driver for increased protected cropping in some horticultural industries.

Globalisation and Increased Biosecurity Risk

Increased global trade is both a threat and an opportunity. The need for international competitiveness is a major driver for the industries impacted. At the same time, increased imports heighten the biosecurity risk of exotic pest and disease incursions.

Labour

Shortages of labour, the productivity of labour and the cost of labour have a major impact on all horticultural industries - especially those that are faced with the challenge of being globally competitive. Mechanisation to replace labour and machines or techniques to make existing labour more efficient are major R, D & E drivers for all industries. Similarly, the need for recruitment of more management and other skilled labour to the horticultural industries is an identified issue for all industries

Consumer Expectations

Increased expectations related to high product quality and price (e.g. appearance and size, freedom from residues, eating quality and shelf life), competitive pricing and year round supply are a major challenge for producers.

The Australian R, D & E Framework for Horticulture needs to account for these issues if the Horticulture industry is to remain commercially viable.

- 5) What are the real long term commitments by the relevant State Governments and their research agencies? Is each Government going to sign off on this program for one year, five years, ten years or more? Industry needs firm commitments particularly if they are going to try and develop longer term projects.
Already the Cherry industry has a situation whereby the South Australia Government/research agency has nominated as a support agency for breeding yet has indicated to industry that they want to be out of the Australian Cherry breeding Program within three years. This makes it very difficult to plan an ongoing program and has put the Cherry industry in a difficult position in endeavouring to retain the intellectual property and build on the investment already made.
- 6) The terms of Major Priority Role, Support Role and Link Role are not well defined particularly with regards resources being allocated against each of the roles.
What does a Link Role really mean? We would understand that the relevant agency will commit to development and extension of particular industry sectors. If this is the case how is this going to be done when most State Agencies no longer have the capacity to undertake any development and extension?
State Agencies who have indicated a role as a link agency must clearly detail how they intend to undertake their commitment to development and extension.
- 7) If there are not changes to the current concept Industry will look at other ways to undertake research, development and extension outside of the proposed National Framework being proposed. This will only lead to a more rapid demise of Agency based research.
- 8) Research, development and extension capacity in Australia is rapidly diminishing. We see nothing in the plan that works to build new capacity and succession for Australian Horticulture. As a result industries are utilizing research organisations from outside of Australia. Such action will only further hasten the demise. This is a sad indictment of R, D & E in Australia and seems to 'fly in the face' of Government policies at all levels.
- 9) Our concern is that once research is centralized in a few major areas and venues the cost of that research and associated development and extension will go up even further. Anecdotal information suggests that one organisation has already indicated that researchers will have to charge quite large amounts for them to attend and participate in industry workshops, field days and conferences.
- 10) It is obvious to Industry that individual research staff have not been consulted in this process. As a result there is confusion and a degree of anger and discontentment at the basic researcher level. This will result in researchers seeking other opportunities.
We are aware of pressure being applied to some researchers to take 'packages' and by doing so allows the research agency to walk away from certain research projects.
- 11) One of the concepts being promoted is that this program will result in larger and broader projects. Agency staff have been promoting the \$1 million to \$5 million projects.

Reality is that some industries like cherries will never have the levy base to fund larger complex projects.

At times there is also a need to conduct the small, less expensive projects to deal with an immediate issue. The proposed concept does not appear to cater for such needs of industry. Also there appears to be none or little flexibility in the framework to deal with that immediate need. If we lose more researchers then we will potentially have even less flexibility.

Cherry Growers of Australia Inc will work with those agencies that have made a verbal commitment within the current (February 2010) document in and endeavour to achieve the best possible result. In fact we have started that process back in December 2009 through an introductory meeting between CGA, the three State Agencies and HAL...

Notwithstanding this we will continue to argue for the need to change the concept that is currently detailed within the document based on the issues detailed above,

The PISC National Framework for Horticulture fails to give industry confidence in the R, D & E process and programs within the State's and at a national level.

Improving the levy arrangements

What are the relative merits of compulsory and voluntary levies for addressing free-rider problems? What lessons can be drawn from the voluntary levy arrangements that apply in the fisheries and cotton area? In practical terms, what are the differences between a voluntary levy and a compulsory levy where the levy rate is left to the levy payers to decide and can be set at zero?

The compulsory levy has been an important part of the R&D process in that it has ensured that the majority if not all producers are contributing to the levy and therefore industry development. This ensures that all information is then available to all participants within the industry. Adoption of the information will ensure the industry can progress as a unit rather than in an ad hoc manner.

The voluntary levy is also an important component of the R&D levy process as this allows for individuals, horticultural businesses and other members of the value chain to contribute to research and development at appropriate times. Communication activities like study tours and industry conferences are valuable to the capacity building within an industry and by individuals, organisations and businesses contributing voluntary levies they show a commitment to the industry. It is not about getting a 'free ride'.

Cherry Growers of Australia Inc supports the continuation of both the compulsory and voluntary levy systems with the R&D framework. The voluntary levy is complimentary to the compulsory levy and shows commitment by those making the voluntary levy to the broader principles of the R&D framework.

Are the arrangements for collecting the levy and channelling these collections to the RDCs administratively efficient? Does the (variable) levy collection charge closely reflect the costs incurred by the Department of Agriculture, Fisheries and Forestry in collecting and distributing levy funds?

Cherry Growers of Australia Inc believes that the collection process of the cherry levy is administered efficiently. The only modification that we are seeking is to change the date of final collection. Currently the 31st January falls in the middle of the harvest period. As a result levies collected after that date do not have to be paid until the following year.

We will be proposing to Levy Revenue Unit that the collection date be changed to the 30th March each year and be retained as a yearly reporting process by levy payers.

Cherry Growers of Australia Inc believes that the collection costs charged by DAFF must be continually monitored. Industry is concerned that many extraneous costs are added to the concept of 'full cost recovery' by Government. If costs of collection become too high then less is available for use on R&D activities,

Are the processes for amending levy rates unduly cumbersome? Are there options for streamlining these processes that would maintain appropriate protections against unduly frequent and potentially disruptive or costly attempts to change levy rates?

Yes. The process for amending levy rates is unduly cumbersome and costly particularly for smaller industries.

There are a couple of specific areas including the establishment of a Plant Health Levy relating to the Emergency Pest Plant Response Deed and the Plant Health membership fee within the R&D levy. We believe that whenever an industry signs up to the Emergency Pest Plant Response Deed then the Government and specific industry should automatically establish a Plant Health levy set at zero. Given that the industry has taken due consultation with the members in signing the deed then this should be enough to satisfy the need for establishing the levy.

Similarly where an industry is using a small portion of the R&D levy to pay their membership to Plant Health Australia the modification of the percentage should be able to be undertaken outside of the 12 levy principles. The change in the amount/percentage is only ever to cover the incremental increase as a result of changes by Plant Health Australia. The cost of going through the levy principles is both costly and difficult and for such minor amendments the process can and should be simplified and modified.

For instance, would it be desirable to pay a higher contribution on classes of R&D with a demonstrable focus on wider community benefits, offset by a lower rate on R&D with an industry-specific focus? Is there any case for differentiating the rate of the matching contribution between start up or high growth rural industries and more mature industries?

Cherry Growers of Australia Inc believes that this concept has some real management issues and could be used by some in an endeavour to minimize levy payments. We see no value in using a differential rate for matching contributions

Should there continue to be scope for RDCs whose levy receipts are below the ceiling on the matching government contribution to accept funds from 'donor companies' for specific research projects and use this funding to secure an additional taxpayer contribution?

Cherry Growers of Australia Inc would believe that this principle should continue.

Should processors generally pay a levy for R&D? If they were required to do so, what is the likelihood that they would simply pass the cost back down the line to the primary producer? Does this happen in those industries where processors currently pay a levy?

When a levy is established within an industry like cherries the levy should cover fresh fruit for domestic and export sales as well as a levy on fruit that goes to processing. The levy on processed fruit may be less than that on fresh fruit.

It would be essential that any levy collected for processing be spent within the processing field. Because industries like cherries are about the sale of fresh fruit and in the past processing has been non-existent then the introduction of a processing levy has not been undertaken. This in fact has probably stifled the development of a processing sector.

Is there any evidence of a significant mismatch between the regional distribution of levy payments and the regional distribution of the benefits from the ensuing R&D, for particular RDCs or across the program as a whole? Would an explicit effort to more closely align the two materially reduce the overall return to the community from the RDC program?

Cherry Growers of Australia Inc does not believe that there is a mismatch in the cherry R&D activities between regional distribution of the cherry levy payments and the regional distribution.

CONCLUSION:

Cherry Growers of Australia Inc believes the current RDC model and frameworks are fundamentally sound and should be maintained. Obviously there is opportunity to ‘tweak’ both the model and the framework to ensure continuous improvement but it is essential that this done through a partnership approach and not one driven by pure economic rationalization.

Without the RDC model and framework the Australian Cherry Industry would not be

- as strong and active as it currently is,
- the strong contributor in the Australian and International R&D arena,
- producing food that is both enjoyable to eat and healthy.

Cherry Growers of Australia Inc is willing to expand on any of the points above either in a supplementary submission or at a hearing of the Productivity Commission. The Association can be contacted either through the office or directly to Trevor Ranford on 0417 809 172.

Due consideration of our submission would be appreciated.

Yours faithfully,

Trevor M Ranford

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