



Commonwealth Fisheries Association

Inquiry into Rural Research and Development Corporations - Productivity Commission

This submission outlines the CFA response to the Productivity Commission "Inquiry into Rural Research and Development Corporations"

25 June 2010

Introduction

The CFA is the peak industry body representing the interests of Commonwealth fishers, a significant part of Australia's \$2.2 billion seafood industry. Seafood is Australia's fourth largest primary industry. The Commonwealth seafood industry is vital to the economy of rural and regional Australia, with direct employment in fisheries production and processing, and substantial downstream employment in supporting industries including transportation, storage, wholesaling, retailing, catering and tourism sectors.

Commonwealth fisheries are a recognized valuable natural asset for the Australian community. They make an important contribution to both local and national economies. The fishing industry supports good health in the community by supplying fresh healthy seafood to consumers throughout the country. The industry also supports valuable jobs and infrastructure, particularly in regional areas. Many coastal regions are extremely reliant on the fishing industries contribution to their economies.

Commonwealth fisheries are managed by the Australian Fisheries Management Authority (AFMA). AFMA's governing legislation is the *Fisheries Administration Act 1991* and the *Fisheries Management Act 1991*. In addition to the FAA and the FMA, fisheries are governed by the Australian Governments *Commonwealth Fisheries Harvest Strategy Policy (the Policy)*. The "Policy" provides a frame work for the management of Australia's Commonwealth fisheries into the future. The Policy objectives *are to maintain the sustainable and profitable utilization of Australian's Commonwealth Fisheries in perpetuity through the implementation of harvest strategies that maintain key commercial stocks at ecological sustainable levels and within this context, maximize the economic returns to the community*. The primary beneficiary of the Policy is the Australian community.

To achieve the objectives of the Policy, ongoing Ecological Risk Assessments (ERA's) are required by the government. Continual research is required into the reduction of bycatch, fishery independent monitoring, and increased focus on spatial management to ensure that the communities' assets are well managed for future generations. Compliance to the Policy is mandatory within Commonwealth fisheries.

RD&E is central to achieving the Australian Governments policy commitments towards the management of a common property resource and ongoing economic/environmental sustainability of Commonwealth fisheries.

The Productivity Commission Inquiry into the Australian Research and Development Corporations.

The CFA welcomes the inquiry into the Australian Research and Development Corporations. The review is considered to be timely opportunity to review the PEIRD Act to improve on the outcomes for RD&E within Commonwealth fisheries. CFA members strongly support the current FRDC model and the government's public benefit contributions towards RD&E.

Industry engagement and support for the current FRDC model

FRDC is an extremely efficient, effective and timely organisation managing RD&E within the fishing industry. FRDC research funding from the Commonwealth fisheries is provided through State levies based on GVP. The levies collected by the states and passed onto FRDC are considered to be a “voluntary” contribution, the states are not obligated to pass levies onto FRDC and funds raised can be used solely at state level. In most states the RD&E levy is compulsory and is collected thru license fees. The levy collection mechanism does not allow for “free riders” within the system.

FRDC plays an important role in coordinating industry driven RD&E within Commonwealth fisheries to ensure the fisheries are sustainable in the long term. FRDC assists in the funding of state based Fisheries Research Advisory Bodies (FRAB's) to ensure that proposed research is relevant, timely and has the support of fisheries managers, researchers industry and the community and maintains close links with the industry, research community and government. The current FRDC model provides the most effective and efficient mechanism for managing RD&E within commonwealth fisheries.

The CFA strongly supports the continuation of FRDC as the coordinating provider of RD&E for Commonwealth fisheries. Any consideration of centralising government funding initiatives would devalue the important role of FRDC within the fishing industry and may result in a counterproductive outcome for the industry and the Australian community

Why is RD & E important to the fishing industry?

Government and industry Investment in RD&E is absolutely fundamental to the ongoing viability of the fishing industry and the management of the marine environment within Australia. Without long term investment in R&D there is the potential for a complete market failure and the flow on effect would be the loss of a community owned resource.

RD&E investment in the fishing industry provides no intellectual benefit for any individual. Scientific data gained from the research is publicly available and can be accessed by a myriad of interested stakeholders. Having no commercial gain from investment in R&D provides the industry with no benefits from investing in ongoing R&D projects if government support was to be removed. It is also beyond the capabilities of many fisheries to make substantial investment in R&D projects without the government support.

. Research investment is absolutely fundamental to protecting the common resource public asset and maintaining sustainable fisheries for future generations. RD&E within Commonwealth fisheries generally has limited or no commercial gain for individuals, but it is fundamental to the ongoing viability of the fishing industry.

Public benefit

Public benefits are those benefits that accrue to a wide cross section of the community that would not be produced if public contributions to the RDC's were reduced. These are benefits that many members of the community value highly and would not like to see them reduced by a reduction in public benefit funding by the government.

Public benefit investment in RD & E within the fishing industry produces high levels of environmental outcomes and in combination with industries priorities ensures a much higher level of adoption than if they were taken in isolation. Having strong environmental outcomes benefits the fishing industry, community and all other stakeholders.

All fishing industry RD&E has enormous spill over benefits for the community. The community has a strong expectation that public owned assets such as the marine environment are properly managed by both the fishing industry and the Government for future generations of Australians.

The Government must maintain its RD&E investment to ensure that the public owned marine environment resource is sustainable for future generations and that maximum economic benefits are returned to the community.

Example of Public benefit gains from RD&E

The establishment of the South East Marine Protected Areas (MPAs) occurred in 2006 and at that time the protected areas had the potential to exclude fishing from a number of ecological important areas in the South East. FRDC, industry and management agencies collaborated in commissioning a report on the impacts of the MPA's on the fishing industry and communities at the regional level and in consultation with all relevant parties attempted to develop an alternative proposal that would meet the Government and community expectations while minimising the impact on commercial and recreational fishers. The report clearly demonstrated that the impacts on the fishing industry and communities were going to be substantial if the MPA's were to go ahead in the proposed form.

The report lead to an alternative proposal for the MPA's which resulted in a 30% increase in the area of the MPA's, increased protection for a number of areas of significant conservation interest and a substantial reduction in the impacts on fisheries and the coastal communities reliant on them. The net social benefits are valued at \$10 million, based on avoided social adjustment costs that the government would have had to provided the fishing industry and communities had the proposed MPA's been implemented.

The Australian public is a major beneficiary of the substantial "spill over" gains from all investment in RD&E within the marine environment. The Australian government has an obligation to ensure that a common property resource such as fisheries is effectively managed to provide the community with maximum economic return and to ensure that fisheries are sustainable for future generations.

The CFA strong advocates that the government continues supporting RD&E funding at 0.5% fisheries GVP within the FRDC framework. It is extremely important that the public as a major beneficiary of RD&E "spill over" within commonwealth fisheries contribute towards the efficient use of the common property resource.

Key Questions:

What is the economic rationale for the Australian government to invest in primary industries RD&E ?

The Australian Government has an obligation to provide support for ongoing research within commonwealth fisheries to achieve the objectives of the “Harvest Strategy Policy”. All research in commonwealth fisheries results in significant public benefit “spill over” within the community. Without government support for RD&E there is the potential for market failure due to the capacity of many fisheries to invest in RD&E based on the GVP of the fisheries.

The Australian government must continue to support activities to improve efficiencies and equity in the marine environment. It is imperative that the government provides funding for the efficient use of a natural resource in an equitable manner that shares benefits and costs between the public and fishing industry.

What is the best model for delivering the government’s RD&E investment?

The commonwealth fishing industry strongly supports the current FRDC model. The primary focus of FRDC is ensuring efficient and effective use of RD&E funding to the benefit of the government, community and industry. Fisheries RD&E is unique in that it is fundamental to the ongoing viability of Commonwealth fisheries and achieving the government’s commitment towards community expectations with regards to the use of a public owned natural asset.

FRDC should not be amalgamated with other RDC’s as it shares little in common with them and unlike most of the other RDC’s has a very significant public good component. It must be allowed to continue to facilitate industry and Government research priorities as a standalone Commonwealth supported RDC.

The effectiveness of the current RDC model in improving competitiveness and productivity in fisheries through research and development

Highly successful as demonstrated by recent case history studies on the return on investment on FRDC funded research. Also, FRDC has been highly successful in improving competitiveness of research agencies and scientists through the careful management of project development and implementation ensuring a minimum of duplication.

The appropriateness of current funding levels and arrangements for fisheries research and development, particularly levy arrangements, and commonwealth matching and other financial contributions to fisheries RDC’s?

Support is provided for the current levy arrangements as it allows for adjustments based on the GVP within the various fisheries. In the situation whereby a particular fishery provides research funding over and above the levy, then there needs to be consideration of higher levels of matching funding.

Identify impediments to the efficient and effective functioning of fisheries RDC model? Scope for improvements, including in respect to governance, management and any administration duplications.

The current FRDC model facilitates industry and government investment in an environment of a “partnership” towards achieving the goals and objectives of the government with regards to sustainable fisheries and community expectations. RD&E under the current FRDC model is outcome focused and provides a flexible and entrepreneurial approach to investment in RD&E.

The commonwealth fisheries are generally supportive of the PIERD Act, but suggest that the scope of the PIERD Act be amended to include RD&E into industry promotion and marketing within the broad community.

The current FRDC fisheries RD&E model is effective, efficient and timely in achieving the goals and objectives of the Government, industry and community. CFA expresses the concern that the loss of a Government Director on the FRDC through the implementation of the Urhig Review is seen as a negative because of the loss of the direct linkage to Government priorities and goals. CFA strongly advocates the return of a Government Director onto the board of FRDC.

The extent to which fisheries differ from other sectors of the economy with regards 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?

Government and industry Investment in RD&E is absolutely fundamental to the ongoing viability of the fishing industry and the management of the marine environment within Australia. Without long term investment in R&D there is the potential for a complete market failure and the flow on effect would be the loss of all or some of a community owned resource.

CSIRO and Universities would be an inappropriate way of handling fisheries research because they:

- Do not have the mechanism to collect levies
- Do not have close linkages with industry
- Do not have close linkages with all research providers and in many cases are competitors for research dollars
- Do not have the "honest broker" ability to develop multi research agency projects, the ability or support to amalgamate a number of similar project applications into one effective multi agency project that will deliver multiple outcomes.
- Have a more "strategic" approach to research rather than the tactical approach that is often needed.

FRDC are seen as the "honest broker" for marine research as they are not a research providers competing for dollars but an agency that commissions appropriate research that has been through a rigorous development process. FRDC are seen and trusted as being able to ensure industry commit to research that may not be essential for direct fisheries management or fisheries development but needs to be done to protect the marine environment for all user groups.

The extent to which RDC provide an appropriate balance between projects that provide benefits to specific industries versus broader public interest including interactions and over laps across governments and programs?

FRDC has achieved an outstanding balance between industry benefits and public interest outcomes as demonstrated in their annual report. FRDC investment in R&D within the tuna industry has resulted in the scientific break through of spawning Southern Blue Fin Tuna in captivity. This is one of many projects will provide enormous benefit to the industry, marine environment and community.

FRDC strategic challenges are focused on natural resource sustainability, industry development, people development and management and accountability. Each of these programs relate directly with government policy and programs.

The appropriateness of current levy arrangements with regards to “Free Riders” concerns and whether all industry participants are receiving appropriate benefits from their levy contributions?

Under the current State RD&E levy mechanism there is no opportunity for the “free rider” effect. With the current policies in place from FRDC they work to ensure that there is an effective balance in benefits spread to those industries which contribute the appropriate funds.