



19 July 2010

Submission to Productivity Commission Inquiry Rural Research & Development Corporations

The Seafood CRC acknowledges the broad range of issues being addressed by the Commission during this inquiry. However, this submission deals primarily with the interaction between Rural Research & Development Corporations (RDCs) and Cooperative Research Centres (CRCs) with specific reference to the Fisheries R&D Corporation (FRDC) and the Australian Seafood CRC.

The FRDC plays a critical, ongoing role in the support of innovation by a wide range of stakeholders in the fishing, aquaculture and seafood sectors. There is wide support from the industry and the research community for the effective manner in which FRDC carries out its role.

The relationship between the FRDC and Seafood CRC is complementary, efficient and effective. In particular, the Seafood CRC has expanded the level of R&D conducted in post harvest and market development by the industry. It has also enabled seafood companies that do not contribute to FRDC to participate in R&D programs of benefit to the companies themselves as well as the wider industry.

The Role of CRCs

Following the review of CRCs conducted by Prof Mary O’Kane (Collaborating to a Purpose – Review of the Cooperative Research Centre Program, Commonwealth of Australia, 2008) the Australian Government Department of Industry, Innovation, Science and Research (DIISR) reaffirmed the role of CRCs as a specific, unique feature of publically funded R&D in Australia. The new guidelines for CRCs, released after the review, specifically emphasise a key feature of CRCs which is:

End-user driven research partnerships

In the world of research funding where researchers are usually rewarded and promoted for their inputs and outputs, rather than for the outcomes they achieve, the CRC program is an important research delivery mechanism for industries.

The Interaction between CRC’s and RDCs

The RDCs should have a similar focus to that embraced by the CRC’s, with a focus on achieving usable outputs for their constituents. It is logical and appropriate that publically funded businesses with similar imperatives and philosophies interact constructively. The RDCs and CRCs work together in an interdependent, cooperative manner. Indeed, not to do so, through either omission or competition, would almost certainly result in action being taken by the industry stakeholders to reduce duplication or wasted opportunity.

Concern about over generous Commonwealth Government funding of CRCs resulting from allocation by RDCs of some of their Commonwealth funds to CRCs has been addressed in the new CRC guidelines. It is now clear from the guidelines that the Commonwealth component of RDC funds will not be included in the all important calculation of Participants' Contributions when a CRC application is being considered for approval by DIISR. The application stage is an appropriate time to consider the level of Commonwealth investment in a CRC. It allows the level of industry commitment to be gauged based on their direct levy contribution and allows the RDC to determine whether investment of its funds in the CRC is an effective and efficient way of delivering its programs compared with other delivery mechanisms.

A feature of the RDCs is that they are able to work very closely with their respective industries at a national level, which allows them to develop programs that are specific to end user needs. In a business sense, this is one of the RDCs primary competitive advantages. This also means within the overall scope of the PIERD Act, the operations of each RDC are modified to meet the needs of its stakeholders. The FRDC has always been particularly effective at aligning its programs to the needs of its diverse seafood stakeholders including wild harvest fisheries, aquaculture businesses recreational fishing and indigenous fishing industry, seafood processors and the wider community.

The Seafood CRC

The Seafood CRC was established on 1 June 2007 and runs until 30 June 2014. It is incorporated as a tax-paying, company limited by guarantee. The CRC has two broad program outcomes:

Outcome 1 - Production innovation

Substantial increase in the production and profitability of selected wild-harvest and aquaculture species

Outcome 2 - Product and market development

Increased demand and access to premium markets for Australian seafood; fulfilment of consumer demands for safe, high-quality, nutritious seafood products; and increased profitability throughout the value chain

Thirty-four participants will contribute "in-kind" support to the value of \$75million over the seven year life of the Seafood CRC. In addition \$77.6million cash contributions have been committed (Table 1)

Table 1: Seafood CRC Source of Cash Contributions 2007-08 to 2013-14

<i>Source</i>	<i>Amount (\$,000)</i>
DIISR	35,520
FRDC – Commonwealth	13,164
FRDC – Industry levies	13,164
Additional industries	7,519
Research agencies	6,850
Government of South Australia	1,400
Total	77,617

Some Relevant Features of the Australian Seafood Industry

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The fishing and aquaculture industry in Australia has an annual GVP of \$2.5 billion. Despite its size, the industry does not have a single industry representative body. Hence, its capacity for coordinated collective action such as raising funds for R&D is extremely limited. The industry consists mainly of thousands of small family businesses. In this context the FRDC plays a central role in nearly all national initiatives. It would not be possible to establish the Seafood CRC without the support and involvement of the FRDC.

The seafood industry has not until recently focussed much research effort into the needs of its customers as consumers of food. By virtue of its mandate and history the FRDC has primarily concentrated on research into seafood production and fisheries resource management.

Industry leaders recognised the need for increased focus on **seafood** research and worked with FRDC to create the Seafood CRC and ensure that a substantial component of its research was directed to seafood products, processing and markets.

With a broad range of industry organisations and companies as members of the Seafood CRC, industry leaders also regard the separate corporate structure of the CRC as an opportunity to try out a new method of participation by the industry in its governance.

Interdependence between FRDC and the Seafood CRC

(Interdependence = mutually dependent; dependent on each other)

The points set out below emphasise the constructive relationship between FRDC and the Seafood CRC.

Duration of CRC's – 7 to 10 Years

A feature of RDCs is their need to balance short term needs of their stakeholders for R&D outputs against the certainty that some problems take many years to solve and opportunities take many years to realise. The mandate of the CRC program, to conduct long term, transformation research, provides the RDCs with a very effective investment and delivery vehicle with which to tackle major industry initiatives.

Industry and Research Networks

The FRDC has established a wide range of consultative mechanisms with the seafood industry. Industry leaders and researchers have strong relationships with FRDC personnel. Government agencies have a clear route of engagement with FRDC over issues of policy, environmental sustainability, and research priorities. All of these networks are available to the CRC and do not need to be duplicated. Conversely, as the Seafood CRC establishes new networks in the food production, processing and marketing sector, the FRDC is able to use these contacts as needed.

Investment by Seafood companies not connected with FRDC

The corporate structure of the Seafood CRC is attractive to companies that wish to invest in the R&D programs being conducted. Companies such as Clean Seas Tuna Ltd, Simplot Australia Ltd and the Sydney Fish Market are not levy payers and therefore do not contribute to FRDC R&D revenue, but they have knowledge and cash to invest in programs of R&D that have mutually beneficial outcomes. The Seafood CRC provides a vehicle through which these companies can invest and benefit from the mainstream of industry R&D. This has been an important aspect of

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the relationship between the Seafood CRC and the FRDC particularly in building post harvest R&D capacity seafood industry.

Collaborative Science

The FRDC has a solid technical knowledge platform and a suite of technologies at its disposal as a result of its investment into production and systems R, D&E over many years. The Seafood CRC uses this information to avoid duplication and to ensure that its programs build on the most up to date knowledge. The program managers from FRDC and the Seafood CRC meet monthly to exchange information about projects under development and to review the outputs of completed projects.

While Australian is well supported by scientists skilled in fisheries management and aquaculture production, there are few scientists with capability and skills in post harvest R&D for the sector. The Seafood CRC is therefore working in partnership with the FRDC to build this capacity.

Post Graduate Education

An important feature of the CRC program is the requirement for engagement with universities and provision of financial support for PhD students. While FRDC has always funded some PhD students the advent of the Seafood CRC has enabled a fivefold increase in the number of PhD students in any one year studying subjects involving seafood. In addition the Seafood CRC has a manager dedicated to encouraging potential PhD students into the industry and providing them with a range of support services, including industry mentoring and exposure.

Administration

Strong connection with the FRDC has allowed the Seafood CRC to save time and money by importing many of the FRDC's policies and procedures. Many of these only need slight modification to suit the specific corporate structure of the Seafood CRC.

A very significant advantage has been the adoption by the Seafood CRC of the FRDC project management system, *Omnifish*. This enables all data about projects to be kept in the same format in both organisations and enables seamless communication about project milestones and budgets. It also enables Seafood CRC project data to be archived with FRDC. This provides the national advantage of having this data archived in the one place

With such a high level of interdependence and collaboration between the two organisations, the cost of establishing the Seafood CRC as a separate corporate entity to the FRDC should be queried. The short explanation is that separate incorporation is specified by DIISR as a requirement of the CRC program. If this requirement was relaxed it would be possible to establish the Seafood CRC as a separate Program under FRDC governance. However the advantages of separate governance for the Seafood CRC are:

- Ability to attract commercial companies as full members and shareholders of the Seafood CRC.
- Greater ownership of the R&D portfolio by industry stakeholders through their Membership of the Seafood CRC Company Ltd.
- Skills based board focussed on specific Seafood CRC objectives, nominated by the shareholders.
- Ability to make decisions on a fully commercial basis based on needs of the end users.

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- Necessity to work exclusively for the benefits of the shareholders of the Seafood CRC Company Ltd rather than “the whole industry”. This simplifies issues of corporate governance and conflict of interest.
- Greater clarity around Intellectual property issues. Particularly ownership, licensing and disposal when the Seafood CRC is wound up.
- A basis for the continuance of the CRC beyond its current period of funding by DIISR. The collaborative science, shared ownership and adoption of the project outcomes have established the basis on which the industry can continue the operations of the company.

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