

I am writing this submission as a research scientist who has been supported by funds from Horticulture Australia Ltd (HAL; formerly HRDC), and the Grains Research and Development Corporation over a period of nearly 20 years.

My comments primarily concern the dysfunctional arrangements at HAL, but may apply to other RDCs as well.

This year HAL has **not** called for proposals for new levy-funded research across the majority of industries. This situation will, in effect, lead to a substantial loss of scientific expertise as now-unfunded persons who have supported the horticultural industries will have no option other than to seek employment elsewhere. Put in more blunt terms, HAL has effectively fired a large part of the research workforce that has previously supported Australia's horticultural industries. There is no doubt that this will erode the capacity of research providers to service the needs of horticultural industries in future. This is bad news for farmers at a time when these industries are challenged by climate change, water issues, increasing costs of petroleum-based inputs, land degradation and changing market needs. It is impossible for researchers to get a completely clear picture of why this situation has emerged. However, it seems that there are several factors involved that relate directly to the draft recommendations of the Productivity Commission's Rural Research and Development Corporations Inquiry:

- HAL appears to be dominated by sectional interests from each of the industries it supports, and many of the people involved do not seem to have a background in, or deep understanding of, the productive base of horticultural industries. There does not seem to be effective technical expertise to support the development of industry priorities and decisions about research funding. Thus I support the recommendation that the RDCs should "implement board selection processes that result in boards with an appropriate balance of relevant skills and experience, rather than a balance of representative interests".
- Conflicts of interest must not be allowed to affect funding decisions. For example, I have been led to believe that AUSVEG plays a key administrative role in HAL which includes support for funding-decision meetings, from which it stands to benefit. Again, I support the recommendation that RDCs "ensure that nominated representative bodies for each of the statutory RDCs continue to be suitably representative of the interests of the industries concerned, and not dependent on funding from the RDCs they are meant to oversight".
- Although the draft recommendations address the matter of levies, the draft report is equivocal on how levies are set. In particular, while the advantages of value-based levies are acknowledged (Box 9.2), the draft report states "there currently appears to be no need to change these arrangements". This viewpoint should be reconsidered. Output-based levies (or quantity-based levies) lead to erosion of value over time due to inflation (e.g., the citrus R&D levy has not been increased for more than 10 years). In an ideal world, levies should be based on product value, and it would be even better if some standardisation of levy rates were to apply across industries. This is particularly pertinent to RDCs like HAL that deal with many different industries. By having different levy arrangements among industries, there is a structural disincentive for industries to cooperate in funding research projects that are mutually beneficial. As the draft report notes, "if members of an industry can 'free ride' on other industry participants' investments in R&D," then "there is likely to be under-investment" in such research (Box 9.1). When one industry has a substantially higher levy than another, there is a perception that one industry can get a "cheaper ride" in funding research. Researchers and rural industries are partners, and this partnership depends on regular funding (subject to effective quality assurance of R&D outputs). Thus the levy system must be structured to ensure that this partnership is appropriately funded over time to ensure continuity and preservation of valuable expertise. Value-based levies meet this objective much better than output-based levies.

Note that the views expressed here are exclusively my own. They do not reflect in any way those of my employer, scientists with whom I have collaborated, or farmers who have supported my research on their properties.