

**RESPONSE TO PRODUCTIVITY COMMISSION DRAFT REPORT
RESEARCH AND DEVELOPMENT CORPORATIONS
BY
AGRICULTURAL RESEARCH AND DEVELOPMENT EDUCATION AND
PLANNING**

GENERAL COMMENTS – OVERALL IMPRESSIONS

The draft report has been prepared for further public consultation and input.

The draft report has I believe:

- responded adequately to the scope of the Terms of Reference
- considered much of the information raised in the submissions
- reported comprehensively and recommended clearly and concisely

However I suggest that the Productivity Commission (PC) has:

- ignored that in the absence of an Australian (Government/industry) Rural Policy a rural R&D model will always stand a framework in isolation and cannot be implemented effectively
- made insufficient attempt to collect and collate appropriate data on funding and then wrongly concludes that the deficiency was an impediment for effective policy making of rural R&D
- recommended a new RDC to address ‘non-industry specific’ rural R&D without adequately explaining and clarifying why current industry rural R&D by RDCs cannot and does not include so called ‘non-industry specific’ as stated within the PIERD Act
- avoided a concise definition in supporting that statutory RDCs undertake industry-funded marketing functions
- given little guidance on the review process with respect to industry participation and subsequent Government/industry action
- left many matters to be finalized or extended and has not made a convincing case for a ten year elapse before review

CONTRIBUTIONS

Visits

The ‘participants’ that were visited are given in Table 2. These include all the RDCs and most State/national production organizations many of which would have less than 20% of producers as members. There were limited visits to other stakeholders along the supply chain. The imbalance of search of rural industry investors’ inputs into the inquiry has hampered, I believe, the scope and analysis of the draft report.

Reference to discussions during these visits are mentioned in the report. It is alarming and detracts from the transparency and possible confidence in the accuracy of the report, that references to ‘discussions’ are included in the draft report without nomination of the contributions/s.

Submissions

Of the 163 submissions received by the Productivity Commission (PC) 100 were received by the due date and 46 within two weeks of that date. The submission from DAFF (156) was received 40 days after the due date and some information presented seems to be prepared after consideration of other earlier submissions. Was the DAFF response at the bequest of the PC as was declared in submission 163? Some 19 submissions were over 40 pages and some of these contained PR information on the organization what was rather irrelevant to the inquiry. Of the late submissions some that related to the red meat industry (MLA – 19/147, Australian Meat Industry Council – 104, Australian Lot Feeders Association – 10/147, Australian Meat Processor Corporation – 111, Cattle Council of Australia – 83/149, and the Australian Beef Association – 154) are associated with a relay of criticism of the accuracy of some of the statements made in the submissions. This display and the tone of the responses gave little credibility to the organisations and was in contrast to the stated close working relationships in R&D in production, processing and marketing of red meat. The association between MLA and the Australian Beef Association on R&D was further developed publicly (The Land Sept. 10, 2010).

SPECIFIC COMMENTS AND QUESTIONS

Chapter 1, page 2

- It is not clear why the government established the inquiry
- Did the PC also consider why, how, and the justification for the Government funding other industry R&D

Chapter 2, pages 10, 12, 16

- Were there attempts taken to collect data from private organization, other than large commercial farming producers, processors etc?

Page 11

- What account was taken of the above, plus cash and in-kind from industry participant’s investment in projects?

Page 16

- The ABS data could have been presented so that the reader could examine trends. How well were the data disaggregated for appropriate analysis?

Page 17

- ‘Experimental stations’ terminology is almost an anachronism and has been largely replaced by research stations/institutions that host a range of specific experiments which for some years have provided outputs for possible adoption by local/regional/state, and national producers, not just local.

Chapter 3, page 38

The PIERD Act coverage of increasing economic environmental and social benefits of the supply chain primary industry members does not seem to effectively addressed given the conclusion and recommendations of the draft report. Why is this?

Page 41

- Is the PC convinced that the work provided in the report on productivity changes is indeed productivity or production only? How well are industry costs determined to conclude a determination of real productivity change?

Chapter 4, page 73

- ‘Collaborative entities’. However the CRRDC submission (page 58) records only 20% collaboration between RDCs.

Page 77 (Box 4.5)

- The three years trend might not sufficiently display the real increases. Note that the alarming increase for RIRDC given in submission 108. If these latter trends have also occurred in other RDCs then the statement in the PC report (page 78) that ‘comparison of administration costs across RDCs appears to be of limited value ...’ is questionable if the decision is to make RDCs cost effective for R&D.

Chapter 5, pages 100/101

- Were the relevant RDCs consulted during PC’s visits with respect to the possible effects of the rural funding support of the CRC program being provided to RDCs.

Page 104

- Research outputs are often only determined following the R&D and often outputs are not achieved or are not significant or relevant and thus it is not cost effective to plan the most appropriate delivery process, if any.

Page 105

- As referred to previously the lack of data (or on page 10 - paucity of reliable data and thus the need for processes to assemble and maintain robust data) is questionable. The RDCs, governments, universities, private/commercial organizations have the data stored and for the inquiry should have been obtained via DAFF or as an exercise by or through the PC.

Page 115

- Draft recommendation 5.3 I suggest examine the data available without introducing another mechanism.

Page 120

- I assumed that within the ToR ‘consider any impediments to the efficient and effective funding of the RDC model and identify improvements ...’ that the PC would have examined more closely the ‘broad skilling’ issues, and identified if indeed there were specific skill shortages and in what disciplines.

Page 121

- The reference to the movement of researchers into environment, natural resources management in the wool industry could be also occurring in state governments and RDCs. This possible change does not seem to have been sufficiently examined by the PC.

Chapter 6, page 126

- How have the requirements of Government changed at least in policy, in recent years?

Page 128

- Why only ' cursory examination' What are the broad indicators provided by the Government on perceived unmet research needs?

Page 131

- Strange that the AMPC could make such a statement when within the red meat R&D 'family' of investors there has been, for example, a not insignificant emphasis on funding of the lot feeding effects on the environment, and beef cattle welfare.

Page 137

- Having prepared an alternative approach (submission 108) I could take umbrage at the shallowness of the reference to a 'RDC on steroids'. Many RDCs consider many commodities already (eg RIRDC, HAL) in relative funding allocations and even the MLA does have responsibility for sheepmeat, cattle and meatgoats, and apparently administration and management is effective and efficient. The simplicity and transparency of a single RDC should have I suggest receive more attraction and deliberation by the PC especially as the proposed RRA will have to consider funding for the relative merits (competition?) between all rural industry interests. The PC might elaborate the statement that a single RDC might increase the current tension between the two main stakeholders.

Chapter 7, Page 169

- What evidence is there to support that the 'new arrangement when fully in place would be at least partly offset by rural producers increasing their funding of industry-focused research'? What is meant qualitatively by 'partly'.

Page 170

- Expectation is that only low-yielding projects would be permanently dropped. There is little, or should be little, assurance in predicting R&D results (otherwise why do the R) of low-yielding projects of huge costs as compared with high yielding projects of low costs.

Page 180

- What is meant by ‘the Australian Government embody in all its R&D program ...’. Does that mean all RDCs? What is meant by socially – valuable R&D?

Page 180

- Corporations prepare Annual Operational Plans and have sufficient confidence of ministerial approval to encourage trialing new cereal varieties before July. Of course the timing is perfect for trialing new summer crop varieties.

Chapter 8, Page 182

- As a shareholder in MLA I cannot identify from Annual Reports such a reduction of corporate-services employees. Overall staff continues to increase in MLA, 5% increase in 2008/09 due to ‘boosting our capability in community communication and environmental issues’ (MLA Annual Report 2009/10).

Page 182

- Ag Force’s observation that RDCs with overseas marketing offices have been used to facilitate contact with international researchers and draw on their R&D needs plenty of clarification. I would not have thought that international communication of researches is now sufficiently well serviced by other means such as publications, conferences, internet etc. These linkages are used to advantage of Australian and overseas researchers by RDCs without such marketing offices.

Page 184

- There appears to be a need for DAFF to explain and support with evidence the perceptions of a need for collective marketing and the synergies this has with R&D.

Page 187

- ‘By acting on behalf of many levy payers in a given industry’. The appreciable low voting by AWI and MLA levy payers for example does not give credence that the industry is conveying a consensus of views and opinions. Similarly state producer associations, with again appreciable low and decreasing memberships, do not necessarily give producers’ views.

Page 190

- If researched it is most likely that Government representation have in the past had little interest or effectiveness as members of statutory or IOC RDCs.

Page 196

- MLA – Yet meatgoat levy payers have no representatives on the selection committee. This is an example where it is accepted in a RDC that some industries can represent (accept?) the interest of others.

Page 199

- The RIRDC provides another example where a number of industry interests are under a single RDC. The observation of DAFF regarding the difficulty to obtain agreement across industries is not highlighted in the HAL submission (101). Naturally there would be debate on funding allocations. DAFF and state departments responsible for rural R&D decisions have to consider all rural industries. So could a single RDC?

Page 200

- I notice reference to CRRDC and its initiatives to improve administration efficiency of RDCs. As an unincorporated organization its submission (128) might have more credence if its history and responsibilities were clearly stated. The cost of the CRRDC seems to be partly funded through RDC levy payers at what benefit/cost as an influence on the future rural R&D in Australia. The sample selection guidelines in Box 8.8 is somewhat alarming when random means set of projects focused on a particular research area which has reached '.... A significant milestone in the least time to five years'.

Page 209

- There is a need to define small-scale and low risk adaptive research or give a least examples would help, and what have been the benefit/cost?

Page 210

- The Government has ample opportunity to monitor RDCs via annual reports, operational plan etc and has done so in many instances. The last Parliamentary Secretary for RDCs concluded I suggest in 2007, not several years ago (Susan Ley). Also I question again DAFF's interest and inability to further collate data.

Chapter 9, Page 217 (Box 9.1)

- For RIRDC I am aware that only (kangaroo) has moved from voluntary to a statutory levy and that was not an uncostly change for the inputs of industry and government. Eight have changed in HAL and that might be a more appropriate example for this Box.

Page 218

- Levies on unit output could include 'per livestock exported' eg cattle, buffalo.

Page 233

- 'small number of processors' The meaning of small and concentrated could be questionable. In aggregate many processing works might have been overlooked eg kangaroo, farmed rabbit, goat/sheep milk, crocodile, fibre. All contribute and for kangaroo and feral pigs early processing is widely dispersed. Also there are many processors in the supply chain specially value adding eg Lennon poultry enterprises.

Page 234

- Independent research undertaken in the 1980's for the red meat industry concluded that elasticity of demand/supply mainly determined the 'pass-back'

of levies from producers to consumers. I am unaware of how comprehensive Radcliffe (2005) study was.

SPECIFIC MAJOR COMMENTS ON RECOMMENDATION, FINDINGS AND INFORMATION REQUEST

Draft (D) Findings (F) 5.1, 5.2 Agree.

D Recommendation (R) 5.1 – Suggest that there has been insufficient research on what ‘socially valuable’ R&D has, or is being undertaken across RDCs to draw the conclusions ‘that would not otherwise be undertaken’.

The National Primary Industries RD&E Framework initiative for many industries might have reached a stage of conclusion and acceptance that it may not be able to now incorporate the principles of the PC draft report.

DR 5.2 – Comments on the need for data collection is supported but as raised earlier should be obtained now and in the future without difficulty rather than highlighting this matter as a recommendation.

DR 6.1 I suggest that there has been insufficient identification of appropriate ‘non-industry’ specific R&D that is already being addressed by RDCs for the need to establish a new RDC – RRA. The alternative of a single RDC as proposed in submission 108 has not been accepted by the PC but for another purpose the PC has introduced a new RDC that addresses the interests of all stakeholders now covered by RDCs. It is a very optimistic thought by the PC that RDCs might supplement Government funding of RRA.

DR 7.1 Is not the ‘national research issue’ already receiving appropriations from the Government via RIRDC with additions occurring frequently as terminated by the closing of a RDC or as discarded by DAFF?

Information (I) Request (R) – Areas and types of ‘non-industry’ specific rural R&D that, in addition to that raised by PC, could be considered – land-care and catchment; water storage and irrigation systems; processing technology; stakeholders’ training in policy creation including development with government of an Australian Rural Policy with updates; fire and flood mitigation and emergency actions; energy conservation and reducing losses; rural ornamental and plant systems; native plant and tree conservation; food and feed security and consumers’ nutritional needs; alternative medicines; farm fencing and infrastructure; transportation and storage of rural products; food wastage from farm to consumer; producers and processors recording systems; communication needs; producers’ working stock; producers, processors, transporters safety; including protective clothing; rural communication; rural education and training; animal welfare.

DR 8.1 Research should occur of the reasons and the most appropriate ways to undertake vigorous and regular ex-ante and ex-post project evaluations. Does the timeliness of ex-post project formal evaluation affect further research, or do

worthwhile project outputs easily identified and considered immediately for adaptation and adoption eg new plant varieties, new chemicals for control of pests/weeds.

DR 8.2 Suggest that socially – worthwhile rural R&D be concisely explained in this recommendation.

DR 8.3 The scope of the marketing in the functions of statutory RDCs should be clearly defined. Already some of these RDCs fund marketing R&D including market identification, access and retention. Is the PC recommending to add to these functions?

DR 8.4 Agreed although some history of previous inclusions suggest little contribution.

DR 8.5 Evaluation process questions have been raised above. Function, funding and methods of reporting to industry stakeholders should be independently discussed and debated before giving the recommendation responsibilities to CRRDC.

DR 8.6 Suggest vary to five years rather than at least every three years because it can take longer than three years for outputs to be reported from a project.

DR 8.7 I am concerned that recommendations DR 8.5 and DR 8.6 will reduce funding for projects and again DR 8.7 will be another threat to cost effectiveness and efficiency. At least with DR 8.7 would it be sufficient for DAFF to prepare a summary of outcomes of DR 8.5 and 8.6 as these are completed?

IR - The focus on AWI in the draft report I feel is not justified given the high likelihood of identifying ‘underperformance’ of other RDCs. Thus any thought of sanctions based on the unacceptable matters raised by the PC in the draft report is I suggest a very dangerous approach and unnecessary to include in the final report.

DR 9.1 Agree.

IR - Suggest combined with the management flexibility for priority setting.

DR 9.2, 9.3, 9.4 Agree.

DR 9. Do not agree. The rural industry should be viewed by Government as stakeholders along the supply chain from producers to consumers. The red meat family of corporations attempt to view it as such. There is a need for Government to facilitate appropriate workshops with various industries to discuss and determine levy being responsibilities.

DR 9.2 Agree although as parties to the intent of the National Primary Industries RD&E Framework the RDCs would recognize that the continued effectiveness of its implementation is questionable.

DR 9.5 A ten year phase – in period and then review is probably too long given that it is likely that it will take then five more years for new changes to be fully implemented. That is the acceptance and adoption of the PC final recommendation

from the inquiry would have an impact for 10/15 years. This is a huge responsibility. I suggest independently monitor after five years and amend as needed.