



**RESPONSE TO THE
PRODUCTIVITY COMMISSION
DRAFT REPORT
on the
AUSTRALIAN RESEARCH AND
DEVELOPMENT CORPORATIONS**

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Response to the Productivity Commission Draft Report on The Australian Research and Development Corporations by the Australian Institute of Agricultural Science and Technology (AIAST)

The AIAST applauds the recommendation by the Productivity Commission (PC) to retain the RDC model as an effective means to support agricultural R, D & E in Australia. There is always room for improvement but it is a model which works and is the envy of our counterparts overseas.

However there are several issues in the Draft Report which we believe justify challenge or require further work:

1. There is no overall vision for agriculture or agricultural R, D & E in Australia and therefore there is no overall context of “where we need to be, how we get there and how we fund it” within which to consider the draft report. It is very much a piecemeal approach to what is one of the most important economic, environmental and social sustainability issues facing this nation. Whilst such a vision was not part of the terms of reference, mention of the need for same would seem to warrant some consideration.
2. The report fails to adequately reflect the importance of a number of other current policy and operational changes which are impacting on agricultural R, D & E. Not the least of these is the PISC agenda, and the fact that, faced with serious budget decisions, most States have decided to substantially reduce their funding to agricultural R, D & E even before the PISC national strategies are finalised. This is despite the agreement that research would be coordinated nationally, with development being regional and extension local. All have been cut, but particularly D&E which was to have remained a particular responsibility of the States. There is an expectation that farmer groups and consultants will fill the gap. They have neither the \$\$ or science resources to do so. Furthermore they are driven primarily by the needs of members or clients and won't address many of the issues previously serviced by the public sector.

Similarly the rules governing the Cooperative Research Centres have changed and need to form part of the overall context of this report.

3. In arguing the level of government support the draft report draws comparisons with overseas. It has admitted previously that this comparison is rubbery so we question why it is used as part of the case. We have already responded to the Productivity Commission about the need to take care in such comparisons and compare like with like. For example Australia differs in terms of its overall government support for agriculture, has unique needs which make it difficult to use information from overseas, and is a small market in terms of attracting private investment. Furthermore, why do we assume that overseas countries have got it right, perhaps Australia is wiser in having greater public investment?
4. We are concerned that the basic approach seems to be one of government saving costs, (a common demand by Finance and Treasury Departments), rather than one of government making an investments from which they will gain direct and indirect

benefits. Such an approach we suggest would place a different complexion on the recommendations of the Report in that it would focus more on wealth generation rather than wealth distribution.

5. As seems to often be the case with these sorts of reports, and government expenditure decisions generally, the main basis for argument is whether or not the expenditure is in the private or public good.
6. In the case of this report, it is conceded that there is a lack of data, which in our view makes the judgements about spill over effects subjective at best. The Report fails to adequately recognise that agriculture is different in that good technology and practices have impacts well beyond production and farmer benefit.

The additional benefits – public benefits - were covered in our initial application and include such things as benefits in natural resource management, the food challenge, managing greenhouse emissions/carbon, employment and regional benefits. Agriculture is somewhat unique in providing these benefits at the same time as improving productivity.

7. AIAST does not believe that there is adequate justification provided in the Report for reductions in government support. Having said this, we support the need for a broader strategy to provide for increased contributions by farmers in circumstances where they see it is to their benefit to do so.
8. We further believe that others in the total chain (such as, storage, marketers etc) who also benefit from productivity growth should contribute, but in a way that this cost is not simply passed on to farmers. There is a need for a broader strategy to encourage investment in research and development across the agricultural/food manufacturing sectors. At present the approach is piecemeal.
9. The draft report treats all research as having a relationship to a particular industry. There is no sense of understanding the importance of Australia having a research capacity, intellect and standing *per se*.

Australia has long “punched above its weight” internationally in terms of agricultural research excellence. This has not just been with bodies such as CSIRO but with the universities, state departments and many others.

We are at serious risk of losing this reputation which will have a serious effect on our international standing and our capacity to play on the international stage. There is some evidence from discussion that this might already be happening. Given our already limited research capacity in Australia such international links are essential if we are to both benefit from work overseas and meet our obligations in serving others.

10. Reductions in government funding, with greater reliance on industry (if they agree), will have important ramifications on the stability of funding given that the government component provides some buffer against poor seasons and low prices, both of which are common and have an impact on levy collections. The uncertainty of funding is already having an impact on attracting suitable people to research and on the continuity of research programs. We hardly need any more uncertainty.
11. In considering investment by the private commercial sector (not industry funds), by implication the Report indicates that this area of investment will be increasingly important in future and yet it provides scant analysis of the opportunities or barriers to this happening. What are the limitations, would sweeteners from government be

justified, what about the effectiveness of R&D tax provisions? These may be seen as outside the terms of reference but are part of the whole picture which needs to be covered.

12. AIAST acknowledges that there is a lack of hard data on many of the issues which the PC wishes to explore and that this makes drawing safe conclusions and recommendations difficult. We would therefore urge caution until the appropriate data is available
13. The Report recommends “consensual” government appointments to RDC Boards. AIAST believes that this is too soft. As outlined in our initial submission, AIAST would recommend that there be a government appointee on all Boards AND that such appointee have the capacity to form an effective interface between the RDC, Govt Departments and the government itself. An important role would be to inform the RDC of government policy expectations and to ensure that the government was better informed (through RDC inputs) in developing those policies. There needs to be better communication and trust between both sides.
14. Balance of the portfolio. The Report recommends that, as a condition of receiving government funding, RDCs include a balance of project types, with a greater level of basic research in their portfolio. We accept that basic research is important. We also accept that it was once largely funded by governments through universities, CSIRO, CRCs and to lesser extent State Departments. This has now all changed with the cuts in funding and the greater reliance on industry funds. Industry itself appreciates the need to continually replenish the intellectual feedstock through basics research but would question why they would give this long term, high risk activity preference over projects which provided a more immediate return for their levy \$\$\$. In fact there is an argument that with the withdrawal of State governments from applied field research, development and extension, investments in these areas (which involve validation and adoption of current information), would provide greater and more immediate returns to the farmer and the economy; and that given the PC’s own perspective that the beneficiary should pay, should therefore receive priority.
15. The important interdependence between research and training, especially at University level is not addressed in this report – one cannot reduce the nature and level of the investment in research without seriously impacting on training capacity. The reputation of a University in both research and teaching is important in attracting scientists, undergraduates and post graduates. There is also of course the relationship between research and teaching activity. Without a research reputation, careers in agriculture are seen as less attractive, further reducing the number of undergraduates electing this option. In Australia we currently produce less than 50% of the agriculture graduates required – in fact it is our belief that this shortage of intellectual capacity is the greatest challenge and risk facing the future of agriculture. The Report needs to recognise the research - training link and assess the impact of its recommendations on the training as well as the research function.
16. Related to this and of particular concern is the fact that there has been a huge shift in expectations from what the State Departments used to support to farmer groups and private consultants. This is clearly a capacity issue in that there is simply not the capacity in the field to fill the gap left by State agencies. Even if industry (either as funding bodies or individual fee paying farmers) tries to fill the gap they will fail through a lack of suitably trained staff.

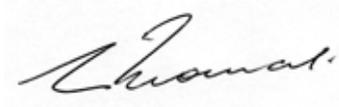
17. The report does not adequately address the cross sectoral issues i.e. relationships between enterprises and industries which form part of the same integrated farming system. The Report deals with R, D &E as if it were in pigeon holes which are often convenient for research and funding bodies but does not reflect reality. Our submission dealt in some detail with the need for greater integration of research and for a farm systems approach and we believe that this warrants a re-visit.
18. AIAST supports the need for greater evaluation of research but is concerned that the Report seems to place greatest emphasise on scientific merit. Our concern is more about assessing the benefit to industry and the public of the outcomes, whilst still maintaining scientific rigour. This was identified as a major area for attention at the recent Conference convened by AIAST on “Future Directions for R, D &E in Australia”. Meaningful evaluation is a very complex and expensive function. It must not be treated as a simple “add on” to be done at the end of the project but something which is an integral part of the project itself. As such it deserves greater attention in the Report. After all, one of the major bones of contention with the public/private good argument which seems to drive many of the PC recommendations is the failure to evaluate activities adequately in these terms.
19. Rural Research Authority (RRA)

While the general concept is supported there are several aspects which deserve further exploration:

- The report does not acknowledge the extent to which RDCs have already adapted a proportion of their investment into cross-sectoral research, much of it facilitated initially by the now defunct Land and Water Resources R&D Corporation (“Land and Water Australia”)
- What is the case for the RRA rather than the work being done by the RDCs, especially if the principles and associated conditions of government investment recommend in this Report are adopted.
- What is the longevity of the RRA and to what extent will it be funded by transfer of government funds from RDCs.
- Will it pick up the research component from some government agencies themselves and therefore result in less duplication and better direction
- To what extent will it be used by government as “their own” research arm, working mainly on whims of policy? To what extent will it be subject to political influence?
- Will it be a dumping ground for projects which don’t fit elsewhere and how will this be avoided.
- What will be the links with industry? How and by whom will research priorities be determined and who will the research be for? How will its value be evaluated? What will be the links with industry programs which drive adoption of the outcomes? What will be the links with RDCs? In other words if public good benefits are only achieved through private investment (which is clearly the case), how will these linkages be created through the information generation and adoption chain?

- Will it include the broader and generic components of research in the public good such as rural social research, farm business management research, communication research to name just a few.

There are many other issues in the initial AIAST Submissions to the PC which do not seem to have been taken into consideration. Rather than deal with them again here we suggest that the PC revisit that submission as part of developing their final recommendations.



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