

18 November 2010

COMMENTS ON PC DRAFT REPORT
on
RURAL RESEARCH & DEVELOPMENT CORPORATIONS

following the Public Hearing in Tamworth on 15 Nov 2010

1. GENERAL COMMENTS

*Opposition to the recommended reduction of the government matching contributions cap from .5% to .25%.

No convincing case supporting this recommendation appears in the Report. It seems likely to be a Government (Treasury) directive to the Commissioner. No evidence is provided that public benefits emanating from public investment in rural R&D have diminished, or are likely to do so. Such benefits accrue to local, regional and national Australia in the forms of tax revenue, export income, food and biosecurity and, not least, stewardship of non-metropolitan Australia.

*Questioning the need/justification for the recommended formation of the proposed Rural Research Australia.

Other options involving modification of the existing RDOs should be examined.

Proposed functions of the suggested RRA should be determined before the delivery means is considered, especially when the proposal would require expenditure of a large sum of public funds to set up and run the new bureaucracy.

2. COMMENTS SPECIFIC TO MLA & AWI.

These comments refer only to these two RDOs due to my first-hand experience with them in my capacity as a sheep and cattle producer, and a former producer representative.

Both the MLA and the AWI have to be accountable to a very geographically widespread, and diverse set of levy-payers, as well to the Federal Government. They have also to rely on producer Peak Councils for policy determination and feedback to producers. This is a flawed system and makes good transparency very difficult.

However much could be done to improve on the present unsatisfactory level of transparency and accountability in relation to the R&D functions of these two RDOs. These improvements would materially assist levy-payers to evaluate the results of their R&D levies investment. This in turn would obviously put levy-payers in a much better position when deciding how much, and in what, they are prepared to invest in industry R&D.

These changes should include more rigorous assessment of submitted R&D proposals, including the application of a market-failure test when potential funding sources are being considered. Ante and ex post evaluation figures of all accepted projects should be made as a matter of course, and these figures should be made available to levy-payers.

Much more rigorous attention should be paid to the R&D:Extension funding ratio. Unless there is a defensible case against it, extension of old research results should have a "sunset" time limit. Priority must be given to the adoption of new research results - progressive levy-payers have long since adopted old results if they are cost-effective and relevant.

Currently producer levy-payers rely heavily on their Peak Councils for their evaluation of the RDCs' performance. Unfortunately the Councils' ability to carry out this responsibility is constrained by lack of appropriate skills, and, arguably, by their reliance on the Corporations for their funding. The Peak Councils could improve their value to their constituents if they constructed a set of performance criteria which were meaningful to levy-payers, against which the RDCs' performance would be assessed. To assist their evaluation they should engage, by contract a professional with the appropriate skills.

From time to time the RDCs fund so-called "external" performance reviews, the results of which are not always fully disclosed to levy-payers. With the TOR also being set by the RDC the results of some reviews do not answer the questions levy-payers are asking, and therefore provide less than satisfactory transparency and accountability.

* Support for the appointment by the Government of a Board Member to represent tax-payers interests. This recommendation, if adopted by the Government and the RDOs has the potential to improve both the performance and governance of these bodies. However this potential will only be realised if a person with the appropriate skills is appointed. The Government must give an on-going commitment to the importance of this appointment.

3. CONCLUSION

In summary:

There is no case for reducing the matching government contribution percentage. The 'spillover' public benefits to rural and regional communities, and to the national economy remain as valid and as important as they ever were. Additionally, the cost/benefit analyses of good R&D continue to show a very profitable return on R&D investment.

The proposed establishment of the Rural Research Australia organisation should be subjected to further evaluation before acceptance, especially regarding its functions, cost and alternative delivery through existing RDOs.

There is obvious scope for significant improvements to be made in the governance and performance of the two RDOs, AWI and MLA. These are detailed in the relevant section above.

The suggested addition of a Government representative Board member is supported, subject to the qualifications expressed above.

RESEARCH AND DEVELOPMENT REMAINS OF FUNDAMENTAL IMPORTANCE TO AUSTRALIAN AGRICULTURE, RURAL COMMUNITIES AND THE NATIONAL ECONOMY.

INVESTMENT IN COST-EFFECTIVE R&D, BOTH PUBLIC AND PRIVATE, SHOULD BE INCREASED, NOT DECREASED.

R. J. Gordon

