



Australian Government
Productivity Commission

Rural Research and Development Corporations

Productivity Commission Inquiry Report

No. 52, 10 February 2011

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The Productivity Commission

The Productivity Commission is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long term interest of the Australian community.

The Commission's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

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10 February 2011

The Hon Bill Shorten MP
Assistant Treasurer
Parliament House
CANBERRA ACT 2600

Dear Assistant Treasurer

In accordance with Section 11 of the *Productivity Commission Act 1998*, we have pleasure in submitting to you the Commission's final report into Rural Research and Development Corporations.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'P. Weickhardt'.

Philip Weickhardt
Presiding Commissioner

A handwritten signature in dark ink, appearing to read 'Cliff Samson'.

Dr Cliff Samson
Associate Commissioner

Terms of reference

I, NICK SHERRY, Assistant Treasurer, pursuant to Parts 2 and 3 of the *Productivity Commission Act 1998*, hereby refer rural research and development corporation arrangements in Australia to the Productivity Commission for inquiry and report within twelve months of receipt of this reference.

Outline

Investment in agricultural research and development is undertaken primarily through the Rural Development Corporations (RDCs), State and Territory governments, CSIRO, the tertiary education sector, cooperative research centres and private sector businesses. Total expenditure by all sectors on rural research and development was of the order of \$1.6 billion in 2006-07.

The RDCs, who commission research and development from public and private providers, are funded by a co-investment model based on industry levies and matching Australian Government funding. The Australian Government collects industry levies under legislation for the purpose of research and development and matches expenditure on research and development on a 1:1 basis, up to 0.5 per cent of industry gross value of production. In 2008-09, expenditure by RDCs on R&D was about \$460 million, including \$207 million from the Australian Government. RDCs are accountable to both industry and government for their expenditure.

Terms of Reference

The review will:

- examine the economic and policy rationale for Commonwealth Government investment in rural R&D;
- examine the appropriate level of, and balance between public and private investment in rural R&D;
- consider the effectiveness of the current RDC model in improving competitiveness and productivity in the agriculture, fisheries and forestry industries through research and development;
- examine the appropriateness of current funding levels and arrangements for agricultural research and development, particularly levy arrangements, and Commonwealth matching and other financial contributions to agriculture, fisheries and forestry RDCs;
- consider any impediments to the efficient and effective functioning of the RDC model and identify any scope for improvements, including in respect to governance, management and any administrative duplication;

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- consider the extent to which the agriculture, fisheries and forestry industries differ from other sectors of the economy with regard to research and development; how the current RDC model compares and interacts with other research and development arrangements, including the university sector, cooperative research centres and other providers; and whether there are other models which could address policy objectives more effectively;
 - examine the extent to which RDCs provide an appropriate balance between projects that provide benefits to specific industries versus broader public interests including examining interactions and potential overlaps across governments and programs, such as mitigating and adapting to climate change; managing the natural resource base; understanding and responding better to markets and consumers; food security, and managing biosecurity threats;
 - examine whether the current levy arrangements address free rider concerns effectively and whether all industry participants are receiving appropriate benefits from their levy contributions.

The Commission is to hold hearings for the purpose of the inquiry and produce a draft and final report.

NICK SHERRY

[Received 15 February 2010]

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Abbreviations

ABARES	Australian Bureau of Agricultural and Resource Economics and Sciences
ABS	Australian Bureau of Statistics
ACIAR	Australian Centre for International Agricultural Research
AECL	Australian Egg Corporation Limited
AFI	Australian Farm Institute
AGS	Australian Government Solicitor
AMPC	Australian Meat Processor Corporation
APL	Australian Pork Limited
ARC	Australian Research Council
AWI	Australian Wool Innovation
CAC Act	<i>Commonwealth Authorities and Companies Act 1997 (Cwlth)</i>
CEO	chief executive officer
CRC	Cooperative Research Centre
CRDC	Cotton Research and Development Corporation
CRRDC	Council of Rural Research and Development Corporations
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DAFF	Department of Agriculture, Fisheries and Forestry
FMA Act	<i>Financial Management and Accountability Act 1997 (Cwlth)</i>
FRDC	Fisheries Research and Development Corporation
FWPA	Forest and Wood Products Australia
GRDC	Grains Research and Development Corporation
GVP	gross value of production
GWRDC	Grape and Wine Research and Development Corporation
HAL	Horticulture Australia Limited

IC	Industry Commission
IOC	industry-owned corporation
IP	intellectual property
LRS	Levies Revenue Service
LWA	Land and Water Australia
MLA	Meat and Livestock Australia
NPSI	National Program for Sustainable Irrigation
OECD	Organisation for Economic Co-operation and Development
PC	Productivity Commission
PGA	Pastoralists and Graziers Association of Western Australia
PIERD Act	<i>Primary Industries and Energy Research and Development Act 1989 (Cwlth)</i>
PIMC	Primary Industries Ministerial Council
PISC	Primary Industries Standing Committee
PMSEIC	Prime Minister's Science, Engineering and Innovation Council
R&D	research and development
RD&E	research, development and extension
RDC	(Rural) Research and Development Corporation
RIRDC	Rural Industries Research and Development Corporation
RRA	(the proposed) Rural Research Australia
SAGIT	South Australian Grain Industry Trust
SFA	statutory funding agreement
SRDC	Sugar Research and Development Corporation