



Southern Rocklobster Limited ABN 66 108 116 847
PO Box 305, Hampton VIC Australia 3188

W:www.southernrocklobster.com



Submission to the Senate Enquiry on
industry structures and systems
governing the imposition and
disbursement of marketing and
research and development (R&D) levies
in the agricultural sector.

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1. Background to SRL

SRL Ltd is a company limited by guarantee that co-ordinates Research and Development activities for the southern rock lobster industry in South Australia, Tasmania and Victoria. Its members are the peak bodies for the rock lobster industry in each State. Therefore, SRL is a wholly industry-owned company. The company employs a part time Executive Officer and funds an independent Chairman of the Board and R&D Committee.

SRL operates according to a 5-year Strategic Plan (plus annual Operational Plans) which is developed and reviewed regularly in partnership not only with industry members but also with the industry's broader stakeholders including State Management Agencies, research agencies and the Fisheries Research and Development Corporation (FRDC). The Strategic Plan includes R&D, market research and development and other issues to support the national rock lobster industry. Activities of an R&D nature are mainly funded through the Fisheries Research and Development Corporation (FRDC) whereas market development-related activities have been funded through the Seafood Cooperative Research Centre (Seafood CRC) of which SRL is a member and to which SRL contributes industry funds.

SRL has established an R&D Committee, which consists of industry members and State Government Management representatives with FRDC (and Seafood CRC) being permanent observers. This R&D committee reviews R&D and other research proposals, makes recommendations to the Board on R&D and market-related issues and projects and monitors projects.

An independent Governance Review of SRL, carried out in 2013, found near-universal industry support for SRL, its operations and key staff.

2. Background to the Industry

The Australian rock lobster industry is the most valuable wild caught fisheries product in Australia, landing about 8,657t of rock lobster valued (at producer, or 'farm gate' prices) at around \$AU384 million. Of this southern rock lobster landings represent 46% of the value of landings. The other major Australian producer is Western Australia, which catches a different species and which also contributes about 46% of the total Australian lobster production by value.

Southern rock lobster is Australia's largest seafood export by value with about 84% of production being exported annually. Over 90% of exports of southern rock lobster are live product with China accounting for 85% by volume of total exports per annum. In 2011/12, Australian rock lobsters accounted for over 10% by value of all Australian food exports to

China, significantly more than either the Australian wine (\$240 million) or dairy (\$233 million) industries.

The southern rock lobster industry, mainly based in regional, rural areas of South Australia, Tasmania and Victoria, is therefore a major industry and employer and, as such, relies on robust R&D, co-ordinated by SRL, to ensure sustainable catches, product quality and to maintain its market position as a premium product in export markets.

3. Current arrangements for R&D Levy Collection

SRL operates under a 4 year Industry Partnership Agreement with the Fisheries Research and Development Corporation (FRDC) which, in essence, provides core funding from FRDC for SRL's administrative operations. In return, SRL assesses and advises FRDC on R&D priorities for the national southern rock lobster industry.

Market development and other non-R&D project activities are mainly funded through the Seafood CRC since the FRDC have not been able to fund these activities. Recent legislative changes however now enables FRDC to fund industry promotion and marketing activities and SRL is working with FRDC to examine the implications of this change. To date, no decisions or commitments have yet been made by SRL on this issue.

Funds are collected through State Management Agencies for a voluntary levy amounting to 0.25% of GVP and the State Management agencies then pass these funds to FRDC for R&D purposes. The industry contributes around \$380,000 - \$400,000 annually to FRDC through this arrangement.

Almost 100% of licence holders in the fishery pay this levy which is usually included within the annual State licence fee for industry participants. Some industry sectors (e.g. South Australia and Tasmania) make additional voluntary contributions to FRDC over and above the 0.25% levy which is again collected by State agencies as part of the annual licence fee.

The levy funds are matched by FRDC (with the exception of additional voluntary funds, which do not attract matching Government funding) and this provides the pool of funds that SRL advises on. Some funds have, in the past, been further matched through projects with the Seafood CRC although the CRC comes to an end in June 2105.

4. Issues with, and Comments on the current arrangements

- a) The relationship between SRL and FRDC is generally a very positive one and provides significant benefits to the southern rock lobster industry. To facilitate the relationship, the ED of FRDC is an observer at all SRL Board meetings and takes an active part in discussions. Because of this arrangement, and the relationship between FRDC and SRL being formalised through the Industry Partnership Agreement, the

R&D priorities of the industry are generally well reflected in and aligned with R&D activities that are funded by FRDC

- b) The confidence that SRL has in FRDC is reflected in the additional voluntary contributions (over and above the 0.25% of GVP that attracts matching Government funding) that SRL members have made to FRDC for R&D purposes over the past 6 years. These additional contributions have ranged from \$198,000 pa to approximately \$300,000.
- c) With regards the opportunities that levy payers have to influence the investment of levies, the arrangements through the Industry Partnership Agreement (IPA) between FRDC and SRL provides the levy payers with significant and direct influence over the investment of industry levies.
- d) As a result of these various arrangements, any issues of disagreement between FRDC and SRL as to R&D priorities can be, and are, quickly and harmoniously resolved.
- e) Although SRL does not have decision-making powers over that investment, the advisory powers it does have in directing FRDC investment to industry R&D priorities are considerable and is further enhanced by the close working relationships between SRL and FRDC. This results in FRDC implementing the advice on R&D investment provided by SRL in the vast majority of cases (>95%). A logical evolution of this arrangement in the future would be for SRL's advisory role to be modified to a decision-making role.
- f) The Board of FRDC, being expertise based, is appointed with no input from the southern rock lobster industry and does not have members with a detailed knowledge of the southern rock lobster industry. However, given the close working relationship between SRL and FRDC and the formal collaborative arrangements in place through the IPA, this lack of Board knowledge has, in our view, no practical impact on FRDC operations, or on SRL's ability to have industry R&D priorities funded.
- g) There is a long history of FRDC projects providing excellent return on investment to the SRL industry with the process of industry involvement in project development important key to this outcome.
- h) The seafood industry is fragmented into numerous different producing sectors, an issue that is exacerbated by the absence of any national fisheries industry representative body. Despite the array of different sectors and products, there are often shared research needs which any one individual sector is unable to resource. FRDC therefore plays a valuable role in identifying and supporting projects that address the needs of the wider seafood industry.
- i) In summary, SRL believes the current arrangements between FRDC, SRL and the southern rock lobster industry levy payers, which is formalised through an Industry Partnership Agreement, work extremely well to the benefit of the industry. It not only provides direct influence by levy payers over R&D activities funded through the FRDC but also facilitates a close working relationship between all stakeholders in working towards common, prior-agreed R&D goals. This is achieved, in large part, by establishing close working relationships through observer status of FRDC on the SRL Board and involving stakeholders in the development and review of SRL's 5-year Strategic Plan.