



National Farmers' Federation

**Submission to the
Senate Committee Senate Standing Committee on Rural and
Regional Affairs and Transport inquiry into *Rural Research and
Development Legislation Amendment Bill 2014***

October 2014

NFF Member Organisations



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1. Introduction

The National Farmers' Federation (NFF) welcomes the opportunity to make a submission to the Senate Standing Committee on Rural and Regional Affairs and Transport inquiry into the *Rural Research and Development Legislation Amendment Bill 2014*.

The NFF was established in 1979 and is the peak national body representing farmers, and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities. Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF. Following a restructure of the organisation in 2009 a broader cross section of the agricultural sector has been enabled to become members of the NFF, including the breadth and the length of the supply chain.

Since establishment 35 years ago, the NFF has consistently engaged in policy interaction with government regarding a range of issues of importance to the sector including trade, education, environment, and innovation to name a few. The NFF seeks to represent the agriculture industry and provide high-level advice and guidance on issues of critical importance to the future of the Australian farm and agribusiness sector.

The NFF provides the following submission to inform the Senate Standing Committee on Rural and Regional Affairs and Transport's inquiry into the *Rural Research and Development Legislation Amendment Bill 2014*. This submission is based on the premise that Government and industry have collective responsibility for the Rural Research and Development Corporations (RDCs), particularly to ensure efficient and effective expenditure of both industry and taxpayer funds. The RDCs were established as a partnership between Government and industry and it is important that any changes to the model are made in agreement between the two funding partners – unilateral Government decisions about the future of the system are not appropriate.

The NFF understands the purpose of the *Rural Research and Development Legislation Amendment Bill 2014* is to amend legislation relating to research and development for primary industries, and for related purposes. The amendments would allow the government to recover the cost of membership fees to international inter-governmental commodity organisations and regional fisheries management organisations. The NFF has a number of concerns with this proposal, as outlined throughout this submission.

The NFF supports additional measures within the Bill to remove the requirement for the Minister to organise an annual co-ordination meeting for the chairs of RDCs and the amendments to remove some Parliamentary tabling requirements for RDCs.

2. International inter-governmental commodity organisations

For the purpose of this inquiry, it needs to be recognised that the international commodity organisations are not industry bodies, but are in fact inter-governmental forums. This is an important distinction, as the agencies involved in these organisations are governments, not industry bodies.

The NFF understands that currently the Department of Agriculture leads engagement with these international inter-governmental commodity organisations and does not generally liaise with industry or RDCs in forming positions or during engagement with these organisations.

The NFF does not question the value in continued engagement in these international inter-governmental commodity organisations. Peak commodity councils and RDCs will be better placed to provide an assessment as to their perceived value. However, this may prove difficult given the lack of engagement to date from the Department of Agriculture with relevant commodity groups on this matter.

In relation to the agricultural forums, the NFF understands the Bill relates to the following (although does not name them specifically):

Grains – the International Grains Council¹ is an inter-governmental forum for cooperation in grains trade matters.

Cotton – the International Cotton Advisory Committee² is an association of governments of cotton producing, consuming and trading countries.

Sugar – the International Sugar Organisation³ is the unique inter-governmental body devoted to improving conditions on the world's sugar market through debate, analysis, special studies, transparent statistics, seminars, conferences and workshops.

Wine – the International Organisation of Vine and Wine⁴ is an intergovernmental organisation made up of Member states

The NFF understands the Bill also relates to a number of regional fisheries management organisations. Peak industry bodies in the fishing industry and the Fisheries RDC will be best placed best to comment on these particular forums.

The NFF does not have available information on other inter-governmental organisations funded by the Australian Government, or industry bodies, but would recommend the Committee explore this matter further.

The NFF recommends that the Committee explore which other international inter-governmental organisations are funded by the Department of Agriculture, and other Australian Government agencies.

¹ <http://www.igc.int/en/aboutus/default.aspx>

² <https://www.icac.org/>

³ <http://www.isosugar.org/>

⁴ <http://www.oiv.int/oiv/cms/index?lang=en>

3. What is the intention of the Bill and how does it align with stated claims of benefits to industries concerned?

Ongoing Government funding of Government business is appropriate. Although the Explanatory Memorandum notes that membership of international commodity organisations benefits the industries concerned, it fails to mention that the organisations are actually inter-governmental organisations – not industry organisations (as outlined earlier in this submission). This clear distinction is important when considering funding of the international inter-governmental commodity organisations.

The NFF does not oppose the Government having to consider priorities during a time of tight budgets. However, the path chosen for the recovery of funds is clearly a missed opportunity for the Government to deliver on their rhetoric of closer aligning foreign policy with Australia's economic interests.

If the Department of Agriculture was not in a financial position to continue contributing to these international inter-governmental commodity organisations, the NFF is of the view that it would be appropriate for the funds to be recovered from the Department of Foreign Affairs and Trade. The Coalition's Policy for Foreign Affairs⁵, taken to the 2013 Election starts by saying: "The Coalition will strengthen Australia's relations with key partners and refocus foreign policy on the advancement of our core strategic and economic interests". Given this focus, membership payments of international inter-governmental commodity organisations to be delivered from the Foreign Affairs portfolio to the Agriculture portfolio would also show a greater level of co-operation between the two portfolios and improve the whole of government approach to policy.

Further, Australian Government commitment to these payments would provide an opportunity to make good on its commitment following the recent Russian trade ban on agricultural imports to do "everything in its power to minimise the impact on Australian agricultural producers"⁶. Continued Government funding of these organisations would demonstrate commitment to the agricultural sector, as a pillar of the Australian economy, rather than a diversion of funds from research and development to fund government activities.

The NFF recommends that the Committee consider whether other sources of funding would be more appropriate for the international inter-governmental commodity organisations.

⁵ <http://lpaweb-static.s3.amazonaws.com/Coalition%202013%20Election%20Policy%20%E2%80%93%20Foreign%20Affairs%20-%20final.pdf>

⁶ <http://www.abc.net.au/news/2014-08-07/russia-bans-food-imports-from-australia-us-eu/5656434>

4. Do membership fees fit within the current remit of RDCs or is this a significant change of scope?

If the Committee determines that it would be appropriate for the funding of the international inter-governmental commodity organisations to come from the RDCs, there must then be consideration of whether the funding requires legislative amendments.

NFF members have expressed concern that legislative amendments requiring the funding of these international inter-governmental commodity organisations will set a dangerous precedent in the ongoing transfer of funding obligations from the Government to industry. These amendments are potentially the start of a slow dismantling of the world-leading rural RDC system to fund Government activities and the lack of consultation on their development needs to be questioned.

When considering the *Rural Research and Development Legislation Amendment Bill 2014* in relation to international inter-governmental commodity organisations, it must be further explored why the funding of these organisations even requires legislation. The *Primary Industries Research and Development Act*⁷ establishes funding and administrative arrangements from the RDCs and also allows the Minister to give written directions to RDCs. Given the current Act, a pertinent question needs to be asked: Does the payment of membership to international inter-governmental commodity organisations fit within the current remit of the RDCs?

Once this has been determined, the need for legislative amendments to the *Primary Industries Research and Development Act* and associated legislation can be assessed. If the membership of these organisations does fit within the remit of the RDCs, then surely no legislative amendments are required? If the membership of these organisations is outside the scope of the current RDC model, this significantly changes the scope of the RDC model and sets a dangerous precedent for future changes. Questions must be asked about what is next on the cost-shifting list from the Department of Agriculture to the RDCs?

The Explanatory Memorandum notes that the “government provides matching funding to the RDCs based on their expenditure on eligible R&D activities”. However, the Explanatory Memorandum then fails to provide guidance regarding whether the membership of international inter-governmental commodity organisations fits within this remit. If the membership of international inter-governmental commodity organisations does not fit within the current remit of RDCs, then the proposed amendments would significantly change the focus of the RDC system and surely require further consultation and consideration.

Overall, the principle of Government setting a precedent of changes to the RDC model without any industry discussion is concerning, particularly given the large investment of industry levies on the expectation that the model works as a partnership. Any major change of focus of RDCs must be done in close engagement with levy-paying producers, who fund the majority of the system – the Council of RDCs reports that for every \$1.00 contributed by the Australian Government, industry levies and contributions add a further \$1.50, on average⁸. A very short consultation with a few select RDCs does not constitute adequate consultation for a significant change in the long-term focus of the RDC model.

⁷ <http://www.comlaw.gov.au/Details/C2014C00033/a40891ec-f3a6-49b8-a25c-a556263b7cbf>

⁸ <http://www.ruralrdc.com.au/Page/Evaluation/Evaluation+.aspx>

As part of the RDC model, levies are collected to fund R&D, marketing and promotion, plant and animal health programs and residue testing activities that benefit industry; then these levies are matched by the Government up to a certain threshold based on levels of production, as set out in the Levies Principles and Guidelines⁹. Changing the scope of the RDC funding model to account for membership of international inter-governmental commodity organisations does not seem consistent with these requirements and should be explored further given the current scrutiny of agricultural levies, particularly the focus on levy-payers' ability to direct funding towards priority areas.

Further, the NFF would like to highlight that the Explanatory Memorandum outlines that the proposed amendments are expected to have a positive financial impact on the Australian Government of approximately \$7 million over four years from FY2014-15. The notes fail to mention that once built into legislation, without a sunset clause, the funding would be perpetual with millions of funds being diverted from rural R&D each year for an indefinite period.

As the current Australian Government has rightly identified, agriculture is a key pillar of the Australian economy and the NFF would like to highlight to the Committee that it is one of the very few sectors that creates real value for the economy. Agricultural R&D underpins the competitiveness of Australia's agriculture sector and by decreasing investment in this important field, the Government is potentially limiting the future growth of the sector and therefore the Australian economy.

Reallocating RDC funds towards activities not only directly diverts funding away from critical research activities, but has a flow-on impact for matched-funding activities. With the Council of RDCs¹⁰ reporting that average returns of \$11 for every dollar invested in the RDC model, the savings to Government might not be a significant amount, but the impact on industry research would be significant.

The NFF acknowledges the forward-thinking investment of an additional \$100 million for agricultural R&D¹¹ by the Government, but stresses the importance of these new initiatives not coming at the expense of existing R&D investments.

The NFF recommends that the Committee consider whether the funding of membership to international inter-governmental commodity organisations requires legislative change.

The NFF recommends that the Committee consider whether the Government is making long-term structural changes to the RDC model, without adequate consideration of the consequences or adequate industry consultation.

⁹ <http://www.agriculture.gov.au/SiteCollectionDocuments/ag-food/levies/documentsandreports/levy-principles-guidelines.pdf>

¹⁰ <http://www.ruralrdc.com.au/Page/Home.aspx>

¹¹ [http://www.maff.gov.au/Pages/Media%20Releases/\\$100-million-in-agricultural-rd-keeps-aussie-farmers-at-cutting-edge.aspx](http://www.maff.gov.au/Pages/Media%20Releases/$100-million-in-agricultural-rd-keeps-aussie-farmers-at-cutting-edge.aspx)

5. Ensuring investment appropriately meets needs of industry

Finally, if following the considerations outlined earlier in this submission it is determined that legislative amendments are required to allow the funding of international inter-governmental commodity organisations by RDCs, then the following amendments must be sought:

Engagement with the agriculture industry

The Explanatory Memorandum notes that the international inter-governmental commodity organisations benefit the industries concerned. However, it is hard for industry to make a judgement on this in the current void of information.

For industry to be comfortable that they are gaining benefits from these organisations they must have a clear understanding of the position taken forward by the Australian Government. Further, to ensure Australian industry gains to the full extent from Australia's membership, there must be a requirement for the Australian Government to ensure Australia's industry views are reflected in the Australian Government position provided to international inter-governmental commodity organisations.

The NFF recommends that the Bill is amended to require the Australian Government to closely consult with relevant industry commodity organisations and RDCs, and reflect domestic industry views as part of engagement with the international inter-governmental commodity organisations.

Reporting of outcomes

As a matter of course, to ensure ongoing value is gained for Australian agricultural industries from membership of the international inter-governmental commodity organisations, it would be prudent for the Australian Government to report to industry on outcomes from these organisations. Reporting of outcomes would ensure a collaborative approach between industry and Government on key issues. Further, regular reporting and engagement would ensure that Australian industry groups and Government are taking consistent messages when dealing on an international level.

The NFF recommends that the Bill is amended to require the Australian Government to report regularly to relevant industry commodity organisations and RDCs on outcomes from engagement with the international inter-governmental commodity organisations.

Regular assessment of value

As previously outlined, the NFF is not in a position to comment on value of membership of any of the international inter-governmental commodity organisations. However, the principle for future membership (including changes of fees, performance etc.), should be based on dialogue between Government and industry, if there is to be an offset from the RDCs budget to fund the membership.

The NFF recommends that the Bill is amended to require the Australian Government to consult with relevant industry commodity organisations and RDCs, as to their support for membership to international inter-governmental commodity organisations.

Sunset clause

The Government has indicated that this cost-shifting exercise is due to a tight budgetary environment. If this is the actual rationale for this Bill there should be a sunset clause built in, where funding arrangements shift back to the Department of Agriculture after a set period of time – an appropriate time may be 5 years. If this cannot be achieved, the question must be asked whether this is a short-term budget measure, or a more involved long-term shift on the focus of RDCs and opening the door for further cost-shifting?

The NFF recommends that the Bill is amended with a sunset clause of 5 years, where the obligation of funding of the international inter-governmental commodity organisations shifts back to the Australian Government.

6. An appropriate payment mechanism

Reading through the Explanatory Memorandum and Bill, the application of a payment mechanism is not consistent with the Bill and does not seem appropriate. The way the Bill is drafted allows for the potential double-dipping by the Australian Government, with two different ways the funds may be transferred between the RDC and Commonwealth. This requires clarity, so the RDCs are able to make any payments in an administratively simple manner, not spend time and resources trying to meet complex payment arrangements set out through the Bill.

The individual RDCs and their Council (as a peak-body representing RDCs) would be in a better position to comment on specific payment mechanisms and the potential impact of the current Bill. The NFF would encourage the Committee to work through this issue with the Council and the individual RDCs impacted.

The NFF recommends that the Committee explores payment mechanisms with the RDCs.

7. Removal of requirements for RDCs to table corporate documents

The NFF does not oppose the intention of the Bill to improve consistency across RDCs and reduce administrative burdens, by removing the requirements for the tabling of certain corporate RDCs documents in Parliament.

Given the potential for reduced transparency and scrutiny over the corporate documents and the current scrutiny over the performance of some RDCs (as per Senate Rural and Regional Affairs and Transport References Committee inquiry into “The industry structures and systems governing the imposition of and disbursement of marketing and research and development (R&D) levies in the agricultural sector”), publication of these documents will be important. The NFF strongly supports the Explanatory Memorandum’s statement that “RDCs will still be required to produce these documents and where required make them publically available”¹².

The NFF does not oppose the removal of requirements for RDCs to table particular corporate documents. However, it would be appropriate for the Department of Agriculture to provide an overview to industry on the reporting requirements across the board for the RDCs.

8. Removal of the annual co-ordination meeting requirement

The NFF supports the removal of the requirement of the Minister for Agriculture to organise an annual co-ordination meeting for the Chairs of the Statutory RDCs. The NFF recognises that only a small proportion of RDCs are still statutory bodies and there will be a reduction in regulatory burden from this amendment.

The NFF seeks clarification on exactly what other co-ordination mechanisms that government has decided would be more appropriate?

Given the need for improved co-ordination across RDCs and the need for increased focus on cross-sectoral research, the NFF views structured RDC co-ordination mechanisms as critical to the long-term success of the RDC model.

The NFF supports the removal of the annual co-ordination meeting requirement for Statutory RDCs. However, it would be appropriate for the Department of Agriculture to provide an overview to industry on existing co-ordination mechanisms, including on how the Minister for Agriculture engages with the RDCs as a collective.

¹² http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r5343_ems_724071f9-2c3f-4932-b750-ec09cd0d2879/upload_pdf/79505.pdf;fileType=application%2Fpdf

9. A lack of industry consultation

The NFF would like to highlight its concern that the cost-shifting arrangements to be enacted through this Bill were made through the Federal Budget process¹³, with no industry consultation occurring prior to the announcement, or during the development of legislation to enact the measure. Given the impact on industry, including the diminished Government investment in agricultural R&D activities and the claimed industry benefit of the international inter-governmental commodity organisations, the lack of consultation needs to be explored by the Committee through this inquiry process.

The NFF put in a request to the Department of Agriculture to view the Bill and associated material prior to its introduction to Parliament. However, no documents were provided. Given the Bill claims to benefit industries, the question must be asked why no peak industry bodies have been consulted on this Bill to date, or on the international inter-governmental commodity organisations more broadly?

As outlined in the Explanatory Memorandum, the RDCs did view a copy of the Bill – however, it needs to be noted that a day to look over a Bill, just days prior to its introduction to Parliament does not constitute adequate consultation. Further, the NFF is aware that many concerns were raised by RDCs through this process, but have not been reflected within the Explanatory Memorandum, or addressed through any amendments to the Bill. The NFF understands that a number of RDCs will provide submissions to this inquiry and encourages the Committee to explore these matters further with relevant RDCs.

The NFF recommends that the Committee consider whether the Government is making long-term structural changes to the RDC model, without adequate consideration of the consequences or adequate industry consultation.

¹³ http://www.agriculture.gov.au/Style%20Library/Images/DAFF/_data/assets/pdffile/0008/2388617/2014-15_PB_Statements.pdf

10. Conclusion

Farmers understand as well as anyone the challenges of a tight budget and the NFF agrees that Government must sometimes make difficult decisions on priorities. While the NFF has broadly supported the agenda of this current Government, the *Rural Research and Development Legislation Amendment Bill 2014* is an exception.

Given the reasons outlined throughout this submission, the NFF recommends the following approach is taken by the Senate Standing Committee on Rural and Regional Affairs and Transport in consideration of the *Rural Research and Development Legislation Amendment Bill 2014*:

1. These international inter-governmental commodity organisations are government-to-government forums and should not be funded by RDCs as a matter of principle.
2. If it is decided these international inter-governmental commodity organisations should be funded from the RDCs, it needs to be further explored whether legislative change is required. If legislation is required, the long-term structural changes that are being proposed to the RDC model need to be considered
3. If there is to be a legislative change, it must include requirements for: consultation; reporting; value assessment; and a sunset clause.