



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

Introduction

On 25 September 2014, the Senate referred *the Rural Research and Development Legislation Amendment Bill 2014* for inquiry and report to the Rural and Regional Affairs and Transport Legislation Committee.

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 commodity organisations and regional fisheries management organisations from the matching amounts paid to Rural Research and Development Corporations (RDCs).

The additional measures would also remove the requirement for the Minister to organise an annual co-ordination meeting for the chairs of RDCs and remove some parliamentary tabling requirements for some RDCs.

Submissions should be received by **16 October 2014**. The report date is **24 November 2014**.

Background

The Winemakers' Federation of Australia (WFA) and Wine Grape Growers Association (WGGA) have a clearly defined agri-political role to advance the interests of the Australian Wine Sector through advocacy and policy development.

This submission has been developed by both of these organisations. Funded predominantly through voluntary membership fees, both WFA and WGGA are representative organisations for the purposes of the legislation referred to in this document. This submission is made in this capacity, on behalf of the Australian Wine Sector.

WFA and WGGA are recognised as representative organisations under the *Australian Grape and Wine Authority Act* (AGWA) and is recognised by the Australian government as representing the interests of all winemakers.

WFA membership represents over 80% of the national wine grape crush and has over 380 wineries as members. WFA represents small, medium and large winemakers from all across Australia's wine making regions. The Board is made up of equal representation from each of these groups and reflects the diversity of the industry itself. Any policy decision made by the Board requires 80

percent support, meaning that no sector can dominate the decision making process. In practice most decisions are determined on a consensus basis.

WFA works in partnership with the Australian government and our sister organization Wine Grape Growers Australia (WGGA) to develop and implement strategy and policy in the wine sector's interest.

Issues

The Rural Research and Development Legislation Amendment Bill 2014 was introduced to Parliament to make amendments to rural research and development (R&D) legislation to give effect to a 2014-15 Budget measure. The Bill will also make some additional governance amendments.

The key amendment is to allow the government to recover the cost of membership fees to international commodity organisations. For the wine sector, this means the International Organisation of Wine and the Vine (OIV). From the 2015 Membership year, AGWA will be required to pay the Commonwealth an amount equal to the membership fee or the commonwealth may set off the membership contribution against its payment to the Authority of matching R&D funds. However, the Department of Agriculture will continue to be responsible for Australia's membership of the OIV and for the payment of the membership fee.

International Organisation of Vine and Wine

The International Organisation of Vine and Wine (OIV) was formally created in 2001 to be an intergovernmental organisation of a scientific and technical nature with recognised competence for its work concerning vines, wine, wine-based beverages, grapes, raisins and other vine products. The OIV was formed from the International Vine and Wine Office, which can trace its history to 1924. The formation of the OIV was a response to changes in the international environment which necessitated a modification of the mission and resources of the original International Vine and Wine Office. OIV is established under a Treaty level agreement of which the Australian government is a party.

The OIV is the peak intergovernmental global organisation dedicated to wine and other vine products. There are currently 45 member countries and 12 observers to the OIV. The 45 member countries represent the major wine producing countries with the exception of the United States and China. Two regions of China currently have observer status with the OIV. The remaining 10 observers represent a variety of organisations drawn from wine related research, education and interest groups.

The OIV is organised into a number of specialist scientific and technical committees, sub-committees and expert groups. Each committee undertakes research and provides recommendations, in their area of expertise, to the General Assembly for ratification. The internal management of OIV functions is carried out by a secretariat, which is headed a Director General who is appointed by the General Assembly for a three year term. The General Assembly delegates some of its routine administrative power to an Executive Committee to facilitate timely management of its work. All work of the OIV is carried out on a consensus basis.

Australia has been involved in the OIV (and its preceding organisations) since 1978. The Australian delegation is led by the Department of Agriculture and is supported by expert delegates drawn from the Australian wine and grape industry and other technical experts. Financial support is provided to

part- fund industry and non-government delegates by the Australian Grape and Wine Authority (AGWA), with the remaining funding for their participation and intercessional activities being picked up by their respective organisations (in particular WFA and AWRI).

The estimated 2014-15 membership fee for the OIV is \$110,000 AUD.

Key implications

The whole premise of industry R&D levies is that they are used for projects/programs that provide overall industry benefit as is perceived by those who pay. The purposes for which levies can be used are limited - and many industry-supported initiatives have been knocked back on the basis that they were either marginal in terms of the levy scope; or out of the field totally. The amendments proposed in the *Rural Research and Development Legislation Amendment Bill 2014* potentially open up a loophole where Government Departments can arbitrarily vary the rules to cost shift from their activities to industry.

Potentially it could result in cost shifting from R&D funds to support trade negotiations, employment of Agriculture Counsellors offshore and fund participation in other international organisations including, *inter alia*, FAO and Codex Alimentarius Commission. While these are all worthwhile and valuable activities they fall outside the scope of R&D activities and potentially will put our agriculture industries at a competitive disadvantage from the fall in investment in innovation. They will also bring into question the rationale for our world class co funded agricultural R&D model. It is also probable that Departments will then use these funds to fund participation of government officials to international meetings.

The diversion of R&D funding to soft diplomacy, particularly in the case of the OIV, which is an international organisation established under treaty is concerning. If the sector decides that they cannot justify the additional expense to participate in the OIV and request the government to withdraw from the OIV will this be acted on? It also brings into the question the wider implications of such withdrawal – the OIV is a very important organisation to Europe and is beginning to play an important food policy role in the Codex Alimentarius Commission in particular.

I would also note that some of the language in the Bill is not clear about how the Government would recoup the funds from RDCs (It is also still unclear whether matching funds can be used to fund the membership, or just unmatched funds).

Conclusion

If this Bill is to proceed, given that industry will either be entirely responsible for funding of OIV activities through compulsory industry levies or at the minimum a 50% funder (depending on the governments clarification of the draft legislation), there will need to be greater involvement of the industry peak bodies in activities that have historically been the preserves of government. These include discussions on the budget, amendments to internal rules and decisions taken on whether to support or oppose resolutions in the General Assembly.

This will also require enhanced reporting of activities to AGWA (the funding body on behalf of the sector and government) and from AGWA to the Representative bodies to ensure that the levy payers understand how their funds are being spent and what the benefits are.

In addition, we would seek some assurances that this decision would not be used as an open ended money reserve available to government Departments to cost-shift their programs or administrative activities.