

Additional Comments by Senator David Leyonhjelm

1.1 This inquiry was established in response to a motion to disallow increases in levies on mushrooms, onions and mangoes, in light of information suggesting the processes undertaken to confirm levy payer approval of the increases were seriously flawed.

1.2 The main concerns were that the number of levy payers who actually voted was small relative to the total number of producers, the cost of undertaking the vote was excessive, the issue was not impartially presented, and small producers had equal voting rights to major producers. As a consequence, small producers were essentially voting on whether to impose additional costs on major producers.

1.3 While the recommendations contained in the majority report are endorsed, there is concern that, if implemented, they would still not necessarily overcome those problems. Unless genuine accountability to levy payers is achieved, there may be a need to move similar disallowances in future.

1.4 The need for databases of levy payers, maintained with due respect for privacy but accessible to those with a legitimate purpose, is paramount.

1.5 The only practical means of establishing these is through capture of data at the point of levy payment. Compulsory registration of levy payers, other than to comply with levy collection requirements, is not conducive to positive engagement.

1.6 The wool and dairy sectors both allow levy payers to vote on the level of levies to be imposed, including the option of zero. While neither is perfect, they are considerably more representative than other sectors where voting only occurs when there is a proposal to impose a new levy or increase an existing one, and particularly in sectors where no vote has ever occurred.

1.7 Opposition to voting on levy matters at regular intervals came mainly from those with a strong interest in maintaining the status quo. The principal concerns were:

- (i) The possibility that levy payers might vote in favour of a zero levy. This was described as producing the “wrong result”.
- (ii) Disruption to long term R&D projects if levy revenue were suddenly discontinued.
- (iii) Cost and practicality, based on the approach taken with wool and dairy.

1.8 None of these is a sound reason for opposing accountability to levy payers. It is incumbent on levy spenders and others with an interest in maintaining levy revenue to convince levy payers not to vote for a zero option.

1.9 Both Australian Wool Innovation and Dairy Australia have established capital reserves that allow them to continue R&D projects and meet contractual obligations should levy payers ever vote for the zero option. Other sectors could do the same, as

well as enter into contracts with an eye to the (relatively small) possibility that funding might cease.

1.10 The history of voting in the wool and dairy sectors suggests support for a zero option is unlikely except where there is a dominant producer which prefers to undertake its own R&D. If this were to occur, it would indicate there was no market failure.

1.11 The cost of the polls in the dairy and wool sectors is largely attributable to advocating a vote and promoting a particular outcome via roadshows. The cost of a poll undertaken online or via post, with no more than an information memorandum supplied to levy payers, would be a fraction of this.

1.12 Once the identities of levy payers and the amount of levies paid are known, it would be a relatively simple matter to consult levy payers on a regular basis as to the level of levies to be paid and their preferences as to how the revenue is spent.

1.13 Such accountability would have many benefits:

- (i) Those paying levies would have representation to accompany their taxation.
- (ii) Discontent with RDCs could be channelled via the polling process, thus relieving politicians and bureaucrats of a source of complaints.
- (iii) RDCs and others reliant on levy funds would be sensitive to levy payer expectations, potentially leading to more effective use of funds.
- (iv) Use of levy funds on projects that do not contribute to increased productivity (eg mental health, climate change) could be individually approved.

1.14 Given the presence of a database of levy payers, it would also be a relatively simple matter to undertake polls of levy payers to determine:

- (i) Whether to impose a levy for a particular purpose (eg marketing as well as R&D and biosecurity).
- (ii) Whether to utilise levy revenue for a particular purpose (eg export market development).
- (iii) Nomination of a PIB where there are competing claims.
- (iv) Composition of the board of a PIB and representative directors of RDCs.

1.15 Fluctuating numbers of levy payers are no justification for failing to undertake a poll. It would be entirely reasonable to undertake a vote every four or five years, with every levy payer since the last poll entitled to vote in proportion to the levies paid.

1.16 AGMs and other meetings of industry bodies including RDCs, while useful for providing feedback, do not ensure levy spender accountability.

Additional Recommendations

- 1. That once such databases are established, each industry sector undertake a regular poll of levy payers to decide:**
 - **The rate of levies imposed (including a zero option) until the next poll.**
 - **The split of levy funds (if relevant) between R&D and marketing.**
- 2. That database information be used to determine proportional voting by producers according to the amount of levies paid.**
- 3. That polls be conducted at intervals of 4 years with the option to defer a particular poll for a maximum of 2 years in exceptional circumstances (eg severe drought)**
- 4. That each industry have the option of undertaking polls to decide the choice of PIB, representative directors of R&D organisations and the allocation of levy expenditure for particular objectives or strategies.**
- 5. That the cost of polls be paid from levy revenue but only to the extent of:**
 - **the actual costs incurred for voting and counting of votes**
 - **providing an information memorandum that gives equal weight to each side of a proposition.**
- 6. That levy or government funds not be utilised for advocating a particular poll outcome.**
- 7. That voting in any poll is voluntary.**
- 8. That any claim of market failure relating to the imposition of a marketing levy be assessed by the Office of Best Practice Regulation (OBPR) prior to the inclusion of such a claim in an information memorandum, with the OBPR assessment to then be included in the information memorandum.**

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