

# Chapter 1

## Introduction

### Referral of inquiry

1.1 On 25 September 2014, the Senate referred provisions of the Rural Research and Development Legislation Amendment Bill 2014 (the bill) to the Senate Rural and Regional Affairs and Transport Legislation Committee (the committee) for inquiry and report by 24 November 2014. The reporting date was subsequently extended to 3 December 2014.

1.2 The bill has two primary purposes. First, to introduce legislative amendments to allow the government to recover the cost of membership of international commodity organisations and regional fisheries management organisations. Second, to reduce the regulatory compliance burden on Rural Research and Development Corporations (RDCs), by reducing reporting requirements and removing the statutory requirement to attend an annual coordination meeting.<sup>1</sup>

### Background

#### *Rural Research and Development Corporations*

1.3 RDCs were established in 1989 under the *Primary Industries Research and Development Act 1989* (the PIRD Act). The RDCs were established to undertake scientific research for Australian rural industries, which it was envisaged would have positive benefits for Australian rural industries, the wider community and Australia as a whole.<sup>2</sup>

1.4 There are currently 15 RDCs, five of which are statutory RDCs governed by the PIRD Act. The remaining ten are industry-owned RDCs, created from former statutory RDCs. The principal source of funding for most RDCs is statutory levies on primary production or products. The funds raised through the statutory levies are appropriated to the RDCs, less the cost of levy collection. The statutory levies for research and development (R&D) are matched by the Commonwealth, up to a cap.<sup>3</sup> This is known as 'matching funding'.

---

1 The Hon. Barnaby Joyce MP, Minister for Agriculture and Deputy Leader of The Nationals, *House of Representatives Hansard*, 25 September 2014, p. 2.

2 Explanatory Memorandum, Rural Research and Development Legislation Amendment Bill 2014, p. 2.

3 Explanatory Memorandum, Rural Research and Development Legislation Amendment Bill 2014, p. 2.

1.5 Funding for the Fisheries RDC operates slightly differently. The Fisheries RDC receives funding from state and territory governments, as well as from statutory levies and Commonwealth funding. The caps on Commonwealth funding are based on gross value of production, and are calculated differently to those of the other RDCs.<sup>4</sup>

### ***Membership of international commodity organisations***

1.6 The Australian Government is currently a member of four international commodity organisations, relating to the sugar, wine, grains and cotton industries. In addition, the government is a member of six regional fisheries management organisations.<sup>5</sup> The Department of Agriculture (the Department) currently pays fees on behalf of the Australian Government for membership to a number of international commodity organisations and regional fisheries management organisations. In accordance with 2014-15 Budget measures, it is proposed to change the way that the government funds these membership costs.<sup>6</sup>

1.7 It is proposed that from 2014-15, the government will recover the cost of membership of international commodity organisations from the matching funding it contributes to relevant RDCs. It is proposed that the membership costs would be recovered by either deducting an equivalent amount from the matching funding paid to RDCs, or by requiring the relevant RDC to pay the Commonwealth an amount equal to the membership fee.<sup>7</sup> An RDC would be responsible only for the membership fees of the international commodity organisations and regional fisheries management organisations relevant to that RDC.<sup>8</sup> The organisations and RDCs from which it is proposed to recover membership fees would be specified by a new legislative instrument.

---

4 Explanatory Memorandum, Rural Research and Development Legislation Amendment Bill 2014, p. 2.

5 Explanatory Memorandum, Rural Research and Development Legislation Amendment Bill 2014, p. 3.

6 Explanatory Memorandum, Rural Research and Development Legislation Amendment Bill 2014, pp 2-3.

7 Explanatory Memorandum, Rural Research and Development Legislation Amendment Bill 2014, p. 3.

8 Explanatory Memorandum, Rural Research and Development Legislation Amendment Bill 2014, p. 2.

---

## Provisions<sup>9</sup>

### *Proposed amendments to the Australian Grape and Wine Authority Act 2013*

1.8 Item 2 of the amending Schedule to the bill would insert a new section into the Act. The new section would provide definitions of 'international grape and wine organisation' and 'membership contribution'.

1.9 Item 2 – Subsection 31L(3) – would allow the Minister to determine (by legislative instrument) which international commodity organisation is an 'international grape and wine organisation'. The international commodity organisation in relation to the grape and wine industry is the International Organisation of Wine and Vine. There is currently no legislative instrument that relates to this subsection and a new legislative instrument would need to be created.

1.10 Item 5 would make the payment of matching funding by the Commonwealth to the Australian Grape and Wine Authority (the Authority) conditional on the Authority's payment of the membership contribution amount. The membership contribution would be required to be paid by 31 October following the financial year in which the Commonwealth paid the membership (unless the Minister approves an extended time period).

1.11 The proposed amendments under Item 5 also provide two options for the payment of membership contribution amounts. The first option is for the Authority to make payment to the Commonwealth of the membership contribution amount. The second option would allow the Commonwealth to offset the membership contribution amount from the matching funding that it provides to the Authority.

1.12 Under the amendments proposed by Items 28–30, RDCs would be responsible for all membership fees payable from 1 July 2014.

### *Proposed amendments to the Primary Industries Research and Development Act 1989*

1.13 The proposed amendments to the PIRD Act would amend the Act to require the RDCs established under the Act to cover the costs of Australia's membership of relevant international commodity organisations and regional fisheries organisations. With the exception of the amendments proposed in relation to the Fisheries RDC, the same requirements would be imposed on RDCs established under the PIRD Act as those contemplated for RDCs established under the Australian Grape and Wine Authority Act. The proposed amendments would commence on the day after Royal Assent.

---

9 Information regarding the provisions of the bill is based on information contained in the Explanatory Memorandum, Rural Research and Development Legislation Amendment Bill 2014.

*Proposed amendments specific to the Fisheries RDC*

1.14 The explanatory memorandum to the bill notes that the funding model for the Fisheries RDC differs to the model applying to other Australian RDCs. Consequently, the procedural requirements proposed under the bill in relation to the Fisheries RDC differ from those contemplated for other Australian RDCs. However, while the procedural requirements would differ, the end result would be the same. If the amendments in the bill are implemented, the Fisheries RDC would be required to cover the costs of Australia's membership of regional fisheries management organisations. The explanatory memorandum advises that, at present, there are six regional fisheries management organisations of which Australia is a member.

1.15 Item 12 would amend paragraphs 30A(2)(b) and (c), under which the Government provides matching funding to Fisheries RDC in relation to levies and state or territory contributions received by the RDC. In paragraphs (b) and (c), the matching funding provided is limited by one of two types of cap which are calculated based on gross value of production (GVP). Unlike other RDCs, the GVP cap is determined by the amount of Fisheries RDC's expenditure. Item 12 would ensure that the payment of membership contribution amounts by Fisheries RDCs would not affect the GVP cap. For the purpose of calculating the GVP cap, membership contribution amounts would not be included in the Fisheries RDC's expenditure.

*Proposed amendments to the Sugar Research and Development Services Act 2013*

1.16 Items 23 and 24 would amend the *Sugar Research and Development Services Act 2013* to require the industry services body, Sugar Research Australia, to cover the costs of Australia's membership of the international commodities organisations relevant to Australia's sugar industry. With one exception, the amendments proposed mirror those contemplated for RDCs established under the Australian Grape and Wine Authority Act and the PIRD Act (excluding the Fisheries RDC).

1.17 While the proposed amendments to the Australian Grape and Wine Authority Act and the PIRD Act would commence on the day after Royal Assent, the proposed amendments to the Sugar Research and Development Services Act would commence on the day the provisions receive Royal Assent or 31 March 2015, whichever is the latter. The explanatory memorandum notes that the proposed later start date is to allow time for the funding agreement between the Commonwealth and Sugar Research Australia to be varied to incorporate the changes contemplated under the bill.<sup>10</sup> However, while the proposed amendments may not commence until 31 March 2015, pursuant to Item 30 Sugar Research Australia would still be responsible for all relevant membership contributions made from 1 July 2014.

---

10 Rural Research and Development Legislation Amendment Bill 2014, Explanatory Memorandum, p. 6.

---

## ***Schedule 2 – Deregulation amendments***

1.18 Schedule 2 would remove the requirement to provide Parliament certain RDC corporate documents. If passed, Parliament would no longer receive copies of certain RDC funding agreements, variations to funding agreements, compliance reports and annual reports. The explanatory memorandum advises that the proposed amendments are intended to promote regulatory consistency across Australia's 15 RDCs, and characterises existing requirements to table RDC corporate documents in Parliament as 'an unnecessary administrative burden for RDCs and government'.<sup>11</sup>

1.19 The Minister is currently required to table in Parliament copies of the Commonwealth's funding agreement with the Australian Livestock Export Corporation Limited and any variations to the agreement. Additionally, the Minister is also required to table the corporation's annual reports and compliance reports, which detail the corporation's compliance with its funding agreements. Item 1, Schedule 2 would amend the *Australian Meat and Livestock Industry Act 1997* to remove these tabling requirements.

1.20 The Minister is currently required to table in Parliament copies of the Commonwealth's funding agreement with Dairy Australia Limited and any variations to the agreement. The Minister is also currently required to table Dairy Australia Limited's annual financial reports and other reports that may be produced after Dairy Australia's annual general meeting. Items 3–6 of Schedule 2 of the bill would amend the *Dairy Produce Act 1986* to remove these tabling requirements.

1.21 The Minister is currently required to table in Parliament copies of the Commonwealth's funding agreement with Forest and Wood Products Australia Limited and any variations to the agreement. Item 7 of Schedule 2 of the bill would amend the *Forestry Marketing and Research and Development Services Act 2007* to remove this requirement.

1.22 The Minister is currently required to table in Parliament copies of the Commonwealth's funding agreement with Sugar Australia Limited and any variations to the agreement. Item 8 of Scheduled 2 of the bill would amend the *Sugar Research and Development Services Act 2013* to remove this requirement.

1.23 The explanatory memorandum states that, despite the proposed amendments, the RDCs will continue to be required to make these documents accessible to the public. Specifically, the explanatory memorandum advises that '[t]he RDCs will still be required to produce these documents and where required make them publicly available.'<sup>12</sup> The explanatory memorandum does not provide guidance on what is

---

11 Rural Research and Development Legislation Amendment Bill 2014, Explanatory Memorandum, p. 3.

12 Rural Research and Development Legislation Amendment Bill 2014, Explanatory Memorandum, p. 4.

meant by 'publically available'. Nor does it expand on the phrase 'where required'. However, the committee understands that requirements are contained in Commonwealth RDC statutory funding agreements. The provisions in the four relevant statutory funding agreements are set out in the following table.

**Figure 1 – Requirements under RDC statutory funding agreements to make certain documents publicly available**

<b>RDC</b>	<b>Document</b>	<b>'Where required'</b>	<b>'publically available'</b>
<i>Australian Livestock Export Corporation Limited</i>	Annual report	In accordance with obligations under the <i>Corporations Act 2001</i>	Provide Minister sufficient copies for tabling in Parliament
	Compliance audit report	Five months after the end of financial year	Provide copy to the Minister
	Certification report	Five months after the end of financial year	Provide copy to the Minister
<i>Dairy Australia Limited</i>	Annual report	In accordance with obligations under the <i>Corporations Act 2001</i>	Provide Minister sufficient copies for tabling in Parliament and four additional copies
	Compliance audit report	Five months after the end of financial year	Provide copy to the Commonwealth
	Certification report	Five months after the end of financial year	Provide copy to the Minister
<i>Forest and Wood Products Australia Limited</i>	Annual report	In accordance with obligations under the <i>Corporations Act 2001</i>	Provide four copies to the Minister
	Compliance audit report	Five months after the end of financial year	Provide copy to the Minister
	Certification report	Five months after the end of financial year	Provide copy to the Minister
<i>Sugar Australia Limited</i>	Annual report	In accordance with obligations under the <i>Corporations Act 2001</i>	Provide four copies to the Minister
	Compliance audit report	Five months after the end of financial year	Provide copy to the Commonwealth
	Certification report	Five months after the end of financial year	Provide copy to the Minister

1.24 While not noted in the explanatory memorandum to the bill, requirements under the statutory agreements reflect existing legislative tabling obligations. If passed, the proposed amendments in the bill would necessitate consequential changes to the relevant RDC statutory funding agreements to ensure the agreements do not refer to legislative requirements that would be repealed were the bill passed by Parliament.

### ***Proposal to repeal requirements for annual co-ordination meetings***

1.25 Section 142 of the PIRD Act currently requires the Minister to ensure that a coordination meeting is held between Australia's RDCs at least once a year. As the PIRD Act notes, co-ordination meetings are held for the purposes of considering, and, as far as practicable, co-ordinating, R&D activities.

1.26 Item 9, Schedule 2, would remove the requirement for RDC co-ordination meetings. The explanatory memorandum notes the government's position that the co-ordination function is more appropriately fulfilled by the regular meetings currently held by the Council of Research and Development Corporation.<sup>13</sup>

### ***Proposed technical amendments***

1.27 The bill would also amend the PIRD Act and the *Sugar Research and Development Services Act 2013* to correct existing drafting errors. The amendments are technical and would not have substantive effect.

## **Consideration by Parliamentary legislative scrutiny committees**

1.28 The bill was considered by the Senate Standing Committee for the Scrutiny of Bills<sup>14</sup> and the Parliamentary Joint Committee on Human Rights.<sup>15</sup> Neither committee raised concerns with the proposed provisions.

## **Conduct of inquiry**

1.29 The committee advertised the inquiry on its webpage, inviting submissions by 16 October 2014. The committee also wrote directly to a number of key individuals, organisations and stakeholder groups inviting submissions. Details of the committee's

---

13 Rural Research and Development Legislation Amendment Bill 2014, Explanatory Memorandum, p. 13.

14 Senate Standing Committee for the Scrutiny of Bills, *Alert Digests No. 13 of 2014*, October 2014, p. 13, <http://www.aph.gov.au/~media/Committees/Senate/committee/scrutiny/alerts/2014/pdf/d13.pdf> (accessed 28 October 2014).

15 Parliamentary Joint Committee on Human Rights, *Thirteenth report of the 44th Parliament*, October 2014, p. 16, [http://www.aph.gov.au/~media/Committees/Senate/committee/humanrights\\_ctte/reports/2014/13\\_44/13th%20Report%20of%20the%2044th%20Parliament.pdf](http://www.aph.gov.au/~media/Committees/Senate/committee/humanrights_ctte/reports/2014/13_44/13th%20Report%20of%20the%2044th%20Parliament.pdf) (accessed 28 October 2014).

inquiry, the Rural Research and Development Legislation Amendment Bill 2014 and associated documents were also placed on the committee's website.

1.30 The committee received 14 submissions which are listed at Appendix 1. The submissions were published on the committee's webpage. The committee held hearings in Canberra on 11 and 17 November 2014. A list of witnesses who appeared at the hearings is provided at Appendix 2.

1.31 Submissions and a Hansard transcript of the public hearing are available on the committee's website:

[http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Rural\\_and\\_Regional\\_Affairs\\_and\\_Transport/Rural\\_Research\\_and\\_Development\\_2014](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Rural_and_Regional_Affairs_and_Transport/Rural_Research_and_Development_2014)

### **Acknowledgement**

1.32 The committee appreciates the time and effort of all those who provided written and oral submissions to this inquiry. Their work has assisted the committee.

### **Note on references**

1.33 References in this report to individual submissions are to those submissions as received by the committee, not to a bound volume. References to the committee Hansard are to the proof Hansard, and page numbers may vary between the proof and the official (final) Hansard transcript.