



**Statement by the Minister for Agriculture, Fisheries and Forestry,
Senator the Hon Joe Ludwig**

Rural Research and Development

15 June 2011

I am speaking today following the tabling in Parliament of the Productivity Commission inquiry report on the rural Research and Development Corporations (RDCs).

In February 2010, the Australian Government asked the Productivity Commission to conduct an inquiry into the RDCs. Key aspects of the commission's inquiry included an examination of the rationale for Australian Government investment in rural research and development (R&D), and an assessment of the effectiveness of the RDC model and the appropriateness of current funding levels and arrangements.

The RDC model in its current form was established in 1989 by the Labor Government with the introduction of the *Primary Industries and Energy Research and Development Act* (PIERD Act). The model has proven to be a successful mechanism for sharing the costs of R&D that both directly benefits primary producers and provides wider community benefits. The model has evolved over the last two decades so that there are now six statutory RDCs and nine industry-owned companies, which are funded by industry levies and Australian Government matching contributions to commission R&D. The industry-owned companies also conduct marketing activities funded by industry levies.

While the Productivity Commission's report notes several areas for improvement in the RDC model, it recognises that the matching funding arrangements, the high level

of industry engagement and the strong support from all sectors for the RDC model make it unique among R&D funding models around the world. The commission also indicates that the strengths of the model include the close links with industry and the 'systems integrating' role that the RDCs play in terms of collaborating with other research funders and influencing research priorities and framework reform.

Under the model, the Australian Government matches eligible R&D expenditure by the RDCs on a dollar-for-dollar basis up to 0.5 per cent of an industry's gross value of production. The Productivity Commission argues that industry should take on greater responsibility for funding industry-focused research, and that the cap on government matching contributions should be gradually reduced to 0.25 per cent of the gross value of production (GVP), partially offset by the introduction of a 20 cents in the dollar matching contribution for industry levy contributions above the reduced GVP cap.

As outlined in the preliminary government response to the Productivity Commission report which has been released today, the government will not adopt the Productivity Commission's recommendation to halve the cap on government matching contributions to the RDCs. R&D plays a vital role in supporting the sustainability, competitiveness and productivity growth of Australia's rural industries and the government's matching contributions are a key factor in leveraging industry funding. A reduction in government funding would lead to an overall reduction in the amount of R&D undertaken, which would have adverse impacts for the performance of the rural sector.

Whilst no change to the funding arrangements will be made the Government remains committed to explore improvements in the RDC model which will optimise outcomes for industry and the wider community. What is critical here is to ensure that we are maximising the productive benefits that flow from these investments. I will consult widely over coming months as the Government develops its final response to the report.

Today I also welcome the release of the Rural R&D Council's National Strategic Rural R&D Investment Plan. The investment plan assesses and makes recommendations on the wider rural R&D system, rather than focusing on the RDC model.

The Rural R&D Council provides high level advice and coordination to help target and improve the effectiveness of the government's investment in rural R&D. The council's investment plan is the result of considerable deliberation, data analysis and stakeholder consultation over a two year period.

Over the long term, R&D and innovation have enabled Australian agriculture to become more competitive, with advances in technologies and the development of superior farming systems making a significant contribution to agricultural productivity growth and, in turn, economic growth. Investment in R&D will continue to be a major contributor to long term productivity growth, environmental

sustainability and the health and resilience of Australia's rural and regional communities.

The government will continue to provide strong support for rural R&D and we will use the opportunities presented by the Productivity Commission's report and the Rural R&D Council's investment plan to ensure that our policy settings enable the RDCs and other players in the system to achieve the best possible results for industry and the community.