RURAL INDUSTRIES RESEARCH BILL 1985

Date Introduced: 17 April 1985
House: House of Representatives
Presented by: Hon. John Kerin, M.P., Minister for Primary Industry

Short Digest of Bill

Purpose

To provide the legislative framework through which the undertaking of research in, and the development of, certain rural industry goods can be funded, administered and promoted.

Background

Research into Australia's agricultural sector in the area of on-farm production and off-farm handling and processing is extremely important, because it increases the efficiency and international competitiveness of Australian agriculture. This is especially so when one considers that rural industry provides Australia with virtual self-sufficiency in food supply, contributes significantly to the national income and accounts for about 40 per cent by value of the country's export trade.

Several important reasons have been furnished to explain the need for major public sector research in the rural sector. Firstly, the structure of rural industry makes it unlikely that industry could conduct its own research. The industry is characterised by a very large number of independent businesses. In 1982 there were 176,000 commercial holdings with 80,000 sub-commercial or unproductive holdings. Not only do individual businesses lack the resources to conduct meaningful and effective research programs, but agricultural research tends to be unattractive to the corporate private sector because it is a high risk activity. Even when such research is successful, it is unlikely to yield any worthwhile return to the investor. Moreover, private firms and individuals are expected, in the first instance, to bear the costs of research and then share the benefits of their efforts with other groups in the community. There is consequently, a prima facie case for the Commonwealth to achieve higher levels of research expenditure to make up for deficiencies in private expenditure.
The 1982 Senate Standing Committee on National Resources observed that:

"the overall rationale for any direct Government involvement in financing and performing rural research is that, in the absence of such involvement there would be an underinvestment if research expenditure were determined solely by decisions of firms and individuals responding to market forces".[1]

The Commonwealth Government contributes to the cost of agricultural research in several ways. It gives grants to both agricultural industry research trust funds and to the States under the Special Research Grant Scheme as well as funding the Commonwealth Scientific and Industrial Research Organisation (CSIRO). Funds are also provided to universities, colleges and the Bureau of Agricultural Economics. It is worth emphasising that CSIRO expenditure on agricultural research has increased significantly over the period 1970-71 to 1980-81 from $12.4m to $48.4m respectively. Government funding is also provided for agriculture through the Rural Credits Development Fund of the Reserve Bank of Australia.

The Commonwealth's role as a co-ordinator and provider of financial support for rural industries is especially evident through the workings of Rural Industry Research Funds (RIRF). The RIRFs are joint industry-government bodies financed by a levy on all producers of the particular product to which the Fund relates. The Commonwealth contribution to a RIRF takes the form of a matching dollar-for-dollar grant with industry contributions through the levies. RIRFs are established by Commonwealth legislation and currently exist for a wide range of commodities including wool, meat, wheat, barley, oilseeds, dairy products, pigmeat, poultry, chickenmeat, fish, dried fruits, tobacco and honey. In most instances, statutory industry research councils are also formed to administer the funds available in the RIRFs.

There have been a series of reviews and discussions in recent years which have considered the adequacy of rural research in Australia. Notable among them have been the Industries Assistance Commission (IAC) report entitled "Financing Rural Research" in 1976; the Senate Standing Committee on National Resources Report in 1982 referred to above; and the Balderstone Working Group Report on Agricultural Policy, also in 1982.

The IAC report cited several examples of successful rural research activities which have yielded very high
returns to research investment and have stimulated higher productivity. Thus sugar cane research, 1945-58 saw an internal rate of return (IRR) of 50%; hybrid corn, USA 1949-55 yielded an IRR of 35-40 per cent; and pasture research resulted in a IRR of 25-80 per cent.

The IAC discussed at length the problem of defining and measuring the adequacy of funds available for rural research. Its general recommendation was that the Commonwealth Government provide funds to maintain the financing of rural research at 1976 budgetary levels. The Commission also suggested a number of detailed policies to help achieve this objective. Commenting on the recommendations in its report 6 years later, the Senate Standing Committee on National Resources observed that not only were 1976 funding levels inadequate but that financing of research would rapidly continue to decrease, because of a long-term cost squeeze and short-term inflationary pressures. The Committee further observed that little had been done to maintain the real level of Commonwealth funding and that the total Commonwealth allocation for rural research declined by 25% in real terms between 1976 and 1980. On the question of funding, the Balderstone Report also recommended that agricultural research funding should be increased.

In June 1981 the Senate referred the matter of "the Commonwealth's role in rural research and extension services and the contribution of those services to the development of the rural sector and the Australian economy" to the Senate Standing Committee on National Resources. The Committee saw its inquiry as a reflection of the frustration felt by rural industry at the apparent lack of a clear Commonwealth policy on, and commitment to, rural research. The importance of Government policy in the area of rural research was outlined by the Balderstone Working Group:

"Research is a major part of innovation. Policy issues surrounding rural research are greatly influenced by the broader policy objectives that governments have for the economy as a whole and the rural sector".[2]

The current legislation was foreshadowed by the Minister for Primary Industry, Mr Kerin, in a number of press releases in February 1985. Mr Kerin announced a major upgrading of the arrangements for rural research which he described as the first major revision of rural research in 30 years. The upgrading was to be based on the results of several public reports and discussions on the direction and organisation of rural research. Mr Kerin reviewed current operations and said that all Rural Industry Research Funds
would be administered by a Research Council and that the Commonwealth Special Research Grants Scheme which presently funded smaller industries' research programs, would be replaced by a statutory-based Australian Special Rural Research Fund.

The Minister stressed that the new arrangements sought, as their objectives: the making of each research body as autonomous as possible; the staffing of research bodies with highly skilled and experienced people; requiring each body to have clearly identified goals; and the need for the bodies to enshrine those goals in a strategic plan developed in consultation with industry, and approved by the Minister. The Minister added:

"I believe that these new arrangements are far better as they will encourage a more active involvement by industry in determining the direction of research. Furthermore, research will now be more goal-oriented with industry having more direction over research goals".[3]

As was outlined by the Minister in his Second Reading Speech, the Bill will have an impact in two areas concerning rural research - finance and administration. The Government's objective over five years is to increase its contribution to research under the Research Funds from the current 0.25% of Gross Value of Production (GVP) to 0.5% of GVP. The Bill provides for the attainment of this objective in its provisions. In 1984-85 the Government will provide $32.6m for rural research. The Commonwealth allocation for its Special Research Grant has also been increased to $500,000 in 1984-85 which signifies an increase of about 80 per cent on previous years.

In terms of administration, the Bill sets up rural research and development on a sound administrative and organisational footing. Such a system will ensure that the greatest possible returns will be achieved from each dollar spent on research and that those who administer and undertake research are made accountable to those who provide research funds.

Main Provisions

The objects of the Bill are specifically stated (clause 3). The Bill intends to provide for the funding and administration of research and development for goods that are levied. This funding will have the purpose of increasing commercial returns to the industries involved by improving the production, processing, storage, transport and marketing of levied goods. More effective use will also be
made of the resources and skills of the community, especially the scientific community. Moreover the Bill improves accountability for expenditure on research and development with respect to levied goods (paragraphs 3(a)(i),(ii) and (iii)).

The Bill defines "goods" as being an animal or plant or a part of either as well as an article or substance derived thereof (sub-clause 4(1)).

Regulations to the Bill will impose a levy or levies on goods from 1 January 1986 (sub-clauses 5(1) and (2)). The Minister will declare a particular organisation concerned with the production, processing storage, transport or marketing of these goods, to be a relevant industry organisation (paragraph 5(3)(a)).

Where a levy which is already imposed on goods by an existing Act is deemed by the regulations as being a levy under the Bill, a Research Fund (Fund) will be established in respect of those goods (clause 6). The Fund will be known by the name set out in Parts I to V of Schedule 1 to the Bill. For example a Fund established under the Bill pursuant to the Barley Research Levy Act 1980, will be named the Barley Research Trust Fund (Schedule 1). Each Fund established, will be a Trust Account for the purposes of section 62A of the Audit Act 1901 (sub-clause 6(5)).

The Bill also provides for the payment of money into the Funds. The Commonwealth is required to pay its matching contributions into the Funds along with monies received from levies, from amounts of penalty for non-payments of levy and other monies paid to the Government for the Funds (e.g. donations). Monies received by the Commonwealth from the sale of any property paid for by the Fund including the sale of property produced from carrying out research and development paid for with Fund monies, and any income derived from the investment of money in the Fund, will also be payable into the Fund (clause 7). The Bill however, provides that the amount of money provided by the Commonwealth by its dollar-for-dollar matching cannot exceed the amount paid to the Fund as the research components of levies and other amounts specified by the Bill (sub-clause 7(2)). The Commonwealth's contribution cannot exceed 0.5% of the annual gross value of production of the goods to which the particular Fund relates (sub-clause 7(3)). Special provision is made for tobacco (paragraph 7(3)(b)).

The money standing to the credit of a Fund may be applied in a variety of ways including research and development activities; the payment of expenses incurred by Research Councils and Committees in the performance of their
functions; the payment of expenses incurred in the management of investments; the payment of remuneration and allowances to members and other persons appointed to Councils and Committees (sub-clause 9(1)).

The Bill establishes Research Councils and State Research Committees and outlines the functions and powers of each. On the day the regulations impose or adopt an existing levy with regard to particular goods, a Research Council (Council) is established in respect of goods of that kind (sub-clauses 11(1) to (4)). The functions of a Council are also specified. These include the investigation and evaluation of requirements for research and development so as to develop research and development plans in accordance with other provisions in the Bill (paragraphs 11(5)(a) and (b)). The Council is also charged with approving payments out of a Fund and to monitor and report to the Parliament and the relevant industry organisation on, the research and development activities that are financed by the Fund (paragraph 11(5)(c) and (d)). The Chairperson of a Council (or another member authorised by him in writing) may, on behalf of the Commonwealth, make an agreement with another person, authority or organisation in connection with the funding of a research and development activity. This activity must, however, be one that has been included in an annual research and development program drawn up by the Council (sub-clause 10(1)).

The Bill establishes State Research Committees (State Committee) for the Barley and Wheat industries. A State Committee for each industry will be set up on the day that levies imposed by the Barley Research Levy Act 1980 and the Wheat Tax Acts of 1957 and 1979, are specified by the regulations to be levies under the Bill (sub-clauses 12(1) and (2)). The State Committee has functions similar to those of a Council (sub-clause 12(3)).

Both Councils and State Committees have power to undertake all things, necessary and convenient to be done in connection with the performance of its functions (sub-clause 13(1)). The composition of Councils and State Committees are outlined in clause 14 of the Bill. A Council will consist of a Chairperson, a government member and from 3 to 7 other members (paragraph 14(1)(c)). A State Committee will be composed of a Chairperson and from 4 to 8 other members (paragraphs 14(2)(a) and (b)). Members of both bodies are appointed by the Minister on a part-time basis (sub-clauses 14(5) and (b)). Council members (other than the Government member) and members of State Committees are appointed for up to 3 years although re-appointments can be made by the Minister (sub-clause 14(7)). The Government member on the Council will hold office during the Minister's pleasure (sub-clause 14(8)).
Each Council or State Committee member shall be paid remuneration and allowances as is determined by the Remuneration Tribunal (clause 19).

A significant portion of the Bill relates to the formulation by Councils and State Committees of research and development plans.

Each Council and State Committee must prepare a strategic research and development plan for each successive 5 year period. The first such period will begin on the 1 July next following the establishment of the Council or State Committee (sub-clause 22(4)). The plan will need to define the principal objectives of the Council or State Committee during the period and broadly outline how these objectives will be achieved. Particular attention will need to be paid by Councils and State Committees to the research and development requirements of their respective States, in the formulation of the plan (sub-clause 22(1) and (2)). The Bill also requires Councils and State Committees to consult with the relevant industry or industries connected with the goods with which the Council or State Committee is concerned, before any plan is formulated (sub-clause 22(3)). A State Committee will need to satisfy the added requirement of consulting with its relevant Council as well (sub-clause 22(4)). All research and development plans will need to be submitted to the Minister for approval 3 months before the start of the period covered by the plan. A plan will not come into operation until it is approved by the Minister or until the start of the period to which the plan relates, whichever is the later (sub-clause 23(1)). If the Minister considers that a plan submitted to him needs revision in some respect, he may request the Council or State Committee to revise it accordingly (sub-clause 23(2)). After making the appropriate revision of the plan, the Council or State Committee will re-submit the plan to the Minister for approval (sub-clause 23(3)).

Research and development plans will have to be reviewed periodically by a Council or State Committee, after that plan has been implemented, in accordance with clause 24 of the Bill. The Minister is also empowered to request a revision of any plan which has already come into force (clause 25).

Each Council and State Committee is required by the Bill to prepare a written annual research and development program outlining the activities to be funded and implemented, in order to give effect to its 5 year strategic plan (paragraphs 27(1)(a) and (b)). The annual program must specify the activity, its estimated duration and the amounts already paid out and are likely to be paid out of the
Research Fund for that activity (paragraphs 27(2)(a) and (b)). An annual program will need to be approved by the Minister in the same way as the 5 year plan is approved (sub-clause 28(1)). Should a program submitted to the Minister be inconsistent with the 5 year plan, the Minister may request the Council or State Committee to revise the program appropriately (sub-clause 28(2)).

The Bill also gives effect to one of its main objects of improving accountability for expenditure on research and development activities by requiring Councils and State Committees to report to the Minister on their respective operations, as soon as possible after 30 June each year (clause 30). This annual report will have to be laid before each House of the Parliament within 15 sitting days of that House after the Minister receives it (sub-clause 30(5)). Moreover, the Chairperson of the Council is required to meet with relevant industry executives, as soon as possible after the annual report is submitted to the Minister. This will enable the executives to consider the annual report and to be addressed by the Chairperson on the performance of his council and any related State Committee (paragraphs 31(a) and (b)(i) and (ii)). Industry executives may also use this occasion to question the Chairperson on any aspect of his Council’s activities during the period covered by the annual report and the activities of any relevant State Committee for the same period (paragraph 31(c)(i) and (ii)).

The Bill establishes an Australian Special Rural Research Fund (Special Fund) and a Special Research Council (Special Council).

The regulations will specify, not earlier than 1 January 1986, the establishment of the Special Fund. This Fund will be a Trust Account under section 62A of the Audit Act 1901 (sub-clauses 32(1) and (2)). The Special Council will be established on the same day (sub-clause 33(1)). The Special Council will be required to investigate and evaluate research requirements that; are in the national interest; and involve goods for which no Council has been established (sub-paragraphs 33(2)(a)(i) and (ii)). The Special Council will also be required to formulate a 5 year strategic plan as well as an annual program similar to those required of Councils and State Committees (paragraphs 33(2)(a) and (b)). The Special Fund will receive money, appropriated to it by the Parliament along with the amounts derived from sources similar to those which will finance Research Funds in clause 7 of the Bill (clause 34). The money standing to the credit of the Special Fund will be applied in the same way as money in the Research Fund in clause 9 of the Bill (clause 36).
The Bill establishes a Research Councils Selection Committee whose main functions will be to: formulate criteria for the selection of members of Research Councils; and to select persons for nomination for appointment as members of Research Councils (clauses 40 and 41). The Selection Committee will include a member from the Australian Agricultural Council and another from the National Farmers' Federation (paragraphs 43(1)(c) and (d)). All members of the Select Committee will be appointed on a part-time basis by the Minister (sub-clauses 43(2) and (3)). The Committee will be required to furnish an annual report to the Minister on its operations and the report must be tabled in the Parliament (clause 60).

The remainder of the Bill relates to the co-ordination meeting which will involve all Councils at least once a year (clause 61).

Regulations to the Bill will be made by the Governor-General pursuant to Clause 62.

For further information, if required, contact:

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LEGISLATIVE RESEARCH SERVICE

Footnotes


References

5. Second Reading Speech, Mr John Kerin, Minister for Primary Industry, Hansard, House of Representatives, 17 April 1985, p.1289.