

12 December 2014

Agricultural Competitiveness Taskforce
Department of the Prime Minister and Cabinet
PO Box 6500
CANBERRA ACT 2600



Sugar Research
Australia

Dear Sir/Madam

RE: Agricultural Competitiveness Green Paper

Sugar Research Australia Limited (SRA) welcomes the opportunity to provide comment on the *Agricultural Competitiveness Green Paper* ('the Green Paper') and supports the Government's ongoing commitment to an innovative, profitable and sustainable agricultural sector in Australia.

SRA is one of the 15 Research and Development Corporations (RDCs) that come under the National Primary Industries Research, Development and Extension (RD&E) Framework. More specifically, SRA is an Industry Owned Company (IOC) and the declared Industry Services Body for the Australian sugar industry under the *Sugar Research Development Services Act 2013* (Cth).

As such, SRA is responsible for the direct provision of RD&E as well as the ongoing management and investment of funds received from industry levy payers and government, for the benefit of the sugar industry and for the wider public good.

SRA acknowledges the importance of having agricultural policies, strategies and plans to support step-change improvement in rural industries that will deliver economic, social and environmental benefits to those industries and the general community. To this end, SRA also acknowledges the important supportive role the Government plays in setting policy and providing significant ongoing public funding towards RD&E that will drive innovation in Australia's agricultural sector.

In particular, SRA would like to acknowledge the Government's new \$100 million Rural Research and Development for Profit Program and the contribution this program will make towards achieving innovation and productivity improvements that will drive long-term profitability and sustainability of Australia's rural industries. SRA is currently collaborating with other RDCs and RD&E providers to identify and develop proposals for RD&E projects that meet the program's guidelines.

With respect to the policy ideas outlined in the Green Paper, SRA provides the following comments from the standpoint of SRA's role as the Industry Services Body for RD&E in the Australian sugar industry.

Innovation is the key to sustainability of Australia's agriculture sector

As highlighted in the Green Paper, the key to a profitable and sustainable agricultural sector is innovation. Through research, development and uptake of innovative technology and practice change, the rural sector can achieve the productivity, profitability and competitiveness outcomes required to sustain the sector for generations to come.

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Innovation in the agricultural sector however cannot happen of its own accord, it requires a combined and concerted effort of government (both Commonwealth and States), RD&E providers, primary producers and processors to foster and embrace innovation. In short, the right policy settings are required from government to drive the agricultural innovation agenda and the right innovations and pathways to adoption are required from RD&E providers.

To ensure the appropriate framework is in place to support innovation, SRA recommends that the Government's future agricultural policy: continues to support the rural RDC model; provides significant investment in RD&E; promotes adoption and extension activities; provides autonomy and flexibility for RDCs to meet industry and government priorities; and limits regulatory and compliance burden on RDCs, whilst providing for transparency and accountability.

Policy idea 20 – Strengthening the RD&E system

Rural RD&E priorities:

SRA is supportive of the Government's proposal to update the National Rural RD&E Priorities (Policy idea 20a) and welcomes the opportunity to participate and provide input into the process.

However, SRA is concerned with the wording used within the Green Paper in that it refers to the Government's intent to update the priorities "to better align with community needs" without referencing the need to align with industry needs.

Whilst SRA appreciates the Government's need to ensure public monies invested in rural RD&E provide public benefit as well as appropriate returns on investment, RDCs must also ensure that RD&E investments meet the needs and priorities of their respective industries. Striking the right balance between industry and government/community needs is not always easy for RDCs and close consultation between the RDCs and the Department of Agriculture is sometimes necessary to reach an agreed position.

As the Industry Services Body for the Australian sugar industry, SRA has been charged with responsibility to invest in and undertake RD&E on behalf of the industry, to both meet the needs and priorities of the industry and deliver benefit to the industry and the community in general. An independent Research Funding Panel has been appointed by the SRA Board to manage SRA's RD&E investment process and ensure that only high-quality RD&E projects that fit within the key focus areas of SRA's Strategic Plan, address industry and government priorities and will deliver beneficial outcomes to the sugar industry are funded. In this way, all projects are selected for investment based on merit and alignment with industry and government priorities. That is, projects are selected where the best research outcome can be achieved for the investment.

As highlighted in the current Senate Standing Committee on Rural and Regional Affairs and Transport References' inquiry on R&D levies arrangements in the agricultural sector, one of the fundamental principles being discussed in respect of the RDC framework is the level of industry involvement in setting the priorities for RD&E investment and the RDCs accountability in delivering on those priorities.

SRA is supportive of the four key priority areas identified in the Green Paper – advanced technology; biosecurity; soil, water and natural resource management; and adoption of R&D – for RD&E investment and currently invests in RD&E in all of these four areas. SRA recognises these areas as being critical to the sustainability of Australia's sugar industry and specific objectives, key deliverables and outcomes have been identified for these key areas of focus in SRA's 2013/14 – 2017/18 Strategic Plan.

SRA supports the continued and increased industry and government investment in RD&E in these critical areas to ensure the growth, profitability and sustainability of Australia's agricultural sector. Ongoing investment and support in capability building and extension activities (in both the agricultural and R&D sectors) is also critical for the survival of Australia's agricultural sector.

Coordination of cross-sector research:

SRA believes the Green Paper does not accurately reflect the current extent to which RDCs consult and collaborate with each other – particularly with respect to their participation in cross-sectoral strategies (Policy idea 20b) and the Council of Rural Research and Development Corporations (CRRDC) sponsored activities.

SRA places significant importance on working with industry, partners, collaborators, government and other RD&E organisations to leverage synergies and enhance capability. As reflected in the objectives and key deliverables of SRA's Strategic Plan, SRA actively undertakes sectoral and cross-sectoral collaboration and investment to benefit the Australian sugar industry and the broader Australian community.

SRA recognises that these collaborations are an important way to achieve greater outcomes from investments than would otherwise have been achieved alone. The improved communication and coordination and reduced duplication of effort within these collaborative activities helps to better disseminate RD&E outcomes across different industries and improves the prospects of future collaboration.

SRA also acknowledges there is a growing need for more collaboration among researchers and research organisations in the interests of leveraging industry and government investments and achieving productivity growth in an increasingly resource-constrained and competitive R&D environment. To this end, SRA will continue to actively participate in CRRDC activities and build on its close working relationships with other research organisations, including universities, CSIRO and international sugar-related institutes.

However, whilst SRA is supportive of cross-sectoral research in general, it must be relevant and appropriate to the participating RDCs. That is, RDCs must not be compelled to collaborate simply for the sake of collaboration. Any investment (financial or in-kind) should be for the purpose of realising synergies and bringing benefit to their respective industries.

Lastly, SRA does not support the establishment of a new body to coordinate cross-sectoral research. It is SRA's view that the current National Primary Industries RD&E Framework already provides for and supports such activity. Under the Framework, RDCs, including SRA, currently coordinate and participate in a number of cross-sectoral strategies and RD&E activities. Any improvements to assist in the coordination of these activities can be made within the current Framework.

Extension services:

SRA supports the Government's inclusion of extension services in the Green Paper (Policy idea 20d). An expansion of research and development awareness, adoption and extension activity across the rural sector is critical to the successful adoption of new technologies and practice change.

SRA's current adoption and extension model was established by the sugar industry to provide greater regional autonomy for extension. However the reduced funding towards SRA discipline-driven extension activities has resulted in an increased reliance on industry-owned extension providers (such as productivity services organisations) and private sector to deliver extension locally. Whilst localised extension through productivity services organisations has been successful in some regions, the level of extension service

varies markedly across Australia's sugar growing regions.

In response to this market failure, SRA is reviewing its adoption and extension model, in collaboration with our levy payers and industry extension providers, with a view to improving adoption pathways, knowledge exchange and the relationship and inter-dependencies between SRA and other extension providers. The difficulty that SRA, and the sugar industry itself, face is the limited resourcing (both in terms of funding and suitably qualified personnel) allocated for extension activities.

SRA is therefore supportive of the Government promoting the development of extension services and is keen to participate or assist the Government in the development of future extension related initiatives.

Furthermore, SRA believes there is an opportunity and, in some cases, a need for the Commonwealth, through the Agricultural Ministers' Forum (AGMIN), to demonstrate leadership by ensuring the State and Territory governments appropriately support innovation and extension activities in Australia's agricultural sector. That is, ensuring the States and Territories continue to invest in RD&E and do not withdraw or decrease their investments, thereby passing the costs back on to RDCs.

Decentralising RDCs to regional areas:

With respect to giving consideration to relocating RDCs to regional centres (Policy idea 20e), it should be noted that SRA is already regionally-based with eight research stations within close proximity to all current sugarcane growing and milling areas in Queensland and northern New South Wales. SRA's head office is co-located with laboratories and quarantine facilities at Indooroopilly and is positioned close to the peak industry representative bodies' head-offices in Brisbane.

Regular assessments of the RD&E system:

SRA supports a regular assessment of the RD&E system (Policy idea 20f) so long as these assessments do not impose further regulatory or compliance burdens on the RDCs. SRA believes sufficient performance information and assessments could be gleaned from the individual RDCs regular performance monitoring and evaluation outputs, including the independent Performance Reviews which are mandated in the RDCs respective Statutory Funding Agreements with the Government.

Policy idea 21 – Improving the rural RDCs

Administrative changes to increase transparency:

SRA commends the Government for stating its commitment to maintaining the rural RDC model. The current RDC model underpinning innovation and RD&E in the agricultural sector has been reviewed extensively in recent years and it has been widely acknowledged that the model is world-class, particularly in terms of the government-industry partnership principles upon which the model is based.

SRA is however concerned that there appears to be a strong inference in the Green Paper (Policy ideas 20f and 21a) that the RDCs are not being appropriately transparent or accountable in their operations or their respective corporate planning or reporting.

Whilst SRA is supportive of governance improvements to the RDC model in general, it should be acknowledged that the RDC framework currently provides significant levels of transparency and accountability to levy payers, government investors and the broader community through the mandated development and publication of Strategic Plans, Annual Operational Plans, Annual Reports and independent Performance Reviews. The RDCs also undertake, of their own volition, regular evaluations or

impact assessments of a sample of their respective RD&E projects to further demonstrate the return on investment being provided to levy payers and government investors.

SRA publishes the abovementioned corporate documents on its website along with an extensive amount of other documents, reports, manuals, guidelines and other reference material. SRA's Strategic Plan is developed in close consultation with industry and government stakeholders and SRA's Annual Report provides a reasonably comprehensive coverage of the key deliverable and outcomes achieved during that year.

In addition to making our Annual Report publicly available, SRA also voluntarily distributes hard-copies of the document to Commonwealth and State Members of Parliament, relevant government officers, industry representative bodies and SRA's member Delegates.

SRA's Delegates play a pivotal role in SRA's strategic management and performance assessment processes, both in terms of providing insight and feedback regarding SRA's strategic and operational activities as well as acting as an important conduit for communication and consultation between SRA and our Members.

Further with respect to ensuring SRA is transparent and accountable in all of our undertakings, SRA is required, under the Statutory Funding Agreement with the Commonwealth Government, to hold six-monthly formal meetings with senior officers of the Department of Agriculture. These meetings require SRA to report on operational and performance matters, including: progress in delivering on SRA's Strategic and Annual Operational Plans; governance arrangements; levy collections and budgetary matters; consultation and collaboration with other RDCs and industry representative bodies; and any other relevant matter.

With respect to the RD&E investment process, SRA is not supportive of the introduction of a generic application form for all RDCs. SRA's funding application process has been developed to specifically meet SRA's RD&E investment framework requirements and online application process. The application form has been developed to ensure sufficient information is provided to enable an assessment of the project's proposed outputs and outcomes according to its alignment with industry and government priorities and the key focus areas laid down in SRA's Strategic Plan.

Whilst SRA acknowledges that there is some commonality across RDCs in terms of priorities and RD&E projects, the investment assessment and decision-making processes differ. RDCs, in particular IOCs, should retain autonomy and flexibility in establishing a holistic investment framework that is designed to meet the specific needs and nuances of their respective industries.

SRA does not support the "setting out a targeted set of key objectives for each RDC". Under the National Primary Industries RD&E Framework, the RDCs are already required to set objectives as part of their strategic planning processes and report against the outcome of these objectives in their Annual Reports. Furthermore, the Strategic Plans are required to be developed in close consultation with industry and government and approved by the Department of Agriculture, on behalf of the Minister for Agriculture.

It is SRA's view therefore that the imposition of a further suite of objectives, developed outside of the strategic planning process, is unnecessary and could potentially lead to duplication of effort and a focus on compliance as opposed to the intended focus on outcomes.

SRA is of the view that the objective of any review, policy or initiative pertaining to RDC operations, structures, strategic management or performance reporting frameworks should be to reduce and limit the 'red tape' or compliance burden and government direction imposed on RDCs and increase the RDCs ability

to deliver innovative solutions that will contribute to the growth and profitability of their respective industries.

Increasing the flexibility of levy arrangements:

SRA is supportive of increasing the flexibility of levy arrangements in general however it should be noted that the Sugarcane Levy model was established by the Australian sugar industry and that any changes to the levy arrangements should be made in consultation and in agreement with the Sugarcane levy payers.

In summary

Ongoing industry and government support for the current RDC model is essential to ensuring appropriate investment in RD&E can be directed towards developing innovative solutions to address pivotal issues impacting Australia's rural industries.

SRA supports the implementation of initiatives to improve efficiency and transparency of RDCs however such initiatives should not compromise nor detrimentally impact the level of independence the RDCs have from the Government, the level of levy payer involvement in setting RD&E priorities nor the RDCs ability to be flexible, responsive and innovative.

Critical to the success of the rural RDCs is their freedom to operate, their flexibility to respond to emergent needs and changing priorities; their independence in decision-making; and their ability to focus on improving profit within the agricultural sector.

Any policy or administrative changes that relate to, or will impact on, rural RDCs should be made in close consultation with RDCs so as to ensure the appropriateness and efficacy of the proposed changes.

SRA is grateful for the opportunity to respond to the Agricultural Competitiveness Green Paper and looks forward to working with Government to develop and implement initiatives that will deliver benefits to both the sugar industry and the community as-a-whole.

Yours sincerely

A handwritten signature in black ink, appearing to read 'NF' with a stylized flourish at the end.

Neil Fisher
Chief Executive Officer