

## Submission by Noel Beynon

Inquiry into Rural Research and Development Corporations  
Productivity Commission  
Locked Bag 2, Collins St. East, Melbourne, VIC 8003 Australia

Dear Sir/Madam

1. My submission draws on almost 40 years of domestic and international research and policy analysis related to issues involving and surrounding agriculture, particularly agricultural policy (domestic and international), natural resource management and rural/regional development. I have worked in statutory marketing authorities, research institutions, government and as a private researcher. More recently I worked at Land & Water Australia (LWA) on the Social and Institutional Research Program for a couple of years and before leaving undertook an internal Strategic Review of that Corporation in 2008.
2. I am concerned that the review of rural Research and Development (R&D) is not firstly put in the context of future scenarios for agriculture including the agricultural and broader community's preferred vision for the sector. It is a long time since any Government produced a broad analysis of agriculture's role in the Australian community and economy. The last 'Green Paper' (chaired by Stuart Harris) is now closing in on 40 years old. Whilst there have been other papers (eg Balderstone Report in 1982 and the 'Policies for Growth' released by Ministers Kerin and Cook in 1988) these were not as comprehensive as a Green Paper. There is now a crying need to stand back and assess the future role, associated industry structures, and the consequent role of government in the sector. Only then can one really get to grips with the sector's R&D (& Extension) needs including the best administrative structures to facilitate that R&D effort.
3. My comments therefore are predicated on my vision for the sector being sustainable (economically, ecologically, environmentally and socially) while meeting the needs of consumers. It would be a sector which is also water and energy efficient, flexible and adaptable to changing market and climatic conditions (especially variability). In this regard the hype about Australia's future population and the 'carrying capacity' of the nation needs to be considered in the face of the agricultural sector's capacity to respond by increasing food production, reducing water use (by continuing to improve water use efficiency) adoption of new crops and importantly new agricultural systems. R&D has a

vital role in preparing the sector for the future of a much larger population in Australia and for that matter, the world.

4. Australian agriculture is now much more than traditional farming as it has significant integration with other sectors of the economy. As well as the usual supply chain of product from producer to consumer, increasingly important linkages include with communications/electronics (think for example of the impact of the internet, GPS navigation as in precision agriculture and information gathering in real time such as yield by meter of crop harvested) and energy sectors (biomass, biochar etc).
5. R&D for the sector should reflect the increasingly complex nature of the sector so that as well as traditional commodity based research more needs to be done on agricultural systems, the impacts of changing community preferences (in food as well as the environment etc) and the myriad of policy questions faced by governments as well as industry. For example, what are the opportunities for the sector to integrate food production with environmental benefits, energy production and landscape amenity? What does industry and government need to do to facilitate/achieve such an outcome?
6. In considering the R&D for the rural sector the Commission needs to look much wider than just the RDC's. Many of the issues raised in the Issues Paper are equally applicable to other research organisations such as the CSIRO and CRCs.
7. **Governance** is much more than just corporate governance as set out in the Issues Paper. That is fine with respect to the legal accountability of the organisation but there is a need to incorporate into the governance framework issues such as relationships with constituencies (are the customers happy?) and political system (how does the organisation relate to Ministers and their agencies?). The Commission might like to look at the work of Michael Lockwood (funded by LWA) on NRM governance - (<http://www.geol.utas.edu.au/geography/nrmgovernance/>). Such a wider understanding of governance should also apply to other research organisations such as CSIRO and the CRCs. In the same vein any principles developed for the RDCs should logically also apply to CSIRO and the CRCs.
8. Governance of CSIRO versus RDCs. CSIRO is answerable to the Minister for Innovation, Industry, Science and Research not the Minister for Agriculture, Fisheries and Forestry, or the Minister for the Environment, Water, Heritage and the Arts. This raises many issues including that the CSIRO is often seen as just doing its own thing. A mini-ministerial forum of all Ministers who conduct/fund rural and related research would help with better coordination (see para on coordination below).
9. The Issues Paper highlights **collaboration** at the project level. Over recent years there has been significant collaboration among RDCs at the program level including with the establishment of joint programs (eg Joint Venture in Agroforestry). It was because of this

that when LWA was abolished many of its programs were able to continue under the management of other RDCs. For example the long standing program/s on Climate Variability managed by LWA since 1992 are now managed by the GRDC and the National Program for Sustainable Irrigation is now managed by the Cotton RDC. Collaboration is also wider than with other RDCs including with the CMAs.

10. **Coordination** among the RDCs is all well and good but what about coordination with other organisations such as CSIRO, State agencies and Federal Departments? In particular the Federal departments for agriculture and for the environment each are running R&D programs that overlap/ duplicate with RDC programs especially in the past with LWA programs (but that was solved by abolishing LWA). For example the National Environmental Research Program (NERP) a rebadging of the old Commonwealth Environment Research Facilities program (CERF) run by the Department of the Environment, Water, Heritage and the Arts duplicated much of the effort of LWA and the DAFF Climate Change Adaptation Program has much in common with the Climate program now managed by Grains RDC. In addition, the MDBA (and the MDBC before it) have spent millions on R&D most of which has not been made public and not coordinated with the work of the RDCs.
11. On page 7 of the Issues Paper mention is made of a request to the RDCs “to compile data on how the remainder of their expenditure is distributed”. For comparative purposes and to establish the full cost of Federal expenditure in this area, the same request should be made of the CSIRO, MDBA, rural CRCs and all Commonwealth Departments running rural related R&D programs such as mentioned above. After all, this is a review of rural R&D not just of RDCs as set out in the first two points in the Inquiry’s Terms of Reference!
12. When the RDCs were set up there was some discussion about the **taxation** arrangements for R&D and their applicability to agriculture R&D. This was one reason often given for the Government matching funding of levies. The Explanatory Memorandum for the PIERD Act might offer an explanation/ discussion of this - but I have been unable to obtain a copy to check. Even so, the current arrangements for taxation benefit for R&D are clearly inappropriate for the rural R&D sector - individual farmers can hardly set themselves up as a Registered Research Agency. However, if the Government ever decided to remove or reduce the matching funding of levies then it seems equitable that the grower levies receive any special taxation allowances/ rebates available to other sectors - currently levies are treated as just another input/ cost.
13. Much of the discussion about **public/private benefit** is quite predictable. One question the Commission might like to answer is to what extent has the private sector increased its R&D effort as governments have reduced theirs over the past 25 years and how much of this is directed towards public verses private benefit. Also, at what level of R&D (as

percentage of GVP) would agriculture start to lose its international competitiveness (an old rule of thumb I remember is 4%) and what would be the full costs (not just first round effects) to the Australian economy of not maintaining the R&D effort?

14. RDCs have a marked lack of **social & institutional research** - a glaring omission which commodity based institutions rarely touch upon, but was undertaken by LWA and to a lesser extent RIRDC (which could now pick that up if resourced to do so). Of course this largely reflects the terms of reference and governance arrangements of the commodity RDCs. One might argue however, that there is a greater need for socio-economic research which largely falls into the public benefit category. So many broader policy issues, such as drought policy (where was the research done for the new trial policy?), are not adequately covered by the terms of references of the RDCs (or any other organisation for that matter). In the past some of this was undertaken by ABARE, especially when it was the BAE, but it would now appear to lack the skills and resources after years of progressive funding cuts.
15. In the absence of LWA which RDCs are really doing work on the **agricultural resource base** (land, water, ecology etc)? There is a clear need to have one RDC that covers these topics and coordinates broader 'agricultural systems' work. Who now might fund research relating to the myriad of policy issues surrounding population (growth) and say the loss of agricultural land through metropolitan area expansion. Hobby farming and peri-urban agriculture are significant areas of agricultural production (often falling below the statistical cut off for data collection) and often blamed for a lack of pest and weed control. In this context the CMAs have also been undertaking/funding rural R&D as well as extension. The Commission should consider future roles of CMAs within the broader research, development and extension community.
16. There is now much more effort than in the past to evaluate the research effort. However, there is still little regard for the **research legacy** - what happens to all the research reports? Is there any effort to synthesise that work and disseminate the results to farmers, land managers, researchers, policy people and so on? There have been attempts over many years to try to bring together the output from rural research (not just RDCs). AANRO (Australian Agriculture and Natural Resources Online database) has many partners but is in need of much help. If we are talking about value for money then one of the key issues is to ensure we do not unknowingly duplicate past work, but build upon that work. The role of knowledge management (including active archiving for prosperity) is thus crucial but very often overlooked as it is not as sexy as new research effort. This should be explicitly added to the RDCs (and like organisations) terms of reference.
17. A couple of comments on **operational matters**. There needs to be a discussion on the role, benefits and costs of the different purchasing systems - commission, closed, select &

open tender and grants. The influence of the Australian Research Council grants regime on university research managers behaviour should also be considered as a research grant from an RDC to a university attracts matching funds from the ARC. This clearly puts private sector researchers at a disadvantage. On the other hand the capacity of RDCs to select the best of proposals and / or to negotiate changes to proposals provides significant flexibility for the RDCs to meet both short term and long term R&D needs and is the most effective way to ensure 'value for money'. This stands in stark contrast to the CSIRO (& CRC) model of fitting the research to the capacity of the organisation and to its own preferences.

18. **Administration costs** may be relatively high but this is in part a reflection of the RDCs being part of government. The scope for improving efficiencies through amalgamations (economies of scale?) appears to me to be limited. The following are a sample of tasks and arrangements which affect RDC costs regardless of size.

- Each research project needs a contract in line with the Commonwealth's standards. This means that each contract is relatively large and complex often containing aspects which have little if any relevance to the project.
- The Commonwealth's (ie Department of Finance) financial reporting requirements, especially monthly under and over spends, also mean significantly higher costs than in the private sector. For example the nature of research means that achieving certainty in monthly expenditures is often difficult especially when the researchers are part of large bureaucracies such as universities. This can mean a lot of time can be spent chasing invoices. (The RDC response therefore is to ensure as few as possible milestones, that they are set at the start of a month and that there are minimal or no milestones towards the end of the financial year).
- Another example of administrative burden are requests that are difficult to meet. For example a listing of all past and current work with CRCs including project names, finances etc.
- Reporting against moving targets such as national AND rural research priorities. The National Research Priorities are often so broad as to be irrelevant to RDCs. Costs could be reduced simply by enabling the Rural Research Priorities to be part of the National Research Priorities (and keeping them for a number of years).
- There is a need to differentiate between pure administration for governance purposes and other activities particularly those that enable the E in R,D&E. How much do the RDCs spend on extension activities including publications? There is often a focus on how much is spent of research and administration when this should be research, extension and administration. But this is sometimes difficult when a project (such as a

farm trial) incorporates aspects of extension - in this case apportionment may be arbitrary.

19. In conclusion, I am fully supportive of the RDC model but believe there are still significant gaps in coverage. Even so, as a group of visiting Americans said to me some years ago, 'if only we had such a wonderful means to encourage R&D for growers benefits rather than for the big companies'. I have attached my letter to Minister Burke after the abolition of LWA as it also has a number of relevant comments to this Inquiry.

Hon. Tony Burke MP  
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18 May 2009

Dear Minister

I read with interest the transcript of your presentation to the NSW Farm Writers' Association Post-Budget Breakfast on 13 May. Your comments on LWA (and RIRDC) were very interesting but almost total fiction and I believe you have been sold a pup by your advisers and/or the Department. In the interest of achieving good transparent policy based on sound evidence I am also sending this letter to the rural press.

You asked: "What's the best chance, if cuts were unavoidable, of trying to make sure that the best part of that work can be picked up by other areas of my Department?" and then went on to say that "there is the best chance of any R&D work of it (LWA) being picked up by the rest of my Department than in any other area. And that's the reason behind the Land and Water Australia decision."

I have news for you. Your Department is not a research agency. It has from time to time had a number of research programs (usually as part of a suite of programs eg to address a particular issue) and until recently took the line that independent (eg Statutory) professional research managers were best placed to tender/commission that work. I know as I was responsible for out-sourcing the Climate Variability in Agriculture Program to LWA (then LWRRDC) which continues to this day albeit with other funding and a name change.

LWA, on behalf of **your** Department, recently concluded work with farmers in the Healthy Soils for Sustainable Farms Program, managed the R&D component of the Defeating the Weeds Menace program and undertook the Knowledge for Regional NRM initiative (which really is not finished) aimed at helping regional NRM bodies (CMAs).

But in your time new programs on weeds and the Climate Change Research Program (currently focussed on emissions reduction and soil carbon) have been retained in the Department, or in the case of weeds sent off to a **new** Australian Weeds Research Centre and LWA not asked to manage them notwithstanding LWAs exemplary record, infrastructure and already having programs and experience covering the same or closely related territory. Why? Is it because the Department is in shrink mode (look at the loss of functions to others such as water) and wants to retain some work to avoid even greater reductions? And what will the Department do with the research reports? Does it have the skills and capacity to publish and use them? What have they done with past research reports? And if your Department is to 'pick up' some of LWA's work what activity in the

Department will go or are you implying the Department has spare capacity. There is a problem with your logic here.

You also noted that “ There’s also some of the work though that RIRDC’s been doing that I don’t think my Department will be able to pick up effectively. Those parts of it are not being cut. For example, the rural women and youth programs, the rural leadership programs ..... And I don’t have a belief that the Department would be able to effectively pick up that work.” Guess what Minister, this work was instigated and managed successfully for a number of years in the Department. However, it was only sent to RIRDC when John Anderson took the rural communities programs with him to the Transport and Regional Services portfolio and the Department felt it was necessary to avoid duplication of the Deputy Prime Minister’s work. So your department could do that work. As an added bonus however it is easier for RIRDC, as a statutory body, to gain sponsorship for these programs.

But did your advisers say there was a way to find savings without closing LWA? The Productivity Commission report on science and innovation (Public Support for Science and Innovation’ (March 2007)) clearly stated that there was insufficient use of the Government’s contribution (matching grower levies) for public good research. “In the case of rural R&D corporations (RRDCs) undertaking significant public good research, such as the environmental research sponsored by Land and Water Australia (LWA), strong grounds for large public subsidies remain because that research is unlikely to take place in their absence.” This implies there should be a boost to LWA’s funding not its closure!

Suggestions are around that there should (have been?) a redirection of (say) 5% of the Government’s RDC contribution to LWA. If that happened the Department gets to save its expenditure on LWA, integrated public good NRM research is continued (it will not happen through the other RDCs) and you would not have to face the ire of the research, agricultural and environmental communities. So given the closure of LWA how (and when) are you going to respond to the Productivity Commission’s recommendations with respect to the RRDCs?

But will the Liberals, Nationals and Greens do anything about this? I doubt it as they have bigger problems.

Yours sincerely

Noel Beynon