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

Dear Productivity Commission

Re: Rural Research and Development Corporations

The South Australian Farmers Federation (SAFF) wishes to briefly respond to the Productivity Commission's Draft Report on Australia's rural Research and Development Corporations (RDCs).

The Commission is proposing two broad and inter-related changes to the current RDC model.

- A new, government-funded RDC — Rural Research Australia (RRA) — should be created to sponsor broader rural research that is likely to be under-provided by industry-specific RDCs. The Government's funding appropriation for RRA should be progressively built up to around $50 million a year.

- The industry-specific RDCs should focus predominantly on R&D of direct benefit to their levy payers — but with the cap on the Government's funding contribution gradually reduced to half its current level over ten years.

SAFF has concerns about both of these proposals.

A new, government-funded RDC — Rural Research Australia (RRA) — should be created to sponsor broader rural research that is likely to be under-provided by industry-specific RDCs.

While there is a need for non-industry specific R&D, SAFF is concerned that a body such as RRA could lead to dividing and separating the research effort. More emphasis needs to be placed on the integration of research and the RRA would need to be involved in close coordination with existing RDCs, to ensure there is not duplication.

In Australia there are not only RDCs but also CRC's, Universities and CSIRO all involved in undertaking research. For the majority of the time, there appears to be very little co-ordination, co-operation and integration to ensure that scarce R&D dollars are being used efficiently and effectively with no gaps and no duplication.

The guidelines for establishing the RRA will need to be carefully established, and rather than dealing with non-industry specific R&D, there may be merit in such a body having an over-arching role. Alternatively, there needs to be more encouragement of the existing RDCs to work together as there are opportunities for cross-sector R&D.

The industry-specific RDCs should focus predominantly on R&D of direct benefit to their levy payers — but with the cap on the Government's funding contribution gradually reduced to half its current level over ten years.

The first part of this proposal is supported, but at a time when there is a need for more rural R&D an increased investment is required from all sources. SAFF is very concerned about reducing Government expenditure which could well mean the end of any meaningful rural R&D in this country and the demise of agriculture as a major contributor to the economy despite being one of Australia's few sustainable industries.

SAFF does **not** support there being a cap on the Australian Government's funding contribution of half that currently provided.

While the majority of producers are prepared to continue to invest in R&D, they want to see that this is being matched by government (both State and Federal) and by others in the industry.

Here in South Australia, as a result of the most recent State Budget, announced on 16 September, there will be reduced State and externally-funded R&D to the South Australian Research and Development Institute (SARDI). In the budget papers, it is stated:

> *"This initiative provides net savings of $8.6 million over four years. By 2013-14, the level of government support to SARDI (South Australian Research and Development Institute) will reduce by $3.5 million per annum. As a consequence, SARDI will increase cost recovery and reduce costs resulting in a reduction in research and development activity and service delivery across the broader spectrum of primary industries research. These changes are consistent with the strategy of streamlining state research in line with the National Research, Development and Extension Strategy with the Primary Industries Standing Committee. The savings will be achieved through cessation of some research and development activities and workforce changes."*

Since the State Budget, there has been a further development with the future governance arrangements for SARDI under consideration. This is likely to lead to SARDI moving from the State Government to the University of Adelaide. Whatever the outcome, there is little doubt that at the very least it means the State Government's investment in rural R&D will be diminished. SAFF is currently considering its response to this proposal.

The Draft Report has identified that more than a quarter of the funding for rural R&D is from State Governments (28% in 2008-09, Table 2.1, page 12). With the South Australian Government moving out of rural R&D, it will not be very long before other State Governments also follow suit. When this happens, it will be even more important that the Australian Government at least maintains its commitment to RDCs, and preferably provides increased funding.

The proposal to reduce the Australian Government's contribution will have a negative impact on not only the RDC framework, but on Australia's broader rural R&D structure.

Yours sincerely

Carol Vincent
CHIEF EXECUTIVE