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**SYDNEY**

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RDC Inquiry  
Productivity Commission  
LB2 Collins Street East  
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To Whom It May Concern,

The University of Sydney appreciates the opportunity to provide some brief comments in response to the Commission's *Draft Rural Research and Development Corporations Report*, released for consultation on 23 September 2010. These comments supplement our initial submission of 24 June 2010, in which we outlined the reasons why we strongly support the Rural Research and Development Corporations Program, and made seven recommendations designed to further strengthen the framework.

We are pleased to see that the Commission has drawn upon parts of our initial submission in its Draft Report, and that some of the Report's draft recommendations align with those contained in our submission. For example, we note that the Commission has recognised the many strengths of the Rural RDC model and that the case for retaining many of its core elements is very strong (p.142). We note the overall emphasis in the report in finding ways to encourage and support rural research that will produce positive social outcomes. We note those findings relating to the need for better data about what is happening across the totality of the rural R&D framework and for improved performance monitoring and evaluation of the program as a whole (p.110 & Chapter 8). We further note the Commission's recognition of the importance of ensuring that Australia maintains a high level of scientific expertise, research skills and infrastructure in order to provide the underpinning capacity to develop new knowledge, adapt technology developed elsewhere, and respond to challenges as they arise (p.120). All of these findings and related recommendations are consistent with the content of our initial submission.

Our basic interpretation of the Draft Report's key recommendations, however, is that the Commission is proposing reforms that would not only result in a reduction in public investment for the Rural RDC Program of at least \$60 million net by the end of the transition phase, but which it expects will also result in a reduction in industry funded research, at least in the short term (p.170). In expressing our concern about the proposed cuts to funding for rural R&D, we note that this advice is being provided at a time when:

- The world faces enormous food security challenges as a result of population growth, climate change and environmental degradation;
- The risks of devastating animal and human diseases is increasing, again as a result of population growth and associated developments;

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- There is global consensus that humanity will only meet these challenges through achieving large efficiency gains from a variety of approaches including enhanced R&D;
- We face significant challenges as a nation if we are to maintain a strong rural research capacity as a result of various factors including under-investment in rural research workforce renewal; and
- As a result of the 2010 Federal election the Australian Government and the Parliament has a renewed interest in issues affecting rural and regional Australia.

Nevertheless, we agree with the underlying premise of the Draft Report – that there is a need to ensure that the public funding supports socially valuable rural R&D that would not otherwise have occurred, and does not simply substitute for activity that would have been funded anyway by primary producers. The Report confirms the high rates of return from investment in rural and other R&D, along with the link between public investment in R&D and agricultural productivity growth in Australia (p.41). It documents current rural R&D investment levels and benchmarks these internationally (Chapter 2) and outlines comprehensively the rationales for public investment in rural R&D (Chapter 3). Yet the Report does not appear to contain a clear statement about what the Government's overall level of investment in rural R&D should be, or about why the funding to be administered by the proposed 'Rural Research Australia' should grow to a peak of \$50 million per annum, as opposed to some other amount. Here we note that the Inquiry's second term of reference asked the Commission to advise the Government on appropriate levels of public and private investment in rural R&D in Australia, in addition to the appropriate balance between the two sources of funding (p.iv). On our reading, the Commission appears to be recommending an overall cut in public investment in rural R&D, without providing a clear rationale for why the Government should invest less, rather than more in rural R&D activity overall.

Relying on international comparisons of Australia's public and private rural R&D investment levels to support the argument that the Australian Government may be investing too much in rural R&D is not convincing, not least because it fails to take account of the other forms of public support for primary producers that are more prevalent in other countries. In our initial submission we stressed the fact that compared to primary industries in many other OECD countries, Australian producers operate under a relatively 'free market' framework, with very limited (and declining) direct and indirect subsidies to support their activities in the national interest. We argued that in this broadly deregulatory context, the Rural RDC program has resulted in substantial benefits for producers and the wider Australian community by contributing to the achievement of more internationally competitive export industries; higher quality, safer and better-priced food; and other outcomes that are more difficult to quantify such as improved sustainability and maintaining and underpinning national research capacity.

The Commission's proposal that the Government establish a new entity to be called 'Rural Research Australia' to sponsor public good research that is unlikely to be supported by industry-specific RDCs, aligns to some degree with Recommendation 2 of our initial submission. As we noted in that submission, we have observed an increasing trend towards some RDCs preferring to fund market specific, short-term applied research, rather than research that is more broadly based, has longer (or less defined lead times) but has the potential to deliver broader public benefits. The Commission's preferred model differs from ours, however, in that it would see a new entity established as a stand-alone statutory corporation, with the duplication and overheads that that would entail. We also emphasised the need to ensure that the funding program supported research in areas of long term national priority agreed by the Council of Rural Research and Development Corporation Chairs, and administered through an open and competitive process based on peer review. While we appreciate that the Draft Report does not contain full details about how the proposed RRA would operate, we question whether the creation of a completely new RDC is necessary to achieve the desired purpose. An alternative would be to administer the funding



scheme through the Australian Research Council, thus achieving administrative efficiencies, but also bringing the social component of rural research into alignment with the administration of peer reviewed funding programs supporting the national research effort in other areas. The ARC Linkage Schemes provide a potential model for a scheme that is run by the national research funding council, but with considerable engagement with industry about research priorities for the scheme and its administration.

One of our recommendations that does not appear to have been picked up in the Draft Report, at least directly, related to the need to improve the management of Intellectual Property created by research organisations as a result of funding provided by RDCs. As we outlined, in our view many RDCs do not have the specialised resources that are necessary to protect and manage IP effectively, while current arrangements often result in IP being owned jointly by two or more different parties, or require overly complex negotiations about contract terms with multiple RDC/IOCs. In our view, joint ownership of IP dramatically reduces the chances of the Project IP being disseminated for public good, partly because no party is capable of dealing with the IP unless it can reach agreement with all other co-owners. We would therefore like to see the Final Report's *Principles to guide the future operation of the RDC program*, include a reference to the need for all RDC and IOCs to agree with each other and with research organisations, on standard Intellectual Property arrangements, designed to simplify the research contract negotiation process and maximise research commercialisation and other knowledge transfer outcomes.

The University of Sydney looks forward to reading the Commission's Final Report and to engaging with the Inquiry process as it continues.

Yours sincerely

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