

Estimates – 13 Oct 2010

SARDI – R&D

Mr PEDERICK: I refer to Budget Paper 6, page 76: South Australian Research Development Institute (SARDI). Line three of paragraph one states:

...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.

Referring to the cessation of some research and development activities and workforce changes, my first question to the minister is: in shifting SARDI's focus to cost recovery and selling its services, will this compromise the independence and integrity of SARDI's research as it seeks to please the customer?

The Hon. M.F. O'BRIEN: In relation to that particular budget line, I have some notes. As the honourable member is aware, the level of reduction to support research was to the tune of \$3.45 million per annum in the year 2014. There will be a consequential loss of external revenue to SARDI. Savings will be achieved by a reduction of staff exiting some regional sites and the contraction or cessation of some research and development activities.

SARDI will exit some areas of R&D and reduce state investment across a range of research programs. These programs provide some capacity for biosecurity, emergency management, remediation and key sector and cross-sector needs. As I said in my opening statement, at the national level, the states and the commonwealth have agreed that there should be some prioritisation in each of the states in terms of research activity, and states should designate which areas they seek to pursue, if I could term it, centres of excellence.

After a national discussion, and largely reflecting our pre-eminence in these areas, South Australia has decided to commit research activity to pork, poultry, agriculture and fisheries, grains, biofuels (in particular microalgal) and the wine sector. The framework also recognises SARDI's delivery of outcomes to industry through R&D, and I think that is probably the nub of the question. Could the honourable member repeat his question?

Mr PEDERICK: Minister, in shifting SARDI's focus to cost recovery and selling its services, will this compromise the independence and integrity of SARDI's research as it seeks to please the customer?

The Hon. M.F. O'BRIEN: The way that SARDI operates is that it is not only a research centre but it is also a deliverer of that research. Three quarters of the funding for SARDI is actual external funding; that is, 75 per cent of the funding of SARDI at this particular point in time comes from the agribusiness sector and that funding does have strings attached because industry will come to government through SARDI and say that there is a particular issue that they want resolved; they want researched for a particular outcome.

To phrase the question in terms of 'Will SARDI lose its independence,' I do not think that it ever sought to be independent because, in doing so, it would lose the very reason for its being, which basically is to address the needs of the primary industry sector—take their funding, combine it with state government funding and then arrive at outcomes which are then rolled back out into primary industry. That is not a fear because that is the way that we do business.

Mr PEDERICK: Same budget line, Madam Chair. I am concerned which particular research and development activities will be cut and what particular savings attributed to each activity, and will this force SARDI to abandon long-term research that contributes to the ag sector and South Australia's health and sustainability in favour of high profit, quick turnover projects?

The Hon. M.F. O'BRIEN: I will ask my chief executive to answer that. What I am going to do, member for Hammond, is I will do the high level strategy and I will give it over to my departmental officers to get into the detail, because that is the essence of good management and I think it will assure you of getting into the minutiae (if you like) of the way in which we do business. I will pass it over to Mr Knight.

Mr KNIGHT: Through the chair, I think it is important to stress a couple of things to start with that the minister touched on. This initiative is not shifting from the historic focus for SARDI. SARDI 's success has always been attracting money from industry and that has been a reflection of the fact that SARDI has always specialised in research that creates value for the industries. If you do not do that, you are not going to get three quarters of your funding from industry.

What we are doing here and what has happened over many years with the R&D corporations (which are funded through levies paid by producers) is that we have tended to get a little too much competition between the states and duplication of capability around the states. So, the national R&D reform that the minister touched on is very much about trying to consolidate and get more coordination across Australia, because clearly, while there are climatic differences between the states, our interest in, for example, grain, does not stop at the border. Many of these projects now have a national focus.

The new reform agenda has SARDI focusing on the areas that the minister talked about. They are the areas that are of greatest importance to the state, by and large, and they also happen to be the areas in which, for example, wine, where not only are we the largest producer in Australia but traditionally we also have the greatest research capability based around the Waite Institute. Those areas which SARDI will reduce its effort in will not mean a loss of capacity for the industry.

What that is about is saying that other states will become the leaders in those areas. For example, we are already increasingly looking to Victoria to be the centre of excellence for dairy research. It does not mean the dairy industry in South Australia does not get a service because we no longer have Flaxley operating as a research centre. What it does mean is that we now have stronger—and these reforms have been very much supported by industry.

Sometimes we have had three or four states all competing for the same national pot of research dollars, and when you spread your money too thinly, you do not need to be Einstein to figure out that sometimes that means you finish up with three or four centres of research, none of which are really delivering what the industry needs.

These new national arrangements will see South Australia strengthen its effort in some areas and, in fact, we will be the national centre of excellence; in other areas, we will increasingly look to other states who have been stronger than us. So, it is not really a shift in strategy; it is really a strengthening of the national framework for research. I will close by saying that these savings are relatively minor in effect for

SARDI. The budget still includes expenditure of \$79 million in 2010-11 for the SARDI subprogram.

To stress the point, about \$46 million of that is from external sources: either R&D corporations, some comes direct from companies that are working directly with SARDI, and \$33 million from the state government. So, there is no real shift away from state government funding; it is really about saying, 'Well, we've got to work in the areas that will make the biggest bang for the buck for South Australia.' For those areas where we are not the leader in Australia in either research or industry terms, the arrangements will involve that research being done elsewhere but will continue to provide access to producers and farmers in South Australia.

Mr PEDERICK: I have a supplementary to that question on the same budget line. Can you outline specific activities that will be cut and does this mean that there will be absolutely no horticulture programs and research in this state supplementing our industry at Virginia, the Riverland and other places?

Dr PLOWMAN: We are still working through the details of the implementation of the national framework. We still do not have all of the business plans for each of the industry sectors, but clearly the reductions are in those areas where the lead role is in another state. They are areas such as wool, dairy, horticulture and alternative crops, in an industry sense. We have already talked about dairying. In fact, over a period of time the research efforts in dairying have reduced as the Victorian program has geared up to take that national approach. Horticulture is still to be worked through in detail, but there has been a progressive transfer of some of the breeding programs from SARDI to a more collaborative ownership approach with industry.

Mr PEDERICK: On the same budget line, what specific workforce changes are planned for SARDI, that is, what jobs are going to go under this cut to research? When will those changes be effected and what will be the saving?

Dr PLOWMAN: Our estimate is that there will be an approximately 30 FTE reduction in SARDI. They will occur in the areas that we have already identified and, where possible, will occur during this financial year.