

Dear members

I refer to discussions held at recent KCGO AGM in relation to Australian Sugar Industry Alliance's (ASA) approach to Sugar Research Australia (SRA) for a funding mechanism of their "Overseas Trade & Market Access and Social Licence to Operate Programs". As mentioned at AGM, KCGO had previously written to the SRA board voicing our concerns to this possible alternate avenue of funding, resulting in Chairman Robert Malaponte and myself having the opportunity to address the SRA board on 21st June seeking clarification of their position on this matter.

SRA board reiterated what they had previously indicated when in the Burdekin region last year ie. SRA constitution does not permit funding of ASA proposal.

Relevant section of constitution that was updated in October 2018 in relation to what SRA can and can't do is as follows:

5. OBJECTS OF THE COMPANY

5.1. Objects

The objects of Sugar Research Australia are to contribute to development of the Australian Sugar Industry (all Sugarcane Levy Payers) and to the community in general by:

- (a) delivering cost effective Research and Development services to the Australian sugar industry to enhance its viability, competitiveness and sustainability;
- (b) receiving funds from the Commonwealth of Australia, being proceeds from the Sugarcane Levy and contributions by the government to Research and Development in relation to the sugar industry and accounting to the government and the Parliament of the Commonwealth of Australia and Members and Levy Payers for expenditure of such funds;
- (c) seeking and receiving funds from other persons for Research and Development Activities for the benefit of Australian Sugar Industry participants and accounting for expenditure of such funds;
- (d) managing funds the Company receives and any risks related to expenditure and funding;
- (e) consulting with, and being accountable to, Company stakeholders to achieve planned objectives and outcomes;
- (f) investigating and evaluating requirements for Research and Development and innovation and research-based services in relation to the Australian Sugar Industry;
- (g) supporting and developing research capacity through a contestable funding framework that provides for a diverse range of Research and Development service providers;
- (h) carrying out, co-ordinating and providing funding for Research and Development Activities in relation to the Australian Sugar Industry;
- (i) facilitating dissemination, extension, adoption and commercialisation of results of Research and Development Activities in relation to the Australian Sugar Industry;

(j) managing, developing, utilising, extending and opening access to intellectual property from Research and Development Activities, and to receive proceeds, if any, of such activity; and

(k) undertaking other associated activities that are required to achieve the Company objects.

The following highlighted clause has been ***deleted*** from previous constitution at last year's AGM.

6. ACTIVITIES NOT PERMITTED

(a) Prohibition on Agri-political activities. The Company must not engage in, or support, directly or indirectly, financially or otherwise, representational activity for the Industry or a part of the Industry, political campaigning or political funding (Agri-Political Activities). The Company must not act as, or promote itself as, an Industry representative organisation with advocacy or agri-political objectives or functions. Agri-Political Activity does not include the following:

(i) use by another person, for political purposes, of a report or other publication prepared or financed by the Company as a Research and Development Activity; or

(ii) the Company making statements or providing information to the Industry on matters related to its objects in the proper performance of its functions and the proper furtherance of its objects.

(b) The Company is not an Industry policy development or Industry representative organisation. The Company is not to undertake representation on behalf of the Industry. This does not preclude the Company making representations in relation to the Company's interests. The Company is not a public agency and is not to take regulatory functions in any form.

Note

(c) The Company is not to be a marketing or trading organisation and is not to undertake commercial activities for the purpose of generating revenue, for example through contract research, contract services, consulting or general advisory services. The Company is not to operate in areas where commercial providers are active or could reasonably develop. In considering such activities, the Company should apply recognised tests for market failure.

The reasoning behind deletion is for SRA to capitalise on commercial activities to *generate* revenue by utilising its services, expertise and intellectual property to deliver value to investors with these activities to be on a "user pays" basis.

SRA board did advise that should ASA approach them for R & D funding it would be considered on its merits and if worthy/of benefit to the sugar industry would be tendered out to suitable research organisations as was the case in 2018 when some economic modelling (R & D) in relation to overseas trade & market access was undertaken. This funding was provided direct to third party that SRA sourced at a lower price as opposed to research organisation put forward by ASA.

It was clearly articulated by board that it was not within SRA constitution for "a bucket load of money" to be simply handed over to finance an industry organisation.

Les Elphinstone
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