

AgResearch's Future Footprint Plan (FFP) :

Briefing paper for The Hon Bill English, 11th April 2014 : Dr Jock Allison

The formation of two innovation hubs at Lincoln and Palmerston North respectively means that 80 scientific positions will be transferred from Invermay, mainly to Lincoln, and 180 from Ruakura, to Palmerston North and Lincoln. Some positions are also to be transferred from Palmerston North to Lincoln also. Ruakura will be reduced to less than 100 staff, and Invermay 30 to 35.

There is considerable opposition in the south to removing science positions from Invermay to Lincoln, but also wider unrest at other of AgResearch's campuses.

The FFP Business Plan : The key objectives of the plan are two (quotes from the plan)

- a) "Improving infrastructure quality and utilisation. Building new, upgrading (to modern standards) and rationalising a number of obsolete facilities that currently restrict our ability to attract talent and deliver modern science effectively".

Comment : Invermay has the most modern facilities of any campus in AgResearch. \$20 million has been spent there only 5 years ago on new buildings and the establishment of a Chair at Otago University in Reproduction and Genomics. Most of the deer and sheep genetics group won't move, there are few animals at Lincoln for research, few people and or scientific groups for them to cooperate with (supposed benefits of collocation), and any that did move are 350 km further away from main clients.

Invermay has the best facilities for up to 200 staff, and AgResearch's own review team who reviewed about 20 staff submissions on the FFP recommended that more animal science staff be relocated to Invermay with the deer and sheep groups who would stay. They are virtually walking away from this \$20 million recent investment made only 5 years ago.

- b) "Catalysing agricultural innovation centres. Delivering better economic growth to NZ by collocating and focussing, wherever possible, our considerable research capability and resources into two agricultural innovation centres with other major stakeholders. This would deliver better innovation to the sector, attract more science talent and industry partners, and realise greater economic growth for agriculture and related sectors", and further on

"there will be no reduction to science capability"

Comment : There will be a huge loss in capability.

Both the Deer and Sheep genetics group have close cooperation with Otago University particularly with the Microbiology Department (deer disease work), and with various departments who teach genetics. Presently Otago has about 70 students in 3rd year genetics, more than any other university, and perhaps more than the other NZ universities put together. Invermay personnel take some of the course work. About half the new staff members appointed by AgResearch Invermay and by AbacusBio (a Dunedin applied Biotech company with some 35 staff) in the last 5 years have come from OU.

It is clear that there is little reason for the Invermay staff to go to at Lincoln, and if AgResearch insist, this will break up an effective “innovation hub” already working well.

Already there have been staff losses at Invermay, and many are looking to find employment elsewhere. If not retained at Invermay, it is most likely that the sheep genetics staff will retain the industry and MBIE funds to undertake their work, still in Dunedin. Although told about this several times, AgResearch executive and board have shown little realisation this might be the result.

Other AgResearch Campuses : Staff are clearly unhappy with the FFP at other campuses as evidenced by a recent high profile resignation at Palmerston North (email attached), and there will likely be a huge loss in capability through scientific staff at Ruakura not moving – email attached.

The capability of scientific staff is the key of any research organisation, new buildings do not attract new staff, the main attraction for any scientist looking for somewhere to work, will be attracted to the capability, reputation and research programmes of the “marquee” scientist(s) at a particular location. The AgResearch Executive and Board don not appear to have any grasp of this important concept and the present moves will shed many high quality staff.

Economics of the FFP :

BERL have analysed the FFP Business Plan, which carries with it the assumption that “there will be no loss in scientific capability”. The summary table from BERL is below

Business as usual (BAU) scenarios are BAU 1 which upgrades facilities at existing locations if staff movement to the “hubs” was not required, and BAU 2 includes required upgrades needed now, which have been deferred for many years, but no staff movement to the hubs.

The FFP doesn’t compare well with the BAU scenarios, and therefore is inherently risky. The loss of large numbers of science staff, which are not easily replaced, will cause a substantial drop in the future effectiveness of the FFP by any measurement criterion that might be adopted. The loss of up to 150 + staff could be a blow from which AgResearch might never recover.

Financial Results	Business Case	Future Footprint Preferred	BAU Option 1	BAU Option 2	Highest value option	Margin over Next Best	
		\$m	\$m	\$m		\$m	%
Net Present Value to FY 2022	Base Case	\$33.6	\$60.3	\$74.8	BAU Option 2	\$41.2	123%
	Upper bound	\$45.2			BAU Option 2	\$29.6	65%
	Lower bound	\$14.3			BAU Option 2	\$60.5	423%
Net Present Value in Perpetuity	Base Case	\$256	\$221	\$235	Future Footprint	\$21	9%
	Upper bound	\$264			Future Footprint	\$29	12%
	Lower bound	\$225			BAU Option 2	\$10	4%
Dividends provided	Base Case	\$66	\$92	\$112	BAU Option 2	\$46	70%
	Upper bound	\$81			BAU Option 2	\$31	38%
	Lower bound	\$38			BAU Option 2	\$74	195%

The cost of running AgResearch in the “now scenario” is approx \$160 million / annum. If the new FFP will only bring their assumed increase in GDP of \$60 million for the first 5 years, and then +\$20 million / annum thereafter, the question must be asked, why would you bother? The projected gains are derisorily small, and staff losses will invariably cause the economic result of implementation well into negative territory.

What Does Industry Think?

AgResearch have made much of the fact (putative) that they have consulted with stakeholders, including the deer and sheep industries. In fact they have consulted with only the Boards of Beef & Lamb and of Deer Industry NZ (DINZ). In the so called consultations AgResearch lay out their plans, guarantee that the “science will be delivered” and get the tacit approval of the industry bodies.

It is my view that they have no chance of delivering the science when such an assault has been perpetrated on the science complement within the company, such that so many refuse to move, and will not be in the AgResearch post implementation of the FFP.

The Deer Farmers Association representing > than 2,500 deer farmers is implacably opposed to the FFP and the transfer of the deer research staff away from Invermay, and also the ram breeders are implacably opposed.

In January / February I carried out a survey of 394 ram breeders on SIL (the national flock recording scheme), the group with which the Invermay sheep genetics group work closely. SIL breeders supply 85 – 90% of all the rams to the sheep industry, so this is the source of flock improvement to the NZ sheep industry – 1% genetic gain / annum – permanent worth \$40 million additional to GDP each year! Why would you destroy this group? Survey results are below

Summary of responses to retaining scientists at Invermay

Number of Breeders	Yes	No	Abstain	No Response
394	363 (92.1%)	5 (1.3%)	11 (2.8%)	15 (3.8%)

Five No votes, unsurprisingly one from Lincoln University, and one from AgResearch.

AgResearch dismiss the survey on the basis that it is biased and that ram breeders would say anything that I wanted them to. This is desperation tactics on behalf of AgResearch who haven't consulted with farmers at all, and is an insult to the intelligence of the ram breeders. Further many other commercial sheep and deer farmers are opposed to the removal of the deer and sheep genetics groups from Invermay.

Summary of AgResearch's Intentions :

A meeting initiated by the southern Texel Breeders at Gore March 12th 2014 AgResearch presented their case for the FFP. This was not a consultation, it was the presentation of what the AgResearch Board and management were going to do. No discussion on any of the "anti" points made, in fact an arrogant "we know best, and you don't understand" approach, their mind seems to be made up.

At the end of the meeting Sam Robinson under pressure having just averted a Motion of No Confidence, stated, "we are simply trying "to do more science for less money". What will be achieved if the FFP is allowed to run its course is "much less science for much less money".

Implementation of the FFP will cause the loss of up to 25% of all the staff in AgResearch, and would be a huge step backwards for the CRI.