

Chapter 2

Individual 2012–13 Annual Reports

2.1 On this occasion, the committee has decided to examine in more detail the following annual reports tabled by 30 April 2014 or before the tabling of this Report on Annual Reports:

2.2 For the Industry portfolio:

- Innovation Australia.

2.3 For the Treasury portfolio:

- Foreign Investment Review Board.

Reports under the Industry portfolio

Innovation Australia—annual report 2012–13

Reporting requirements

2.4 The committee considers that Innovation Australia has met its reporting requirements under the *Industry Research and Development Act 1986* (IR&D Act).

2.5 However, the committee notes some recurring issues identified in previous reports remain in the 2012–13 report, including:

- the date missing on the transmittal letter; and
- the lack of a compliance index indicating clearly the report was prepared in accordance with identified sections of the IR&D Act data.

Operational matters

2.6 Innovation Australia is an independent statutory body established to assist with the administration of the Australian Government's innovation and venture capital programs designed to support industry innovation.¹

2.7 Established on 27 September 2007, Innovation Australia is an amalgamation of the former Industry Research and Development (IR&D) Board and the Venture Capital Registration (VCR) Board (formerly known as the Pooled Development Funds Registration Board). On its establishment, Innovation Australia assumed the roles, responsibilities and powers of the two former Boards. Its aim is to promote the development, and improve the efficiency and international competitiveness, of Australian industry by encouraging research and development, innovation and venture capital activities. It also provides advice to government in relation to the operation of income tax law legislation (*Income Tax Assessment Act 1936* and the

1 Department of Finance and Deregulation, *List of Australian Government Bodies and Governance Relations* (3rd Edition) as at 1 October 2009, p. 480.

Income Tax Assessment Act 1997). In 2012–13, Innovation Australia reported to the Minister for Industry and Innovation.²

2.8 During the reporting period, Innovation Australia undertook an analysis of businesses with international development and expansion strategies that had been recipients of Australian Government innovation grants. The results found that participants looking to expand to international markets, partner and grow globally, show stronger performance in terms of employment levels, average turnover, research and development expenditure and intellectual property protection.³

2.9 During 2012–13, Innovation Australia's programs were delivered by AusIndustry, a division within the Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education (and which has since changed to the Department of Industry following machinery of government changes).⁴

2.10 As of 30 June 2013, the following eight committees with specific functions reported to Innovation Australia: R&D Incentives Committee; R&D Tax Incentive Advisory Committee; Commercialisation Australia Board; Clean Technology Investment Committee; Clean Technology Food and Foundries Investment Committee; Clean Technology Innovation Committee; Innovation Grants Committee; and Venture Capital Committee.⁵

2.11 Among some of the key outputs administered and delivered by Innovation Australia during the 2012–13 reporting period included:⁶

- the Clean Technology Investment Program, which received 341 applications and 200 approved grants at a total grant value of more than \$130 million;
- the Clean Technology Innovation Program, which received 63 applications and 17 approved grants at a total grant value of more than \$22 million;
- Commercialisation Australia, which assisted 161 businesses, researchers and entrepreneurs with grants valued in excess of \$55 million; and
- the Research and Development Tax Incentive, which registered 8,270 companies (9,210 research and development performing entities) for the 2011–12 income year with \$12.80 billion in reported industry research and development expenditure.

2.12 Other highlights during the 2012–13 reporting period included:

2 *Innovation Australia Annual Report 2012–13*, p. 78.

3 *Innovation Australia Annual Report 2012–13*, p. 2.

4 *Innovation Australia Annual Report 2012–13*, p. 7.

5 *Innovation Australia Annual Report 2012–13*, pp. 81–82.

6 *Innovation Australia Annual Report 2012–13*, p. 3.

- the Clean Technology Food and Foundries Investment Committee, established on 25 September 2012, which received 424 applications for its program and 271 approved grants at a total grant value of more than \$124 million;⁷
- Innovation Australia's contribution to major areas of policy advice in 2012–13, including its input to the *2012 Review of Venture Capital and Entrepreneurial Skills in Australia* and the *2011 Board of Taxation Review of Arrangements under the Venture Capital Limited Partnership Regime*;⁸ and
- Innovation Australia's review of the recommendations of the *Smarter Manufacturing for a Smarter Australia* report of the non-government members of the Prime Minister's Taskforce on Manufacturing; as a result of which Innovation Australia identified strategic areas for government intervention in its comprehensive submission to the government.⁹

2.13 In the Chairman's final report, Mr Miles AM, emphasised the importance of Innovation Australia's work in helping to create the type of innovation system that drives success and turns ideas and concepts into new products, processes and services. He cautions that Australian business and industry must embrace innovation, if they are to remain competitive, productive and able to collaborate with the research sector to achieve growth and prosperity.¹⁰

Reports under the Treasury portfolio

Foreign Investment Review Board—annual report 2012–13

Reporting requirements

2.14 The committee notes that the annual reports of the Foreign Investment Review Board (FIRB) are not statutorily mandated, but prepared in accordance with the Board's responsibility to advise the government on foreign investment matters.

2.15 The Board is a non-statutory body responsible for advising the Treasurer on Australia's Foreign Investment Policy (the Policy) and its administration. It examines foreign investment proposals submitted under the *Foreign Acquisitions and Takeovers Act 1975* (the Act) and under the Policy (the latter being the second element of Australia's foreign investment screening regime). The Board is supported by the Department.¹¹

7 *Innovation Australia Annual Report 2012–13*, pp. 3 and 5.

8 *Innovation Australia Annual Report 2012–13*, p. 3.

9 *Innovation Australia Annual Report 2012–13*, p. 3.

10 *Innovation Australia Annual Report 2012–13*, p. 6.

11 *Foreign Investment Review Board Annual Report 2012–13*, p. 3. See also the Department of Finance and Deregulation's *List of Australian Government Bodies and Governance Relations* (3rd Edition) as at 1 October 2009, p. 585.

Operational matters

2.16 In 2012–13, 12,731 foreign investment proposals were approved from a total of 13,322 applications. Of the 13,322 applications for foreign investment approval, none were rejected, though 446 were withdrawn and 145 were exempt as not subject to the Policy or the Act.¹²

2.17 Of the 12,731 applications decided during the reporting period (those approved or rejected but not those withdrawn or exempt), 11,840 were decided within the Treasury's Foreign Investment and Trade Policy Division (the Division)¹³ under the Treasurer's authorisation and 891 were decided by a Treasury minister.¹⁴ Of these approved applications, 5,535 were approved without conditions imposed and 7,196 were approved subject to conditions, all of which were in the real estate sector.¹⁵ In contrast to 2012–13 when there were no proposals rejected, 13 real estate-related proposals were rejected in 2011–12.¹⁶

2.18 The real estate sector was the largest destination by value, with approvals in 2012–13 of \$51.9 billion. Other major sectors included: mineral exploration and development, with approved proposal investment of \$45.1 billion and services (excluding tourism), with approved proposed investment of \$25.9 billion.¹⁷

2.19 In 2012–13, the United States remained Australia's largest source country for approved proposed investment with \$20.6 billion in value. It was followed by Switzerland (\$18.4 billion), China (\$15.8 billion), Canada (\$14.4 billion) and the United Kingdom (\$6.8 billion) as the other major source countries for approved proposed investment.¹⁸

2.20 During the 2012–13 reporting period, the FIRB reported an increase in its total expenses, from a total of \$176,745 in 2011–12 to a total of \$257,501 in 2012–13. Similarly, the total expenses of the Division also increased, from \$3.9 million in 2011–13 to \$4.0 million in 2012–13. The majority of these expenses were attributed to remuneration of Board members or Divisional employee salary, with the remainder comprising travel, car hire and incidentals for Board members and

12 *Foreign Investment Review Board Annual Report 2012–13*, p. 9.

13 See *Foreign Investment Review Board Annual Report 2012–13*, p. 5. The Division provides secretariat functions to the FIRB and is responsible for initial examination of proposals received. It is also responsible for preparing recommendations to the Treasury ministers or the Divisional officers the Treasurer has authorised to make decisions under the Policy and the Act. The Division is also a contact point for foreign investors and their representatives.

14 *Foreign Investment Review Board Annual Report 2012–13*, p. 9.

15 *Foreign Investment Review Board Annual Report 2012–13*, p. 19. Real estate conditions ordinarily include those relating to the period during which development must commence, requiring temporary residents to reside in and then sell established dwellings when they cease to reside in them, and reporting requirements.

16 *Foreign Investment Review Board Annual Report 2012–13*, p. xi.

17 *Foreign Investment Review Board Annual Report 2012–13*, p. xi.

18 *Foreign Investment Review Board Annual Report 2012–13*, p. xi.

administrative costs for the Division. For the 2012–13 period the Division employed an average of 34 staff.¹⁹

Senator Sean Edwards

Chair

