

**RIDING THE INNOVATION WAVE:
The Case for Increasing Business Investment in R&D**

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**TABLING SPEECH
MR GARY NAIRN MP
CHAIR, HOUSE OF REPRESENTATIVES STANDING
COMMITTEE ON SCIENCE AND INNOVATION**

Mr Speaker, our Australian character is underscored by a pioneering and innovative spirit. Our unique history and geography combine to make it so. It is therefore not surprising that, as a nation, we have developed a strong and deserved reputation for hatching great ideas.

Therefore I am delighted to present on behalf of the Standing Committee on Science and Innovation the very first report by this new committee which inquired into business commitment to research and development in Australia.

It is a unanimous report.

Riding the Innovation Wave: The Case for Increasing Business Investment in R&D deals with the big issues that arise when we ask: how can Australian businesses be encouraged to make a greater commitment to R&D?

The report addresses all aspects of the matter. It deals with the special needs of small and medium-sized enterprises (SMEs). It considers what drives major international corporations to invest in R&D in Australia. It examines how to improve the collaboration between public sector research agencies and the private sector and it makes suggestions for refining the government's R&D programs so that they will work even better.

Mr Speaker, it is incumbent upon us to ensure that Australia remains a place for generating world-class ideas. Already we are punching above our weight in the generation of ideas and in the quality of our science and R&D.

But we must do more. We must ensure that the right systems are in place to take these great ideas and make them work for Australia. We must commercialise them on the global market.

While this is primarily the responsibility of individual businesses, there is an important role for the government in smoothing the path to market.

Our report sets out 48 recommendations to help businesses undertake more R&D and to help them reap the benefits of that R&D.

Mr Speaker, unfortunately I don't have the time to go through each of those 48 recommendations. But let me inform the House of their main themes.

The first is that the broad range of R&D programs associated with the government's *Backing Australia's Ability*, introduced in January 2001, appear to be working well and enjoy wide support.

However, it is early days yet for many of the programs and more time is needed for them to bed-down.

Our report recommends that the programs be evaluated at the appropriate time and refined where necessary. We say that this is particularly important for the programs that feature tax concessions.

We single out the incremental or “Premium” tax concession in particular. The committee considers that it is very useful to have an *incremental* tax concession and one that encourages the *maximum possible* R&D. Our report considers a number of suggestions made by witnesses as to how best to structure an incremental tax concession.

The committee does not come down in favour of any one proposal. But we do recommend that the government carefully consider *all of them* when the time comes to review and amend the tax concession programs.

The second broad theme of our recommendations is that businesses are more likely to commit to R&D when they are confident about the longer-term nature of government R&D programs. So we recommend that these programs should be maintained for rolling periods of not less than five years.

The third broad theme of our recommendations is that SMEs deserve greater encouragement to undertake R&D and to commercialise their research outcomes. We make a number of recommendations in this area but one that I feel strongly about is the expansion of mentoring services available to SMEs so that they learn first-hand how to commercialise R&D from those who already have achieved success.

We also recommend that the current Review of Closer Collaboration between Universities and Major Publicly Funded Research Organisations' examine ways to encourage the Commonwealth research bodies to 'partner' with SMEs in a meaningful way, including providing equity where appropriate.

The fourth broad theme of our recommendations is that the collaboration between public research bodies and private enterprise, especially SMEs, needs to improve.

I ask Members to note carefully the particular recommendations we make in this respect.

Mr Speaker, the fifth and final theme of our recommendations is that—withstanding the very high regard in which Australia is held for the competitive cost

and very high quality of our researchers—there will be occasions when the government should encourage major international corporations to site their R&D activities in Australia by explicit government incentives.

Before I close, Mr Speaker, may I thank my committee colleagues for their bipartisan and professional input to the inquiry at all times. The committee has worked hard and harmoniously. This is our first report and it augurs well for our future work together. Also my thanks go to the staff of the Secretariat, Catherine Cornish, Rod Power, Jerome Brown and Lisa Kaida. They did a wonderful job and were very supportive.

In closing Mr Speaker, it is my personal hope that the committee's recommendations will have a positive impact on two fronts in particular. First, in strengthening

collaborative efforts between research agencies and businesses. Second, in furthering investment in the commercialisation of Australia's great ideas.

I commend the report to the House.
