

Dear Sir/ Madam

I wish to make the following submission to the "House of Representatives Committee on Science and Innovation Inquiry into business commitment to R&D in Australia".

The submission will take the form of answers given to the three questions set out below.

Yours sincerely,

(Dr) Geoffrey Swincer

Managing Director, Flexichem Pty Ltd and associated companies.

1. What would be the economic benefit for Australia from a greater private sector investment in R&D?

It is our firm view that truly Australian companies (in this I make a clear distinction between Australian owned and run companies versus multinational companies with Australian divisions) who are research focussed will be very likely to make a significant economic return to this country. For example, in our case, while we are only small, our company has grown from nothing in 1990 to now turn over three to four million dollars p.a., export to seven countries, employ 13 staff, have keen interest in our technology from multinationals, and have strong growth opportunities. The growth of the company is heavily dependant on new technology and new product development. When this scenario is repeated many times over there will be great economic benefit to our country.

We have received significant R&D assistance over the years, but believe that we have repaid this many times over in terms of wages and taxes paid.

Our country will die economically if it is not inventing new products, or at least upgraded products to meet new market needs. Customer demands change continually and a company that does not understand and control its technology will lose market share. If Australian companies are not technically strong then Australia will be left behind as a manufacturing economy. We are continually losing some types of labour intensive manufacturing to new world countries (e.g. textiles to China), so we must be competitive in terms of new technology.

2, What are the impediments to business investment in R&D?

One of the important issues is stable, long term government policy. In the 1990's there was a growing and exciting focus on R&D by Australian companies. When the policy unexpectedly changed from 150% to 125% tax deductability a significant number of decision makers pulled back from investing in R&D and this hurt a lot of good programmes and opportunities. (Of course there were still those who believed deeply in the importance of R&D who did not change.)

A major impediment is management who do not understand the technical implications of their products. Sadly too many companies are strongly influenced by accountants who look at R&D as a cost which can be eliminated. Public companies bow to the pressure of shareholders who want short term returns and not long term investment in new products which will only bring returns in a few years time.

Associated with the above is a lack of investment in long term, quality researchers and research facilities. We firmly believe that a company must run its own research and be very product/application oriented. We come from a university back ground and have strong links with CSIRO, yet testify that a company is the best organisation to undertake research to meet customer requirements and get a finished product into the market place.

Multinational companies are a particular problem as the overseas head office will generally want the research to be undertaken in the home country. Investment made in Australia has

often been cut at short notice depending on reasons often unassociated with the quality or potential of the work.

Good R&D outcomes are hard to achieve and need focussed effort and long term commitment. Larger companies often have difficulty doing this and so become disillusioned with the benefits of R&D. Sometimes middle management have their own political agendas and so R&D is sent in the wrong direction only to end up as embarrassing cost blow outs. When institutions such as universities are used to undertake research they have been known to use the opportunity to pursue their own interests more than solve the needs of the company. These things leave R&D efforts with a negative perception in the eyes of investors and senior managers.

3. What steps need to be taken to better demonstrate to business the benefits of higher private sector investment in R & D?

It seems that managers and decision makers need education and encouragement as to the benefits of long term investment in R&D. This may take the form of case studies, training seminars and mentoring. Success will breed success as managers see the benefits of good outcomes. They must see that it requires high commitment to firstly invent something new, then make a product in an economic useful form, then convince the customer to use the product.