

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Industry, Tourism and Resources Portfolio
Additional Estimates 2004-2005, 16 February 2005

AGENCY/DEPARTMENT: DEPARTMENT OF INDUSTRY, TOURISM AND RESOURCES
OUTCOME/OUTPUT: Outcome 1, Output 1.2
TOPIC: INNOVATION ACCESS PROGRAM
REFERENCE: WRITTEN QUESTIONS ON NOTICE

QUESTION No.39
(Written QON)

Senator Campbell asked:

Which elements of the Innovation Access Program have been subsumed into the Commercial Ready program and which elements haven't?

ANSWER

The Competitive Grants element of the Innovation Access program has been incorporated into the Commercial Ready program. The Innovation Access Fora, Intelligent Manufacturing Systems program and Showcasing elements were not incorporated into Commercial Ready.

QUESTION No.40
(Written QON)

Senator Campbell asked:

What was the result of the evaluation of the Intelligent Manufacturing Systems (IMS) component of the Innovation Access Program? Can we see a copy of the evaluation?

ANSWER

The Government has decided that Australia will continue to be a member of the IMS program for an additional 12 months until June 2006, at which point a decision will be made about ongoing membership informed by the level of industry interest and commitment. The Advanced Manufacturing Action Agenda process will contribute to this decision as it will be considering whether greater use of the program can be achieved in that sector.

The executive summary of the 'Assessment of the Utility to Australia of the IMS Program as a Tool for International R&D Collaboration' is attached and is also available on the Department's website.

Assessment of the Utility to Australia of the IMS Program as a Tool for International R&D Collaboration'

Executive Summary

The IMS is a unique program.

- It is based on a commitment of collaboration on the part of a very diverse range of manufacturing companies that they should find opportunities to collaborate in the development of manufacturing technology, and more generally seek to ensure that the benefits of sustainable manufacturing are brought to all, around the world.
- It requires the formal commitment of the governments of the European Union and of seven other sovereign nations – Australia, Canada, Japan, Korea, Norway, Switzerland and the USA; however, the level of support from many of these governments is minimal.
- Its framework allows for extraordinary consortia to form, but its pre-competitive, and shared IP requirements, constrain it to largely system development, and incremental innovation.
- Decision-making is not based on the level of resources committed. It formally allows all players, regardless of the resources they command, to have an equal say in decision-making.
- It is very small scale, globally and in each nation; it involves a tiny fraction of manufacturing industry.
- Those who have been involved are, in the main, extremely enthusiastic about the program; but the great majority have never heard of it. As such, it may properly be called a 'boutique' program.
- It achieves "modest but real" outcomes; the extent of these is uncertain, in part because as the organisations fund, directly or indirectly, their own engagement, there is no requirement for a precise accounting of performance.
- The achievements that are most visible and most reported, perhaps paradoxically, are largely intangible – making new contacts, opportunities for learning about technologies, and markets, and business strategies; being a participant adds a stature which can be traded in various ways; many benefits, while real, flow mainly to the participants (who may pass them on).
- There is general agreement that the value of the benefits exceeds the modest costs.

The Australian record

- Australians have participated in 13 projects thus far, with four completed. This is almost a third of all IMS projects.
- One project has been lead by an Australian organisation, which is the same for Switzerland and the USA. Canada has not lead any projects. In contrast Japan has lead 12 and the EU 20.
- Of the 13 projects in which Australians have been participants, 9 (70%) have been involved with aspects of information and innovation management and the application of ITC/Internet.
- Every project can point to a range of intangible benefits. The most valued is the contacts, resulting from the way in which IMS operates as a 'very exclusive dating service'. The

success of the matching provides many opportunities for learning. This learning is seen as crucial for effective RTD and commercial operation in the global knowledge economy.

- Much has been made of the leveraging effect of Australia's engagement in IMS projects, with the Australian contribution representing a small proportion, commonly 5-10%, of total RTD project budgets. However, turning this potential leverage into reality depends crucially on the capacity of the participants to effectively transform it into learning, commercial or environmental outcomes.

The Constraints

- For their modest direct returns, the establishment of an endorsed IMS project is quite complex. There is a significant challenge in getting all the 'ducks in a row' – different organisations with different objectives and agendas, (universities, public sector research organisations, big and small companies), across different countries and hence different legal, regulatory and cultural requirements, with different RTD financial support systems, operating to different criteria and timetables.
- As a result there are a number of projects, and even a larger number of partners, that do not make it through to successful outcomes.
- There are substantial barriers to Australian industry participation and realisation of value – the traditional structural barriers which constrain all Australian economic activity, the concentration of IMS projects in technology/industry areas where Australia has only limited capacity, and the fundamental incompatibilities between the pre-competitive focus, the long-term nature of projects, and the uncertain returns of an IMS project, against the pressing cash flow and customer concerns of SMEs.
- When IMS was initiated fifteen years ago, the needs of and challenges to the manufacturing sector were significantly different. Also, the level of international collaboration by Australian organisations was far below what it has become today. There are now more opportunities for international collaboration, particularly through the European Union Framework Programs. But the IMS program remains the only mechanism for multi-country collaboration in RTD in manufacturing, with an established framework to guide the collaboration and manage the IP rights.
- Poor implementation of the IMS program in Australia, principally in marketing, is widely regarded as being primarily responsible for the IMS program not having delivered greater outcomes in the first six years of its operation (prior to the secretariat being outsourced to SKM).
- Critical limitations on the operation of the program have been the lack of dedicated funding for the R&D component, and more effective integration of the IMS program as a component part of industry and innovation support programs.

New Opportunities

- The great majority of people who have some familiarity with the IMS program rate it as effective. But organisations that have a broad responsibility for the future of the manufacturing sector have little familiarity, and even less experience of, the IMS program. This is primarily a marketing challenge.
- The great majority of respondents believe there is no case for Australia discontinuing its membership in the IMS. The reasons are largely in terms of national pride and visibility, the signal of international engagement and openness to collaboration, and the opportunities for

learning. But half of those arguing strongly for its continuation see little impact on their own organisations should the Government withdraw.

- Status quo is the worst prospect for the IMS program, limping on with modest costs, modest outcomes, and modest expectations. More effective marketing, and resourcing, can make the present program more effective. More important, they can establish the basis for a much more proactive approach to the identification and pursuit of opportunities.
- There are significant opportunities for more effective exploitation of the opportunities for technology transfer and RTD collaboration arising from the IMS program. It should be recognised as a technology transfer and technology diffusion program; the RTD is a key element in achieving these goals, and not an end in itself. This would require the establishment of different criteria for Australian engagement and performance, with a greater emphasis on objectives and performance in technology transfer, supported by targeted funds.