

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Industry, Tourism and Resources Portfolio
Budget Estimates 2006-2007, 29 May 2006

AGENCY/DEPARTMENT: DEPARTMENT OF INDUSTRY, TOURISM AND RESOURCES
TOPIC: RESEARCH PROJECTS AND EVALUATIONS
REFERENCE: HANSARD 29/05/06, PAGES E25-26

QUESTION No.BI-16
(Hansard 29/05/06, pp.E25-26)

Senator Campbell asked about:

Can you provide an update on progress on the evaluations of the R&D tax offset, the Pre-Seed Fund (PSF) and the Innovation Investment Fund (IIF)?

Can you provide a list of the current major research projects that are being undertaken by the Department, or by consultants on behalf of the Department?

ANSWER

Evaluations

An evaluation of the new elements of the R&D Tax Concession (the R&D Tax Offset and the 175% Premium Concession) is in its last stages. The IIF evaluation has been finalised and the PSF evaluation is currently being finalised. The Minister will determine if and when reports of the evaluations are released.

Research Projects

The Department has a Strategic Research Committee and a Strategic Research Plan that covers larger research projects, often those that have cross-divisional or broader impacts. In addition, the Department undertakes a range of research-related activity as part of the normal operations of its Divisions.

Attached are relevant extracts from the *DITR Strategic Research Plan 2005-06*, including information on the role of the Strategic Research Committee and current priority research projects. The **Attachment** includes details of the expected aims or outcomes of each project and the Department's strategic priority to which it relates. Much of this research is undertaken as an input to the policy advising function of the Department and is therefore part of the policy development process.

Total expenditure on research-related activity across the portfolio in 2005-06 was around \$7.6 million. Some \$2.9 million of this amount is committed under a service level agreement with the Australian Bureau of Agricultural and Resource Economics for energy and commodity related research, including work on greenhouse and sustainability issues.

DITR Strategic Research Plan 2005-06

Portfolio Research

Research is the systematic and organised investigation of a subject of policy or program interest. It involves the critical investigation of qualitative and quantitative information to discover relevant material or principles and to identify potential implications for policy or program delivery purposes. Effective research also serves to clarify relationships to other relevant considerations, including external economic trends or social and market dynamics, and better informs decision-making by Ministers and the Department.

The Strategic Research Plan 2005-06 incorporates both operational and strategic research being carried out by the Department. Operational research addresses more immediate legislative, business or stakeholder needs and forms an integral part of Divisional business plans. Strategic research is more forward looking and policy-oriented, focusing on medium to longer term challenges relevant to government or Ministerial decision-making.

Strategic Research Committee

The key role of the Department's Strategic Research Committee (SRC) is to provide policy and other advice to the Executive on research activity across the portfolio and to develop and update the Strategic Research Plan, for endorsement by the Executive. The SRC is chaired by a Deputy Secretary and comprises Heads of the Department's policy divisions.

Research Priorities

The DITR Strategic Plan 2005-2008 identifies those issues that have been agreed with Ministers as being the areas of primary focus for the Department over the next three years. These strategic priorities are as follows:

- ongoing implementation from the Government's last term and election commitments;
- securing Australia's energy future;
- capitalising on Australia's resources;
- measurable reduction in the compliance burden;
- commercialisation, collaboration and investment in innovation;
- a sustainable pharmaceutical industry for the future;
- venture capital;
- skills development to meet business needs;
- international engagement;
- industry focus on whole-of-government issues.

Research priorities for the portfolio have been identified consistent with this strategic framework.

Priority Research Projects

SRC reviewed the overall research requirements for the portfolio in 2005-06, consistent with the three year departmental Strategic Plan. Some eight priority research projects are currently underway. Details on each project, including a project description and additional project information, are provided in the following table.

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Table 1 Current Priority Research Projects

Priority Research Area	Project Description	Project Information
1. Greenhouse/ Sustainability Issues	<p>This is an on-going project, conducted through ABARE under a service level agreement.</p> <ul style="list-style-type: none"> • ABARE is providing international climate change negotiators and other stakeholders with economic analysis of the impact of climate change initiatives. 	<p>Expected outcomes include:</p> <ul style="list-style-type: none"> • increased capability to analyse proposals for measures to reduce emissions of greenhouse gases; and • an Australian perspective on climate change issues that will ensure that our individual circumstances are taken into account. <p>Strategic Priority : Securing Australia's energy future</p>
2. Water Initiatives	<p>Objectives of this study are to:</p> <ul style="list-style-type: none"> • provide an analysis of the current Australian water market, including an examination of access, pricing and cost recovery issues and how these apply to different industries (specifically mining, petroleum, energy, pulp and paper industries) and other types of water users; and • analyse the benefits to the Australian economy from the mining, petroleum, energy and pulp and paper industries of having equitable access to water resources as a consequence of the National Water Initiative. 	<p>The project is being undertaken in conjunction with:</p> <ul style="list-style-type: none"> • the National Water Commission • industry associations — the Minerals Council of Australia, Australian Petroleum Production and Exploration Association, National Generators Forum and the Australian Plantation Products and Paper Industry Council. <p>Strategic Priority : Capitalising on Australia's resources</p>
3. Fuel Prices and Consumer Choice	<p>The study aims to better understand the impact of higher fuel prices on consumers' choice of fuel, vehicle and transport style, holiday destination and household purchasing patterns and the impacts these changes can have on downstream petroleum, automotive and tourism industries.</p> <p>The study is scheduled to be conducted in two stages:</p> <ol style="list-style-type: none"> 1. study design, data identification and scoping study; and 2. model development, analysis and implications. 	<p>Stage 1 is still in progress</p> <p>Progress to stage 2 depends on a satisfactory outcome to stage 1.</p> <p>Strategic Priority : Capitalising on Australia's resources</p>
4. Getting policy value from AusIndustry Data	<p>The study aims to ensure that AusIndustry data collection for the COMET and IIF programs contributes to an assessment of whether the programs are meeting their objectives and to wider policy development for venture capital.</p>	<p>A pilot study of what additional policy value can be obtained from specifying uniform AusIndustry data collection across programs.</p> <p>Strategic Priority : Commercialisation, collaboration and investment in innovation</p>

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5. Skills Development	The project aims to model the likely changes in demand for labour across industries resulting from the ageing of the population and the consequent change in consumption patterns in Australia.	This research will provide a key link to the incorporation of an industry module within the Australian Population and Policy Simulation Model (APPSIM). Strategic Priority : Skills development to meet business needs
6. Growth in India	This scoping study is in two parts: <ul style="list-style-type: none"> • an assessment of the opportunities, risks and impediments facing portfolio industries (including tourism and services) in the Indian market over the next five to ten years; and • lessons that may be learned from previous closer integration strategies with countries in the Asian region. 	This research project is an input to departmental efforts to develop a closer trade and investment relationship with India over the next five to ten years. Strategic Priority : International engagement
7. Coal Infrastructure	This study aims to provide information on long term infrastructure requirements to support the needs of the Australian black coal industry including <ul style="list-style-type: none"> • an analysis of current and future global demand and supply; • Australia's export potential and industry developments required to achieve this potential; and • infrastructure requirements needed to support these developments. 	Study may potentially be updated every 5 years in line with infrastructure audit updates. Strategic Priority : Capitalising on Australia's resources
8. Structural Change in Australian Industry	Qualitative and statistical analysis of major trends in economic and industry development <ul style="list-style-type: none"> • how the nature and structure of Australian industry evolved over past five years (including the impact of the resources boom); and • how the trend towards globalisation and greater trade and investment liberalisation is affecting Australian business. 	This research project is an input to departmental efforts to better understand the main drivers of structural change over the past five years, including the implications of the resources boom. Strategic Priority : Industry performance