

**Senate Standing Committee on Economics**  
**ANSWERS TO QUESTIONS ON NOTICE**  
Innovation, Industry, Science and Research Portfolio  
Supplementary Budget Estimates Hearing 2010-11  
20 October 2010

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**AGENCY/DEPARTMENT:** INNOVATION, INDUSTRY, SCIENCE AND RESEARCH

**TOPIC:** Key Economic Conditions

**REFERENCE:** Written Question – Senator Colbeck

**QUESTION No.:** SI-60

What has the Department identified as the key economic issues that will need to be addressed in this portfolio in this term?

**ANSWER:**

Australia performed strongly during the global financial crisis (GFC) but there are challenges remaining to ensure that Australian industry emerges from the global downturn in the strongest position possible. In some cases, global conditions may require businesses to engage in structural adjustment and change long-term business plans.

Globally, availability of credit remains more restricted than was the case prior to the GFC, and interest rates have recently risen. R&D and innovation are areas of spending that are often reduced in times when funding is tight or during a downturn, with potential impacts on business competitiveness and productivity in the future. Accordingly, the Department of Innovation, Industry, Science and Research (DIISR) believes that securing investment in innovation and R&D will be important in the coming term, and will work to support access to venture capital and provide assistance with R&D.

Climate change is another key area in which both global and domestic factors are expected to continue to evolve. With the legislative agenda still in development, DIISR believes that various forms of guidance and support will be needed to assist businesses in dealing with climate change while remaining competitive in global markets.

The recent appreciation of the currency affects the economy in complex ways, with positive effects for importers potentially offset by the impact on some exporters. Exporters potentially affected include businesses in the manufacturing and tourism sectors, and DIISR will be monitoring the impacts of higher exchange rates on these and other industries.

Employment and job creation also remain key priorities. Through a combination of practical advice and an array of business support programs, DIISR intends to assist businesses in key areas of the economy to grow, driving job creation and investment.