

## Chapter 3

### Industry, Innovation and Science portfolio

3.1 This chapter summarises certain key areas of interest raised during the committee's consideration of budget estimates for the 2019–20 financial year for the Industry, Innovation and Science portfolio. This chapter of the report follows the order of proceedings and is an indicative, not exhaustive, account of issues examined.

3.2 On 5 April 2019, the committee heard evidence from Senator the Hon. Matthew Canavan, Minister for Resources and Northern Australia, along with officers from the Department of Industry, Innovation and Science (the department) and agencies including:

- Department of Industry, Innovation and Science—Program 3: Cross-portfolio;
- Department of Industry, Innovation and Science—Program 1: Supporting Science and Commercialisation; and
- Department of Industry, Innovation and Science—Program 2: Growing Business Investment and Improving Business Capability.

3.3 Senators present during the hearing included Senator Hume (Chair), Senator Ketter (Deputy Chair), and Senators Carr and Patrick.

#### **Department of Industry, Innovation and Science—Programs 1, 2, and 3**

##### *Complementary medicines*

3.4 The committee asked the department for an update on the Australian Made logo and its application to complementary medicines.

3.5 Departmental officials explained that the government proposes to make new regulations to address this issue. Specifically, the new regulations will define particular processes as meeting the test for substantial transformation of a product under the Australian consumer law.<sup>1</sup> Officials noted:

We have been required to undertake research and seek legal advice to ensure that the proposed solution is effective in terms of meeting industry's desire to have access to the Australian made logo for export markets.<sup>2</sup>

3.6 The decision to proceed with the creation of new regulations was signed off by the Prime Minister on 2 April 2019, following the recommendation of the Complementary Medicine Taskforce.<sup>3</sup>

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1 *Proof Estimates Hansard*, 5 April 2019, p. 87.

2 *Proof Estimates Hansard*, 5 April 2019, p. 88.

3 *Proof Estimates Hansard*, 5 April 2019, p. 88.

3.7 Departmental officials highlighted that the introduction of new regulations would rely not only on the Federal government, but on the state and territory governments as well:

...the Australian consumer law is a single law administered by both the Commonwealth and the state and territory governments. To amend that law, there is an intergovernmental agreement that requires the support of the Commonwealth and three of the state and territory governments. To make regulations or to change the law, the government is required to consult with the Ministerial Council on Consumer Affairs.<sup>4</sup>

3.8 The committee also asked the department about possible implications of the proposed regulations on current compliance activities in relation to the Australian Made logo. Officials noted that compliance activities are undertaken by the Australian Competition and Consumer Commission (ACCC), and explained:

...the ACCC is an independent regulator which sets its particular compliance activities and its priorities. The ACCC, in seeing that the government has proposed a significant change, would take that into account in determining their compliance activities.<sup>5</sup>

### ***Research and Development tax incentive***

3.9 The committee discussed the proposed legislation for changes to the Research and Development (R&D) tax incentive; noting the committee's recent inquiry into this legislation contained in the Treasury Laws Amendment (Making Sure Multinationals Pay Their Fair Share of Tax in Australia) Bill 2018 (the bill). In its report on the bill, the committee made the following recommendation:

#### Recommendation 1

The committee recommends that the Senate defer consideration of the bill until further examination and analysis of the impact of schedules 1–3 is undertaken. In particular, the committee recommends that:

- the approach to the cap on the refundable portion of the Research and Development (R&D) tax incentive is refined, noting investment decisions already taken; and
- the formula for R&D intensity is refined, noting inherent differences in R&D intensity across industries and impacts on businesses with large operating costs.<sup>6</sup>

3.10 Departmental officials advised the committee that the government is considering the committee's recommendation. Officials highlighted that the Australian

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4 *Proof Estimates Hansard*, 5 April 2019, p. 88.

5 *Proof Estimates Hansard*, 5 April 2019, p. 90.

6 Senate Economics Legislation Committee, *Treasury Laws Amendment (Making Sure Multinationals Pay Their Fair Share of Tax in Australia) Bill 2018 [Provisions]*, February 2019, p. 34.

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Taxation Office (ATO) and AusIndustry, the co-administrators of the program, have established a Research and Development Tax Incentive Roundtable.<sup>7</sup>

3.11 Departmental officials noted that the roundtable had so far held one meeting which took place on 7 March 2019. At this meeting, the roundtable had considered a number of items and reported a number of actions for the next meeting, including:

We were asked to look at the type of information that we can provide to the round table. We'll be providing some more numbers on various aspects next time. We've sought feedback on the draft terms of reference, and we're receiving some of that at the moment. We agreed to have a further discussion on the software development. We agreed to have a discussion about the revised registration form for the program. And there were also some administrative matters around co-chair arrangements.<sup>8</sup>

### ***Women in STEM***

3.12 The committee asked departmental officials about the 2019–20 budget allocation for women in STEM (science, technology, engineering and mathematics) initiatives. Departmental officials advised the committee of several new initiatives:

The 2019–20 budget has announced \$3.4 million over four years to increase girls' and women's participation in STEM study and careers. That's made up of two specific measures. One is \$1.8 million over three years to continue support for the Science In Australia Gender Equity initiative, SAGE, to enable the higher education and research sector to continue to improve gender equity policies and practices. The second initiative is \$1.5 million over three years for a national digital awareness-raising campaign to increase the visibility of girls and women in STEM.<sup>9</sup>

3.13 The digital awareness-raising campaign will be led by the women in STEM ambassador, Professor Lisa Harvey-Smith.<sup>10</sup>

3.14 Departmental officials noted that this funding builds on the \$13 million invested since 2016–17 through the National Innovation and Science Agenda.<sup>11</sup>

### ***Funding for the Australian Nuclear Science and Technology Organisation***

3.15 The committee discussed funding for the Australian Nuclear Science and Technology Organisation (ANSTO). Departmental officials noted that the 2019–20 Budget contained a total of \$112 million in funding for ANSTO and provided the following breakdown of the funding:

\$38.4 million is for high-priority activities focused on short-term safety and operational requirements. It also includes \$13.9 million for proactive maintenance work for the nuclear medicine processing and distribution

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7 *Proof Estimates Hansard*, 5 April 2019, p. 94.

8 *Proof Estimates Hansard*, 5 April 2019, p. 94.

9 *Proof Estimates Hansard*, 5 April 2019, p. 96.

10 *Proof Estimates Hansard*, 5 April 2019, p. 96.

11 *Proof Estimates Hansard*, 5 April 2019, p. 96.

facility. It includes \$12.6 million to address recommendations from the ARPANSA review, \$5.9 million for managing radioactive waste, \$1.2 million for managing spent fuel and \$4.9 million for decommissioning and demolishing a contaminated building.<sup>12</sup>

3.16 Departmental officials confirmed that a portion of the funding would go towards addressing some of the safety issues identified in the *Independent Safety Review of the ANSTO Health Approach to Occupational Radiation Safety and Operational Procedures*, which was provided to the Australian Radiation Protection and Nuclear Safety Agency (ARPANSA report).<sup>13</sup>

3.17 The ARPANSA report also noted that some of ANSTO's facilities would require upgrading, in particular, that building '23' would need to be replaced with some urgency.<sup>14</sup>

3.18 Officials noted that the increased equity that ANSTO would receive was also in recognition of the 'unforeseen expenses that ANSTO experienced last year in responding to nuclear medicine supply disruptions'.<sup>15</sup>

### ***Australian Space Agency***

3.19 The committee asked representatives from the Australian Space Agency (ASA) for an update on the new agency's progress. Mr Murfett, Deputy Head of the ASA commented that the 10 months since the establishment of the ASA had been a 'pretty busy time'.<sup>16</sup> Mr Murfett noted that during this time, ASA had put in place governance arrangements, established a charter, and formulated its strategy for the next 10 years. Mr Murfett explained:

It outlines a path to grow Australia's space industry to become a greater part of the \$350 billion global market. The way that that will be achieved is by focusing on an international dimension. A premise of the agency is to open doors internationally, and I can say that we've done that. We've signed four MOUs with the likes of the Canadian Space Agency, the UK space agency, the French space agency and, most recently, the UAE.<sup>17</sup>

3.20 Mr Murfett also emphasised that the ASA's role is around growing and transforming the industry:

We have a target of growing and creating up to another 20,000 jobs by 2030 and tripling the size of the space sector, which is currently \$3.9 billion. We have a goal by 2030 to get it to \$12 billion. As part of that, we've been working with industry and we've been signing statements of intent which outline where industry and partners can see investments in

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12 *Proof Estimates Hansard*, 5 April 2019, p. 97.

13 *Proof Estimates Hansard*, 5 April 2019, p. 98.

14 *Proof Estimates Hansard*, 5 April 2019, p. 99.

15 *Proof Estimates Hansard*, 5 April 2019, p. 98.

16 *Proof Estimates Hansard*, 5 April 2019, p. 104.

17 *Proof Estimates Hansard*, 5 April 2019, p. 105.

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Australia. They are with companies such as Airbus, Lockheed and, interestingly, a non-traditional space sector, Woodside Energy.<sup>18</sup>

3.21 Mr Murfett noted the establishment of the ASA's headquarters in Adelaide, at the old site of the Royal Adelaide Hospital, also called 'Lot 14'. He advised the committee that construction had commenced and noted that despite some delays the site was due to be ready in late October 2019.<sup>19</sup>

3.22 The committee discussed the \$19.5 million budget allocation made to the Space Infrastructure Fund, noting that only two projects had so far been announced.

3.23 Mr Murfett confirmed that of the \$19.5 million total, two projects had been announced: \$6 million for a mission control facility; and \$2 million to support future space manufacturing capability.<sup>20</sup> Mr Murfett also advised the committee that the remaining \$11.5 million had been allocated to a further five projects which are still subject to negotiation.<sup>21</sup>

### **Other topics raised**

3.24 The committee discussed a range of topics during the hearing with the Industry, Innovation and Science portfolio. The above reporting of discussions is not complete. Other topics discussed by the committee included:

- Business research and development initiatives
- Budget measures
- Cooperative research centres program
- Expansion of Questacon activities
- Science in Australia Gender Equity (SAGE) initiative
- Innovation Games
- National Measurement Institute
- Manufacturing Growth Fund
- Radioactive Waste Management Facility

### **Senator Jane Hume Chair**

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18 *Proof Estimates Hansard*, 5 April 2019, p. 105.

19 *Proof Estimates Hansard*, 5 April 2019, p. 105.

20 *Proof Estimates Hansard*, 5 April 2019, p. 99.

21 *Proof Estimates Hansard*, 5 April 2019, p. 103.

