



Subject: House Committee on Infrastructure and Communications - request to attend a public hearing - Wednesday 19 September at 4pm
Date: Saturday, 15 September 2012 11:12:39 AM

Julia

Questions on Notice...from the Transcript.

“How much do AIIA members invest in R&D here?”

The AIIA currently represents over 400 member organisations employing more than 40,000 employees and earning in the vicinity of 20 billion dollars in annual Australian revenue.

In any financial year, every AIIA member organisation gives consideration to opportunities to undertake productive research and development within Australia. Some of this investment is made through dedicated facilities or programs run by the member organisations while other investments are made through dedicated joint ventures, partnerships or sponsorships with individuals or organisations.

According to the Australian Bureau of Statistics (ABS) business spending on research and experimental development (R&D) reached \$17.9 billion in 2010-11. The research fields of Information and computing sciences accounted for \$5,019 million of spending or 28% of total Business Expenditure on Research and Development (BERD). Compared to 2009-10, the proportional share of total BERD for Information and computing sciences decreased by one percentage point. Spending on information and computing sciences had the second largest dollar increase in BERD in 2010-11; increasing by \$184 million.

The AIIA does not survey its members in respect of their investment in R&D and we are therefore unable to provide the committee with a figure for R&D investment by our members that would be comparable to the aggregate level of R&D spending reported by the ABS.

“How much of the manufacturing of products takes place here?”

The AIIA does not have any statistical information that can provide a meaningful answer to this question. We would however note that in modern economies supply chains are global and in the information and computing sciences field the largest component of the value contained within products is the intellectual property that underpins the value and uniqueness of the final product.

“Is it reasonable to believe that the price differences of over 50% that exist here can still be attributed to advertising, marketing, admin and support which would be carried out in all markets that your members are present and active in?”

Advertising, marketing, administration and support are activities whose costs are unique to the markets in which they occur. Equally relevant is the size of the market into which goods and services are provided. Given the size of the Australian market for the goods and services provided by AIIA members, it is reasonable to believe that the cost of advertising, marketing, administration and support per unit of goods and services sold in Australia are higher than in comparable markets serviced by AIIA members.

The AIIA does not seek to enter a debate about unit labour costs in Australia and we do not suggest that labour costs **alone** explain the price differentials flagged by the committee. As previously indicated the AIIA submits that there are a range of costs – including those that arise from advertising, marketing, administration and support – that feed into the cost of conducting a profitable ICT business in a market the size of Australia.

Kind regards,

Loretta

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