INDUSTRY RESEARCH AND DEVELOPMENT BILL 1986

Date introduced: 8 May 1986
House: Senate
Presented by: Senator the Hon. Donald Grimes

DIGEST OF BILL

Purpose

To establish an Industry Research and Development Board which will recommend grants to assist research and development in industry and to amend the Industrial Research and Development Incentives Act 1976.

Background

In 1981-82 gross expenditure on research and development in Australia was $1.522 million, or 1.01 percent of the gross domestic product.[1] Figures released in May 1986 by the Bureau of Statistics show that expenditure by private sector business enterprises rose by 50.8% between 1981-82 and 1984-85, a significant increase on the 4.3% rise recorded for the 3 years to 1981-82. However, while public funding and performance in research, particularly defence, compares satisfactorily with other OECD countries, private sector research has been as little as a quarter of the proportion of gross national product spent in other developed countries.[2]

Within the public sector, the Commonwealth provides the major part of the funds, while performance is divided between Commonwealth agencies and the higher education sector. Of the Commonwealth funds allocated to agencies, more than half goes to the CSIRO.[3]

The Australian Science and Technology Council's (ASTEC's) report 'Public Investment in Research and Development in Australia'[4] suggests a number of reasons why the structure of research and development in Australia is characterised by predominantly public funding, with low levels of privately funded and performed industrial research.
and development. A reason suggested for the very low level of research and development in the manufacturing sector is Australia's macroeconomic situation.[5] High tariffs and liberal foreign investment policy have encouraged the development of a diverse, small scale manufacturing sector, characterised by a high degree of foreign ownership. The technology intensive industries, such as chemicals, electronics, aerospace and transport equipment are dominated by subsidiaries of foreign owned multi-national corporations that obtain much of their technology overseas.

A second suggested reason for the low performance of private sector research is the limited support provided by the government for industrial research and development. Until the introduction of a tax concession in 1985, the main sources of government support were the Australian Industrial Research and Development Incentives Scheme, the National Energy Research, Development and Demonstration Program, the National Biotechnology Program Research Grants Scheme, the Rural Industry Research Funds and the Australian Marine Sciences and Technologies Grants Schemes. The total amount provided under such schemes in 1984-85 is estimated to have been approximately $70 million.[6]

In its report, ASTEC recommends that the Government endorse the principle of public investment in scientific and technological research and development for the following major purposes:[7]

- to increase the international competitiveness of all sectors of Australian industry through technological innovation;
- to support the competent and efficient performance of government functions;
- to ensure that Australia keeps abreast of international developments in science and technology and is in the forefront in certain areas;
- to maintain a higher education research infrastructure adequate to ensure that well-qualified researchers are available to achieve the above principles.
Main Provisions

The object of this Bill is to 'promote the development, and improve the efficiency and international competitiveness, of Australian industry by the provision of financial assistance for research and development activities' (clause 3).

An Industry Research and Development Board (the Board) will be established by clause 6. Amongst the Board's functions will be the making of recommendations to the Minister on the distribution of funds available under the Bill (clause 7). The Board will have power to do all things incidental to its functions (clause 8) and will be comprised of a Chairperson and between four to ten part-time members, appointed by the Governor-General. In addition, the Minister may, if it is considered appropriate, appoint a member of the Australian Public Service to the Board (clause 9). An appointment will be for up to five years (clause 10) and the Chairperson will be responsible for the efficient and orderly conduct of the Board's business (clause 11).

Where a member fails to disclose a direct or indirect pecuniary interest in a matter before the Board, that member's appointment will be terminated (clauses 15 and 16).

The Minister will be able to give the Board additional functions at any time (clause 19). After consulting with the Chairperson, the Minister will be able to give the Board directions with respect to its policies and practices and these directions will have to be complied with (clause 20).

The Board will be able to delegate its powers to the Chairperson, a member of the Board or a member of staff assisting the Board (clause 21). The Minister will be able to appoint Committees (clause 22), to which the Board will be able to give directions (clause 23). Staff assisting the Board and Committees will be employed as members of the Australian Public Service (clause 25).

Part III of the Bill (clauses 26-39) deals with grants.

A company which is proposing to carry out a research project will be able to apply to the Board for a grant of financial assistance and the Board will have a discretion as to whether it should enter into an agreement
with that company on behalf of the Commonwealth (clause 28). Such 'agreements for discretionary grants' cannot be entered into after 30 June 1991 (sub-clause 28(2)) and must specify the amount of the grant and the financial year or years which the grant is to cover (clause 29). The financial assistance provided by the Board will not exceed 50 per cent of the company's anticipated total expenditure on the project (sub-clause 29(2)).

Similar provisions will be applicable to researchers who are proposing to research new and emerging technologies and the agreements subsequently entered into with the Board will be called 'agreements for generic technology grants' (clause 31).

Where the Board is satisfied that a project is of national interest it will be able to enter into a 'national interest agreement' with a researcher to undertake that project (clause 33). The Commonwealth will have an interest in any copyrights, patent rights and trademarks resulting from the project in the same proportion as its funding to total expenditure (clause 34).

The Board will not be able to enter into grants agreements unless it is satisfied that the results of a project will 'where appropriate, be exploited on normal commercial terms and otherwise in a manner that will be for the benefit of the Australian economy' (clause 36).

Parliament will appropriate money for the purposes of the Bill (clause 40) and the Minister will publish in the Gazette the amount of money to be available for distribution by the Board in the coming financial year (clause 41). The Board will be able to make an advance to a researcher in anticipation of a subsidy being granted (clause 42).

A person knowingly attempts to obtain a grant that is not payable will be liable to a $10,000 fine or imprisonment for five years or both (or a $50,000 fine for corporations) (sub-clause 44(1)). A person making false or misleading statements or supplying false accounts, books, documents or records to the Board will be liable to a $1,000 fine or 6 months imprisonment or both (in the case of a corporation, a $5,000 fine) (sub-clause 44(2)).

The Board will have to prepare an annual report, which will have to contain, amongst other things, an analysis of the effectiveness of the operations under the Bill for that year (clause 46).
Unless required or permitted by law the Board will not be able to supply any information which would constitute a breach of confidence (clause 47).

The Industrial Research and Development Incentives Act 1976 will be amended by clauses 49-53 to terminate the operations of the Australian Industrial Research and Development Incentives Board.

For further information, if required, contact the Economics and Commerce Group.

3 June 1986

Bills Digest Service
LEGISLATIVE RESEARCH SERVICE

References

2. Ibid., p.10.
3. Ibid., p.12.
5. Ibid., p.13.
7. Ibid., p.2.

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