

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

10 – 11 February 2010

Question: aet 76

Topic: Research & Development

Hansard Page: Written

Senator EGGLESTON asked:

1. Do you agree that R&D investment is essential if Australia is to increase productivity?
2. Do you agree Government support of R&D is essential if Australia is to not only maintain investment in R&D in Australia but increase it as a proportion of GDP?
3. Do you agree the current R&D tax concession has been an important driver in supporting R&D investment in Australia?
4. I refer you to some of the comments of key industry representatives contained in the Financial Review article of 1 February 2010. The view expressed in that article by the Amalgamated Metal Workers Union was that the new Exposure Bill will decimate R&D and Heather Ridout, Australian Industry Group Chief Executive, was reported as saying the new Exposure Bill will have “dire consequences” for Australian business R&D. Do you agree with those views?
5. Do you believe there is currently a suitable level of R&D investment undertaken in Australia?
6. Australia is currently rated 14th on the OECD’s Business Expenditure on R&D/GDP table of R&D investment. Do you believe this is good enough if Australia is to increase productivity to 2%.
7. How many recommendations have you have made to the current Labor Government and how many have been adopted.
8. Have you undertaken any assessment of the Governments decision not to adopt your recommendations to change the rules relating to imported books?
9. If so, what has that assessment been?
10. Do you agree that red tape and inconsistent regulation and compliance requirements pose a significant cost on industry and are a major hindrance in Australia to improving productivity.

Answer:

Questions 1 to 3, 5 & 6:

Commentary on innovation and productivity was included in the Commission’s recent submission to the House of Representatives Standing Committee on Economics Inquiry into raising the level of productivity growth in the Australian Economy.

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However, the Commission's most recent detailed work on R&D was in its March 2007 commissioned research report into *Public Support for Science and Innovation*. That report contains some 800 pages of evidence and analysis, including findings that on multiple streams of evidence, the benefits of public spending on R&D was likely to exceed its costs, but there was room for major improvements in some key institutional and program areas.

The report contains much detailed evidence on the amount and delivery of R&D spending (eg Chapter 2 and Appendices B and C), including the questions posed by international comparisons. It devotes attention to the problem of discerning the impact of incentives for R&D spending in terms of activity additional to that which would have occurred in the absence of the incentive (Chapters 4 and 8), both economy-wide and in particular sectors.

The report presents estimates of the impact on multifactor productivity of investments in R&D (Chapter 4, appendices E, F and G). The topic is complex for many reasons analysed at length in the report, including that:

- much growth in multifactor productivity arises from innovation, of which technological change is only a part;
- much technological change arises from international transfers of technology, rather than from technology created by domestic R&D; and
- only some R&D is additional, in the sense of being induced as result of public spending on R&D.

4 The Commission has not made any assessment of the opinions cited; the issue post-dates the Commission study of *Public Support for Science and Innovation*.

7 Since the election of the current Commonwealth Government the Commission has produced a total of 8 Inquiry reports and 14 Commissioned study reports. These reports have made a total of 421 recommendations to government.

The Commission reports annually on government responses to its recommendations within its Annual Report. This reporting looks at government responses to Commission recommendations across the various levels of government, given that not all recommendations made are for the Australian Government alone to make decisions on. Given that government decisions on Commission reports can be spread across time and levels of government, and not take place via a single consolidated (recommendation by recommendation) response, this approach is effective in summarising in a qualitative way the full details of any response.

In terms of government responses to the 8 *Inquiry* reports:

- there have been 4 (generally supportive) responses on retail tenancy, pigmeat safeguards, consumer policy and paid parental leave;
- a further 2 inquiry reports (on anti-dumping and gambling) have been provided to government but are yet to be released; and

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- responses to a further 2 reports (on drought policy and executive remuneration) remain outstanding.

For the 14 *Commissioned studies*:

- there have been (generally supportive) responses on 4 reports: the Annual Review of Regulatory Burdens (stages 1, 2 and 3) and Chemicals and Plastics regulation;
- a further 6 studies contained no recommendations (Assessing Local Government Revenue Raising Capacity; Modelling Economy-Wide Effects of Future Automotive Assistance; Modelling Economy-Wide Effects of Future TCF Assistance; Business Regulation Benchmarking: Quantity and Quality and Cost of Business Registrations; Performance Benchmarking of Australian Business Regulation: Food Safety; and Performance of Public and Private Hospital Systems);
- there has been a single response rejecting the Commission's recommendations in relation to parallel book importation; and
- there are a further 3 studies for which a government response remains outstanding: the 2008 Review of the Mutual Recognition Agreement and the Trans-Tasman Mutual Recognition Agreement; the Review of the Regulatory Burden on the Upstream Petroleum (Oil and Gas) Sector; and the Review of the Contribution of the Not-For-Profit Sector.

8 No. The Commission does not undertake such assessments.

9 Not applicable – see answer to question 8.

10 The Commission has been tasked by successive governments to help identify the costs of excessive or overlapping regulations. That work continues in the programs of annual reports benchmarking selected areas of regulations applied by all tiers of Australian governments, and its work on the regulatory burden of selected areas of Commonwealth regulation.