

**Senate Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
Industry, Tourism and Resources Portfolio  
Budget Estimates Hearing 2007-08  
28 May 2007

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**AGENCY/DEPARTMENT:** INDUSTRY, TOURISM AND RESOURCES

**TOPIC:** R&D Tax Concession - Douglas Cummings Report

**REFERENCE:** Question on Notice (Hansard 28/5/07, Page E43 and 44)

**QUESTION No. B1-100**

**Senator CARR**—The table of consultancy services commissioned by the department for 2005-06 on the website indicates that Douglas Cumming was commissioned to undertake a data analysis and modelling of the R&D tax concession. Was that report commissioned as part of this evaluation?

**Ms Berman**—It was. When the evaluation commenced, one of the analyses we sought was an interpretation of the data alone without any comment from the people using it. We put that data together in a number of years and provided it to Mr Cumming, who did some analysis for us. That was only one of the inputs in terms of analysis. We had several other inputs as well, which were done within the department, and together they are referred to in the final report, and the findings are according to what the data found.

**Senator CARR**—The report is not on the research page of the department's website?

**Ms Berman**—The report of Mr Cumming?

**Senator CARR**—Yes.

**Ms Berman**—It was probably the previous financial year.

**Senator CARR**—So it may well still be there?

**Ms Berman**—It was paid for in the previous financial year, and not the financial year we are in.

**Senator CARR**—How much was that?

**Ms Berman**—I would be guessing, but it is probably in the order of about \$30,000.

**Senator CARR**—So you think it might well have been published in the previous financial year?

**Ms Berman**—Registered in the previous financial year; is that correct?

**Mr Pennifold**—My information is that the report did cost us \$30,000. It was a direct engagement. It provided baseline data. My information is that it has not been published but indeed formed an input to the review that you were referring to.

**Senator CARR**—Is it the intention to provide a copy of that report to this committee?

**Mr Pennifold**—That would be the minister's decision. It was commissioned as an input to this review of the new elements of the tax concession.

**ANSWER**

The Douglas Cummings' report was commissioned as an input to the review of the new elements of the R&D Tax Concession. The methodology section specifically refers to the Cummings report viz

*The Steering Committee also determined inducement using a multivariate analysis of the R&D tax concession registration data but did not include results in the evaluation because:*

– *the data series was too short to estimate the inducement rate with confidence*

- *of concerns with the data, transformations and calculations. The evaluation identified some issues in relation to how government estimates the cost to government of the new elements of the R&D Tax Concession. Treasury and DITR will continue to refine the methodology for calculating the cost to government for the R&D tax concession over the next 12 months for the purpose of improving the accuracy of evaluations conducted in the future.*
- *the inducement rate that was calculated was not plausible. This was determined by comparing a likely upper limit for the inducement rate which is equal to the inverse of the cost to the Government for one dollar of R&D expenditure induced by the policy. Future evaluations should consider this comparison when determining whether the inducement rate is plausible.*

Given the above concerns with the Cummings report it is not being released.