

Innovation at a crossroad

The Australian innovation story is a tale of lonely heroes battling against the odds. We have our Nobel laureates, our world-beating inventions, our individual success stories. What we do not have is a broad culture of innovation.

It's time to change that.

The figures speak for themselves. The Australian Bureau of Statistics tells us two-thirds of Australian businesses are non-innovators – they have come up with no new products, services or processes in the last two years. Business spending on R&D went into freefall after 1996; it is now rising again, but the average growth rate from 1996-97 to 2005-06 was half that for the preceding decade. Our universities and public research agencies do magnificent work, but their links to business are often weak. Overall, Australia invests only 1.8 per cent of its GDP in R&D – well below the OECD average.

To turn this situation around we need a fresh start in innovation policy. In fact, we need to redefine what innovation policy is all about. Yes, it is about boosting productivity, increasing competitiveness and securing high-wage, high-skill jobs for the future. These are vitally important objectives, but they are not the whole story. Innovation is also about enriching the quality of life enjoyed by every Australian. Our ability to tackle climate change, to build cohesive communities, and to sustain a vibrant civic life will all depend on how well we can foster innovation and harness its potential.

Creating a new Department of Innovation, Industry, Science and Research was the first step. This department brings all the elements critical to boosting our innovation performance together under one roof.

The next step is to assess what has been done in the past and how we can do it better. That's what the review of the national innovation system I announced on 22 January will help us achieve.

The review panel is chaired by Dr Terry Cutler and includes representatives from business, the universities and government.

We want to streamline the bewildering array of innovation and industry-assistance programs – federal and state – to ensure that support for innovation is accurately targeted and easy to access.

The review will identify regulatory barriers to innovation and recommend ways to lower them. It will assess existing assistance programs against agreed criteria with a view to reducing duplication and fragmentation. It will identify gaps and weaknesses in the innovation system and suggest how we can fix them.

I have asked Dr Cutler and his panel to develop principles for public sector participation in innovation and to explore how we can extend support for innovation to new areas – particularly the services sector.

The panel will give specific consideration to the role the R&D tax concession plays in promoting innovation. The business community has expressed concern about the adequacy of the current 125 per cent R&D tax concession, the complexity of the 175 per cent premium concession, and the thresholds applying to the tax offset for small business.

We want the tax concession scheme to boost the volume and intensity of R&D activity, to encourage international links and persuade multinationals to do research in Australia, and to promote business collaboration with universities and research agencies.



Senator Kim Carr

The review panel is expected to complete a green paper by 31 July. The government will then prepare a white paper setting out its policy response, including a set of national innovation priorities to complement our national research priorities.

Successful innovation depends on many things – the level of investment, the quality of infrastructure, the responsiveness of government. The most important precondition, however, is an environment of freedom, democracy, diversity and openness.

That's why I have strengthened the independence of the Australian Research Council by creating an independent advisory council and introducing transparent decision-making processes.

That's why I am working with our public research agencies to develop charters that will guarantee their independence and integrity, recognise their right to participate in debates about scientific and other issues of public interest, and promote open discussion of their research findings.

And that's why I have abandoned the Research Quality Framework. The RQF was poorly designed and administratively expensive. It relied on an impact measure that was unverifiable and ill-defined. We will introduce a new, streamlined, internationally-recognised quality assurance process for research, using metrics or other agreed quality measures appropriate to each research discipline. I want a less cumbersome and less costly process that still provides the kind of accountability the Australian government and taxpayers expect.

We are at a watershed in Australian innovation. We need to shift away from the over-riding emphasis on short-term commercialisation that has prevailed over the past decade. It is time we started thinking strategically. The public interest and public benefit must be central to everything we do. Many of the benefits we expect to accrue from innovation are economic, but that is not the only yardstick. We must have the courage to think long-term.

Above all, we must remain open to new ideas, new solutions and new possibilities. An innovator's work is never done.