



Charles Sturt
University

SENATE STANDING COMMITTEE ON
ECONOMICS LEGISLATION COMMITTEE

Inquiry into the Treasury Laws
Amendment (Research and
Development Tax Incentive)
2019 Bill

6 March 2020

Office of the Vice-Chancellor
Charles Sturt University



6 March 2020

Senator Slade Brockman
Chair, Senate Standing Committees on Economics Legislation Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Chair

On behalf of Charles Sturt University, I am pleased to provide this submission to the Senate Standing Committees on Economics Legislation Committee for your inquiry into the *Treasury Laws Amendment (Research and Development Tax Incentive) Bill 2019*.

Charles Sturt University is Australia's largest regional university, with more than 43,000 students and approximately 2,000 full time equivalent staff. We are a unique multi-campus institution with campuses at Albury-Wodonga, Bathurst, Canberra, Dubbo, Goulburn, Manly, Orange, Parramatta, Port Macquarie and Wagga Wagga, as well as various study centres located throughout regional and rural south-eastern Australia.

An independent study of the University's economic impact by the Western Research Institute estimated that across our campuses and study centres Charles Sturt contributes \$728 million to gross regional product, 5890 jobs and just over \$480 million to household incomes in the regions we serve.

Charles Sturt University has deep and proven experience in teaching, learning, research, development and engagement in a range of fields. Application of our research in regional, rural and remote Australia has played a significant role in driving economic prosperity, social inclusion and environmental sustainability.

The Australian Research Council (ARC) conducts evaluations of research quality, impact and engagement in all universities. These evaluations show that research at Charles Sturt University is quality, high impact, and highly engaged with regional industries and communities, and with partners around the country and around the world.

The applied focus of much of our research – especially in agricultural sciences, health, education and environmental sciences – has made Charles Sturt University a preferred partner for industries and employers across rural, regional and remote NSW, and beyond. Given the University's regional focus, many of our private sector partners are small and medium enterprises (SMEs).

As a research university engaged with industry, Charles Sturt University welcomes this opportunity to provide input into the *Treasury Laws Amendment (Research and Development Tax Incentive) Bill 2019*.

Increasing collaboration between research organisations and businesses is a perennial goal of Australian research policy, since research-industry collaboration underpins innovation, improvements in productivity and, ultimately, economic growth. Many of the policy changes and new programs introduced over more than a decade have been intended to increase the application of the new knowledge generated by publicly-funded research by encouraging collaboration. The 2016 review of the R&D Tax Incentive made six recommendations intended, in part, to achieve the same end, and the University welcomes the latest steps by the government to give effect to those recommendations.

The Grange Chancellery, Panorama Avenue, BATHURST NSW 2795

T: +61 2 6338 4209 | E: vc@csu.edu.au | www.csu.edu.au

CRICOS Provider Number for Charles Sturt University is 00005F. ABN: 83 878 708 551

Charles Sturt University suggests that there are three other considerations that should be addressed in any amendments to the legislation underpinning Australia's R&D tax incentive arrangements, especially if they are to drive greater collaboration.

First, the operation of the R&D Tax Incentive should complement other Government initiatives including the Cooperative Research Centres (CRC) program, CRC-Projects, the ARC Linkage schemes and Industrial Transformation Training Centres, and the various programs intended to drive research and innovation in small businesses.

The 2016 review of the R&D Tax Incentive recommended the introduction of a collaboration premium for R&D expenditures undertaken with publicly-funded research organisations, including the employment of new PhD graduates. Charles Sturt supports this recommendation, in part because it would lead to more effective integration of the R&D Tax Incentive with other public funding for research and innovation.

Charles Sturt University recommends the committee consider a further amendment to the bill to introduce a collaboration premium as proposed by the review.

Second, we need to encourage greater innovation in SMEs which, according to a July 2019 report by the Australian Small Business and Family Enterprise Ombudsman, make up 93% of employing businesses, encompass 44% of Australia's workforce and generate 35% of gross domestic profit.

The 2016 review recommended the introduction of a cap on the annual cash refund payable under the R&D Tax Incentive to maintain cash-flow for SMEs while ensuring the incentive remains sustainable. The University notes that the bill introduces such a cap, at a higher level than proposed by the review, as well as other provisions to support companies with a turnover below \$20 million.

Charles Sturt University supports this measure, and recommends further that the government request the Board of Innovation and Science Australia monitor the impact of the new arrangements on SMEs.

Third, Australia's R&D Tax Incentive arrangements should operate in a way that encourages innovation and collaboration across all industries and around the nation, especially in rural, regional and remote areas.

Australia's policy framework for publicly-funded research is heavily skewed toward large firms and metropolitan universities. The latter tend to focus on large-scale, blue-sky research, often involving international collaborations. While this kind of research is essential – it provides the foundation for new technologies, new industries and economic transformation – it does not always meet the needs of Australian industries, the costs involved are a major deterrent to SMEs, and it rarely results in significant impact on regional economies.

In contrast, Charles Sturt can demonstrate that much of the research carried out across our campuses and research centres is focused on regional needs, but with the potential for national benefit. However, research funding for regionally-based universities has grown only slowly over the past 25 years, and their share of public investment in research has declined. As a result, research capacity in the regions has not kept pace with that of metropolitan universities.

Charles Sturt University recommends that the government also request the Board of Innovation and Science Australia examine the use of the R&D Tax Incentive by firms in rural, regional and remote Australia, with a view to growing research and innovation capability and activity outside metropolitan centres.

The University is already working toward increasing research and innovation capability and activity in a major regional centre with the establishment of the AgriSciences Research and Business Park (AgriPark) at our Wagga Wagga campus. It is a key step in the University's long-held vision for and commitment to support, facilitate and grow the nation's agriculture, food and innovation sector.



The AgriPark provides dedicated infrastructure, services and support to allow innovative industry to co-locate, integrate and collaborate with each other and the multidisciplinary research strengths at Charles Sturt University.

As an innovation precinct, the AgriPark will facilitate wealth creation, employment and skills development in the region. Its success will be demonstrated by the creation of new businesses, new products and new ways of thinking.

Our goal is that, in time, the AgriPark and Wagga Wagga will be recognised as a world-leading centre for agricultural innovation, education, extension, research and development and business opportunity.

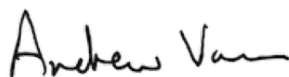
The Australian Government can encourage more projects like the AgriPark by ensuring that public funding for research – especially when carried out in partnership with industry – is distributed in a way that reflects the nation's demographics and economic activity.

A rebalanced framework for Australian research policy and funding – including for research infrastructure – would take into account the proportion of the population living in regional areas, the economic value of regional production, the value of exports from Australian regions, and the need to promote economic diversification, population growth and sustainable development outside the major cities. This would ensure that a greater share of public funding is directed towards the opportunities and challenges in regional Australia, resulting in research that is focused on solutions and helps achieve the government's goals for regional and national economic development and growth.

Charles Sturt has proposed an initial benchmark of 25% of Commonwealth and state research funding should be awarded through transparent, competitive processes, for research in regional areas, on regional issues, and with regional impact. This approach would address specific regional economic problems and deliver on national development priorities, particularly in relation to health, education, employment, energy, and the environment. It would build scale and critical mass in research capability in regional areas and promote greater collaboration between universities, local communities, and local businesses and industries, especially SMEs.

Charles Sturt University looks forward to the Committee's report on its inquiry into the *Treasury Laws Amendment (Research and Development Tax Incentive) Bill 2019*. I would be very pleased to provide further information to the Committee on any of the issues covered in this submission, and would be available to provide evidence at any proposed hearings that that Committee may undertake on the matter.

Yours sincerely



Professor Andrew Vann
Vice-Chancellor



