

Election 2019: Labor Policy Analysis

Innovation



“Innovation, science and research at the heart of industry policy”

Who’s responsible?

[Senator the Hon Kim Carr](#), Labor Senator for Victoria, Shadow Minister for Innovation, Industry, Science and Research.

What does Bill say?

The Hon Bill Shorten's Budget-in-Reply speech on 4 April 2019 was written for "mum and dad" voters. Education, Healthcare, Jobs, Childcare, NDIS, a "fully funded fair go action plan" are the thrust. "Innovation" was not mentioned. But it's a different story on the ALP website, and in its December 2018 National Platform document. Both of these sources emphasise "Innovation, science and research at the heart of industry policy".¹

A number of key planks support the Labor platform:

1. A commitment to **lifting Australian spending on R&D** from 1.8% of GDP to 3% by 2030.²
2. Preservation of the Research and Development Tax Incentive (RDTI).
3. Introduction of a new **Australian Investment Guarantee**, under which all businesses in Australia will be able to deduct 20% of any new eligible productivity-boosting asset worth more than \$20,000 immediately. Importantly, not only tradies' utes and technology, but also depreciable intangible assets ("knowledge assets") such as patents and copyrights will be eligible.³

¹ 2018 ALP National Platform Constitution. Article 191, page 41

² <https://www.alp.org.au/policies/labors-plan-for-australia-to-devote-3-per-cent-of-gdp-to-research-and-development/>

³ <https://www.alp.org.au/policies/australian-investment-guarantee/>

⁴ <https://www.alp.org.au/policies/labors-plan-for-science-at-the-centre-of-government/>

4. The establishment of a top level **Prime Minister’s Council for Science and Innovation**. The PM's Council will be supported by a National Scientific Expert Panel. The Council will advise on a strategic, whole-of-government approach to all aspects of science, technology, engineering, mathematics and innovation.⁴ This structure appears to be in addition to Labor’s “once in a generation” enquiry into the Commonwealth government’s research system, led by Prof. Ian Chubb announced in November 2018.⁵
5. The review and strengthening of the **National Science and Research priorities**, gives the priorities a central role in guiding government investments in innovation, science and research.

Innovation galore

The following policies have been announced:

The development of new **Cooperative Research Centres (CRCs)**, and/or review of priorities for the **Australian Research Council (ARC)**. Innovation is mentioned explicitly in a number of these policies; for example, a \$1 billion six-point National **Hydrogen** Plan including an innovation hub at Gladstone (\$3 million) to “kick start early commercialisation of hydrogen technologies”⁶; an Australian **Space Industry** Program including four ARC Space Industry Research Hubs and a Space Industry Innovation Council;⁷ \$100 million investment in marine science including an ARC special research hub – “**Reef HQ**”;⁸ and an ARC priority area for electric **battery** metal extraction,

⁵ <https://alp.org.au/media/1482/181128-research-in-australia-review-fs.pdf>

⁶ <https://www.alp.org.au/policies/labors-plan-for-hydrogen/>

⁷ <https://www.alp.org.au/policies/australia-in-space/>

⁸ <https://www.alp.org.au/policies/labors-plan-for-marine-science/>

advanced processing and manufacture (\$1 billion from Labor's proposed Australian Manufacturing Future Fund).⁹

As to how these policies will be paid for, Labor simply states that "we will pay for this commitment by making multinationals pay their fair share and closing tax loopholes used by the top end of town".

RDTI Expenditure

At Labor's national conference in Adelaide in December 2018, the ALP unveiled its new "innovation agenda". Included was a commitment to "preserve" the RDTI, described by Shadow Minister Kim Carr as "**the principal policy mechanism to stimulate business research and development across industry**".¹⁰ Shadow Minister for the Digital Economy Ed Husic has also confirmed in interview¹¹ that Labor will move to further exempt start-ups from planned cuts to the research and development tax incentive if it wins the upcoming federal election; and that they would "look to protect early-stage tech companies."

Further detail on RDTI was provided on 8 May by Senator Carr in an announcement that an ALP government would introduce a **10% collaboration premium**, through which "Businesses can add an additional 10% to the value of their calculated R&D tax offset when they are spending with a public research institution, whether it's a university or an organisation like the CSIRO."¹² The premium would be available to firms that cooperate with a university or the CSIRO to develop an innovative new product; embed industry researchers within a university facility; employ recent PhD graduates in their first three years of employment; and hire PhD students to do industrial research with a company.

The 10% premium is **in addition to the 38.5% tax incentive already available for R&D expenditures** and is estimated to cost **\$170 Million over four years**.¹³ An R&D tax incentive to encourage collaborative research was a recommendation of

the 2016 Finkel, Ferris and Fraser ("Three Fs") *Review of R&D Tax Incentives*.¹⁴

Regional Digital Skills Hubs

As part of their proposed \$245 million investment to improve regional connectivity and to close the city/country digital divide, Labor intends to spend \$25 million on a regional network of digital skills hubs.¹⁵ The new centres will offer training in professional digital skills and in how to launch a digital business.¹⁶ The hubs will target in particular older Australians, Indigenous Australians, people living with a disability, newly arrived migrants, and the long-term unemployed.¹⁷

The training should assist people in regional Australia to acquire and improve digital skills necessary to access government and other services; and to meet digital literacy standards both in the workplace and in the community. The hubs will be associated with existing community centres, libraries, and not-for-profit social enterprises.

Electric Vehicle and Manufacturing and Innovation Strategy

Labor plans to invest \$57 million on this strategy starting in 20/21 with a proposed expenditure of \$17 million for that period.

AIIA's Pre-budget Innovation Policy Position Statement

AIIA made five recommendations pertinent to Innovation in its Pre-Budget submission to Treasury:

1. Establishing an advisory body, made up of industry, research and government representatives to drive a National Innovation Agenda;

⁹ <https://www.alp.org.au/policies/battery-metal-manufacturing/>

¹⁰ <https://www.innovationaus.com/2018/12/Labor-to-preserve-RD-tax-scheme> 17 December 2018

¹¹ <https://www.innovationaus.com/2019/04/Labors-plan-RD-startup-exemptions> 26 April 2019

¹² <https://www.innovationaus.com/2019/05/170-boost-for-RD-Tax-Scheme>

¹³ <https://www.afr.com/news/politics/national/labor-s-170m-boost-for-r-and-d-tax-break-20190507-p51kw3>

¹⁴ <http://www.nteu.org.au/article/ALP-Announces-10--R-D-Tax-Incentive-for-Collaborative-Research-21361>

¹⁵ Labor Media Release "Labor to Invest \$25 Million in Regional Digital Skills Hubs" 7 May 2019

¹⁶ [Financial Review 7 May 2019](https://www.financialreview.com.au/news/2019/05/07/financial-review-7-may-2019)

¹⁷ [https://www.itwire.com/government-tech-policy/86928-labor-pledges-\\$25m-for-regional-digital-skills-hubs.html](https://www.itwire.com/government-tech-policy/86928-labor-pledges-$25m-for-regional-digital-skills-hubs.html)

2. Encouraging the digital industry to undertake their R&D activities in Australia through increased grants and tax incentives;
3. Developing simple guidelines and tools to make it easier for industry to meet RDTI compliance requirements;
4. Targeted skilled migration to support commercialisation of digital production and services and,
5. Introduction of a RDTI collaboration premium as proposed in Innovation and Science Australia 2030, Prosperity through Innovation.

Labor's "innovation agenda" is clearly aligned with AIIA's Recommendations 1 and 2, and is silent on Recommendations 3 and 5.

With regard to Recommendation 4, there is no mention of targeted education or skilled migration to support commercialisation of digital products and services; however, they do mention that "Labor will establish an independent **Australian Skills Authority** to report to government on skilled migration issues. The Authority will ensure skilled migration programs provide a benefit to Australia, reflect local labour market needs and provide advice to Government on current skills shortages."¹⁸ Labor pledges to train 150,000 apprentices for "jobs of the future", including the digital economy.¹⁹

Links

https://www.alp.org.au/media/1878/2019_labor_fiscal_plan.pdf

https://www.billshorten.com.au/2019_budget_in_reply_address_canberra_thursday_4_april_2019

<https://www.alp.org.au/policies/>

https://www.alp.org.au/media/1539/2018_alp_national_platform_constitution.pdf

¹⁸ 2018 ALP National Platform Constitution. Article 157, page 36
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¹⁹ Budget-in-Reply 4 April 2019, p126