

Federal Budget 19-20 analysis:



Innovation

The Treasurer's 2019-2020 budget speech did not explicitly reference 'innovation'.

Who's responsible ?

The [Hon Karen Andrews MP](#), Member for McPherson Queensland and Minister for Industry, Science and Technology, for the [Department of Industry, Innovation and Science \(DIIS\)](#).

The Minister's 500 word statement on the 2019-20 Budget, did not mention the word 'innovation'.

However, the Minister's statement did comment on "emerging" industries with \$19.5 million over four years provided in [last year's](#) 2018-19 budget for a new Space Infrastructure Fund, which will support space manufacturing, building of satellites, and a new Mission Control Centre in South Australia "for SME and researchers to control small satellite missions".

AIIA expects that this emerging industry sector will be, by its very nature, champions of innovation.

What did the AIIA's Pre-budget Submission say on Innovation?

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

- Establishing an advisory body, made up of industry, research and government representatives to drive a National Innovation Agenda;
- Encouraging the digital industry to undertake their R&D activities in Australia through increased grants and tax incentives;
- Developing simple guidelines and tools to make it easier for industry to meet RDTI compliance requirements;

- Targeted skilled migration to support commercialisation of digital production and services and,
- Introduction of a RDTI collaboration premium as proposed in ISA Australia 2030, Prosperity through Innovation.

There are no indications of these specific initiatives being supported in the Government's 2019-2020 Budget Papers.

RDTI Expenditure

The **Research and Development Tax Incentive (RDTI)** forward funding for *Mining, manufacturing and construction*¹ shows a significant reduction of approximately \$1.3 billion to 2023.

It is not clear from the Budget papers if this \$1.3 billion decrease in RDTI expenditure is a Government savings measure, or a reduced expenditure forecast based on lower projected industry take-up of the RDTI.

There was a marginal increase of RDTI funding for *Business Research and Development*² of \$3.3 million through to 2023.

Additionally, AIIA members have expressed concern regarding the potential negative R&D investment and innovation consequences to Australian business that would result from the Government's proposed changes to RDTI legislation*. These RDTI amendments will be revisited by the new Government post May 2019 Federal elections.

¹ Table 14.1 Budget Paper 1 P5

² DIIS Sub-program 1.2 *Business research, development and commercialisation* Budget Paper 1.11 P30

National Innovation and Science Agenda (NISA) “Offs”

The Department of Industry, Innovation and Science Sub-program 2.2 “*Business and Market Development*” lists the following expenditure through to 2023:

- **The Entrepreneurs’ Programme**, the “Government’s flagship initiative for business competitiveness and productivity”, reduced by \$31.9 million;
- **Industry Growth Centres**, which “aim to drive innovation, productivity and competitiveness”, reduced by \$43.4 million;

One New Innovation “On” and one funding continuation...

- New to “innovation” in this budget is \$3;6 million over two years to run a national trial of the **Innovation Games**, which, “will bring together small and medium business and students to solve real life business issues” and,
- Allocations for the **Artificial Intelligence Capability Fund** were unchanged from last year, remaining at \$500 million.

Budget 2019-2020 Links

- [AIIA Pre-Budget Submission to Treasury 2019](#)
- [Australian Government 2019-2020 Budget Papers](#)
- [Treasurer’s Budget Address](#)
- [Budget Response from the Minister of Industry, Science and Technology](#)
- [Treasury Laws Amendment \(Making Sure Multinationals Pay Their Fair Share of Tax in Australia and Other Measures\) Bill 2018](#)

AIIA focus - watch this space

- ✓ AIIA works with the Government, industry and research institutes to accelerate government digitisation and advocate for greater and new forms of industry engagement outside the procurement/grants framework to expedite sharing of knowledge and foster innovation.
- ✓ AIIA support a design thinking approach and works to promote agile delivery of government services, through improvements and efficiencies in ICT procurement
- ✓ AIIA works with Government to ensure that data collected through government transactions are secure, private and accurate, and afford consumer protection in accordance with legislation.