

## Media Release – Friday, 9 October 2020

### Bigger impact from R&D achievable

The South Australian Productivity Commission (SAPC) today released the draft report of its inquiry into research and development (R&D) in South Australia.

The Commission was tasked in February to recommend actions by the South Australian Government to lift the output and productivity of state-based publicly funded R&D, lift private sector R&D, raise South Australia's share of Australian Government funding for R&D and South Australia's rate of economic growth.

The Commission met with more than 50 stakeholders and received 10 submissions in preparing the draft report. The draft report contains new information compiled by the Commission from stakeholders and from information provided by State Government agencies.

The Commission estimates annual R&D spending in South Australia by business, higher education and the South Australian and Australian Governments to total around \$2 billion (about 1.9% of GSP in 2017-18 compared with 1.8% in 2017-18 for Australia as a whole).

*“South Australia punches above its weight in terms of total R&D spending as a proportion of the economy. It is second only to Victoria,”* said the Chair of the SAPC, Dr Matthew Butlin. *“An important challenge is how to make that effort more productive and have a bigger impact on the economy.”*

The business sector spends around \$800 million a year on R&D in South Australia, which is in line with the national picture after allowing for the State's mix of industries and the small size of most businesses. South Australian businesses are more likely to spend on R&D than their interstate counterparts. But linkages back into research institutions could be much stronger.

The state's universities spend slightly more than business on R&D (around \$830 million in 2018). They rely heavily on their own funds, which are under pressure from the consequences of the pandemic.

State government has had active policies on research and development for more than two decades. They include in-house spending, grant programs (including forms of procurement), precinct investments and other activities promoting cooperation and collaboration among various research organisations.

The Commission estimates on average, the State Government spends approximately \$120 million annually, based on its original work in compiling the first state wide estimates.

The Australian Government spends a relatively large amount on R&D in South Australia in forms other than competitive grants, including annual direct spending of about \$300m. This suggests a significant opportunity for South Australia to better leverage the potential benefits of this expenditure.

The Commission concludes successive state governments have broadly used a similar mix of R&D policies, with some churn being evident. Rigorous, state-wide evaluation of programs has not been evident in the Commission's research.

The Commission concludes a key challenge is to make R&D spending in South Australia more strategic and more accountable. The draft report includes three options for discussion and further consultations.

The Commission acknowledges the contribution of state government agencies in the development of this report, in particular the Chief Scientist and her office which provided substantial background information to aid in the development of the report

*“Our draft report sets out some directions for reform and identifies some options for discussion,”* Dr Butlin said. *“and further consultation will take place to improve the final report in January.”*

## **BACKGROUND**

The Commission is inquiring into the trends in R&D and the factors that influence how R&D contributes to long term productivity gains and economic growth in South Australia and will make recommendations to raise that contribution.

The Commission received 10 submissions and conducted more than 50 interviews in preparing the draft report. It acknowledges with thanks the assistance from state government departments, universities, research institutions, industry, relevant peak bodies and other stakeholders.

## **DRAFT REPORT**

The Commission has released its draft report to this inquiry. The draft report is available on the SAPC website at: [www.sapc.sa.gov.au](http://www.sapc.sa.gov.au)

The draft report set out the SAPC's analysis, current conclusions and draft recommendations for comment and consultation with interested parties. The SAPC encourages input from interested South Australians, with a deadline for written submissions of 13 November 2020.

## **NEXT STEPS**

The Commission will consult further with stakeholders on the draft report's findings, and has published specific information requests for greater clarity of some issues and draft recommendations.

The Commission will publish its final report in January 2021.

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