



The Hon Steven Marshall MP
Premier of South Australia

B471077

Dr Matthew Butlin
Chair and Chief Executive
SA Productivity Commission
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Dear Dr Butlin,

Please find attached a Notice of Inquiry into Research and Development, and a Notice of Inquiry into Health and Medical Research which set out the terms of reference for the inquiries.

Please also find attached terms of reference for the Commission to undertake a formal review into institutional arrangements to manage regulatory burden, focussing on the extractives supply chain.

I thank you and the Commission in advance for your efforts in relation to these matters.

Yours sincerely,

Hon Steven Marshall MP
PREMIER OF SOUTH AUSTRALIA

3 / 2 / 2020

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Attachments:

- Notice of Inquiry – Research and Development
- Notice of Inquiry – Health and Medical Research
- Notice of Review – Institutional Arrangements to Manage Regulatory Burden – Extractives Supply Chain

SOUTH AUSTRALIAN PRODUCTIVITY COMMISSION INQUIRY INTO RESEARCH AND DEVELOPMENT

I, Steven Marshall, Premier, hereby request that the South Australian Productivity Commission (the Commission) undertake an inquiry into research and development.

Background

The South Australian Government has the goal of raising South Australia's rate of economic growth.

The relationship between research and development (R&D), innovation and economic growth has attracted considerable attention from economists and policy-makers. An understanding of R&D activity in South Australia and how it translates into economic performance are extremely important to lifting productivity, incomes and employment in the South Australian economy.

Recent statistics suggest that South Australia's share of national R&D activity has been shrinking. According to the ABS:

- Business expenditure on R&D (BERD) has been relatively static in South Australia over the ten years to 2015-16 with SA's share of national BERD falling from a high of 5.8 per cent in 2011-12 to 4.6 per cent in 2015-16
- Higher education expenditure on R&D (HERD) grew more slowly in South Australia than the national average between 2006 and 2016, with SA's share of Australian HERD falling from 7.3 to 6.5 per cent.

Intellectual Property Australia data indicates that the number of patent applications filed in South Australia has fallen 12 per cent between 2011 and 2017.

Terms of Reference

An inquiry by the SA Productivity Commission would examine trends in R&D and the factors which influence the extent to which this R&D translates into growth in South Australia.

The key thrust is to understand how the current structure and operation of the state's public and private R&D contributes to long-term productivity gains and economic growth and make recommendations on actions to raise that contribution.

Independent advice on SA's R&D performance and associated policies and recommendations on reforms to lift the State's R&D performance will help to inform development and delivery of the government's Growth State initiative.

The scope of this inquiry includes mining, agribusiness, cyber risk and other areas as appropriate, except health and medical research which is being considered separately. The Commission is to apply insights from that separate stream to inform this inquiry where relevant.

While wide-ranging data on R&D and innovation is available nationally, comparatively little data is available at the state level. The Commission is to work with government agencies, universities, research institutions and industry to develop indicators and data sets which can be used to monitor and explain the state's performance and inform government policy.

South Australia's Chief Scientist and the Department of Innovation and Skills have been charged with developing strategies to lift innovation performance. The Commission is to have regard to this work where relevant to this inquiry.

The inquiry would examine: the role and settings of policy levers available to the state government; the effectiveness of various government interventions aiming at increasing R&D efficiency and outputs; and recommend actions the government can take (including advice to the Australian Government) on those matters.

Scope

The Commission is asked to consider and report on R&D activity in South Australia: how it translates into economic performance and wellbeing in the State; and recommend actions that the South Australian Government might take in connection with South Australian based R&D to:

- 1) Increase the output and productivity of South Australian-based publicly funded R&D;
- 2) Increase South Australian based private sector R&D, and in so doing;
- 3) Increase the state's:
 - a) share of Australian Government funding for research; and
 - b) rate of economic growth.

These recommendations are to be based on an evidence-based review of the state's R&D policies, activities and performance including the identification and assessment of:

- 1) Performance measures
 - a) measures of the output and productivity of research activity by (including by key areas of research), and the performance of, publicly funded research institutions in South Australia compared to other jurisdictions.
- 2) Drivers of output and productivity of SA based R&D
 - a) funding
 - i) an important task is to identify the extent of funding for research in South Australia (public and private, state and federal, national and international), by source and area of application, as well as forms of expenditure (e.g. capital and operating).
 - b) other key factors including
 - i) talent pools and the capacity to attract new talent
 - ii) industry structure and composition
 - iii) hard infrastructure
 - iv) the demography of the state
 - v) access to data and efficiency of collection and acquisition and other relevant matters, in the context of the changes in the technology of research methods
 - vi) national R&D and innovation policies and programs.
- 3) Current and prospective collaborations
 - a) existing collaboration on research between research organisations (public and private) and linkages between those organisations and industry, as well as new models for collaboration.
- 4) Current and prospective industry engagement
 - a) demand for, and current barriers to undertaking, research in cooperation with industry in South Australia and new models to improve industry experience and drive private sector research.

In its consideration of the above matters, the Commission is expected to have regard to the South Australian Government's Growth State initiative and relevant state and national policies including their performance.

Inquiry Process

The Commission will consult with the SA Chief Scientist, SA agencies, universities, research institutions, industry, relevant peak bodies and other key stakeholders during the inquiry.

The Commission may second and/or engage staff with required analytical expertise and knowledge of R&D for the period of the inquiry.

The Commission is to issue an issues paper at the beginning of the inquiry process and to issue a draft report outlining recommendations for consultative purposes. A final report is to be provided to me as soon as possible, but not later than eleven months after receipt of these terms of reference.

A handwritten signature in blue ink, appearing to read 'S. Marshall', with a stylized flourish at the end.

Hon Steven Marshall MP

PREMIER OF SOUTH AUSTRALIA

3 / 2 / 2020