

23 January 2013

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Dear Leigh

Thank you for the opportunity to provide further input into the development of a Queensland Science and Innovation Action Plan.

The Chamber of Commerce and Industry Queensland (CCIQ) recognises the crucial importance that innovation can potentially have as a source of competitive advantage for Queensland businesses. This is especially important in the context of growing competition from globalised markets and low labour cost nations in light of the high Australian dollar. Accordingly greater business innovation and productivity is a critical component in supporting long-term economic growth of our State.

Queensland businesses mainly innovate by introducing new products and services; improving business processes; adopting new technologies; and introducing new skillsets. There are concerns however that innovation in Queensland small and medium businesses is currently being inhibited through a number of challenges.

Key barriers to innovation in Queensland at present include lack of accessible funding; lack of knowledge and understanding; lack of appropriate skills; insufficient time and resources; lack of infrastructure (eg NBN); poor cost vs benefit equation; and insufficient government incentives.

Regulation as a barrier to innovation

However regulation is also having a profound impact on innovation in Queensland.

Indirectly regulation creates a disincentive for businesses to grow and expand through innovation caused by reluctance to reach thresholds for tax and regulatory schemes. Furthermore the cost of regulatory compliance (including fees, licences, taxes, etc) reduces the available internal finances and time for significant technological and innovative investments.

Directly there are many areas of State and Federal legislation that prevent the uptake and investment of innovation (or reduce the incentive for innovation). CCIQ case studies have highlighted a number of examples – the majority of which fall across the regulatory areas of building approval, environmental protection, and workplace health and safety:

- A Gold Coast based business provided an example of where local and state government development approvals prevented them installing a new more efficient, low cost and low energy system which was widely used throughout America. The issues being that they were unable to gain approval based on public health, environmental and “ethical” questions which were never actually resolved due to the inability of relevant agencies to collectively come to a decision. Despite investing approximately \$500,000 in the purchase of this equipment, they packed it up and sent it back to the manufacturer.
- A Central Queensland based food business provided an example of where they investigated installing new cleaning and washing equipment and also using environmentally friendly products for cleaning purposes that would significantly reduce the waste/chemical discharges. However they were advised that using this technology would not reduce their compliance requirements to have an ERA and Waste discharge fees/licences, hence the cost of adopting these new technologies was not worth the businesses effort.
- A Central Queensland based business provided an example of how they invested approximately \$100,000 in new “production line/manufacturing” machines and equipment that had amongst the highest international standards for safety/injury prevention (removed all manual handling and lifting, placed guards on all moving parts). However this business was disappointed that this equipment was not “recognised” under WHS regulations/codes of practice hence they were advised that they would still have to implement WHS compliance requirements, training, procedures etc. WorkCover Qld also gave no regard to the equipment in their risk assessment/calculation of premiums.
- A North Queensland business provided a similar example of their installation of innovative manufacturing/production line equipment which provided them no relief from prescriptive WHS compliance requirements or reduction in workers compensation costs. This business provided evidence of a very high level of lost time injury (LTI) which had been reduced to zero for a number of years.
- A North Queensland Tourism business provided an example of where they looked into installing a toilet/sewerage system (which is widely used throughout northern Europe) which did not use any water and completely eliminated waste product. This company worked with authorities from Local Government, Queensland Building Authority and Department of Environment for nearly 12 months trying to resolve issues and gain approval to install this system, but gave up as the approval was constantly bounced around between departments. The key issue was that plumbing and drainage, building, and environmental codes did not recognise this type of technology and therefore the departments had no basis for making their decision.

These case study examples provide evidence whereby the State’s regulatory regime undermines the business case through significantly reducing the financial incentive for embracing innovation.

Research and development (R&D) funding applications too burdensome and wrongly targeted

Queensland business feedback consistently raises issues in accessing existing R&D and innovation funding programs. There is currently an absence of a central reference point

tailored from a 'business to government' perspective as opposed to the embedded 'government to business' historical approach. Even if a business is able to identify potential funding, the criteria and documentation for grant/funding applications deters time poor businesses owners from applying.

Furthermore business feedback suggests that most R&D or innovation funding programs are too high level and not focused on specific business needs. That is current R&D programs focus on funding primary (embryonic) innovators, rather than the adoption and take-up of newly available technology.

CCIQ believes that Australian innovation policy is too "research" focussed. CCIQ views innovation encompassing a wide range of activities that drive change and add value. Innovation should capture work directed at developing new products, new processes and new business models. Queensland and Australia need not necessarily aim to be the primary innovators especially when we are competing with much larger and technically advanced nations, but we should be early adopters of innovation and technology in order to be leaders in emerging markets. The ability of Australian organisations to access the benefits of innovations from overseas is an important aspect of encouraging innovation. This in itself must not be impeded by Government.

Queensland SMEs are not solely interested in research and trial based funding, seed funding or new product development funding, but instead need low level funding to install new and more efficient/productive machinery (supporting Queensland businesses to be early adopters and to compete with international businesses where the technology is being developed). CCIQ believes State Government policy should reflect this practicality.

Closing Remarks

The role of public policy should be to improve the incentives for Queensland businesses to undertake productivity-enhancing innovations through removing obstacles to the undertaking such innovation. Queensland regulation is a very good example of an existing impediment.

There is a significant need to build capacity in Queensland companies to normalise innovation as part of everyday business strategy in order to drive vitally needed productivity and competitiveness. Accordingly CCIQ strongly supports the development of the State Government's Queensland Science and Innovation Action Plan.

I would welcome the opportunity to expand upon or address any questions you may have about the CCIQ case studies. To this end please do not hesitate to contact me on (07) 3842 2279.

Yours sincerely



Nick Behrens
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