



# **Australian Services Roundtable**

## **Dinner Address**

**Hon Richard Marles MP**

**Parliamentary Secretary for Innovation and Industry**

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## **[Introduction]**

Thank you Kaaren Koomen for your introduction

Distinguished guests, ladies and gentlemen.

I would like to begin by paying my respects to the traditional custodians of the land on which we are gathered here today.

I acknowledge and respect their continuing culture, and the contribution they make to the life of this region.

I would also like to thank:

- The Investment and Financial Services Association for sponsoring this dinner.
- And the Australian Services Roundtable for organising the Services Summit 2010.

It is a pleasure to be with you this evening.

## **[The Service Sector]**

Defining services is actually not the easiest thing to do.

I suppose, not surprisingly – for a sector that employs over nine million Australians, generates nearly 70 per cent of GDP – it is difficult to find a definition which fully captures the enormity and diversity of the services sector.

However, I came across a definition from that most respected and erudite publication *The Economist*.

The gurus at *The Economist* define ‘services’ as ‘anything you can’t drop on your foot’.

On the face of it, this may not appear to be the most sophisticated or intellectual definition – but I think it pretty well sums up the uniqueness of the service sector.

- Services are intangible.
- They are generally delivered face to face.
- They most often need to be delivered at the place they are consumed.
- And they usually cannot be stored.

Services are the antithesis of a tangible, physical, manufactured good.

But, at the same time, services are frequently the sophisticated, 'intelligent' input which adds value to the manufacturing process.

So much so that today even those things you can kick owe much of their value to the services sector.

### **[Services and the Knowledge Economy]**

It is this capacity to add value and put intellectual capital to work that characterises the real potential and value of the service sector.

This is because knowledge is becoming the key factor in the production and sustenance of wealth.

In the modern global economy, knowledge is a valuable commodity in its own right.

Knowledge is driving economic growth and enabling advanced economies to compete and prosper in a world where one can no longer simply rely on natural resources or mass manufacturing.

For Australia, it is absolutely essential that we use ideas, knowledge and information to generate wealth and to support high skill, high wage jobs.

Now, more than ever we need our services sector to underpin the 'production' of the ideas, information and expertise that is so critical to the knowledge economy.

This is why the Rudd Government is so committed to a range of initiatives to foster innovation and encourage the creativity and ingenuity that is the hallmark of the service sector.

### ***[Powering Ideas]***

*Powering Ideas* sets out a vision for an Australian innovation system in which businesses – including those in the services sector – embrace innovation as the pathway to greater competitiveness.

And, *Powering Ideas* provides funding so that this vision can be turned into a reality.

Over the next four years there will be an additional \$3.1 billion for research and innovation.

And the total Commonwealth budget for research and innovation in 2009-10 will be around \$8.6 billion – a massive 25 per cent more than last year.

The scale and intent of *Powering ideas* is broad. It includes private sector innovation, public sector research, improvements in the way government operates, and more.

This breadth is essential – you simply don't change the focus, culture and mindset of an entire economy by tinkering at the edges.

I do want to mention a few of the key reforms within *Powering Ideas* that directly affect the services sector.

### **[Research and Development]**

The aspiration of the government as articulated in *Powering Ideas* is to increase the proportion of businesses engaging in innovation activities by an additional 25 per cent over the next decade. The key to achieving this is research and development.

We must boost the private research and development spend in Australia.

And to achieve this we must focus our efforts on strategically supporting domestic knowledge creation and encouraging cooperation and collaboration domestically and internationally.

We need to raise the overall number of businesses investing in R&D.

To do this we are overhauling the complex and outdated R&D Tax Concession to create a simpler R&D Tax Credit.

I understand Kim Carr, the Minister for Innovation, Industry, Science and Research spoke to you earlier about this however I do want to make a couple of points at the risk of repeating the Minister.

First, the R&D Tax Credit will focus on smaller businesses which include those in the services sector. A focus on small business represents an intent to focus on the services sector.

Second, the new program represents a change from being a tax concession to a tax credit. This means there will be an entitlement to a refundable offset even if the company is not yet turning a profit. This is so important for start-ups who in the early years often don't turn a profit and yet need the R&D assistance at this time the most.

The R&D Tax Credit is in its final stages and we will continue to work closely with industry in finalising the details.

### **[Collaboration]**

Collaboration is an area where we can – and must - improve.

Australia's innovation system is handicapped by fragmentation, duplication and a lack of coordination.

Business-to-business and research-to-business links are poor.

And we rank last in the OECD for innovation partnerships between firms and universities.



Yet it is now well recognised that collaboration is critical in a knowledge economy to drive innovative outcomes.

We need to improve our linkages between the various actors in the Australian innovation system.

That is one aim of Enterprise Connect – a landmark initiative of our first year in office.

It is linking small and medium enterprises to larger firms, to expert advisers, to research institutions, to infrastructure, and to each other.

Enterprise Connect is also working closely with the Industry Innovation Councils we have established.

Of the seven councils, the Built Environment and the Information Technology Innovation councils are directly relevant to the services sector.

During initial meetings, the diverse membership and world-class expertise contained in these councils have resulted in the establishment of strategic plans.

One key plan is the development of an automotive technology roadmap.

Other measures include the development of a green skills curriculum in the built environment and the development of a self-help innovation quiz to help firms in their innovation journey.

### **[Commercialisation Australia]**

Transforming this R&D and collaboration into commercial realities is perhaps the most difficult task – but a most rewarding outcome for Australia.

This is because we have funded R&D over many decades and we want to reap the benefits in terms of goods, jobs and competitiveness.

That is why we established Commercialisation Australia.

Commercialisation Australia is a \$196 million initiative that will provide strategic, hands-on, tailored and targeted support to convert innovative ideas into successful commercial ventures.

It will provide the right support, at the right time.

It will help bridge the gap between innovative research and commercial reality.

And by doing so it will help create the high wage, high skill and high value adding jobs that I referred to earlier as being so important to our collective economic future.

Applications for Commercialisation Australia opened on January 4 and the first grants will start flowing this financial year.

### **[Beyond the Innovation Portfolio]**

Of course, the challenge to foster innovation and the potential of services does not stop with my portfolio.

The digital education revolution is embracing the potential of information technology services and is changing the way we teach the next generation of service sector innovators.

Over the next six years the government is investing over \$2 billion for new equipment in secondary schools across the country.

We also appreciate the importance of delivering super fast internet to Australian homes and businesses.

This is why the government is investing \$43 billion to ensure that Australia has a national broadband network which facilitates the best possible use and application of information.

A final point I would make is that the government itself is a major part of the services sector. We need to deliver services and use information efficiently and effectively.

The Government 2.0 Taskforce is a vital first step in embracing innovation across the delivery of government services.

## **[Conclusion]**

I am a believer in the knowledge economy.

Knowledge is not the soul dominion of any culture or country.

Knowledge is not an inherent commodity that can provide wealth by default.

Knowledge is intangible and it is constantly evolving.

It will reward those

- Who value it most highly.
- Who constantly seek it out.
- And those who use it most effectively.

The competition to acquire knowledge and to harness its potential is already immense and it will only get tougher.

This is why the services sector is so pivotal to Australia's future.

The service sector is the value adding element that drives wealth creation and underpins prosperity in the knowledge economy.

Indeed it is the realisation of the enormous potential of the services sector that will secure Australia's future as a prosperous, harmonious and knowledge-based society.

[ENDS]