

Science and Innovation Study
Productivity Commission
PO Box 80
Belconnen ACT 2616

5 December 2006 8 December 2006

Dear Sir/Madam

Public Support for Science and Innovation: Productivity Commission Issues Paper

We refer to the draft Productivity Commission Report released on 2 November 2006 and, specifically, the recommendations concerning the Research and Development (R&D) Tax Concession.

Whilst we consider that the 175% R&D premium, although relatively new, has been successful in inducing additional R&D, we are concerned at the Commission's recommendation in relation to the base 125% R&D tax concession.

Our company has accessed the R&D tax concession for a number of years and it forms an integral part of our ongoing business operations in assisting us to embark on projects where the inherent project risks would have otherwise precluded the sanctioning of the project, either in terms of budgetary constraints and/or timing.

Over a number of years, the R&D tax concession has also enabled our company to more readily justify the recruitment of additional resources to enable us to facilitate our R&D projects and the procurement of equipment to assist in that process.

The tangible benefits from the commercial exploitation of our R&D projects are very clear, as they have significantly contributed to increased revenue and profitability and improved products and processes.

Given our understanding of the Government's strong endorsement of the R&D tax concession in its *Backing Australia's Ability* and *Backing Australia's Ability: Building our Future through Science and Innovation* packages, we have been encouraged to continue investing in R&D in Australia, notwithstanding the intense competitive pressures in the ever-changing global marketplace.

In particular, given Australia's isolated location and competitive disadvantages in relation to labour costs, the R&D tax concession has been pivotal in enabling our company to develop significant R&D capabilities in Australia.

The abolition of the base 125% R&D tax concession would, in our view, be a retrograde step and would have a significant influence on our strategic decision-making concerning our ongoing investment in Australia.

On that basis, we are vehemently opposed to the Commission's recommendation to abolish the base 125% R&D tax concession.

We are also aware that many other countries, including some in the Asia-Pacific region, have been proactively increasing their R&D incentives and your recommendation to remove the 125% R&D tax concession would, clearly, place Australia at an extreme competitive disadvantage.

Should you have any queries in relation to this please do not hesitate to contact me.

Yours faithfully

Simon Bird

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