

Science not a priority for the Federal Government in 2015



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Judging by its second budget, the Abbott Government appears to have little or no interest in any long term investment in the nation's science capacity and has applied short term band-aid measures wherever it can. The reason given is that it is waiting for the outcomes of the Research Infrastructure Review currently being undertaken by a six member panel headed by Phillip Marcus Clarke (Chairperson) and Ian Chubb (the Chief Scientist). In the meantime, I'll give you a couple of examples of the Government's short term approach.

NCRIS and the CRCs

The Government has provided \$300 million over the next two years to fund the National Collaborative Research Infrastructure Scheme (NCRIS), which supports 27 research facilities and more than 1700 jobs. You may remember that the Education Minister, the Hon Christopher Pyne MP, threatened to cease funding NCRIS if the Senate did not pass his education reforms. NCRIS has been saved for another two years. However, Pyne has cut \$300 million from the 'block' grants that support higher-education research and training at universities in order to fund NCRIS, so Peter is being robbed to pay Paul.

The budget papers show that the CRC (Cooperative Research Centres) Program will see its funding cut from \$147 million this year to \$130 million in 2017, although the forward estimates show a \$167 million allocation in 2018. It is generally acknowledged that the CRC program has been very successful in bringing together researchers in business and industry to work on practical, real-world research solutions to complex problems. It is also recognised that

Australia has one of the poorest records of business-university research engagement in the OECD. So it is a mystery why this program has been singled out for major cut-backs, particularly as the Government gave an earlier commitment to increase applied research with commercial potential.

The final report from the Clarke Committee is not expected until later this year, but I understand that one of the recommendations will be for the Government to implement a seven-year funding cycle for research, to be reviewed every four years. We will have to wait and see if this recommendation will be in the final report but, even if it is adopted, we all know that governments can easily change funding allocations if they feel the need.

While this uncertainty remains it will be very difficult to attract good researchers to Australia. Those who are working here at present are reportedly looking overseas for more stable funding situations.

One piece of good news is that \$13 million of new funds have been provided to keep the synchrotron operating until 2017. Funds from the Victorian Government and the New Zealand Synchrotron Group also contribute to the operation of this machine.

The environment

The environment did not fare well in the budget. There are cuts to the Green Army of \$73 million over four years. This money was originally taken from the Landcare program, which over the past two years has had funding cuts of almost \$500 million. There are also cuts to water buy backs from the Murray Darling Basin of \$22.7 million over two years from 2017–18. This could jeopardise the full implementation of the management plan for the Basin, which had bi-partisan support.

One of the few items of good news is that an extra \$100 million has been allocated for initiatives aimed at protecting the Great Barrier Reef. So it's all not doom and gloom.

However, over the past two budgets, the Government has cut jobs and resources from the Environment Department and key agencies including the Bureau of Meteorology, the Director of National

Parks, the Climate Change Authority, the Clean Energy Regulator, the Great Barrier Reef Marine Park Authority, CSIRO, Australian Renewable Energy Agency and the Clean Energy Finance Corporation. So perhaps we should not expect a big U-turn any time soon. One would have thought that a healthy environment and a reliable and sustainable water supply would be key planks to underpin all economic activity, but the Government appears to think otherwise.

Science Agency Funding

How well the national institutions fared in the Budget is a good measure of the health of the nation's science and technology capabilities. The table below provides a snapshot of how some of the main government agencies have been resourced from 2013/14 and what the forward estimates are through to 2018/19. Bear in mind that most numbers beyond 2016/17 are, at best, just guestimates. As we all know governments can re-allocate funds at short notice, particularly if unforeseen crises suddenly arise. And governments are adept at creating crises.

It can be seen that the Australian Institute of Marine Science fares well, presumably because the Government is starting to put more resources into managing the Great Barrier Reef.

ANSTO, the Australian Nuclear Science Organisation, has been given more money until 2016 so that the operation of the OPAL Nuclear Research Reactor and the Australian Synchrotron can be maintained until 2017. Funding will be reduced after that.

The Australian Research Council fares very badly with a fall in funding from \$913 000 in 2013/14 to \$780 000 in 2016/17. The National Health and Medical Research Council's funding is now more than the whole of the ARC's funding and, furthermore, the Government has committed \$10 million to kick start the Medical Research Future Fund. This was the fund that was going to be funded by the GP co-payments. Well, money was found from somewhere to get it going and it is now reasonable to question whether the medical research component is out of balance with other research areas.

As for Geoscience Australia and CSIRO; you can see the numbers in the table.

GA's resource base gradually declines, but how much of this is due to the winding down of the search for MH 370 is not clear. In fact the budget papers are becoming more difficult to interpret every

year. If you really want to know what is going on go to <http://www.budget.gov.au/2015-16/content/pbs/html/index.htm> and take a look at the portfolio statements.

Finally, a comment about CSIRO. It appears that the draconian cuts have stopped and it looks as though there should be some stability for CSIRO in the next few years.

Science Agency Funding						
Agency	Resources (\$M) and financial year					
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
AIMS (Institute of Marine Science)	52	63	68	69	71	74
ANSTO (Nuclear Technology)	314	314	317	320	295	301
ARC (Research Council)	913	904	818	780	813	821
Bureau of Meteorology	346	357	348	349	312	308
Antarctic Division		171	158	141	141	141
Geoscience Australia		222	220	207	208	202
CSIRO	1305	1261	1277	1297	1303	1346
NHMRC	878	949	934	921	928	939
ABS (Bureau of Statistics)		396	489	601	410	396

The \$20,000 tax break

One of the more interesting announcements in the budget was the temporary increase to the instant asset write-off, allowing small businesses to claim back purchases of up to \$20,000. As many of our Members operate small businesses, I have summarised the main components of this offer.

Who is eligible?

Businesses with an annual turnover under \$2 million can claim immediate tax deductions for all the sub-\$20,000 purchases they make from budget night until June 30, 2017, rather than having to claim those purchases as deductions spread over several years. The instant asset write-off threshold used to be \$1000. The Federal Government has allocated \$1.75 billion to fund the scheme, which will run for the next two years. Businesses must be actively trading and will have to demonstrate ongoing activity via quarterly Business Activity Statements.

What's covered?

As Mr Hockey said in his budget night speech:

'If you run a cafe, it might be new kitchen equipment, or new tables and chairs.'

'If you're a tradie, it might be new tools or a computer for the home office.'

'Cars and vans, kitchens or machinery ... anything under \$20,000 is immediately 100 per cent tax deductible from tonight.'

What's not?

Assets over \$20,000 are not eligible for the instant tax write-off, but can be fully written off over a longer period. Any assets over \$20,000 can be added together and depreciated at the same rate. These assets are depreciated at 15 per cent in the first income year, and 30 per cent per year thereafter. If the value of the pool is below \$20,000 until the end of June 2017 it can be immediately deducted too. There are a few items not deductible, including some horticultural plants and any software developed in-house; but software purchased for business use can be claimed.

What else do you get?

In addition to the instant asset write-off, companies with annual turnovers of less than \$2 million will have their tax rate lowered, from 30 per cent to 28.5 per cent. Unincorporated businesses, such as sole traders, partnerships and trusts, will

also get a 5 per cent tax discount from July 1 up to \$1000 a year.

What does this mean for you?

If you currently run or you are thinking of starting a small business it would seem that now is the time to invest in your business. Small business tax breaks may never be so good again!

What are the risks?

The Senate has to agree to these proposals. If the rush of people buying computers, laser printers and pretty much anything else a small business owner feels like buying is so large that \$1.75 billion is not enough then the money may run out. So, get in early!

What are the consequences?

It is a great opportunity for everyone in a small business to improve their productivity. It will also be a great boost for China, Malaysia and Japan and any other country that exports goods to Australia. As a consequence the initiative may affect our terms of trade and make the dollar even less valuable.