



6 March, 2020

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Email: economics.sen@aph.gov.au

Dear Secretary,

Re: Senate Inquiry into the Treasury Laws Amendment (Research and Development Tax Incentive) Bill 2019

The Australian Manufacturing Workers' Union (AMWU) represents over 70,000 workers who create, make and maintain in every city and region across Australia. The workers we represent are employed by companies that engaged in Research and Development (R&D) to improve their products and services so that they can improve productivity, grow their market and export Australian-made goods to the rest of the world.

Reduction in support for R&D sends the wrong message

The Treasury Laws Amendment (Research and Development Tax Incentive) Bill 2019 (the Bill) will discourage investment in R&D in Australia, leading to some companies shifting these highly skilled, highly paid positions overseas, or abandoning them entirely. This will lead to lower productivity growth, a less a competitive Australian manufacturing industry, less investment in new and upgraded capital and, in the long run, fewer jobs and poorer wages for Australian workers.

The government's attempt to save money by reducing the effective rate of R&D tax credit for most Australian businesses has no basis in sound policy. Australian was recently ranked 93rd in the world in Harvard University's Atlas of Economic Complexity, despite being the 14th largest economy. This is an indictment on decades of industry and trade policy which have emphasized the export of minerals and agricultural goods at the expense of developing a sophisticated manufacturing sector.

These changes will only further cement our place at the bottom of the economic complexity ladder, leaving our economy vulnerable to a future in which our primary products are not as valuable on the global market.

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Intensity test punishes local manufacturers

The Bill punishes companies that have a large local operation, by discounting their R&D tax credit if they are not sufficiently "research intense." This will place our members jobs in jeopardy because it actively encourages local businesses to move their manufacturing operations offshore.

This means that operations which undertake R&D in Australia and then turn that investment in new technologies, processes or products into Australian jobs will receive less support than companies that undertake R&D here but produce their goods overseas.

This is bad for local businesses and bad for local manufacturing jobs.

Recommendations

The AMWU encourages the Committee to recommend that the Bill not proceed in its current form. The Bill is largely unchanged from a similar version presented to the last parliament which the Committee recommended that the Bill be deferred for further consideration. It is our view that the new version of the Bill still contains many of the same defects as the previous version.

While there is merit to the suggestion that the R&D tax credit system needs to be reformed to ensure that it remains targeted and effective, this Bill does not deliver that.

The AMWU encourages the government to withdraw the legislation and engage in genuine consultation with employers, employees and their representatives about the best way to ensure a strong, diverse, cutting edge manufacturing sector now and into the future.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Paul Bastian', with a long horizontal flourish extending to the right.

PAUL BASTIAN
NATIONAL SECRETARY