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Australia Risks Losing \$7 Billion Annually Over R&D Policy Failures

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Australia is missing out on a \$7 billion economic opportunity each year due to outdated and ineffective research and development policies, according to a new report backed by leading business voices. As the nation grapples with sluggish productivity growth, the private sector is urging a rethink of innovation investment strategies to keep Australia globally competitive.

The report, commissioned by the Business Council of Australia (BCA) and authored by consulting firm Mandala, reveals that Australia's failure to match global standards in Research and Development (R&D) policy has cost the economy significantly. Backed by Australian tech pioneers like Cochlear and Atlassian, the findings argue that a modest improvement in R&D settings could lift annual productivity growth by 0.1 percent. This boost would require no additional strain on the federal budget, but rather a smarter allocation of existing resources. Despite a global race for technological supremacy, Australia's innovation performance continues to decline.



Criticism has been levelled at the current government for allowing economic conversations to be dominated by short-term political talking points such as tax cuts and regulatory tweaks, while neglecting the foundational need to drive innovation. As Treasurer Jim Chalmers prepares for his economic roundtable, business leaders are urging a pivot in focus. According to BCA Chief Executive Jennifer Westacott, reigniting R&D is “the missing ingredient” in Australia's productivity challenge. In a statement, Westacott stressed that “without strong R&D incentives, we're leaving Australian potential on the table and ceding ground to more forward-thinking economies.”

Companies like Cochlear, a leader in hearing implant technology, and software giant Atlassian have joined calls for reform, warning that if Australia does not become a magnet for innovation, high-value jobs and capital will continue to shift offshore. Rather than expanding spending, the report recommends reforming the structure and accessibility of existing R&D tax incentives to ensure they genuinely support business-driven innovation.

The takeaway is clear: Australia cannot afford to lag behind in a world increasingly defined by technology. As global competitors invest in innovation as a cornerstone of future growth, Australia's hesitance to modernize its R&D approach threatens long-term economic resilience. Without decisive policy shifts, the country risks becoming a follower rather than a leader in the next era of global productivity. The time to act is now, before yet another opportunity slips away.

