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- Scoreboard of the nation's top innovators released -

Australia's Top 50 innovators performing on the stock market - but not the global stage, say business information analysts IBISWorld

Announcing today's release of *2005 R&D and Intellectual Property Scoreboard*, IBISWorld Chairman Mr Phil Ruthven said Australia's future competitiveness and continued economic growth would depend upon our ability to be innovative.

A collaborative effort between the Intellectual Property Research Institute of Australia (IPRIA), business information analysts IBISWorld, IP Australia, and The Melbourne Institute Of Applied Economic And Social Research, the *2005 R&D and Intellectual Property Scoreboard* ranks firms by contribution of innovative activity to their market value by aggregating R&D spending as well as patent, trade mark and design applications into a single figure.

"Much economic research worldwide points to the fact that there is a high correlation between IP activity, firms' innovativeness and the growth and competitiveness of nations. While we applaud the top performers in this year's Index, for too long now Australian companies generally have failed to realise the value of investing in, developing and protecting their intellectual property," Mr Ruthven said. "And the key to competing on the global stage goes beyond straight R&D spend to business' ability to exploit the results of that R&D."

"Translating creative ideas into profit is big business. As companies transform their intellectual property into products and services, they at the same time provide employment, export and growth opportunities," he added.

This year's top innovator was Monash University spin-off Metabolic Pharmaceuticals Limited, followed by: Meat & Livestock Australia Limited; Dairy Australia Limited; Ainsworth Game Technology Limited; and Epitan Limited. Three-time previous winner Cochlear Pty Ltd dropped to 23rd spot.

“In fact this year was the first appearance near the top of the table for all of 2005’s top five innovators, and most of the top 10,” said Professor Andrew Christie, Director of IPRIA, “which just goes to show that across a wide spectrum of fields, companies are starting to heed the message – innovation pays.”

And yet, commenting on the Scoreboard’s Innovation Index, Mr Ruthven said that compared to other OECD countries, Australia’s commitment to intellectual property and how to build it via innovation in the form of R&D, patents, trademarks and design applications, is distinctly lacking.

In fact, R&D expenditure across the OECD nations shows how far down the pecking order we are, with Australia allocating around 3% of GDP to R&D, compared with around 4.3% of GDP by the OECD generally, and an impressive 8.5% by Sweden, ahead of Finland, Japan and South Korea.

“Although it has risen significantly over the past two decades, our business expenditure on R&D (BERD) is still particularly poor,” said Mr Ruthven. “In 2002, our 0.79% was just half the OECD average.”

“The level of spending has risen from 0.25% of GDP in the early eighties to over 0.8% today, and, while it could take as long as 20 years to match the current OECD average of 1.6% of GDP, Australian businesses receive the third highest tax break in the OECD for R&D spend, so hopefully we’ll close the gap much sooner. It would however be preferable for firms to raise their spending to world best practice levels because it pays to do so, rather than because of tax or other government incentives.”

“And research shows that innovation gets tangible results, with R&D devotees significantly outperforming other top companies on the stock market. While the average BERD across Australia is 0.37% of our \$1.96 trillion private sector revenue, the level of spending for the Top 50 companies in the Scoreboard was 0.95% - nearly three times the national average,” Mr Ruthven said.

“During the past five years, studying 30 of the Top 50 companies shows their spending on R&D was 1.19% of revenue, or more than four times the national average for the same timeframe. The result was a weighted average return on shareholder funds after tax of 17.1% over five years – compared with just 7.7% for the nation’s Top 1000 enterprises.”

IBISWorld believes globalisation of Australian business will also drive innovation. “Overseas investment has risen from a lowly 5% of capital accumulation in the early 1980s, to around 25% today, and we’re heading for 35% in 10 years’ time,” said Mr Ruthven.

“The strong performance of other OECD countries should be a wake up call to Australian business. World best practice is a condition of survival for enterprising firms, and we will garner a lot of intellectual property in the process.”

A terrific example of a leading innovator, Metabolic Pharmaceuticals Limited (ASX code: MBP), develops novel therapies for diseases with application to worldwide markets, such as obesity and related conditions, and more recently neuropathic pain. The company also has discovery programs targeting type 2 diabetes and, in collaboration with Neuren Pharmaceuticals Limited (NZ), nerve protection and regeneration.

Dr Roland Scollay, CEO of Metabolic said, "It is always great to get recognition of our progress. I am very pleased to hear that Metabolic has been ranked number one in the index. It is not always easy to explain the value of our intellectual property or the quality of our research and development to the public, but this innovation index would seem to confirm both areas in an entirely objective manner".

Dr Ian Heath, Director General, IP Australia, commented that while there were promising trends in the way Australian businesses were using the IP system domestically (pointing to a steady rise in the number of patent and trademark applications in recent years), many also wanted to do the same in other countries to access overseas markets.

“The Australian Government’s Free Trade Agreements (FTAs) with Thailand and the United States came into effect this year, with intellectual property provisions forming an integral part of the agreements,” explained Dr Heath.

“Through them, Australia will further harmonise our IP systems with our trading partners, providing additional incentives for local businesses to invest and trade with these countries. And negotiations are underway for further bilateral FTAs with China, Malaysia and the United Arab Emirates.”

The 2005 Scoreboard only contains companies held in the IBISWorld database. IBISWorld provides financial data on the top 2000 companies in Australia, including public, private and foreign-owned entities, as well as government organisations. The data used to compile the index relates to the 2003/2004 fiscal year.

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