8 strategic priorities for industry and science



Department of Industry, Science and Resources

Government of Australia



IPAG Asia Pacific

Level 2, Suite 201/217 Two Melbourne Quarter 697 Collins Street, Docklands Melbourne, VIC 3008



8 strategic priorities for industry and science

With the new cabinet sworn in on May 13, 2025, there is a renewed opportunity to drive Australia's innovation, industry, and science agenda with clarity and purpose. The proposed 100-day plan sets out eight focused priorities to drive momentum, deliver results, and lay the groundwork for long-term impact. It builds on the government's existing commitments, offering a clear blueprint to strengthen manufacturing, harness advanced technologies, and position Australia as a leader in clean energy, research, and global competitiveness.

Australia needs more funding in R&D, especially in STEM, as in 2024 Department of Industry, Science and Resources confirmed that direct government spending on R&D in 2022-23 was only 0.49% of GDP, "the lowest in the last 30 years". ¹ While the federal government's R&D tax incentive (RDTI) program, which provides tax benefits to private firms that engage in demonstrable R&D activities is in place, it is not streamlined. ²

1. Operationalize the Future Made in Australia Act

Establishing a clear implementation framework for the Future Made in Australia Act will be a key step in advancing the government's industry and innovation agenda. The framework should include the finalisation of the National Interest Framework to guide identification of priority industries and investments. It must establish clear criteria for evaluating projects that align with the government's \$22.7 billion investment plan over the next decade.³ In the first 100 days, convening a high-level advisory group comprising industry leaders, researchers, and community representatives could provide valuable input to support effective delivery of the act.

Priority actions should include developing the operational guidelines for the framework, establishing assessment and reporting mechanisms, and creating a public engagement strategy to communicate the initiative's benefits. Identifying early pilot programs that can demonstrate quick wins aligned with the framework's objectives of strengthening priority supply chains and positioning Australia in the global net-zero economies is also necessary.

2. Accelerate National Reconstruction Fund investment

Building on the established \$15 billion National Reconstruction Fund,⁴ accelerating investment decisions across the seven priority areas should be prioritized, with particular emphasis on projects that align with both economic recovery and the government's net zero commitments. The Fund's focus on renewables, medical science, transport, agriculture, resources, defense capability, and enabling capabilities ⁵ requires immediate action to convert political commitments into tangible outcomes.

Reviewing the current investment pipeline and identifying any bottlenecks in the approval process would support more efficient and timely decision-making. An announcement of the first significant round of investments focusing on projects that strengthen domestic manufacturing and address supply chain vulnerabilities, would signal clear intent and progress. Close collaboration with the Department of Finance will also be important to ensure the co-investment model attracts sufficient private capital, enhancing the Fund's overall impact.

¹ <u>https://www.theguardian.com/business/2024/jan/22/australia-being-left-behind-as-federal-research-and-development-funding-sinks-to-30-year-low</u>

² <u>https://www.accountingtimes.com.au/tax/bdo-urges-government-to-streamline-r-d-tax-incentives</u>

³ <u>https://www.apsc.gov.au/initiatives-and-programs/workforce-information/research-analysis-and-publications/state-service-report-2023-24/operating-context/future-made-australia-plan</u>

service/state-service-report-2023-24/operating-context/future-made-australia-plan

⁴ <u>https://www.minister.industry.gov.au/ministers/husic/media-releases/15bn-national-reconstruction-fund-open-business</u>

⁵ https://www.bdo.com.au/en-au/insights/manufacturing/national-reconstruction-fund-the-story-so-far



3. Implement the national science and research priorities

With the National Science and Research Priorities announced in August 2024, ⁶ a focus on effective implementation across government, universities, and the private sector will be essential. It entails working closely with the Australian Research Council, ensuring that funding mechanisms appropriately reflect the five key priorities, protecting and restoring Australia's environment, and building a secure and resilient nation.

The department should establish a Science and Research Priorities Implementation Taskforce comprising representatives from major research institutions, industry partners, and government agencies to develop specific action plans for each priority area. Announcing dedicated funding for cross-sector collaborative initiatives that address multiple priorities simultaneously would reinforce a whole-of-system approach to science and research policy.

4. Develop an AI and advanced technology roadmap

A comprehensive roadmap for Australia's approach to AI and advanced technologies should be developed in collaboration with the Office of Minister for Science, Technology, and the Digital Economy. ⁷ This should address both the opportunities these technologies present for Australian industry and the challenges they pose to the future of work. ⁸ Australia's AI scenario exposes a significant gap between its research prowess and its economic returns. The country stands 16th in "AI vibrancy" and 7th in "responsible AI," yet falls to 30th out of 36 nations for "economic competitiveness." Ongoing structural challenges, including the complexities of international collaboration, continue to limit Australia's ability to fully capitalise on its AI capabilities.⁹

Fragmented policies and chronic underinvestment have further weakened Australia's standing. The Australian Research Council has scaled back STEM grants that involve Chinese collaborators, and the 2025 federal budget failed to earmark any fresh resources for AI or digital infrastructure. Ongoing reliance on international cloud providers threatens to push up costs and expose the country to regulatory risks. ¹⁰ Under such circumstances, the roadmap should include clear regulatory principles, investment priorities, and skills development initiatives to ensure Australia becomes a leader in responsible AI development and regulation. Establishing a national AI advisory council comprising industry, academic, and civil society representatives to guide policy development.

5. Strengthen industry-research collaboration

Building on Australia's scientific strengths, prioritizing mechanisms to enhance collaboration between industry and research sectors could be beneficial. This should include reviewing and reforming existing collaboration programs to address the persistent challenge of translating research into commercial outcomes. Establishing a dedicated Industry Research Collaboration Office within the department may serve as a central contact point for businesses seeking to engage with research institutions.

⁶ <u>https://www.researchprofessionalnews.com/rr-news-australia-politics-2024-8-australia-publishes-updated-national-science-priorities/</u>

⁷ <u>https://www.smartcompany.com.au/artificial-intelligence/tim-ayres-andrew-charlton-labors-tech-and-ai-agenda-sovereign-capability/</u>

⁸ <u>https://www.afr.com/technology/the-lucky-country-must-not-copy-the-eu-s-bonkers-ai-regulation-20250519-p5m0c7</u>

⁹ https://eastasiaforum.org/2025/05/23/australias-ai-ambitions-hinge-on-collaboration-with-china/

¹⁰ https://eastasiaforum.org/2025/05/23/australias-ai-ambitions-hinge-on-collaboration-with-china/



A new flagship industry-research partnership program can be announced, designed to co-fund major collaborative projects addressing national priorities. This could include targeted initiatives for SMEs to access research expertise and infrastructure.

6. Reform science and innovation governance

A rapid review of science and innovation governance arrangements could help ensure effective coordination across Australia's innovation ecosystem. Furthermore, an integrated approach to policy development and program delivery across relevant government departments and agencies should also be considered. For instance, the implementation of the CSIRO Priorities Method, a framework designed to rank research projects based on "attractiveness" and "feasibility", has been instrumental in directing resources towards projects with clear, quantifiable outcomes. While this method aims to maximize national benefits, it may inadvertently deprioritize exploratory research that lacks immediate commercial applicability.¹¹

This should include establishing a Science and Innovation Cabinet Committee to drive whole-of-government approaches to major challenges. It should be considered to announce governance reforms that streamline decision-making processes and enhance coordination between different elements of the innovation system. In support of this, an updated National Science Statement could be released to clearly articulate the government's vision for science and its role in Australia's long-term development.

7. Launch manufacturing modernization initiative

A comprehensive Manufacturing Modernisation Initiative could help Australian manufacturers adopt advanced technologies and sustainable practices. Aligned with the Future Made in Australia agenda, such an initiative would support the transition toward a more competitive, high-value manufacturing sector positioned for long-term growth.

A package of measures could be introduced, comprising technology adoption grants, workforce skills initiatives, and supply chain resilience programs. Regional manufacturing hubs may be established in key industrial centers to provide businesses with access to expertise, advanced equipment, and collaborative networks. The initiative should specifically target manufacturing capabilities that align with the net zero transition, such as renewable energy components, green steel and aluminum, and critical minerals processing.

8. Explore a targeted inheritance tax to fund youth innovation initiatives

The department can explore a targeted inheritance tax, designed to support youth entrepreneurship and innovation¹². The proposed policy would involve levying a modest tax on large inheritances specifically earmarked to create a Youth Innovation Fund to empower young entrepreneurs and innovators through grants, mentorship, and business incubation programs.

A stakeholder consultation should be initiated involving young entrepreneurs, industry experts, and financial policymakers to assess feasibility, outline parameters, and build public support. Additionally, the ministry could commission an economic impact assessment to evaluate the potential revenue and societal benefits, emphasizing how such an initiative could catalyze innovation, create future-proof jobs, and enhance Australia's global competitiveness by investing directly in youth-led businesses and innovative startups.

¹¹ https://www.publish.csiro.au/HR/pdf/HR25003

¹² https://www.smartcompany.com.au/technology/industry-minister-tim-ayres-once-proposed-millionaire-inheritance-tax-fundyouth-business/



The above suggested eight priorities provide an actionable agenda for the first 100 days, building on existing government commitments while offering a strong foundation for long-term impact.

They align with the broader national objective of fostering a more resilient, diversified economy driven by clean energy, secure jobs, and enhanced global competitiveness. Effective implementation of this agenda during the early phase of the new term can help set the direction for a strengthened innovation, industry, and science system that delivers lasting national benefit.