

# Innovation policy

Grant Peggie

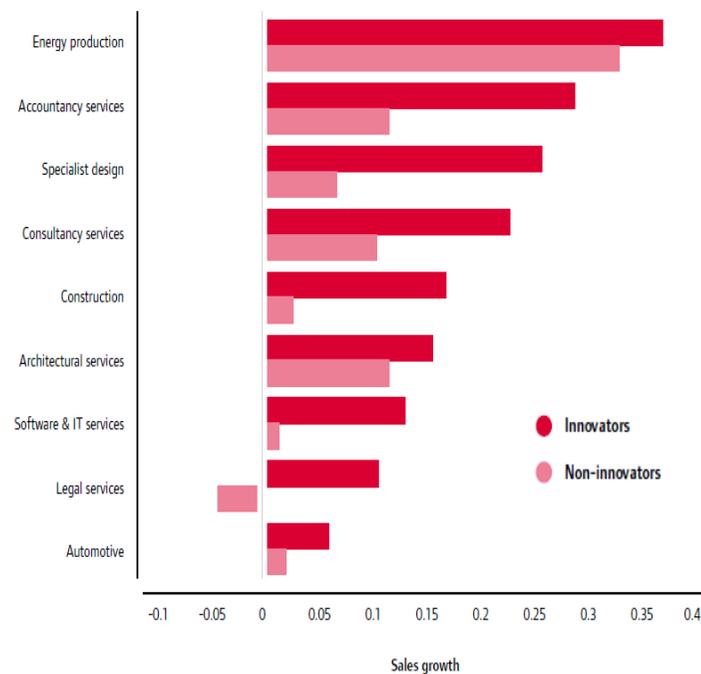
[Grant.peggie@bis.gsi.gov.uk](mailto:Grant.peggie@bis.gsi.gov.uk)

# Why innovation is important?

- The successful exploitation of new ideas
- “The introduction of new or improved products, processes or methods”
- Key driver of growth & competitiveness
- Linked to creation of new knowledge, new technology, enhanced/more efficient services & more highly skilled people
- Increased R&D associated with higher productivity
- Can address broad social issues such as climate change, health etc

# Successful Innovation boosts business growth and exporting...

Figure 8: Comparison of sales growth between innovative and non-innovative firms by sector (2006-2009)



- Innovative businesses more likely to grow
  - ‘Sustained’ growers are more likely than other businesses to have introduced new products or processes in the previous year
  - Recent NESTA research found that innovative business grew twice as fast as non innovators (4.4% employment growth compared to 2%)
  - In UK, innovation identified as the main driver of growth between 1995 -2006 (OECD estimate)

## R&D: Global Picture 2009 - EMBARGOED

- Global R&D spending by G1000 fell 2% to £344b
- Companies in 6 countries contributed 82% of G1000 R&D spend: US, Japan, Germany, France, UK, Switzerland
- Companies in China & India contributed 1.8%, however these companies significantly increased their R&D, China by 40%, India 18%
- Pharmaceuticals and biotechnology largest global R&D sector.
- Largest global decline in automobiles and technology hardware. UK experienced increased in these sectors

## R&D: UK - EMBARGOED

- The 1000 UK companies that invested the most R&D spent £25.3b in 2009, down 0.6% from 2008
- The 50 UK companies in the top 1000 global investors in R&D decreased their R&D by 1% compared to 2% decrease for their global peers.
- The UK's top 50 investors conducted 60% of the UK1000's R&D.
- Decrease in R&D in banking, aerospace
- Increase in automobiles, technology hardware

---

## Why Government needs to intervene

- Clear Market Failures
- Need to rebalance the economy
- Global Competition
- Innovation drives growth and highly skilled jobs
- Need to address the major societal challenges including reducing carbon emissions; an Aging Society and making sure our citizens are safe and secure

## Steps to Further Strengthen Innovation

- Technology and Innovation Centres to drive growth in high-tech industries.
- A network of Growth Hubs
- The development of University Enterprise Networks
- Taxation – R&D Tax Credits, Patent Box
- Streamline and simplify business support

# Technology & Innovation Centres

- Spending Review announced £200m over 4 years to establish a network of Technology and Innovation Centres to drive growth in high-tech industries.
- Eg plastic electronics, high value manufacturing
- Support businesses in developing and commercialising new technology that originate in the research base.
- Existing centres and a limited number of new ones.
- Based on a model by Herman Hauser and Sir James Dyson
- To be overseen by Technology Strategy Board

# R&D Tax Credits

- Will consult shortly on proposals to change the current scheme
- Evaluation published by HMRC on 16<sup>th</sup> November
- Increases the overall amount of R&D, allows projects to go ahead sooner and in certain cases riskier R&D Projects
- Need both R&D Tax Credits and Grant programmes as serving slightly different markets.
- However, little direct impact on individual company decisions to proceed on R&D Projects and a disconnect between R&D Teams and Finance Teams
- [www.hmrc.gov.uk/research/reports.htm](http://www.hmrc.gov.uk/research/reports.htm)

## EU – An Innovation Union

- Key document if we are to deliver EU 2020 vision
- UK Priorities include:
  - Financing of Innovative SMEs through Pan European Funds
  - Using public sector procurement to drive demand EU SBIR
  - European Innovation Partnerships with an early pilot on active and healthy aging