

## R&D

# Public sector urged to back innovators as funding falls

SARAH GORDON – BUSINESS EDITOR

Government departments must get better at promoting innovation as spending on research and development drops, according to a study by Cambridge university. “The government should act as customer,” said David Connell, senior fellow at Judge Business School’s Centre for Business Research. “The UK public sector has not played that role for many years.”

A report by the CBR published today says that, since 2001, R&D spending by businesses, excluding tax credits, has sunk by 14 per cent as a share of gross domestic product. In 2001 it was £12.2bn, or 1.2 per cent of GDP, but by 2012 it had fallen to 1 per cent, according to the Office for National Statistics.

Mr Connell said the findings suggested tax credits were not efficient and that much reported R&D expenditure was used to support government decisions to procure existing products, rather than to create markets for “things that currently don’t exist at all”.

In the foreword to the report, Lord Andrew Adonis, a Labour peer and former cabinet minister, says: “Within the funding which is labelled as ‘R&D’ very little makes it to innovative companies to develop commercial products.”

Mr Connell added: “Very few of Cambridge’s high-technology cluster companies are based on university inventions. Instead, it is solving customer problems and developing technology to meet their needs that has provided the stimulus for innovation.”

The report argues that the Small Business Research Initiative, launched in 2009 and which aims to get government departments to fund new technology, had failed to take off. Spending by the SBRI was about £70m a year, far short of the £200m that the government committed in the 2013 Budget.

The National Health Service has successfully used the SBRI to develop breakthroughs such as a non-invasive therapy to help prevent blindness in people with diabetes, but the Ministry of Defence and the Department for Transport were among the big departments not taking part in the initiative.

“[Government] spending should be focused on the very early stages of commercial innovation and enabling entrepreneurs to get started,” said Mr Connell. “Then we can depend on the private sector to take it forward.”

“Encouraging more government departments to act as commissioners and early adopters supports some of the innovation that presses forward in the Cambridge technology cluster and other places around the UK,” said Andy Harter, who chairs the Cambridge Network, which represents the grouping.

The report argues that many technology industries, such as semiconductors, emerged from R&D spending at the MoD and other departments and that future spending should try to recreate these pipelines. Britain could emulate the success of the US in creating innovative technology, including robotic surgery devices, through defence.

It suggests a “mini-DARPA” within the MoD, a reference to the Defense Advanced Research Projects Agency, set up by the US in 1958 in response to the Soviet Union’s Sputnik launch.