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The Treasury
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Ref: ml/ausind/r&d/20100129

RE: R&D Tax Credit proposed legislation – public submission.

In regards to the proposed new scheme, we wish to submit our comments as below:

Romteck PTM Pty Ltd is a wholly Australian owned company. The business was established in late 2006 to take advantage of severe changes in the national automotive industry.

We are currently a recipient of the present R&D Tax Concession scheme and have participated for 2 years. This has been beneficial to the business and a significant incentive to support our business plan into the commercialisation stage.

Our business is unique in the Australian industry; we are the only independent automotive brake testing laboratory in the country. In early 2007, the Bosch organisation from Germany took over the long established PBR brake development and manufacturing business in Melbourne. It acquired all of PBR's assets locally and overseas. In late 2009 Bosch sold off the majority of these assets to a Japanese company. PBR Australia is now a smaller business than what it was 20 years ago.

Due to our long term association with the industry we saw the inevitable fate of PBR and recruited key technical staff in order to provide continuity of technical support to our domestic car industry and to access the opportunities emerging in the Asian automotive markets.

We have invested to date close to \$3M in infrastructure, plant, equipment, services and employees with the sole purpose of developing a new generation of testing technologies that are 100% Australian, meet world class standards, satisfy local market utilisation and have strong export potential.

The technologies are heavy machinery, large dynamometers and test benches for testing applications for component manufacturers and car companies in their product development and type approval certification. We have obtained international standards accreditation that permits domestic vehicle and parts

makers to export vehicles to the UK and European Union markets. We have business underway with automotive customers in Thailand and Malaysia who seek our services and technology.

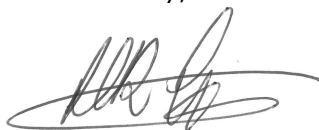
In the course of the past 3 years, we have worked under the auspices of AusIndustry and specialist advisors to ensure that our R&D plans were consistent with our overall 5 year business plan to provide certainty on the outcomes and effective transition into each annual phase.

Our technology has significant attributes that evolve into new innovations to make our future product offering to the domestic and overseas markets attractive and competitive. Within the present R&D Tax scheme, we are familiar and consistent with the terms of eligibility to balance our financial commitments in both current expenditure and projected expenditure.

In reference to the draft new R&D Tax Credit legislation, our specific concerns are:

1. As we have a turnover less than \$20M, we appreciate the refundable limits being increased to 45%. However, the scope of eligibility appears substantially limited so that our nett position is very likely to be diminished. This as an unprecedented situation alarms us as to the unknown financial amount we need to anticipate as a factor in our ongoing projected commitments. Eligibility criteria has changed, this worries us as to how we are to deal with the interpretation. Time, cost and effort will be added to investigating and re-working R&D programs underway or planned. Further, the uncertainty of how respective Government agencies will interpret and assess what we submit is a concern. To what degree familiarity with the present system may be relied upon is questionable.
2. Core R&D activities requiring 4 tests, chiefly the compound definition of "Novelty" and "High Technical Risk" is a severe rule. Novelty in IP terms is tantamount to a patent application. Combined with High Technical Risk this, is as if an entirely new concept was created that could not have any relationship to something prior that had been useful or essential to the objective. This is utterly impractical and negates much of what applied R&D involves. How anyone short of an experienced Patent Attorney is to judge what is eligible is mystifying.
3. Excluded activities now presents a dilemma in allocation of labour. By applying this to both Core and Supporting activities, we may be wasting valuable labour on activities that have no credit refund. It may well discourage us from employing staff for some R&D programs due to the cost burden.
4. Overall we see the restrictions and unknown nature of the outcomes as a greater business risk with the possibility of the future being counter-productive and shrinking our competitiveness.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Michael Lindroos', with a stylized flourish at the end.

Michael Lindroos - *Managing Director*