

**ECONOMICS AND INDUSTRY  
STANDING COMMITTEE**

**INQUIRY INTO TECHNOLOGICAL AND SERVICE INNOVATION  
IN WESTERN AUSTRALIA**

**TRANSCRIPT OF EVIDENCE  
TAKEN AT PERTH  
WEDNESDAY, 16 MARCH 2016**

**SESSION ONE**

**Members**

**Mr I.C. Blayney (Chair)  
Mr F.M. Logan (Deputy Chair)  
Mr P.C. Tinley  
Mr J. Norberger  
Mr T.K. Waldron**

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**Hearing commenced at 9.30 am**

**Ms ANNE DRISCOLL**

**Acting Director General, Department of Commerce, examined:**

**Mr JOHN DAVID O'HARE**

**Acting Director, Industry and Innovation, Department of Commerce, examined:**

**Mr MICHAEL JOHN DICKSON**

**Public Servant, Department of Commerce, examined:**

**Ms KRISTIN BERGER**

**Public Servant, Department of Commerce, examined:**

**The CHAIR:** On behalf of the Economics and Industry Standing Committee, I would like to thank you for your appearance before us today. The purpose of this hearing is to assist the committee in gathering evidence for its inquiry into technological and service innovation in Western Australia. You have been provided with a copy of the committee's terms of reference. At this stage, I would like to introduce myself and other members of the committee here today. I am the chair, Ian Blayney. With me is Hon Terry Waldron and Jan Norberger. We are expecting Hon Fran Logan, the deputy chair, to be along shortly. The Economics and Industry Standing Committee is a committee of the Legislative Assembly of the Parliament of Western Australia. This hearing is a formal procedure of the Parliament and therefore commands the same respect that is given to proceedings in the house itself. Even though the committee is not asking witnesses to provide evidence on oath or affirmation, it is important that you understand that any deliberate misleading of the committee may be regarded as a contempt of Parliament. This is a public hearing and Hansard is making a transcript of the proceedings for the public record. If you refer to any documents during your evidence, it would assist Hansard if you could provide the full title for the record.

Before we proceed to the inquiry-specific questions we have for you today, I need to ask you the following: have you completed the "Details of Witness" form?

**The Witnesses:** Yes.

**The CHAIR:** Do you understand the notes at the bottom of the form about giving evidence to a parliamentary committee?

**The Witnesses:** Yes.

**The CHAIR:** Did you receive and read the information for witnesses briefing sheet provided with the "Details of Witness" form?

**The Witnesses:** Yes.

**The CHAIR:** Do you have any questions in relation to being a witness at today's hearing?

**The Witnesses:** No.

**The CHAIR:** Before we ask questions, do you have an opening statement?

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**Ms Driscoll:** I do, yes. I firstly thought it appropriate to briefly introduce members of the department's representation here today and to also make some opening remarks. First I will give some quick background about me. I have been acting in the role of director general for six months. To some extent industry and innovation is new territory to me. My role over the last 15 years or so has been in consumer protection, although it is interesting that every aspect of commerce does experience and witness the impact of innovation. Certainly in that role there are increasing challenges in terms of technology, globalisation, regulatory reach and appropriateness of regulation in the new emerging economies. Prior to that I was a federal public servant and did have quite extensive experience in employment, job training and economic development, particularly in the northern suburbs as in those days Joondalup was opening. As a newcomer to this role I must say that I have been really impressed with the drive of the staff in our industry and innovation area. There is an impressive array of activities that commerce is already involved in and there are some clear impacts that those efforts are achieving. Today we have two members of the industry and innovation branch who both have experience spanning over several decades. I will introduce Mr John O'Hare who is working as the director of the industry and innovation branch now. Some members will know that John has been instrumental in the development of the Australian Marine Complex in attracting both major, if you like, anchor industries into that arena, but also the smaller supporting service industries to create a significant internationally competitive capacity in the AMC. Most recently John has been central to the effective promotion of WA's capacity in the defence ship and submarine building maintenance program. John also has excellent links with major oil, gas and mining proponents. His influence and credibility—I need to say that as a newcomer I have observed this—have led to some important partnerships to skill and inject investment funds into SMEs to improve their competitiveness as they collaborate, if you like, with the larger and international industries. Michael Dickson has an extensive history in promoting WA industry internationally both in the marketing of food and beverage globally and in the development of renewable energy sectors. Good morning.

**Mr F.M. LOGAN:** Good morning.

**Ms Driscoll:** More recently he played a key role in the basing of the National Energy Resources Australia—the NERA—the oil and gas growth centre in WA, and in the establishment of the growth centre related to mining and equipment technology in WA as well. Finally, I will also introduce Kristin Berger to you. Kristin is the executive director responsible for labour relations and industry and innovation. It brings together two former, independent, if you like, divisions within commerce. Kristin has brought a great deal of energy and enthusiasm into this area and has really immersed herself in industry and innovation activity. The point of bringing the two areas together was really to ensure the sharing of expertise and perspectives to provide a critical mass and to assist with the peaks and troughs that present. Of course, a major issue with innovation is disruptive technologies and their impact on the workforce, so there are some synergies there as well.

I will turn to preliminary observations that I guess I have experienced. In a new role like this, one spends their first period of time really seeking out the views of others and seeking to understand innovation and its activities in WA. The innovation space in WA from my perspective is somewhat difficult to analyse. It is quite amorphous in some respects. You feel as though you are grasping it and then there is more and more depth to it. There are many perspectives about what needs to happen. As one drills into the activity area, in a way I found quite a strong and surprising array of research and collaborations that are actually already happening. Part of the issue is that we are not fully recognising the degree of activity that already exists. Certainly there is fluidity. The nature of innovation is constantly evolving. It seems we need to be perpetually scanning for and adapting to emerging opportunities. The more I engage, the more I hear that government should not be the central doer. One of the messages is: "Leave us alone. Let us get on with it." But at the same time there is also recognition that governments should take a leading role. The areas that people see that governments should take a leading role in are areas such as reinforcing the importance of

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innovation, promoting successes, ensuring the connections between academia, major industry proponents and SMEs, importantly, and also other connections that those groups need with funding and skills providers are working. It is something about making sure that people have information and access what they need. Certainly, governments should be leading by doing, and within government both providing opportunities outside of government but challenging itself. The government also needs a role in, as I alluded to before, monitoring the market and the environment and developing strategies to meet those emerging issues. Sometimes the government will need to overtly step in where gaps emerge, at least to get things started and then perhaps open it up through partnerships et cetera to others. Finally, government needs to be changing laws to assist innovation, particularly to areas where there are limited partnerships and the bio-discovery laws, but also addressing other regulatory barriers that present themselves to us, be it in the arena of transport or building regulation. As new technologies present we have to rethink the way in which our laws are structured. One of the issues I have noted, I guess, in those opening remarks is that one of the challenges is this amorphous array of things that are happening and the importance of providing clear, accessible information to people who need support. We believe that one of the important priorities early on is to help people navigate and access the support that they might need when they need it. And, clearly, it is a moving feast, but we believe that a universally accepted and up-to-date point of reference is needed. Several organisations are already mapping, as is this committee, the range of players and networks.

[9.40 am]

**The CHAIR:** Sorry, have you got much more?

**Ms Driscoll:** A little bit.

**The CHAIR:** Because we generally give people five minutes. You have taken about eight or nine. If you wanted to sort of sum up —

**Ms Driscoll:** Okay. Maybe some of the key messages that we wanted to put to you are that we believe it is important to have a credible, up-to-date directory point. As I have mentioned before, governments should be a facilitator. It is appropriate to focus on our key strengths—we are happy to talk further about that. Education in particular is important, particularly international education because it has so many multiplier effects in terms of our connections to other countries and the communities that connect that way. Innovation is an imperative. In some ways the current, more difficult economic times are actually serving to provide a great deal more attention to the issue. Certainly, we could talk about a number of details of the current activities across Commerce to advance innovation, but that probably is enough.

**The CHAIR:** Thank you very much. Normally, we would only have two hearings on a Wednesday morning, but we are having to push them up, so we are having three this morning. That is partly my haste, I suppose.

**Mr J. NORBERGER:** Thanks, Mr Chair. Thanks, Anne; we appreciate your opening statement.

Just a quick one. Within your submission you identify that the WA economy is unusually structured, and you indicated that economic output is dominated by a few large project proponents and then the research sector is dominated by universities. The vast majority of people are, however, employed within the SME sector. You note that the SME sector has always found it difficult to engage with major project proponents and the university sector alike. In your submission you actually identify that as a major barrier to SME growth in WA. Can you see a foreseeable solution? Is that where government, for example, should step in, or how do we address it? If that is a major barrier, what do we need to do to tackle it?

**Ms Driscoll:** I think the first thing, as a starting point, is what I referred to a few minutes ago. We see it really important as there being a central hub where there is information for everyone to access. That would be a real challenge to develop because you need to maintain it and it needs to be

universally accepted as a credible source. So we do not necessarily think government should be the lead. Ideally, it would be a not-for-profit that is formed through academics, representatives of industry et cetera, and we need to acknowledge that it would be really hard to maintain because it is constantly moving. But we do think that the first point is providing an access point. Part of that would include information about the range of academic activities, so people can plug in to the research that is already happening. Clearly, there is also talk about ensuring that academia is rewarded and required to engage not only with the big end of town, but with SMEs as well, and structuring that to make sure that is happening. But in the end you actually need to make those connections.

The final thing I would say before I ask others to make comment is that we need to remember too that innovation is not just brand-new ideas and research; innovation is also continually reviewing and improving and responding to the economic challenges and recasting the way you do things. So it does not necessarily have to be a more formal form of research. If I can —

**The CHAIR:** Are you happy with that answer? Has that covered what you asked?

**Mr J. NORBERGER:** Kind of, but I am mindful you want to move on to other questions.

**The CHAIR:** I do not want to get bogged down on the first question; that is all.

**Mr J. NORBERGER:** Okay.

**The CHAIR:** If anything comes to your mind flowing on from that question —

**Mr J. NORBERGER:** Yes. Just quickly, the one thing I would just ask—I take that on board—do you see a role for the Department of Commerce or the government to act as a connector? You have Austrade, which is federally, external, and we may come to that later. There is a company in Western Australia that believes they have something innovative but they are just not at that point where they know how to link into Shell or Rio or BHP —

**Mr O'Hare:** If I could add to that, member, as well, one of the ways in which the department does assist SMEs to engage with, and successfully engage with, particularly the major extractive resource companies, is the industry facilitation and support program, which was introduced back in 2011. To date we have committed \$4 million to 241 small to medium-sized enterprises, resulting in over \$289 million worth of contracts. The genesis of that scheme was we went and spoke to pretty much the extractive resource company and said, "Okay; we want to assist. We've got the gap; we want to assist the SMEs to get into the marketplace", and they said, "Look, this is how you do it." They are not listening in some ways. There is a gap, and it is really impressive that you have had Chevron and BHP and Rio; they have co-funded rounds with us. They have actually said, "Okay; this program works." It is assisting SMEs to work with them to get into the marketplace. Just recently, back in February, we put out another round of that, looking at the defence sector, which, again, the state sees as being an innovative sector. I mean, defence is, if you like, a first-class market in assisting companies. If you can sell to the defence market, you have got world-class products and services.

**Mr J. NORBERGER:** What was that called again?

**Mr O'Hare:** The industry facilitation and support program. The acronym is IFSP. And, again, member, we are also working closely, as the acting director general said, with the newly created headquarters here in Perth of NERA. One of their activities is to increase Australian and Western Australian SMEs into global supply chains as it affects particularly the oil and gas services sector, and we are really keen to work with them to drive that.

Another way in which the department does it is that we co-sponsor the Australasian Oil and Gas Exhibition and Conference that recently concluded here in Perth. Over 50 per cent of the exhibitors in that exhibition—it is international. We bring, basically, an international event. I work with a company to bring an international oil and gas services event to Perth. Over 50 per cent of those

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exhibitors are Western Australian companies. We are exposing them, if you like, to the market. I co-chair the Prelude local content round table. We are obviously working with Shell again, particularly on how we engage with SMEs in that area. We also have, you know, Browse, Gorgon and Wheatstone local content committees. There is a host of mechanisms and policy programs. I am not saying it is easy, but the government does have to respond to, if you like, what you picked up in our submission. There are world-class markets and how do we assist Western Australian SMEs to get into those markets?

**Mr F.M. LOGAN:** Yes, and you identified something that we have come across as a committee as well in your speech, and that is that schizophrenic approach by small business where, on the one hand, they say, “Get out of the way; we don’t need any government investment; we don’t need any government involvement with us”, and then later, usually at conferences or something like that, they will say, “The government should take a leading role.” We have experienced that ourselves, when the committee has gone around. How does government address that? The old adage is you can take a horse to water, so how does government approach that? I believe it is a cultural thing, but how does government approach that? How would you think that a government could approach that?

[9.50 am]

**Ms Driscoll:** I think in some ways, as I said earlier, it is about being ready to deliver where the gaps are and having the access points there so when people need them, they are available. Perhaps, too, there is this element of where things need to happen, that you do it through the form of a partnership or through an NFP that engages others, because there is this element that if it is government, it is uncool, and we may not use that source of information because it is seen as staid or in some ways not sufficiently organic and responsive. I think it is a fine line about really taking responsibility for monitoring and intervening where you can see some problems. I also think there is that element of the cultural shift we need to make as a community in understanding that the whole economy, the world of work, is changing and we need everyone to be more alert, responsive, taking through tertiary education a recognition that you may not get a job in the way that you had it before. So, really leading the understanding of disruptive technologies and what that means for the future of Australia.

**Mr Dickson:** May I add a few comments?

**Ms Driscoll:** Please, Mike, thank you.

**Mr Dickson:** It is very much a cultural issue. You say “schizophrenic”—it is really about leading versus interference. So you can lead by going out and saying, “We support it, we have vision, we are going to not crucify you for failing when you try”, as opposed to interfering where you try and control. One of the things that small business does not have is time. Often people say they need money. They actually need time. Because they have very few people, they are trying to do everything. If a government comes in and sets up processes that 1 000 people in a department would operate, that is at odds to how a four or five-person high-growth company would act. So part of that schizophrenia is the tension between leading and interfering, and part of the way you can address that is develop processes and systems that actually reduce impact on cash flow and reduce impact on time. That means you are not picking winners; you are just making it easier for the winners to surface.

It is also really important to know and understand your clients. So, as you see, go to conferences, people get on the phone and they have a difficulty. You listen and understand why that is a difficulty and then address the root cause, not the complaint. It is really all that understanding and really bringing some business acumen to government.

**Mr F.M. LOGAN:** That is a good response.

**Mr T.K. WALDRON:** You mentioned and sort of stressed the importance of knowing CCI mapping et cetera. Are you aware of the mapping that CCI is doing?

**Ms Driscoll:** Yes.

**Mr T.K. WALDRON:** Are you working with them?

**Ms Driscoll:** Yes.

**Mr T.K. WALDRON:** Is that a good thing? It sounded pretty good to me.

**Ms Driscoll:** That is exactly where we want to take the mapping. Our next priority is to try to look at a virtual hub. We have already spoken with CCI. We know that they are doing some work. Commerce is doing some work mapping the start-up IT area. TIAC has been doing some preliminary mapping work as well. This is the sort of thing that we are talking about really. It is not taking the lead, but actually saying, “Hey, you guys have done some work. Can we perhaps provide some support funds for you to take the lead on this process? These guys, these guys and these guys are also doing some work. Let’s bring it together and maybe going forward form a not-for-profit that represents you at the small end of town and academia, and get you guys taking this forward.” But it will need quite a lot of investment, as I said.

**Mr Dickson:** Can I just add one small comment. There is also discussion around Australia because, yesterday at a meeting in Sydney, it is now on the agenda nationally. But there is mapping, mapping and mapping. Literally, some people are mapping what needs to be in a virtual hub about support organisations and who to talk to and what support is out there; other people are talking about mapping the start-up innovation and ecosystem and other people are talking about mapping the interrelationships between all the innovation, the cross linkages of directorships on start-ups and venture capitals and things like that. The term “mapping” is widely used, but we actually have to be careful about what type of information we are trying to get to.

**Mr T.K. WALDRON:** Is there a priority there, do you think, that we should be doing first?

**Mr Dickson:** I think we need to do all three actually, because we really need to know what is going on, and it is about balancing that.

**The CHAIR:** Our committee has heard a lot of evidence about Australia’s relatively poor record of collaboration between research and industry. Your submission points to the United States where various statutes mandate linkages between government researchers and industry, and suggest that they have a positive effect in encouraging collaboration. Is that something that you think we could do in WA to similar effect?

**Mr Dickson:** I do not know that we are the same government structure as the US. They have the massive defence force. They have the US Department of Energy with 18 000 patents online for US companies. But what we can do is things like develop processes and systems. We have got a WA government intellectual property policy, but also driving the culture and the systems to get things out of government. Also, whenever we do grants, how we structure that to make the technology flow; rather than being a passive investor, working with the universities and saying some of our money needs to go to moving the research out into the economy. That is the only way to guarantee future money that can be reinvested into the research. It is about changing that culture, putting in place systems and processes. Federally, some legislation may work, but I do not think it would work at a state level and we have to do it through policy and process.

**Mr J. NORBERGER:** One of your recommendations, if you like, in relation to stimulating more innovation in Western Australia was around establishing a commercialisation fund with the aim of becoming self-sustaining within a certain time frame. How much work has the department done in relation to putting forward a model? Can you unpack that? What would it look like? How much money would be available in such a fund? How would it work? We have got the innovation voucher program, I believe it is. Is this an extension of that? Would it work differently?

**Mr Dickson:** All I will say is a lot more work would need to be done. Even since writing that, a lot more knowledge has come forward. It is about unlocking the private capital. You are talking about

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a little bit of money to change the risk profile. Personally, and I do not know if the department agrees with this, I believe that where someone is really successful, we should get the money back to make it sustainable. But you are not talking about fully funding, you are not talking about 100 per cent; it is about a small amount of money. It might be, for instance, piloting something, getting it to the pilot stage so it then becomes attractive to the commercialisation investors. But it is about: how do you lubricate the system and change the risk profiles?

I do not think it should be too much money, because if small companies have a lot of capital, they are not very careful with their money. You need a capital tight start-up, but you do not want them capital poor. It is just that tweaking.

**The CHAIR:** You just sort of said that was your own feeling.

**Mr Dickson:** I have not tested it totally with the director general.

**The CHAIR:** You are sort of thinking aloud; that is all.

**Mr Dickson:** Yes. We do have these discussions internally.

**Ms Driscoll:** Obviously, we have reflected that comment in the submission. It really is testing an idea. It makes a lot of sense that if you are providing some sort of incentive, is there a way then to have a small share of the success down the track?

**Mr J. NORBERGER:** In developing these ideas, everything has to start somewhere—are you looking and working with the other states? It was something you mentioned earlier, Michael, that there is always an element of collaboration amongst your own counterparts. Even from my own experience, different states are trying different things. Is there anything you have taken away from what you believe some of the other states are doing at the moment that is of particular interest to us that we could maybe adopt?

**Mr Dickson:** We do work with the other states and we are on three different councils on similar topics, but we also work with other agencies. We are working very closely with the GCIO, with health, with the department of science, looking at all these options, plus other states. We are all kind of grappling with similar issues. They have been very proactive in Queensland and there are some very useful lessons there. But again, that goes back to culture and leadership as well. Really, you have got to have this whole package and you have got to understand your local market.

[10.00 am]

**The CHAIR:** What is the GCIO?

**Mr Dickson:** The GCIO is the Government Chief Information Officer.

**The CHAIR:** Is that state or federal?

**Mr Dickson:** It is state. It is Giles Nunis.

**The CHAIR:** I did not even know it existed. There you go.

**Mr F.M. LOGAN:** Everything that comes out of government comes from there!

**Mr O'Hare:** So, member, when the department has in the past developed its programs and policies, obviously you do a scan of other states and you talk and you see what works and what does not work. It is not a cookie cutter; each state's economy is somewhat different. But, again, you can take the best and what works and look at how you can apply it to Western Australia.

**Mr J. NORBERGER:** Very quickly, if we were not here doing this inquiry, are you guys working to your own set of time frames or your own KPIs whereby you feel it is incumbent that you ought to be bringing something to the table to the government of the day and saying, "We believe"? Innovation has been spoken about and spoken about and if you leave it too long, we will be left behind. Where do you guys see yourselves coming forward and saying, "This is a model that we think cabinet or someone ought to look at"?



**Ms Driscoll:** It is clear that the government is very attentive to this area, and certainly, in the last four months, we have provided two quite considered documents on what would be appropriate next steps.

**Mr O'Hare:** If I can add to that again, member, as the acting director general said at the beginning, innovation is constantly with us. You will recall from our submission that one of the most innovative projects that this nation will see in the future is the future submarine program. Again, what is the innovation built around that? Members may not have had the opportunity yet to see today's *The West Australian*, but there is a picture in there of the technical delegation coming down from Japan to look at one of Western Australia's manufacturers that has built a section of a submarine. Basically, if you like, the drawings were transported from Kiel in Germany across to Western Australia. So we are actively involved in innovation and continue to be. It is not like it is, if you like, a vacuum. The agency is continuing to engage and promote and develop as basically a day-to-day business.

**Ms Driscoll:** And both the minister and the Premier have been personally involved and wanting daily updates as issues unfold.

**Mr F.M. LOGAN:** I have just one final question. That comes down to what you have just talked about—that is, the requirements that are on the department to deliver on many of these things. Can you just tell me how many FTE people actually are employed in Commerce now and how many are actually employed in the areas of local content and innovation and what we have just been talking about?

**Ms Driscoll:** I am going to have to take the question on notice in terms of the numbers of staff in Commerce right at the moment.

**Mr F.M. LOGAN:** It is changing, is it?

**Ms Driscoll:** It is. Indeed, the recruitment freeze as well has meant that we have just had a little bit of a suspension there, so I will just need to give you the quantum—the total figure—in a formal response. In relation to the actual industry and innovation area, yes —

**Ms Berger:** If I may?

**Ms Driscoll:** Absolutely.

**Ms Berger:** In the industry innovation directorate, we have currently got 20.6 FTEs, and that is part of the whole labour relations, industry and innovation division, which has got—we will take that question on notice—about 67 FTEs overall. That is 67 in the division, which is labour relations, industry and innovation, which is now this part. Clearly, it is no secret that there have been significant cutbacks, and we are obviously looking at what we can do with those resources and applying them in the best possible way to focus on the areas that we have identified.

**Mr F.M. LOGAN:** Just by way of supplementary information, could you provide that breakdown of who is employed in what section in industry and innovation?

**Ms Berger:** We have answered a PQ on that and given some breakdown.

**Ms Driscoll:** We will certainly do that.

**Mr F.M. LOGAN:** To this committee.

**Ms Driscoll:** I think it is important for us to flag that we can obviously identify in broad terms the number of people associated with each activity area within industry and innovation, but one of our aims, through a restructuring process at the moment, is to make sure that our team is as nimble as possible. As I mentioned before, we are going to need to adjust our focus dependent on what priorities are unfolding at any one time.

**Mr F.M. LOGAN:** Sure; that is the reason for the question.

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**Ms Driscoll:** Yes. It is also an impressive array of activities and outcomes that are being achieved at the moment.

**Mr F.M. LOGAN:** Can I just confirm—this is not a PQ; it is a question of delivering to this committee—that you will provide information on how many full-time employees are in the industry and innovation directorate and exactly how they are broken down into the various subsections?

**Ms Driscoll:** Yes, and thank you. It is good for us to be then able to indicate what they are doing, because that in itself shows you the array of activities, despite the total number of people.

**Mr T.K. WALDRON:** When you were speaking, you mentioned that Kristin was involved a lot with disruptive technologies. Did you want to expand on that at all and how you see that?

**Ms Berger:** I think what Anne was saying was that my background is labour relations, so clearly disruptive technologies are having a big impact on the workforce, and that is something that we are going to have to tackle. I am not in a position now to give you the answers as to how we do that, but obviously they will impact on how people are employed in the future. You only have to look at the whole Uber versus taxidrivers and what is an employee and so on. I think there are some significant challenges there for us.

**The CHAIR:** One of our big challenges in WA is the lack of available venture capital to emergent SMEs. Are there any current programs run by the state government that offer public funding in an effort to address the lack of available venture capital?

**Ms Driscoll:** The first thing I would say about venture capital is that one of the reasons it has had limited availability in WA is that we have not had an amendment to the Limited Partnerships Act facilitating commonwealth venture capital funding which requires an incorporated limited partnership entity to operate. So that is in its very final stages of drafting and there has been constant engagement with some key stakeholders, in particular the Law Society, in this domain. It is expected that legislation should proceed as quickly as possible. In terms of the availability and government's role in making capital available, perhaps I will ask Mike to provide further comment.

**Mr Dickson:** It is interesting; it depends on who you speak to. I know some venture capital and some financiers—WA Angel Investors—and the advice I get is that there is a lot of money out there. If you talk to the people who do not get money, they say that there is no money out there. But you have to remember that three people out of 100 are going to get funded. Some of the issues are around actually having commercial-ready opportunities. How do you maximise the pipeline? If you want more than three funded, you need 1 000 proposals to be able to do 30. You need to get more of them commercially ready, but also we do know there are some difficulties in accessing venture capital. One of the programs we do participate in is that our department, working in conjunction with Health, puts in a very small amount of money to the medical research commercialisation fund and, as part of that, we are then given access as a member state—I think at the moment there are five member states—to \$200 million in venture capital from super funds. We do that to unlock it. We also, through that, are now starting to offer this year two internships for medical researchers to skill up, and we are also supporting and working with Angel Investors networks and the Founder Institute to improve the quality of the commercial outcomes. I think we are going to be increasing our support over the next year or two.

**The CHAIR:** We know that at the federal level there is the accelerating commercialisation program. How might we design a state-run program that would best complement that?

**Mr Dickson:** I would have to go back and have a good look at that program. But what you want to do is increase the quality of commercial proposals, mentors, and other things, to complement that. For every one great innovation that comes to life, you need a team of people who are providing advice, support, et cetera. The department would have to go away and look at the detail to see the best way to complement that. But we do work closely with AusIndustry.

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**Mr O'Hare:** If I could add to that, Chair, without knowing the details of that particular scheme, historically when the department has looked at developing, if you like, financial programs, it is to assist Western Australian companies to get up to the barrier ready for whatever the commonwealth government schemes are. Usually they are at a higher level of access. You need to get your business plan ready and you need to ensure that you have got your product ready. So we historically have filled that gap to assist them to get into the pipeline of commonwealth government funding.

**The CHAIR:** Following on from that, have you looked at the various programs run by the other state governments, and are there any particular examples that you see as good systems?

**Mr O'Hare:** As I said, it is early days yet. We obviously do scanning of other states. This is very, very new, but one of the areas that we are just starting to engage with is the electronic gaming industry, which has got some potential here in Western Australia. Our preliminary scan is that the Victorians have got over 50 per cent of the companies that are starting up in this particular sector. That is because they have good policies and programs that they have built around it to focus on the electronic gaming. So we would, of course, look at what they have got, what works, and what can be applied to our sector of the economy. But again, yes, we do historically look at that.

**Ms Driscoll:** If I can just add, the other thing that is relevant here is that Commerce has for some years funded a couple of incubators—one in Bentley and one in Henderson. We accept that those models need a rethink. So we have actually engaged a consultant to consider the way we are providing mentoring and incubator support and whether that is the best use of money in terms of the current sort of facade and mode of delivery that is provided. That process, of course, involves reviewing other models and looking at how could we restructure the way we provide that early support to SMEs.

**The CHAIR:** What is the time line for that?

**Ms Berger:** We have engaged these consultants to look at the innovation centre, and the time line for the report is the end of April, and obviously they have engaged with the stakeholders involved, interviewed people, and are doing a questionnaire. So that is something that we identified when we got in there, to say that since the innovation centre was set up some time ago, it is probably time to look at whether it is still contemporary and to get some feedback from stakeholders as to what we should be doing. So, that is happening.

**Mr O'Hare:** If I can add to that, Mr Chair, of course, as the acting director mentioned, we have co-funded with the City of Perth the start-up ecosystem report, and the preliminary report is out there in the marketplace. That will identify for us as well what is working and where, if you like, the gaps are.

**The CHAIR:** We have time for one very quick last question.

**Mr J. NORBERGER:** John, you mentioned the electronic gaming industry. It is quite interesting that I just spoke to someone who had worked in Silicon Valley, who mentioned the same thing to me—that Melbourne was really kicking it out of the ballpark in attracting that type of business. My point is: I agree that it is healthy that we look at other states to see what they are doing, but sometimes, by the time we finish looking, we have lost that first-mover advantage. So, it is not always viable then to copy. Are we doing anything or are we looking at attracting a particular type of industry? What are we doing where if get it right, we are actually the ones who get the first-mover advantage and other states are going, “Gee, that was a good idea”, because we cannot always just replicate?

**Mr O'Hare:** No. You are right, member. We cannot, obviously, replicate. But, again I will mention the electronic gaming sector. I went to the opening in Northbridge, where they have a common working space that they have developed, and literally for us it is well below the radar. You mentioned what takes place there. You are meeting developers, young West Australians. Of particular note, just on 50 per cent of these developers are females. There is an image of the

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gaming sector as some pimply-faced adolescent hanging around in his mum and dad's garage and being a bit antisocial. This is really not what is taking place. You are dealing with West Australians who have sold games into some of the major manufacturers that are sitting there. If you like, it is a nascent industry. But we have our own advantage in that, member, as well. We would like to see how they develop and work with them. As I said, it is early days yet.

Western Australia does lead in some of the mining services areas as well. So, other states look at us. Candidly, in some of the areas with what we are doing, like lightweight high speed, we lead the world. People talk about innovation and the rest of it, but, candidly, you go down to the Australian Marine Complex and look at the innovation that is taking place there on a daily basis. I mean, Austal Ships, by the end of their two current contracts with the United States Navy—the world's most technologically advanced, if not the most innovative, Navy in the world—this state alone has designed over 15 per cent of that Navy. You have got them there. You have also got Echo Yachts down there in terms of what they are doing, not just in their production techniques, but some of the apps that that company has developed to assist its workers to become more competitive are fantastic. Civmec Engineering is another. People think fabrication is a dirty business. Go down there and look at the apps and at what they are doing in terms of the ability to track the steel product from delivery right through to what the government is putting out there in the stadium. We are innovative. We do lead in certain areas. We are not playing catch-up. In some areas, this state is internationally competitive, particularly in the areas that we have outlined in our submission.

**Ms Driscoll:** Again, the key message in our submission was we need to capitalise on that, and then transfer those activities and applications into other arenas. One of the challenges for us is to look at that technology and see how else it can be used.

**The CHAIR:** I would like to thank you for your evidence before the committee today. A transcript of this hearing will be forwarded to you for correction of minor errors. Any such corrections must be made and the transcript returned within 10 days from the date of the letter attached to the transcript. If the transcript is not returned within this period, it will be deemed to be correct. New material cannot be added via these corrections and the sense of your evidence cannot be altered. Should you wish to provide additional information or elaborate on particular points, please include a supplementary submission for the committee's consideration when you return your corrected transcript of evidence.

We probably still have some more questions, so is it all right if we just send those to you and you will give us an answer to them?

**The Witnesses:** Yes.

**The CHAIR:** Thank you very much for your time.

**Hearing concluded at 10.16 am**

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