

**ECONOMICS AND INDUSTRY
STANDING COMMITTEE**

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

**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
THURSDAY, 11 FEBRUARY 2016**

SESSION SIX

Members

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

Hearing commenced at 2.54 pm**Mr PETER CLARKE****Innovation Consulting Australia, examined:**

The CHAIR: On behalf of the Economics and Industry Standing Committee, I would like to thank you for your appearance before us here today. This hearing is being convened to enable the committee to gather 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 the other members of the committee here today. I am Ian Blayney, the chair, and the member for Geraldton. With me is the deputy chair, Hon Fran Logan, the member for Cockburn, and the other member here at the moment is Hon Terry Waldron, the member for Wagin. 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 as 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 would provide the full title for the record.

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

Mr Clarke: Yes.

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

Mr Clarke: Yes.

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

Mr Clarke: Yes, I did.

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

Mr Clarke: No.

The CHAIR: Would you please state the capacity in which you appear before the committee?

Mr Clarke: I am attending as an independent person.

The CHAIR: We have some questions for you, but, before we ask our questions, would you like to make an opening statement?

Mr Clarke: I do not have an opening statement prepared, but I will touch on some of the areas that I think we should perhaps talk about. I can start by saying that I listened to a fair bit of what the Unearthed guys were talking about. I have been working with them and I support very strongly what they are doing. I guess the questions in our discussion are going to be perhaps a little broader than that, around the whole sort of innovation space, entrepreneurship, innovation and start-ups. Those are three different areas—three different things. They can all be the same, but they are different as well. To be an innovator, you do not have to be an entrepreneur. You do not have to go and start up a company. You can do some fantastic stuff already, working for another company, and being innovative. So I think we need to broaden the discussion. There is a lot of energy and a lot of

publicity around start-ups, and that is fantastic, because it gives a lot of focus on this area of innovation, and a lot of start-up methodologies are useful in large companies. The discussion I think is a very broad one, and it really goes to places like the co-working spaces, incubators, which sit in those co-working spaces, accelerators, which also sit in some of those spaces, and others, and we could talk about universities and their roles in innovation, and the small to medium enterprises. There are a large number of small companies out there servicing these industries, and they are doing some great things.

There is also the role of government, both state and federal. I am associated with the federal government's Accelerating Commercialisation program, which funds and supports commercialisation by small to medium enterprises. I have to state, obviously, that I am not speaking in any official capacity and any statements that I do make on that program will be from material that is in the public domain. That is a great program and it provides a lot of support, including specific support around companies that are past that very early stage that we have been talking about and are into the real commercialisation stage. There are some interesting numbers around the number of companies that are funded to get their innovative products into the resources industries, and where they are based in both Western Australia and Queensland as against the rest of the country. So I guess there is some discussion that we will have around that.

I would like to have some discussions around the Innovation Centre, which at the moment I guess is the centrepiece of the state government's innovation work, and in particular the Innovator of the Year program, which I think is a great program but has a lot of things that can be improved. Of course we could even talk a bit more, in the broader context, about the federal government tax incentives, which has a big impact on that early stage as early-stage companies, and through to the growth centres, the resources growth centres and the METS growth centre in WA, which is now getting started. There is a lot of activity going on, and where the WA government sits in that and what it does, obviously it needs to do things that are complementary to all those activities that are going on. I did not think I had an opening statement, but I guess I just made it!

The CHAIR: We have a lot of questions; we just have to find out the answers.

Mr F.M. LOGAN: Peter, can I kick it off with your reference in your submission to the valley of death, which we were talking about earlier, and angel investment. I raised the issue with Justin and Zane about the role of government. Of course you have the grant funding that comes from the commonwealth, and you have the tax breaks as well. But they are aimed at a slightly different part of the market.

Mr Clarke: That is right; you have to be a bit further on.

Mr F.M. LOGAN: Yes, in that earlier stage, where it is, as you expressed it, the FFF funding arrangements. As you know, that has been recognised by other states as well, and they are approaching it, as I said to Zane and Justin, where the governments are either providing some funding themselves, or they have their own funding, or they are doing some joint-venture funding. Do you think there is a role possibly for the commonwealth and the states to work together on that with the private sector?

Mr Clarke: I do have a comment on that. It obviously has been raised, and it is something that some of the other states are doing, and I have a view that I think is probably not going to be all that popular with the rest of this particular community in saying that I do not think it is where the state government's money should go to. State government money, particularly in WA, is pretty scarce, so it has to be spent very, very wisely and effectively. Some of these funds from the other states are \$40 million or whatever. If I think about what you can do with \$40 million, the preference, I think, or the priority would be to put it into other areas, and I think the area where the state government can have the most impact is really in providing a cornerstone or platforms for developing the community and the ecosystem. It is not so much as investing in direct projects, but investing that money into generally supporting this community and this ecosystem to grow, because one of the

critical issues that we have in Perth is simply getting to critical mass, and we are not there yet. I mean, there has been incredible progress over the last two or three years in growing the numbers of people and growing the visibility of the innovation process, but we are a long way behind the eastern states in terms of the size of those communities, simply because of the very nature of the size of our state, and earlier comments around the importance of that co-location and the communication between innovators and the communications between innovators and clients is very, very important, so I would prefer to put money into supporting the culture, supporting perhaps some fundamental facilities—maybe assistance with rentals or whatever the current innovation centre provides; very low cost office facilities for the companies who are at that very early stage, so just easing the barriers into this process and education and culture and promotion of what we are doing in WA, because we are doing some good things. Keeping the consciousness up and raising it—that is where I think, for a couple of reasons, that money is not being spent by government and should be spent. I think that, in terms of sustainability, if the government spends money and supports innovation by investing directly in it, really it is the private sector's job, and we need to build a sustainable model. If we are going to rely on government funding, we are always going to rely on government funding. We need to build a sustainable model so that that is done by the corporates and by the private sector.

Mr F.M. LOGAN: It is interesting that you have talked, Peter, about promotion because I referred earlier about people in the fabrication and engineering sector. This is something that we as a committee have experienced, but as a former minister and also the local member down there in Cockburn, something I experience regularly is that companies that work, for example, in the resources sector undertaking huge multimillion-dollar contracts rely on either internal engineering solutions or sometimes external engineering solutions through consultants. They will never go near academia; they just will not. They will not go near academia and even now when, as I said, they have plenty of time on their hands, they will not even have heard of a thing called a hackathon. It is the last thing on their minds. They will be going, “What the hell is that? Has it got something to do with hippies or something?”

Mr Clarke: Absolutely.

Mr F.M. LOGAN: They have no concept, and as for both large businesses and small businesses in Western Australia, there seems to be this—I know they have to focus on their own business; I understand that—unwillingness or fear of engaging outside that, particularly with start-ups or academia or any of those areas.

Mr Clarke: I do not think it is a fear; I think it is, as you say, that they are just not aware that that is out there for them and that potentially they can tap into it and get some value. If they have approached a university, they have usually had a poor experience. I have had lots of interactions and collaborations with universities, and the universities are driven by a different set of KPIs and incentives, and they like to do three, five, ten-year research projects and get lots of papers out of it. There is not a lot the WA government can do about that because it is driven by the block grant systems and the way their incentives are, but that is changing. But we had a lot of discussion when we met previously on the Start Something campaign that I have been associated with at UWA. That, we understand, is going to run again, perhaps at another university as well, and that is all about tapping into academics' brains and pulling the potentially commercialisable technologies from their brains out and taking it through the whole commercialisation process, and getting them interested in that process—perhaps not the head of department or whatever, but some of their PhDs doing research who have identified, “Well, hey, maybe there's a commercial potential for this particular aspect of the research that I've been working on; let's take it through and do a spin-out and start up the company and go and service the mining industry, the oil and gas industry.” There are a lot of those smaller bits of technology that can be brought out much, much faster. The larger projects typically take 10 to 20 years to really get established in the industry, whereas other smaller projects can be done in two or three years. Hackathons, as the Unearthed guys run, are

a very good vehicle for exposure and interaction between industry and those academics, but we need other means. We need to make academics more proactive in taking their ideas out as well. So there need to be mechanisms and programs —

Mr F.M. LOGAN: The WA government could have a role in that.

Mr Clarke: Yes, in terms of as much influence as it has over the universities, and I am not really privy to the sorts of funding arrangements at universities, but, yes, they should be making sure that the universities understand that not only the federal government is looking for more impact and integration and collaboration with industry, but the state government is as well, and making that part of any KPIs that they are after.

The CHAIR: Someone this morning mentioned northern European companies that have a position called a facilitator whose job it is to be the go-between between industry and academia, the universities. I could see that being quite a valuable role if you could work that person into the system.

Mr Clarke: If you could, but it would be better if you could actually build that into the culture so that everyone just did it. To make that happen and get those started, yes, you may need to have positions like that, but you should really be working towards making that a normal part of people's processes. As Fran was saying, companies working down in Henderson have no comprehension of how to go and work the university. There is fault on both sides, and the universities are very difficult to work with, and companies often do not try hard enough as well, so we need to be able to find ways to increase the levels of communication between those groups, and that is something that governments can have an impact on by running networking sessions. That is one of the things that has been done in the past by the Innovation Centre. They have had a great role in terms of running those sorts of networking information sessions around innovation and commercialisation, and bringing people together.

Mr T.K. WALDRON: Peter, you talked before about limitations of grant moneys and making sure you direct it properly. I notice from notes of your briefing—I was away when you had the briefing—we know that over the past three to four years there have been 73 funding grants to WA companies, of which 19 have been, I think you said, mining, oil and gas sector, and six in agriculture.

Mr Clarke: Yes.

Mr T.K. WALDRON: From your experience, can you give a couple of examples of that, and have we been putting the money in the right places? Are there lessons to be learned from that that we should know about, if there have been a couple of blues, so we do not repeat that going forward?

Mr Clarke: Yes. When companies come into them—the previous program was called Commercialisation Australia; the new one is called Accelerating Commercialisation—they essentially do the same sorts of things and address the same issues. Companies that enter into those programs and get funding have to be able to clearly demonstrate that there is some market pull and market demand for their products; they have to show that they have a prototype that works and it is not just an idea in someone's head. It is not about research and development; it is, “We've actually built this”. A good example is the Newton Labs company that the earlier chaps were talking about. They now have a sort of a prototype that works, and they will perhaps potentially be able to enter into funded programs from the federal government about this time. They are an example of a type of company that can go into these programs. The success rate is reasonably good. There are very few projects that fail completely. Obviously, there are plenty of them that do not achieve their grandiose ambitions in terms of dominating the world, but the majority of them go through and end up with a positive result at the end of that, and with a product that then goes into the marketplace. A lot of due diligence goes around picking the right companies, and there is a lot of experience and knowledge that goes into it. The companies themselves often complain that it is a long and arduous

process for them to get the money because they have to jump through lots of hoops and provide lots of evidence and documentation, but I say, “Well, if you want the money, you’ll do the work”, and that really does sort out the sheep from the goats.

Mr F.M. LOGAN: You might have heard when you were sitting there that I indicated that the committee had gone and spoken to other states about what they are up to in the innovation space. Queensland seems to be back on track as “smart state” number two, and is doing very well indeed, but we were very impressed in speaking to the new players in Victoria, given the situation that Victoria and South Australia are facing with the closure of the car industry and the knock-on effect from that to other sectors of their manufacturing base. One of the things the Victorian government did that impressed us all was effectively a complete desktop analysis of their small businesses and medium-sized businesses across the whole state, to look at exactly what they do, how many people they employ, what technologies they have, what capacity they have to grow, and from that they then identified, I think, 20 000 companies that had the capacity to go from SME to the next stage, and have allocated contacting those companies and providing some support to those companies, even if it is only verbal support, and only on a voluntary basis. If they do not want the support, they can put the phone down. They have allocated all of those companies to public servants, so, “Your responsibility is this number of companies; you will follow up on them.” That is pretty bloody good stuff. Would you advocate something like that for Western Australia?

[3.15 pm]

Mr Clarke: That is quite imaginative.

Mr F.M. LOGAN: Their need was greater at the time than ours, but ours has actually grown probably just as big as theirs given the downturn in the mining sector.

Mr Clarke: Yes. I think you need to find ways of outreach from the government to those innovative companies who do have the potential to grow. There are federal government funds and programs which assist those companies so the state could very well play a role in making sure that those companies are aware because, in a lot of cases, they are simply just not aware of the support. Either they are not aware or they are not looking for the types of support that are out there, whether you preferably maybe do that sort of activity through the Small Business Development Corporation; that might be a better way to do it. But yes, find a way to outreach so that—there are a lot of companies that I deal with who are in the early stage of development and could benefit significantly from the federal government’s R&D tax incentive who have never heard of it. It just astonishes me. They have an accountant and because they do not have much money, they cannot pay for one of the big ones, of course. They have a backyard accountant who has never heard of that sort of stuff and you cannot blame the accountant. There is a lot of ignorance out there and there are a lot of programs that can support these companies and help them grow that they are not aware of. Like you, I have spent a bit of time down at the Henderson centre down there, attending networking sessions and whatever. It is amazing how many people just do not know what is available for them.

Mr T.K. WALDRON: I notice in your notes from your brief, again, when I was not there, the last thing it says here is that you stressed the education from programs is much more important than government funding. Is that sort of talking about mentoring people, and where does government play a role there? That seems to be a bit of a key, talking about networking and mentoring. Is that right; am I reading that right?

Mr Clarke: Yes.

Mr T.K. WALDRON: Could you just express that a bit more for me?

Mr Clarke: Yes, for sure. It is in helping develop the culture. It is in, as an independent group, actually running networking sessions and bringing people maybe from the eastern states, experts from here, there and everywhere. Some of the real, key people within the larger companies—the Woodsides, the BHPs, the Rio Tintos, the other large companies—having the leaders in innovation

within those companies coming and giving a public talk, encouraging and curating, and providing those sorts of events is a great way to get people talking to each other and to promote what we are doing, and to help promote those connections as well. That is what I am talking about. It is really quite broad and there are a lot of activities that can be undertaken.

Mr T.K. WALDRON: We have heard a bit today about the importance of people and making people welcome, creating environments et cetera. Once again, we talk about buildings and all that but in the end, it is about the people.

Mr Clarke: It is about the people, and I will give you a really specific example—the Innovator of the Year program. I went through it in 2007. I think it was about the second year it had run and it was called the Inventor of the Year program at that stage. Associated with that program were a lot of educational activities. It was about a six-month process and you entered in, and you wrote your description of your particular technology or idea, or whatever, and that was assessed. If it halfway made sense, you were able to come into the program. Then there was a series of information sessions which were run; a day on marketing, a day on writing a business plan. Half of the people who turned up did not even know what a business plan was. So by the end of that process, that was a first-round cull after, say, a couple of months. Then all those people who were just nowhere near it got culled out but they had gained a lot of information and knowledge on, really, what a business was all about and how to set up a business and how to actually get a product that you have invented into the marketplace. You know a little bit about IP; you know a bit about marketing et cetera. That education process was critical. Then the next stage was with maybe a dozen companies who had something which there was something behind. Then representatives from those companies, myself included, went through further training and we even went through a unit of the MBA at university—the entrepreneurship unit. That helped me tremendously in developing the company and the business. At the end of that, we actually won it—got \$100 000 in the bank; thanks very much. But by far the greatest value I got out of that was the education that I had got, much, much more than the money. I multiply myself by 50 people who went through it that year; multiply it over 10 years, and you will get 500. So over the years, the extent of that additional education has been whittled away, obviously from budget pressures and whatever. Now it is very much less than that so very little of that education component is left in that whole process, and that really is a fantastic program. It gets a lot of publicity, and it is a flagship innovation for the WA government. I think there is a lot more that can be done with that program.

Mr T.K. WALDRON: So would you support more being done in that area?

Mr Clarke: More being done in that program. That is a good example of raising awareness, building the culture and providing the education to people who are going through it. Can I make one other point? I have made a few notes, and I just wanted to touch on several things. One in particular is, if we again look at WA government, I think as an example you can look at Landgate and what they have done over the last few years. They have people who are seconded into innovation roles for a two-year period and they cycle them out again. They have active programs within their organisation. They actively work with people outside their organisation as well. If you could replicate that across the other state instrumentalities, then that again is helping to just raise the awareness, raise the consciousness, and make people aware that there are opportunities to do these sorts of things.

The CHAIR: When you came in you said there were a number of things you wanted to talk about. Have you covered all of them?

Mr Clarke: I have covered most of them. There are a couple of other points I will make. Any government support needs to have metrics associated with it; you need to know what it is you are trying to do and you have to have some sort of measurement on it otherwise how do you know after a couple of years whether it has really worked or not and how well it has worked? Along with that, I think what we need is obviously if you can get bipartisan support, and I know that is always going to be a challenge, but it is something we should try to do because that is going to give

continuity of the programs that are set up. The last thing we want to see is a change of government: “That was the previous government’s idea; that’s all crap. We’ll just push it to one side and change everything and run forward with new stuff.” It really needs continuity over long time frames. If you are going to support some activity, do not support it for just 12 months; have a three-year contract so that the people who are carrying out that service can invest some time and effort into really providing a great service and not worry too much about at the end of 12 months, they may get kicked out and someone else will come in. I think those things are really important in terms of government programs. I do not think that necessarily the state government should be putting money into direct investment. I think, really, we have got to generate the culture. The corporates do it, and other people before me have said that there is plenty of risk capital around in Western Australia. That is correct; it is just not educated to be brought into this particular sector, so we need to try to do that.

Mr T.K. WALDRON: Peter, you mentioned Landgate. Was it anything in particular that drove that innovation at Landgate?

Mr Clarke: I have asked that question of some of the guys in the innovation teams and I guess I did not get a really complete answer but from what I was told three, four, five years ago, essentially it came from the board; it came from the top. They realised there was an opportunity and that here was something that they could actually do. Really, it has taken off incredibly well.

The CHAIR: Do you know anything about the whole concept of the catapult centres in the UK?

Mr Clarke: No, I do not, Ian. I know of them. I know roughly what they were set up to do. I think there are seven different —

The CHAIR: There are nine, I think.

Mr Clarke: Okay, nine, focused on different specific areas, but I do not know much more than that I am afraid.

The CHAIR: Okay. It is sort of big money; they have put a lot of money into them. One of the interesting things, I suppose, over time is that, let us say 20 or 30 years ago everyone thought that so much British industry was gone, but when we talked to a lot of people the answer kept coming back to us that if you look anywhere, if you’re talking about renaissance of your manufacturing sector, you want to look at the UK, which, to be honest, surprised me. One thing we were interested in is what role they played and just the whole scale of their manufacturing sector. They were able to literally put billions of pounds into these things and they are all over the country. So I was just wondering if you had an opinion on them.

Mr Clarke: No, I do not. I guess what we are doing currently with these growth centres across the five areas is perhaps analogous in some ways, in trying to do the same sort of thing. But I do not have any comments on the detail.

The CHAIR: Okay, that is very good. Thanks very much indeed.

Mr Clarke: Thank you for the opportunity.

The CHAIR: I have a closing statement. 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. Thank you very much for your time.

Hearing concluded at 3.27 pm
