

GOVERNMENT RESPONSE TO LEGISLATIVE ASSEMBLY ECONOMICS AND INDUSTRY STANDING COMMITTEE REPORT NO. 7 *GROWING WA THROUGH INNOVATION.*

Introduction

Innovation into the future

On 14 May 2016, the Premier and Science Minister announced as part of the 2016-17 State Budget a \$20 million package designed to position Western Australia as a regional and global innovation centre.

The Office of the Government Chief Information Officer (OGCIO) has been given responsibility for developing and administering the innovation package.

On 2 November 2016, the Minister for Innovation launched the Western Australian Innovation Strategy, the State's first strategy of its kind. The Strategy allocates the \$20 million package across a number of initiatives.

The OGCIO has consulted widely in order to determine the best use of the funding. This has included engaging with all sectors of the community including business, government and universities.

The funding will provide for scholarships, incentives, grants and awards to drive entrepreneurship and create new jobs, as well as local and international marketing to target investment, broaden the economy, and attract and retain staff.

The Minister for Innovation, through the OGCIO, has responsibility for implementing the State's Innovation Strategy in order to enhance investment in local ideas, foster new enterprises, concept commercialisation and create jobs.

To help inform the Strategy, an Innovation Summit was held on 28 July 2016 to discuss and debate the needs of industry and local innovators, with a focus on investment and infrastructure; promotion and marketing; culture and collaboration; and skills and talent.

The Innovation Summit brought together a larger group of 250 of the State's leaders from business, government and academia to set the course for innovation in Western Australia. The focus themes of the Summit included:

- investment and infrastructure;

- promotion and marketing;
- talent and skills; and
- culture and collaboration.

The outcomes from the Innovation Summit have informed the development of the four-year State Innovation Strategy. The focus of the strategy is to support and grow the innovation ecosystem by creating greater opportunities for the commercialisation of Western Australian innovation.

The State Innovation Strategy sets the direction for innovation in Western Australia, and was launched by the Minister for Innovation on 2 November 2016., and includes expanding support for existing initiatives such as:

- Start IT Up WA Challenge;
- GovHack WA; and
- WA Innovator of the Year program.

New initiatives in the Strategy include:

- the WA Start Up Program (WASUP) fund to enable government to co-fund innovations with private investors in order to facilitate commercialisation;
- funding to support commercialisation of ideas within local universities;
- funding to teach entrepreneurial skills; and
- development of an online Innovation Hub, to help connect innovators, investors, incubators and others to help grow the innovation ecosystem in Western Australia.

Western Australia will benefit from strong growth across the science priority areas of agriculture and food, marine and biodiversity, mining and energy, medical and health and radio astronomy. This growth will underpin the State's long-term economic and social prosperity.

A priority for the Government going forward will be providing industries and businesses access to world-class science and innovation ecosystems. This access, coupled with productivity and efficiency gains, and supported by modern infrastructure, will provide the ideal environment required to attract world-class researchers and innovators so that Western Australia is competitive on the world stage.

Recommendation 1

The Western Australian government improves its data collection by drawing on the various available sources to better inform decision-making for industry support and investment.

Supported.

The WA Open Data Policy is explicitly designed to encourage this outcome by mandating that Government agencies release as much data as possible to the public domain. The soon to be released Data Classification Policy will further enable agencies to confidently share data, providing clarity and oversight as to what can and cannot be shared. The State Government data portal located at <http://www.data.wa.gov.au/> provides easy access to publicly available government data for anyone to use.

Recommendation 2

The Western Australian Government explores the WA:ERA model, as well as those in other jurisdictions, as the basis for collaborative frameworks across the economy.

Supported in principle.

The Office of Science works closely with WA:ERA to progress the mining and energy priority area in the 2015 Premier's Science Statement. It is agreed that the model represents a strong example of collaboration between the university sector and industry. The Office will continue to support that model and consider its application as appropriate to other sectors.

Recommendation 3

The Western Australian Government sets an aspirational target for R&D investment across the economy of three per cent of gross state product, and monitor and report on progress in reaching this goal.

Not supported.

The Government has a strong track record of support for scientific research and development activities to support and broaden the WA economy. The 2015 Premier's Science Statement sets out the key priority areas of science in Western Australia, and the Office of Science provides grant funding and support to a range of programs and initiatives to support those priority areas. WA's Chief Scientist is supportive of Government considering commitment to a dedicated Research & Development investment fund, but this is yet to be fully scoped and considered by Government and hence it is too early to support any one model setting an aspirational target.

Recommendation 4

The Western Australian Government ensures that it is not investing in R&D that could be or is being conducted by industry or other institutions.

Supported.

The Premier as Minister for Science is committed to investment in research and development as a means to support fundamental scientific endeavour across the Science Statement priority areas to advance the interests of the State. Government's role is to provide a level of support for such research and to take a key role in stepping in where industry or other institutions are unable to do so.

An approach to State Government investment in Research & Development that focuses on economic benefits and commercialisation outcomes for the State is supported. Such an approach needs to be supported by a suitable management of public sector intellectual property and vigilant reporting mechanisms to mitigate duplication with industry or other institutions.

It has been common practice for State Government investment in Research & Development programs to garner the collaboration and leveraged co-investment from industry and Commonwealth Government partners, including research institutions. Past examples include the Centres of Excellence Program and the Major Research Facilities program operated through the Department of the Premier and Cabinet which attracted \$100 million of public investment from 2002-2006.

Most recently the attraction to Western Australia of the Headquarters of National Energy Resources Australia (NERA) as a Commonwealth Industry Growth Centre, in 2016, also occurred through the collaboration and co-investment between Commonwealth and State Governments and industry. A key focus of NERA is to improve competitiveness, collaboration and productivity by focussing on reducing cost, directing research to industry needs, improving work skills, facilitating partnerships and reducing regulatory burden.

In the agriculture and food sector, Government has a role in ensuring businesses and industry has access to the latest information and resources. DAFWA has access to and is involved in world-class science and innovation with its partners - universities, private companies and industry organisations - that allows it to facilitate the growth and protection of the agriculture and food sector.

Government's role on the Research & Development spectrum in the agriculture and food sector is to fill the gap between research with immediate commercial applications and longer term research where there is greater lag time until the benefits are seen by industry.

DAFWA participates in the National Primary Industries Research, Development and Extension (RD&E) Framework, National Grains Industry RD&E strategy and National Soil RD&E strategy to ensure no duplication of effort across Australia.

Recommendation 5

The Western Australian Government develops an R&D funding strategy to better direct funding to where it will have the most impact and function as a catalyst for further investment by business and/or the federal government.

Supported in principle.

As part of the 2016 National Research Infrastructure Roadmap the State Government will be providing a whole of government submission that identifies the research infrastructure priority needs for the State. This submission will identify areas of priority that best align with the Science Statement for WA and will also be informed by areas of need as identified by other State Government agencies, universities and industry bodies.

Current State Government funding programs administered by the Department of Commerce which have demonstrated ongoing investment benefits include:

1. The Industry Facilitation and Support Program (IFSP) provides matching funds to small and medium sized businesses in targeted industry sectors to enable them to build capacity and international competitiveness with access to major domestic opportunities. To date the return to State Government funding has been 88:1 in terms of the value of contracts won as a result of IFSP support, in addition to over 500 jobs and 60 apprenticeships created. IFSP supports a wide range of activities including professional services, skills training, meeting prequalification requirements, capital equipment and improving production processes.
2. The Medical Research and Commercialisation Fund (MRCF) is a collaboration between major Australian superannuation funds and leading medical research institutes and research hospitals. MRCF's focus is on medical research with the aim of commercialising Australian research locally to improve economic outcomes for research investments. MRCF has secured \$50 million in investment capital and membership includes 46 medical research institutes and hospitals and three Departments of Health, spanning across Western Australia, Victoria, New South Wales, Queensland, South Australia and New Zealand.

The development of a state-wide strategy for agriculture and food, currently being considered by DAFWA, should provide the framework for the Research & Development needs for the sector. This ensures that Research & Development is directed to the sector's priorities in a coordinated way to ensure that industry gains the greatest benefit from investment and is able to take advantage of new Research & Development to achieve commercial gains.

Recommendation 6

The Western Australian Government promotes the presence of venture capital companies in Western Australia through the encouragement of local companies or the attraction of national and international venture capital funds.

Noted.

The Government acknowledges this recommendation and will be considering the most suitable approach to encouraging venture capital in the implementation of the State Innovation Strategy. This will be supported through key initiatives within the State Innovation Strategy such as:

- the WA Start Up Program (WASUP), that enables government to co-fund innovations alongside venture capital companies; and
- the online Innovation Portal that will help promote Western Australian innovators to local, national and international investors.

By its nature, venture capital is highly mobile and locates according to market conditions and opportunity. Refer to Recommendation 8.

Recommendation 7

The Western Australian government considers sponsoring a venture capital conference in Perth.

Noted.

As part of the State Innovation Strategy, the Government will hold an annual Innovation Summit that will include delegates from across the innovation ecosystem including venture capitalists. In addition the Strategy provides funding to sponsor other events, which will be considered on their merits on a case by case basis.

Recommendation 8

The Western Australian Government, as a priority, completes the review of the *Limited Partnerships Act 1909* and introduces legislation to amend the Act to allow the formation of venture capital limited partnerships in Western Australia.

Supported.

The Limited Partnerships Bill 2016 (the Bill) was introduced to the Legislative Council on 21 September 2016 and the Government will endeavour to pass the Bill during the Spring Session.

This will allow the formation of Venture Capital Limited Partnerships and for investors to access the Commonwealth incentives to encourage early stage innovation investments.

Promotional material will be developed and linked to innovation-related services such as available online portals.

Recommendation 9

The Western Australian Government encourage a major commercial anchor tenants (s) to relocate to Technology Park Bentley.

Supported.

Two major tenants, CSIRO and Pfizer Australia, have already been attracted to Technology Park Bentley. Delta West Pty Ltd, a local pharmaceutical manufacturer was attracted as the commercial anchor during the initial stages of Technology Park's development. That company substantially expanded following international investments from Pharmacia Corporation and the Upjohn Company. Pfizer Australia, a subsidiary of Pfizer Inc., the largest research-based pharmaceutical company globally, now owns and operates the facilities.

The Government is collaborating with the relevant agencies in the development of a structure plan to continue to enable Technology Park to further develop and provide strategic growth opportunities for the State.

Recommendation 10

The Western Australian Government undertakes a review of Scitech's future role in the innovation ecosystem to ensure it can meet the challenges presented by the recent and continuing rapid developments in science and technology.

Supported in principle.

The Government's current funding agreement with Scitech runs to 2018. Scitech has submitted a new business case for funding beyond the current funding cycle for 2018-2023. The Office of Science, with the support of an independent panel to ensure transparency and objectivity, will assess the business case in the context of Scitech's current and future role as the State's premier science centre and STEM provider to the education sector. The challenges presented by developments in science and technology will be taken into account by that review, which will result in recommendations to Government regarding Scitech's future role, business operations and the level of Government funding required for Scitech to carry out that role.

Recommendation 11

The Western Australian Government appoints the Chief Scientist of Western Australia to the Technical and Industry Advisory Council's board.

Noted.

While the WA Chief Scientist already works collaboratively with the Technical and Industry Advisory Council (TIAC) and attends quarterly meetings of the Board, the Minister for Commerce as the Minister responsible for the *Industry and Technology Development Act 1998* will give further consideration to the composition of TIAC, including the tenure and expertise of its members, in order to respond to government priorities going forward.

Recommendation 12

The Western Australian Government supports future speaking and networking events that are freely accessible by the business, university and student communities as an important component of its role in supporting innovation in Western Australia.

Noted.

Engagement with the broader community, including business and government, is crucial to the successful delivery of the \$20 million innovation package.

As part of its engagement strategy, on 28 July 2016 the Office of the Government Chief Information Officer (OGCIO) held the Innovation Summit, which brought together leaders from business and academia to discuss course for innovation in WA. The State Innovation Strategy contains funding to continue this Summit on an annual basis.

The Government acknowledges this recommendation and will continue to support initiatives that are accessible to both business and academia.

Recommendation 13

The Western Australian government supports iPREPWA by providing the funding necessary to make it available to more PHD students in Western Australia, in its current format of three rounds per year.

Noted.

The Advancing Western Australian Research Education (AWARE) program is a collaboration between the graduate research schools of the five Western Australian universities (Curtin, ECU, Murdoch, Notre Dame and UWA) and the Department of the Premier and Cabinet (Office of Science).

iPREPWA is one of AWARE's first programs aimed at improving the skills of graduate researchers in the State. The Office of Science will continue its support of AWARE programs such as iPREPWA.

Recommendation 14

The Western Australian Government develops an innovation-specific local procurement policy.

Noted.

As part of the online Innovation Portal, a marketplace will be developed that will enable government agencies to simply and easily engage with local innovators in order to explore and solve problems collaboratively. Implementing this service will include clarifying and, if necessary, modifying current procurement policy and practice to enable agencies to prototype and pilot innovative solutions using a streamlined approach.

The OGCIO also acknowledges the potential for the Government to further foster local innovation through the procurement process. A theme of the whole-of-government ICT Strategy, *Digital WA*, is Sourcing and Innovation, which seeks to prepare government to adopt innovative solutions through procurement frameworks.

A practical example of this is GovNext-ICT, which will establish commercial arrangements for ICT infrastructure services. This will create a mechanism by which innovative suppliers can make their services available, and agencies can quickly discover and easily purchase them.

Recommendation 15

The Western Australian Government ensures that any model developed for the delivery of innovation-related services does not result in a duplication of services.

Supported.

The establishment of a lead Minister and agency for innovation provides strategic oversight of the government's efforts in this area. The OGCIIO was given responsibility for developing and administering the innovation package.

In order to reduce any duplication across government, both the Innovator of the Year Awards and administration of the Innovation Centre of Western Australia have been transferred from the Department of Commerce's Industry and Innovation Division to the OGCIIO.

The OGCIIO meets regularly with the Office of Science and other agencies, including the Department of Commerce, to ensure full collaboration and co-ordination of innovation-related services across these agencies.

Recommendation 16

The Western Australian Government combine the science and innovation portfolios to form a department and Minister for Science and innovation.

Noted.

On 14 May 2016 the Premier announced the appointment of new Minister for Innovation supported by a new Parliamentary Secretary, a clear commitment to ensuring leadership and fostering of the State's growing innovation sector. The OGCIIO and the Premier's Office of Science are working closely together on the innovation and science portfolios and interacting with relevant agencies.

Recommendation 17

The Western Australian government forms an Industrial R&D Cooperation agreement with Israel.

Noted.

Further investigation is required to examine the best alignment and model for parties to engage on in relation to this recommendation, including liaison with the Commonwealth Government on the possible development of a treaty on innovation with Israel referred to by the Hon Julie Bishop MP, Minister for Foreign Affairs in a recent visit to Israel.

Recommendation 18

That the Western Australian Government:

- **identifies the state's existing intellectual and physical infrastructure, and the potential opportunities these present, given the state's geographic location and resources;**
- **develops programs and initiatives that facilitate bringing that infrastructure and potential opportunities together to generate future comparative advantage through developing new technologies; and**
- **ensures that its policies and initiatives emphasise the need to collaborate with other Australian states and Territories as well as overseas jurisdictions.**

Noted.

The Government is committed to working with relevant industries to support the researchers, innovators and start-up businesses that have the greatest potential to strengthen, broaden and build the Western Australian economy and create new opportunities.

In this regard the Office of Science is working with State Government agencies to map existing science research infrastructure. Through building stronger partnerships and delivering a culture of collaboration across government's current research community, better outcomes will be achieved for all Western Australians.

The Office of Science is currently working with the WA Chief Scientist and relevant stakeholders to develop a more strategic approach to establishing science precincts in WA, in particular across the five priorities of the Science Statement for WA. Science precincts will foster greater collaboration between research and the end users of research (such as industry and business) and will deliver the critical mass necessary to attract more world-class researchers to Western Australia.

The State Innovation Strategy also seeks to build upon the State's competitive advantages and improve collaboration with key domestic and international jurisdictions, and establish Western Australia as gateway for innovations to be marketed into Southeast Asia.

The Department of Commerce (Commerce) has carriage for the planning and development of relevant infrastructure under the *Industry and Technology Development Act 1998*. Commerce has important programs underway that continue to plan and deliver infrastructure needs in the Australian Marine Complex precinct, in regional telecommunications and in Technology Parks.

Commerce continues to develop the Australian Marine Complex and facilitate opportunities that benefit from the clustering of industries and significant investment in common-use infrastructure by Commonwealth and State Governments.

The State Government will continue to work with the Commonwealth on delivering outcomes contained in the Defence White Paper, Defence Industry Policy Statement and Integrated Investment Program. In particular the Centre for Defence Industry Capability and Innovation Hub both will provide pathways for small to medium enterprises to engage with defence industry research opportunities.

Commerce continues to deliver the Regional Telecommunication Project in collaboration with the Department of Regional Development and Telstra. Telecommunication connectivity is vital to social and economic development in regional areas and further investment in relevant infrastructure will break down the digital divide between regional and urban areas of the State.

This investment will improve economic opportunity and social amenity between urban and regional populations and aims to narrow the digital divide by addressing access and affordability gaps to digital capability at prioritised locations across regional WA.

The State Innovation Strategy will continue the government's long-standing support for our Western Australian start-up ecosystem. Extensive consultation by the OGCIO and the Department of Commerce previously has been undertaken to identify critical issues and opportunities for collaboration within the local sector including access to capital and the participation of universities in realising commercialisation to ensure the sector continues creating innovative new technologies for the benefit of the State. These needs and the funding to address them are contained within the State Innovation Strategy.