

#DedicateaDay to Innovation VIP Lunch AiiA iAwards, 1 September 2016

Speech: Nothing Ventured, Nothing Gained. Innovation is for all Australians

***** CHECK AGAINST DELIVERY *****

1. Opening remarks

Thank you Rob for the introduction, and thank you to AIIA for inviting me to speak today – it is truly inspiring to be at an event which showcases such amazing digital technologies.

I would especially like to congratulate the awards finalists, who will be participating in a pitchfest later this afternoon before the announcement of the winner at the gala dinner this evening. I am told by Rob that there were over 600 entries, and interestingly more than half of them were from entrants who don't consider themselves from the tech sector. It is great to see so much collaboration and sharing of knowledge at events like this.

2. About ISA

In December 2015, the Prime Minister announced the NISA – National Innovation and Science Agenda – with 24 measures. One of these was the establishment of Innovation and Science Australia, which I chair.

ISA is an independent statutory board which provides a whole-of-government advisory role on all science, research, and innovation matters. The board includes people like the Chief Scientist, Dr Alan Finkel, Scott Farquhar, the Co-founder of Atlassian, Maile Carnegie, ex CEO Google Australia now at ANZ and Paul Bassat, co-founder of Square Peg Capital and SEEK, Chis Roberts, Non-Executive Director ResMed and ex CEO of Cochlear.

A key deliverable for ISA is to develop a 2030 Strategic Plan for Australia's innovation, science and research system. This work is already under way with an audit of our existing innovation systems as a baseline for our future thinking. We need a plan that lifts Australia

into the top 10 position of innovation nations. A plan which will include knowledge intensive enterprises as the key driver of growth and prosperity.

I would like to mention a couple of tangible things that have recently been implemented out of the other 23 NISA measures – some clear runs on the board:

1. From July 2016, a new tax-based incentive for angel investors with a 20% non-refundable tax offset for those investing up to \$1m p.a. in start-ups, and a 10 year CGT exemption for investments held at least 12 months.
2. Plus funding for incubators and accelerators, and 5 landing pads overseas (Berlin, San Francisco, Shanghai, Singapore and Tel Aviv), to strengthen the start-up entrepreneurial ecosystem.
3. New and less restrictive arrangements for ESVCLPs. Partners in new ESVCLPs will receive a 10% non-refundable tax offset on capital invested during the year. The maximum fund size has increased from \$100m to \$200m, and there is no longer a requirement to divest from a company when its value exceeds \$250m.
4. The \$500 million Biomedical Translation Fund was launched in early August. The three key objectives of the BTF are not trivial:
 - a) To avoid squandering the stunning discovery platform provided by our internationally competitive HMR sector. Our research excellence is consistently rated in the top few internationally ... but this is not matched by commercialisation excellence.
 - b) To create jobs and wealth by capturing longer and stronger value from our discoveries and IP; i.e. avoid premature bail outs to offshore pharmas, or premature and underfunded IPO's or even forced binning.
 - c) To deliver better healthcare and quality of life ... so Gardasil was a great win, the first vaccine against a cancer (cervical); but we need more of these, and more Cochlear and Resmeds and Fibrotech, Spinifex and Hatchtechs.

It is a for-profit fund with \$250 million in government funding to be matched dollar-for-dollar by private sector co-investment, designed to assist biotechs and medtechs across the valley of death funding problems which hold back the commercialisation effort in the HMR sector.

5. The new CSIRO Innovation Fund which supports early-stage commercialisation of innovations from CSIRO, universities and other publicly funded research bodies. This early-stage innovation fund of about \$200 million will support co-investment in new spin-out/start-up companies with products and services created by Australian research institutions. This fund will comprise \$70 million in new government funding, as well as private sector investment and new revenue from CSIRO's WLAN programme – the godfather project to Wi-Fi.
6. And the last item I'll mention here today is one I've only recently become more engaged with – the CEO of the DSTG (Defence Science & Technology Group), Alex Zelinsky, recently announced the creation of a NextGen Defence Technologies Fund of \$700m, targeting partnership for commercialising new products and services for the Defence sector.

All of these initiatives and activities are relevant to the information and technology sector.

3. Digital innovation is changing the way we live.

There is no doubt that digital technology is having a dramatic impact on the everyday lives of Australians. We work online, we shop online, we socialise online. Almost 80 per cent of Australians have a smartphone and more than half the population check their smartphone within 15 minutes of waking. By 2019, the average Australian household will have 24 devices connected online. Welcome to the internet of things!

Digital innovation is also transforming the economy. In 2014 alone, the Internet based economy contributed \$79 billion or 5.1 per cent of GDP. This amount could grow to \$139 billion annually (7.3 per cent of GDP) by 2020. Mass connectivity brought about by the internet is disrupting jobs, businesses and industries in a manner that would have been unimaginable two decades ago.

Countries that had, until recently, competed for low cost, low skill jobs are now competing for the most skilled and producing the most advanced products.

The good news is that Australian businesses now have access to a growing global pool of middle class consumers not previously reachable as well as their peers internationally. As Scott Farquhar puts it “the internet has released Australia from its tyranny of distance.’

And these changes are set to continue. In 2015, there were 15 billion smart devices connected globally to the Internet of Things - predicted to grow to 200 billion devices in 2020. This explosion is part of the reason we need a strategic plan for the future.

Our challenge is in how we tell this story – how we communicate and engage with all Australians on what innovation means for them. Yesterday I met with the CRC for Spatial Information and saw some great work using global positioning to control tractors and other machinery on farms. Incredible potential and a great story for our future – but maybe not a great story in everyone’s view if it means less work running or maintaining machinery. We need to tell the story and tell it well, recognising the big picture and opportunities for us all. Getting good news case studies out there will help.

4. How is Australia placed to venture into this future? How do we compare now?

I have already said that ISA is doing an audit of our innovation, science and research system today. We already know some facts.

We are excellent at producing research and punch above our weight in terms of knowledge creation. In 2012 we contributed to 3.6 per cent of the world’s research publications from just 0.3 per cent of the world’s population. This places us a 9th ranking in the OECD. But we struggle to match this excellence in research with excellence in commercialisation.

We rank last out of OECD member countries in terms of business-academia collaboration, and we slipped from 17th to 19th in the 2016 Global Innovation Index.

I want to be in the top 10 countries in the world for innovation.

5. What are our key challenges?

The 6 biggest inhibitions to achieving this top ten aspiration are:

1. Collaboration – between science and business, but also big business with small business.
2. Access to risk capital – to make sure our good ideas aren't forced to IPO too early for us to realise the full benefit, just to survive – and avoid the valley of death.
3. Entrepreneurship – increasing and incentivising the number of Australians having a go.
4. Skills – including STEM education.
5. Access to international and export markets – because innovation in growth industries is essential
6. Our risk averse culture. 'Nothing ventured, nothing gained' means having a go. It means needing a licence to fail. We have a special Aussie culture of schadenfreude, taking pleasure in others' misfortunes. This is a derivative of the "tall poppy" syndrome where anyone who pokes their head up and comes a cropper is penalised for their efforts.

All these are interesting challenges. We won't solve them all today, but as I said in the title of this speech – nothing ventured, nothing gained.

6. Closing remarks

I'll be looking to the AIIA and other key industry groups to help ISA with the 2030 strategic plan. We want your ideas and proposals to help Australia harness the opportunities – and particularly to help spread innovation to the whole population, whether it's here in Melbourne or up in the top end. Nothing ventured, nothing gained.

Thanks again to the AIIA for giving me the opportunity to speak today and for hosting such a wonderful event.