

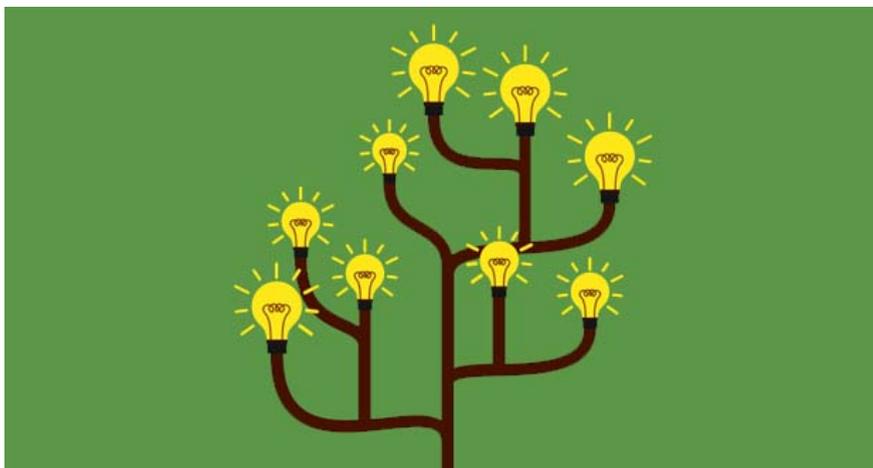
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△ Home | Analysis | Opinion: Coalition's innovation statement defines national agenda



## Opinion: Coalition's innovation statement defines national agenda

□ By: Greg Spinks ↗ in Analysis, Industry & Research, Opinion, Research News, Top Stories ↗ December 8, 2015 ↗ 0

**The release of the innovation statement, the government's first major economic statement since Malcolm Turnbull was appointed prime minister, is a genuine attempt to address the paradox of Australia's strong research performance and poor track record in translating research outcomes into practical application.**

By Greg Spinks

The government's innovation statement is one of the first genuine attempts to address the fundamental challenges facing the Australian innovation system. Despite our excellence in research (Australia boasts more Nobel Laureates per capita than any other nation, ranks 1<sup>st</sup> in the OECD in terms of the proportion of researchers per capita, and ranks in the top 10 in terms of research collaborations, citations and share of publications) when it comes to research translation, we rank either the lowest or amongst the lowest in the OECD on nearly all key measures.

Of the nation's 38 publicly funded universities, 12 have not earned any commercial income over the last three years and only six reported income greater \$5 million a year.

Not only is our ability to translate research into commercial outcomes poor, we are also the world's worst when it comes to research partnerships with industry.

Clearly something is missing.

Although the innovation statement is no silver bullet, it does provide a big step forward and will probably foster a new era of innovation in this country. What remains to be seen is whether the higher education and research sector embraces the opportunity.

### Fostering industry collaborations

One of the key planks of the innovation statement is to foster industry and research collaborations. It delivers a suite of reforms to encourage these collaborations, including streamlining block grant funding, consolidating the six existing programs into two and providing equal rewards for research excellence and industry-funded research.

The plan includes an additional \$127 million over four years for block grants funding research collaborations with industry, as well as new arrangements to measure "non-academic impact and industry engagement".

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This will reinforce current efforts many universities and research groups are making to improve their industry collaborations. An important spill over benefit will be universities having greater access to industry. These relationships can be used to foster employment pathways for the record numbers of higher-education students who are taking longer and longer to find meaningful employment after graduation.

Strengthening linkages for new ventures between Australia and key players, such as Silicon Valley and Israel, will also provide much-needed exit points or "landing pads" for start-up companies that need access to global markets and capital.

This will be facilitated further by additional funding for Australian collaborations with international research industry clusters, such as those in Germany.

Curiously, there is little in the statement to encourage large corporations to collaborate with higher education and research institutes. The responsibility for industry collaborations rests squarely with the research community at a time when there is growing pressure to have industry lead projects.

### Capacity building

The innovation statement gives much needed certainty over key pieces of infrastructure, with a \$1.5 billion investment over the next 10 years in the National Collaborative Research Infrastructure Strategy (NCRIS). This includes more than \$800 million to the Australian Synchrotron and the Square Kilometre Array.

The government has recognised a key gap in skills and has allocated \$84 million to "inspire" Australians to become more digitally capable, including making teachers more digitally literate and improving participation rates in STEM, including boosting low female participation.

Many universities are developing or have reinvigorated their ambitions around incubators and accelerators, which on face value is an exciting step in the right direction. However, there is a shortage of experienced entrepreneurs able to identify and translate research outcomes into commercial opportunities that lure investors. This in part will be overcome by the introduction of the new Entrepreneurs Visa program, which is designed to encourage talented entrepreneurs to move to Australia.

Despite the merit in this and the STEM initiatives, however, they are not quick fixes. The innovation plan recognises this and also provides specific regional initiatives, including the introduction of the Incubator Support Programme, which will focus on regional areas.

Vice-chancellors of regional universities were, by and large, positive about their ability to attract the necessary skills and capitalise on key initiatives. For example, professor Peter Lee, vice-chancellor of Southern Cross University, said he was "pleased to see government's acknowledgement that it is not just capital cities that need innovation". "Regional areas will be attractive to entrepreneurs," he added.

### Tax and policy reform

There is a new suite of tax and policy initiatives, largely designed to encourage risk taking and allow a soft landing after company failures. Unlike many countries, and as recently described by Chief Scientist-to-be Alan Finkel, Australia has a 'fear of failure'.

The innovation statement recognises this with tax offsets for early-stage investments, changes to bankruptcy provisions, including limits to directors' personal liabilities for trading insolvency and allowing for deductions based on intangible assets, which will now be depreciated over a legislated life, rather than the asset life.

### Access to capital

With \$2.6 trillion in funds under management, and until recently more money being bet on the Melbourne Cup than through venture capital, there is no shortage of money and people willing to have a punt.

The problem, in part, has been connecting investment classes with suitable innovation investments. To address this, the innovation statement will drive a number of new initiatives designed to provide investment in early-stage innovations.

This includes the new \$200 million CSIRO Innovation Fund to support investment in spin-off companies and start-up companies, as well as \$20 million to help CSIRO commercialise research outcomes.

Meanwhile, a \$250 million Biomedical Translation Fund has been created, as well as a Cyber Security Growth Centre and a \$26 million investment in quantum computing. These initiatives are all well targeted.

The establishment of "landing pads" in places such as Silicon Valley, Israel and other innovation hot spots provides Australian companies access to global markets, know-how and capital.

These are all exciting linkages for new start-up ventures but the deal flow in the early years is still likely to be low. It will be important, in these formative years, for Australia to maintain the interest of these markets by building a reputation for high quality and investment-ready innovations.

The innovation statement will no doubt help define the agenda and reforms for years to come, but it should be noted that much of its funding is undoing budget cuts in the Coalition's 2014-15 budget.

Labor also released its innovation strategy on Friday, which in many ways reflected the tone of the government's package. This reinforces that now is the time to embrace innovation.

### A snapshot of the innovation statement reveals a \$1.1 billion boost for innovation initiatives. Changes include:

#### Building capability

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- \$1.5 billion over 10 years for the National Collaborative Research Infrastructure Strategy
- \$800 million over the next decade for the Australian Synchrotron and the Square Kilometre Array
- \$84 million over the next four years to inspire Australians to become more digitally literate and encourage participation in STEM. This will include new money to improve teachers' digital skills, generate education apps and provide a \$13 million boost to entice women into STEM
- The introduction of an entrepreneur's visa to encourage young innovators to move to Australia.

### Attracting investment

- Creation of a \$200 million CSIRO Innovation Fund to support investments in spin-off and start-up companies, as well as \$20 million to help commercialise research outcomes
- A \$250 million Biomedical Translation Fund
- The creation of a Cyber Security Growth Centre, and a \$26 million investment into quantum computing
- The establishment of 'landing pads' in places such as Silicon Valley, Tel Aviv and other innovation hot-spots for Australians to undertake entrepreneurial activity.

### Collaboration

- An additional \$127 million over four years for block grant funding for research collaborations with industry, as well as new arrangements to measure "non-academic impact and industry engagement"
- Increased focus on industry collaboration and less focus on publishing articles. The six existing block grant schemes will be collapsed into two, with equal ratings for research excellence and income from industry.

### Tax and legislative reforms

- Changes to bankruptcy legislation to encourage risk and a 'safe harbour' for directors to limit personal liability for insolvent trading
- Deductions on intangible assets such as patents, which can be depreciated over a legislated time, rather than the asset's life; relaxed laws for claiming losses if a company changes business activities and a 10 per cent, non-refundable, tax offset for capital invested in early venture partnerships
- The cap on committed capital will be lifted from \$100 million to \$200 million.

**Greg Spinks is the founder and managing director of Consulting & Implementation Services. His firm consults almost exclusively to the higher education and research sector.**

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