



The Hon Karen Andrews MP

Minister for Industry, Science and Technology

Mr Andrew Stevens
Chair
Innovation and Science Australia Board
c/o secretariat@isa.gov.au

Dear Mr Stevens

**INDUSTRY INNOVATION AND SCIENCE AUSTRALIA
STATEMENT OF EXPECTATIONS**

The Australian Government recognises the critical role science, innovation, and technology play in driving a productive, resilient and prosperous nation, underpinned by a pervasive spirit of innovation across all facets of the economy. Through its policies and investments, the Government is enabling the right conditions for Australian businesses, entrepreneurs and researchers to develop and commercialise new technologies, products and services that can drive economic growth, create highly-skilled jobs and increase living standards for all Australians.

Since 2016, Innovation and Science Australia (ISA) has provided strategic, whole of-system advice on the Government's investment in science, research and innovation, with a view to enhancing the performance of Australia's innovation system. The Government has drawn on ISA's four major reports and other advice to inform a range of Budget and policy decisions.

As the pre-eminent advisory body on industry innovation and science matters, it is natural that ISA plays an important role in providing advice on some of the key measures in the 2020-21 Federal Budget as we look to drive our economic recovery. In light of this, I have decided to rename ISA, Industry Innovation and Science Australia (IISA). This new name, a refreshed membership and the new focus as detailed in this Statement of Expectations will signal the Government's view that science and innovation provide the foundations of successful industries which create employment opportunities, economic growth and societal benefits.

As you are aware, I have commenced the necessary minor legislative actions to change ISA's name. In the interim, I expect the Board, operating as IISA, to carry out its responsibilities in accordance with current legislation, while being mindful of my expectations.

In carrying out the work outlined in this statement, I expect IISA to consult widely and regularly across government, while remaining in close contact with me, my office, the Secretary of the Department of Industry, Science, Energy and Resources (the department), and key departmental personnel. I anticipate that the refreshed membership of the Board will

open up industry and private sector networks that can provide new insights and opportunities that IISA may be able to leverage.

This change of name and the nature of the work outlined in this Statement of Expectations represents a shift in the way IISA is expected to operate. I encourage you to fully engage with this more iterative, collaborative style of work to ensure the Government gets the best from its investment in IISA, and that IISA is regarded as the pre-eminent source of policy advice, in an increasingly contested environment.

The new Statement of Expectations for IISA reflects the new direction of the Board and I look forward to working with you, with a refreshed Board membership and targeted mandate to improve our industries for the benefit of all Australians.

1. Modern Manufacturing Strategy

The Government is implementing its \$1.5 billion Modern Manufacturing Strategy (the Strategy) to create a new manufacturing future for Australia. The Strategy is a key part of the Government's JobMaker plan. The Strategy is led by industry, for industry, to help our manufacturers to scale, become more competitive and improve their resilience in a turbulent global economy.

I expect IISA to play a role in supporting the Strategy's implementation, as requested by myself and the department, and on-going evolution. IISA will:

- Provide advice, contextualising the Strategy within the broader industry and innovation system;
- Work with the department to support the development of industry-led road maps for each National Manufacturing Priority;
- Provide advice on individual initiatives under the Strategy, including:
 - the Modern Manufacturing Initiative;
 - the Manufacturing Modernisation Fund;
 - the Supply Chain Resilience Initiative – including strategic advice on areas of vulnerability that are critical to Australia's needs.
- Advocate for the Strategy with stakeholders and the public as appropriate;
- Provide iterative advice, as requested by me or the department, on the implementation of the Strategy and related issues.

2. Industry Growth Centres Initiative

In recognition of IISA's enhanced industry focus, and in order to streamline my advisory arrangements, I have decided to wind down the Growth Centre Advisory Committee and to assign IISA responsibility for providing strategic advice on the Industry Growth Centres Initiative. This includes, but is not limited to:

- The strategic policy of the Industry Growth Centres and the Industry Growth Centre Initiative
- Other matters relevant to the Industry Growth Centres Initiative and broader Portfolio, as IISA considers it appropriate
- Other matters as requested by me.

I ask that you work closely with the Growth Centre Advisory Committee and with my department during the transition to these new arrangements.

3. Industry Innovation System Projects

A key aspect of the following industry innovation system projects will be IISA's engagement across government to identify opportunities for increased coordination and to minimise duplication of effort in realising national outcomes.

Evaluation of cross-cutting issues arising from the National Manufacturing Priority Road Maps

IISA will undertake an analysis of the National Manufacturing Priority Road Maps (the Road Maps) to identify common, cross-cutting issues that could be addressed in a holistic fashion, including through relevant work being undertaken in other portfolios. I expect these will, at a minimum, include the areas of skills, digital capabilities and regulatory barriers.

IISA will provide advice to me within six months of consideration of the final Road Maps, across the suite of issues raised, and propose actions that I can take to remedy these. The analysis should include actions that can be implemented without legislative change within the Industry, Science and Technology portfolio, as well as those that require legislative change or further cross-Government coordination to implement.

Report on investment characteristics of successful innovative businesses.

Building on the Board's previous report *Stimulating business investment in innovation*, IISA will provide further analysis of the investment characteristics of successful innovative firms and advice on possible policy approaches to support firm growth.

This advice should build on IISA's work to-date and include analysis of digital uptake, investment in skills, and be framed in the context of economic recovery and government priorities as articulated through the Modern Manufacturing Strategy. It should also consider the effect of these investments on commercialisation outcomes.

I ask that you report to me by December 2021.

Venture Capital Tax Concession Impact Assessment

IISA will complete an impact assessment of Venture Capital Tax Concessions as mandated in Subsection 118-455 of the *Income Tax Assessment Act 1997*, to be undertaken in conjunction with the Department of the Treasury.

4. Engagement with on-going policy development

From time to time I expect IISA to consider and provide feedback on proposals and initiatives under development by my department, and across government. This may include members engaging with their extended networks where appropriate and providing feedback and evidence to the department.

Details of this engagement will be determined on a case-by-case basis in consultation between the department and the Chair.

5. Other activities

I expect the IISA Chair and members to actively:

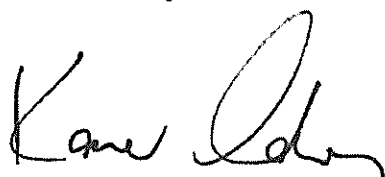
- Attend and fully engage in all meetings of the IISA Board
- Champion science and technology as critical enablers of more innovative Australian industries and businesses, and promote and advocate for Government's policies and programs as appropriate.
- Build greater understanding across the Australian community of the importance of science, technology, engineering and mathematics (STEM) skills and knowledge.
- Engage widely across the business community, and considering the views of small, medium and large business alike in all sectors of the economy.
- Engage with my department, and through it my portfolio agencies and across government.
- Where appropriate, provide expert advice to inform the implementation of government priorities.
- Through the IISA Committees, provide advice on merit-based technical assessments, merit rankings, registrations and eligibility assessments to my department on the Government's innovation programs.

6. Reporting and Planning

To ensure that resources are efficiently deployed and used, I expect IISA, in consultation with my department, will develop an annual work plan, for my consideration. The work plan will include a stakeholder engagement plan which identifies how IISA will communicate its messages to key communities. I expect that the IISA Board will deliver against the work plan, cognisant of government and ministerial processes, with a situational awareness that will maximise the impact of its advice.

I look forward to receiving from the IISA Board a Statement of Intent (SoI) that outlines how the IISA will deliver on this SoE. I expect that the SoI will be delivered within six months of this SoE being issued.

Yours sincerely



Karen Andrews

21 / 12 / 2020