

IISA Chair

The Hon Ed Husic MP
Minister for Industry and Science
Parliament House ACT 2600

Dear Minister

On 1 December 2022, you provided Industry Innovation and Science Australia (IISA) with a Statement of Expectations (SoE) outlining your priorities for IISA's program of work for the year ahead (2023). As Chair of the IISA Board, and on behalf of the Board, we welcome the opportunity to work closely with you and your portfolio to support the building of stronger businesses and industries through the capitalisation of new and emerging areas of innovation and commercialisation of ideas.

This letter forms IISA's Statement of Intent. You mentioned the 2 key responsibilities of IISA – the oversight of portfolio innovation programs and to provide strategic advice to the Government on industry innovation. This Statement of Intent outlines IISA's approach to deliver on these responsibilities and your expectations. The workplan and stakeholder engagement plan attached provides supporting detail and timeframes for delivery.

1. Advice on key Government priorities

National Reconstruction Fund (NRF)

The NRF is a big step to catalyse the diversification and transformation of Australia's industry and economy. Manufacturing is a core capability for industrial innovation that converts conceptual designs to commercially sustainable products and associated value-adding services.

Manufacturing needs to be recognised as a capability across our economy and not a specific sector or industry. Manufacturing success is not static, nor limited to a few highly technologically advanced companies. Being advanced relies less on what businesses make (i.e. the product) and more on how businesses adapt to emerging challenges and innovate to meet changing customer value propositions.

Since late 2022, the Board has been working closely with the Secretary, Meghan Quinn PSM, and other departmental executives on the intended outcomes of the NRF. Ahead of the February Board meeting, the Board provided written advice to the department that focused on the NRF design and desired policy outcomes (a copy was also provided to your Office). The in-session discussion was very productive, and the Secretary noted that IISA's advice to the department on NRF design was very helpful and contributed to the final drafting of the NRF legislation.

IISA members recently provided further advice to the department on guiding principles to help identify NRF projects that align with the Government's overarching policy objectives of industrial and economic transformation, sustainable value creation, and economic diversification. This

complemented the advice provided in February and of particular note, includes several case studies ('use cases') that demonstrate the application of the guiding principles. I note that further engagement from IISA will be required as the co-investment plans are developed. In that vein, IISA will continue to regularly engage with departmental executives to provide targeted and timely advice as the NRF is implemented.

Commercialisation and collaboration

Relative to its population, Australia is well-known for its world class research capabilities and for the commercial success of our large enterprises. However, the capacity to be resilient, to thrive, and to grow the economy requires an industry structure with greater numbers of commercially sustainable businesses that are of medium size. To achieve this, the exchange of emerging market needs and ideas between the scientific, manufacturing and business communities – and how to address market opportunities – is arguably as important for Australia as new breakthroughs in scientific research itself.

In a competitive and innovative economy, Australian businesses need to identify market opportunities and frame the commercial environment, and our research community needs to focus on how these opportunities can be unlocked. Both need to take risks and come to the table for collaboration and ultimately commercial outcomes.

IISA, with its connections to businesses across the economy, will analyse barriers faced by businesses to collaboration with the research sector and research commercialisation in Australia; and provide advice on practical options to address these barriers.

In line with your request, and to ensure our advice adds to broader whole of government strategies, IISA is connecting closely on other significant reviews currently underway. I recently met with Professor Mary O'Kane (along with Dr Cathy Foley) to discuss how our work on commercialisation and collaboration can complement her work on the Australian Universities Accord higher education review. This month, the IISA Board met with department officials (led by Dr Foley) to offer its perspective on the key matters for consideration in the National Science and Research Priorities and National Science Statement being developed by Government.

You requested our advice to be delivered in **August 2023** and based on the delivery of the above-mentioned reviews later in 2023, we will continue to engage with these reviews and ensure our advice is complementary.

Driving innovation in businesses through intangible investment

Over 2020 and 2021, IISA carried out extensive analysis on business investment, innovation and success. This work found that business investment in intangible capital is a significant enabler for firms to innovate and commercialise. Despite this, most Australian firms still largely invest in tangible capital. In forming further advice to you I look forward to discussing our analysis, and practical options and guidance to improve business understanding and investment in intangibles.

This will include which sectors present the strongest opportunities to align with your current priorities, strategies and programs – particularly the NRF.

Innovation metrics

Valuable insights on industry innovation and commercialisation performance can be gleaned through the consistent reporting and measurement of appropriate indicators. The recently published Innovation Metrics Review, led by the department's former Chief Scientist and Chief Economist and in which IISA participated, provides an excellent basis to continue action on improving innovation measurement. IISA will support the department in their work to identify opportunities to improve the way in which we measure industry innovation through better metrics and data. This will include opportunities to better align innovation metrics to the Government's current priority areas of the economy.

Industry innovation for business decarbonisation

Climate change poses one of Australia's most important and defining challenges. Greater uptake in the rate of business decarbonisation from Australian businesses and industries, particularly small to medium enterprises (SMEs), will be key to Australia meeting its emission reduction targets.

IISA will provide advice on how governments can support the decarbonisation efforts of businesses, particularly SMEs, by identifying the unique barriers these businesses face, and the opportunities for both government and business. This will include advice on how technology and business capability can be used to drive innovation that will support the decarbonisation efforts of SMEs, and businesses in general. In addition to providing advice to you, IISA will also collaborate with relevant government agencies to translate IISA findings into useful advice and guidance to businesses.

This advice will be delivered to you by **November 2023**.

2. Oversight of innovation programs

IISA will continue to perform its functions as delegated by legislation and Ministerial Direction, including oversight of relevant innovation programs. IISA will review current governance across the portfolio program suite with a view to ensuring arrangements remain fit-for-purpose and adequate. We will return to you to provide advice on whether current program oversight arrangements are robust enough and will work closely with the department to provide you with opportunities for improvement.

(new) Industry Growth Program

We are excited by the Government's new Industry Growth Program initiative. This early-stage support for Australian SMEs and start-ups to commercialise their ideas and grow their operations aligns with IISA's previous work on the need for more support at this critical and challenging phase

to drive innovation in Australian businesses. IISA will consider the impact and role of this program in its advice to Government, particularly in relation to the portfolio of innovation programs IISA oversees.

3. & 4. On-going policy development and other activities

IISA will continue to advocate strongly for Australia's science and innovation system in domestic and international fora, engage widely across the business community, and work closely both with your department and relevant government agencies.

5. Reporting and planning

To support this Statement of Intent, an annual work plan and stakeholder engagement plan is attached for your consideration.

Situational awareness of government and Ministerial processes will be incorporated to ensure delivery of each element of the SoE has maximum impact. Through regular IISA meetings during the year (both in-session and virtual), I will ensure you are fully informed of progress in delivering on each element of the SoE.

On behalf of the IISA Board, we look forward to working with you and the department on implementing these important projects and initiatives.

Yours sincerely



Andrew Stevens

26 May 2023