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President

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Dr Matthew Butlin
Chair of the Victorian Competition and Efficiency Commission
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Draft Report Securing Victoria's Future prosperity: A Reform Agenda

Dear Matthew

As you will be aware the Academy of Technological Sciences and Engineering has a strong interest in some matters covered in this report, particularly innovation. We therefore offer some brief comments on this chapter of the report.

The chapter provides a good review of the present position and ATSE would endorse much of the analysis. We note the chapter discusses the need for a greater emphasis on demand (market pull) innovation policies that we would strongly support. The recommendations included in the chapter, however, do not fully reflect this recognition.

Given the extensive global literature on innovation, the availability of information from organizations such as the Information Technology and Innovation Foundation (ITIF) based in Washington DC and the National Endowment for Science Technology and the Arts (NESTA) in the UK for example, ATSE has reservations about the value of establishing an innovation and entrepreneurship research institute in Victoria. If additional funds were available or to be diverted from other activities, ATSE feels that they would be better deployed in support of demand side policies rather than in the creation of another institute to study the processes and practice of innovation. The latter seems an opportunity for an existing organization to redirect its priorities if there is a genuinely weak evidence base for innovation policy.

There is increasing recognition in Australia (references cited in the VCEC report) of the weak linkages between research organizations and firms, particularly SME's and that this needs to be addressed via suitable policy initiatives. For researchers this includes the assessment of research impact as well as excellence based on traditional measures such as citations and for firm's incentives to develop new products and services via linkages with research organizations and other collaborators. ATSE has undertaken some recent work in this area with recommendations for improvement, for further details please see the ATSE international workshop *Strengthening Links Between Industry and Public Sector Research*

Organisations (Sydney, May 2011) <http://www.atse.org.au/resource-centre/function-startdown/451/> and the ATSE workshop *Increasing the innovation dividend from emerging technologies* (Brisbane, August 2011) <http://www.atse.org.au/resource-centre/function-startdown/467/>.

ATSE suggests three initiatives for consideration

- Change the incentives in the universities by introducing a third stream (as per the United Kingdom) to reward outreach and collaboration. This may be difficult for a State Government to introduce but a pilot scheme could be considered.
- Introduce (as Victoria has done) but expand the scheme (Small Technologies Industry Uptake program) to pay for SMEs to prototype and market test innovations.
- Introduce a scheme to provide targeted support for networks, venture funds or other initiatives set up to bridge the funding “valley of death” between university research outcomes and industry’s needs for more mature commercial-ready technology

ATSE strongly supports the overall directions of the draft report and the opportunities it represents for State Government leadership to complement national policy initiatives for innovation.

Yours faithfully

A handwritten signature in black ink that reads "Robin Batterham". The signature is written in a cursive, flowing style.

Robin Batterham