

Mark Horsburgh
PRESIDENT-ELECT, LICENSING EXECUTIVES SOCIETY OF AUSTRALIA AND NEW ZEALAND (LESANZ)*

Innovation agenda: missing the point

In a country with an economy the size of Australia's we should be applying an 'Australia Inc' attitude to our nation's R&D and providing public funds to support early stage commercialisation.

In reality however, our leaders have missed the point when it comes to understanding how to support our innovators. This is made clear in the Government's response to Terry Cutler's review of our innovation system in the white paper titled *Powering Ideas: An Innovation Agenda for the 21st Century*.

This year's budget announcement of an \$8.58 billion package for science and innovation is a significant investment from the public purse, but one that has been misdirected to initiatives such as increasing the number of postgraduate positions. This will have no real impact on commercialisation for the foreseeable future.

The Government's white paper failed to understand that Australia is not in a deficit when it comes to local research and innovation. It's just that we lack viable funding systems to support the early steps on the path from innovation to commercialisation.

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The paper acknowledges that many good technologies have been commercialised off-shore, with Australia missing out on the economic benefit. Yet the solution proposed is bizarre, at best: to offer more research positions to generate more great research, so that even more world class Australian innovation is forced offshore in the search for commercialisation funding support. This seems counter-intuitive for a document that purports to set out a national agenda to improve our global innovation standing in the 21st century.

Surely the logical conclusion should be to seek a greater economic return from existing innovation sources, rather than increasing the competition for commercialisation resources. Additionally, we must ensure at least the existing sources of early stage support for commercialisation are maintained. Unfortunately, this has not been the case, with one of the first actions of the current Government being to cut the Commercial Ready grant scheme.

At a recent industry panel discussion hosted by the Licensing Executive Society of Australia and New Zealand* (LESANZ) in Brisbane there was unanimous consensus in condemning the decision to axe the Commercial Ready scheme. Venture capitalists on the panel stated that since the scheme was axed they had curtailed investments. The scheme provided matching funds that reduced the risk for commercial investment. Without the Commercial Ready funds the risk profiles for most investments were outside the bounds that the Venture Capitalists could accept. As a result, investment in early stage innovation significantly

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This is where the concept of 'Australia Inc' would be most effective: cooperation between public funds contributed by government, and private funds, to provide the early stage investment needed for Australian innovation to get a fair chance at generating economic benefit for the country.

Unfortunately until now much of the debate has been ill-informed. Dr Terry Cutler has said there should not be "...arcane debates around the minutiae of intellectual property regimes; it is about ensuring that regimes designed to support innovation do not end up as barriers." He is half right. The debate should not be about the minutiae: it should not be about intellectual property regimes at all.

There is nothing of substance wrong with the intellectual property regime in Australia. It is world class. Rather, the debate should be about moving Australia's world class innovation along the path to world class commercialisation. It is this debate which is lacking in Australia and completely absent from the white paper.

Interestingly, the one initiative that does have potential to make a difference is the Government's proposed Commercialisation Institute.

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At present the details are sketchy but early indications are that it will be yet another training and research organisation rather than the hands-on commercialisation driver that is required. Instead, we need the Commercialisation Institute to take a lead role in coordinating and directing government funds for commercialisation and to foster intimate engagement with private sources of equity. Only then, with close cooperation between private and public sources of funding for commercialisation, can 'Australia Inc' hope to turn a profit from Australian innovation.

**The Licensing Executives Society of Australian and New Zealand is the premiere association for the education and promotion of the commercialisation of innovation. The organisation will hold its next Annual LESANZ conference in Adelaide from 22-24th April 2010 (<http://lesanz.org.au/realmevents/annualconf.html>)*