11 April 2025

The Independent Expert Panel
Strategic Examination of Research and Development
Department of Industry, Science and Resources

Via Online Submission: https://consult.industry.gov.au/strategic-examination-rd-discussion-paper/

To the Panel

Response to the "Strategic Examination of R&D discussion paper", 12 February 2025

We would like to thank the Panel for providing the opportunity to present responses to their discussion paper, issued on 12 February 2025. We fully agree that Australia has immense potential to harness the outcomes of the current and future R&D being conducted across the country to create greater outcomes for the population in all economic and social aspects of our lives.

Based on our extensive experience across the Australian R&D ecosystem, we will present how we propose to address the fundamental issue, that:

> *"... our economy and our culture have not been able to find a way to use these assets to translate research into products and services at meaningful scale. This is despite decades of inspiring rhetoric .."*

We agree with the positions presented in the paper, and hypothesise that our proposed solution is not expensive but will have long lasting positive impacts and will result in Australia being among the most attractive countries in the world to conduct R&D.

Our Background

Evolv3 is a specialist R&D Tax advisory firm and our team has been working in the field for over 25 years. We have assisted 1,000s of R&D companies across all types of industries and technologies. We also run WA's largest online innovation community through the WA Innovation Calendar, which provides weekly updates for the latest events, programs and funds to help innovation in Western Australia.

For over 25 years we have had roles and supported innovation directly through R&D tax as well as with a variety of innovation management and funding initiatives and are well placed to draw on these experiences to address the findings in the paper. Through our clients, members of the WA Innovation Calendar and extensive network of expert innovation advisors, we have considered what "is missing"

and "what would help" improve R&D outcomes for them, but while also having a deep understanding of the cost (both direct and indirect) of that help. From the various scenarios we have considered, we believe that our proposition would be able to provide a highly scalable solution, to generate long term innovation outcomes, for a marginal cost. We welcome any questions and the opportunity to present more details for the following proposal if required.

The Australian R&D Problem:

The purpose of R&D is to generate new knowledge that can be applied to create outcomes that have a much greater value than what was available before the R&D was carried out. This process of taking an idea, moving it through the R&D phases, as well as the phases to commercial implementation and scale of the R&D outcome is often referred to as "Innovation". The basis of our responses to the R&D Strategic Review questions is to refer to R&D in the broader language of Innovation.

By referring to innovation, rather than R&D, we are placing the emphasis on not just the creation of new knowledge that is generated from the R&D, but on the subsequent conversion of that knowledge into larger scale commercial, economic and social impacts. We propose that Australia's R&D results are satisfactory in the generation of technical outcomes, such as:

- Papers
- Patent Applications
- "One-off" applications for specific use

However, as it is very well presented in the Review, the progress of Australian R&D to generate greater social and economic benefits has been limited.

We have worked with Australian R&D, ranging from universities through to corporates, for over 25 years, and covered 1,000s of projects across all types of industries, and agree with the Review on its findings, and our opinion is that:

> *The majority of Australian R&D does not generate significant outcomes, that is, we believe that most R&D fails to be applied in any form of scale other than for a short term, limited application.*

The reasons for this failure are related to each of the different generators of the R&D as follows:

- Universities:
    - Have no significant incentive to commercialise their R&D, they do not "need" the potential future source of income that the commercialisation of R&D can create and thus do not want to have to risk the financial loss of funding innovation. Furthermore, the individuals that create the Intellectual Property have no personal reason to "risk" their career and personal financial well being from moving the R&D into future commercial opportunities.
    - Universities see themselves as educators and the creator of the knowledge, not the generator of commercial innovation outcomes. This mentality is supported by the success of large grant programs such as CRCs and Trailblazers, where the commercial

outcomes are unrelated to the University, the commercial outcome is for Industry to take care of.
    - Universities have invested into startup ecosystems, by running programs and collaborating with startup ecosystems, rather than taking more financial risks on their own innovation.
- Startups:
    - The majority are under-educated on the process of Innovation.
    - Startup ecosystems are inefficient, individual startups must navigate the network of programs, funds and supporters, wasting time and money trying to find what they need to progress along their innovation journey.
- Small and Medium Enterprises (SMEs):
    - They often understand the need to innovate but are time and money restricted due to the demands of the "normal" business
    - They are under-educated on the innovation process which often results in their R&D outcomes being stifled
    - Privately owned businesses reach a personal interest/vision that does not require R&D investments and risks
- Corporates:
    - Fundamental R&D inhibitors are well explored and defined, particularly by Clayton Christensen in his book "Innovators Dilemma", understanding of these positions is critical and confirms why Australian corporations undertake very limited R&D

Enhancing R&D in Australia:

The Terms of Reference represent the problems that need to be solved in the Australian R&D industry, in summary we hypothesis that failure of Australian R&D can be addressed by enhanced commercial success of R&D, as commercial success will:

1. Maximise the return from existing R&D investments;
2. Demonstrate potential for others to achieve commercial success from R&D;
3. Will encourage more investment into R&D;
4. Which will require more connections between investors and industry seeking their own R&D commercial success from research;
5. Thus, resulting in increased R&D intensity in Australia.

The proposition is that by accelerating the commercial success of Australian R&D, rather than focusing on the underlying R&D, it will result in the industry and market "pull" rather than committing to new programs that try to "push" R&D into industry. There are plenty of good programs that support the creation of R&D, as well as programs that assist "funding" of R&D, but there is a significant lack of substantial support to help R&D achieve actual commercial success.

If significant and broad R&D commercial success can be achieved and demonstrated, not just in the occasional "unicorn" or "high tech" story, but in R&D that more regular Australian businesses can understand, it would not only result in increased results for those R&D projects, but encourage more R&D investments to take place.

The support over the last 20 years to assist with R&D commercial success has been based around grants and programs picking small numbers of projects and individuals, normally with "high risk" style innovations. A percentage of these may go forward with success but due:

- to the limited number of projects;
- the fact that many of these programs are aimed at trying to turn researchers or early startups into "entrepreneurs"; and
- of course the regular low commercial success rate from selected high risk R&D projects,

… there will only ever be a marginal gain to the overall Australian R&D results.

By shifting the focus from the above programs to broad based support, that includes as many R&D projects as possible, including R&D that is higher on the Technology Readiness Level scale than is normally accepted into commercial support programs, this will:

- create greater commercial outcomes and thus
- encourage more R&D to be carried out

How to create large scale commercial success from R&D:

We propose that a broad and open innovation education program will be the most efficient and effective way to create greater commercial success from Australian R&D, which will in turn encourage more R&D to be carried out.

This education program can be delivered via online learning platform technology and incorporate all of the best knowledge and tools available related to innovation commercialisation. It can be developed and delivered such that:

- Innovators in different sizes of businesses will have content appropriate for their innovation and business;
- Diagnostic style assessments can be incorporated into it such that the innovators will be able to target the education that they require at different stages of their innovation journey;
- It would provide significant efficiency gains across the entire Australian innovation ecosystem by creating a standard of understanding and baseline of skills far beyond what is currently available;
- It could be delivered entirely open or through any number of gateways or portals to control who has access, for example: it could be made available to Australian Companies that submit R&D Tax Registration claims, thus restricting it to companies in Australia that are dedicated to spending money on Australian R&D; and
- The program could involve accreditation style outcomes that once achieved provide access to further Government funding or support programs.

Overtime, and as measured success of the education program is observed, elements can be introduced into the University and TAFE sectors to provide valuable Innovation education to next generations of innovators who may create their own startups or more generally move into careers in industry and government.

The cost to develop and deliver an online innovation education program would be significantly less than any Commercialisation Grant program and would have reach and potential scale impact well beyond anything that has been achieved before.

The knowledge and technology to develop this program is all currently available, there are no reasons that for a very low cost this program could not be developed and trialled. The cost versus reward return for a program like this for the Australian economy would be on a scale that could make long term magnitude impact benefits for the Australian economy.

Conclusion

We would like to thank you for the Review and opportunity to present this response. We hope that from this response, and the many others that are received and reviewed, there will be long term benefits to the Australian economy.

We have much more information available with regards to specific details of the proposed Innovation Education Program and welcome any questions you may have on the above or for more information.

Should you have any further queries please do not hesitate to contact myself on 0401 999 513.

Yours sincerely

Stephen Carroll
Director
Evolv3 Innovation Pty Ltd

E: steve@evolv3.net
M: 0401 999 513
W: Evolv3.net