



Submission to the NSW Innovation Blueprint

April 2024



Committee
for
Sydney

Acknowledgement of Country

The Committee for Sydney acknowledges Aboriginal and Torres Strait Island peoples as the traditional custodians of the land. Sovereignty was never ceded: this was, and always will be, Aboriginal land.

Introduction

Sydney is a city with significant innovation potential. The Committee for Sydney's recently released Benchmarking Sydney 2024 report highlights Sydney's global strength in emerging innovation-driven sectors.

The NSW Government has been leading their Innovation Blueprint program and the Committee for Sydney commends them for this leadership. As part of the program's development, submissions were recently called for, specifically seeking input to the following questions:

- How can we increase the rate at which new ideas and insights emerge and create new products and businesses?
- How can we increase the amount and diversity of finance available to startups and scaleups?
- How can we increase the volume and impact of highly-novel innovation outputs being generated by NSW businesses?
- How can we increase the number of innovating businesses selling locally developed products into global markets?
- How can the NSW Innovation Blueprint be strategically deployed and aligned?

This is a summary of the Committee for Sydney's response.

How can we increase the rate at which new ideas and insights emerge and create new products and businesses?

Opportunities

- NSW has a significant innovation ecosystem that has been developed by government, institutional and private sector stakeholders over the past decade.
- Districts and precincts have range of specialisations across many national or international priority sectors (including life sciences, deep tech and digital tech) and are supported by precincts of varying scales that will accommodate supporting or complementary industries and activities. These include the Western Sydney Aerotropolis, and the Regional Special Activation Precincts and Renewable Energy Zones.
- Sydney has a deep and highly skilled labour market and world-class universities that are essential for innovation development and talent attraction.

Barriers

- Our biggest barrier is a lack of state-wide economic strategy that identifies priority sectors and the role that the state's Innovation Districts play as a network in delivering the strategy's outcomes
- Other barrier is lack of political leadership – innovation districts sit across several policy portfolios and ministers

What should the NSW Government focus its efforts on?

The NSW Government should focus on developing a whole of state economic vision and strategy that has a spatial dimension. Such a vision would identify parts of the state, or parts of Sydney, that play a specific role in the NSW innovation network and drive industry attraction and infrastructure prioritisation.

The NSW Government should also ensure dedicated political leadership in the Innovation District space. This could be done in several ways:

- An expanded remit of the current Ministerial portfolio responsible for innovation
- Creation of a new portfolio that has a focus on the Future Economy;
- Creation of a Cabinet sub-committee made up of relevant ministers that would include Innovation, Industry, Treasury, Planning, Health, Transport, Jobs and Investment;
- Re-establish the role of a NSW Chief Economist.

Who should the NSW Government partner with?

The NSW Government has, over recent years, done a very good job developing strong relationships with stakeholders across the innovation ecosystem. These partnerships should be maintained and deepened.

An increased emphasis on further developing the partnership with the Commonwealth Government is important for aligning state innovation and industry policy with national priorities.

Which initiative should the NSW Government do first?

The Committee for Sydney believes the following initiatives are important first steps:

- Developing a whole of state economic vision and strategy that has a spatial dimension.
- Ensure dedicated political leadership in the Innovation District space.



How can we increase the amount and diversity of finance available to startups and scaleups?

What are the biggest opportunities and barriers in this area?

Policy certainty (or uncertainty) is the biggest barrier to the financing of startups and encouraging them to remain and scale in Sydney or NSW. Reducing this barrier could be achieved through:

- Creating clear ‘front doors’ for businesses looking to expand or receive support from the NSW Government;
- Providing clear direction on procurement – and expanding small-business procurement policies such as the Small Business Innovation and Research program;
- Developing a more ‘entrepreneurial’ approach to regulatory uncertainty, identifying ways to enable new technologies and sectors to remain and grow in NSW.

What should the NSW Government focus its efforts on?

The Committee recognises that the NSW Government is operating in a financially constrained environment, and we note that the previous budget reduced the direct grants available to startups, scaleups and investment attraction.

Instead of reinstating these funds, we recommend a new model of investment – where the NSW Government develops a ‘[breakthrough fund](#)’ style investment vehicle that sees investments recouped over investment cycles.

The benefits of this would be have this funding considered as an investment rather than direct expenditure. This would take the form of:

- Venture capital equity investments – through the use of co-funding of VC funds focussed on NSW-based firms – similar to the [Alice Anderson Fund](#), or the previously mooted [Carla Zampatti Fund](#);
- Direct equity stakes in firms – similar to the NSW Government’s stake in [Silicon Quantum Computing](#), which is currently valued significantly higher than the initial investment;
- Repayable grants – where the repayments are tied to outcomes for firms. The [Israel Innovation Authority](#) model is worth considering for this: Firms that reach certain revenue/scale are required to pay back their grant in full, firms that IPO or are sold are required to pay back 300% of their grant, and firms that IPO or are sold outside of Israel are required to pay back 600% of their grant.

How can we increase the volume and impact of highly-novel innovation outputs being generated by NSW businesses?

What should the NSW Government focus its efforts on?

The Committee believes that there are several opportunities to focus efforts:

- The NSW Government can be a significant procurer of novel innovation and products. Strategic deployment of procurement across departments can harness economies of scale and provide certainty to early market entrants through ensuring demand for a certain volume of output. This helps businesses by providing the confidence to invest in innovation
- This applies equally to products, services and even utility innovation such as decentralised renewable energy and recycled water.
- Coordinated deployment of national or state industry policy to signal to Innovation Districts, sectors and individual businesses where government support, prioritisation or investment in certain industries will go.

Who should the NSW Government partner with?

- The NSW Government can partner with local and commonwealth government to align procurement, further increasing economics of scale and aligning strategic industry priorities.
- Innovation District governance bodies (or key stakeholders such as universities in the absence of a governance structure).

Which initiative should the NSW Government do first?

The Committee for Sydney believes the following initiatives are important first steps:

- Review cross-departmental procurement to ensure that there is coordination across agencies and consistent procurement strategies to achieve stated NSW Government objectives;
- Align funding and grant projects to ensure investment in start-ups and scaling businesses is targeted and enables meaningful investment in facilities, plant and equipment, labour and other aspects of business development.

How can we increase the number of innovating businesses selling locally developed products into global markets?

What are the biggest opportunities and barriers in this area?

Sydney (and NSW and even Australia) lacks a coherent and well-articulated global innovation brand. This is further complicated by often excessive competition between the states for Foreign Direct Investment or the duplication of efforts in globally competitive sectors where collaboration would be of greater economic benefit.

What should the NSW Government focus its efforts on?

Developing a clear globally-oriented brand for NSW (and Sydney in particular) that highlights what our competitive strengths are and where government and industry priorities are directing investment.

Who should the NSW Government partner with?

The NSW Government should look to collaborate strategically with other states, as well as national trade-focused organisations such as AusTrade and the Department of Foreign Affairs and Trade.

Which initiative should the NSW Government do first?

Expand the Going Global program – one of the most successful programs run by the NSW Government, and extremely successful in expanding small business exporting.



How can the NSW Innovation Blueprint be strategically deployed and aligned?

What are the key indicators of NSW innovation performance to include in the Innovation Blueprint?

Measuring innovation success can often be difficult. Some measures to assess success could include:

- Economic complexity: measuring changes in industry diversity and economic complexity
- Novel invention: Patent registrations by state or region.
- Scale-ups: Number of firms at different scales (1-10 employees, 10-50 employees etc).
- District scale: Number of locations where a certain number of firms of similar sector agglomerate.

What overall role should the NSW Government play in connecting the innovation ecosystem?

- The NSW Government must develop a state-wide economic vision that identifies priority industries, identifies regions and precincts (including Innovation Districts) where specific investment will be made.
- Ecosystem network strategy and governance. Individual Districts will have their own governance arrangements. Government oversight of a state-wide network is essential
- Priority sector identification and alignment with key regions or Innovation Districts where investment, infrastructure and support will be prioritised.

Where are the opportunities for the NSW Government to work with the Australian Government on innovation initiatives?

- For NSW and Australia to truly flourish as an innovation economy, alignment national priority industry strategies is essential. This is to maximise coordination of investment and reduce unnecessary inter-state competition (which dilutes Australia's global export and investment offer). The NSW Advanced Manufacturing Taskforce report from 2022 makes specific reference to this issue and should be reflected on in the Innovation Blueprint.
- This will require NSW to be strategic in its own role in attracting and developing strategic sectors and innovation investment, recognising that other states will have their own comparative & competitive advantages also.



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