

29 July 2023

Ms Meghan Quinn PSM
Secretary
Department of Industry, Science and Resources (DISR)
10 Binara Street
CANBERRA ACT 2601
Via email: IndustryGrowthProgram.consultation@industry.gov.au



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Dear Ms Quinn

Industry Growth Program consultation paper

The Chamber of Commerce and Industry of Western Australia (CCIWA) is the peak body advancing trade and commerce in Western Australia. We are fundamentally committed to using our insights to develop and advocate for public policies to help realise our vision to make WA the best place to live and do business. As our membership base is diverse in size, across all sectors of the economy, we seek to advocate for the interests of all sectors.

In our submission to the National Reconstruction Fund (NRF) consultation process, we called on the Federal Government to consider establishing pathways to support Small and Medium Enterprises (SMEs) in accessing some of the \$15 billion in finance available, noting the ongoing challenges they face in securing finance for their innovative ventures is well known. We also called on the government to consider grants as an avenue to address critical funding gaps for SMEs, but consider doing so carefully, ensuring the best value for money outcomes.

To this end, our submission seeks to provide input into the vision and design of the Industry Growth Program, namely around eligibility, collaborating with industry partners, and how the program can best meet its intended outcomes.

We thank the Federal Government for the opportunity to provide comment. While we acknowledge the importance of the Industry Growth Program and the need for it to commence as soon as possible, it is notable that the Government has decided to release a request for tender for contractors to provide advisory services prior to the conclusion of the public consultation on the program's design.

Eligibility of Projects

We recognise the importance of prioritising projects that address key areas of opportunity, such as the priority areas identified by the NRF, noting that many of these areas underpin WA's future growth and diversification. However, we believe there is also an opportunity to strike a balance between targeting specific areas and allowing flexibility to capture innovative projects that may fall outside these predefined categories. Simple investments in traditional sectors, such as manufacturing, may

enable these businesses to grow and become more competitive, and this is just as important as activating new and emerging industries.

As we outlined in our submission to the NRF, funding should only be awarded to projects that pass a rigorous cost-benefit analysis. This would ensure that all projects funded are selected on merit, deliver value for money, as well as positive social and financial returns for the Australian taxpayer. If that same rigorous approach was applied to the Industry Growth Program, the Government could have some degree of flexibility to identify and award grants to innovative SMEs with projects that may benefit other sectors, including those within the priority sectors. Restricting eligibility could create the risk that projects that would deliver positive social and financial returns are excluded simply because they do not fit within a certain definition.

Grants

Given the challenges that SMEs face in accessing finance - and the lost opportunity forgone as a result - we support the establishment of a grant program to support SMEs with commercialisation and early-stage development support. In line with other past programs, this should be delivered as matched funding with industry of up to 50 per cent. That said, we are cognisant of the importance of robust policy design underpinning any grants to the private sector. In the past, direct financial support has been provided to support feasibility studies into manufacturing particular parts and products that governments have wanted to see made locally. This has seen billions spent, with no evidence to demonstrate significant improvements in competitiveness, growth or innovation in either the industries involved or the broader economy. In addition, it can make it harder for other industries to grow, if skilled workers are attracted to potentially uncompetitive pursuits: we forgo the opportunity to develop truly competitive industries.

Therefore, when considering applications, we suggest grants should only be provided under the following circumstances:

- where there are spill over benefits for other industries.
- total benefits outweigh the cost to the budget.
- businesses would not make the investment of their own accord (additionality).

Industry Partner organisations: Core capabilities and Resources

We regard industry partner organisations as being integral to the success of this program, particularly in improving the commercialisation and early-stage growth performance of participants. Industry experts were central to the success of the former Entrepreneurship Program (EP) and were used extensively to deliver advice to SMEs. However, while the Industry Growth Program will engage industry partners for the same reason, it appears industry experts will only constitute a limited part of the program with only 20 advisors being sought across Australia. This is about a quarter of the number that were engaged under the EP, and represents a significant reduction in the support available for SMEs.

To fulfil the intention of supporting innovative Australian SMEs through the high-risk commercialisation and early-stage growth phases of the innovation chain, it is vital that sufficient resources are in place to provide sufficient support.

By leveraging their expertise and connections, industry partners can deliver valuable support to innovative SMEs. To maximise the role of industry partners, we suggest the following core capabilities and resources would be useful:

- *Support in a format and language businesses can relate to:* Industry partners should be trusted organisations within the business community and known for their ability to provide support in a format and language that resonates with businesses. Effective communication tailored to the specific needs of program participants is crucial. This includes utilising accessible language, practical examples, and tools that facilitate understanding and implementation.
- *Understanding of local business conditions and operating environments:* Industry partners should have a deep understanding of local business conditions and operating environments. This knowledge allows them to offer relevant advice and guidance that considers the unique factors influencing commercialisation and early-stage growth for participants in different regions and sectors.
- *Clear awareness of government policies:* Industry partners should be well-versed in understanding government in different contexts. Staying informed about policies, grants, funding opportunities, and incentives ensures industry partners can provide up-to-date advice on navigating government support and compliance requirements.
- *Capability and facilities to deliver business events, networking, and training:* Industry partners should have capability to facilitate platforms for networking, workshops, and training sessions to enable knowledge sharing, access to resources and relevant expertise, and growth-oriented opportunities.

Industry Partners: Support and Services

To maximise the effectiveness of the program, we suggest a multifaceted approach is necessary and may include:

- *Licensing and trademarking support:* This is crucial for businesses aiming to protect their intellectual property and establish a strong market presence. Accessing interstate and international markets requires trade support, including guidance on market entry strategies, export regulations, and international trade agreements.
- *Marketing expertise and digital support:* This would support participants to effectively position their products or services in the marketplace and leverage digital platforms for marketing and customer engagement.
- *Cybersecurity and data protection support:* This would support participants in setting up robust systems, cybersecurity assessments, and assistance in implementing cybersecurity measures.

- *Grant program writing support:* This would support the development of high-quality and robust grant applications.
- *Accessing venture capital expertise:* This is paramount for businesses seeking additional funding opportunities. Industry partners can provide guidance on investment strategies, pitch preparation, and connecting participants with potential venture capital firms and other funding options.
- *Additional valuable support and services* include providing market trend and economic information to help participants make informed business decisions, understanding industrial relations frameworks, policies, and requirements to enable workforce growth, and offering guidance on meeting other areas of regulatory compliance and reporting obligations.

By providing comprehensive support across these areas, industry partner organisations can significantly contribute to the success and growth of program participants, ultimately driving economic development and fostering a thriving ecosystem for innovative SMEs.

To ensure the effectiveness of the program, it is important that the application and selection process for industry partners be straightforward and communicated well in advance. Open and transparent lines of communication about timelines, requirements and evaluation criteria will allow interested organisations the opportunity to align their capabilities, resources, support and services with the program's objectives.

Furthermore, organisations that can provide the suite of capabilities, resources, support and services described above should be highly considered during the selection process. This would maximise the program's impact and effectively address the multifaceted challenges faced by innovative SMEs.

Final program design

Lastly, to ensure the program effectively meets its intended outcomes, it must be designed with clear and direct guidelines regarding eligibility, application processes, and assessment criteria. Transparency and simplicity in these aspects foster accessibility and encourage a diverse range of entities and projects to participate. By avoiding excessive prescription, the program can also maintain flexibility and openness, enabling it to capture various projects that possess the potential to deliver positive social and financial returns for the Australian public.

Once again, thank you for providing the opportunity to engage on this important matter.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'CR', with a horizontal line extending from the end of the signature.

Chris Rodwell
Chief Executive Officer