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*Note: Due to website technical issues,
SAPC received this submission after the
final report was delivered to the Premier.*

10 November 2020

Mr G MacDonald
Inquiry Lead
South Australian Productivity Commission
GPO Box 2343
ADELAIDE SA 5001

Contact: Greg Ratsch
[REDACTED]

Dear Mr MacDonald

Re: Response to South Australian Productivity Commission's Research and Development Inquiry draft report

I am writing in response to the release of the Commission's draft report into Research and Development in South Australia.

By way of background, Salisbury's economy is significant in a state context with 7,430 actively trading businesses, provision of jobs for more than 54,000 people and a GRP of \$6.4 billion. It is home to key innovation and research assets such as Technology Park, the Mawson Lakes campus of the University of South Australia (including the Future Industries Institute) and the Edinburgh facilities of the Defence Science Technology Group. As such Council has a keen interest in the recommendations arising from this Inquiry.

Before progressing onto our main observations, I wish to acknowledge the revised draft report which removes reference to responsibility for Technology Park being transferred across to the City of Salisbury. The issue of responsibility and governance of this important asset, beyond the real estate component, is one that Council has raised repeatedly over the years:

- The Mawson Innovation Precinct Strategic Plan (2007) identified the establishment of an unincorporated joint venture to undertake this role.
- Council's response (2014), in partnership with the City of Playford, to the Commonwealth Review of South Australia's Economy and Impact of GMH closure noted "*clear targets and accountabilities should be established within government to accelerate [Technology Park's] further development.*"
- To inform the development of the State Government's Northern Economic Plan initiative (2017), Renewal SA, the Department for State Development, City of Salisbury, University of South Australia, and business representatives from Technology Park prepared a report on a future development agenda for Technology Park as a central component of an innovation strategy for northern Adelaide. Two of the four recommendations made by the steering committee were to "*establish a high calibre Northern Adelaide Innovation Precinct Board*" and "*catalyse the development of the Northern Adelaide Innovation Precinct through the redevelopment of Technology Park.*"

More recently Council commissioned Deloitte to undertake a study into future economic, job and investment opportunities for Salisbury. In the final report noted "*Several stakeholders expressed a view that Technology Park lacks the intentional effort required for a successful precinct environment...there is now an opportunity for a renewed focus and coordination effort to truly become a contemporary precinct rather than simply a business park.*" That report made a number of recommendations relating to Technology Park and R&D more broadly including:

- Link Technology Park with Lot 14 and attract businesses located there when they need space for large specialist equipment, heavy laboratory facilities or clean rooms or where staff numbers outgrow Lot 14 capacity.
- Activate Technology Park to champion innovation-led economic growth in northern Adelaide.
- Establish a curation function at Technology Park to strengthen the focus of the precinct's eco-system. The report notes that the "*structure of the curation function at Technology Park could take several forms in terms of its governance and authority, with numerous examples internationally to use as templates.*"
- Improve the quality of facilities at Technology Park (in particular Innovation House and Endeavour House)
- Facilitate the 'commercialisation' of university R&D at Mawson Lakes

A copy of this report is provided with this letter.

Section 5 of the Commission's draft report addresses the topic of innovation and science precincts. Before addressing the detail of this section, some overarching observations are:

- 1) Agreement with the conclusions (p128) that reform of science and innovation precincts is needed to:
 - ensure that there is an offering in essential business capability services and a much sharper focus on industry development at these precincts;
 - facilitate better coordination of the strategies and activities of the precincts;
 - support increased collaboration activities between tenants at the precincts; and
 - to identify targets and collect data that allows measurement of progress toward the objectives of the precinct.
- 2) The draft report is silent on the role science and innovation precincts can play in driving a broader regional innovation and R&D agenda. Instead it seems to adopt a premise that there are likely to be minimal spillover effects from the precincts into their surrounding communities. Our view is that science and innovation precincts can be positioned and used as a focus to stimulate and support broader regional R&D/innovation activity if appropriate policy settings and well targeted resources are put in place to support this.
- 3) The draft report seems to assume that the performance of precincts is the result of the internal dynamics, relationships and focus of the precincts themselves. We believe this is a partial view and have two comments on the role external factors have in influencing R&D/innovation outcomes:
 - 1) In the case of Technology Park there are firms with head offices in places such the United States, Great Britain, Germany, Sweden, Japan and France. Most of these firms are part of global R&D platforms with decisions on local innovation and product development often made elsewhere. In such an environment, discussion regarding local R&D should consider this global perspective.
 - 2) It is necessary to consider the role that regular changes in state government policy and funding arrangements have on performance. Our view is there is a mismatch between the medium to longer term perspectives that underpin infrastructure investment and short term approaches to innovation policy that can and do change with each electoral cycle.

Moving to the specifics of the Productivity Commission's draft report, on page 50, reference is made to The Salisbury City Plan 2020 listing the establishment of the Mawson Innovation Precinct as a current strategic initiative. That Plan was endorsed by Council in 2012. Section 122 of the Local Government Act requires Council to update their strategic management plans within 18 months of a general Council

election. Council endorsed its City Plan 2035 in June 2020. Within City Plan 2035, Council identified two critical actions in relation to Technology Park. These are:

- Link Technology Park with other innovation precincts in northern Adelaide (mirroring the recommendation made by Deloitte); and
- Develop plans to progress economic activity in Technology Park and Edinburgh Parks (relating mainly to built infrastructure that is under pressure due to the expansion of business activity and traffic movements in these precincts).

It would be appreciated if the final version of the Inquiry's report could be updated to reflect this.

Page 116 of the report states "*The current Salisbury Council Technology Park Development Plan encapsulates the uses of the park.*" The Technology Park Development Plan was in place when the area was zoned Multifunction Polis. This zoning was changed to Urban Core (Innovation Precinct) through a Development Plan Amendment process agreed to by the Minister for Planning in 2016. The draft Planning and Design Code (that is currently out for consultation proposes and likely to be gazetted next year) identifies that the University of SA's Mawson Lakes campus and Technology Park will be covered by a Strategic Innovation zone.

Page 119 references the policy objectives for establishing innovation precincts. Although there is no mention of Technology Park, it is worth reflecting on its rationale. At the launch of the Park in 1979, the responsible Minister Dean Brown said the government hoped to attract technology-based firms and that construction, to begin in the following year, would include an area set aside for research and development, a high technology science-based industrial area and a mining oriented precinct. The Minister stated that benefits would include "*the creation of working relationships between researchers, manufacturers and industry*" and have a "*tremendous impact on the academic standard and reputation of the South Australia Institute of Technology.*" Parliament passed the Technology Park Adelaide Act in 1982 which established the Technology Park Adelaide Corporation. Among the objectives were to establish and develop industries that used high technology; encourage local firms to introduce and develop technologies; encourage co-operation and the exchange of ideas and knowledge between industry and educational institutions; and to attract to the Park from Australia and overseas individuals and technology-based companies. Interestingly Minister Brown's comments and the objectives of the Technology Park Adelaide Act remain germane to this inquiry.

The draft report states (p119) that Lot 14 and Tonsley differ in focus from earlier attempts at Mawson Lakes and Thebarton which were very much focussed on business and industry development. This perhaps takes an overly simplistic view of the activity that occurred within Technology Park in its early days. In a presentation to the Bicentennial Electrical Engineering Conference in 1988, the initial Executive Director of Technology Park spoke about the importance of incubation and innovation development facilities noting a key success measure should be a higher number of start-ups based on new opportunities that would not have arisen without the co-location and higher levels of entrepreneurial activities. It is quite clear that over time Technology Park has lost this focus with the innovation and entrepreneurship programs of the State Government and the University of South Australia becoming largely centralised within the Adelaide CBD. Whether this is an effective strategy in generating a metropolitan wide approach to innovation and business start-up is open to debate.

We generally agree with the report's observation (p120) on the noticeable areas of weakness in design and practice of the state's innovation precincts.

Table 5.3 provides a lengthy generalised assessment of the performance of Technology Park, Lot Fourteen and Tonsley against a range of factors. Although acknowledging it's an overall assessment, the

use of generalisations introduces what we would view as inaccuracies. Given the length of the table we won't comment on the assessment of each factor, but recommend further consideration of the following:

Key Factors	Assessment
The establishment of formal governance structure	Although the assessment states "Governance structures have been put in place for each precinct", there is currently no governance structure for Technology Park and the broader Mawson Innovation Precinct.
Clear responsibilities for financing, ownership, operation and upkeep of infrastructure assets within the precinct.	It is not clear who has responsibility for coordinating operational matters that come under the jurisdictions of different parties. As a simple example, the increased number of workers in Technology Park is putting pressure on the existing road system resulting in calls for Technology Drive to be made into a left in left out intersection onto Main North Road. Technology Drive is a Council road and Main North Road is a State Government Road, however there is no established mechanism for progressing the delivery of this upgrade. We would agree that responsibilities for the strategic focus of the precincts is not clearly allocated.
Linkage to state and national priorities	We do not think that in the case of Technology Park it can be said that the precinct strategy is demonstrably linked to state-based plans. Firstly, there is an absence of an agreed precinct strategy. Secondly, state based plans are subject to change. An extreme example of this is in the last years of the former Labor Government they announced that Mawson Lakes would form the centre of South Australia's space effort. Just as quickly the new Liberal Government announced that Lot 14 would have that role, despite the significant strengths that Technology Park and the University of SA's Mawson Lakes campus has in that sector and the strong links space has with the defence industry which is clustered in the north.
Separation of operation and research focus from other precincts	It is interesting that this is seen as a key factor. Some overlap of operation and research seems desirable for several reasons. Firstly, the distinctions between key industry sectors is not cut and dried. Just to name three, there is a strong relationship between defence and space, between nano-manufacturing and health, and between agri-science and big data. Innovation and R&D transfer often occurs at the intersection of different industries/disciplines rather than merely within an industry/discipline. The second element relates to matters such as the positioning of services such as the Defence Launching Pad at Lot 14. The rationale explained to us of having a defence launching pad was to enable incoming firms to base their initial operations before making a choice about location. Ideally, if they were to choose a location in a different precinct, making that move would seem on the face of things to be more seamless if a standard set of operating arrangements such as leases, shared collaboration spaces, etc were in place across all innovation precincts in which the State Government has a real estate interest.
Identification of business types (mature vs start up) and tenant	The report notes "there has been a strong focus on start-ups and their growth in precincts." While Technology Park may have

business capabilities (research, strength and collaboration)	once had some programs for start-ups this is now not the case, nor are there flexible leasing arrangements for start-ups. This is something that should be addressed. In northern Adelaide, the City of Salisbury provides support for and transition of start-ups to established businesses through the Polaris Centre, albeit there has been no provision of State Government funding for some time and its focus is not exclusively on Technology Park or the more narrow range of "start-ups" focussed on by FIXE.
Quality of design and access to physical space and public spaces promoting use and engagement by all sectors in the precinct and visitors to the precinct. Adequacy of private innovation spaces, common areas, accelerators and co-working spaces.	Agree with the draft report's recommendations. In relation to Technology Park, this was an issue identified by Deloitte. Specifically Deloitte saw opportunity to: 1. Offer a suite of workspace alternatives – ranging from small and private through to large, open and collaborative spaces 2. Improve the quality of shared services available at Innovation House to support a temporary [project based] workforce, as well as encourage a collaborative environment.
Adequacy of ICT infrastructure and high-speed internet	Only partially agree with this. Although tenants of Innovation House and Endeavour House have access to GigCity and the University of SA's Mawson Lakes campus has access to Sabrenet, businesses not located in government managed or university premises do not have ready access to this level of infrastructure.

Page 124 notes "*Business stakeholders, particularly start-ups, have emphasised the need to focus on industry capability and soft infrastructure, rather than continued expenditure on physical innovation and R&D infrastructure.*" The Mawson Innovation Precinct Strategic Plan (2007) identified this as a critical element in building a start-up ecosystem at Mawson Lakes and nominated the desirability of establishing a "*new innovation and commercialisation hub organisation [with a focus on the industrial technologies sector]*", establish a Mawson Technology Incubator and develop a composites cluster. The directions in the State's EXCITE strategy around "powering innovation districts and neighbourhoods" seem to be a step in the right direction, however critical to this, as identified in the EXCITE strategy, is establishing the "*strategic and governance framework required to deliver the 'metrics of success' for each of the existing Innovation Districts and Neighbourhoods.*" This speaks directly to the issue of governance which was raised at the start of this submission and which Council needs to be a part of for Technology Park. Housing this function within the Polaris Centre may be an option for consideration.

On page 126, the Commission provides several findings in relation to the performance of innovation and science precincts. While we agree with most of the findings, we disagree that "*clear responsibilities have been allocated for the management of precincts.*" We do however agree with the observations relating to what have been identified as sub-optimal outcomes. The finding that "*while there are links to state government strategies, there is no real depth in engagement, functional responsibility and allocation of resources to specific outcomes*" is worth examining further. From an external perspective there is an increased focus by the state government on growth sectors in line with the recommendations of the Joyce Report. Council's response to the Growth State – Industry Sector Consultation held late last year observed "*each of the papers focus on a specific industry sector and as a result it is difficult to understand what the government's intent is regarding initiatives and infrastructure that support economic growth across more than one priority sector.*" This includes initiatives and infrastructure relating to R&D including innovation precincts. The ongoing release of the growth sector strategies in the absence of an

overarching holistic document potentially highlight the inefficiencies of adopting a solely sector specific approach. This however is not a South Australian-specific issue. Last year, Britain's Industrial Strategy Council argued that *"there is a lack of cross-sector systems thinking by the Government in terms of industrial and innovation systems."* Froy and Jones (2020) note this issue may be *"compensated for by place-based forms of coordination, as long as appropriate local capacities and effective governance are in place."* This heightens the importance of innovation precincts as a vehicle for delivering whole of government programs as opposed to a centralised fragmented approach.

Given the above, our observation on the Commission's Information Request 6.3 is that intermediary organisations should build new collaborations across disciplinary and geographical boundaries. In general, the Commonwealth funded Industry Growth Centres and industry associations already exist with a specific industrial focus.

We concur with the conclusion (p 128) that at this point that reform of science and innovation precincts is needed to:

- ensure that there is an offering in essential business capability services and a much sharper focus on industry development at these precincts;
- facilitate better coordination of the strategies and activities of the precincts;
- support increased collaboration activities between tenants at the precincts; and
- to identify targets and collect data that allows measurement of progress toward the objectives of the precinct.

In the case of Technology Park and the surrounding area, the work that underpinned the Mawson Innovation Precinct (although it is now becoming dated) remains relevant in addressing how these factors can be addressed for Technology Park.

We will only comment briefly on the Commission's further Information Request 5.2:

- 1) We fully agree that there needs to be an appropriate offering of business capability services and a much sharper focus on industry development. In many ways, the original thinking that underpinned the Polaris Business and Innovation Centre as a way of bringing together state government, university, local government and NGO services provides a robust model. This can be shared on request.
- 2) There is significant scope to facilitate better coordination of the strategies and activities of the precinct. While this should be led by the State Government (due to the capital commitments it would need to consider to discharge its responsibility for investing in and upgrading facilities and delivery of programs). There is a strong role for Council to participate in such a coordination function. Should the state government not wish to take the coordination role, it could potentially be led by Council in conjunction with industry, university and government if this leadership was a) appropriately resourced over a medium to longer term period; and b) if a clear mechanism for the financial needs of Technology Park to be considered within government in a way that did not place Technology Park at a disadvantage when compared to government-coordinated precincts such as Lot 14 and Tonsley.
- 3) There is certainly scope to support increased collaboration activities between universities and businesses at the precincts. The role of the Future Industries Institute and the Testlab at Mawson Lakes have potential to provide a collaboration focus in the same manner that the Adelaide Microelectronics Centre did in the early days of Technology Park. However more broadly, Council's position is there is scope to support increased collaboration activities between universities and businesses across the region utilising Technology Park as a focus for this to occur. This was the

model we presented to the Northern Economic Plan. By taking this broader approach, the activities implemented to developing the state's innovation precincts take a more outward focus and the precincts adopt a central role within their regions in stimulating collaboration, R&D, innovation and entrepreneurship.

I thank you for the opportunity to respond to the draft report of the Commission. Should you have any queries arising from this response please contact Council's Economic & Urban Development Manager, Greg Ratsch [REDACTED]

Yours sincerely

A handwritten signature in blue ink, consisting of several overlapping, sweeping lines that form a stylized representation of the name 'John Harry'.

John Harry
Chief Executive Officer