



Government
of South Australia

Hon David Pisoni MP
Member for Unley

19IS/015CN

Senator Andrew Bragg
Chair
Select Committee on Financial Technology and Regulatory Technology
PO Box 6100
Parliament House
CANBERRA ACT 2600

Email: fintech.sen@aph.gov.au

Dear Senator Bragg

A handwritten signature in blue ink, appearing to read "Andrew", written over the name "Senator Bragg".

I am pleased to provide the attached submission in response to the Senate Select Committee Inquiry on Financial Technology and Regulatory Technology.

The submission addresses many of the key points raised in the Issues Paper concerning our competitiveness as a nation to attract global capital and talent, and the role for government to facilitate strong economic growth through a well-connected innovation and entrepreneurial ecosystem.

It also provides an outline of the actions being taken by the Government of South Australia in partnership with the Commonwealth Government to create an environment that encourages startups and entrepreneurs to achieve their potential across a broad range of high technology industries.

I trust the submission will be of interest to you and assist with your final report on this important national issue.

Yours sincerely

Hon David Pisoni MP
Minister for Innovation and Skills

6/12/2019

Enc. *Submission from the Government of South Australia to the Senate Select Committee on Financial Technology and Regulatory Technology, December 2019*

Minister for Innovation and Skills

Level 10, 1 King William Street Adelaide SA 5000 | GPO Box 11071 Adelaide SA 5001
Tel +61 8 8303 2304 | Email officeofministerpisoni@sa.gov.au | ABN 83 524 915 929



Senate Select Committee on Financial Technology and Regulatory Technology

Submission from the Government of South Australia

December 2019



Submission from the Government of South Australia

Introduction

The Government of South Australia is pleased to provide this submission to the Senate Select Committee on Financial Technology and Regulatory Technology, chaired by Senator Andrew Bragg.

The Issues Paper for this inquiry has raised many important points concerning our competitiveness as a nation to attract global capital and talent, broadly summarised in Section 1 under the following topics:

- capital and funding
- taxation
- skills and talent
- culture
- regulation.

South Australia is embarking on a new era to reinvigorate our economy with a reform agenda that clearly signals we are open for business. In addition to recent reductions to payroll tax, we are building a strong and vibrant economy to match our enviable lifestyle through *Growth State*. This is our plan to promote industry growth and resilience by responding to the needs of businesses that will enable them to grow their operations, create jobs and sell their products and services on the world stage. We will do this by committing to policies, programs and projects designed to lift the state's competitiveness and attract investment.

Much like the Committee's approach to the FinTech and RegTech sectors being an umbrella for this inquiry to explore the impact of technology and enhance Australia's economic competitiveness, this paper outlines the actions we are taking to develop an innovative and entrepreneurial ecosystem in South Australia. This will support the early-stage development of the FinTech and RegTech sectors, as well as the productivity, competitiveness and growth of a broader range of high technology industries by building a culture of entrepreneurship, creativity, collaboration, and scientific excellence.

We recognise there is a role for government in facilitating the development of a well-connected entrepreneurial ecosystem to achieve strong economic growth and reach our potential. This includes easy access to networks, mentors and capital investment that equips startups and entrepreneurs to establish and grow successful businesses.

Adelaide – an innovation and cultural hub

Building on our cultural, creative and educational institutions, Adelaide is rapidly becoming a hub for innovation and entrepreneurship. Released in June 2019, our Future Industries Exchange for Entrepreneurship strategy is focussed on developing our entrepreneurial culture and aims to:

- *Inspire* individuals, groups and organisations to embrace the spirit of entrepreneurship
- *Equip* South Australians with the tools, mechanisms and resources to start and grow successful businesses
- *Enable* a healthy entrepreneurial ecosystem underpinned by business and investment activity
- *Celebrate* the achievement of entrepreneurs.

A new science and innovation strategy is set to be released in early 2020, complementing our entrepreneurial strategy and positioning South Australia as a research and translation dense economy.

We have also established an Entrepreneurship Advisory Board, led by the state's inaugural Chief Entrepreneur to promote entrepreneurialism across all forms of business, industry and the public sector in South Australia. The Board champions entrepreneurial talent and the development of a well-connected ecosystem that enables entrepreneurs to reach their full potential, whether they are starting a new business or growing an existing one.

Adelaide City Deal

In March 2019 the Prime Minister signed a \$551 million, 10-year agreement with the Marshall Liberal Government and Lord Mayor of Adelaide to transform Lot Fourteen into a job-generating, nation-leading innovation and cultural hub. Lot Fourteen will eventually become home to more than 1,000 entrepreneurs and individuals, the Australian Space Agency, Australian Cyber Collaboration Centre and Startup Hub. This innovation precinct will leverage the state's existing investments in other industrial growth centres at Tonsley, Waite, Mawson Lakes, Tech Park and Tech Port.

Startup Hub @ Lot Fourteen

Startups are an important part of an innovative economy, with agile, globally-focussed small businesses growing into the medium and large sized businesses of tomorrow. The South Australian Government has a partnership with Stone & Chalk, a global innovation leader, as a key anchor tenant and operator of the Startup Hub @ Lot Fourteen to fulfil our ambition to have the highest rate of business startups of any state in Australia. Recently opened by the Premier, the startup hub will be an environment where:

- new entrepreneurs are encouraged and supported to develop their ideas
- existing startups are encouraged and supported to grow their business

- investors can readily identify opportunities to back emerging and growing startups
- successful entrepreneurs can mentor and guide new entrepreneurs
- events and programs are run to inspire, educate, share with and connect members of the South Australian entrepreneurial community.

Australian Cyber Collaboration Centre

We are also working to leverage our partnership with the AustCyber SA node to establish the Australian Cyber Collaboration Centre at Lot Fourteen. The Centre will contribute to the state's economic growth by developing a nation leading cyber ecosystem that will build a skills pipeline for the future cyber workforce to address the recognised global shortage of cyber security professionals. It will also promote and facilitate new enterprise, new customers and new investment leading to increased investment in cyber related research, intellectual property and commercialisation.

Australian Space Agency

The establishment of the Australian Space Agency at Lot Fourteen will act as a launch pad to triple Australia's space economy to \$12 billion and create up to 20,000 jobs by 2030. With South Australia already home to more than 60 organisations and 800 employees in the space sector, this investment will assist existing businesses to access the US\$345 billion global space industry.

GigCity

Adelaide is Australia's first GigCity, providing startups and businesses with fast and affordable gigabit internet. The GigCity network is available at 23 key innovation precincts and co-working spaces located across Adelaide, including Lot Fourteen. We are also extending the network into our regions, including Mount Gambier and Whyalla.

Collectively these measures are designed to make South Australia the best place for future industries and entrepreneurs in the southern hemisphere. We are creating exciting career opportunities and helping South Australia attract and retain talent that is necessary for knowledge-based industries.

Capital and funding

It is widely recognised that venture capital creates a culture of innovation and entrepreneurship in modern economies, creating jobs and businesses of the future. To encourage a culture of risk-taking and investment, we are taking a multi-faceted approach to inspire and attract potential investors to South Australia.

We are investing in innovative early-stage South Australian companies to accelerate their growth in national and global markets. The South Australian Venture Capital Fund enables innovative ventures to secure government investment, increasing their potential to attract private funds. The Fund operates under a commercial rate of return for investors commensurate with industry standards and requires at least 50 per cent investment from other sources.

While many overseas superannuation funds include venture capital as part of their investment mix, Australian funds have historically avoided this. In recent years there has been a small shift in this approach, with some funds recognising that venture capital can play a role in a balanced portfolio. With the majority of Australia's venture capital industry concentrated in the eastern states, we are assessing opportunities to stimulate more state-based superannuation fund investments towards supporting local early-stage businesses to address the investment imbalance across the country. We are also offering post-graduate scholarships to support financial services research and product development.

We have also established the Research, Commercialisation and Startup Fund to support South Australian businesses to collaborate with researchers and universities to solve industrial problems, commercialise new products and services, attract research infrastructure investment into the state and encourage the establishment and growth of startups. Larger grants may be contingently repayable under this fund, serving to encourage private investment while reducing financial risk to government.

Taxation

Nationally, we know that research and development expenditure is key to lifting our performance and productivity as a country. Despite this, Australia's expenditure is continuing to decline. This presents an opportunity for government to stimulate growth through providing tax incentives to encourage business research and development. We would welcome the Committee considering opportunities to strengthen the effectiveness of the R&D Tax Incentive to support higher levels of business research and development activity and translation into products and services.

In South Australia, we are creating an environment to make it easier to do business. In January 2019 we reduced the payroll tax burden for small businesses by lifting the annual taxable wages threshold from \$600,000 to \$1.5 million. This provides a saving of up to \$44,550 a year and will benefit more than 3,500 South Australian businesses.

Skills and talent

We are committed to ensuring 20,800 South Australians receive training through apprenticeships and traineeships to succeed in skilled careers and supply industry with qualified workers. Since the launch of the Skilling South Australia initiative in September 2018 nearly 13,000 workers have embraced this opportunity, and over 700 employers have hired their first apprentice or trainee.

We support the Australian Government's migration innovation programs as they provide additional pathways to our Supporting Innovation in South Australia (SISA) visa and state nominated migration programs, attracting highly-skilled and specialised workers. The SISA visa assists overseas entrepreneurs to apply for a temporary visa to take their venture forward in our state. There has been strong interest in this program, with 36 applicants from 15 nations in fintech, medtech, agtech, and cyber security being granted a visa. This program extends beyond the application process, with local business services and connections to entrepreneurial networks provided to visa holders once they arrive in South Australia.

As part of the Adelaide City Deal, the Designated Area Migration Agreements will attract 300 highly skilled workers in 60 occupations covering the defence, space, advanced manufacturing and technology industries.

Culture

The Organisation for Economic Co-operation and Development (OECD) notes little progress has been made by countries, including Australia, to develop a comprehensive approach to promoting the participation of women in scientific education and research careers over the last decade. We acknowledge that increasing opportunities for women in these fields is essential to our economy and to achieve gender equality. By attracting and retaining more women in the Science, Technology, Engineering and Mathematics workforce we will maximise innovation, creativity, and competitiveness.

Regulation

We acknowledge that governments need to work with industry, business, research and the community to identify the mechanisms to address risks, issues and challenges of regulating new technologies. It is important that we create regulatory settings that promote industry-research collaboration, facilitate the development of innovative and entrepreneurial ecosystems and protect intellectual property. We support the Australian Government approach to creating a flexible regulatory framework for the FinTech sector, encouraging the testing of new products and services and strengthening consumer confidence.

Historically government procurement processes have not supported early-stage companies to win government contracts as there is a tendency to acquire proven products and services from established businesses. Having government as a first customer can assist businesses develop a proof of concept, test or trial a novel product or service and help it grow. We have committed to establishing a framework to engage with innovative South Australian startups and early-stage businesses to encourage entrepreneurialism and business growth.