

31 August 2020

**Manager, Policy Framework Unit Treasury  
Langton Cres  
Parkes ACT 2600**

By email: [FIRBStakeholders@treasury.gov.au](mailto:FIRBStakeholders@treasury.gov.au)

## **Re: Submission to Major reforms to the Foreign Investment Review Framework**

Dear FIRB Review,

Thank you for this opportunity to comment and provide my views on the proposed major changes to the foreign investment review framework.

The Australian Research Council *Centre of Excellence for Engineered Quantum Systems* was established in 2017 as an initiative between five of Australia's leading research universities: The University of Queensland, The University of Sydney, The University of Western Australia, Macquarie University, and The Australian National University. Together, we represent the largest collection of basic and applied quantum technology researchers in Australia; with 202 researchers, post-graduate students, professional, and technical staff who comprise our centre.

Our founding vision is to conduct world-leading research to exploit the potential of quantum science and develop a range of transformational technologies that will benefit society. From our very origin we have shared a drive to deliver practical, tangible, and applied outcomes from quantum science for the benefit of Australian society.

I am the Program Manager for the Translational Research Laboratory in the *Centre of Excellence for Engineered Quantum Systems (EQUS)*. My mission, and the purpose of the Translational Research Laboratory, is to encourage and facilitate the translation of EQUS' research outputs into societal impacts of benefit to Australia. One important way that our research can be translated to benefit society is by eventual commercialisation and subsequent delivery of jobs and economic benefits to our nation. So, I am writing this submission to you from the point of view of a researcher and entrepreneur involved in an exciting, young, quickly developing, and always evolving field.

**Translational Research Laboratory, a flagship program of ARC Centre of Excellence for Engineered Quantum Systems**

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Australia's quantum technology sector is a nascent industry. By far most activity is in the research space, there are a handful of startup companies spawned from this research, and a few larger entities partnered in industrial research. The current status of the sector is summarised in the recent CSIRO report "Growing Australia's Quantum Technology Industry" (available to download at <https://www.csiro.au/en/Showcase/quantum>).

At its present stage of development, I would expect the Australian quantum technology industry to primarily develop through some combination of startup businesses forming to exploit the fruits of our research and by foreign companies partnering with locals to bring our research outputs into their organisation. Both these scenarios will potentially be affected by the proposed changes to Australia's Foreign Investment Review Framework.

Early-stage investing in novel technologies, particularly in deep tech segments such as quantum, is inherently a high-risk endeavour. My concern with the proposed changes is that adding administrative barriers, regulatory risk, and any uncertainty to the process will discourage investors and limit the availability of capital for our fledgling industry. I raise this issue and propose that it should be simultaneously possible to meet our national security goals by providing certainty of treatment for the startup or business.

Most quantum technologies, if developed to products, are usually benign and of no national security import. A handful of quantum technologies have the potential to be of national security significance. Several potentially dual-use technologies sit in-between these two extremes. A quantum technology startup may find it difficult or even impossible to determine whether they are a "national security business" because of the subjectivity in the test as currently enunciated. I do not see any practical way to eliminate this subjective element.

This situation could be remedied if there were a mechanism for a binding assessment to be made based on the business' existing circumstances, without having to tie this to any particular investment or investor. Certainty would be added to the fundraising process for many quantum businesses and startups by simply being able to verify that they are not a national security business. Further, in the event that a business is deemed a national security business, or the determination could not be made without reference to a specific investment action, then this information will help the business triage prospective investors and streamline compliance by making the counterparties aware of their now certain notification obligations.

The revised framework requires notification of any proposed investment where an endeavour is (and presumably if they believe they may be) a national security business. Moving this test to allow for certainty of classification will not obviate the obligation, not will it add to the regulatory and enforcement overhead. The same effort, or more, would be required when a proposed investment is submitted for review. Allowing an enterprise to

undertake the first part of the review earlier with reference to the business status as a national security business will provide the benefit of certainty for the proponents and investors, improve the efficiency of sourcing capital, and also deliver on the goals of the revised framework.



Please address any queries or requests to the undersigned by email: [harvey@equs.org](mailto:harvey@equs.org).

Yours sincerely,

*Michael Harvey*

by email

***Dr Michael Harvey***

**Program Manager**

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