INNOVATION BAY

Submission to the Draft Tasmanian Economic Diversification and Investment Strategy

From: Innovation Bay **Date:** 20th August 2026 **Contact:** Phaedon Stough, CEO, Innovation Bay — phaedon@innovationbay.com **Focus areas addressed:** Unlocking private investment (primary); Accelerating innovation; Growing our capability

> **Note on publication:** submissions are published with the organisation's name unless confidentiality is requested. This draft is written on the assumption it will be public.

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1. About this submission

Innovation Bay has convened Australia's technology founder and investor community since 2003. We operate three distinct communities: technology founders, active angel investors, and the general partners of venture capital firms. **Innovation Bay is headquartered in Tasmania.**

We are not seeking funding through this submission, and we make no funding request in it. Our purpose is to place on the record a gap we believe the draft Strategy does not yet address, and to offer our evidence, networks and experience to the Department as the Strategy is finalised and implemented.

We have deliberately confined this submission to the areas where we have direct operating evidence rather than commenting across all six focus areas.

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2. Summary of our position

1. The draft Strategy's treatment of private investment appears calibrated for **large-scale project investment**. Early-stage and venture capital is a distinct asset class with different mechanics, different intermediaries and different policy levers. It is largely absent from the draft.

2. Tasmania's binding constraint is not company formation. The State has capable formation infrastructure. The constraint is the **supply and proximity of investment**

capital available to companies after formation — the stage at which a business is too developed for a grant and too early for institutional finance.

3. Improving Tasmanian companies' access to mainland capital, without a corresponding effort to deepen capital *within* Tasmania, risks **accelerating the departure of the State's best companies**. This is a foreseeable and manageable risk, and we would rather name it than have the Strategy discover it later.

4. Tasmania already hosts national investment infrastructure. Innovation Bay is based here. This is an existing State asset that is currently under-used in economic development terms.

5. We would welcome a conversation with the Department about how the early-stage capital market can be reflected in the final Strategy and its implementation planning.

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3. On "Unlocking private investment"

3.1 The draft reads the investment market too narrowly

We support the priority and its framing. Our observation is one of scope.

In our reading, the draft's investment language contemplates capital that arrives as a project: a facility, an expansion, an asset, a foreign direct investment decision. That capital matters, and Tasmania should compete for it.

But a second investment market operates on entirely different mechanics. Early-stage capital does not respond to site availability, planning certainty or approvals timeframes. It responds to **deal flow density, investor proximity, peer validation, and the presence of other credible investors in the same room**. It is a relationship market before it is a financial one.

Policy instruments that work on the first market have almost no effect on the second. A Strategy that treats "private investment" as a single category will, in practice, deliver only for the first.

3.2 What we observe

Innovation Bay's angel community comprises [NUMBER] active investors who have collectively deployed [$ AMOUNT] across [NUMBER] investments [TIMEFRAME]. These are not passive members; [NUMBER OR %] have invested in the past [12/24] months. Our screening process means the companies presented to this community have already cleared a materially higher bar than open pitch events.

We also convene **the only national community of venture capital general partners in Australia** — [NUMBER] GPs across [NUMBER] firms, representing [$ AMOUNT] under management. To our knowledge no comparable forum exists in this country.

Set against that, the volume of Tasmanian companies reaching either community is very low relative to the State's share of national population and business count. [INSERT TASMANIAN DEAL FLOW FIGURE IF AVAILABLE.]

This is the gap. It is not a gap in Tasmanian talent, ambition or company quality — we see the companies. It is a gap in the market infrastructure that connects them to capital and, more importantly, in the depth of capital based here.

3.3 The retention problem, stated plainly

We want to be direct about something that cuts against our own commercial interest.

Connecting Tasmanian companies to mainland and international capital is straightforward. We do it. But the standard consequence of a Tasmanian company raising a significant mainland round is pressure to relocate the executive team, and eventually the company, closer to its investors and its market. Capital access, pursued on its own, is a mechanism for capital and talent flight.

The counterweight is **capital that is itself based in Tasmania** — local investors who participate in those rounds, hold equity in Tasmanian outcomes, and have a durable interest in the company remaining. A local investor base is not only a source of early cheques. It is the State's retention mechanism.

We would encourage the final Strategy to treat access to capital and depth of local capital as two halves of one objective, rather than as the same thing.

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4. On "Accelerating innovation"

Capital availability is a determinant of innovation outcomes, not merely a consequence of them. Where early-stage capital is thin, founders optimise for revenue survival rather than for building something defensible — which is a rational response, and a structural cap on how ambitious a jurisdiction's companies become.

We would encourage the Strategy's innovation measures to be tested against a simple question: *if this program succeeds, what capital will the resulting companies raise, and from*

whom? Where there is no good answer, the program is likely to produce well-supported companies that plateau or leave.

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5. On "Growing our capability"

Capability in this context is usually read as workforce skills. We would add a category the draft does not currently address: **investor capability**.

The skills required to assess an early-stage technology investment, structure it, and support a company through subsequent rounds are learned, not innate, and they are learned largely through proximity to other investors doing it. Jurisdictions that have deepened their local capital base have done so by building investor capability deliberately, usually through structured peer communities.

Tasmania has significant private wealth and, in our observation, limited local infrastructure through which that wealth can participate in the State's own high-growth companies. That is an addressable gap and, unlike many capability gaps, one that can show results within a few years rather than a generation.

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6. On measurement

We note and strongly support the Strategy's principle of measuring outcomes rather than activity. In this domain that principle has teeth, because the activity metrics are seductive and largely meaningless. Events held, attendees, members recruited and pitches delivered tell you nothing.

The measures we would suggest are worth tracking:

- Private capital deployed into Tasmanian-domiciled companies, annually
- Number of Tasmania-based investors making a first investment
- Follow-on capital raised by supported companies at 12 and 24 months
- Proportion of supported companies retaining Tasmanian headquarters at 24 months
- Ratio of private capital mobilised to public funds committed

We would be glad to help the Department establish a baseline for any of these. To our knowledge, several of them have never been measured in Tasmania.

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7. What we are offering

Innovation Bay is based in Tasmania and intends to remain so. We have no proposal before government and are not asking for anything in this submission.

What we can contribute:

- **Evidence.** Deal flow data, investor behaviour, and comparative information from other small jurisdictions — including our experience establishing an angel investor community in the Northern Territory following an innovation challenge run by the NT Government.
- **Baseline measurement.** Assistance establishing a first measurement of Tasmanian early-stage capital flows and company retention, which we believe does not currently exist.
- **Access.** Our national angel and venture capital communities, and their view of what would make Tasmanian deal flow more visible to them.
- **Testing.** A practitioner's read on proposed measures before they are finalised.

We would welcome the opportunity to meet with the Department to discuss how the early-stage capital market might be reflected in the final Strategy.

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Innovation Bay, established 2003. Headquartered in Tasmania. Communities: Founders, Angel Investors, Venture Capital.