



# PAUL FLETCHER MP

Federal Member for Bradfield  
Shadow Minister for Science & the Arts  
Shadow Minister for Government Services  
and the Digital Economy

Rona Mellor PSM  
Acting Auditor General  
Australian National Audit Office  
GPO Box 707, Canberra ACT 2601

Email [rona.mellor@anao.gov.au](mailto:rona.mellor@anao.gov.au)

Dear Ms Mellor

## **Referral of Australian Government's Investment in PsiQuantum to the Australian National Audit Office**

I write to request that the Australian National Audit Office (ANAO) undertake an investigation under s.25 of the Auditor General Act 1967 into the investment in PsiQuantum announced by the Australian and Queensland Governments on 30 April 2024 ("Investment.")

On that date the Australian Government announced it would invest "almost \$1 billion into frontier technology company PsiQuantum to build the world's first fault tolerant quantum computer in Brisbane", in conjunction with the Queensland Government.

I consider that there are serious questions about:

- Whether the Investment is an appropriate use of public money;
- Whether the process undertaken prior to making the Investment with PsiQuantum meets expected standards of probity, fairness and transparency.

In this letter I set out

- What is known about the Investment and the processes leading up to it
- A list of questions which in my view arise
- The basis on which it is appropriate that the ANAO investigate the Investment.

### **What is Known About the Investment**

The following is known about the Investment:

- The Australian Government entered into a direct and detailed engagement with PsiQuantum (an American incorporated and located company) over many months concerning a potential Investment, before it conducted an expression of interest (EOI) process.

- It was only once the EOI process commenced that any other company (including particularly the numerous Australian companies with quantum capabilities) was given the opportunity to engage with the Australian government about a potential Investment.
- During this detailed engagement and before the EOI commenced, the Australian Government and PsiQuantum engaged consultants, lawyers and lobbyists.
- The Department of Industry, Science and Resources (DISR) initially provided advice to Government that did not support providing funding to PsiQuantum.
- DISR Deputy Secretary Mr Duncan McIntyre, who signed off on the brief advising against the Investment, subsequently took twelve months of leave, before moving to another department in a less senior role.
- The EOI process commenced many months after the Australian Government first began engagement with PsiQuantum and occurred via a single invitation only email with a four week application window.
- The EOI process had limited scope, was confidential, and did not provide a fair process in terms of application criteria or assessment.
- Export Finance Australia (EFA) and DISR began working on funding for PsiQuantum prior to the completion of the assessment of the EOI.
- The National Interest Framework was not used, without explanation.

Attachment A to this letter sets out a timeline, based on information obtained at the recent budget estimates process, through FOI requests, and other sources.

Attachment B to this letter gives more detail about the EOI process.

Attachment C to this letter provides an overview of the State of Quantum Technology.

### **Questions Which Arise**

#### *The Government's Decision to make the Investment*

1. Why did the Government decide to make the Investment in response to an unsolicited proposal from PsiQuantum?
2. When and what was the nature of interaction between the Minister's office and PsiQuantum's Venture Capitalist executives and lobbying firms?
3. Why was the National Interest Framework not used?
4. When did the Government reach its decision to make the Investment?
5. How did the Government assess PsiQuantum's claims, including but not limited to PsiQuantum's technology being able to be delivered at scale in the time frame PsiQuantum claimed?
6. Why did the Government not instead decide to establish and announce a program to fund investments in quantum companies, with publicly announced guidelines, and

invite any interested company to put forward an application to be assessed against the guidelines?

*The EOI Process*

7. Had the Government reached its decision to make the Investment prior to conducting the EOI process?
8. Why did Government officials advise companies other than PsiQuantum, prior to the EOI, that there was no dedicated funding available for Australian Companies?
9. Why did the Government carry out extensive engagement with PsiQuantum prior to the conducting the EOI process?
10. Why was the EOI process secret and not publicly announced?
11. Why was the EOI conducted through the sending of a single email with no follow up by DISR to even ascertain whether the recipients of the email had seen it and opened it?
12. Why were the EOI participants given only four weeks to prepare and provide their response, when PsiQuantum had been given a period of some nine months to develop its proposal and to engage in extensive discussions about the proposal with the Australian and Queensland Governments?
13. Why were the companies which participated in the EOI process not given the same opportunities as PsiQuantum for direct engagement and discussion with Australian government officials and representatives up to and including the Minister for Industry and Science?
14. Why were the companies which participated in the EOI process specifically directed as a term of participating that they could not directly approach nor speak with Australian government officials?
15. Were the terms of the EOI biased towards PsiQuantum's technology and claimed delivery dates?
16. How did the Government assess the value for money of EOI applications and PsiQuantum's applications? What criteria and weighting were used? Was the negative impact on the Australian based quantum companies considered when allocating funding to a United States Company (loss of confidence in the Australian Quantum industry, impact on attracting venture capital for Australian Companies, losing Australian companies to overseas)?
17. Why was a technology agnostic EOI not considered at the start of the process?
18. Why was the EOI limited by the requirement to deliver a quantum computer at the earliest possible time only, rather than considering a weighted assessment of time to deliver, amount of local supply chain production in Australia, likelihood for the technology to be proven, up scaled and delivered on the promised timeframe, capability usefulness, total investment required and amount of funding remaining in Australia?
19. Did EOI applicants receive a fair process in terms of application and assessment?

20. Was it a foregone conclusion, given the terms of the EOI, that the funding would go to PsiQuantum and none of the companies invited to participate had any real or serious chance of being selected through the EOI?
21. Why was Export Finance Australia directed to commence work on the Investment into PsiQuantum before the EOI had concluded?
22. Was the EOI nothing more than a sham?

*Quantum Computing Funding Policy Considerations*

23. How did the Government satisfy itself that the optimal path to support the quantum computing sector in Australia was to invest a large amount in one company and in one technology, and how was that company and that technology selected?
24. Why did the Government not choose to make smaller investments across a range of companies, consistent with the approach being used by a range of other governments?
25. Why was a test bed not considered?
26. What initial and subsequent advice did the Department and the Chief Scientist provide to the Minister's office on the draft and final versions of the national quantum strategy and regarding providing funding for PsiQuantum?

*Conflict of Interest*

27. Did Minister Husic's senior adviser, Ellen Broad, have a conflict of interest, given that she has a close personal friendship with a senior Blackbird employee Kate Glazebrook, and given that Blackbird is an existing investor in PsiQuantum, and given that the Investment would likely have increased the value of Blackbird's existing holding in PsiQuantum?
28. Did Minister Husic take appropriate steps to recognise and manage the actual or perceived conflict of interest faced by his senior adviser Ellen Broad?

*Improper or Irrelevant Considerations Influencing the Decision to Make the Investment*

29. Was the decision to make the Investment influenced by the fact that PsiQuantum engaged as its lobbyist the firm Brookeline Advisory, whose partners included Lidija Ivanovski, a former Chief of Staff to current Defence Minister Richard Marles, and Gerard Richardson, a former Senior Adviser to current Treasurer Jim Chalmers?
30. Was the decision to make the Investment influenced by the fact that Minister Husic's Senior Adviser Ellen Broad has a close personal friendship with a senior Blackbird employee Kate Glazebrook, and given that Blackbird is an existing investor in PsiQuantum?
31. Was the decision to make the Investment influenced by the fact that a senior Blackbird executive Kate Glazebrook, was appointed to advisory boards by Minister Husic, and Blackbird is an existing advisor in PsiQuantum?

*Inconsistency with Stated Government Policy and Processes*

32. Why was the National Interest Framework not used in arriving at the decision to make the Investment?

33. Would the Investment have complied with the National Interest Framework? (Former Productivity Commission Chairman Gary Banks has stated that in his option it would not have.)
34. Is the Investment inconsistent with the National Quantum Strategy which calls for investment in quantum technologies (not a single technology)?
35. Why was the Investment not required to be considered against the requirements of the Future Made in Australia policy?
36. How is the Investment consistent with the requirement of the Future Made in Australia Policy that “Projects will need to create stronger domestic supply chains,” given that PsiQuantum has an established contract with Global Foundries for its semiconductors to be made in the US and Germany, meaning that there will not be a domestic supply chain for the semiconductors?

*Is the Investment a proper use of public money?*

37. Is it proper to use, as a strategy to support the development of the quantum computing sector, an investment of a large amount of money in one specific quantum company (having regard to the state of development of quantum technology, as discussed in Attachment C below)?
38. Is it proper to invest such a large amount of public money in one single company?
39. Is it proper to invest such a large amount of public money in a company incorporated and located in the United States rather than in Australia?
40. Is it proper to invest such a large amount of money in one specific, unproven technology which may or may not prove up to deliver a workable, commercially viable product?
41. Is it a proper use of the funds of Export Finance Australia to invest in a company incorporated and located in the United States?
42. Is it a proper use of public money to make an investment which will with high likelihood increase the value of the stake already held in PsiQuantum by a range of international and Australian venture capital funds, but which will only with much lower likelihood produce a positive commercial return on the investment made by the Australian Government?

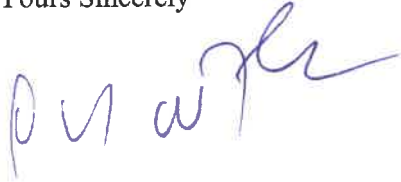
**The basis on which it is appropriate that ANAO investigate**

An object of the Public Governance, Performance and Accountability Act 2013 (PGPA Act) is to require entities ‘to meet high standards of governance, performance and accountability’. Under s 71(1) of the PGPA Act, Ministers are required to be satisfied that expenditure is a “proper use of relevant money”.

The ANAO has stated that it assesses the appropriateness of Commonwealth spending according to the standard of ‘proper’ provided in the PGPA Act, which necessitates ‘efficient, effective, economical and ethical’ use of public resources.

In view of the facts and questions set out in this letter, I submit that there are real questions about whether the Investment, and the processes pursued in making the Investment, complies with s71(1) and is a proper use of public resources, and it is therefore appropriate that the ANAO carries out an investigation as I have requested.

Yours Sincerely



Paul Fletcher

30 /07/2024

## Attachment A: Timeline

Date	Event
During 2022	PsiQuantum approached the Australian Government with an unsolicited proposal (FOI DISR 75154)
April-August 2022	Queensland Government Treasurer undertook multiple meeting with PsiQuantum: 7 April 2022, 14 July 2022, 24 Aug 2022.
September 2022	Minister Husic appointed two senior executives from Blackbird (including Kate Glazebrook) to key departmental advisory boards in September 2022, including the National Quantum Advisory Board. <ul style="list-style-type: none"> <li>Blackbird had become an investor in PsiQuantum in 2021 as part of the \$450 million series D funding round that valued PsiQuantum at \$3 billion.</li> </ul>
14 October 2022	Minister Husic meets with PsiQuantum (FOI DISR 75154)
8 December 2022	Minister Husic meets with PsiQuantum (FOI DISR 75154)
19 December 2022	Minister Husic agreed to enter into Stage 2 formal due diligence with PsiQuantum (FOI DISR 75154)
December 2022	Draft National Quantum Strategy, with input from Australia's Chief Scientist, is provided to Minister Husic's office
December 2022	Duncan McIntyre began as Deputy Secretary as head of the quantum investment taskforce (Budget Estimates)
January 2023	<ul style="list-style-type: none"> <li>DISR is continuing to chair an active whole of government working group.</li> <li>DISR is working closely with PsiQuantum, Queensland Treasury and federal agencies.</li> <li>DISR regularly meets with PsiQuantum (FOI DISR 75154)</li> </ul>
January 2023	Minister Husic meets with PsiQuantum at their US headquarters in Silicon Valley, California, USA "to express the Australian Government's commitment to working with PsiQuantum to comprehensively assess their proposed investment in Australia". (FOI DISR 75154)
May 2023	PsiQuantum's lobbyist company, Brookline advisory appeared on the Australian Government lobbyist register. Brookline advisory, is led by Lidija Ivanovski former Chief of Staff to Deputy Prime Minister Richard Marles and Gerard Richardson former Senior Adviser to Treasurer Jim Chalmers.
May 2023	Minister Husic's Office sends an email with a copy of the National Quantum Strategy to selected participants and stakeholders of the industry prior to the release (FOI emails).
3 May 2023	The final version of the National Quantum Strategy was made public. It is understood to be different to the draft version provided by the Chief Scientist in December 2022.
June 2023	PsiQuantum established a holding company in Australia
Mid 2023	PsiQuantum was briefing investors (via email), to solicit private sector funding, that it was in advanced discussions with the

	Australian Government, prior to the EOI, either without a non-disclosure agreement (NDA) signed or in breach of an NDA, if an NDA was signed. (Request for dates of PsiQuantum's NDA have gone unanswered).
Mid 2023	Industry sources noted that PsiQuantum thanked Kevin Rudd in a public forum for the Australian Government investing in PsiQuantum, prior to the EOI opening.
June 2023	The Department of Industry engaged KWM for legal due diligence on the PsiQuantum project. KWM's legal consultancy fees were up to \$994,000 within 5 weeks of the EOI closing.
July 2023	Duncan McIntyre, the Department Secretary in charge of the PsiQuantum Taskforce, who briefed against the Investment, was replaced by Helen Wilson. From this point, Duncan McIntyre was on leave for more than 12 months (including miscellaneous leave), after which he came back to a different department with a demotion to First Assistant Secretary. (Budget Estimates)
11 August 2023	EOI email was sent. PsiQuantum was not part of the EOI process.
11 September 2023	EOI closed.
September 2023	Export Finance Australia (EFA) began work on providing funding for PsiQuantum (Budget Estimates), before the EOI assessment was concluded and a decision taken by Government.
29 September 2023	Department of Finance provided advice to Minister for Finance regarding the commercial arrangements of the PsiQuantum Investment that forms the basis of Cabinet deliberations (FOI DoF 23-24/168)
During 2023	Members of the Australian quantum industry approached the Government for specific quantum funding (prior to the EOI) and were told there was no Quantum specific funding and they would need to compete for funding as part of the National Reconstruction Fund.
During 2023	The National Quantum Advisory Board (with PsiQuantum's Venture Capitalist Executive on the Board) helped shape the Quantum Strategy.



## **Attachment B: The EOI Process**

Selected companies were sent an email on 11 August 2023, then given four weeks and strict conditions to compete for almost \$1 billion of funding. The strict conditions included: no engagement with department officials; no engagement with DISR's retained external lawyers; no warning of the EOI email; no phone number; no person as a point of contact; no indication of funding amount; a requirement to sign a non-disclosure agreement and a clause saying the Government has the right to determine that nothing further come of the EOI process.

The EOI closed on the 11 September 2023, however Export Finance Australia had already began working on financing the PsiQuantum Investment in September 2023.

Further, the Australia Government's contract with King Wood and Mallesons for legal advice on the PsiQuantum deal was increased by \$700,000 by 18 October 2023, within five weeks of the EOI closing. If the EOI were a genuine process, it is extremely unlikely that all of the necessary assessments of the multiple responses received to the EOI could have been completed (by multiple departments across two governments) within five weeks. The alternative inference is that the EOI was a sham and the decision to make the Investment in PsiQuantum had already been made.

## **Attachment C: The State of Quantum Technology**

Currently, throughout the world there are a range of different types of quantum technologies under development. Eminent global academic quantum experts, including Australian academics, are unable to say for certain which technology will be proven and be able to be delivered at scale.

Australia's National Quantum Strategy refers to investment in multiple technologies. Australia has at least three world leading Quantum Computer companies with established operations in NSW and the ACT including Silicon Quantum Computing, whose CEO is former Australian of the Year Michelle Simmons; Diraq, who have recently announced they have achieved another technology proof milestone to build the world's first quantum computer, ahead of competitors; and Quantum Brilliance, who are currently delivering quantum computers in the size of a laptop and have recently announced a memorandum of understanding with Fujitsu and the Australian National University to establish a new quantum research facility with ambitions to build an onsite quantum computer.

Due to the technology uncertainty and the infancy of quantum technology development, other countries such as the United States, the United Kingdom, Germany, France and Japan have chosen to invest in multiple quantum technologies to create test beds. The investments by these countries have been structured in a phased approach via relatively smaller amounts of funding, compared to the amount outlaid to PsiQuantum by the Australian Government, and are aligned with technology development phases across multiple companies. The United Kingdom has invested in PsiQuantum, (spending roughly one fifth of the investment committed by the Australian Government).

Australian quantum companies are well respected for their technology developments, their ability to deliver, the capability for their technologies to provide timely computational capability, and their current supply chain having significant components established in Australia.