

IRU's response to the Government's National Innovation and Science Agenda

Submission 4: Innovation Incubators

The Innovative Research Universities (IRU) supports the Government's National Innovation and Science Agenda, with its 24 useful measures to transform Australia's approach to innovation. The challenge ahead is for all involved to respond positively to the new incentives, raising the level of industry driven research and increasing investment in bringing research outcomes to market.

IRU will contribute to the development of the Strategy, looking to ensure that programs will encourage investor action without stifling opportunities through overly strict rules or exclusion of potential future activities.

1. Innovation Incubators

IRU supports the general thrust of the government's proposal with its focus on establishing new incubators in regions or industry sectors where none or few exist as well as expanding the services offered by existing incubators.

To determine the existing gaps, it would be useful to have a publicly-available list of existing incubators. This would be beneficial for current start-ups looking for incubator support. Though such a list currently does not exist, the assumption is that current incubators are based in Australia's five main cities with the majority being Sydney or Melbourne based. This is the key issue that the new programme must address.

Similarly, for the Expert-in-Residence component of the programme, the list of innovation experts should be closely interlinked with the list of incubators. The programme should be designed in a way that ensures regular communication between incubators, greater visibility of existing and prospective expert networks and the capacity for incubators to collaboratively and flexibly pool resources to attract experts, particularly to the regions.

Maintain an updated public registry of incubators and innovation experts in Australia.

Enable regular communication between the networks of incubators and experts.

2. Ensuring spread across Australia and in different sectors

This programme should address the existing gaps for start-ups which currently do not have access to the benefits of incubator support either because they are located in a regional area or because they need specific sector expertise. When announcing NISA, the government described the *Incubator Support Programme* strand as one of the new initiatives focusing on regional areas.

The main challenge will be how to decentralise the programme so that it work for all parts of Australia and all industries. This focus must be clear and explicitly supported in the implementation.

The proximity of universities or industry makes sense at face value. IRU members, with their research-intensive profile, based in or with major campuses in regional Australia, are well placed to take up this challenge. At the same time, new incubators should not be limited to regions where complex requisite infrastructure is already present. If that were the case, incubators would be limited to a narrow set of locations, acting against the intent of the programme. The outcome of this new programme should be that there are sufficient incubators across Australia to ensure that each area and industry with potential economic development has incubator support.

To achieve this, geographical spread of the incubators chosen for support should be a key factor in the design of the programme with the selection criteria specifically citing this outcome. Hence, the selection cannot be solely by the individual merit of applications but geared towards achieving the final outcome of various innovation incubators reaching different parts of Australia across multiple sectors wherever there is economic potential.

Make geographical and multisectoral spread the centerpiece of the programme's design making sure that each area and industry with potential economic development has incubator support.

Regions with innovation potential

The discussion paper states that “support will be targeted at regions with innovation potential such as connectivity and existing infrastructure (e.g. Proximity of universities or industry), access to capital and talent but lacking existing early stage support mechanisms such as incubators.” The lack of complex existing infrastructure should not entail an automatic exclusion when assessing proposals if the programme is to help regions break through into a positive spiral of related activities supporting the medium term creation of a vibrant knowledge economy in the area. To make the programme implementable, an approximate (but not prohibitive) scale for an eligible region will need to be defined.

Incubator proposals should be able to position themselves as one of early elements of a broader infrastructure investment in a region with innovation potential.

Sectors with the greatest gap in start-up support infrastructure

The discussion paper rightly refers to targeting “specific sectors where there are the greatest gaps in start-up support infrastructure for innovative, globally-focused start-ups” while stating that sectors replete with support mechanisms are likely to be less competitive in the merit-based selection process.

As mentioned earlier, selection cannot be solely by the individual merit of applications if it is to reach new sectors or regions.

The interface between the sectoral-focused Industry Growth Centres and the new incubators relationship needs to be clearer. The Industry Growth Centres have been set up for those sectors where Australia has a comparative advantage and some of them are focusing on small and medium enterprises. This suggests that the Industry Growth Centres should be connected with or host incubators.

Clearly outline the link between Industry Growth Centres and incubators.

3. An inclusive and simple scheme

The discussion paper questions which lessons can be learned from existing business support programmes that should be incorporated into the design and implementation of the *Incubator Support Programme*.

The requirement of key performance indicators for existing incubators leads them to pick the most prospective start-ups to enter their incubator to ensure good incubator performance. Universities can supply some incubator-ready entrants but in most cases they are more able to supply embryonic businesses, developed by staff or students. This means that the performance requirements should be alert to how well incubators stimulate outcomes for a range of potential businesses not just look at the notable successes.

A particular interest for universities is that there are good links with incubators so that embryonic businesses developed by staff and students can also benefit.

Enable existing incubators aligned with universities to intake and upgrade business being developed by recent graduates or current students.

The Government has allocated its target level of funds for incubators. This should guide the number of incubators that are supported. However, to avoid the programme underachieving on its aim and to avoid wasted time on applications, the Government should look to fund all applicants that clearly demonstrate that they satisfy the requirements to be an effective incubator where there is no existing incubator or stronger proposal in the target region or industry. Such an approach would give confidence to those applying that funds can be provided if they present a good case.

Support all applications of merit where there is no current incubator for the region or industry.

The criteria should target the essential elements of a good incubator but not be so complex that only previous or current players are able to access them. The end result should be a system that remains open to new and developing players. Each of the components should be funded across two business cycles in order to ensure continuity of effort and the commitment of service providers.

Commit funding to at least two business cycles to ensure continuity of effort and the commitment of service providers.

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