



THE UNIVERSITY OF
MELBOURNE

RESPONSE TO DISCUSSION PAPER RELEASED BY THE DEPARTMENT OF
INDUSTRY, INNOVATION AND SCIENCE

FEEDBACK ON INCUBATOR SUPPORT PROGRAMME PARAMETERS

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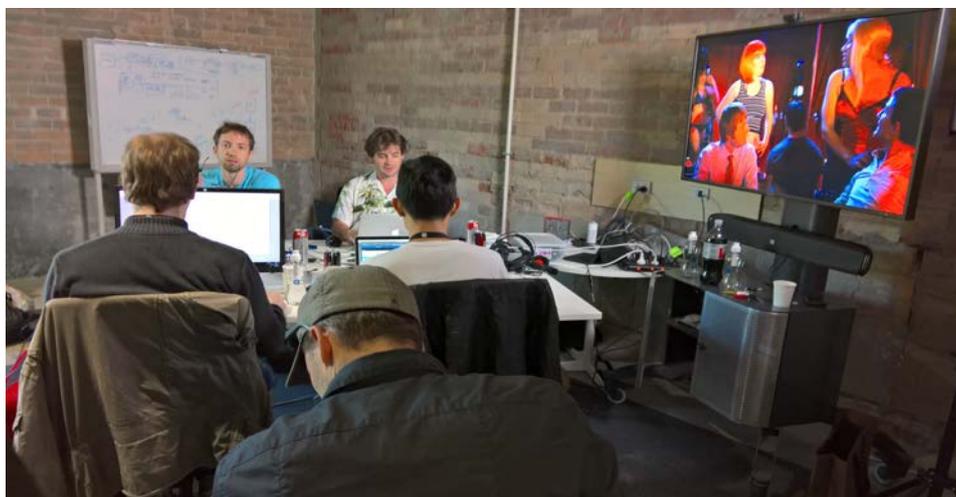


Image from GE Hackathon held at Lab-14: hosted by Carlton Connect, the Melbourne Accelerator Program and the University of Melbourne

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RESPONSE TO DISCUSSION PAPER

The University of Melbourne ('the University') welcomes the opportunity to respond to the Discussion Paper released by the Department of Industry, Innovation and Science ('the Department') as part of its consultation on the program parameters of the Incubator Support (IS) initiative.¹ The University supports the National Innovation and Science Agenda ('NISA') and the policy and programs supporting it, and is committed to working collaboratively with government and industry to foster innovation and entrepreneurship and drive world-leading research with impact.

The University hosts a highly-regarded accelerator program. The **Melbourne Accelerator Program (MAP)** was established in 2012 and is now recognised as Australia's pre-eminent university incubator. In 2015, MAP was ranked number 1 in Australia and number 8 worldwide by the UBI Index of university startup incubators.²

MAP's success is a direct result of it being embedded within the University innovation ecosystem that enables two-way knowledge exchange – infusing an entrepreneurial business culture into academia and drawing on academia's cutting-edge, multidisciplinary research to nurture fledgling business ideas. MAP's potential is being developed by virtue of its physical location within a University setting, which provides activity density and a pipeline of potential business ideas, as well as its ability to engage with industry supporters and provide international networks for its participants, including into Silicon Valley.

¹ Our response adopts the Discussion Paper's terminology of 'incubator' as covering a wider range of business germination, incubation, acceleration and entrepreneurial support activities.

² <http://newsroom.melbourne.edu/news/melbourne-accelerator-program-named-world-top-10>.

The University and MAP's directors are now focused on significantly expanding the core capabilities, program capacity and infrastructure of MAP to take its existing quality outcomes, accelerator leadership and domestic and international networks to a global scale.

- Since 2012 MAP has provided \$20,000, office space and mentoring to 24 startups. These startups have gone on to raise over \$10 million in funding, generate over \$10 million in revenue and create over 200 jobs.
- Early analysis indicates that MAP's economic contribution to Australia is over \$32 million.³
- MAP adopts a holistic view of the startup lifecycle and offers opportunities to aspiring entrepreneurs not yet ready for our accelerator. In 2015 alone, over 5,000 people attended MAP events and programs.
- MAP's activities have led to the establishment of a pipeline of innovators to the accelerator program and a strong national and international alumni network.

Grassroots change occurs when entrepreneurial talent connects with cutting-edge scientific and technological ideas, backed by the requisite resources to turn strong potential into brilliant outcomes. This alchemy exists at MAP – but it can be accelerated to global scale if universities and other stakeholders jointly prioritise entrepreneurial and commercial talent. Facilitating strong support and investment options for high-performing accelerators like MAP will contribute to achieving the ambitious goals for innovation activity and economic outcomes sought by NISA. The University is proud to have established and backed an internationally recognised university accelerator. However the future scale-up of MAP to spread the benefits more widely while also building global reach will require partnership with government and industry.

This is why our University is investing in systems, processes and people to embed a more entrepreneurial culture across its teaching and learning, research and engagement practices, including by supporting landmark whole-of-ecosystem innovation enterprises such as MAP. The impact of the University's and corporate partners' support has the potential to be amplified many times over with equivalent support from the Australian Government.

The Melbourne Accelerator Program

MAP started life as an accelerator program but is quickly emerging as one of Australia's standout entrepreneurial centres. Located within Carlton Connect, the University's multidisciplinary research hub focused on technology, innovation and sustainability, MAP provides education, guidance, tools, networks and experience to help budding entrepreneurs turn their big ideas into something bigger.

- **Startup Accelerator** – Annually, the MAP Startup Accelerator funds a group of startups (currently 10 per intake) and works intensively with them to grow their business ideas. Participants are selected competitively through structured recruitment and must have one

³ This is a preliminary figure and requires further study.

founding team member who is a staff, student or alumni of our supporting faculties. The human capital nexus between MAP and the University's researchers, students and staff is one of MAP's key strengths, delivering through the accelerator a flowing and renewing resource of expertise and wide-ranging theoretical and applied specialisations. The vast on-campus specialisations surrounding MAP include skills ranging from neuro-engineering to defence material design to biomedical pioneering and super computer computational capacity to commercialisation strategy and cultural and market analysis. A university incubator's starting environment is uniquely rich; this is why MAP is one of the few accelerators in Australia able to take a precinct-based, whole-of-ecosystem approach to innovation.

- Startups that are successful in winning a place at MAP are provided funding, office space, structured mentoring, networking opportunities and pitching trips to Sydney and Silicon Valley. A selection of MAP's startup case studies is attached at **Appendix A**.
- **Hackathons** – MAP's hackathons provide an opportunity for enthusiastic individuals with entrepreneurial talent to work collaboratively to develop new and exciting products that help solve real world challenges. In 2015, MAP co-hosted regular hackathons in partnership with industry including the NewsCorp #HScodifest and the GE industrial hackathon.
- **Velocity Series** – MAP's three part Startup Velocity program gives entrepreneurs the tools to develop and launch their business. The sequential programs provide insight into how to launch a startup and how entrepreneurs can put their skills to best use.
- **Public Forums and Masterclasses** – MAP hosts regular public events, which provide an opportunity for budding entrepreneurs to learn from successful entrepreneurs. The MAP Masterclasses focus on a variety of topics such as 'How to Run a Kick-starter Campaign' and 'Legal Essentials for Startups'.
- **Meetups** – MAP hosts three Meetups annually, which provide a social environment to foster learning, innovation and networking opportunities.
 - *MAP Female Founders Melbourne* assists female entrepreneurs to start their own business and pursue leadership opportunities.
 - *MAP MedTech* helps facilitate discussions around developing new medical technology.
 - *MAP FinTech Melbourne* is the gathering point for those interested in new technologies within the financial services industry.

- **Institutional links to structured entrepreneurship development** – MAP has strong links to the University’s new *Masters in Entrepreneurship*.⁴ The one-year course launched in 2016 is a collaborative project between the Faculty of Business and Economics, the School of Engineering and the Wade Institute of Entrepreneurship at Ormond College. The course provides up to 60 students annually with the knowledge and skills for developing, launching and sustaining business enterprises and commercialising products and services. Students develop their own startup initiatives to pitch for real funding to launch their enterprise. Every week the students are tutored by and meet leading entrepreneurs, investors and managers of incubators, accelerators and shared working spaces. Corporate sponsors of the Masters in Entrepreneurship include Corrs Chambers Westgarth, Australia Post, Credit Suisse and CMB Capital.
- **Building partnerships with industry** – MAP has secured the support of partner institutions including the Nasdaq Entrepreneurial Center, Australia Post, ANZ, Corrs Chambers Westgarth and Google. This industry collaboration contributes important qualitative gains to local innovation ecosystems by establishing productive links with global corporate networks. For example, the Nasdaq Entrepreneurial Center partnership will expand student exchange and alumni networking opportunities in Silicon Valley.
- MAP’s partnerships also contribute to Australia’s domestic economy and innovation landscape. For example, the Australia Post engagement has allowed MAP to open up two new places in the startup incubation program, which will be geared towards seeking out disruptive e-Commerce practices that Australia Post can implement within their business. Australia Post will be co-locating its innovation labs to MAP’s premises. The partnership with Australia Post will also see the creation of regional and rural accelerator outreach initiatives to encourage a pipeline of new entrepreneurs outside metropolitan areas, with a particular focus on building the capacity of female entrepreneurs and supporting the growth of social entrepreneurs.

These achievements can be attributed to the high-quality and comprehensive support MAP provides to its participants as Australia’s leading university-based accelerator and innovation sector thought leader. To date, MAP’s funding support has come from the state government, university, corporate and philanthropic sources.

In MAP’s experience, Australia’s biggest challenge is not creating *more* startup incubators, but identifying and scaling up quality incubators to build powerful self-sustaining innovation ecosystems that leverage Australia’s education and industry capabilities that will generate the jobs and industries of the future.

A key driver of quality is the surrounding environment of a startup incubator and depth of ready opportunities for expert guidance, business nurturing and problem-solving. Drawing on the

⁴ <http://wadeinstitute.org.au/>

University example, part of the success of MAP is that it is embedded in the research rich university environment, situated at the epicentre of an activity-dense innovation and research precinct. In many ways, MAP is a ‘cultural microcosm’ of the bigger picture innovation transformation occurring at our University. As a very large and world-class research institution, we have re-gearred our internal practices to systematically mine our substantial intellectual property base, for example by bringing experienced business builders into faculties to guide decision-making on knowledge translation and commercialisation.⁵

Proximity to a dynamic research enterprise like a university delivers two-way benefits to startups and startup incubators; it brings business ideas closer to researchers and expert problem-solvers, and cutting-edge research closer to the commercial slipstream. The surrounding activity density of a university also means the incubator/accelerator has access to a greater volume and selection of startups and commercialisation prospects, meaning MAP’s quality controls can pick out the strongest ideas and back them to delivery with greater chance of success. This rich, deep and broad startup pipeline is a significant and valuable commodity, representing a crucial element in our plan to make the most of the qualified deal flow and intellectual property coming out of Australian universities.

Strong performance as an early-years incubator does not come easily and is never guaranteed; it arises from having the right mix of contributing factors far beyond bricks and mortar. Similarly, the next developmental stage for strong performing accelerators like MAP requires necessarily scaled-up support from diverse sources including the University, corporate partners, industry, benefactors and government.

It is the University’s view that, in the context of limited Federal funding for incubator support, investing strategically in boosting the impact of high-achieving existing incubators including expanding their geographical reach, is a higher value proposition for public funds. As such, we strongly encourage the Department to emphasise impact and quality over quantity in setting program parameters for the IS initiative.

Summary of recommendations made in this submission

- University incubators and accelerators such as MAP have passed the proof of concept phase and are now an essential part of the Australian innovation and incubator ecosystem. They offer a pipeline of research expertise, global networks and new ideas. University incubators are not-for-profit, public purpose enterprises that are able to leverage the strengths of world-class research institutions such as the University of Melbourne. Established university incubators are also strongly positioned to share their accumulated expertise and open up opportunities for innovation more broadly, such as through outreach projects and network development in regions where there are no established incubators. As such, we recommend

⁵ Mr Doron Ben-Meir, Evidence to Joint Select Committee on Trade and Investment Growth inquiry into Australia’s future in research and innovation, [Public Hearing 10, Melbourne, 10 March 2016](#), p 57.

amending the program parameters set out in the Discussion Paper to facilitate support for scaling up quality incubators.

- **(Component 1 and 2)** The current cap for matched funding grants under Component 2 of \$50,000 is too restrictive to meaningfully impact the capacity of existing incubators. We suggest merging Components 1 and 2 to remove the distinction between ‘new and ‘existing’ incubators, and instead applying a single set of hurdle criteria to all incubators. Existing incubators should be eligible to apply for matched funding to the same cap as new incubators (which is currently capped at \$200,000).
- **(Component 1 and 2)** A new and higher cap of \$250,000 for matched funding applications by any (new or existing) incubators would inject strength and capability into incubators’ operations and have a greater chance of building capacity and elevating impact in the innovation ecosystem.
- Eligible activities for application under the IS initiative should be considered more broadly, extending beyond event-based activities to include core expenses such as infrastructure, staffing and other costs that are incidental to startup support.
- **(Component 3)** Experts-in-residence funding is a strong and important component of the IS initiative as currently outlined in the Discussion paper. Eligible residencies should include residencies of up to 6 months duration to have a meaningful and catalytic impact on incubator’s and participants’ relationships and outcomes.
- The Australian Government should consider significantly increasing the overall funding allocated to Incubator Support over the forward estimates.

A more detailed response to the questions set out by the Discussion Paper is provided below.

Question 1: What lessons can be learned from existing business support programmes that should be incorporated into the design and implementation of the IS initiative?

University accelerators such as MAP are a high-performing, comprehensive, deeply networked and public purpose investment. The design and implementation of the IS initiative should encompass appropriately resourced mechanisms for supporting existing incubators to significantly scale-up successful programs. Incubators can provide the organising structure that facilitates engagement between industry, research and new ideas.

- Australia’s future economic growth depends on maintaining a robust research base and assuring knowledge translation. Universities, as pillars of Australia’s rich research reserves, are places where intellect and exploration can flourish and the next generation of innovators are educated.

- The University of Melbourne is a world-class research-intensive university. The university environment encourages creation and sharing of intellectual property and offers a place for experimentation and the safety to fail. As hubs of entrepreneurial enthusiasm, our University generates new businesses and can strengthen the small and medium enterprise backbone of Australia's economy.
- Accelerator programs like MAP leverage the strengths of universities and cultivate the startup entrepreneurial culture we need in Australia. British experience suggests there is particular value in supporting university-linked accelerators and hubs because of the role they play in helping to creating an entrepreneurial university culture and capability that is more focused on translating knowledge into economic and social value.⁶
- The University is advancing a strategic program of scaling up our own research and innovation capability. This scaling up of impact includes establishing and now expanding successful enterprises such as MAP. MAP combines its acceleration program with a natural role as an entrepreneurial centre, fostering talent through a Masters of Entrepreneurship course, flourishing industrial collaborations across the campus and a growing array of interdisciplinary research precincts.

Quality of investment matters when it comes to maximising the impact of limited public funds for Australia's incubator system.

- While the Discussion Paper provides three merit criteria (innovation potential, management capability and business capability) to be applied to all matched funding applications by the Panel, the current distinction in funding cap and eligible activities between Component 1 and 2 suggest a policy emphasis on generating new incubators through the IS initiative.
- The MAP experience shows that – far beyond the bricks and mortar of an incubator – it is the depth of mentoring and comprehensive institutional support that makes a difference to startups and emerging entrepreneurs and turns a good idea into a strong commercial enterprise. As such, existing accelerators that exhibit quality outcomes should be eligible under the IS program parameters to access funding for activities that consolidate and grow their positive outcomes. Australia's fledgling incubators now need assistance to scale up for wider domestic coverage and to deliver a global reach.
- Under Component 2, the Discussion Paper notes that existing incubators can apply for matched funding to 'enhance service offerings' however the examples provided of eligible activities are largely event-based. In the University's experience, quality accelerators like MAP spend significant funds on incidental costs of startup support such as travel, workspace, equipment and highly-effective industry mentors. As such, we suggest that genuine impact from grants under the IS initiative will come from a less restrictive outline of eligible

⁶ *The rise of the UK accelerator and incubator ecosystem*. November 2014:
http://cdn.news.o2.co.uk.s3.amazonaws.com/wp-content/uploads/2014/12/O2_WAYRA_Report_121214.pdf

activities for existing incubators. This is discussed in more detail in our response to Question 3.

Question 2: How can this initiative best complement similar state and/or territory based activities?

The University and MAP program welcomes the important conversation occurring at all levels of government about how to derive optimum economic and social outcomes from Australia's innovation ecosystem. There is multi-partisan recognition that boosting innovation and leveraging key actors – such as startup incubators and accelerators – is a national priority.

Federal, state and local governments should communicate and collaborate to get the mix of measures and incentives right according to respective aims. It is important that State and Federal initiatives are complementary and mutually reinforcing. Australia's incubator network, which is already growing in strength, will be boosted to new levels of achievement with support from multiple levels of government.

Question 3: What types of activities could be supported under the three components and are the suggested caps appropriate?

Incubators will thrive with government support for a wider range of eligible activities and program resources.

- Under the current draft parameters for Component 2, existing incubators may apply for grants that cover largely event-based activities, such as hackathons, community engagement and workshops for startups. While these are all core business of accelerators such as MAP, for an existing incubator there are other areas of potential support which would genuinely deliver greater impact and outcomes for emerging entrepreneurs.
- The University suggests that funding components and eligibility parameters applying to existing incubators should, as for new incubators, cover expenses such as core infrastructure, staffing and other expenses that are incidental to startup support. Matching funding for structural costs like this would be significantly effective in building up the capacity and longevity of high-performing incubators, and therefore represent a more sustainable investment of public funds.
- Another eligible activity that would significantly impact outcomes and the quality of existing incubators would be assistance with vastly scaling-up existing incubation and acceleration programs. For instance, matched funding for scaling up ventures could be supplemented by MAP continuing its current practice of seeking a funding mix from University, corporate partners and philanthropists.
- Another activity that could be supported by the IS initiative is the development of virtual networks of startup incubators across Australia. The virtual network could stretch between

existing incubators in Australia's metropolitan centres and emerging businesses/entrepreneurs in Australia's regional and remote areas, where infrastructure and opportunities to realise great ideas are comparatively limited. The virtual network could see leading incubators from commercial hubs, such as MAP, take its expertise and programs to the regions and outer metropolitan areas. This suggested eligible activity for the IS initiative builds on the model for MAP's existing engagement with Australia Post, which includes the delivery of outreach programs to rural and regional through mentoring, events and resources. An eligible activity like this would service dual purposes: scaling up the domestic and sectoral reach of high-performing public purpose accelerators such as MAP, while dispersing the impacts of an established innovation ecosystem across new geographic areas.

Higher caps on IS grants for existing incubators

- **(Component 1 and 2)** The current cap for matched funding grants under Component 2 of \$50,000 is too restrictive to meaningfully impact the capacity of existing incubators. We suggest merging Components 1 and 2 to remove the distinction between 'new and 'existing' incubators, and instead applying a single set of hurdle criteria to all incubators. Existing incubators should be enabled by the program parameters to apply for matched funding to the same cap as new incubators (which is currently capped at \$200,000).
- The current cap of \$50,000 for grants for existing incubators is not likely to change the capability settings of an existing incubator to broaden its stable of startups and deliver a higher quality acceleration service. As stated earlier, quality incubators provide a comprehensive package of support to its startups. The events-based funding could arguably free up some core funding for expansion but not at a level that will significantly impact capability in existing incubators.
- **(Component 1 and 2)** A new and higher cap of \$250,000 for matched funding applications by any (new or existing) incubators would inject new strength and capability into incubators' operation and have a greater chance of building capacity and elevating impact in the innovation ecosystem.
- Scaling up the scope and reach of successful incubators will deliver equivalently higher impact reward to Australian innovation, but will require sustained and appropriately targeted investment by the key stakeholders of incubators. The University is doing its part in moving to scale-up MAP's operations. However, to deliver on the global ambitions and potential of standout accelerators like MAP we believe there is a need for government support for existing acceleration programs.

Adding value to the Experts-in-Residence program

- **(Component 3)** The Expert-in-Residence component of the IS initiative outlined by the Discussion Paper is an important part of the package of support being offered to Australian incubators by the Australian Government. The University's view is that matched funding for

seconding experts from external institutions for mentoring, coaching and leadership is a crucial part of successful incubators.

- The MAP experience has shown us that maximising the benefit of expert secondments comes from the depth of experience of the expert, the extent to which they are effective in bringing commercial opportunities to the accelerator and participants, and the dynamism of the relationship forged between the expert-in-residence and startup participants.
- As currently appears in the program parameters outlined by the Discussion Paper, Component 3 does not appear to be subject to a cap on grants. The University commends this decision, as the absence of a ceiling cap on applications for matched funding means incubators will be able to identify the best placed experts according to a range of factors (including but not confined to cost) and lodge an application on the merits of the proposal.

Do you have any other comments/suggestions?

The Australian Government should consider significantly increasing the overall funding allocated to Incubator Support over the forward estimates.

The Australian Government announced in late 2015 that it will spend \$8 million on expanding Incubator Support over the forward estimates. While this is a good start and a positive indication of the Government's ambitions for Australian business incubators, this total funding figure represents a down-payment on the resources that will be necessary to catalyse significant change in the innovation sector. Noting that the overall NISA package extended to \$1.1 billion, the economic impact of accelerators as part of that package of measures could be significantly enhanced by a broader starting base of Australian Government support for incubators.

The Australian Government could also consider establishing incentives to bring greater corporate engagement and investment into the funding and implementation of the IS program. One method of doing this could be to list incubator investment as an eligible activity under the R&D tax incentive or other concession scheme as appropriate.

APPENDIX A

Four Melbourne Accelerator Program (MAP) Case Studies

Nuraloop (MAP 2015) – Nuraloop is a recipient of a \$20,000 Melbourne Accelerator Program Start Up grant. Nuraloop has developed technology that will allow headphones to deliver sound that is perfect for the individual. This is based on the insight that people hear differently and headphones can be adjusted for the individual in the same way eye-glasses are. Upon completion of the MAP program Nuraloop will be ready to advance to a proof of concept phase and develop a prototype product protected by patent which is ready for significant venture capital investment.

Quanticare Technologies (MAP 2014) – Quanticare Technologies is a recent graduate of the \$20,000 MAP grant program that is now looking to raise capital to develop its products into a more investible form. Quanticare creates solutions for healthcare that enable data driven clinical encounters through the development of novel monitoring and tracking technology. The first product under development, the Footprints Senor, is a sensor system for walking frames that detects gait patterns to prevent falls for seniors. The potential savings to the health system from this technology are significant along with the improvement in quality of life for the elderly in preventing falls.

Palette (MAP 2013) – Palette’s first product is a colour-matching device called the Cube which can scan any surface and determine its exact colour. After participating in MAP Palette raised \$150,000 through crowdfunding to deliver their first product to market. Since then, they have secured a partnership with Dulux, Australia’s largest paint manufacturer, to create the Dulux Snapshot which matches paint to Dulux products for the trade and home renovator market. Palette has also raised \$1.0 million in funding from angel investors including the early investors of Aconex.

Relectrify (MAP 2015) – Relectrify is developing technology to provide an affordable solution to the rapidly growing need for energy storage. This is achieved by reusing the batteries in our ever increasing numbers of portable devices that have thus far been considered waste (<http://www.relectrify.com>).