



Education Legislation Amendment (Startup Year and other measures) Bill

Senate Education and Employment Committees

April 2023

Executive Summary

The University of Melbourne welcomes the opportunity to submit to the Senate Standing Committee on Education and Employment's inquiry into the *Education Legislation Amendment (Startup Year and Other Measures) Bill 2023*.

The Government's Startup Year initiative recognises the potential contribution of the university sector to Australia's startup ecosystem. University-based accelerator programs are uniquely positioned to bring together industry and researchers, teaching and research activity, and knowledge generated across the full spread of disciplines to foster entrepreneurial skills and help to transition new ideas into successful businesses. These programs have a key place in Australia's broader innovation system.

The University recognises that the Startup Year initiative is a pre-election commitment, and that the proposal has the potential to be a valuable part of the framework of Government support for research and innovation in Australia. We also recognise that breakthrough initiatives such as this require ongoing refinement to ensure optimal program settings. Given the proposed use of income-contingent loans to fund this initiative, it is crucial that the Startup Year initiative not only has the intended impact on Australia's startup performance, but that it reliably delivers a benefit to the participants who are incurring a debt to support their involvement.

Given this, the University of Melbourne recommends that the Senate support the initiative by passing the proposed Bill, but that the Government conduct an evaluation of the initiative at the end of a two-year pilot period. A two-year pilot will allow for the collection of data pertaining to the outcomes being delivered through the initiative, supporting an assessment of its impact and helping to inform possible changes to it.

Beyond the importance of running a pilot period to test the proposed measure, the following comments address design features that should help to ensure that the Startup Year initiative delivers the intended benefits to participants. Key points include:

- limiting eligibility to universities with existing accelerator programs.
- allowing universities considerable flexibility concerning the selection of participants, and the program duration. Many well-run accelerators have a core program limited to several months, which interact with feeder programs as well as with mentor networks and check-ins following the completion of the program. Permitting universities autonomy around program design will help to maximise the value generated by the initiative.
- the need for census date arrangements to allow students to exit early where this is appropriate.

For further information, or to discuss the submission, Professor Jamie Evans, Acting Deputy Vice-Chancellor (Academic) can be contacted at jse@unimelb.edu.au.

Recommendations

The University of Melbourne recommends that:

- the Senate pass the proposed Bill, but with the condition that the Government commit to a full evaluation of the initiative at the end of a two-year pilot period.
- eligibility for places be limited to universities with existing accelerator programs.
- 2,000 places be treated as an upper limit during the pilot phase, rather than as the number of places to be allocated.
- a flexible approach is taken to the Startup Year initiative, allowing universities autonomy relating to student selection, the course level of participants and the duration of the accelerator program.
- census date arrangements to allow participants to early exit without incurring a debt, if they deem that their business idea is not yet sufficiently developed to proceed.
- the *Social Security Act 1991*, *Social Security (Administration) Act 1999* and *Student Assistance Act 1973* be amended as proposed, to ensure access to income support for accelerator program participants.

Entrepreneurship at the University of Melbourne

The following is an outline of the University's approach to entrepreneurship education and training. This information is provided to the Committee to outline the University's experience in running programs with features similar to the Start Up Year.

Melbourne Entrepreneurial Centre

The [Melbourne Entrepreneurial Centre](#) is the gateway to entrepreneurship at the University of Melbourne. The Centre was formed in 2018 as part of a commitment to enrich the culture of entrepreneurship within the University and provide pathways to support the entrepreneurial leaders of the future. It aims to provide students, alumni, academics, industry, government and the general public opportunities to engage with and move innovation forward to create real-world impact, and includes formal subjects for both undergraduate and postgraduate students. The Melbourne Entrepreneurial Centre is part of the University's Faculty of Business and Economics. It oversees the Melbourne Accelerator Program and Translating Research at Melbourne (TRAM).

Melbourne Accelerator Program

The [Melbourne Accelerator Program](#) (MAP) was launched in 2012 as one of the first startup accelerators in Australia, and in 2016 was ranked the 8th best University-aligned accelerator in the world. In 2023, MAP is investing in 11 startups, equipping them with \$20,000 equity-free funding, inner-city office space and access to Australia's best business minds to help them accelerate their growth. MAP also offers a range of additional programs and events to the broader startup ecosystem, including the MAP Velocity Program (a part-time program for early stage founders), the Melbourne Entrepreneurial Centre Fireside Chat and Masterclass series, and a range of events and festivals in collaboration with the University's Melbourne Connect precinct.

Since its launch, MAP has supported more than 240 Startups, generated more than \$250 million in revenue and created more than 1,500 jobs.

Translating Research at Melbourne (TRAM)

[Translating Research at Melbourne](#) (TRAM) is the University's research impact accelerator program. Since launching in 2016, TRAM has seen over 40 teams complete the program with many going onto commercial success. It functions as a gateway to research entrepreneurship and industry engagement for ambitious researchers, with programs designed to quickly develop entrepreneurial thinking within proven frameworks to maximise the real-world impact of research-based projects. Participants receive ongoing support, mentoring and access to office space.

Wade Institute of Entrepreneurship

[Wade Institute of Entrepreneurship](#) is a leading hub for entrepreneurial training that delivers a range of immersive education programs to accelerate learning, creation and connection, providing an opportunity for students to "fail safely", with continuous feedback loops, and by testing and iterating ideas. It is the home of the University of Melbourne's Master of Entrepreneurship as well as programs, events and custom masterclasses.

Melbourne Connect

[Melbourne Connect](#) supports interdisciplinary collaboration, where researchers and industry participants cross traditional disciplines to tackle complex problems. It is home to companies of all scales and stages, including start-ups, spin-outs and scale-ups, through to publicly listed companies,

helping translate the new knowledge produced in fields such as engineering and IT into economic value. The innovation precinct is the epicentre of digital talent in Melbourne, accessing an extensive pipeline of highly skilled graduates, emerging researchers and thought-leading academics.

Comment on proposed Startup Year program

1. Two-year pilot period

While the Startup Year initiative has the potential to contribute positively to Australia's startup ecosystem, there remain questions around some elements of the proposal.

- **Funding mechanism:** the benefits of participating in an accelerator program extend beyond launching a successful startup. Participants acquire a range of skills relating to developing hypotheses, conducting research and interpreting results that are relevant independent of the particular business idea. Belonging to a cohort of aspiring entrepreneurs allows participants to build professional networks, in some cases leading to work in a startup founded by someone else. Even acknowledging these benefits, the low success rate of attempted startups raises questions as to whether income-contingent loans are the most appropriate mechanism for funding participation in accelerator programs.

A further issue with the use of the income-contingent loans is that it effectively excludes international students from the initiative, noting they are ineligible for HELP loans. Since international students are now a significant share of the student body, it is important that we ensure their potential contribution to the startup economy is realised.

- **Number of places and funding level:** There are also questions around both the number of places to be made available per year and the funding level per place. While it is likely that there is some level of unmet student demand for accelerator programs, it is unclear whether 2,000 is an accurate approximation of this unmet demand. Ultimately, a lack of data on current participation levels in existing university-run accelerators makes it difficult to gauge the extent to which the proposed initiative will help to fill a gap in the market. Similarly, it remains an open question as to whether the figure of \$11,800 is an appropriate funding level to support the intended outcomes.
- **Team-based or individual:** While the proposed initiative is based on individual participation, intake into accelerator programs is often team-based, i.e. a group of participants seeking to develop a business proposal. There is a question as to whether the proposed design is the right way to support groups or teams of entrepreneurs to access accelerator programs.

The proposed initiative has merit, and a degree of experimentation is inevitable with a new initiative of this kind. However, this underscores firstly the importance of taking steps to ensure that the initial participants benefit from their participation, given that this is funded through student loans. In the following comments, we offer suggestions on the initial design to help achieve this. It also highlights the need for a full evaluation of the initiative at the end of the pilot period. We recommend a two-year pilot period, to allow time for an assessment of its impact.

The University of Melbourne recommends that the Senate pass the proposed Bill, but with the condition that the Government commit to a full evaluation of the initiative at the end of a two-year pilot period.

2. Allocation of places

The University argues that eligibility for places should be limited to universities with existing accelerator programs that have a track record of delivering outcomes. The benefits to participants in university-based accelerators are underpinned by their being part of a cohort of aspiring entrepreneurs, and through access to mentors, subject matter experts, venture capital providers, and

so on. Ensuring that these benefits are delivered therefore requires that participants are entering into relatively mature programs that allow for genuine immersion in the startup ecosystem. While there is a role for Government in helping to establish new university-run accelerator programs and supporting them to reach a level of maturity, it is not appropriate that this be financed by the initial participants in those programs taking on student debt.

We also recommend that the 2,000 places be treated as an upper limit during the pilot phase of the program, rather than as a fixed number of places to be allocated. Noting the point made above concerning the difficulty in gauging current levels of unmet demand for accelerator programs, it may be that utilisation of the places falls below the 2,000 allocation. The benefit of beginning with a pilot period is that it will offer greater clarity around the appropriate number of places before the program is launched in full.

The University of Melbourne recommends that:

- ***eligibility for places be limited to universities with existing accelerator programs.***
- ***2,000 places be treated as an upper limit during the pilot phase, rather than as the number of places to be allocated.***

3. Flexibility around program design and student selection

The University of Melbourne encourages a flexible approach should be taken to the Startup year initiative, allowing universities significant autonomy in how they support participating students.

- **Student selection:** Universities should be free to set their own selection criteria for entry into the program, to ensure it is appropriate for their student cohort. This will contribute to the efficiency of the program, noting that existing accelerator programs already have established selection frameworks.
- **Course level:** Universities should be left to determine how their allocations of places is to be distributed between students or recent graduates from different course levels. The University of Melbourne's experience is that participants at the postgraduate or postdoctoral level are the most likely to launch a successful startup, with the higher levels of skills and knowledge acquired through their studies supporting more mature business ideas. It is likely that other university accelerator programs will have a focus on the undergraduate level, in line with the university's student profile and the design of the accelerator program itself.
- **Duration:** Universities should have flexibility over the duration of the program. Some accelerator programs work best as a short-term, concentrated 'hot house', lasting for 3-6 months, rather than as a longer-term project. For example, the Melbourne Accelerator Program lasts for 5 months. Importantly, a full-year program will be unattractive to some potential participants, particularly recent graduates of PhD programs who are less willing or able to agree to an extended period outside of paid work. It should also be noted that since the student loans are the only funding source for the initiative (with not Commonwealth Grant Scheme component), universities are to receive less than do for other course programs. Maintaining a full-year program is likely to be difficult at the proposed funding level.

We also note the importance of census date arrangements that allow students to exit the program without incurring a debt, if they determine early on that the business idea is not yet sufficiently developed to benefit from the program. Noting that accelerator programs will vary in terms of the timing of their intake, the Startup Year initiative should include a broad requirement that a census date is determined to allow for early-exit as appropriate.

The University of Melbourne recommends that:

- ***a flexible approach is taken to the Startup Year initiative, allowing universities autonomy relating to student selection, the course level of participants and the duration of the accelerator program.***
- ***census date arrangements allow participants to early exit without incurring a debt, if they deem that their business idea is not yet sufficiently developed to benefit from the program.***

4. Income support arrangements

In many cases, disadvantaged students face additional barriers to participating in accelerator programs, relating to commitments outside of university, the need to maintain part-time employment etc. The University welcomes the proposed amendments to *Social Security Act 1991*, *Social Security (Administration) Act 1999* and *Student Assistance Act 1973* to allow access to income support payments for participants in accelerator programs. This will help to support access and inclusion for disadvantaged cohorts.

The University of Melbourne recommends that the Social Security Act 1991, Social Security (Administration) Act 1999 and Student Assistance Act 1973 be amended as proposed, to ensure access to income support for accelerator program participants.