



Australian Government

Department of Industry,  
Science and Resources

# Parliamentary Committee Inquiry – Education Legislation Amendment (Startup Year and Other Measures) Bill 2023

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Department of Industry, Science and Resources  
Submission

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## Introduction

The Department of Industry, Science and Resources (the Department) welcomes the opportunity to respond to the Parliamentary Committee Inquiry on the Education Legislation Amendment (Startup Year and Other Measures) Bill 2023.

The Department recognises the importance of innovative startups in providing new perspectives and technologies, creating high-value jobs, improving economic performance and maintaining Australia's standard of living. On average, across OECD countries, young firms account for approximately 20 per cent of employment and create almost half of all new jobs.

A diverse set of pathways and support is required to ensure innovative startups have access to the necessary skills, networks, finance and markets to adequately scale and grow.

The Department is committed to working with startups, industry, universities and research institutions to ensure we get the settings right to unleash our full innovation potential.

## Opportunities offered by innovative startups for Australia

Australia is recognised for its world-class research, yet further attention is required to create the right environment to ensure our discoveries can be effectively commercialised. Innovative businesses and startups bring new products and services to market and are key drivers of competitiveness in our economy. New-to-market innovation is significantly and positively associated with export activity, market share, labour productivity, employment and average annual sales.

According to the Australian Innovation System Monitor<sup>1</sup>, a notably higher proportion of *innovation-active businesses* consistently report increased sales, profitability and productivity. In 2019-20, *innovation-active* businesses had notably higher IT spending, productivity and product range.

Furthermore, the positive impact of innovation gets stronger when businesses innovate more frequently. Persistent innovators significantly outperform other businesses in terms of sales, value-added, employment and profit growth. As such, innovative Australian businesses and startups play a critical role in creating Australian jobs, commercialising ideas and creating solutions to industrial, social and community-based problems.

Australia needs to improve on our ability to translate new knowledge and commercialise innovative ideas.<sup>2</sup> We routinely ranks very highly in terms of public investment in research undertaken and comparatively lower in terms of translating that research into tangible products and services. The 2022 World Intellectual Property Organisation (WIPO) ranks Australia 19<sup>th</sup> for innovation input, yet we rank 32<sup>nd</sup> for innovation output.

Addressing this challenge will inevitably require greater ties between our university and research sector with businesses. In bridging this gap, we need to empower our student cohort to pursue their ideas and create the next generation of innovative businesses, built upon new knowledge and

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<sup>1</sup> [Australian Innovation System Monitor](#), DISR, 2021, accessed 5 April 2023.

<sup>2</sup> World Intellectual Property Organization, [Global Innovation Index](#) 2022

creativity. We need to strengthen entrepreneurial skills amongst students, so they are better equipped and motivated to seize opportunities following the completion of their studies.

A number of Australian universities have established entrepreneurial centres and programs to equip students with the skills to start and grow new businesses, which many of our international partners have been doing for years. Whilst these efforts are encouraging and much needed, further effort is required to help produce more entrepreneurially-minded graduates from our education system. The Startup Year initiative aims to do just that.

The Department has worked closely with the Department of Education in its development of the Startup Year initiative to stimulate the national focus on entrepreneurship, innovation and technology. It will leverage the significant commercialisation already occurring within universities as an extension of research and enable students to further develop their entrepreneurial skills and ideas at university.

## Australian Government support for innovative startups and entrepreneurs

A diverse set of pathways and support is required to ensure innovative businesses and startups have access to the necessary skills, networks, finance and markets to adequately scale and grow. Governments play a critical role in this ecosystem, creating the conditions and providing support for businesses to grow and thrive.

The Department delivers a range of support measures to help entrepreneurs start and scale innovative businesses as outlined below. The Department of Education is responsible for the University Research Commercialisation Action Plan, which includes Australia's Economic Accelerator designed to fund the translation and commercialisation of university research in national priority areas. Other government agencies, such as the CSIRO, also provide a range of support programs. The Startup Year initiative will complement and leverage the full range of existing programs to establish a strong pool of entrepreneurial talent to lead future generations of young, job creating firms.

### Boosting Female Founders Initiative

The Boosting Female Founders Initiative provides women entrepreneurs with access to finance and mentoring services needed to scale their startups into domestic and global markets. Since its launch in 2020, two rounds have been completed with over \$23 million in grant funding awarded to 89 startups. More than 770 mentoring engagements have been delivered across both rounds, with over 85 per cent of participants reporting satisfaction with the services. To date, the top outcomes reported by mentees include increased confidence, increased access to resources, refined business plan and development of sales and marketing strategies.

### Business Research and Innovation Initiative

The Business Research and Innovation Initiative (BRII) provides opportunities for Australian startups and small to medium enterprises (SMEs) to work with Government agencies to develop innovative solutions for public policy and service delivery challenges. To date, BRII has provided 23 challenges through 5 rounds, supported by 16 APS agencies. A total of 110 grants have been awarded, providing over \$32 million in funding to 81 innovative businesses.

## Research and Development Tax Incentive

The Research and Development Tax Incentive (R&DTI) is a key Government mechanism that encourages businesses to conduct more R&D, leading to productivity improvements and economic growth. It reduces the costs to businesses of undertaking eligible R&D activities through beneficial tax offsets for eligible R&D expenditure. The R&DTI is a broad-based demand-driven program delivered through the tax system. Each year, over 12,000 companies of all sizes across all sectors register for the program, receiving over \$2.7 billion in tax offsets per annum.

## Tax concessions for investments made under the *Venture Capital Act 2002*

The Government encourages venture capital investment in Australian businesses by providing incentives for investors through the Early Stage Venture Capital Limited Partnerships (ESVCLP) and Venture Capital Limited Partnerships (VCLP) programs. These programs attract foreign and local capital into the Australian venture capital sector, build investment skills and support the growth of globally competitive businesses. Since the commencement of these programs, over \$29 billion of capital has been committed for investment with around 2,400 early-stage businesses receiving investment to scale their ventures.

## Entrepreneurs' Programme – Accelerating Commercialisation

The Government's Entrepreneurs' Programme includes the Accelerating Commercialisation element which supports the commercialisation of novel products, processes or services. SMEs (including startups) can access commercialisation guidance and potentially receive matched grant funding of up to \$1 million to help undertake a commercialisation project. Since its launch a total of 625 grants have been approved, totalling approximately \$310 million in matched grant funding.

## Startup Year

Between 29 September and 15 November 2022, the Department of Education, in collaboration with our Department, conducted a 6-week public consultation process engaging with students, universities, accelerators, state governments, investment firms and industry to refine the final policy settings for the Startup Year program. The Department attended most of the consultations with the Department of Education and were provided with written submissions received through the public consultation.

Feedback from the consultation process was broadly supportive, but identified a number of amendments to address specific concerns. The final draft of the Education Legislation Amendment (Startup Year and Other Measures) Bill 2023 incorporates most of this feedback.

The Department supports the Bill but acknowledges that there is still work to be done to strengthen connections between universities and students with the broader entrepreneurial ecosystem and ensure Startup Year participants can benefit from the government's existing policies and programs.

The Department will continue to work closely with the Department of Education and other key stakeholders to find synergies and better integrate the Startup Year program and its participants

with existing incubators, investors and mentors both during and following completion of their program.

Startup Year can also contribute to the Government's broader initiatives to develop digital skills. The Government has a target to reach 1.2 million tech-related jobs by 2030. As we are working with employers, training and education providers, unions and others to meet this target, the Startup Year program can contribute by encouraging innovation and growth of the wider tech-related workforce.