



**Group of Eight**

AUSTRALIA'S LEADING UNIVERSITIES

The University of Adelaide  
The Australian National University  
The University of Melbourne  
Monash University  
The University of New South Wales  
The University of Queensland  
The University of Sydney  
The University of Western Australia

26 April 2006

Mr Petro Georgiou MP  
Member for Kooyong  
695 Burke Road  
Hawthorn East  
VICTORIA 3123

Dear Petro

**A priority measure to enhance university research commercialisation**

Thank you for finding time to meet with the Deputy Vice-Chancellors (Research) of the Group of Eight (Go8) universities in Canberra on 29 March 2006. My colleagues and I found it a most engaging conversation and we hope that it advanced your understanding of the challenges Australia's research intensive universities face in commercialising their research.

During the meeting you asked us to provide you with details of the one policy initiative most likely to result in improved university research commercialisation outcomes. Since the meeting I have consulted widely with the directors of the commercial offices or companies of all Go8 universities. There is general agreement across the group that an initiative such as that set out below would address one of the most significant obstacles we currently face—access to proof-of-concept funding.<sup>1</sup> We trust that the proposal outlined below will be helpful as your committee looks to finalise its report on pathways to technological innovation.

Two of the key issues constraining university research commercialisation in Australia are the lack of funds to support proof-of-concept activities and the shortage of management and entrepreneurial skills required to drive commercial outcomes from this early stage onwards. The funding gap from the cessation of research grant funding to the stage necessary to attract investment restricts the flow of new technology ventures. The

---

<sup>1</sup> By proof-of-concept we mean all the activities required to establish the commercial viability of intellectual property, but not the basic research which creates the IP. Funding is generally available from other sources to support this stage of the process. Activities will vary with each project, but they will typically aim to establish the commercial viability of the technology in question, prove its efficacy or to demonstrate the commercial applicability of the IP in question.

**The Group of Eight Limited**

ABN 98 089 687 990

PO Box 4008 Manuka

ACT 2603 Australia

Telephone +61 2 6239 5488

Fax +61 2 6239 5808

<http://www.go8.edu.au>

[executive.director@go8.edu.au](mailto:executive.director@go8.edu.au)



shortage of managers with relevant global experience exacerbates the situation, lowering the returns available from this type of investment (as a class) and leading venture capital firms to reduce risk by only investing at later stages in the commercialisation process.

**Proposal: 'Innovation Stimulation Fund' (\$45 million over three years)**

The problem of a lack of proof-of-concept funding could be addressed through targeted intervention by the Government to make this type of investment more attractive to universities. It is unlikely that proof-of-concept investment will be attractive to the private sector alone, even with government incentives, due to the high cost of management, transaction costs and the risk profile. Seed capital investment, while lower risk than proof-of-concept investment, is also relatively unattractive to the private sector for these reasons.

The universities which would benefit from the returns from such an investment in addition to the returns on the value of the underlying technology, are a much more likely prospect for investment at the proof-of-concept stage of development. However, universities are primarily funded to undertake teaching and research, and at present find it difficult to allocate funding away from these objectives to commercialisation activities—particularly as returns are unlikely for at least 10 or more years—well beyond universities' normal operational and investment timeframes.

We suggest that the Government introduce an **Innovation Stimulation Fund** to encourage universities themselves to invest in research of commercial potential at the proof-of-concept stage. Under our proposal the Government would provide 3:1 investment matching for proof-of-concept investment (\$3 of government funding for every \$1 of university investment) with total funding per project limited to \$100,000. Under such a scheme \$15 million a year of Government funding would be made available on a competitive basis – matched by \$5 million from universities. This would provide a funding pool capable of funding a minimum of 200 proof-of-concept projects a year, or 600 over the proposed initial three year life of the scheme.

It is recommended that the investment decisions be made by one of two ways:

1. a group of interested parties not controlled by any one institution assess applications; or
2. university commercial entities bid for funding under the scheme based on research commercialisation track record - then allocate the funding received to projects based on investment criteria approved by the fund's administrator.

Given the lack of information and high levels of uncertainty at this early stage of development, the investment approach should be directed more toward advancing a suite of promising technologies than picking winners. This is better done at a later stage when many of the unquantifiable risks have been eliminated.



We are confident that, over time, an initiative such as this would have a substantial positive impact on the research commercialisation performance of Australia's universities for a relatively modest outlay. However, the funding gap it would address is but one of many challenges Australian universities face in this area. Without the resources necessary to, for example, attract and retain high quality commercial managers, or to cover patent costs, universities are unlikely to take full advantage of the scheme outlined. It follows that if a broader 'third stream' or 'knowledge transfer' scheme is to be introduced in Australia, a large proportion of such funding should be directed toward enhancing commercial outcomes from intellectual property developed in Australia's universities.

Yours sincerely



Professor David Siddle  
Deputy Vice-Chancellor (Research)  
The University of Queensland  
Chair  
The Group of Eight Deputy Vice-Chancellors (Research) Committee