

Senate Environment, Communications, Information Technology & the Arts

Legislation Committee

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

Communications, Information Technology & the Arts

Department of Communications, Information Technology & the Arts

Supplementary Budget Hearings 2000-2001

Outcome 2, Output 2.1

Question: 12

Topic: BITS Incubator Program

Hansard Page: 145

Senator Lundy asked:

Of the \$78 million spent on the incubator program, can you tell me what proportion of that money will actually go to incubatees to support them through their start-up and early stages?

I understand it will be difficult because of the different formulas within the different incubators, but could you perhaps take that on notice and extrapolate those figures out for each incubator so we know what your targets are?

I would like as much information as you can provide about each incubator and their model.....out of that \$78 million, how much is going to the incubators and all of the administration; and how much, as a raw proportion, of that money is actually going to incubatees, knowing that there will be other sources of capital for those incubatees as well.

Could you nominate the indirect and direct spend too-for example if there is a capital grant to the company, as opposed to in-kind support which comes to the company via the administration of the incubator?

Answer:

The interim response to the Senator's question provided in December last year, advised that in order to respond, the Department was consulting with all incubators under the program and had requested advice on their administration and overhead costs. The Department is now in a position to provide the following answer to the Senator's question.

The responses provided by incubators indicate that in aggregate terms, 19.5 per cent of the BITS Incubator funds to be provided over the course of the Program will be used to fund administration and overhead costs. Significant proportions of some categories of administration and overhead costs are used directly in the support of incubatees under the program. For example, salaries, rent, IT costs, and travel are cost categories that largely contribute to the support of incubatees. In the case of the salaries component, which represents a significant portion of overheads, incubators have indicated that approximately 80 per cent of staff costs involve direct provision of services to incubatees.

In relation to the part of the question requesting information about each incubator and their model, the attached details are provided. Please note that in some instances, information under the heading “Contribution of Non-Bits funds” refer to draw-downs rather than commitments. Our intention is to update and refine the table as the program progresses.

SUMMARY COMPARATIVE TABLE OF KEY FEATURES OF INCUBATORS – as at end December 2000

Name of Incubator Location	Total BITS Funds	Ownership/ Consortium Members	Business Focus or Other Features	Profit / Not for Profit	Form of assistance to Incubatees a) Physical/virtual b) Seed Capital, services, etc	Contribution of Non BITS funds (to 31 Dec. 2000) a) directly through incubator b) directly to incubatees c) in-kind	Actual number of Incubatees (QTRLY and YTD)	Average incubation period over program (eg. 6 months, 1 yr, 2yrs)
ADI Multistate (Melbourne- based)	\$7.0m	<ul style="list-style-type: none"> • EMERGE CMC • E&Y • Babcock & Brown • Greyhair.com P/L 	Melbourne-based, but virtual incubator facilities available to all mainland Australia 6 month business development program	Profit	<p>Level 4 (highest value-add)</p> <ul style="list-style-type: none"> • Funding strategies • Information Memorandums • Pitching training 1-on-1 <p>Level 3</p> <ul style="list-style-type: none"> • Strategy development • Business development • Expert consultants (tax, distribution channel, sales) • Cash <p>Level 2</p> <ul style="list-style-type: none"> • Mentors • Investment Managers • Events + workshops <p>Level 1 (virtual/non-face-to-face services)</p> <ul style="list-style-type: none"> • On-line business centre • Knowledge bases • Office support 	<p>a) \$263K**</p> <p>b) \$330K</p> <p>c) \$592K</p> <p>** \$183K BITS funds drawn down and used to fund expenses versus \$263K in Non BITS revenue used to fund remaining expenses. (Giving total expenses of \$446K)</p>	<p>1st qtr = 6</p> <p>2nd qtr = 4</p> <p>YTD = 10</p>	6 mths
Bluefire NSW- Sydney (Artarmon)	\$6.0m	Largely privately owned but BlueFire	Focus on internet businesses	For profit	<ul style="list-style-type: none"> • Physical and virtual facilities available • Four main areas of assistance • Technology • Professional services 	<p>Yr 1 commitments:</p> <p>(a) 1,133,000</p> <p>(b) 379,000</p> <p>(c) 1,098,000</p>	<p>Qtr 1 – 4</p> <p>Qtr 2 – 2</p> <p>Yr to 31 Dec – 6</p>	1 year

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		Group's backers include Blake Dawson Waldron and Price Waterhouse Coopers			<ul style="list-style-type: none"> • Capital • Talent 			
Epicorp Ltd ACT	\$8.0m	<ul style="list-style-type: none"> • CREEDA • Anutech P/L • CSIRO • Uni of Canberra • ANU 	Accommodation in CSIRO, Uni of Canberra and up to 3 industry nodes	Not for profit	<ul style="list-style-type: none"> • Short term lease accommodation • Business development • Marketing development • Seed funding 	As at Dec 2000, \$0 drawn down as Epicorp became operational on 2 January 2001 In kind – CSIRO provision of building valued at \$100,000 in foregone rent	0 to 31 Dec	2 yrs projected
EiR Pty Ltd WA – Perth (East Perth & Bentley Tech Park)	\$10.0 m	<ul style="list-style-type: none"> • Imago Multimedia Centre • Zernike (Aust) P/L • Software Engineering Australia (WA) Australian	Perth metro locations close to technological clusters	Profit	(a) and (b)	As at Dec 2000: A - None B – None C - \$100,000	Nil	2 years estimated

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		Telecoms CRC is a strategic linkage						
Epark NSW – Sydney CBD VIC – CBD (Fitzroy)	\$5.0m	<ul style="list-style-type: none"> Deloitte Touche Tohmatsu Allen and Buckeridge 	Businesses operating in or facilitating the Digital Economy	Profit	Virtual with limited incubatee space; seed capital; fund raising; full acceleration including providing interim management teams	Yr 1 commitments: (a) \$800,000 (b) \$750,000 (c) \$500,000	6 cumulative as at 31 Dec	9 months
ICV VIC – Melbourne (CBD & suburban) & Ballarat	\$8.0m	<ul style="list-style-type: none"> IC Melbourne (JV between Joint Tech Parks & Melbourne IT) Photonics REDCentre (div of Aust Photonics Ltd) 	Internet based companies, software, ecommerce applications, Photonics Three locations: CBD Melbourne, suburban Melbourne (Redcentre Photonics), regional Victoria (Ballarat)	Profit	Physical services	Yr 1 commitment: Approximately \$2,000,000 This includes a) fit-out contribution of \$200,000 from the Melbourne City Council, \$100,000 cash contribution in equity from MelbourneIT, approximately \$300,000 of Ericsson telecommunications equipment, \$500,000 in SUN computer equipment	Q1 – 2 Q2 – 5 YTD – 7	Expected 9-18 months

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		<ul style="list-style-type: none"> • Uni of Ballarat and Greenhill Enterprise Centre • Ericsson 				b) \$0 c) \$100,000 in contributions of partners to Dec 2000 to Marketing and Technology Assessment Panels, Board Meetings and advice to start-ups. There is also recognised goodwill contribution of \$800,000 by JTP in IP and set up of the ICV consortium.		
InQbator QLD – Gold Coast	\$9.5m	Privately owned (Timsco Pty Ltd) but operates through a range of strategic alliances and partnerships	Main premises at ‘Varsity Lakes’ (Gold Coast) but virtual incubation to companies located in other incubators or in own premises.	For Profit	a) space in incubator facility with IT infrastructure and broad bandwidth, at discounted rates; on-line connectivity for non-residents. b) BITS grant, access to private seed capital, network of professional service providers at discount, day-to-day administrative and management support, strategic business development, access to national and international networks, and access to VC and other second-stage capital.	To Dec 2000: a) \$166,186 b) nil c) est \$150,000	Q4 00, 2 incubatees Q1 01, 1 incubatee YTD, 3 incubatees	Projected 18 months average

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ITCINT NT – Darwin	\$5.0m	<ul style="list-style-type: none"> eNTITY1 Ltd Darwin International Textile Pty Ltd NT University 	Links to Asia, especially China, through DIT and NTU	Profit	Full range of assistance including services, seed capital, etc. Hands-on involvement.	To Dec 2000: a) 0 b) 0 c) \$5,000	2 this Qtr 2 YTD	18 months
Item3 NSW – Sydney (St Leonards)	\$7.37 m	<ul style="list-style-type: none"> Iplus Developments P/L Lateral Concepts International P/L Software Engineering Australia (NSW) Ltd 	NSW headquarters but operates in distributed mode. Major participant in Intellinc, the Intelligent Island incubator	Profit	Seed capital, management, training and business development services plus facilities and networks	To Dec 2000: a) \$0.5M b) \$0.0M c) \$0.5M	3 to Dec 2000	1 yr (range 0.5-2 yrs)
SA BITS SA – Adelaide (various metro)	\$10.0 m	<ul style="list-style-type: none"> Information Industries Development Centre trading as the Playford 	Virtual incubator. Seed funding and business development advice / support	NFP	a) Virtual b) Seed funding, comprehensive range of business development & support services	To Dec 2000: *nil *SABITS in process of being established	*nil	*TBD

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		Centre. (90%) <ul style="list-style-type: none"> • Ngapartji Pty Ltd. (10%) 						