

## Australia's Equity Investment Programs

*Stephen Barkoczy and Tamara Wilkinson*

[12.1]	Introduction .....	339
[12.2]	Innovation Investment Fund program .....	342
[12.2.1]	Operation of the IIF program .....	342
[12.2.2]	Rounds of the IIF program .....	345
[12.2.3]	Performance of the IIF program .....	351
[12.2.4]	Termination of the IIF program .....	353
[12.3]	Pre-Seed Fund program .....	356
[12.4]	Innovation Investment Follow-on Fund program .....	358
[12.5]	Renewable Energy Co-Investment Funds .....	361
[12.5.1]	Renewable Energy Equity Fund program .....	361
[12.5.2]	Renewable Energy Venture Capital Fund program .....	363
[12.6]	CSIRO Innovation Fund and Biomedical Translation Fund programs .....	364
[12.6.1]	CSIRO Innovation Fund .....	364
[12.6.2]	Biomedical Translation Fund program .....	365
[12.7]	Queensland Business Development Fund .....	366
[12.8]	Conclusion .....	367

*Without the IIF program, or a similar subsidy for venture capital, there would be less capital available to assist Australian high risk start-up companies, particularly those seeking capital injection in the range of \$200,000 to \$6 million. ... If the IIF program was to be terminated and not replaced, the venture capital infrastructure (and its role in translating research to world competitive companies) would be significantly weakened in Australia. In turn, this would likely result in Australian innovators moving overseas in search of capital to finance the development of their ideas and research. With the private sector withdrawing from venture capital in the GFC and post GFC times, the onus remains on the Australian Government to ensure that capital and access to management skills are available to grow innovative companies.\**

### [12.1] Introduction

It has been emphasised on many occasions throughout this book that start-up and early stage companies require access to finance in order to undertake R&D activities, and develop and commercialise their innovative products and technologies. As mentioned in Chapter 3, these companies often find it difficult to obtain loans from banks and, in many cases, debt finance is not a viable option for them as they do not have the steady cash flows necessary to service their repayments. Patient equity investment, on the other

\* Australian Government, Department of Innovation, Industry, Science and Research, *Innovation Investment Fund program Progress Report* (2011) 16–17 (footnotes omitted).

This is a preview. Not all pages are shown.

investment programs, claiming that the ‘big handbrake on Australian innovation has been that policies have chopped and changed every three years or so’.<sup>186</sup> He considered that programs like the IIF program ‘can deliver, but they need to be in place for the long term’.<sup>187</sup> His recommendation is for ‘government and opposition to work together, and to work with industry, on a common set of policies and principles’,<sup>188</sup> which is sage advice that is difficult to argue with, but often equally as difficult to accomplish.

## References

### Reports

- Auditor General, *Management of the Innovation Investment Fund Program: Department of Industry, Tourism and Resources Industry Research and Development Board* (Australian National Audit Office, Audit Report No 12 2002-03 Performance Audit)
- AusIndustry, *Fact Sheet: Pre-Seed Fund Program* (December 2011)
- AusIndustry, Industry Research and Development Board, *Annual Report 2000-2001* (2001)
- AusIndustry, Innovation Australia, *Innovation Investment Follow-On Fund (IIF) Managers’ Portfolios and Funding* (3 July 2012)
- Australian Centre for Renewable Energy, *Australian Centre for Renewable Energy (ACRE) Board Annual Report 2011–12* (2012)
- Australian Centre for Renewable Energy, *Renewable Energy Venture Capital Fund* (December 2011)
- Australian Government, Department of Industry, AusIndustry, *Innovation Australia: Annual Report 2012-13* (2014)
- Australian Government, Department of Industry, *Innovation Australia: Annual Report 2013-14* (2014)
- Australian Government, Department of Industry, Innovation, Science, Research and Tertiary Education, *A Plan for Australian Jobs – The Australian Government’s Industry and Innovation Statement* (2013)
- Australian Government, Department of Industry, Innovation, Science, Research and Tertiary Education, AusIndustry, *IIF Investments Pty Limited: 2011-12 Annual Report* (2012)
- Australian Government, Department of Industry, Innovation, Science, Research and Tertiary Education, AusIndustry, *Innovation Australia: Annual Report 2011-12* (2013)
- Australian Government, Department of Industry and Science, *Innovation Australia: Annual Report 2014-15* (2016)
- Australian Government, Department of Innovation, Industry, Science and Research, *Innovation Investment Fund Program Progress Report* (September 2011)
- Bridges Ventures, *Ten Year Report: A Decade of Investing for Impact and Sustainable Growth* (January 2013)
- Commonwealth of Australia, *Budget 2014-15* (Budget Measures, Budget Paper No 2, 13 May 2014)
- Cutler, Terry, *Venturous Australia: Building Strength in Innovation* (Department of Innovation, Industry, Science and Research, 29 August 2008)
- Department of Innovation, Industry, Science and Research, AusIndustry, *Innovation Australia: Annual Report 2008-09* (2010)
- Ferguson, Martin, Minister for Resources and Energy, Minister for Tourism, ‘\$200M Renewable Energy Venture Capital Fund Launched’ (Media Release, 15 December 2011)

<sup>186</sup> Ibid.

<sup>187</sup> Ibid.

<sup>188</sup> Ibid.

## AUSTRALIA'S EQUITY INVESTMENT PROGRAMS

- Minister for Industry, Science and Resources, 'More Venture Capital for Innovation' (Media Release, 15 March 2000)
- Murray, Gordon, Marc Cowling and Weixi Lui, *An Independent Econometric Analysis of the 'Innovation Investment Fund' Programme (IIF) of the Australian Commonwealth Government: Findings and Implications* (2010)
- National Commission of Audit, *Towards Responsible Government: The Report of the National Commission of Audit – Phase One* (February 2014)
- The Prime Minister, The Honourable John Howard MP, *More Time for Business* (AGPS, 24 March 1997) <<http://www.pc.gov.au/research/supporting/more-time-for-business/mtfb.pdf>>
- Productivity Commission, *Business Set-up, Transfer and Closure* (Productivity Commission Report No 75, 30 September 2015)
- Treasury and Department of Industry, Innovation, Science, Research and Tertiary Education, *Review of Venture Capital and Entrepreneurial Skills* (Final Report, 2012)

### Articles and conference proceedings

- Cumming, Douglas, 'Government Policy Towards Entrepreneurial Finance: Innovation Investment Funds' (2007) 22 *Journal of Business Venturing* 193
- Cumming, Douglas and Sofia Johan, 'Venture's Economic Impact in Australia' (12 December 2014) *Journal of Technology Transfer* (online)

### Bills, Acts, regulations and guidelines

- AusIndustry, *Innovation Investment Fund: Guide for Applicants 2012 – Round 3 Tranche 4* (2012)
- AusIndustry, *Innovation Investment Fund Round 3 Tranche 3 Customer Guide* (2010)
- Australian Renewable Energy Agency, *Renewable Energy Venture Capital Fund Program Administrative Guidelines* (2012)
- IIFF Program Guidelines No. 1 of 2009
- IIF Program Guidelines No. 1 of 1997
- IIF Program Guidelines Round Two No. 1 of 1999
- IIF Program Round Three Guidelines No. 1 of 2011
- Income Tax Assessment Act 1997 (Cth)
- PSF Program Guidelines No. 1 of 2003
- REEF Program Guidelines No. 1 of 1999

### Internet Materials

- Angel CoFund <[www.angelcofund.co.uk](http://www.angelcofund.co.uk)>
- Association of Australian Medical Research Institutes, 'Medical Research Critical to Australia's InnovationFuture' (MediaRelease, 7 December 2015) <[http://aamri.org.au/wp-content/uploads/2015/12/151207\\_Innovation-Statement\\_AAMRI-Media-Release.pdf](http://aamri.org.au/wp-content/uploads/2015/12/151207_Innovation-Statement_AAMRI-Media-Release.pdf)>
- AusIndustry, *Fact Sheet: Illawarra Region Innovation and Investment Fund* (October 2012) <<http://www.business.gov.au/grants-and-assistance/closed-programs/iriif/Documents/IRIIF-FactSheet.pdf>>
- Australian Government, 'Innovation Investment Fund (IIF)' *Business.gov.au* <<http://www.business.gov.au/grants-and-assistance/closed-programs/iif/Pages/default.aspx>>
- Australian Government, Department of Industry, Innovation and Science, *Fact Sheet: Australian Government Innovation and Investment Fund – Tasmania* (January 2016) <<http://www.business.gov.au/grants-and-assistance/regional-innovation/Australian-Government-Innovation-and-Investment-Fund-Tasmania/Documents/AGIIF-Factsheet.pdf>>

- Australian Government, Department of Industry, Innovation and Science, *Fact Sheet: Melbourne's North Innovation and Investment Fund* (January 2016) <<http://www.business.gov.au/grants-and-assistance/regional-innovation/MNIIF/Documents/MNIIF-FactSheet.pdf>>
- Australian Government, *Geelong Investment and Innovation Fund (GIIF)*, Business.gov.au <<http://www.business.gov.au/grants-and-assistance/closed-programs/giif/Pages/default.aspx>>
- Australian Government, *National Innovation and Science Agenda, Biomedical Translation Fund* (2015) <<http://www.innovation.gov.au/system/files/case-study/Factsheet%20%20-%20Biomedical%20Translation%20Fund.pdf>>
- Australian Government, *National Innovation and Science Agenda, CSIRO Innovation Fund* (2015) <<http://www.innovation.gov.au/system/files/case-study/Factsheet%20%20-%20CSIRO%20Innovation%20Fund.pdf>>
- Australian Labor Party, *Fact Sheet: Labor's Plan for Innovation* (2015) <[https://d3n8a8pro7vhm.cloudfront.net/senatorkimcarr/pages/19/attachments/original/1431652545/INNOVATION\\_FACTSHEET.pdf?1431652545%20](https://d3n8a8pro7vhm.cloudfront.net/senatorkimcarr/pages/19/attachments/original/1431652545/INNOVATION_FACTSHEET.pdf?1431652545%20)>
- Australian Renewable Energy Agency, *Renewable Energy Venture Capital Fund* <<http://arena.gov.au/programmes/renewable-energy-venture-capital-fund/>>
- British Business Bank, *UK Innovation Investment Fund* (2015) <<http://british-business-bank.co.uk/market-failures-and-how-we-address-them/uk-innovation-investment-fund/>>
- HSBC, *The Aspire Fund* <[https://www.business.hsbc.co.uk/1/PA\\_esf-ca-app-content/content/pdfs/en/the\\_aspire\\_fund\\_info\\_pack.pdf](https://www.business.hsbc.co.uk/1/PA_esf-ca-app-content/content/pdfs/en/the_aspire_fund_info_pack.pdf)>
- 'Labor's Plan for Innovation' (Media Release, 14 May 2015) <<http://billshorten.com.au/labors-plan-for-innovation>>
- Minister for Innovation, Industry, Science and Research, '\$64M to Keep Start-Ups in the Game' (Media Release, 6 August 2009) <[http://archive.industry.gov.au/ministerarchive2011/carr/MediaReleases/Pages/\\$64MTOKEEPSMARTSTARTUPSINTHEGAME.html](http://archive.industry.gov.au/ministerarchive2011/carr/MediaReleases/Pages/$64MTOKEEPSMARTSTARTUPSINTHEGAME.html)>
- National Research Foundation, Prime Minister's Office Singapore, *Early Stage Venture Fund* (27 November 2015) <<http://www.nrf.gov.sg/innovation-enterprise/national-frame-work-for-research-innovation-and-enterprise/early-stage-venture-fund>>
- New Zealand Venture Investment Fund, *About Us* (2015) <<http://www.nzvif.co.nz/about-us/about-nzvif/>>
- Queensland Government, Advance Queensland, *Business Development Fund* (2015) <<http://advanceqld.initiatives.qld.gov.au/funding/business-investment-attraction/business-development-fund.aspx>>
- Queensland Government, Advance Queensland, *Business Development Fund Investment* (2015) <<http://advanceqld.initiatives.qld.gov.au/funding/business-investment-attraction/bdf/investment.aspx>>
- Queensland Government, Advance Queensland, *Business Development Fund Investment Criteria and Roles* (2015) <<http://advanceqld.initiatives.qld.gov.au/funding/business-investment-attraction/bdf/criteria-and-roles.aspx>>
- Prime Minister and Minister for Industry, Innovation and Science, 'Launch of the National Innovation and Science Agenda' (Media Release, 7 December 2015) <<https://www.pm.gov.au/media/2015-12-07/launch-national-innovation-and-science-agenda>>
- Sadauskas, Andrew, *Labor Announces \$500 Million Smart Investment Fund Policy, Startups Welcome Move to Ease Funding Crunch* (15 May 2015) StartupSmart <<http://www.startupsmart.com.au/planning/labor-announces-500-million-smart-investment-fund-policy-startups-welcome-move-to-ease-funding-crunch/2015051514744.html>>
- Spring Singapore, *SPRING Startup Enterprise Development Scheme (SPRING SEEDS)* (18 December 2015) <<http://www.spring.gov.sg/Nurturing-Startups/SEEDS/Pages/spring-start-up-enterprise-development-scheme.aspx>>
- Taylor, Josh, 'Budget 2015: Labor Proposes Startup Funding, Axing STEM Debts', *ZDNet* (online), 14 May 2015 <<http://www.zdnet.com/article/budget-2015-labor-proposes-startup-funding-axing-stem-debts/>>