Australia's Equity Investment Programs

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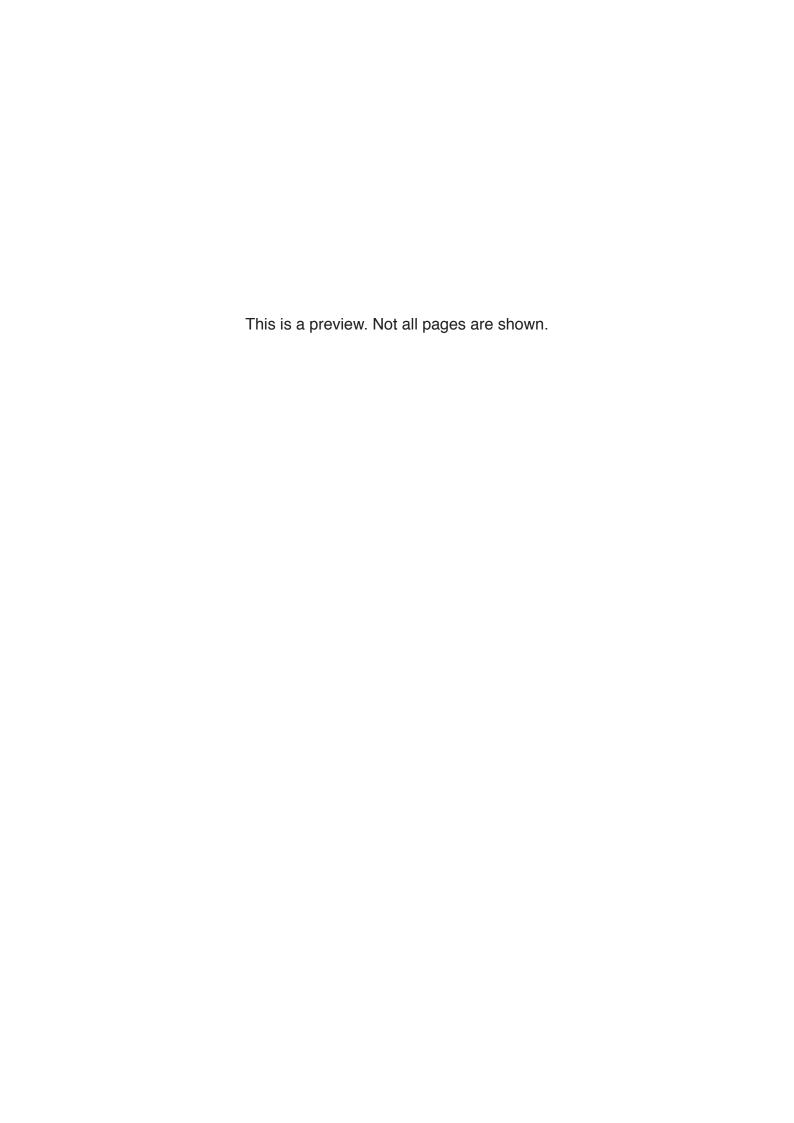
[12.1]	Introduction	339
[12.2]	Innovation Investment Fund program	342
	[12.2.1] Operation of the IIF program	342
	[12.2.2] Rounds of the IIF program	
	[12.2.3] Performance of the IIF program	351
	[12.2.4] Termination of the IIF program	353
[12.3]	Pre-Seed Fund program	356
[12.4]	Innovation Investment Follow-on Fund program	358
[12.5]	Renewable Energy Co-Investment Funds	
	[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).



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

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