

## Australia's Incubator and Clustering Programs

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*The importance of networks in the start-up community cannot be overstated. The use of Internet and video conferencing has not replaced extensive networks of trusted relationships. These networks often make a crucial difference to getting finance from business angels or venture capital, accessing relevant advice, mentoring or suppliers and in enabling the combination of ideas and technologies in new and innovative ways. Importantly, the value of the network increases with the number of participants. In complex and fast-paced innovation environments, an absence of networks and coordination options can mean otherwise viable ideas fail to be developed into new businesses – representing opportunity costs for the broader community. For start-ups that do not otherwise have many connections in the business, legal or financial communities, business incubators, hubs and accelerators can fill this gap.\**

\* Productivity Commission, *Business Set-up, Transfer and Closure* (Productivity Commission Report No 75, 30 September 2015) 15.

This is a preview. Not all pages are shown.

The decision to focus on five priority sectors is curious in that it seems to conflict with the broad policy set out in the Abbott Government's *Industry Innovation and Competitiveness Agenda*, where it stated that:

[T]he government does not see a role for subsidies and direct intervention in industries to 'pick winners'. Even where governments successfully identify a winning industry, government assistance to these industries still risks 'crowding out' other productive industries ... [T]oo often governments have supported and then entrenched many industries that have proved to be uncompetitive, in the process creating an entitlement culture, long-term dependence, lower productivity, and a drain on taxpayers, consumers and other businesses.<sup>168</sup>

Given that the Abbott Government's policy was not to 'pick winners', it seems inconsistent that, in the context of Industry Growth Centres, Prime Minister Abbott had stated that the Government is 'playing to [Australia's] strengths'.<sup>169</sup> It remains to be seen whether the industries identified as key growth sectors will prove to be those that are the most appropriate for the Government to support. In any event, it appears that the Turnbull Government is taking a broader approach as illustrated by the introduction of the new Cyber Security Industry Growth Centre.

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