Australian Government

Department of Education

Inquiry into the Education Legislation Amendment (Startup Year and Other Measures) Bill 2023

Submission from the Department of Education to the Senate Standing Committees on Education and Employment

Table of Contents

Introduction

The Department of Education (the department) welcomes the opportunity to make a submission to the Education and Employment Legislative Committee's Inquiry into the *Education Legislation Amendment (Startup Year and Other Measures) Bill 2023* (the Bill).

The Australian Government has committed to implementing Startup Year, a new income-contingent loan program to support student participation in accelerator programs at Australian higher education providers. The October 2022-23 Budget provided $15.4 million over four years from 2022-23 to establish Startup Year and deliver up to 2,000 loans to recent graduates, postgraduate and final year undergraduate students through the Higher Education Loan Program (HELP) [1].

The Startup Year program is intended to build a pool of knowledgeable new entrepreneurs and potential new companies to drive innovation and job creation in Australia and grow much needed links between higher education providers, industry, and the startup community.

Startups

Startups have an important role in job creation, commercialising ideas, solving social and community-based issues, and strengthening links between universities and the broader community. On average across OECD countries, young firms account for approximately 20 per cent of employment and create almost half of all new jobs[2]. In Australia, startups are an important part of the creation of new jobs. The Tech Council of Australia estimates new tech startups can contribute 30,000 new jobs and $7 billion in value by 2030[3]. Supporting startup creation and the entrepreneurial skillset will play a role in growing productivity and incomes and build a workforce with the skills and capabilities to adapt and thrive in the future labour market.

Beyond job creation, startups have a role in driving research translation and commercialisation across a range of industries, particularly in the deep tech industry4. This has been supported by the emergence of university-based accelerator programs, bringing together industry, academic expertise and resources to build and accelerate startup ideas.

Startup support programs, such as accelerator and incubator programs, are an important tool for people who wish to develop the requisite skills they will need to grow a business idea or commercialise enterprise. Even for people who go on to work in more established industries and businesses, an understanding of the innovation process and ecosystem is extremely valuable. Companies, venture capital firms, and Australian universities are playing a prominent role in the startup ecosystem.

---

[1] Budget Paper No. 2

[2] OECD (2022) *DynEmp: Measuring job creation by start-ups and young firms*, www.oecd.org/industry/dynemp.htm

[3] Tech Council of Australia (2021) *Roadmap to Deliver One Million Tech Jobs*, 21_HC_Accenture-Presentation_Condensed_R1 (techcouncil.com.au)

[4] Startup Muster (2018) *Startup Muster Annual Report*, p19, https://startupmuster.com/reports/Startup-Muster-2018-Report. pdf?key=d3fcf8771af17253b761c908b5f7abe8b407c5c671bbafb74cfd51c09414efec

According to estimates from Universities Australia in 2022, there are approximately 100 different startup support programs available in Australian universities[5]. These accelerator programs offer immersive services, to support students and first-time entrepreneurs with their startup ideas. While each course offering is different, they can include workshops, resources, and educational elements, mentoring and networks, access to facilities, equipment, and co-working spaces, and funding components.

There is often a funding component in the current university-based accelerator programs. This can be through equity-free seed funding or a Simple Agreement for Future Equity (SAFE), which allows the university investors to purchase stock in a future equity round subject to the parameters set out in the SAFE[6]. Through the University of New South Wales (UNSW) SynBio 10x program, students have access to $20,000 in seed funding from UNSW and up to $120,000 from Main Sequence Ventures as a SAFE, which can be extended to $380,000 for phase two participants[7]. Another example is the University of South Australia's Venture Catalyst (Accelerator) Program, which offers a $10,000 stipend for eligible participants[8].

Policy outcomes and program design

The Startup Year policy will connect into and add value to the existing policy ecosystem and support Australian startup and entrepreneurial businesses by enabling greater participation in university-based accelerator programs. Startup Year will focus on equipping entrepreneurial-minded students, recent graduates and researchers with the skills and knowledge they need for careers as entrepreneurs and intrapreneurs.

Some submissions to the consultation paper highlighted that the number of places in accelerator programs are limited and entry is often competitive. Startup Year will provide additional funding to participating higher education providers to expand their existing accelerator program offerings. The program is designed to strengthen the educational offering at its core, targeting students at the early stages of their entrepreneurial and educational journeys. It will focus on building core skills and capabilities in addition to the creation of startups which is the single focus of many current programs. Startup Year intends to increase the scale and diversity of current offerings.

A central aspect of program design is a focus on increasing access and engagement for people currently underrepresented in the startup landscape. The program will prioritise support for female entrepreneurship, Aboriginal and Torres Strait Islander participation, participation for people with disability, and community-based startups solving regional and rural issues.

The provision of support through an income-contingent loan enables broader access to accelerator programs, with the financial impact of the scheme on government substantially reduced, while

---

[5] Universities Australia (2022) *University Startup Hubs*, www.universitiesaustralia.edu.au/our-universities/university-startup-hubs/

[6] Australian Government Business (2020) *SAFE Notes*, https://business.gov.au/grants-and-programs/venture-capital/safe-notes

[7] UNSW *SynBio Accelerator*, unswfounders.com/synbio10x-accelerator

[8] Innovation & Collaboration Centre (2021) *Venture Catalyst*, https://icc.unisa.edu.au/programs/venture-catalyst

students only make repayments when their income reaches the threshold for HELP repayments. Increasing access through the HELP architecture, in conjunction with access to income support for accelerator participation, expands the availability of accelerator programs to a larger cohort of participants.

As part of the Startup Year program implementation, a first-year pilot will be delivered to test aspects of program design, gauge student demand, assess providers' capacity to deliver the program, and enable higher education providers (especially those in regional Australia and those with newer innovation and accelerator ecosystems) additional time to develop and accredit Startup Year programs prior to full roll-out of the initiative. A first-year pilot was widely supported by stakeholders to support broader uptake and participation. An expert group will be established to work with the department, to monitor implementation of the program in the first pilot year.

Startup Year Bill

To meet this policy ambition, the Bill amends the *Higher Education Support Act 2003* by adding a new loan type, STARTUP-HELP, to the Higher Education Loan Program (HELP) to facilitate eligible individuals' participation in an accelerator program courses at Australian universities or university colleges.

The Bill refers to an accelerator program as a structured and integrated program of education and mentoring that is designed to develop a person's skills, capabilities, and connections for the purposes of startup businesses. Under the Bill, accelerator program courses must lead to the award of a qualification accredited by the higher education provider.

Startup Year course fees would be capped under the Bill at the maximum student contribution amount for medicine, dentistry, and veterinary science under funding cluster four of the *Higher Education Support Act 2003* ($11,800 in 2023). Amounts of STARTUP-HELP assistance will be paid to Australian universities and University Colleges, on behalf of students, to meet student course costs.

Student eligibility for STARTUP-HELP assistance will operate in a similar manner to existing HELP types. Like HECS-HELP and FEE-HELP, students eligible for STARTUP-HELP assistance will incur a debt to the Commonwealth of the amount of assistance on a pre-determined census date. An individual is entitled to access two STARTUP-HELP loans over their lifetime. STARTUP-HELP assistance will not contribute to the existing HELP loan limit. Re-crediting, or reversal, provisions akin to those of HECS-HELP and FEE-HELP assistance will also apply to STARTUP-HELP assistance.

The Bill also amends the *Social Security Act 1991*, *Social Security (Administration) Act 1999* and *Student Assistance Act 1973* so that students entitled to STARTUP-HELP assistance may qualify for relevant social security payments, including youth allowance and austudy payments, while undertaking an accelerator program course.

The Bill also amends HESA to list Avondale University as a Table B provider and amends the *Australian Research Council Act 2001* (the ARC Act) to apply current indexation rates to the 2022-23, 2023-24 and 2024-25 funding caps and insert a new funding cap for the 2025-26 financial year.

STARTUP-HELP Guidelines

The Bill establishes the legislative authority to create STARTUP-HELP Guidelines (the Guidelines) as a legislative instrument. Consistent with other types of HELP assistance, the Guidelines will specify further details on STARTUP-HELP. A key element the Bill allows to be addressed in the Guidelines is further requirements for accelerator courses (beyond those set out in the Act).

The Bill refers to an accelerator program as a structured and integrated program of education and mentoring that is designed to develop a person's skills, capabilities, and connections for the purposes of startup businesses. The Bill allows for further requirements of accelerator courses to be set out in the Guidelines.

While the details in the Guidelines will be subject to further consultation and approval by the Minister for Education, it is intended that the Guidelines will expand on the course requirements, specifying core capabilities that must be addressed in the accelerator courses, including financial literacy, communication, resilience, business understanding and intellectual property management.

It is also intended that the Guidelines will address the treatment of participant intellectual property (IP) within the courses, both IP brought by participants to the course and IP that may develop during participation in the course. Subject to further consultation, the department intends to require providers to have clearly enunciated arrangements in place to manage the IP rights of participants including that all IP remains the property of the participant unless otherwise mutually agreed and that all participants are required to sign non-disclosure agreements for IP protection.

The department intends to hold an expression of interest process to determine which accelerator program courses will be funded under the first-year pilot. This process would be assessed by a panel which includes expertise in startups and accelerator programs and industry representation. The factors which the department expects to be considered includes:

- the number of places requested by the provider
- geographic spread, including ensuring access in regional Australia and the contribution Startup Year can make to the startup ecosystem in regional areas and the ability for community-based startups to solve regional and rural issues
- the extent to which a program prioritises support for female entrepreneurship, Aboriginal and Torres Strait Islander participation, participation for people with disability, ensuring there is increased engagement from people from underrepresented groups
- alignment with the priority areas under the National Reconstruction Fund (noting that not all accelerator programs must address a particular priority area)
- experience or track record of a provider in providing incubator support services
- the accelerator ecosystem and expanding the range and diversity of program.

The final criteria would be published at the time of the call for Expressions of Interest.

The department acknowledges Startup Year will be a new, bespoke course offering and the diversity of Australia's higher education sector means different courses may attract different costs. Running an application and assessment process with participation from an advisory panel will ensure the provider's course offering gives prospective program participants and Government value for money.

Consultation

The Department undertook extensive consultation to help guide the development of the Startup Year initiative. From September 2022, the department in partnership with the Department of Industry, Science and Resources (DISR) hosted:

- 6 roundtables with universities, accelerators, and industry
- 3 student workshops with current and former accelerator participants
- 24 meetings with members of the university, accelerator, venture capital, and government sectors.

The department received 38 submissions from higher education, industry and the startup community to a written consultation process that sought sector views on the issues, rationale, and program design features for the Startup Year initiative. [9]

530 students and recent graduates responded to a student survey, as potential users of the program, designed to acquire more granular information about how the program would best achieve target outcomes and be useful to students.[10]

Key themes

Several themes emerged across the consultation meetings, roundtables and workshops and the consultation submissions.

Firstly, Startup Year should look to fill a gap in the current system and focus on expanding student access to university-based accelerator programs. The student survey found that 55 per cent of respondents were interested in creating and/or joining a startup, and 88 per cent of those students interested in startups would be interested in participating in a university accelerator program.

University accelerator programs should assist students at various stages of their entrepreneurial and educational journeys, with particular focus on building core skills and capabilities. These skills, including leadership, resilience, and communication, will equip future startup founders as well as boost the employability of Startup Year graduates.

Industry involvement in the design and delivery of participating Startup Year incubators and accelerators is critical in building connections to and across the innovation ecosystem. These connections and communities are vital to startup success. The skills gained through Startup Year must reflect the current and future needs of industry to add to the current innovation ecosystem.

Some stakeholders raised concerns about the use of the HELP mechanism to fund students' involvement in higher education accelerators. Students that take out a loan must have value for

---

[9] The consultation paper is available at: Startup Year Consultation Paper - Department of Education, Australian Government. All public submissions are currently available at: Startup Year Consultation Paper submissions - Department of Education, Australian Government.
[10] Startup Year Survey Findings are available at: Startup Year Survey Findings - Department of Education, Australian Government.

money for this additional financial burden. Some stakeholders expressed a desire to use STARTUP-HELP loans to access capital for student startups.

Specific findings

Some of the feedback received through the consultation process went to specific program settings. The table below outlines some common feedback and how the program design addresses them.

Theme	Policy feature	Consultation feedback
Accelerator program design	A program of education to foster entrepreneurial capabilities and industry connections and results in the award of a qualification	Stakeholders emphasised skills such as leadership, communication, and resilience to equip future founders and attract industry are essential. Skills attained via incubator and accelerator programs are life-skills that will service students throughout their professional life via developing their ability and confidence in potential future startups. Industry connections promoted through work integrated learning, delivery of micro credentials, and industry mentors are valued by universities and industry.
Equity targets	Addressing equity and access in the registration process, loans to be prioritised based on participation of underrepresented cohorts	Stakeholders recommended diverse role models and mentors to encourage and inspire underrepresented groups, additional financial support mechanisms and supporting regional communities with less developed accelerator ecosystems.
Priority areas	Accelerator programs that align to priority areas will be prioritised but not mandated	Existing accelerator programs largely focus on the student rather than their idea. Diverse cohorts within programs allows for greater cross pollination of ideas and innovations. The target cohort of Startup Year are unlikely to be ones solving challenges in national priority areas (e.g., defence). Social enterprise and regional-based programs have greater participation from diverse cohorts.
Defining recent graduates	Recent graduates are defined as learners who have graduated with an AQF qualification within three years	Recent graduates bring valuable domain experience from their time in industry. They also often have greater exposure to programs, increase social capital, wider professional networks, greater experience and a strong sense of purpose, motivation, and commitment. Returning to university from the labour market also demonstrates a higher level of commitment than a student already in the university system.
Duration	Duration will be flexible, ranging from one semester to one academic year, with a loan amount scaled based on duration	Stakeholders emphasise that higher education providers are best placed to design programs that meet the needs of their communities. Different programs support students at different points of their entrepreneurial and educational journeys.

Program objectives

The Startup Year will drive the creation of new accelerator courses at higher education providers to increase the diversity of offerings, the take-up of courses, and access for underrepresented groups.

The new accelerator courses will have a clear focus on the skills and knowledge that will serve the participants as they pursue a specific startup idea or enter the workforce ready to drive innovative ideas and seize opportunities. Industry engagement and networks will be an essential element in the design and delivery of accelerator programs.

Establishing the Startup Year initiative as an income-contingent loan ensures those who are benefitting from the courses pay for them, but only once their income reaches the threshold for HELP repayments. Extending income support to those eligible for STARTUP-HELP and participating in an accelerator course further supports broad participation.

The department is committed to working with stakeholders during the pilot year to ensure that the Startup Year initiative is delivering on its aims and that students are receiving value for money.