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**Submission in response to the *Education Legislation Amendment (Startup Year and Other Measures) Bill 2023* before the Senate Education and Employment Committee**

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The University of Technology Sydney (UTS) appreciates the opportunity to provide feedback regarding the proposed *Education Legislation Amendment (Startup Year and Other Measures) Bill 2023* (the Bill) before the Senate Education and Employment Committee. UTS made an earlier submission to the Department of Education, a copy of which is **enclosed** for convenience. This submission does not comment on the Other Measures proposed in the Bill regarding Avondale University and the Australian Research Council.

UTS supports the intent of the Bill to help the next generation of young Australian entrepreneurs bring their ideas to life and commends the Government for exploring innovative and long-term solutions to fund and support new startups.

In our previous submission to the Department of Education, UTS outlined the ways we support our startup community, which is the largest community of startups in Australia. UTS Startups currently supports 530 active UTS Startups, having added 252 new startups in 2022 alone. UTS leverages its growing community of startups to provide peer learning for less experienced entrepreneurs, which we can do at a significant scale given the size of our community. This unique model connects entrepreneurs of all stages, industries and experience levels with the relevant people, resources and opportunities needed most.

UTS is also home to two other accelerators with specific purposes – Techcelerator (for enhancing students’ prototyping skills in deep-tech and problem-solving skills) and NSW Deep Green Biotech Hub (for NSW-based businesses and community members invested in algae biotechnologies).

In addition, it is worth noting the following outcomes of UTS’s approach to supporting startups:

- These startups created 573 new paid jobs in the last year.
- Our high school programming to inspire the pursuit of tech-enabled entrepreneurship is also the largest in Australia, reaching 44 schools last year, and running an event at the ICC for 6,000 students in June 2023.
- UTS provides 250 desks of free coworking space to our startups, lowering the barrier to entry for people that only need occasional space use, and accommodating a more diverse community of entrepreneurs with which to collaborate.
- UTS Startups currently has 33% female members compared to 22% in the wider startup community. Our positive gender ratio reflects our effective outreach to both UTS students and school students (years 9 and 10), with the bulk of our work focused on inspiring tech entrepreneurship as early as possible.

Regarding the proposed scheme for creating a new form of Higher Education Loan Program (SY-HELP) under the *Higher Education Support Act 2003*, it is important to note that the above outcomes are derived from an engagement model that is very different to the proposed SY-HELP scheme. As described earlier in this submission, UTS does not require its startups to register in an accelerator program in order to receive support, whereas the technical requirements of the SY-HELP scheme (specifically new section 128B-25) requires eligible accelerator programs to lead to the award of a qualification accredited by a higher education provider. Our view is that startup support should allow for programming that is not accredited and seek to encourage commercial outcomes (i.e. paid jobs) as a metric of success.

UTS offers the following additional views:

- Based on our experience with the operational aspects of the OS-HELP scheme (on which SY-HELP is modelled), the overarching program design is workable for UTS. However, we continue to hold strong concerns regarding accelerator eligibility, program design and student eligibility requirements. Our concerns were outlined in our previous submission to the Department of Education (**enclosed**) and do not appear to have been adequately addressed. For example, startups can have a mixture of

university and non-university founders and this situation is not contemplated in the proposed SY-HELP scheme, nor the associated inequity where one founder (i.e. the university student) takes on all the risk on behalf of their fellow non-university founders. This is a real practical concern that must be addressed before implementation to minimise inequities between founders.

- Following on from the above point, the Startup Year initiative should first be run as a one-year pilot, rather than a full program rollout, to test the underlying assumptions and validate the program design. This is primarily because incurring debt for entrepreneurial support, particularly for young Australians who are at the very beginning of their careers, could be problematic.
- To support the pilot, UTS is willing to work with the Department as a test subject to understand how to best deploy this support given our transdisciplinary course offerings and standing in the startup community (including by sharing what UTS spends per startup on a confidential basis).

UTS encourages the Government to explore other models for startup support including consideration of a Startup Reimbursement Fund (SRF) for university accelerators, in place of an income contingent loan, with a modest allocation from the National Reconstruction Fund. In our view, this targeted intervention is more likely to drive startup activity in connection to university accelerators by:

- Reaching a more diverse cohort of students.
- Preparing students for real-world government grant-type processes such as R&D tax credits.
- Driving growth through flexible funding models in recognition of the diversity of university accelerator programs.

From our perspective, this approach will also produce the desired, and measurable, outcomes sought by government.

In conclusion, UTS commends the Government for proactively seeking opportunities to set a unique incentive and increase capacity for Australian universities to demonstrate and increase the real impact of their entrepreneurial programs and our experts would be pleased to discuss this issue with the Senate Education and Employment Committee.

Please do not hesitate to contact Ellen Goh, Manager, Government Affairs ([ellen.goh@uts.edu.au](mailto:ellen.goh@uts.edu.au) or 0455 229 084) should you have any questions regarding this submission.

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**Submission in response to the Department of Education's consultation regarding the proposed Startup Year initiative**

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<b>Do you agree to have your submission published online?</b>	Yes

Thank you for the opportunity to provide feedback regarding the proposed Startup Year initiative.

UTS is the top-ranked young university in Australia. Our vision is to be a leading public university of technology recognised for our global impact. As a university of technology, it is our role to ensure our graduates shape the future professions and businesses that will be needed in Australia and overseas. Since our inception, an integral building block of our success has been our outward, global focus and ability to partner with industry. Our campus has no walls; it is deliberately designed to be porous and support connections, knowledge exchange and collaboration. This embodies our approach to engagement and permeates our teaching and research. Our student body is diverse, and we encourage our students and staff to look at the world from different perspectives.

As highlighted in the consultation paper, UTS is deeply committed to supporting technology-enabled entrepreneurship in our course offerings (e.g. Bachelor of Creative Intelligence and Innovation), through UTS Startups and through our other accelerators. UTS is proud of the fact that UTS Startups is the largest community of startups in Australia, benefitting many of UTS's current students and alumni. UTS is home to three other accelerators with specific purposes – Techcelerator (for enhancing students' prototyping skills in deep-tech and problem-solving skills), NSW Deep Green Biotech Hub (for NSW-based businesses invested in algae biotechnologies) and EnergyLab (an energy-focussed incubator with its own accelerator and mentorship program).

UTS leverages its growing community of startups to provide peer learning for less experienced entrepreneurs, which we are able to do at a significant scale given the size of our community. UTS is proud to provide 250 desks of free coworking space to our startups, lowering the barrier to entry for people that only need occasional space use, and accommodating a more diverse community of entrepreneurs with which to collaborate. Pleasingly, UTS Startups currently has 33% female members compared to 22% in the wider startup community. Our positive gender ratio reflects our effective outreach to both UTS students and school students (years 9 and 10), with the bulk of our work focused on inspiring tech entrepreneurship as early as possible. This unique model connects entrepreneurs of all stages, industries and experience levels with the relevant people, resources and opportunities needed most. UTS highly recommends that the Department take the opportunity to visit UTS Startups and speak to our experts as part of the pilot phase on Startup Year.

UTS supports the intent of the Startup Year initiative to help the next generation of young Australian entrepreneurs bring their ideas to life. This submission provides broad feedback regarding program design elements, followed by our advice and recommendations regarding the overall policy objective.

**Feedback regarding program design elements**

UTS acknowledges that the focus of this consultation is on the program design elements, rather than the policy itself, and that government has selected the OS-HELP scheme as the funding model for the Startup Year initiative. Broadly, the overarching program design is workable for UTS in relation to accelerator eligibility, program design and student eligibility requirements based on our experience with the operational aspects of the OS-HELP scheme.

However, UTS is of the view that the proposed approach has limitations that may hinder achievement of the desired four purposes as set out in the consultation paper (page 6).

Accordingly, our central recommendation is to support the Department's proposal to run the Startup Year initiative as a one-year pilot, rather than a full program rollout, to test the underlying assumptions and validate the program design, particularly as it relates to the use of the OS-HELP scheme as the funding model. This is particularly important given that not all university accelerators are the same and will have different frameworks and objectives. For example, UTS Startups is broad-based and aimed at connecting the startup community (regardless of whether that community member is a UTS current student) whereas UTS's Techcelerator is purpose-specific and caters to the specific needs for its members. It is critical that the Startup Year initiative recognise the diversity of offerings and take care not to drive university accelerators towards a standardised approach that may have the perverse consequence of diminishing that diversity.

To support the pilot, UTS is very willing to work with the Department as a test subject given our transdisciplinary course offerings and standing in the startup community (including by sharing what UTS spends per startup on a confidential basis).

### **Overall policy objectives**

UTS is deeply committed to supporting technology-enabled entrepreneurship and we commend the government for seeking ways to support the creation of new businesses.

UTS makes the following points based on our experience and knowledge of our own startup community:

- Incurring debt for entrepreneurial support, particularly for young Australians who are at the very beginning of their careers, is not an ideal foundation for the following reasons:
  - The Startup Year initiative, as an income-contingent loan, may have the unintended effect of limiting the kinds of people willing to take on this kind of support, with negative impacts on diversity of participants and the ambition they are willing to apply to their entrepreneurial pursuit.
  - Unlike OS-HELP, students will have minimal say in the use of funding but are expected to bear all the liability.
  - Startups can have a mixture of university and non-university founders and this situation is not contemplated in the proposed funding model, nor the associated inequity where one founder (i.e. the university student) takes on all the risk on behalf of their fellow non-university founders.
- As we do with OS-HELP, UTS takes seriously its role in educating students on what it means to take on an income-contingent loan and this approach will be no different to the Startup Year Initiative.
- Students have many coursework options that are supported by HECS, including electives, sub majors, and year-long programs. Topping up this funding will not necessarily generate the same outcomes as compared with rewarding actual venture formation and growth while a student. Thus, more consideration needs to be given to the rationale for linking the Startup Year initiative solely to accredited learning and capstone years.
- University accelerators differ in their objectives and framework, meaning that for some (such as UTS's Techcelerator) a microcredential has value for students in a curriculum-based framework, whereas for UTS Startups all of the support it currently provides is extra-curricular to allow the support to adapt faster and with a more bespoke approach than accreditation processes will allow. UTS therefore suggests that microcredentials should be optional and dependent on type of accelerator and their objectives.
- As it currently stands, the 'success' of the Startup Year initiative will be measured against the provision of programming and support. UTS contends that this approach may inadvertently incentivise the proliferation of more programs and support, losing sight of the target group being 'young Australian entrepreneurs'. In our view, public funding should be measured by outcomes generated by participants, especially (and perhaps exclusively) in terms of paid job creation in the startup ecosystem, *then* followed by meaningful and measurable startup support.

## **An alternative proposition**

It is well known that Australia needs new high paying jobs and economic growth and that technology-enabled entrepreneurs accelerate productivity-boosting technology adoption in firms of all sizes, through competitive pressure on industry incumbents<sup>1,2,3</sup>, learning spill-overs from early entrepreneurial adopters<sup>4,5</sup> and influence as external solution providers<sup>6,7</sup>.

In recognition of the diverse ecosystem within which entrepreneurs emerge, UTS recommends consideration of a Startup Reimbursement Fund (SRF) for university accelerators, in place of an income-contingent loan, with a modest allocation from the National Reconstruction Fund. In our view, this targeted intervention is more likely to drive startup activity in connection to university accelerators by:

- Reaching a more diverse cohort of students;
- Preparing students for real-world government grant-type processes such as R&D tax credits; and
- Driving growth through measurable outcomes instead of promises.

In broad terms, a 'SRF credit' would be earned whenever a university accelerator generates a new startup that matches defined criteria for an Australian-appropriate, technology enabled startup (perhaps in alignment with the Australian Government's science and research priorities); is incorporated and has at least one paid employee. The available funding pool would be distributed among the programs at a ratio determined by their number of SRF credits. Thus achieving the stated purposes as outlined in the consultation paper (page 6).

## **Conclusion**

As requested UTS shared the Department's survey link with our startup community. Accordingly, we would be interested in the results of that survey as it pertains to the student experience and the student perspective about what they feel would be of most value to their enterprises.

UTS commends the government for proactively seeking opportunities to set a unique incentive and increase capacity for Australian universities to demonstrate and increase the real impact of their entrepreneurial programs. We reiterate our offer to the Department to provide our expertise and knowledge in this area.

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<sup>1</sup> Drivers, Benefits and Challenges of ICT Adoption by Small and Medium Sized Enterprises (SMEs): A Literature Review. <https://perma.cc/X492-KPZX>

<sup>2</sup> What drives global ICT adoption? Analysis and research directions. <https://perma.cc/DZ4P-CQ4L>

<sup>3</sup> Going digital: What determines technology diffusion among firms? <https://perma.cc/7NRL-59YQ>

<sup>4</sup> Determinants of ICT adoption: evidence from firm-level data. <https://perma.cc/SW8K-LKH5>

<sup>5</sup> The Economic Impact of ICT. 2010. <https://perma.cc/PR2E-5M88>

<sup>6</sup> Strategies for Successful Information Technology Adoption in Small and Medium-sized Enterprises. <https://perma.cc/53ND-LAEF>

<sup>7</sup> Adoption of ICT and e-commerce in small businesses: an HEI-based consultancy perspective. <https://perma.cc/F6KA-CXNZ>