

IASP FLASH SURVEY ON THE INTERNATIONAL CREDIT CRUNCH REVIEW July 2010



IASP

International Association
of Science Parks



Member of WAINOVA – World Alliance for Innovation

IASP is a NGO in Special Consultative Status with the
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Foreword

The economic crisis that hit in 2008 has had a great impact on the world in general. What started off as an unknown situation emerged as a large scale recession, and the uncertain financial situation continues to influence companies and people on a daily basis.

The Science and Technology Park industry has not been immune to its effects. However, innovation and technology overall have proved to be areas which are resilient and the industry is coping better than many others. Despite this, the financial difficulties of companies themselves are reflected in the tenants in parks or incubators and this inevitably has had a knock on-effect on all those linked to them.

At the IASP we are always concerned about stimulating the role of Science and Technology Parks as a guarantee of the economy for the future. In order to keep an eye on the implications of this crisis we conducted a brief survey in November 2008 to get feedback from members about how parks and technology-based incubators were dealing with this crisis.

The following is a compilation of the responses from the latest survey in 2010, comparing answers and opinions with those from 2008.

We hope that this will be interesting for you, and we welcome any further feedback on this topic that you may have.

Yours sincerely

Luis Sanz

Director General

About the Survey

In 2008 IASP launched a flash survey among its Full and Affiliate members about the international credit crunch. The questionnaire, accessible online, was composed of three core questions: 1) is the current economic crisis affecting your organisation? If the respondent answered “yes”, we then asked: 2) how would the current crisis affect the parks and resident companies; and finally, 3) what types of difficulties our members were expecting.

The report with the results of that first survey was sent to our members in October 2008, although we maintained the survey link active, giving the opportunity to other members to contribute with their experiences.

A year and a half later, in May 2010, we decided it was time to measure again how the crisis was affecting IASP members. In order to compare the data we asked the same questions (if the crisis was affecting their organisation, how, and this time we asked what kind of difficulties they have had to confront).

The financial crisis survey 2010 was answered by IASP members from twenty-three countries¹. As in 2008, the responses were limited, with close to 40 questionnaires completed.

This report shows the compared results of both surveys, from 2008 and 2010. It should be noted that data from survey 2008 has been updated with the new answers collected after the first report was sent.

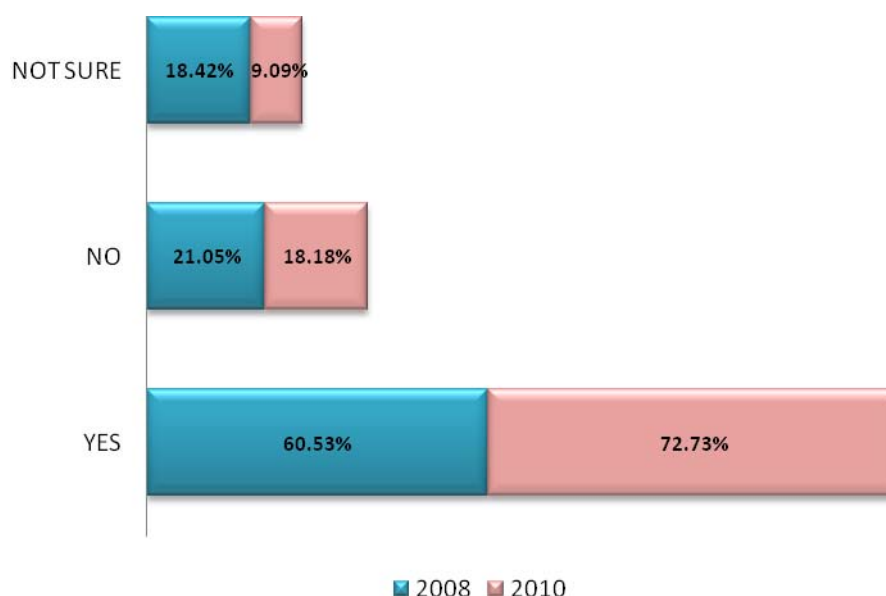
¹ IASP member countries represented in the 2010 survey: Austria, Brazil, Canada, China, Colombia, Denmark, Finland, Germany, India, Iran, Japan, Mexico, Panama, Russia, Slovakia, Spain, Sweden, Thailand, Turkey, UK, USA and Venezuela.

1. The global financial crisis affecting our industry

The crisis is clearly affecting our industry according to the compared data shown in the chart below. The percentage of IASP members that confirm the crisis is affecting their organisation has increased from 60.53% in 2008 up to 72.73% in 2010. Meanwhile, the number of those stating that they don't suffer from the effects of the global crisis has decreased.

When the crisis was in its initial phase, a significant percentage (18.42%) of IASP members that answered the survey were not sure about the extent of the economic difficulties. In 2010 the scenario has changed, the institutions that cannot evaluate if the crisis is affecting them has been reduced by half (9.09%).

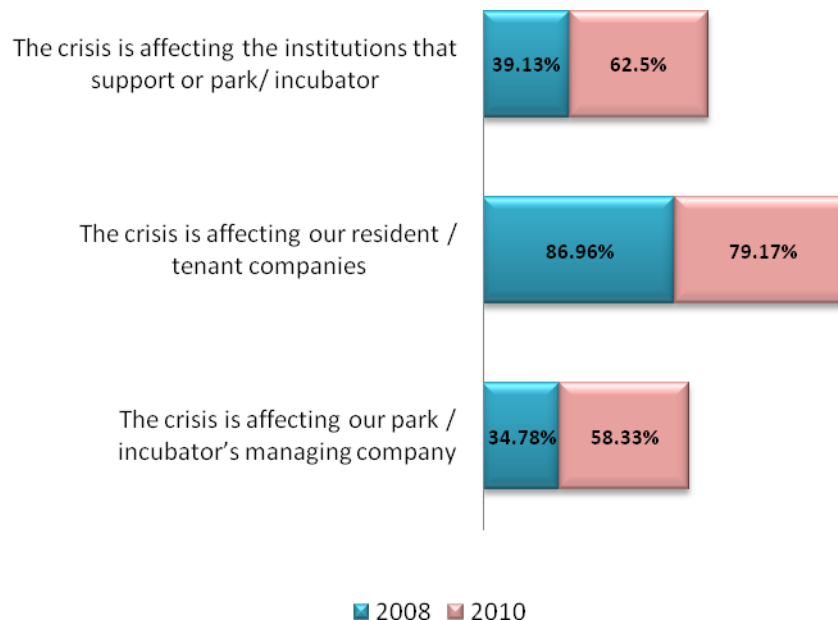
The crisis affects my organisation



2. *Feeling the heat: the effects of the crisis on our members*

In 2008, the STPs felt the impact of the crisis indirectly and the credit crunch seemed to be focused mainly on the tenant companies. Currently, even though the crisis continues to negatively affect the resident companies, the consequence of the critical economic situation has reached the organisation base; 62.5% of those surveyed confirm that the crisis is affecting the institutions that support the park, and in 58.33% of cases it is affecting the managing organisation.

How the crisis is affecting my organisation

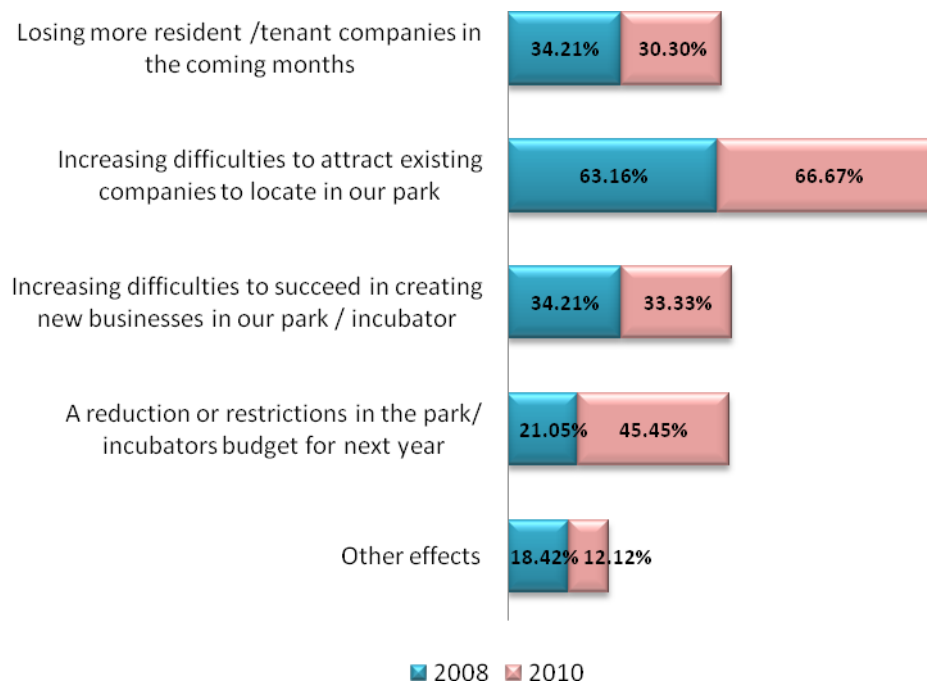


3. *Main effects of the economic crisis*

The first flash survey about the credit crunch asked IASP members to forecast the effects of the crisis, the majority of responses (63.16%) predicted increasing difficulties to attract existing companies. Besides this, the loss of more tenant companies and the increasing difficulties in creating new businesses (34.21% in both cases) was also expected.

However, it is interesting to highlight that even if the difficulties to attract existing companies to relocate in the park is the main consequence of the crisis, (confirmed by 66.67% of the surveyed parks in 2010), the effect with the highest increase, from 21.05% in 2008 up to 45.45% in 2010, is the reduction in the organisation's budget.

Main effects of the economic crisis



4. *Summarising the current scenario*

The comments from the organisations that participated in the survey reflect the significant dimensions the credit crunch has taken in the last two years and how it has extended, affecting both private and public institutions. The majority of STPs and incubators have experienced negative effects from the economic recession, which has caused a decrease in the number of resident companies; increasing difficulties to attract companies and moreover a reduction of their budget.

The habitual STP/incubator funding sources have felt the crisis severely; many governments have implemented severe austerity measures, restricting funds for innovation centres, and private investors (continuing the general trend of cuts) are acting with great caution before taking a risk with new projects. In addition to this, the lack of bank credit has to be taken into account.

Some of our members have shared their worries about the economic sustainability of the parks and incubators that depend greatly on public funds and affirm the importance of searching for new sustainable models in which private investment plays a more active role. Nevertheless, the importance of public funds is key in many cases, therefore it is normal to have interest in knowing what types of economic stimulus programs are being carried out by governments to help STP and incubators and their results.

Even if we expect that the slow but steady recovery of STP/incubator tenants will help their parks to reemerge from the crisis, we should be aware of the possibilities of decreasing support from the public sector to STPs. More than ever before, STP's should make extra efforts to emphasise their importance within the public sector, otherwise they may find themselves affected by further budget cuts and weakened support.

5. Excerpts from our survey 2010

In order to assess the effects of the crisis in our industry better we have included below some of the comments of IASP members², relating their experiences and worries in these times of economic uncertainty.

CURRENT SITUATION

"Reduced budget for continuing construction of the park's infrastructure" (Mexico)

"In my view, in 2010 the crisis is affecting the Spanish Science and Technology Parks through the public side. The public Administration doesn't have the necessary funds to maintain these projects. I believe in sustainable models and in private business models but there must be some kind of public support. This part is in serious danger in our country" (Spain)

"Less taxes lead to less budget for the science park's management to invest in infrastructure, management etc." (Germany)

"Our park has just fired 25 % of the staff (10 people), to ensure that we will live up to the budget" (Denmark)

"The companies established in Technology and Science Parks in Turkey can only work on R&D. The times of difficulties and the crisis they can concentrate on R&D, so there will be more and more to deal with" (Turkey)

"The effect from the crisis on our park is less than 5%" (China)

"There is a slowdown in venture capital funding and so fund raising is more challenging for early stage companies. This has resulted in some delays in rent payment and operationalising new businesses in our Park. Companies are also cautiously investing in R&D and consolidating business revenues. We need to think of ways of how the burn rate can be optimized" (India)

"We lost 3 % of the total number of jobs in 2009. This year has started well and hopefully we will grow by 4-5 %" (Sweden)

"The issue for the UK in coming months/year is likely to be restricted region/national government funds for innovation centres" (United Kingdom)

"We have had to lower the price and reduce the size of the plots" (Spain)

"The CRISIS is here to stay at least for a long while, probably two to three more years. It is an opportunity to be more creative, increase the competitiveness of the park and its value added services" (Panama)

"The Lifescience Contract Research business is picking up in India and that has increased occupancy in our Park" (India)

"Our investment budget was trimmed causing delay in completion of our 2nd phase" (Thailand)

² We indicate the country where each comment comes from, without revealing the identity of the individuals for privacy reasons.

QUESTIONS / CONCERNS

"I am curious as to what types of economic stimulus programs regions are using (if any) to help protect STP and incubators? If regions are employing such programs, what are the results?" (United State of America)

"1. How does the world divide between countries / global regions where effects on members are significant and those where the effects are negligible. 2. Where effects on STP clients are most marked what are the most significant causes - Lack of bank credit - Reduced business investment (as a driver of opportunities for innovation-led businesses) - Reduced economic activity leading to falling demand - Other?" (United Kingdom)