

## Venture capital

# Stealing universities' thunder?

A NOVEL Anglo-US joint venture launched this week aims to sponsor the commercial development of research projects carried out in British universities. The two partners in the new venture, to be called the Research Corporation Trust, are Investors in Industry (3i) and the Research Corporation, of New York. The trust will, through a subsidiary, evaluate, patent and license inventions throughout their lifetimes and will use the proceeds to sponsor more university-based research.

The trust is likely to prove controversial. In return for its free advisory and patenting service to universities the trust will normally expect resulting patents to be made over to it. The obvious question is whether the fruits of research supported by the British taxpayer might not be enjoyed overseas. Mr Ivan Momtchiloff, a general manager of 3i and a director of Research Corporation Trust, said recently that British inventions would be exploited by the trust in Britain "where humanly possible", unless to do so was "obviously silly". A slightly different line has been taken by Dr John P. Schaefer, president of Research Corporation, who says the trust "will not only help strengthen science and technology in the United Kingdom but also lead to a mutually beneficial exchange of technology between the United States and Europe."

The two partners in the new trust are not obvious bedfellows. Research Corporation in the United States is incorporated under not-for-profit law, and the new trust in Britain will, it is hoped, receive charitable status. The Investors in Industry group is, however, an established large industrial investment group, backed by major British banks, whose goal is undeniably to make a profit. Mr Momtchiloff says that 3i will profit from any companies that it acquires or spawns to develop the inventions originated by the trust, and from licence income.

A major spur to the formation of the new trust has been the recent abolition of the first-refusal right on much publicly-funded British research previously enjoyed by the National Research Development Corporation (now part of the British Technology Group). The 3i group has previously formed companies based on university research but the process has often been protracted and difficult. The group was, according to Momtchiloff, considering a new approach based on research grants when it learnt that Research Corporation in the United States was thinking of setting up a British operation; a partnership was the natural result. The corporation already has the special skills and extensive experience of working with university departments to enable a similar scheme to be set up in Britain. The trust will also benefit from Research Corporation's established patenting and legal support services.

The initial capital in the new scheme is

surprisingly modest — £1 million from each of the two partners, with an additional £50,000 each to start the ball of research grants and license income rolling. Many of the initial grants will be for only a few thousand pounds — to buy a specific item of equipment for instance. The trust will seek mainly to interest young researchers who may have more difficulty than their elders in attracting research funds.

The trust's share of royalty income, net of expenditure, will be returned from the subsidiary operating company to be distributed as more research grants. In the United States the arrangement between universities and the new trust's parent company is that the institutions take 60 per cent of royalties and the trust 40 per cent. Arrangements between institutions and their employees are more variable, and the opportunity to take an equity stake in a new company would depend on the individual circumstances.

Tim Beardsley

## A UK venture

**A VENTURE capital fund launched last week in Britain will provide £15 million over 4 years to invest in new and emerging private companies working in high technology. The Charterhouse Japhet Venture Fund has already raised this sum and has made its first investments. Its preferred areas are telecommunications, microelectronics, health care and biosciences.**

The capital that the new fund has available puts it immediately in the ranks of the larger venture funds in Britain. The investors are prominent UK pension funds. The investment directors are Dr John Walker, who comes from the Investors in Industry group, and Mr Ron Sheldon. Walker emphasizes that his approach extends to providing active management support and marketing experience.

Most of the investments will be of more than £250,000, but some "seed capital" for new product development will also be available. The £15 million will spread over 20 to 25 major investments, of which the fund will be the lead investor in about a half. Walker is critical of other venture capital funds that attempt to gain control over a young company by taking a majority investment. He swears that the new Charterhouse fund will always take a minority stake so that control remains with the originator of the company, a principle Walker considers extremely important.

Walker has a significant personal stake in the new fund. He declines to reveal the amount but admits that he "probably won't have to worry about cash" if the fund succeeds. He and Sheldon, by demonstrating their personal commitment, will inspire company management to confidence, he believes.

Tim Beardsley

## Agriculture

# Old crop ripe for revival

Waalre, The Netherlands

ONE of the first plants to be exploited by man in South-East Asia and Oceania could once again become a major commercial crop in the region if the efforts of Professor Michiel Flach of the Agricultural University at Wageningen bear fruit.

The crop is the sago palm, natural stands of which cover some 2 million hectares in Indonesia, Papua New Guinea and the Philippines. These areas are under-exploited, says Professor Flach, in a region where it would be prohibitively expensive to plant other crops. There are also 200,000 hectares of planted sago stands, mostly in Malaysia. There is a small but growing market for sago starch, not only for food use and industry (textiles and paper) but also for production of high-fructose syrup.

Professor Flach's espousal of the sago cause began in 1970, and with backing from the World Bank, the Food and Agriculture Organization (FAO) and the Dutch Government he organized international symposia on the subject in 1977 and 1980. Earlier this year there was a discussion on sago at an FAO workshop in Jakarta, Indonesia and Flach is now organizing a third symposium — this time in Japan where there is considerable interest in the crop.

A new sago starch factory is to be constructed in Indonesia, where the cultivated stands can produce at the rate of 2.5 to 5 tonnes per hectare. World starch production from cereals is about 1,360 million tonnes so the 2.2 million hectares of sago palm could produce only some 1.5 per cent of world production, but in some areas the contribution from sago palm could be important. In Sarawak, for instance, the palm is an important crop in peaty soils, and in swampy areas in the tropics sago palm will grow quickly (8 years to maturity compared with 13 years in other areas). In food energy terms the palm will out-yield any other crop.

Professor Flach does not see pure sago starch as a challenge to the central role of rice, but in Indonesia more and more people are eating bread, and sago starch added to bread flour can significantly improve quality. The country imports around a million tonnes of grain a year, and any application of the indigenous sago palm that would help reduce imports would be of vital importance.

Most of the work on sago palm is directed towards production in Indonesia, where the ministry of public works is studying the potential use of coastal swamps in sago growing. And now there is a major project sponsored by the World Bank. "Suddenly nearly everybody is working in the field", says a surprised Professor Flach.

Casper Schuuring