



Commercialisation Australia Grants

Introductory Notes

Introduction

The Federal Government's *Commercialisation Australia* programme has the stated aim to "build the capacity of, and opportunities for, Australia's talented researcher, entrepreneurs and innovative firms to convert intellectual property into commercial ventures, creating high skill jobs and increasing our global competitiveness."

The programme is designed to support defined projects (not just general business expansion), which would in effect not be able to occur in the absence of Government support – for reasons of available capital, available expertise, timing, and so forth.

Grants are offered in four categories, singly or doubly:

Skills & Knowledge	Up to \$50,000	
Experienced Executives	Up to \$350,000	(total \$700k expense over 2 years)
Proof of Concept	\$50,000-\$250,000	(total \$100k-500k over <1 year)
Early Stage Commercialisation	\$50,000 - \$2 million	(total \$100k-\$4,000k over <2 years)

These grants are offered on a 1:1 cash basis (except for the Skills & Knowledge assistance, which is 80:20), meaning that the applicant must match the Government's grant in cash expenses, excluding other government grants, in-kind contributions and investments preceding the grant.

AusIndustry emphasises that the programme is a "highly competitive merit based" facility, and that "only the strongest applications are successful." "Applicants are strongly encouraged to explore all other avenues of assistance before submitting an application under Commercialisation Australia."

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Narrow Eligibility Criteria

However, the programme is restricted to quite a narrow band of eligibility, both in terms of business cycle and available financing.

The programme is designed to assist applicants intending to commercialise a new, clearly identified product, process or service. And its target market is the gap between the completion of R&D and commercial viability, the area that AusIndustry refers to as “the valley of death”.

R&D Projects are ineligible (with certain exceptions where R&D activities are essential to achieve a commercial transaction after successful completion of the project). And once it is proven that a company can generate commercial sales, then AusIndustry’s view is that “financing is more readily available”.

“Commercialisation Australia therefore supports projects up to the point of ‘first sales’, meaning a company is able to demonstrate... market acceptance of its new product, process or service in its key target market(s).”

Need for Funding

On one hand, Commercialisation Australia requires that the applicant must have already secured its half of all cash expenses for the project, but then the applicant also has to demonstrate that it still needs the other half. The applicant must provide evidence for both.

For the funding already secured, while the applicant doesn’t have to have the cash in hand at the time of application, it “must demonstrate it can fund its share of the project costs at the rate it will incur eligible expenditure over the timeline of the project.” This may require a certified accountant’s letter and/or external funding agreement.

For Early Stage Commercialisation grants, evidence must also include:

- Financial statements for the previous three-years and year-to-date;
- Projected financial statements for the term of the project;
- Sales pipeline and/or contracts; and/or
- Commitment and capacity from an investor or finance provider.

So having proved that your company already has secured funding, it then needs to prove that it needs more (and that this funding is critical to whether the project will proceed or not). For early-stage projects, this may be evident, but for larger projects in later development stages it may be necessary to prove that you have approached venture capital funds first... notwithstanding that venture capital typically funds less than 1% of the companies that enquire.

Trailing Components

When assessing the potential value of a Commercialisation Grant, it is also important that these grants (particularly the larger grants) then impose restrictions on the transfer of IP, plant & equipment and/or company/management control for up to 5 years following the completion of the

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project. This may be an important point to consider in the context of the overall business strategy.

Eligibility

While these may not be stated in the formal AusIndustry documents, it is understood that to be successful, an applicant must have all of the following:

- A project with a compelling ‘story’ and very attractive projected returns;
- A clear, concise and compelling value proposition for the product, process or service;
- A clearly defined target market;
- A solid financial history sufficient to demonstrate that the applicant is in a position to execute the project;
- A secure source or sources for its financial contribution to the project;
- A need for funding, whereby it would be “unreasonable to expect that the applicant should obtain funding from alternative sources”;
- An experienced and capable management, preferably with a track record in previous commercialisation... who is also passionate about the project. The project must have a champion; and
- Strong IP (including novelty), with demonstrable ownership, control or beneficial use agreements;
- A well-defined execution plan with clear objectives, defined path to market, understanding of the risks and challenges, and sound IP strategy;
- An element of benefit to the national interest (jobs, investment, IP, etc).

What’s On offer

The first two types of assistance are pretty self-explanatory:

Skills & Knowledge grants provide small sums to purchase expert advice and services, typically to companies new to commercialisation and who don’t know where to start.

- Business planning, structure and risk analysis
- Market research and strategy
- IP management (excluding patent registration and maintenance fees)
- Capital raising & business linkages

Experienced Executives grants support firms to build experienced teams with the skills needed.

Thereafter, the remaining programmes are a little wider in their application. And while certain grants can be combined into a single “multi-component” application, the *Proof of Concept* and *Early Stage Commercialisation* grants cannot be combined.

Proof of Concept grants generally support activities to establish the commercial viability of the project, proving the value proposition with a high probability of a commercial

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transaction at the end of the project. So this might include some activity in the grey area towards the end of R&D.

Early Stage Commercialisation Grants support the major steps necessary to bring the project to market, with the project geared towards first sales in Australia or internationally. This might include some costs of pilot plant, prototype plant or full manufacturing facility expenses (either directly or via depreciation within the project period), subject to specific eligibility criteria.

Applying for a Grant

Commercialisation Australia grants are awarded under a two-stage process. The Stage 1 Application Form is intended to both allow the applicant to determine whether their project is suitable for the programme, as well as to give AusIndustry an impression of the project.

Following lodgement of the Stage 1 Application, the applicant will receive feedback and advice on their proposal from AusIndustry. The applicant may be asked for further validation of claims made in the application.

If successful, the applicant will be invited to submit a Stage 2 Application form. This is submitted in draft form, with feedback from AusIndustry before final submission and acceptance of the application form. From there, AusIndustry has 75 calendar days to respond.

In Summary

The Commercialisation Australia grants are a valuable, lucrative support programme for suitable companies, but these grants are defined by comparatively narrow, rigorous criteria. And as a competitive programme, even strong applications may be rejected in favour of better alternative projects.

In short, Commercialisation Australia grants are only recommended for highly attractive projects that are at a stage where alternative funding is limited, and for which there is a strong internal commitment for the project.

About Us

Access RnD is a boutique, independent specialist tax consultancy working with the R&D Tax Incentive programme. Our expertise extends to the Export Market Development Grant and other Federal and State Government funding programmes, including the Commercialisation Australia grants programme.

Our consultants offer the best skills required to maximise the value of our services:

Rod Campbell has worked with the R&D Tax programmes since they were first introduced in 1986. He has over 30 years of specialist consulting experience in these areas, and a background as former policy adviser to the Export Market Development Grant legislation. He has a long involvement on various industry representative bodies and is currently on the board of the Export Council of Australia, as well as being the current President of the Export

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Consultants Board.

Rod knows the rules 'chapter and verse', and has the skills and long experience to lead our industry.

Dave Sammut has degrees in both science and business, and has worked for 20 years in active R&D, R&D corporate management and commercialisation, and in professional communications to government and investor audiences. Dave specialises in facilitating the effective communications between different disciplines, with a track record in creating value through innovation.

Access RnD's Services

Our role is to:

- Understand your project, and to advise you on the identification of suitable government support;
- Support and advise you in ensuring that your project is structured to create maximum value for your firm;
- Provide guidance on record-keeping of evidence of your grant application;
- Assist you with preparing a full description of your grant application in a form that AusIndustry should recognise and understand;
- Ascertain and/or advise on the calculation of eligible project expenditures;
- Assist you in preparing your Commercialisation Australia Grant Stage 1 and Stage 2 application forms;
- Represent your company in your dealings with AusIndustry in relation to your application.

Fee Structure

As the grant application process are time consuming, with at-risk outcomes, Access RnD cannot offer its services on a purely success-fee basis. Instead, we negotiate an appropriate fee structure with our client depending on the size and nature of your specific project.

In general, we would negotiate a fee based on either of two principles:

- A flat hourly charge for our services; or
- A base level charge for our services, plus a success fee based on a percentage of the grant approved.

Access RnD looks forward to working with you to maximise the value from the Commercialisation Australia grants programme

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