



An Australian Government Initiative



**COMMERCIALISATION
AUSTRALIA**

PILOT PROGRAM GUIDELINES



About these *Pilot Program Guidelines*

The *Commercialisation Australia Pilot Program Guidelines* help potential applicants to:

- find out about the program
- determine whether they may be eligible to apply
- understand the application process
- be aware of the obligations associated with funding support (a sample *funding agreement* is available at www.commercialisationaustralia.gov.au)

For further information about *Commercialisation Australia* visit the website at www.commercialisationaustralia.gov.au or contact *Commercialisation Australia* by email to CEOofCA@innovation.gov.au .



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Commercialisation Australia Pilot Programs

1. Overview

1.1 About Commercialisation Australia

Commercialisation Australia was announced as part of the 2009-10 Federal Budget and is an important component of the Australian Government's 10 year vision - *Powering Ideas: an innovation agenda for the 21st century*. It will receive \$278 million over the five years to June 2014, with ongoing funding of \$82 million per year thereafter. *Commercialisation Australia* provides assistance under four key components:

- **Skills and Knowledge** - grants up to \$50,000 to access expert advice and services.
- **Experienced Executives** - grants up to \$350,000 over two years (up to \$175,000 per year) to engage an experienced Chief Executive Officer or other executive.
- **Proof of Concept** - grants from \$50,000 up to \$250,000 to assist with establishing the commercial viability of a new product, process or service.
- **Early Stage Commercialisation** - grants from \$50,000 up to \$2 million to assist with bringing a new product, process or service to market.

The Program Delegate is responsible for approving applications, funding amounts and payments in relation to these four key components. The *Commercialisation Australia* Board provides advice to the Program Delegate in relation to the merit ranking of applications and other technical assessments.

Successful applicants to any of these components are assigned a Case Manager and have access to Volunteer Business Mentors. Refer to the *Commercialisation Australia* Customer Information Guide for more information on the type and level of assistance available under the four key components.

1.2 How do Pilot Programs Fit into Commercialisation Australia?

Commercialisation Australia has a broad mandate that goes beyond providing grant support to commercialisation projects. *Commercialisation Australia's* role includes investigating new commercialisation policy approaches and their applicability to the Australian innovation system. This flexibility allows *Commercialisation Australia* to remain relevant and responsive to changes in the innovation landscape, and assists in fully achieving its policy objective.



1.3 What is Commercialisation Australia's Policy Objective?

The policy objective of *Commercialisation Australia* is to build the capacity of, and opportunities for, Australia's researchers, entrepreneurs and innovative firms to convert ideas into successful commercial ventures, enhancing Australia's participation and competitiveness in the global economy and generating commercial returns from Australia's significant investment in public sector research. This is a response to systemic and market failures in the pathway to early stage commercialisation.

The policy objective will be achieved through:

- a. Providing a range of assistance including initial advisory services, access to experienced business mentors, and funding for proof of concept and early stage commercialisation activities assessed against clear selection criteria;
- b. Providing a single co-ordinated commercialisation support service with multiple entry and exit points, and referrals to other sources of support as appropriate;
- c. Using stringent initial assessment processes to select applicants with high potential for growth and commercial success, while acknowledging the risk inherent in the pathway to commercialisation;
- d. Tailoring support to the timing and needs of individual applicants, taking account of their stage of development;
- e. Ensuring efficient delivery by building on current innovation activities and working with existing service providers;
- f. Leveraging private capital to maximise the effectiveness of *Commercialisation Australia* support;
- g. Sharing the risks by adopting a mutual obligation approach where appropriate;
- h. Rigorously monitoring the progress of each participant and, if necessary; redirect funding from underperforming participants;
- i. Regularly collecting data and analysing trends to measure the short and long term impact of the *Commercialisation Australia* program and to inform future initiatives to support innovation and commercialisation; and
- j. Enhancing access to business services and domain expertise across the nation.

1.4 What is the Intent behind Pilot Programs?

The intent behind pilot programs is to assess the practicality and effectiveness of new, alternative methods of support for commercialisation that will contribute to building the capacity of, and opportunities for, Australia's researchers, entrepreneurs and innovative firms to convert ideas into successful commercial ventures.

If a pilot program is successful it may become a permanent stream of assistance provided under *Commercialisation Australia*.

It should be noted that *Commercialisation Australia* has no requirement or obligation to approve any pilot programs in any given year.



2. Pilot Program Governance and Operation

2.1 Roles and Responsibilities

Commercialisation Australia has a Chief Executive Officer (CEO) who is responsible for the overall design and functioning of the initiative. The *Commercialisation Australia* Board provides advice to the CEO on strategic matters in regards to the program and the commercialisation of innovation in general. The Board also provides advice in relation to technical assessments, such as the merit assessment of proposals for pilot programs. The CEO holds an *ex-officio* position on the Board.

The CEO is ultimately responsible for determining the eligibility of pilot program proposals. The CEO decides whether to recommend approval of a proposal after seeking the advice of the Board, and the Program Delegate has responsibility for all funding decisions under Commercialisation Australia. In a case where the CEO is conflicted in relation to a particular proposal the Program Delegate may decide whether to approve that proposal.

2.2 How will Pilot Programs be Delivered?

Pilot programs could be delivered by the applicant or by *Commercialisation Australia*.

Applicants proposing to deliver the pilot program themselves may apply for funding to pay for delivery costs. A funding agreement will need to be executed prior to commencement of the pilot program.

2.3 How Much Funding is Available and What Can it be Used for?

Commercialisation Australia may spend up to \$2 million in any financial year on all pilot programs combined. This includes funding to pilot program participants and funding to pilot program providers.

While a pilot program proposal requesting the maximum \$2 million in funding is eligible, it may not be possible to approve such a proposal because part of *Commercialisation Australia's* budget of \$2 million per financial year for pilot programs may have been allocated already to other pilot programs.

An applicant may request funding to pilot program participants only, to themselves only as the pilot program provider, to both, or the applicant may request no funding at all.

2.4 Pilot Program Participants

Pilot programs are likely to target a certain group of persons or entities within Australia's innovation system and to offer a particular benefit to those who meet certain criteria. The benefit may have a funding component, and applicants can request in their pilot program



application that *Commercialisation Australia* provides the necessary funds for the funding component.

2.5 Pilot Program Providers

Applicants can request in their pilot program application that *Commercialisation Australia* provides the necessary funds to pay for the applicant's estimated costs of delivering the pilot program.

2.6 Duration of Pilot Programs

Pilot programs may run for up to one year. However the length of the pilot program should be determined by the minimum time required to effectively evaluate the success of the program.

The Program Delegate, after seeking the advice of the CEO of *Commercialisation Australia*, may agree to extend a pilot program by up to 12 months if an interim evaluation supports an extension. Support would depend on program performance so far and the potential for additional outcomes/insights to be gained through an extension.

2.7 Intellectual Property Rights

Applicants must warrant in their application that *Commercialisation Australia* has the right to use in Australia, at no charge, any of the applicant's intellectual property that is necessary to run the proposed pilot program and, if the pilot program is successful, to run a permanent stream of assistance based on the pilot program.

Further details regarding intellectual property rights will be in the letter of offer and in the funding agreement.

2.8 Application Procedure

Applicants should read the Pilot Program Guidelines, and then direct initial enquiries by email to CEOofCA@innovation.gov.au. Commercialisation Australia will contact each applicant to discuss their project proposal and eligibility. If the project is identified as being suitable to progress to the next stage the applicant will be provided with a copy of the Pilot Program Application Form, a sample of which can be found on www.commercialisationaustralia.gov.au

Applicants should complete the pilot program application form, and send the completed form to CEOofCA@innovation.gov.au. Once received, *Commercialisation Australia* will check whether the application meets the eligibility criteria. If an application is deemed eligible it will be assessed by the *Commercialisation Australia* Board against the merit criteria. The *Commercialisation Australia* Board meets regularly to consider applications.



The CEO will consider the merit assessment of the Board and decide whether or not approval of a particular application should be recommended to the Program Delegate. The CEO has the final say regarding the merits of the proposed pilot program.

It should be noted that *Commercialisation Australia* is under no obligation to approve any pilot programs in any given year.

3. Eligibility Criteria

3.1 Eligible Applicants

Pilot program proposals can be submitted by a variety of applicants, including corporations, individuals and government. *Commercialisation Australia* itself, through the CEO, could develop a proposal to be assessed by the *Commercialisation Australia* Board.

Where the applicant is proposing to deliver the pilot program itself, and is applying for funding to pay for the delivery costs, the applicant must be incorporated under the *Corporations Act 2001* at the time when the application is made.

3.2 Other Eligibility Criteria

- a. The pilot program must be a new method of providing support for the commercialisation of ideas and research;
- b. The funding required from *Commercialisation Australia* cannot exceed \$2 million
- c. The duration of the pilot program does not exceed one year;
- d. The applicant must comply with the *Equal Opportunities for Women in the Workplace Act 1999*; and
- e. The application must be complete and contain sufficient information to undertake a merit assessment.

The application needs to include, amongst other things:

- a. A costing document stating how much funding the program requires including any administrative costs;
- b. A program timeline that is based around the minimum time necessary to provide sufficient information to evaluate the pilot program;
- c. Objectives of the pilot program and expected outcomes; and
- d. How success of the pilot program will be measured.

4. Merit Criteria

4.1 Criterion 1: Market Opportunity

- a. There is a market need for the program and the applicant explains how well the program will address this need:



- i The pilot program addresses a part of the commercialisation process which is not already sufficiently dealt with by other Commercialisation Australia program components or processes, or by other government initiatives; or
 - ii The pilot program could significantly improve on Commercialisation Australia processes or programs already in place
 - iii. Evidence of market need (*e.g. research, surveys, testimonials, commitments from prospective customers or participants*).
- b. There are no other reasonable funding sources for the program.
 - c. There is a degree of innovation in the design of the program.

4.2 Criterion 2: Plan and Potential

- a. A sound pilot program implementation strategy, setting out the minimum time necessary to provide sufficient information to evaluate the pilot program KPIs, the funding requirements, and the applicant's ability to meet the costs not met by *Commercialisation Australia*.
 - i An itemised Pilot budget indicating staffing, operational and capital costs, and showing in-kind contributions, customer commitments, and other sources of funding.
- b. Sound post-pilot sustainability strategy (*where applicable*).
 - i It is important that, subject to the achievement of nominated Pilot Program KPIs, the proposal clearly sets out the extent to which the proposed program will be self-sustaining as of the completion of the Pilot.
 - ii In the case of a privately administered program (i.e. not an enhancement to existing offerings to be administered by Commercialisation Australia) this requires a projected Profit and Loss statement showing projections of revenue (including customer payments, sponsorships, in-kind support etc) direct costs, associated marketing and promotions expenditure and an estimated timeline for break-even operations. This should be attached to the application, along with any further documentation the applicant considers relevant, and itemised in Section C4 of the application form.
- c. Sound management capability.
- d. Sound program objectives that are compatible with the policy objective of *Commercialisation Australia*.
- e. A realistic appraisal of the program's potential to deliver a measurable outcome to Australia's innovation system, including:
 - i A set of Key Performance Indicators (KPIs) that will be measurable within the 12 month timeframe of the Pilot Program.
 - ii A set of post-pilot KPIs that will be measures beyond the 12 month timeframe of the Pilot (*where applicable*).

4.3 Criterion 3: National Benefits

- a. Potential to be delivered on a national basis.
- b. Potential benefits justify the costs of implementing the program.

All three merit criteria are equally important.



5. What if an Application is Successful?

All applicants will be notified in writing about the success of their application. Successful applicants will receive a letter of offer.

Successful applicants who proposed that *Commercialisation Australia* delivers their pilot program will be invited to assist *Commercialisation Australia* in implementing and evaluating the pilot program, if they wish to do so.

All other successful applicants will have 60 calendar days from the date of the letter of offer to execute a funding agreement with the Commonwealth. *Commercialisation Australia* may withdraw the offer if the funding agreement is not executed within this time.

The funding agreement is a legal contract between the grantee and the Commonwealth. The funding agreement sets out the pilot program milestones and the grantee's compliance and reporting obligations. The schedules to the funding agreement will reflect other information included in the application. A sample copy of the funding agreement is available from the *Commercialisation Australia* website at www.commercialisationaustralia.gov.au.

An offer of *Commercialisation Australia* funding may be subject to special conditions and may be withdrawn in certain circumstances.

Where *Commercialisation Australia* delivers the pilot program the funding agreements will be between the Commonwealth and the successful participants in the pilot program.

Commercialisation Australia will be responsible for the management of pilot program funding agreements.

5.1 Reporting Requirements, Performance Monitoring and Evaluation

Under the terms of the funding agreement, grantees must provide various reports relating to the pilot program:

- a. Quarterly progress reports. These reports identify the pilot program's progress and expenditure for a given reporting period. Grant payments are based on these reports, however, *Commercialisation Australia* may pay grantees up to one reporting period in advance.
- b. End of program performance report; and
- c. End of program audited financial report.

The funding agreement may be terminated where the pilot program provider (or participant) fails to meet agreed milestones. Whether or not a pilot program is



progressing successfully is determined by the CEO, who may seek the advice of the *Commercialisation Australia* Board.

Commercialisation Australia will undertake an evaluation of the pilot program after it has concluded.

5.2 What Happens if the Pilot Program is a Success?

It is at the discretion of *Commercialisation Australia* to decide whether or not to convert a successful pilot program into a key component of *Commercialisation Australia*. It is possible that the party that delivered the pilot program continues to have a role in delivery of the new component, but this will again be at the discretion of *Commercialisation Australia*.

5.3 Promotion

Commercialisation Australia may use information on applicants whose pilot program proposals are being implemented. This may involve press advertising, information on the *Commercialisation Australia* website and case studies. Applicants will be consulted before their pilot programs are used for case study purposes.

Following the signing of a funding agreement, some details of successful applications (i.e. name of the recipient, amount of funding, explanation of the pilot program) may be disclosed by *Commercialisation Australia* for governmental purposes such as:

- a. promoting the program;
- b. reporting on its operation; and
- c. policy development and outcomes.

This information may be used in answering questions from the Australian Parliament and its committees.

5.4 Taxation Obligations

Commercialisation Australia grants attract goods and services tax (GST). Grant payments are increased to compensate for the level of this tax.

Commercialisation Australia grants typically are assessable income, unless specifically exempted by a taxation law. *Commercialisation Australia* may provide additional advice on taxation obligations on its website. It is recommended that independent professional advice on tax obligations is sought.

5.5 Confidentiality

The use and disclosure of information provided by applicants for the *Commercialisation Australia* program are regulated by the relevant provisions and penalties of the *Industry Research and Development Act 1986*, the *Public Service Act 1999*, the *Public Service Regulations*, the *Privacy Act 1988*, the *Crimes Act 1914*, the *Criminal Code Act 1995* and general law.

As part of the assessment of an application, the Department or *Commercialisation Australia* may need to consult with, and provide material from the application to, other



government agencies or bodies, other organisations and/or relevant individuals, in order to substantiate any claims or statements made in the application form, or to otherwise assist in the assessment of the application. If this occurs, the Department will endeavour to ensure that the parties who are consulted observe appropriate confidentiality provisions.

Detailed confidential information contained in applications may be disclosed for audit purposes to contractors engaged by the Department and to other Commonwealth agencies for audit, reporting and law enforcement purposes. Further, the Department or *Commercialisation Australia* may release confidential information if it obtains the applicant's consent or is required or permitted by law to do so. This could happen, for example, if the Department is required to respond to a resolution of the Parliament, or an order of a court.

5.6 Conflicts of interest

The *Commercialisation Australia* Board, Case Managers and Customer Service Managers are required to follow formal procedures for handling matters involving actual or potential conflicts of interest in dealing with applicants and participants. In particular, for Board members this is a requirement of section 16 of the *Industry Research and Development Act 1986* (the Act).

Where *Commercialisation Australia* itself, through the CEO, puts forward a pilot program proposal, the following applies:

- a. An independent expert assessment will be undertaken; and
- b. The CEO will abstain from voting on the proposal.

5.7 Complaints Handling Procedure

Complaints can be directed to the Manager, *Commercialisation Australia Strategy and Policy*, via the *Commercialisation Australia* hotline, in the first instance. Contact *Commercialisation Australia* by email to CEOofCA@innovation.gov.au.

If an applicant or participant is not satisfied with the complaint resolution procedure, they may escalate the complaint to the CEO of *Commercialisation Australia*. The CEO can be contacted by email on CEOofCA@innovation.gov.au.

Another option for complaints is to contact the Commonwealth Ombudsman. There is no fee for making a complaint, and the Ombudsman will conduct an independent investigation of concerns. Note that the Ombudsman usually prefers complainants to first work through relevant internal processes before complaining about a decision.

The Ombudsman has offices in all states and territories. Contact the Ombudsman by telephoning **1300 362 072** or by writing to the relevant contact address specified on the Ombudsman's website at www.ombudsman.gov.au.