



An Australian Government Initiative



**COMMERCIALISATION
AUSTRALIA**

CUSTOMER INFORMATION GUIDE

About this *Customer Information Guide*

The *Commercialisation Australia Customer Information Guide* helps customers to:

- find out about the program
- determine whether they may be eligible to apply for support
- understand how to apply for support
- understand the requirements and obligations of the funding agreement

For further information about *Commercialisation Australia* visit the website at www.commercialisationaustralia.gov.au or contact the *Commercialisation Australia* hotline on 13 22 56.

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Commercialisation Australia

Commercialisation Australia Assistance

Applicants can apply for one or more of the following components. All successful applicants are assigned a Case Manager and have access to Volunteer Business Mentors.

- Skills and Knowledge - up to \$50,000 to access specialist advice and services.
- Experienced Executives - funding of up to \$200,000 over two years (up to \$100,000 per year) to engage an experienced Chief Executive Officer or other executives.
- Proof of Concept - grants between \$50,000 and \$250,000 to assist with testing the commercial viability of the business model or idea for a product, process or service.
- Early Stage Commercialisation - repayable grants from \$250,000 to \$2 million to undertake activities focusing on enabling a new product, process or service to be developed to the stage where it can be taken to market.

Eligibility Criteria

At the time of application you must be one of the following:

- A non tax-exempt company incorporated under the *Corporations Act 2001*;
- A researcher applying through an Australian university commercialisation office or Publicly Funded Research Agency (PFRA) commercialisation office;
- An individual applying through an eligible partner entity; or
- An individual who agrees to form a non tax-exempt company incorporated under the *Corporations Act 2001* if your application to *Commercialisation Australia* is successful.

And you are able to satisfy the following:

- You meet the turnover limits specified in Section 2 of this guide.
- You comply with the *Equal Opportunities for Women in the Workplace Act 1999*.
- You are able to demonstrate that you are able to fund your share of the project costs.
- You have ownership or beneficial use of the IP for your commercialisation project.
- Your proposed expenditure is on eligible activities.

Merit Criteria

Commercialisation Australia is a competitive, merit based program. Only the applicants that can best satisfy the following criteria will be successful:

- You are able to show that you have a need for funding (ie. you do not have the resources to fund the commercialisation activity yourself and there is no other funding assistance available).
- Your project has significant commercial potential and you have a sound commercialisation strategy.
- Your project has a high level of innovation and there is a credible market opportunity for the outcomes of your project.
- You have appropriate management expertise and a sound business strategy.
- There are significant national benefits resulting from the project.

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 \$196.1 million over four years to 2013, with ongoing funding of \$82 million per year thereafter. *Commercialisation Australia* is open to applications from January 2010.

Commercialisation Australia aims to build the capacity of, and opportunities for, Australia's talented researchers, entrepreneurs and innovative firms to convert ideas into commercial ventures, creating high skill jobs and increasing our global competitiveness. It achieves this by offering a range of tailored assistance.

1.2 What assistance does *Commercialisation Australia* offer?

Commercialisation Australia provides assistance under four key components. Successful applicants to any of these components are assigned a Case Manager and have access to Volunteer Business Mentors.

- ***Skills and Knowledge*** offers funding of up to \$50,000 to purchase specialist advice and services. This component is aimed at assisting people new to commercialisation - researchers, individuals and small companies - who know their idea has commercial potential, but who don't know what to do next. Case Managers and Volunteer Business Mentors help participants identify what specialist advice they most need and where to access it. Participants in the *Skills and Knowledge* component can apply for other components of the program at any time. Applicants need to match the grant funding on an 80:20 basis, where the applicant contributes 20%. Researchers and individuals will be expected to complete this component within 12 months, companies within two years.
- ***Experienced Executives*** provides funding of up to \$200,000 over two years (up to \$100,000 per year) to engage an experienced Chief Executive Officer or other executives. This component is designed to give small innovative firms and people new to business the experienced management skills they need. Participants in the *Experienced Executives* component can apply for other components of the program at any time. Applicants need to match the grant funding on a 50:50 basis.
- ***Proof of Concept*** grants of between \$50,000 and \$250,000 are available to assist with testing the commercial viability of the business model or idea for a product, process or service. Participants need to match the grant funding on a 50:50 basis and complete this component within 12 months.
- ***Early Stage Commercialisation*** provides repayable grants from \$250,000 to \$2 million to undertake activities focusing on enabling a new product, process or service to be developed to the stage where it can be taken to market. Participants need to match the grant funding on a 50:50 basis and are required to repay grant monies on success of their commercialisation project. Participants are expected to complete this component within two years.

1.3 What makes *Commercialisation Australia* different?

Commercialisation Australia aims to assist researchers, entrepreneurs and innovative firms through the entire commercialisation process. Participants are expected to be with the program for one to three years - this will vary according to their commercialisation project and how many components of *Commercialisation Australia* they access. Assistance is tailored to the needs of each participant and applicants can apply for the component that suits them when they need it. *Commercialisation Australia* participants work with a Case Manager and have access to Volunteer Business Mentors.

- **Case Managers:** Case Managers guide *Commercialisation Australia* participants through the commercialisation process. Case Managers have extensive experience in commercialisation, many having taken their own products and services to market, and have good networks within industry. They assist participants by:
 - assisting them identify the skills and knowledge they need;
 - helping them access specialist advice and services;
 - providing strategic and operational advice;
 - monitoring their progress; and
 - linking them to volunteer mentors.

The level of assistance provided by Case Managers depends on the needs of each participant. For example, it is likely that participants in the *Early Stage Commercialisation* component will require less assistance than other *Commercialisation Australia* participants.

- **Volunteer Business Mentors:** Young companies and people new to business often lack knowledge about who to talk to and how to make important business connections. *Volunteer Business Mentors* build on the support provided by Case Managers, providing participants with someone to bounce ideas off and suggest options. *Commercialisation Australia* Volunteer Business Mentors have extensive experience in management and commercialisation, many having commercialised their own products, and offer knowledge, skills and insights on how to turn an idea into a commercial reality. Some Mentors may be able to offer specialist advice in specific areas of business and commercialisation, for example, regarding particular markets, industries and processes.

Potential applicants should be aware of what is expected of them while they are working with *Commercialisation Australia*. Participants are required to financially contribute to their commercialisation project and to achieve results.

- **Participant Contribution:** All participants in *Commercialisation Australia* are required to financially contribute to the costs of their commercialisation project. The ability to financially contribute is part of the eligibility criteria and applicants need to show they have access to the necessary funds. For all components, except *Skills and Knowledge*, participants are required to contribute on a 50:50 basis - that is, for every dollar of *Commercialisation Australia* assistance they apply for, they need to show that they are able to contribute the same amount. The rate of contribution for the *Skills and Knowledge* component is set at a much lower rate of 80:20, with participants contributing at a rate of 20%. The *Early Stage Commercialisation* components require repayment of grant monies received on success of the project. Applicants need to ensure that this requirement is fully understood when making the decision to submit an application for this component.

- **Fast Failure:** A feature of *Commercialisation Australia* is the concept of “fast failure”. Participants are monitored closely and on-going *Commercialisation Australia* support depends on them successfully achieving agreed performance criteria. Participants who exit the program under “fast failure” may be eligible to reapply for *Commercialisation Australia* funding and support with a new commercialisation project.

1.4 Who is *Commercialisation Australia* for?

Type of applicant

Commercialisation Australia aims to help researchers, entrepreneurs and innovative firms take their ideas to market. Successful applicants are required to enter into a funding agreement with the Commonwealth. An applicant must be:

- a non tax-exempt **company** incorporated under the *Corporations Act 2001*;
- a **researcher** applying through their Australian university commercialisation office or Publicly Funded Research Agency (PFRA) commercialisation office;
- an **individual** applying through an eligible partner entity; or
- an **individual** who agrees to form a non tax-exempt company incorporated under the *Corporations Act 2001* if their application to *Commercialisation Australia* is successful.

Companies applying for *Commercialisation Australia* need to meet turnover requirements. Applicants must also be able to demonstrate their ability to fund their share of project costs and have ownership or beneficial use of the intellectual property necessary to carry out their commercialisation project.

Type of commercialisation project

Commercialisation Australia is designed to assist applicants intending to commercialise (take to market and sell) a new, clearly identified product, service or process. The program is not designed to assist with the development of new internal processes to enhance overall productivity, or improvements to existing products, services or processes.

See Section 2 for more details about eligibility.

1.5 Making an application

Commercialisation Australia is a flexible program designed to suit the needs of each participant. The program allows eligible applicants to apply for funding under any of the four components of funding at the appropriate time and allows the applicant to choose between making a single application, or multiple applications, for a single eligible project. For example, an eligible applicant may choose to apply for funding under the *Skills and Knowledge* and/or *Experienced Executives* components. At a future date, the applicant may wish to apply for a grant under the *Proof of Concept* or *Early Stage Commercialisation* components.

Alternatively, an applicant may apply for funding under the *Proof of Concept* or *Early Stage Commercialisation* components. Where applicants are successful under these components, they can also apply for *Skills and Knowledge* assistance.

Prior to making an application, applicants should complete the Pre-Application Checklist and contact a Case Manager to discuss their proposal. Eligible applicants must submit an application

form indicating which components of *Commercialisation Australia* they wish to apply for and address the merit based criteria.

Assessment of applications is a two stage process:

- assessment of eligibility criteria; and
- assessment of the commercialisation project against the merit criteria.

Commercialisation Australia is a highly competitive merit based program and only the strongest applications are successful. Applicants are strongly encouraged to explore all other possible avenues of assistance before submitting an application under *Commercialisation Australia*. The *Commercialisation Australia* Board assesses and prioritises applications against the merit criteria and provides advice to the Program Delegate, a Departmental employee authorised by the Minister to administer the program, for decision.

See Sections 3 and 4 for more details about the application and assessment process.

1.6 Governance

Commercialisation Australia has a Chief Executive Officer (CEO) who is responsible for the overall design and functioning of the program. The CEO is also ultimately responsible for determining the eligibility of applications. The Program Delegate is responsible for approving applications, funding amounts and payments to *Commercialisation Australia* participants. 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 to the Program Delegate in relation to technical assessments, and in particular the merit ranking of applications for funding and support under the program. The CEO holds an ex-officio position on the Board.

Commercialisation Australia is delivered by AusIndustry, the principle business program delivery division within the Department of Innovation, Industry, Science and Research (DIISR).

2. Eligibility Criteria

Applications for *Commercialisation Australia* assistance must meet the following eligibility criteria to be referred to the *Commercialisation Australia* Board for merit assessment:

- the applicant must be an eligible applicant;
- the applicant must have the ability to fund their share of the project costs;
- the project must aim to produce, establish the commercial viability of, or commercialise a new, clearly identified product, process or service; and it must involve eligible activities;
- the application must be complete and contain sufficient information to undertake a merit assessment; and
- the application must be in the form required.

2.1 Eligible applicants

Eligible applicants include companies, researchers applying through their commercialisation office and individuals applying through an eligible partner entity or who agree to form a company if their application is successful.

Australian Companies

A company is eligible to apply for all *Commercialisation Australia* components if:

- (a) it is a *non tax-exempt company* incorporated under the *Corporations Act 2001* at the time of signing an agreement;
- (b) the combined annual turnover of the applicant, and of each *related body corporate* (if any) for the three years preceding application is:
 - less than \$20 million per year if applying for the *Early Stage Commercialisation* component; and
 - less than \$10 million per year if applying for any other component of *Commercialisation Australia*.

If the applicant is a company controlled by an Australian university or PFRA then the annual turnover of the company in isolation must be less than \$20 million for the *Early Stage Commercialisation* component grant and \$10 million for all other components;

- (c) it has ownership, access to, or the beneficial use of, any intellectual property necessary to carry out and/or commercialise the project; and
- (d) it complies with its obligations under the *Equal Opportunity for Women in the Workplace Act 1999*. Companies on the current list of non-compliant organisations, available at www.eowa.gov.au, are not eligible to apply.

Researchers applying through an Australian university or Publicly Funded Research Agency (PFRA)

Researchers are eligible to apply for the *Skills and Knowledge* and *Proof of Concept* components through their Australian university commercialisation office or PFRA commercialisation office. They are not eligible for the *Experienced Executives* or *Early Stage Commercialisation* components. Projects are expected to be relatively small and geared towards initial proof of commercial viability or investment readiness of research outcomes, prior to forming a company for the purpose of commercialising the research. Applicants are strongly encouraged to explore all internal avenues of assistance before submitting an application under *Commercialisation Australia*.

A commercialisation office is an entity within an Australian university or a PFRA that assists researchers in commercialising their research. The applicant (and/or the researcher) must have ownership, access to, or the beneficial use of, any intellectual property necessary to carry out and/or commercialise the project.

Other individuals

Similar to researchers who may apply through their commercialisation office, individuals may apply for the *Skills and Knowledge* and *Proof of Concept* components through an eligible partner entity. An eligible partner entity is a body corporate or an entity within a body corporate whose primary purpose it is to assist individuals or companies in commercialising their ideas or research. A business incubator could be an example of an eligible partner entity.

Alternatively, individuals may apply for any component of funding under *Commercialisation Australia* as long as they agree to form a non tax-exempt company incorporated under the *Corporations Act 2001* at the time of signing an agreement.

In both cases the applicant (or the individual) must have ownership, access to, or the beneficial use of, any intellectual property necessary to carry out and/or commercialise the project.

2.2 Ability to fund applicant's share of project costs

Applicants for *Commercialisation Australia* are required to contribute to the funding of their commercialisation project:

- Applicants for the *Skills and Knowledge* component are required to contribute on a 80:20 basis (80% by *Commercialisation Australia* and 20% by the applicant);
- Applicants for all other components are expected to match *Commercialisation Australia* funding on at least a 50:50 basis.

An applicant does not need to have all matching funding at the time of application. However, the applicant must show it can fund its share of project costs at the rate it will incur eligible expenditure on the project. It cannot use in-kind (non-financial) contributions or other government grant funding. An applicant will need to provide documentary evidence of its ability to fund its share of project costs in the application.

SKILLS AND KNOWLEDGE, EXPERIENCED EXECUTIVES AND PROOF OF CONCEPT

For *Skills and Knowledge*, *Experienced Executives* and *Proof of Concept* applicants, sufficient evidence is an accountant's written opinion that the applicant meets the condition—the format this written opinion must take and minimum professional qualifications for the accountant are set out in the *Commercialisation Australia* application form.

EARLY STAGE COMMERCIALISATION

For *Early Stage Commercialisation* applicants, in addition to the accountant's letter, documentary evidence may include:

- for internal matching funding sources, financial statements, cash-flow forecast and evidence of an existing sales pipeline and/or sales contracts; or
- for external matching funding sources such as equity investments or loans, documentary evidence of commitment and capacity from the investor or finance provider.

What is government grant funding?

For the purposes of these guidelines *government grant funding*, in general, means any grant, loan or investment sourced directly from a Commonwealth, State and Territory, local or international government, or indirectly through a government funded organisation.

A grant, loan or investment from an entity that is partly government funded, such as a university or a Cooperative Research Centre, is not considered *government grant funding* if the monies are sourced from the entity's commercial activities, such as contract research & development or from licensing its intellectual property.

Equity investments from joint private and public sector management funds, such as the Innovation Investment Fund, the Pre Seed Fund or University Investment Funds are not considered *government grant funding*. However, equity investments from the Innovation

Investment Follow-on Fund, are considered *government grant funding* if the fund's capital is sourced entirely from the Commonwealth.

Monies received from the R&D Tax Concession program are not considered *government grant funding*.

The Program Delegate, after consulting the CEO, has the final decision in determining what is government grant funding and may issue additional guidance on a case-by-case basis as required.

2.3 Access to intellectual property (IP)

An applicant for *Commercialisation Australia* must be able to demonstrate that it owns, or has access to or beneficial use of, any existing IP needed to carry out and/or commercialise the project. Applicants are not eligible for *Commercialisation Australia* assistance if the IP is in dispute or ownership has not been clearly established.

- In the case of a researcher applying through a commercialisation office, there must be evidence that the researcher and/or the relevant university or PFRA has the necessary rights to the IP. Any IP rights issues between the researcher and the university or PFRA must be clarified before applying for assistance under *Commercialisation Australia*.
- In the case of an individual applying through an eligible partner entity, the individual must be able to demonstrate they have the necessary rights to the IP.

It is also normally expected that, if the project succeeds, the participant will own any IP resulting from the project. Arrangements regarding the exploitation of project IP which differs from this must be explained comprehensively in the *Commercialisation Australia Application Form*.

The funding agreement requires a participant to seek prior approval from the Commonwealth for dealings with the project IP in certain circumstances. This includes the licensing or sale of IP or the transfer of ownership of the project IP when company control changes, including through changes in the majority shareholding of the participant.

2.4 Eligible Activities and Expenditure

Different activities are treated as eligible for funding under each *Commercialisation Australia* funding assistance component. These are as follows:

SKILLS AND KNOWLEDGE

Under the *Skills and Knowledge* component of *Commercialisation Australia*, funding for activities related to obtaining expert advice and services to assist in the commercialisation process is provided.

Examples of *expert advice and services* are:

- Business planning
 - developing or reviewing a business plan
 - determining suitable corporate structures
 - undertaking a risk analysis
- Commercialisation
 - undertaking market research
 - developing a market strategy
 - developing an export strategy

- IP management
 - commissioning an IP landscape report
 - developing an IP protection strategy
 - developing or reviewing IP licensing agreements
- Management development
 - undertaking management skills and development courses
 - undertaking IP management courses
- Linkages
 - developing a partnership or collaboration agreement with another business or organisation.

For expenditure on *expert advice and services* to be eligible it must be:

- for services supplied by third party service providers not associated with the applicant;
- wholly related to an *eligible activity*; and
- incurred and paid for by the applicant in the period from the commencement date of the *agreement* through to the completion date.

Examples of ineligible expenses on *expert advice and services*:

- in-house expenses (e.g. salaries, accounting fees, office expenses such as internet connection, attendance at conferences, workshops, seminars);
- Australian Government charges (e.g. patent registration fees);
- research and development and production expenses;
- travel costs; and
- activities that an applicant has already undertaken under another government program in the two years prior to applying for *Commercialisation Australia*.

For more information on eligible expenditure refer to **Appendix 2**.

EXPERIENCED EXECUTIVES

The employment of an experienced chief executive officer or other executive is supported under the *Experienced Executives* component.

The maximum eligible expenditure is \$200,000 per 12 month period (of which the participant must contribute 50%), and may include:

- either salary and packaged components plus 30% labour on-costs and 30% admin on-costs; or
- contractor fees plus 20% admin on-costs.

Eligible expenditure can only be incurred from the commencement date of the agreement.

For more information on eligible expenditure refer to **Appendix 2**.

PROOF OF CONCEPT

Funding for activities associated with the steps necessary to establish the commercial viability of a new product, process or service is provided under the *Proof of Concept* component.

Projects that focus on basic research aimed at creating the base intellectual property are not eligible. For example, projects that predominantly consist of early investigation and conceptual development will not receive support.

Expenditure must be incurred on eligible project activities, and after an application has been accepted, to be considered eligible expenditure. For more information regarding eligible expenditure and specific items of expenditure, refer to **Appendices 2 and 3**.

EARLY STAGE COMMERCIALISATION

Commercialisation Australia provides funding for the systematic work necessary for installing and establishing processes, systems and services that enable a new product, process or service to be produced to the stage where it can effectively be brought to market, under the *Early Stage Commercialisation* component.

Only expenditure that is directly related to eligible project activities and has been incurred on activities that occur after an application has been accepted can be deemed to be eligible expenditure. For more information regarding eligible expenditure and specific items of expenditure, refer to **Appendices 2 and 3**.

3. Assessment of the project

Commercialisation Australia is a highly competitive, merit based program, and only the strongest applications are successful. The *Commercialisation Australia* Board assesses and prioritises applications against the merit criteria and provides a merit ranking to the Program Delegate for decision.

3.1 Merit criteria

Eligible *Commercialisation Australia* applications are assessed against the program merit criteria as outlined below. The *Commercialisation Australia* Board assesses applications first against the 'Need for funding' criterion. Only applications that demonstrate a high level of merit against this criterion may receive a merit ranking.

Need for Funding

- The applicant has insufficient resources to fund the entire project.
- The applicant cannot obtain financing from alternative means.
- There is a market need to complete the project in a timeframe that would not be possible without grant support.

Commercial Plan and Potential

- The application includes a sound commercialisation strategy.
- The application contains a realistic appraisal of the commercial potential for the project outcomes.
- The target markets have been clearly defined.
- The application shows an understanding of the route to market for the project, such as trade barriers, access to manufacturing and timeframe to commercial exploitation and how these will be addressed.
- The application includes a sound project plan (in relation to a *Proof of Concept* or *Early Stage Commercialisation* project).

Market Opportunity

- The type and level of innovation has been identified.
- There is evidence of market need, and the application explains how well the product, process or service will address this need.
- The application includes a credible analysis of competitive advantage.
- Details of support from potential customers have been provided.

Management Capability

- The applicant demonstrates an appropriate level of expertise in:
 - commercialisation management
 - project management
 - business management
- The application contains a sound business strategy (overall objectives and strategies to achieve them).

National Benefits

- The project will improve Australia's participation and competitiveness in the global economy.

- Significant spill-over benefits will accrue to Australia through the conduct of the project and/or commercialisation of its results, including:
 - diffusion of knowledge and skills;
 - diffusion of new products, processes or services; and/or
 - increased collaboration between businesses and/or businesses and research institutions.

Relative importance of merit criteria in relation to different components

The *Commercialisation Australia* Board takes into account the stage of development and the type of funding that an applicant is seeking when assessing the merit of an application. In general, management capability is more important in relation to applications for the *Early Stage Commercialisation* component than for other types of support. Further, the level of detail about markets and competitors is expected to be higher in applications for the *Early Stage Commercialisation* component than in other applications.

3.2 Merit assessment process

The *Commercialisation Australia* Board undertakes the merit assessment of *Commercialisation Australia* applications against the program merit criteria. Applications must rate highly against each merit criteria and against other applications to result in a grant offer.

The *Commercialisation Australia* Board meets on a monthly basis to consider applications for funding.

After receiving a merit ranking from the *Commercialisation Australia* Board, the Program Delegate may approve an application for support and funding for a project to which the application relates and enter into a funding agreement with the applicant, on behalf of the Commonwealth.

The Program Delegate has the final decision in determining the quantum, terms and conditions of support and funding under the *Commercialisation Australia* program. The Program Delegate's decision is final in all matters.

4. Applying for *Commercialisation Australia* assistance

There are two main stages in the *Commercialisation Australia* application process:

1. determining whether the applicant and the application meet the eligibility criteria; and
2. assessing the merits of the application against the program merit criteria.

Before applying for assistance, applicants should consider whether they are likely to be eligible and competitive against the program merit criteria.

4.1 Submitting a pre-application checklist

To help determine the eligibility and merit of an application, applicants are required to complete and submit a *Commercialisation Australia Pre-Application Checklist*. The checklist is available from:

- the *Commercialisation Australia* website: www.commercialisationaustralia.gov.au; or
- the *Commercialisation Australia* hotline 13 22 56.

Applicants are encouraged to submit their checklist electronically. The checklist includes details about how to submit it to *Commercialisation Australia*.

The checklist helps applicants determine whether their commercialisation project is suitable for *Commercialisation Australia*. Once the checklist has been submitted, applicants will be contacted and provided with advice on their commercialisation project proposal and where appropriate, provided with the *Commercialisation Australia Application Form*.

If unsuitable for *Commercialisation Australia*, applicants will be contacted, and where possible, referred to other business assistance programs that may meet their business needs.

4.2 Submitting an application

Before lodging a final application, applicants are encouraged to seek feedback on their draft application from *Commercialisation Australia*. Feedback will only be provided where the application form has been completed and all mandatory attachments are included, in at least draft form. Additional documentation may be requested.

Details on how to submit the application are outlined in the application form.

Acceptance of all final applications will be acknowledged in writing by *Commercialisation Australia* where it is satisfied that the application is complete and eligible. If an application is incomplete or ineligible, *Commercialisation Australia* will discuss this with the contact person identified on the application form.

4.2.1 *Application form*

The *Commercialisation Australia Application Form* can be obtained on completion of the *Pre-Application Checklist*. A sample application form is available on the *Commercialisation Australia* website at www.commercialisationaustralia.gov.au.

4.3 Resubmission of application

In cases where an application is not successful for funding assistance, the applicant may submit, at a future date, a new and substantially different application for the same or similar project. Only one such new application is permitted. Options for submitting a new application can be discussed with *Commercialisation Australia*.

The provision of new information, that substantially strengthens claims against the merit criteria, should improve the chances of the new application's success.

The CEO may refuse to accept a new application if it is substantially the same as a previous ineligible or unsuccessful application.

4.4 Final decision

The Program Delegate, a Departmental employee authorised by the Minister to administer the program, makes grant offers taking into account the *Commercialisation Australia* Board's merit assessment and the availability of program funds.

Commercialisation Australia's customer service standard is to provide applicants with a decision on their application is **45 calendar days** from the date of the acceptance of a final application. Applicants are advised of the application acceptance date by letter.

If the application succeeds, the applicant will receive a written offer of assistance, and will have **30 calendar days** from the date of the offer to execute a funding agreement with the Commonwealth. The offer of the funding agreement may be withdrawn if not executed within this time.

The earliest possible project start date is the date the application is accepted for assessment. This is generally not the same date an applicant submits a final application. An application will only be accepted after it has been confirmed that the application is complete in all respects and that the applicant is eligible to apply.

If the application is not successful, the applicant will be notified in writing and provided the opportunity to discuss the outcome with *Commercialisation Australia*.

The Program Delegate's decision is final with regard to the offer of a grant, including the size and terms and conditions for which assistance is offered under *Commercialisation Australia*.

5. Agreement process for successful applicants

The funding agreement is a legal contract between the program participant(s) and the Commonwealth. Where a researcher applies through a commercialisation office it is expected that both the researcher and the commercialisation office will be party to the agreement. Where an individual applies through an eligible partner entity it is expected that both the individual and the eligible partner entity will be party to the agreement. It also sets out the project milestones and the participant's compliance and reporting obligations. The schedules to the funding agreement will also 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.

A funding agreement provides funding over the life of a project. For project expenditure to qualify as eligible expenditure, the participant must incur it on or after the project commencement date—which cannot be before the date *Commercialisation Australia* accepts a final application for assessment. Until a funding agreement is executed, there is no guarantee that *Commercialisation Australia* will provide grant funding and, therefore, an applicant offered a grant bears the risk of any expenditure it incurs before then. Note that under the *Skills and Knowledge* component of *Commercialisation Australia* eligible expenditure cannot be incurred until a funding agreement is executed.

If the applicant is successful in its application for funding, *Commercialisation Australia* will send a written offer of assistance. The applicant will have **30 calendar days** from the date of the 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.

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

A Customer Service Manager will work with the Case Managers in the management of the funding agreements.

5.1 Duration of support

Commercialisation Australia participants are entitled to the support of a Case Manager for a particular period that will be defined in the funding agreement. In general, the following periods apply:

- Where the participant is a company receiving assistance under the *Skills and Knowledge* and/or the *Proof of Concept* components, the period is two years.
- Where the participant is a researcher/commercialisation office or an individual/eligible partner entity receiving assistance under the *Skills and Knowledge* and/or the *Proof of Concept* components, the period is one year. However, if the participant forms a company during that period for the purpose of commercialising their idea or research, and the Program Delegate agrees to a novation of the agreement, then the period may be extended by an additional year (two years in total).

- Where the participant is receiving assistance under the *Experienced Executives* component, and/or the *Early Stage Commercialisation* component, the support of a Case Manager is limited to the period during which the participant receives financial assistance under either of these two components.

Participants with a current agreement who successfully apply for additional assistance under *Commercialisation Australia* will have the period of support extended in line with the above.

5.2 Agreement obligations

The funding agreement will contain certain obligations about exploiting or commercialising the project or its outcomes in accordance with the project commercialisation strategy in the *Commercialisation Australia* application. If a participant subsequently intends to change its commercialisation strategy it must receive the prior written consent of the Commonwealth. Failing to do so may place the participant in breach of the funding agreement.

It is important to closely consider the details of the project when finalising the agreement, in particular, understanding the key compliance and reporting obligations. In addition, it is important to take particular care when apportioning project costs across the financial years of the project. Once the funding agreement is signed, any changes to project expenditure, including movement of funds across financial years, are not guaranteed.

5.3 Reporting requirements

Under the terms of the funding agreement, participants must provide various reports relating to the project. These reports identify project progress and expenditure for a given reporting period. The frequency of progress reports varies depending on the funding assistance component.

Participants are required to provide the following reports:

- Quarterly progress reports. Grant payments are based on these reports, however, *Commercialisation Australia* may pay participants up to one reporting period in advance.
- End of project audited financial report; and
- Annual post project reports for 5 years after the project end.

Participants in receipt of repayable grants under the *Early Stage Commercialisation* component are required to provide annual progress and audited financial reports and repayment reports as per section 5.4.

For further information on reporting requirements, refer to the *Commercialisation Australia 'Guide to Managing Your Grant'*, at www.commercialisationaustralia.gov.au.

5.4 Repayment of grants under the Early Stage Commercialisation component

Companies who receive assistance under the *Early Stage Commercialisation* component have additional obligations that relate to the repayment of the grant. A summary of these obligations is below. Please refer to the funding agreement for full details on repayment terms and conditions.

- Once the company has achieved \$100,000 or more in accumulated sales from outcomes of the *Early Stage Commercialisation* project it must begin to apply 5% of sales towards repayment of the grant:
 - Payments are calculated on a half yearly calendar basis and are due within 90 days of the end of each half yearly period, together with financial statements for the half year period.
 - The full year financial statements must be audited.
- If the grant is not fully repaid after five years then:
 - if no repayment has been made the company may apply to be relieved of some obligations; or
 - the company must propose a payment plan to achieve full repayment by Year 10. Possible options include an increase of the percentage of sales that is applied to repayment of the grant and/or applying a percentage of company profits towards repayment of the grant.
- The Program Delegate is likely to seek the advice of the *Commercialisation Australia* Board in relation to repayment terms after Year 5. Consideration will be given to the program objective and the financial viability of the company.
- If the business or intellectual property that is the outcome of the project is sold within ten years from the end of the project then the proceeds from the sale must be applied first to repayment of the grant.
- The maximum repayment amount is the amount of grant monies provided. The repayment provisions generally apply for 10 years from the end of the project or until full repayment, whichever is the earlier.
- Where the project outcome is part of a product, process or service, sales of the entire product, process or service is subject to repayment of the grant (unless otherwise agreed by the Program Delegate).

5.5 Other funding agreement obligations

Prior written consent from the Commonwealth is required in circumstances where a company change of control takes place or the participant undertakes to 'deal' with the intellectual property (IP). This includes the licensing or sale of IP or the transfer of ownership of the project IP when company control changes, including through changes in the majority shareholding of the participant. For participants with *Commercialisation Australia* financial assistance of \$500,000 or less this obligation applies only while receiving support under the program. For all other participants this obligation applies until five years after exiting the program.

5.6 Varying the agreement

Commercialisation Australia recognises that unexpected circumstances may impact on a project. A participant must discuss any changed circumstances with *Commercialisation Australia*. Otherwise it may be at risk of breaching the funding agreement. The participant will then be advised whether the changes in circumstances require a formal variation to the funding agreement.

The *Commercialisation Australia Guide to Managing Your Grant* is a detailed description of the responsibilities involved in conducting a *Commercialisation Australia* project. A copy of this guide can be found at www.commercialisationaustralia.gov.au.

5.7 Exiting the program

Commercialisation Australia acknowledges the high risk nature of projects supported by the program through the recognition that some projects will fail. Participants will have to prove their project's ongoing progress against performance measures as set out in the funding agreement. Participants may be required to exit the program where their project fails to meet agreed milestones or moves beyond the scope of the *Commercialisation Australia* program.

Whether or not a project is progressing successfully is determined by the Program Delegate, who may seek the advice of the *Commercialisation Australia* Board. The Program Delegate will take into account whether project targets were achieved and the views of the Case Manager.

5.8 Promotion

Commercialisation Australia may use information on participants who have received assistance under its programs as part of its promotional activities. This may involve press advertising, information on the *Commercialisation Australia* website and case studies. Participants will be consulted before their projects are used for case study purposes. Under the *Commercialisation Australia* grant agreement, customers are required to acknowledge any Commonwealth contribution in publicity material.

Following approval of an application for grant funding, some details of successful applications (i.e. name of the recipient, amount of funding, explanation and outcomes of the project) may be disclosed by *Commercialisation Australia* for governmental purposes such as:

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

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

5.9 Taxation obligations

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

Commercialisation Australia grants 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.

5.10 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 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.

5.11 Feedback on *Commercialisation Australia*

Commercialisation Australia is delivered by AusIndustry and the *AusIndustry Customer Service Charter* outlines its commitment to improving service delivery. It sets out the service standards applicants can expect and how applicants can help AusIndustry to deliver better services. A copy of the charter is available at www.ausindustry.gov.au. AusIndustry conducts customer satisfaction surveys through which feedback from applicants and recipients of assistance is used to improve its business operations and service. AusIndustry ensures that staff receive both positive and negative comments.

Complaints can be directed to the Program Delegate, via the *Commercialisation Australia* hotline, in the first instance. Contact the *Commercialisation Australia* hotline on **13 22 56** or by email at hotline@ausindustry.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 to 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.

Appendix 1: How to contact AusIndustry offices

<p>New South Wales State Office (Sydney CBD) Level 5, 341 George Street Postal Address GPO Box 9839 SYDNEY NSW 2001 Phone (02) 9226 6000 Fax (02) 9226 6002 or (02) 9226 6001 Email: mailto:ainsw@innovation.gov.au</p> <p>Wagga Wagga – South West NSW 48 Fitzmaurice Street Postal Address PO Box 5761 WAGGA WAGGA NSW 2650 Phone (02) 6921 1828 Fax (02) 6921 6415</p> <p>Wollongong – Illawarra & Central West Region Suite 1 Crown Tower Level T, 200 Crown Street Postal Address PO Box 5427 WOLLONGONG NSW 2520 Phone (02) 4254 5534 Fax (02) 4225 2607</p> <p>Newcastle – Hunter Region IDC – Hunter University Drive CALLAGHAN NSW 2308 Postal Address PO Box 189 HUNTER REGION MC NSW 2310 Phone (02) 4960 3823 Fax (02) 4960 3847</p> <p>Tamworth – Northern & Central NSW Level 1, 307 Peel Street Postal Address PO Box 920 TAMWORTH NSW 2340 Phone (02) 6761 3624 Fax (02) 6761 3571</p> <p>Victoria State Office (Melbourne CBD) 9th Floor, KPMG House 161 Collins Street Postal Address GPO Box 85 MELBOURNE VIC 3001 Phone (03) 9268 7555 Fax (03) 9268 7599 Email: mailto:aivic@innovation.gov.au</p> <p>Ballarat – Western Victoria 48 Sturt Street Postal Address PO Box 511 BALLARAT VIC 3353 Phone (03) 5320 5960 Fax (03) 5331 7973</p> <p>Bendigo – Northern Victoria 46 Edward Street Postal Address PO Box 1332 BENDIGO VIC 3552 Phone (03) 5442 4199 Fax (03) 5441 8941</p>	<p>Traralgon – Gippsland 4/24 Breed Street Postal Address PO Box 1875 TRARALGON VIC 3844 Phone (03) 5174 7604 Fax (03) 5174 6094</p> <p>Queensland State Office (Brisbane CBD) Level 12 100 Creek Street Postal Address GPO Box 9839 BRISBANE QLD 4001 Phone (07) 3227 4700 Fax (07) 3227 4730 Email: mailto:aiql@innovation.gov.au</p> <p>Gold Coast – Southern Queensland and Northern Coastal NSW Level 1, 26 Marine Parade Postal Address PO Box 1448 SOUTHPORT B.C QLD 4215 Phone (07) 5503 1476 Fax (07) 5503 1628</p> <p>Gladstone – Central Queensland c/o Queensland State Office, Brisbane Postal Address PO Box 9839 BRISBANE QLD 4001 Phone (07) 3227 4700 Email: mailto:aiql@innovation.gov.au</p> <p>Townsville – Northern Queensland Level 1, Enterprise House Cnr The Strand & Sir Leslie Thiess Drive Postal Address PO Box 326 TOWNSVILLE QLD 4810 Phone (07) 4721 6649 Fax (07) 4721 0753</p> <p>Western Australia State Office (Perth CBD) Level 25, St Martins Tower 44 St Georges Terrace Postal Address GPO Box 9839 PERTH WA 6848 Phone (08) 9287 3500 Fax (08) 9287 3511 Email: mailto:aiwa@innovation.gov.au</p> <p>Bunbury – South Western Australia Podium Level, Bunbury Tower 61 Victoria Street Postal Address PO Box 2488 BUNBURY WA 6231 Phone (08) 9721 8216 Fax (08) 9721 7584</p>	<p>South Australia & Northern Territory State Office (Adelaide CBD) 11th Floor, Terrace Towers 178 North Terrace Postal address GPO Box 9839 ADELAIDE SA 5001 Phone (08) 8406 4700 Fax (08) 8406 4717 Email: mailto:aisa@innovation.gov.au</p> <p>Port Augusta – Northern South Australia Port Augusta Business Centre 500 Stirling Road Postal Address PO Box 421 PORT AUGUSTA SA 5700 Phone (08) 8641 2563 Fax (08) 8641 1823</p> <p>Mount Gambier – Southern South Australia Old Town Hall, Commercial Street East Postal Address PO Box 1537 MT GAMBIER SA 5290 Phone (08) 8723 1057 Fax (08) 8725 8949</p> <p>Darwin – Northern Territory Ground Floor, Development House, 76 The Esplanade Postal Address PO Box 4816 DARWIN NT 0801 Phone (08) 8941 9250 Fax (08) 8941 5603</p> <p>Australian Capital Territory National & Territory Offices (Canberra City) 6th Floor, Industry House 10 Binara Street Postal Address GPO Box 9839 CANBERRA ACT 2601 Phone 13 28 46 Fax (02) 6213 7644 Email: mailto:aiact@innovation.gov.au</p> <p>Tasmania State Office (Hobart CBD) 4th Floor, AMP Building 86 Collins Street Postal Address GPO Box 9839 HOBART TAS 7001 Phone (03) 6230 9900 Fax (03) 6230 9901 Email: mailto:aitas@innovation.gov.au</p> <p>Launceston – Northern Tasmania Level 1 Cornwell Square 12-16 St John Street Postal Address GPO Box 823 LAUNCESTON TAS 7250 Phone (03) 6331 4183 Fax (03) 6331 3452</p>
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Appendix 2: *Commercialisation Australia* Eligible expenditure - general guidelines

These guidelines operate on and from December 2009. The CEO may revise these guidelines from time to time. The relevant guidelines that apply to a project are those that apply on the date that the CEO accepts for assessment the application seeking funding for that project.

Introduction

These guidelines set out the principles governing what is eligible expenditure. Applicants for *Commercialisation Australia* must use these guidelines in completing an application.

Participants must use these guidelines when completing project progress reports. The Program Delegate (and his or her authorised officers) will use these guidelines to determine eligibility of budgeted project costs and the grant amount, and to determine a participant's entitlement to grant progress payments during the period of a funding agreement. The Program Delegate, after consulting the CEO, has the final decision in determining eligible expenditure and may issue additional guidance on eligible expenditure on a case-by-case basis as required.

1. Eligible expenditure governing principles

Commercialisation Australia is designed to increase the level of certain activities—commercialisation skills and knowledge, proof of concept and early stage commercialisation activities in relation to projects that produce, establish the commercial viability of, or commercialise a new, clearly identified product, process or service.

This statement of governing principles conveys in a broad sense, the spirit and intention behind the eligible expenditure guidelines. They should not be solely relied on to determine eligible expenditure, but referred to so as to provide direction and support on decisions regarding the eligibility of expenditure detailed in the guidelines.

1.1 Eligible expenditure is restricted to expenditure incurred directly on the agreed project as detailed in the funding agreement

- Eligible expenditure is limited to the performance of the activities of the agreed commercialisation project under each component of *Commercialisation Australia*.
- Only expenditure incurred on eligible activities within the agreed project period (as highlighted in the funding agreement) is eligible expenditure, unless otherwise noted in the eligible expenditure guidelines.
- To be eligible, the participant must incur expenditure on or after the project commencement date, which cannot be before the date *Commercialisation Australia* accepts the application for assessment, and on or before the project completion date, with the exception of final audit costs which can be incurred within three months of the project completion date. Note that under the *Skills and Knowledge* component of *Commercialisation Australia* eligible expenditure cannot be incurred until a funding agreement is executed.
- The participant must pay expenditure within the earlier of three months after the financial year in which it is incurred or within three months after the project completion date (including final audit costs).
- Eligible expenditure can include depreciation of assets due to performing project activities but excludes any costs, direct or otherwise, of obtaining such assets for their use on project activities and also excludes any opportunity costs from using assets on the agreed project rather than other uses.

1.2 Grant funding is provided strictly to support the project and its core activities; it is not provided for the benefit or profit of related bodies corporate of the participant

- Related body corporate has the same meaning as in section 50 of the *Corporations Act 2001* (Cth).
- Where project activities are conducted through contracting related bodies corporate of the participant, these costs (known as 'intra-group payments') may qualify as eligible expenditure only if a reliable, measurable cost is incurred by the related body, and a verifiable process is used to transfer that cost to the participant with no profit margin attached, 'at cost'.
- The participant should only claim that proportion of costs which directly relates to activities performed on the funded project. Where there is a mutual benefit arising from project activities, either to another company or for another project, the participant should reasonably apportion such costs so as to claim only for those activities which directly apply to the funded project.

1.3 The participant must retain sufficient documentation to support all expenditure claims made on the project

- Failure to do so may result in a claim being disallowed, or in certain circumstances, the repayment of grant funding resulting from a shortfall in project expenditure.
- The participant must maintain an adequate audit trail that clearly demonstrates to the satisfaction of *Commercialisation Australia*, how claims were determined including a reconciliation of expenditure claims to underlying documentation
- Claims for salary, contract and asset depreciation must be verified by project timesheets, job cards or activity diaries that record actual use of those employees, contractors and assets against specific project milestones as the activities take place.
- While such records do not need to be submitted with regular progress reports, *Commercialisation Australia* may require such records to verify any or all eligible expenditure claims. Failure to provide such records when required may see *Commercialisation Australia* disallow the expenditure claims.

Appendix 3: Commercialisation Australia Eligible expenditure guidelines for proof-of-concept and early stage commercialisation projects

These guidelines operate on and from December 2009. The CEO may revise these guidelines from time to time. The relevant guidelines that apply to a project are those that apply on the date that the CEO accepts for assessment the application seeking funding for that project.

Introduction

These guidelines set out in detail: the specific eligible expenditure types (Section 1); the eligible expenditure treatment of certain activities in agreed projects (Section 2); and the impact on total eligible expenditure of earning income from performing project activities (Section 3).

Commercialisation Australia grant applicants must use these guidelines in completing an application, particularly to determine the eligible project budget and the size of the grant.

Participants must use these guidelines when completing project progress reports. The Program Delegate (and his or her authorised officers) will use these guidelines to determine eligibility of budgeted project costs and the grant amount, and to determine a participant's entitlement to grant progress payments during the period of a funding agreement. The Program Delegate, after consulting the CEO, has the final decision in determining eligible expenditure and may issue additional guidance on eligible expenditure on a case-by-case basis as required.

1. Eligible expenditure types

This section sets out the heads of expenditure under which *Commercialisation Australia* applicants and participants must record project eligible expenditure in applications and project reports.

1.1 Labour expenditure

Eligible labour expenditure covers the cost to the participant of its employees directly employed on the core elements of the agreed project. An employee is a person who is paid a regular salary or wage out of which regular tax instalment deductions are made.

Costs for technical (but not administrative) project management activities are also eligible labour expenditure. Eligible technical project management labour expenditure is limited to 10 per cent of total eligible labour expenditure.

Labour expenditure for leadership or administrative staff (such as CEOs, CFOs, accountants and lawyers) is not eligible expenditure unless the participant substantiates to *Commercialisation Australia's* satisfaction that these costs directly relate to performance of core elements of the agreed project.

Please note:

- the costs to the participant of its employees performing an administrative function, including employees doing non-technical project management, are included in the employee administrative overhead (see Section 1.1.4).
- the costs to the participant of its factory employees working solely on the installation or construction of plant or prototypes are included in the plant expenditure category (see Section 1.3) or prototype expenditure category (see Section 1.4).

1.1.1 Eligible salary expenditure

Eligible salary expenditure includes any components of an employee's total remuneration package that are itemised on their *Pay As You Go (PAYG) Annual Payment Summary* submitted to the Australian Taxation Office (ATO). Salary-sacrificed superannuation contributions are considered part of an employee's salary package where this amount exceeds that required by the *Superannuation Guarantee*. Employer contributions under the *Superannuation Guarantee* are included in the labour on-costs allowance (see Section 1.1.3).

For grant claim purposes, the maximum salary for an employee, including packaged components, is \$150,000 in each full financial year (July-June) of the project period. The maximum salary claim for an employee who is also an executive director and/or a shareholder of the participant is \$120,000 in each full financial year (July-June) of the project period.

The maximum salary claim for an employee in a less-than-complete financial year that is part of the project period is reduced proportionately from the \$150,000 or \$120,000 maximum.

Any salary claim above these caps will not qualify as eligible expenditure, except where the participant obtains the Program Delegate's prior approval. The Program Delegate will assess all such requests on a case-by-case basis, and may take into account whether the additional salary is warranted to attract an employee to the agreed project, and whether the additional salary expenditure is likely to aid the project in meeting *Commercialisation Australia's* policy objective.

1.1.2 Calculation of eligible salary expenditure

Eligible salary costs are incurred only when an employee works directly on the agreed project. Salary costs must be apportioned using the formula below:

$$\text{Eligible salary in period} = \text{incurred salary in period} \times \frac{\text{actual time spent on project in period}}{\text{actual time employed by participant in period}}$$

'*Incurring salary in period*' is limited to no more than the equivalent of \$150,000 or \$120,000 per financial year, as set out in Section 1.1.3.

'*Actual time employed by participant in period*' includes:

- periods of leave such as annual and sick leave, and public holidays;
- overtime; and
- time spent on non-project activities.

1.1.3 Labour on-costs

The on-costs associated with employees engaged on the agreed project are recognised as eligible labour expenditure. Labour on-costs include but are not limited to workers compensation insurance (for example, WorkCover), employer contributions to superannuation under the *Superannuation Guarantee*, long service leave accrual, payroll tax, and so on. Eligible labour on-costs are a set rate of 30 per cent of an employee's eligible salary costs, as calculated using the formula in Section 1.1.2.

1.1.4 Employee administrative overhead

The cost of administrative overheads for those employees engaged on the agreed project is eligible labour expenditure. Eligible employee administrative overhead expenses include general project management, a proportion of communications, accommodation, computing facilities, incidental travel, recruitment, printing and stationery, postage, office salaries, legal, accounting and auditing fees, and bank charges. Eligible employee administrative overheads are a set rate of 30 per cent of an employee's eligible salary costs, as calculated using the formula in Section 1.1.2.

1.1.5 Ineligible salary expenditure

Non-cash salary

Labour costs based on an estimation of the employee's worth to the participant where no cash changes hands and no amount is credited to a loan account or current account in the participant's accounts are not eligible labour expenditure.

Related parties

Amounts credited by journal entry to the loan accounts or current accounts of principals and/or their relatives are not eligible labour expenditure until the individual income tax returns have been sighted by *Commercialisation Australia* and the tax payable on the salary has been assessed by the ATO, or similar satisfactory evidence has been provided that income tax has been paid.

1.2 Contract expenditure

Eligible contract expenditure is the cost of any agreed project activities performed for the participant by:

- another organisation, or
- an individual engaged under separate contract.

All contractor project work must be the subject of a prior written contract—for example, a formal agreement, letter or purchase order—which specifies the nature of the work to be performed for the participant and the applicable fees, charges and other costs payable.

Invoices from contractors must provide a detailed description of the nature of the work, the hours and hourly rates involved, and any specific plant or prototype expenses incurred. Invoices must enable the Program Delegate to determine whether the proposed expenditure directly relates to the agreed project, would qualify as eligible expenditure if it was claimed directly by the participant and is reasonable and commensurate for the activities performed.

Where a contractor is engaged in building plant or prototypes, the contractor's costs should be apportioned between:

- design costs, claimed as contract expenditure, and
- building costs, claimed as either plant expenditure (see Section 1.3) or prototype expenditure (see Section 1.4).

Costs for technical (but not administrative) project management activities performed by contractors are also eligible contractor expenditure. Eligible technical project management contract expenditure is limited to 10 per cent of total eligible contract expenditure.

Contract costs for leadership and administrative contractors (such as contracted CEOs, CFOs, accountants and lawyers) are not eligible expenditure unless the participant substantiates to *Commercialisation Australia*'s satisfaction that these costs relate to performance of core elements of the agreed project.

1.2.1 Limits on eligible fees

Individual contractors

The maximum fee that can be claimed for an individual contracted to perform work on project eligible activities who is an executive director and/or shareholder of the participant is limited to \$120,000 in each full financial year (July-June) of the project period.

Maximum fees that can be claimed for such a contractor in a less-than-complete financial year that is part of the project period is reduced proportionately from the \$120,000 maximum.

Contractors that are related bodies corporate of the participant

Where the contractor is a related body corporate of the participant, eligible contract expenditure is limited to the measurable direct cost to the contractor of performing the contracted project work transferred to the participant with no profit margin attached, 'at cost'.

In accordance with the general conditions of the funding agreement, the participant is required to ensure all project contractors keep a record of the costs of their work on the project. For purposes of verifying that contract expenses are purely 'at cost' (refer governing principles) and contain no element of profit *Commercialisation Australia* may require the participant to obtain and provide a contractor's records of its costs of doing project work. If such records are not provided *Commercialisation Australia* may deem the relevant contract expense not to be eligible expenditure.

1.2.2 Calculation of eligible fees

Fees must be apportioned by using the following formula:

$$\text{Eligible fees in period} = \text{incurred fees in period} \times \frac{\text{actual time spent on project in period}}{\text{actual time contracted by participant in period}}$$

'*Incurred fees in period*' where the contractor is an individual who is an executive director and/or shareholder of the participant is limited to no more than the equivalent of \$120,000 per financial year, as set out in Section 1.2.1.

1.2.3 Contractor administrative overhead

The cost of administrative overheads for certain contractors engaged on the agreed project is recognised as a component of eligible contract expenditure. Administrative overhead may be claimed for each contractor who regularly works a minimum of 35 hours per week at the participant's premises, but not necessarily on agreed project activities. The contractor administrative overhead rate is a set rate of 20 per cent of the contractor's fee for work performed on project eligible activities, as calculated using the formula in Section 1.2.2.

1.3 Plant expenditure

Plant is usually an input to the agreed project or the tools or infrastructure used to pursue the agreed project. Plant is likely to have a value or use outside of the agreed project and can be constructed or otherwise obtained with minimal technical risk or new learning.

1.3.1 Newly purchased plant and pre-existing purchased plant

Eligible expenditure on newly purchased and pre-existing purchased plant is the depreciation—that is, decline in asset value—of an item of plant allowed through the Commissioner of Taxation's effective life schedules, according to the proportion of time for which it is used on the agreed project. In extraordinary situations, for instance where the plant is subject to heavy usage, and where this is in accordance with Commissioner of Taxation's rules, a higher rate of depreciation may be applied than is otherwise provided for by the effective life schedules.

Total depreciation charges for each particular item of purchased plant, for the proportion and length of time it is used on the project, can be claimed in full at the time of its deployment.

Running costs for purchased or pre-existing plant are eligible expenditure but must be readily verifiable and may include items such as rent, light and power, and repairs and maintenance.

1.3.2 Hired/leased plant

Eligible expenditure for hired, rented, or leased plant is the number of payment periods dedicated to the agreed project use multiplied by the period hiring fee. Where plant is purchased under a hire purchase agreement, or a lease is used to finance the purchase of the plant, the cost of the item of plant, excluding interest, is capitalised, and then depreciated in the manner set out in Section 1.3.1.

Running costs for hired or leased plant are eligible expenditure but must be readily verifiable and may include items such as rent, light and power, and repairs and maintenance.

1.3.3 Constructed plant

Eligible expenditure on constructed plant is the depreciation—that is, decline in asset value—of the item of constructed plant allowed through the Commissioner of Taxation’s effective life schedules, according to the proportion of time for which it is used on the agreed project. In extraordinary situations, for instance where the plant is subject to heavy usage, and where this is in accordance with Commissioner of Taxation’s rules, a higher rate of depreciation may be applied than is otherwise provided for by the effective life schedules.

Leasehold improvements to a leased project facility may be claimed as constructed plant eligible expenditure if the improvement cost is capitalised in the participant’s financial statements (balance sheet) and depreciated in the manner highlighted above.

The starting value for constructed plant depreciation calculations is the capitalised construction cost or capitalised leasehold improvement cost for the plant item in accordance with Australian Taxation Office requirements.

Total depreciation charges for each particular item of constructed plant, for the proportion and length of time it is used on the project, can be claimed in full at the time of its deployment.

Once fully completed, running costs for constructed plant are eligible expenditure but must be readily verifiable and may include items such as rent, light and power, and repairs and maintenance.

1.4 Prototype expenditure

Prototype expenditure is eligible expenditure only where the construction and use of the prototype in the agreed project contributes directly to proving the concept(s) for which the preceding research and development was originally undertaken. The Program Delegate may refuse to accept a prototype eligible expenditure claim where the number of prototypes and the scale of prototypes exceed the level needed to prove the technical concept(s) underpinning the agreed project or establish its commercial viability.

The total costs of constructing prototypes are included under this category, with the exceptions that:

- equipment or tools used in the construction of the prototype should be claimed as plant expenditure—see Section 1.3
- the Program Delegate may determine that part or all of the prototype should be claimed as plant expenditure, consistent with the following approach:
 - if the prototype includes significant items of machinery, equipment or tools and these items have a value beyond the project period, then these items should be claimed as depreciable plant items under the plant expenditure category—see

Section 1.3. Such items will normally be stand-alone modules that are acquired off the shelf or are constructed with a low level of technical risk.

Costs incurred in the construction of a number of identical prototypes are eligible expenditure only where a strong reason for multiples exist, such as to enable testing under varied operating conditions. Prototype expenditure includes the cost of materials used in testing a process or prototype.

The cost of prototypes constructed by the participant will be assessed on the same basis as set out in plant expenditure in Section 1.3.3. Once fully completed, running costs for prototypes are eligible expenditure but must be readily verifiable and may include items such as rent, light and power, and repairs and maintenance.

1.5 Intellectual property protection expenditure

Reasonable costs that protect IP that is related to the agreed project and that the participant does or will directly own are eligible expenditure. These costs can include fees to a patent office for the cost of filing a patent application, patent search and examination fees, and annual patent maintenance fees.

Registering a trademark or a registered design is usually considered a commercialisation activity for *Commercialisation Australia* purposes and such costs are not eligible expenditure (see Section 1.6). The participant can request approval from the Program Delegate to treat the costs as eligible and the Program Delegate will assess these costs on a case-by-case basis. Such costs are not eligible during the project period unless the Program Delegate subsequently approves a request from the participant.

The cost of defending IP rights is not eligible expenditure, with the exception of legal expenses insurance as it relates to IP.

IP protection expenditure that can be claimed as eligible expenditure under *Commercialisation Australia* is generally limited to the lesser of 10 per cent of total eligible expenditure or \$200,000. All IP protection expenditure above this cap will not qualify as eligible expenditure, except where the participant obtains the Program Delegate's prior approval. The Program Delegate will assess all such requests on a case-by-case basis, taking into account how the additional IP protection expenditure is likely to aid the project in meeting *Commercialisation Australia*'s policy objectives.

1.6 Other expenditure

This eligible expenditure category captures most miscellaneous costs not covered by any of the above categories. These may constitute eligible expenditure to the extent that they are a direct cost to the agreed project, and may include:

- substantial travel on the agreed project—limited to the reasonable cost of accommodation and transportation required to conduct agreed project activities in Australia and overseas and/or to conduct agreed collaboration activities
 - if specific travel costs are not identified in the application, this 'other expenditure' is not eligible during the project period unless the Program Delegate subsequently approves a request from the participant
 - 'reasonable cost of transportation' for air transportation is an economy class fare for each sector travelled; where non-economy class air transport is used only the equivalent of an economy fare for that sector is eligible expenditure. Where non-economy class air transport is used, the participant will require evidence showing what an economy air fare costs at the time of travel

- training costs—where the skills acquired are specific to the requirements of an agreed project, approved in the funding agreement, and are not covered under other heads of expenditure
- product liability insurance in relation to an agreed project—where this insurance is a normal and essential cost of undertaking the agreed project. If the product liability insurance has a value or usage outside the agreed project the cost of the insurance must be apportioned on the basis of the proportion of the insurance directed to covering the project.
- preparation of an annual audit certificate—restricted to a maximum of one per cent of total eligible expenditure on agreed project costs for all audit certificates.

2. Treatment of certain activities

This section sets out the eligible expenditure treatment of certain project activities.

Commercialisation Australia applicants and participants must record eligible costs of these project activities in applications and project reports under the relevant head(s) of expenditure.

2.1 Overseas activities

Eligible overseas activities expenditure is eligible expenditure on project activities that are not undertaken in Australia by a participant's staff, contractors or subcontractors. This includes all types of expenditure directly related to such activities, including on-costs and depreciation of plant, but excludes eligible intellectual property protection costs incurred overseas (see Section 1.5), overseas travel costs (see Section 1.6), and acquisition of new and leading edge technology (see Section 2.2).

Plant and other goods that are purchased overseas are not necessarily treated as overseas expenditure. Where plant is used, not where it is purchased, is the basis of treating plant expenditure as overseas or domestic expenditure.

Eligible overseas activities expenditure generally is limited to 10 per cent of total eligible expenditure. All overseas activities expenditure above this cap will not qualify as eligible expenditure, except where the participant obtains the Program Delegate's prior approval. The Program Delegate will assess all such requests on a case-by-case basis, taking into account factors such as:

- the availability of domestic resources and facilities
- the appropriateness of carrying out activities overseas rather than within Australia.
- cost implications
- how the additional overseas activities expenditure is likely to aid the project in meeting *Commercialisation Australia's* policy objective.

The Program Delegate may seek advice from the *Commercialisation Australia* Board when making a decision on whether to allow a claim for more than 10 per cent of an agreed project's eligible expenditure on overseas activities.

2.2 Acquisition of new and leading-edge technology

Acquisition of new and leading-edge technology is eligible expenditure where subsequent adaptation of that technology will contribute directly to completion of the agreed project.

Eligible new and leading-edge technology acquisition expenditure is limited to 10 per cent of total eligible expenditure. All new and leading-edge technology acquisition expenditure above this cap will not qualify as eligible expenditure, except where the participant has obtained the Program Delegate's prior approval. The Program Delegate will assess all such requests on a

case-by-case basis, taking into account how the additional technology acquisition expenditure is likely to aid the project in meeting *Commercialisation Australia*'s policy objectives.

Eligible expenditure on this activity includes, but is not limited to:

- technology audit fees
- network membership fees
- expert advice fees
- process or systems changes to take into account the new technology
- information dissemination relating to technology acquisition that is part of the project.

Where access to technology or IP is essential for the conduct of an agreed project, licence fees or purchase costs to access such technology or IP may qualify as eligible expenditure.

Independent valuations of purchased technology, including IP, are needed to substantiate the cost of any expenditure claimed. Where the participant licences technology or IP from a related body corporate, expenditure must be calculated 'at cost' (refer governing principles).

2.2.1 Project-related use of acquired technology

If acquired technology has a value or usage outside the agreed project then acquisition costs must be apportioned on the basis of agreed project-related usage of the purchased technology. In the event that the acquired technology is in the form of plant expenditure or purchased capital goods, this item of eligible expenditure will be subject to the same depreciation treatment as set out in Section 1.3.1.

2.3 Product/process design activities

The costs of product/process design activities are eligible where they relate to turning the prototype of a working product or process into a commercially viable design. This includes using engineering expertise to determine prototype structure, function and materials.

These costs may include, for example, development of new or improved:

- measurement and control systems
- operational approaches—for example, through process optimisation or increased prototype functionality
- materials handling techniques

The design costs of routine or periodic alterations to existing products, production lines, manufacturing processes, services, and other on-going operations are eligible expenditure only if they relate directly to the agreed project.

2.4 Trial production runs

The cost of a number of trial production runs sufficient to prove the technical concept(s) underpinning the agreed project and/or demonstrate its commercial viability is eligible expenditure. The total costs of the trial production runs are eligible expenditure. However, the cost of equipment or tools used in the construction of the run is to be claimed under 'plant expenditure' (Section 1.3).

Eligible expenditure under this category includes costs incurred in validation, establishing efficacy, demonstration of capability, scale-up, and development of evidence of the stability or reproducibility of processes.

2.5 Marketing activities

The costs of **developing** a marketing strategy, including market analysis and research activities, are eligible expenditure. However, the costs of **implementing** the marketing strategy, such as sales and promotional activities, are ineligible expenditure. Demonstration at trade shows, for example, is ineligible if it is for sales and promotional purposes and the project is at the stage where the product, process or service is brought to market.

2.6 Activities not funded under *Commercialisation Australia*

The cost of some activities conducted as part of an agreed project may not be eligible expenditure. A participant must ensure it has adequate funds to meet the cost of any ineligible expenditure associated with its project.

In addition to any expenditure expressly excluded above, the cost of any activity which is not directly related to eligible activities is not eligible expenditure. Ineligible activities include but are not limited to:

- preparing the grant application and any project reports (except costs of independent audit reports as set out in Section 1.6) and preparing any project variation requests
- producing documentation not aimed at recording the knowledge created in the course of the agreed project—‘documentation’ includes but is not limited to writings, video recordings and audio recording in any format such as user manuals, operator guides, help/tutorial content for software products, sales and marketing websites, graphic design, cosmetic modifications or stylistic changes to existing product documentation
 - however, costs of producing plans, drawings and technical specifications that record the knowledge created in the course of the agreed project are eligible expenditure
- obtaining regulations and standards compliance—such as certification and accreditation fees, and other direct payments to regulators, certification or accreditation bodies
 - however, costs of designing and testing a product, process or service to ensure that it is able to comply with relevant regulations and standards are eligible expenditure
- prospecting, exploring or drilling for minerals, petroleum or natural gas for the purpose of discovering deposits, determining more precisely the location of deposits or determining the size or quality of deposits
- quality control activities and achieving quality control accreditation
- undertaking management studies, feasibility studies or efficiency surveys
- making donations
- obtaining resources used on the project—such as interest on loans, job advertising and recruiting (except as captured by the employee administrative overhead), contract negotiations, and transporting goods to be used on the project
- any activity related to the reproduction of a commercial product or process by a physical examination of an existing system or from plans, blueprints, detailed specifications or publicly available information.
- opportunity costs relating to forgone production and production downtime arising from the allocation of resources to the agreed grant project

This list is not exhaustive. Other specific expenditure may be ineligible because the Program Delegate decides it does not directly support the achievement of the planned outcomes of the project or to be contrary to the spirit and intention of *Commercialisation Australia*.

2.7 Activities paid for by non-cash considerations

Activities paid for by the participant using non-cash considerations are not eligible expenditure.

For *Commercialisation Australia* purposes, non-cash considerations are contributions to a project that have the following common characteristics:

- no impact on entity cash flow, and
- no record in the entity's statement of financial performance.

Examples include:

- the use of resources—whether internally or externally sourced—for no cost to the project
- issuing shares in payment for services rendered.

These arrangements are sometimes referred to as 'in-kind' contributions.

Non-cash considerations do not include using resources, at a cost, to conduct eligible activities for the agreed project. The latter costs of conducting eligible activities are generally allowed as eligible expenditure.

3. Treatment of project income

This section sets out the impact on total project eligible expenditure of income earned, or potentially earned, by the participant during the project period from performing agreed project activities.

3.1 Project activities that will produce predictable commercial income

Where agreed project activities will produce a predictable amount of commercial income during the project period, the Program Delegate will deduct this income from total project eligible expenditure. Income is predictable if, for example, project work is undertaken to meet a contractual obligation to a third party which will earn income.

3.2 Project activities that will potentially produce commercial income

Where agreed project activities may produce an unpredictable amount of commercial income, the Program Delegate will not deduct this income from total project eligible expenditure. Income is not predictable if, for example, it comes from selling goods produced during test runs of a novel production process, as the quantity and quality of saleable goods (which may be none) will depend on how successful the test runs are.

3.3 Payments by project partners toward specific project activities costs

The Program Delegate will not reduce total project eligible expenditure for payments by project partners to the participant toward costs of specific agreed project activities where the payment is not conditional on receiving benefits from the activities (that is, the activity is not commercial in character). An example of such payments is contributions to the participant toward its costs of running clinical trials of a novel drug by the participants in the trial.

Appendix 4: Glossary of Terms

Applicant	An applicant is the person or persons wanting to receive a grant or other assistance, either as an individual or business, company or other entity. The definition of ‘applicant’ does not include the authorised employee, officer or agent who may be completing the application on the applicant’s behalf.
AusIndustry	The agency of the Commonwealth Department of Innovation, Industry, Science and Research responsible for delivering government programs and services that support industry, research and innovation, including the <i>Commercialisation Australia</i> Program.
Australian University	An entity that is listed as a Table A provider or a Table B provider under the <i>Higher Education Support Act 2003</i> .
Bodies Corporate/Related Body Corporate	Has the same meaning as in section 50 of the <i>Corporations Act 2001 (Cth)</i> .
Case Manager	An external consultant with extensive experience in commercialisation engaged by <i>Commercialisation Australia</i> to guide participants through the commercialisation process.
Chief Executive Officer (CEO)	An employee of the Department who has been empowered by the Secretary of the Department to be responsible for the overall design and functioning of <i>Commercialisation Australia</i> .
Customer Service Managers	Departmental employees of AusIndustry, who deal with customers, provide business assistance advice and make recommendations regarding assistance. A customer service manager strategically manages the overall relationship between a customer and AusIndustry.
<i>Commercialisation Australia</i> Board	A working committee of <i>Innovation Australia</i> appointed by the Minister for Innovation, Industry, Science and Research. The Board provides advice to the Program Delegate in relation to the merit assessment of <i>Commercialisation Australia</i> applications.
Department	The Department of Innovation, Industry, Science and Research.
Eligible partner entity	An entity that assists individuals in commercialising their ideas. To qualify as an eligible partner entity an organisation needs to complete an application form and be approved by the Program Delegate. The application form is available on the <i>Commercialisation Australia</i> website. A list of eligible partner entities is also available on the website.
Eligible activity	Eligible activities in relation to a CA project are: <ul style="list-style-type: none">• <i>Skills and Knowledge</i>: obtaining expert advice and services to assist in the commercialisation process;• <i>Experienced Executives</i>: employing an experienced chief executive officer or other executive;• <i>Proof of Concept</i>: the steps necessary to establish the

	<p>commercial viability of a product, process or service; and</p> <ul style="list-style-type: none"> • <i>Early Stage Commercialisation</i>: the systematic work necessary for installing and establishing processes, systems and services that enable a new product, process or service to be produced to the stage where it can effectively be brought to market.
Eligible Expenditure	Expenditure defined in Section 2 and Appendices 2 and 3 of this guide.
Funding agreement	The contract between a <i>Commercialisation Australia</i> participant and the Commonwealth, represented by the Department of Innovation, Industry, Science and Research.
Heads of Expenditure	Means Labour Expenditure, Contract Expenditure, Plant Expenditure, Prototype Expenditure, IP Expenditure and Other Expenditure.
Intellectual Property (IP)	Statutory and other proprietary rights and includes patents, trade marks, designs, confidential information/trade secrets, copyright, circuit layout rights, plant breeder's rights and so on.
Participant	A successful applicant for one or more components of <i>Commercialisation Australia</i> .
Program Delegate	An employee of the Department who has been empowered by the Minister, or is otherwise duly authorised, to approve <i>Commercialisation Australia</i> applications, funding amounts and payments to <i>Commercialisation Australia</i> participants.
Publicly Funded Research Agency (PFRA)	<p>An organisation to which the following criteria apply:</p> <ul style="list-style-type: none"> • it is at least 50 per cent owned or controlled by the Commonwealth, or an Australian state or territory government; • it is primarily carrying out research and development activities; and • it is: <ul style="list-style-type: none"> - providing services, or making facilities available, in relation to science or technology; - training, or assisting in the training of, persons in the field of scientific or technological research; or - collecting, interpreting or publishing information relating to science or technology.
Turnover	<p>Means revenue from ordinary activities. Revenue means the gross inflow of economic benefits arising in the course of the company's ordinary activities. Ordinary activities means activities that are undertaken by the company as part of its normal business operations, and includes the sale or supply of goods, lease of premises, hire of equipment, giving of advice, export of goods, and supply of other things. Ordinary activities do not include:</p> <ul style="list-style-type: none"> • economic contributions by the owners; • the principal component of a loan repayment; • payments received under an insurance recovery; or • revenue attributable to transactions or other events of a type that are outside the day-to-day activities of the entity and are not of a recurring nature (for example, proceeds from the sale

of a capital asset used in the business or investments held by the business which are not related to its day-to-day activities).

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