I, Ian Elgin Macfarlane, Minister for Industry, Tourism and Resources, acting under section 18A and subsections 19 (1) and 20 (1) of the Industry Research and Development Act 1986, give the following Directions to the Industry Research and Development Board.

Dated 2/6/05
Ian Macfarlane
Minister for Industry, Tourism and Resources

PART 1 - PRELIMINARY

Name of Directions
1. These Directions are the Industry Cooperative Innovation Program Directions No. 1 of 2005.

Commencement
2. These Directions commence on 2 June 2005 or the day on which the Directions are published in the Gazette, whichever is the later.

Object of these Directions
3. The object of this instrument is to give Directions to the Industry Research and Development Board (the Board) in relation to:

   (a) an additional function of the Board, namely the provision of technical assessments and merit ranking of eligible applications under the competitive grants element of the Industry Cooperative Innovation Program (ICIP); and

   (b) the policies and practices to be followed by the Board in the performance of the function.

Interpretation
4. In these Directions, unless the contrary intention applies:

   Action Agenda means the Australian Government endorsed process of developing and implementing a strategic framework for an industry sector through industry-government partnership, aimed at identifying opportunities and overcoming impediments to growth in that industry.

   agreement means an agreement for the receipt of ICIP grant funding for the project, having as a minimum the terms described in clause 25 of the Guidelines.

   applicant means an entity that submits an application for ICIP grant funding.
consortium means a group of at least three entities who have come together for the common purpose of co-operatively carrying out the project in accordance with the terms of the consortium agreement, each member of this group being a party to that agreement.

consortium agreement means the exclusive written agreement between the consortium members for the conduct of the project, including at a minimum, the terms described in clause 9 of the Guidelines.

consortium member means a party to the consortium agreement.

Department means the Department of Industry, Tourism and Resources.

eligible activities are activities:

(a) that are carried on in Australia; and

(b) comprise any one or more of the following:

(i) in the case of a Stream A project - project scoping activities or innovation mapping activities; or

(ii) in the case of a Stream B project - research and development activities, proof of concept activities, innovation demonstration and adaptation activities or innovation implementation activities.

eligible application means an application for grant funding under ICIP that is determined by the Program Delegate to be eligible for technical assessment and merit ranking by the Board in accordance with the Guidelines.

Guidelines means the guidelines that are given by the Minister to the Department for the delivery of ICIP, as in force from time to time.

Industry Cooperative Innovation Program or ICIP means the program administered by the Department aimed at encouraging business-to-business cooperation on innovation projects that enhance productivity, growth and international competitiveness in Australian industries with particular focus on meeting strategic industry needs identified through an Action Agenda.

industry is a group of businesses and other stakeholders having common products, processes or services, and which may include:

(a) an industry sector that is the focus of an Action Agenda;

(b) entities falling within the scope of one or more Australian industry representative associations; or

(c) entities belonging to an identified supply chain or an area of emerging technology.

innovation means the process whereby ideas are transformed, through economic activity, into sustainable value-creating outcomes. It includes breakthrough ideas that lead to brand new products or services and incremental ideas which improve the way things are done.

innovation demonstration and adaptation activities mean the steps or tasks necessary to demonstrate how new products, processes or services that have been proven in one context can be implemented into a new industry context for the benefit of that industry.
innovation implementation activities means the systematic work necessary for installing and establishing tools, processes, systems and services to implement innovation in an industry.

innovation mapping activities mean the steps required to determine the collective capability, gaps, goals and long term strategy for an industry in terms of innovation. These activities might seek to develop a collective industry understanding in areas such as:

- broad technological sophistication and future direction for that industry;
- appropriate mechanisms for cooperation within the industry on innovation projects (including clusters); or
- emerging technologies.

Minister means the Minister for Industry, Tourism and Resources.

Program Delegate means an employee of the Department who has been empowered by the Minister, or otherwise duly authorised, to carry out the relevant function in respect of ICIP.

Program policy objectives are the ICIP policy objectives described in clause 4 of the Guidelines in the following terms:

(a) to encourage business-to-business cooperation on innovation projects that enhance productivity, growth and international competitiveness of Australian industries, and with a particular focus on meeting strategic industry needs; and

(b) to generate national benefit for the Australian economy.

project is a reference to the project described in an application for ICIP grant funding, and may comprise either a Stream A project or a Stream B project but not both.

project scoping activities mean activities aimed at effectively assessing the cost, skills, risks, outcomes, stakeholders, commercial opportunities, feasibility and/or other parameters of a potential Stream B project.

project beneficiaries means any party targeted to reap the benefits of an ICIP project.

proof of concept activities mean the steps necessary to establish the viability, including technical and commercial viability of a product, process or service, in an industry context.

research and development activities mean the systematic, investigative and experimental activities that involve innovation and will enable the development of a new product, process or service in an industry context.

Stream A project is a small scale cooperative project aimed at identifying the strategic scope or direction of future innovation in an industry.

Stream B project is a more extensive cooperative project aimed at progressing strategic innovation and achieving significant benefits for an industry.
5. In these Directions:
   (a) ‘may’ is permissive and not mandatory;
   (b) a reference to the singular includes the plural, and vice versa;
   (c) if a word or phrase is defined its other grammatical forms have corresponding meanings;
   (d) ‘includes’ and ‘including’ do not limit the words which precede them or to which they refer; and
   (e) any reference to a clause is a reference to a clause in these Directions.

PART 2 – ASSESSMENT AND MERIT RANKING OF APPLICATIONS

Procedure

6. Subject to clause 8, the Board will assess eligible applications referred by the Program Delegate under clause 16 of the Guidelines and provide a merit ranking of those applications to the Program Delegate.

7. The Board must consider eligible applications as soon as practicable after those applications have been provided to the Board.

The Board may decline to provide merit ranking

8. The Board may decide to refuse to provide a merit ranking in respect of a particular eligible application if it is not satisfied:
   (a) with the level of merit of the eligible application in relation to one or more of the merit criteria; or
   (b) that the project is an eligible project as defined in clause 14 of the Guidelines.

Assessment of eligible applications

9. Subject to clause 8, the Board must assess each eligible application on its merit according to the extent to which the application meets the merit criteria.

10. In considering eligible applications, the Board must take into account advice provided by the Department on ICIP policy issues that are relevant to, or impact on, any of the merit criteria.

Merit criteria

11. Different merit criteria shall apply depending on whether the eligible application seeks funding for a Stream A project or a Stream B project.

Stream A project merit criteria

12. The merit of an eligible application for a Stream A project must be assessed against the following criteria.
**Criterion 1A - Industry Scope and Cooperation**

Merit may be established in a proposal by demonstrating that:

- the application identifies and scopes an appropriate *industry* (including its international context);
- the *project* responds to the strategic needs of the *industry* identified in the application, through:
  - clearly and appropriately defining the *project beneficiaries*; and
  - clearly defining the *consortium* and the respective roles and responsibilities of consortium members;
- the application demonstrates support for the *project* within the *industry* identified in the application;
- the *project* identifies the impact on small to medium firms in the *industry* identified in the application;
- that significant barriers and/or risks exist to the *project* that requires ICIP funding for a cooperative *industry* response.

**Criterion 2A - Technical Aspects**

Merit may be established in a proposal by demonstrating that:

- the *innovation* meets the needs of the *industry* identified in the application;
- any technical elements of the *project* are feasible and technical risks are appropriate; and
- the technical resources and capacity to successfully complete the *project* have been identified and can be acquired for the *project* through establishment of the *consortium*.

**Criterion 3A - Financial and Management Capacity**

Merit may be established in a proposal by demonstrating:

- that the applicant is an appropriate entity to enter into the *agreement* for the conduct of the *project* and receipt of ICIP grant funds;
- that the project budget is realistic and reasonable;
- the membership and management capacity of the *consortium*.

**Criterion 4A - National Benefits**

Merit may be established in a proposal by clearly demonstrating the potential national benefits from the project to the beneficiaries and in particular the *industry*. National benefit may be demonstrated in terms of:

- the improvements in national productivity and economic growth;
- international benefits;
- diffusion of knowledge, skills and know-how to other parts of the Australian economy
- social, community and/or environmental benefits;
- ‘flow on’ economic benefits;
- any other matters which the *Board* considers relevant.

**Stream B project merit criteria**

13. The merit of an *eligible application* for a *Stream B project* must be assessed against the following criteria.

**Criterion 1B - Industry Scope and Cooperation**

Merit may be established in a proposal by demonstrating that:

- the application identifies and scopes an appropriate *industry* (including its international context)
- the project responds to the strategic needs of the industry identified in the application through;
  - clearly and appropriately defining the project beneficiaries; and
  - clearly defining the consortium and the respective roles and responsibilities of consortium members.
- the application demonstrates support for the project within the industry identified in the application;
- the project identifies the impact on small to medium firms in the industry identified in the application;
- that significant barriers and/or risks exist to the project that requires ICIP funding for a cooperative industry response.

**Criterion 2B - Technical Aspects**

Merit may be established in a proposal by demonstrating that:
- the innovation meets the needs of the industry identified in the application;
- any technical elements of the project are feasible and technical risks are appropriate;
- the technical resources and capacity to successfully complete the project have been identified and can be acquired for the project through establishment of the consortium.

**Criterion 3B - Financial and Management Capacity**

Merit may be established in a proposal by demonstrating:
- that the applicant is an appropriate entity to enter into an agreement for the conduct of the project and receipt of ICIP grant funds;
- that the project budget is realistic and reasonable;
- the spread of financial risk across the consortium members;
- the membership and management capacity of the consortium; and
- the governance structure overseeing consortium activity.

**Criterion 4B - National Benefits**

Merit may be established in a proposal by clearly demonstrating the potential national benefits from the project to the beneficiaries and in particular the industry. National benefit may be demonstrated in terms of:
- the improvements in national productivity and economic growth;
- international benefits;
- diffusion of knowledge, skills and know-how to other parts of the Australian economy;
- social, community and/or environmental benefits;
- ‘flow on’ economic benefits; and
- any other matters which the Board considers relevant.

**Criterion 5B - Economic Potential**

Merit may be established in a proposal by demonstrating the net economic potential of the national benefits to the project beneficiaries relative to the risk of achieving those benefits, with particular regard to:
- the industry as defined in the application; and
- other industries.
14. If at any time after an application has been approved by the Program Delegate under clause 19 of the Guidelines, or an agreement has been executed, a proposal is submitted to the Department:

(a) to vary the project, including by way of the addition of new activities; discontinuation of planned activities; variations to the funding amount, the project timeframe or planned project outcomes; or

(b) to materially vary the consortium membership, the respective roles and responsibilities of consortium members or any other material terms of the consortium agreement,

the Program Delegate may refer the request to the Board for the Board’s assessment.

15. If the Board receives a request under clause 14, it must assess the proposal as soon as practicable and provide the assessment to the Program Delegate.

16. In undertaking an assessment of a proposal referred under clause 14 the Board will determine:

(a) the extent to which the variation impacts on any of the merit criteria; and
(b) whether the variation, if accepted, would:

(i) significantly improve the outcomes of the project;

(ii) be consistent with the Program Policy Objectives and any relevant policies of the Department; and

(iii) whether the proposal is appropriate in all circumstances.

PART 4 – OTHER TECHNICAL ASSESSMENTS

17. The Program Delegate may request the Board to provide an assessment of technical matters associated with applications, activities and projects, or on any other matter relevant to or impacting on a merit criterion, including:

(a) technical matters relating to the eligibility of applications, activities or projects as set out in the Guidelines;

(b) progress reported against the technical milestones for a project or compliance with agreement conditions that are of a technical nature;

(c) matters pertaining to national benefits or economic potential (if applicable) assessments; or

(d) any other matter that pertains to technical merit or the technical assessment of compliance with the terms and conditions of ICIP or an agreement.

18. In carrying out assessments pursuant to clause 17, the Board will take into account any relevant policies relating to the administration of ICIP that are issued under the Guidelines.

19. If the Board receives a request under clause 17 it must conduct the assessment within a reasonable time and provide the assessment to the Program Delegate.
PART 5 – BOARD TO PROVIDE ADVICE ON POLICIES AND OPERATIONS OF THE PROGRAM

20. The Board may advise the Minister or the Minister may request advice on non financial administration matters relating to ICIP, including program administration and the extent to which ICIP meets the Program Policy Objectives.

21. The Board may collect and analyse data on the performance of ICIP, provide advice to the Minister on such performance, and will cooperate with any independent evaluation of ICIP.