

Commonwealth of Australia

Industry Research and Development Act 1986
Commercial Ready Program Directions No 1 of 2004

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

Dated 30 August 2004

Ian Macfarlane
Minister for Industry, Tourism and Resources

PART 1 – PRELIMINARY

Name of directions

1. These directions are the *Commercial Ready Program Directions No 1 of 2004*.

Commencement

2. These directions commence 1 October 2004 or the day that 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 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 *Commercial Ready program*.
 - (b) the policies and practices to be followed by the Board in the performance of the function.

Interpretation

4. (1) In these directions, unless the contrary intention applies:

agreed project activities means the activities that are specified in an agreement.

agreement means an agreement between a recipient and the Commonwealth for grant funding under the program, as amended from time to time in accordance with the rules for the program.

applicant means an entity that makes an *eligible application*.

Commercial Ready program means the *Commercial Ready program*, known informally as *Commercial Ready*. Which is a merit-based program that is administered by the *Department* and designed to increase the level of high quality *innovation* activity by small to medium enterprises in Australia.

Commercial Ready Program Guidelines means the guidelines that are made by the Minister to the Department of Industry, Tourism and Resources, as in force from time to time for the delivery of the *Commercial Ready* program.

Department means the Department of Industry, Tourism and Resources.

early stage commercialisation activities means the systematic work necessary for installing and establishing processes, systems and services that allow the new product, process or service to be produced to the stage where it can effectively be brought to market.

eligible activities means:

- (a) *research and development*; and/or
- (b) *proof of concept* activities; and/or
- (c) *early stage commercialisation* activities;

that are carried out in Australia.

eligible application means an application for grant funding under the program, that is an application that the *Program Delegate* has determined is eligible for technical assessment and merit ranking by the Board in accordance with the *Commercial Ready Program Guidelines*.

eligible project means a project that:

- (a) must aim to produce, commercialise or establish the commercial or technical viability of a new, clearly identified product, process or service; and
- (b) must involve *eligible activities*.

innovation means the process whereby ideas are transformed, through economic activity, into sustainable, value-creating outcomes. It can generate changes in output such as new products, processes and services.

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 the *Commercial Ready program*.

proof of concept activities means the steps necessary to establish the commercial and technical viability of a product, process or service.

proposed project activities mean all *eligible activities* that are proposed to be undertaken by or on behalf of the *applicant*.

recipient means an entity that is entitled to receive funding under the program pursuant to an *agreement* between the entity and the Commonwealth.

research and development activities mean the systematic, investigative and experimental activities that involve innovation, technology transfer into Australia or technical risk.

- (2) In these directions, 'may' is permissive and not mandatory.

PART 2 – ASSESSMENT AND MERIT RANKING OF APPLICATIONS

Procedure

5. (a) Subject to clause 6, the Board will assess *eligible applications* and provide a merit ranking of those applications to the *Program Delegate*
(b) The Board must consider *eligible applications* as soon as practicable after those applications have been provided to the Board.

Board may decline to provide merit ranking

6. The Board may decide to refuse to provide a merit ranking in respect of a particular *applicant* if it is not satisfied;
(a) with the level of merit of an *eligible application* in relation to one or more of the merit criteria; or
(b) that the activities described in the *eligible application* are *eligible activities* and the project is an *eligible project*.

Assessment of applications

7. Subject to clause 6, the Board must assess each *eligible application* on its merit according to the extent to which the application meets the Merit Criteria.

Merit Criteria

8. The merit of *eligible applications* must be assessed against the following criteria:

Criterion 1: Management capability of the applicant

Merit may be indicated by the company through:

- an appropriate level of expertise in:
 - commercialisation management;
 - project management; and
 - business management, including in human resources and financial management.
- a core business which is directly relevant to the project;
- demonstrated company stability and/or growth over the last two years; and
- a business plan which includes and supports the proposed project.

Criterion 2: Commercial potential of the project

Merit may be indicated by the company through:

- a solid track record in commercialisation and marketing of innovative products or services;
- a well articulated and sound commercialisation strategy;
- a realistic appraisal of the commercial potential for the project outcomes, including demand for the product;
- an understanding of the route to market for the project, such as trade barriers, access to manufacturing and timeframe to commercial exploitation; and
- an understanding of the competitive situation the project outcomes will face, including:

- the extent of competitive advantage the project's commercial outcomes will have on factors such as cost, IP position, and strengths and weaknesses compared to competing products; and
- the frequency with which new products or services enter the market.

Criterion 3: Technical strength of the project, and the technical capability and resources available to the applicant

Merit may be indicated by the company through:

- the technical capacity to undertake the project, including:
 - adequate infrastructure, facilities and equipment available to meet the short and long-term requirements of the project;
 - a good understanding of technical product development, testing and production start-up; and
 - appropriately skilled technical staff and/or sub-contractors.
- a well-articulated project plan, including methodologies and milestones linked to a feasible timeframe;
- a strong track record in the project field;
- a project with an appropriate level of innovation; and
- a project with an appropriate level of technical risk, demonstrated by uncertainty over the results.

Criterion 4: Extent to which the project is likely to provide National Benefits

Merit may be indicated by the company through:

- how the project will improve national productivity and contribute to economic growth;
- how the project will result in social, community and/or environmental benefits; and
- that significant spill-over benefits will accrue to Australia through 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.

Criterion 5: Need for funding

Merit may be indicated by the company through:

- the project budget is realistic; and
- *Commercial Ready* funding is required for the project to progress satisfactorily, for one or more of the following reasons:
 - the company has insufficient resources to fund the entire project;
 - a longer time frame for project delivery would erode competitive advantage;
 - the technical risk of the project mitigates against it proceeding; and/or
 - the applicant cannot adequately capture the benefits of the project that may justify government investment.

PART 3 – ASSESSMENT OF PROPOSALS FOR VARIATION TO THE AGREED PROJECT

9. If a recipient has submitted a proposal to the *Department* for approval of changes to the project, including the addition of new activities, the discontinuance of activities, the substitution of new activities in the place of discontinued activities, a variation to

funding, or a variation to the project's timeframe, the *Program Delegate* may request that the Board assess the proposal.

10. If the Board receives a request under clause 9, it must assess the proposal as soon as is practicable and provide the assessment to the *Program Delegate*.
11. In undertaking an assessment of a proposal to change the project the Board will determine:
 - (a) the extent to which the changed project meets the Merit Criteria; and
 - (b) whether the change to the project would:
 - (i) significantly improve the outcomes of the project;
 - (ii) be consistent with the policy objectives set out in the *Commercial Ready Program Guidelines*; and
 - (iii) otherwise be appropriate in all the circumstances.

PART 4 – OTHER TECHNICAL ASSESSMENTS

12. The *Program Delegate* may request the Board to provide an assessment of technical matters associated with applications, activities and projects, including:
 - (a) technical matters relating to the eligibility of applications, activities or projects against the definitions contained in these Directions;
 - (b) the progress reported by a recipient against the technical milestones for a project or compliance with agreement conditions that are of a technical nature;
 - (c) matters pertaining to national benefits assessments;
 - (d) any other matter that pertains to technical merit or the technical assessment of compliance with the terms and conditions of the program or an agreement.
13. In carrying out technical assessments pursuant to clause 12, the Board will take into account any relevant policies relating to the administration of the program that are issued under the *Commercial Ready Program Guidelines*.
14. If the Board receives a request under clause 12 it must conduct the assessment within a reasonable time and provide the assessment of the *Program Delegate*.

PART 5 – BOARD TO PROVIDE ADVICE ON POLICIES AND OPERATIONS OF THE PROGRAM

15. The Board may advise the Minister, or the Minister may request advice, on non-financial administration matters relating to the program, including program administration and the extent to which the program is meeting its objectives.
16. The Board may collect and analyse data on the performance of the program, provide advice to the Minister on such performance, and will cooperate with any independent evaluation of the program.