

Society for Underwater Technology



**Technology development
investment for micro and small
SUT businesses**

2007

Executive Summary

The obsessive, creative mindset is often incompatible with the process of seeking out avenues for funding the development of new technology. There are many hundreds of grants from both State and Federal Governments catering to all manner of special niche objectives and interests. For SUT members focused on the possibilities of a new technology, assistance to map out the grant environment of their industry is very valuable. The many available grants have been reviewed and five clear options were identified as being suitable for the SUT industry, as follows:

For any company looking to maintain their competitiveness, at least some R&D should be undertaken, so all companies should be registering for the *R&D Tax Concession*.

Any business, particularly small businesses or one-man-bands that are pursuing the development of the next 'great idea' in their industry would do well to apply for the *Innovation to Market* grant from the Small Business Development Corporation. This will help clarify the business opportunity and should help the entrepreneur develop a commercialisation roadmap. A technology development roadmap shows which markets can be addressed, in which order, and in what way, to suit both current capacity and build future capacity for future markets – vital information for managing limited research efforts.

The serious grant money is available from the AusIndustry programs *COMET* and *Commercial Ready*. They are competitive grants and require a decent effort to produce the required documentation. *COMET* is the smaller program and offers greater input compared to the business inputs, while *Commercial Ready* is even money, at one dollar of grant money to one dollar of company money – but unlike *COMET*'s hard line, your own contributions are recognised. Development programs of up to \$10 million may be funded through *Commercial Ready*. These programs are supportive of the business, but are not investment programs. However, the requirement for a higher quality of documentation and the fact that the business plans of successful applications have been reviewed by Government bureaucrats can give confidence to private or venture capital investors.

The *Innovation Investment Fund (IIF)* is targeted outside the oil and gas industry, and unless new technologies promise environmental improvements this program is generally not available to SUT members.

For micro SUT members, the *R&D Tax Concession* and the *Innovation to Market* options are helpful, but they won't solve R&D funding problems. The *COMET* grant requires some sophistication on the part of the applicant to negotiate the application process and some matching of funds from the business. In addition, time spent by principals in the business cannot be claimed. For small SUT members, a *COMET* grant can be a useful option to buy in the services of others needed to progress.

For small and medium businesses with access to good matching capital a *Commercial Ready* application can be made.



Table of Contents

EXECUTIVE SUMMARY	1
INTRODUCTION.....	2
APPLICABLE GOVERNMENT GRANTS	3
R&D Tax Concession (Federal)	4
Innovation to Market (WA)	4
Commercialising Emerging Technologies (COMET)	5
Commercial Ready	7
Innovation Investment Fund (IIF) (Federal)	8
SUT member’s grant navigation guide	9
VENTURE CAPITAL ORGANISATIONS.....	10
CONCLUSION	11
APPENDIX	12
Competitive Assessment for Commercial Ready Grants.....	12

Introduction

In a small or very small business a somewhat obsessive approach must be taken if the owner is to create and develop new technology. Paradoxically, this mindset is often incompatible with the process of seeking out avenues for funding the development of that technology.

This is especially true of new innovators who are yet to gain experience with the whole commercialisation process. For such people in small, demanding businesses, sustaining the creative energy and drive to create a new product is all absorbing. In these cases the task of sifting through hundreds of grants across many sources is inefficient and highly frustrating.

For other small but established SUT members, the daily challenge of meeting the needs of customers in a growing industry is enough. Again, attempting to fully explore the opportunities offered by government or by private equity is difficult.

The purpose of this study is to:

make it possible for very small member companies of the SUT who are developing new technologies to link quickly with appropriate investment sources – without wasting time in directions that have a very poor chance of success.

To address this objective this study has a) reviewed potentially suitable government, private, venture capital and other funding options that are currently available; b) interviewed five SUT members to get a better understanding of their capacities; and c) met with representatives of organisations providing appropriate programs to gain insights into how they target their support - or conducted telephone interviews as appropriate.

The study has then prepared a useful guide for reference for SUT members. The guide includes a diagrammatic map showing small and micro SUT members with products and/or services; a generic development path from first proof of concept through to marketing and export challenges; and a series of linkages showing which support programs are best applied and how this changes with circumstances as the technology development path progresses.

The guide's supporting material also includes background on the nature of the schemes that are available.

By referring to this guide, SUT members who are already immersed in the challenges of developing technology will be able to ease and shorten the usually long, difficult process of researching, applying for and obtaining support. This will help SUT to more rapidly assist its members to bring new technologies on line to meet the escalating demands of the industry.

Applicable Government Grants

Why are there grants?

The overriding reason a government will grant tax-payer's funds to a company is that there is strong evidence the public will in turn benefit from what the company is able to do.

Therefore, any business seeking a grant should begin by thinking broadly about why it would be good for the community, not just how they would benefit.

There are many ways that the community can benefit from companies that are successful, including:

1. Employment opportunities may be greater in the company, and in those supplying it;
2. Customers will be more competitive;
3. Imports may be avoided or reduced;
4. Export of a local internationally competitive product;
5. Increase in payroll taxes of companies that grow into larger companies;
6. Reduced reliance on the state; and
7. Delivering better environmental performance

The overriding logic of any grant application is to demonstrate that by granting funds the government will be able to verify that the community gained some important benefits. If you can demonstrate how the benefits will be delivered and measured and show that the returns to the community are worth the investment in the grant, then there is no doubt the grant application will be competitive.

Grant Review

The study reviewed many listings of grants from a range of sources¹. The large majority of grants are special purpose grants, such as grants to companies:

- In particular industries – for example green industries or biotechnology;
- In particular locations – such as regional development grants;
- In one State but not another;
- Within particular timeframes – many grants listed are out of date, further complicating the search process;
- Who are addressing particular problems, such as specific environmental degradation issues, for example;
- Who are addressing some kind of industrial inequity – such as structure adjustment grants.

¹ GrantsLink - provides information on Australian Government grants: www.grantslink.gov.au
GrantSearch - lists around 3,000 sources of financial support in Australia: <http://www.grantsearch.com.au>



The large majority of grants have been found to be inapplicable to SUT members. However, Fortunately however there is a set of core grants that are not so highly targeted. These are designed for any company attempting to grow and by that growth bring benefits to the general community. The following grant programs were found to be broadly applicable to members of the SUT.

R&D Tax Concession (Federal)

The *R&D Tax Concession* enables eligible companies to claim a basic tax deduction of up to 125% of qualifying expenditure on eligible R&D activities when lodging their annual tax returns.² In addition, under certain circumstances, companies may claim a 175% premium deduction for additional investment in R&D, and small companies may elect to claim the concession as an offset (or rebate), enabling them to ‘cash out’ tax losses.³

Companies acting in the capacity of a trustee or nominee (other than a trustee of a public trading trust) are excluded from claiming the *R&D Tax Concession*. However if you operate through a related trust you may be able to purchase the rights to use newly developed technology at the after tax cost. You would need specialist advice from your accountant to see if this were feasible.

Nearly all other companies in a growing industry would be doing at least some R&D and so should be registering for the R&D Tax Concession.

To apply

It is possible to register prior to the tax year and this is suggested. Advanced registration requires some preliminary clarification of which research questions are worth pursuing. Knowing the research objectives can help the company more readily identify material needed to conduct the R&D. You should then go to the *R&D Tax Concession* website², scroll down to the section on ‘Forms’, and select ‘Form: Application for Advance Registration of R&D Activities’.

Innovation to Market (WA)

The Small Business Development Corporation’s (SBDC) *Innovation to Market (ITM)* program is intended to assist Western Australian small businesses and individuals to plan out how they might commercialise an innovation.

The program provides grants of \$2,000 and \$3,000 for consultants to conduct an appraisal of goals, strategies and activities related to commercialising an innovation. The program also addresses the challenges that may need to be overcome throughout the commercialisation process.⁴ The program is suitable to one-man-band style companies. Access to an independent consultant gives the opportunity to discuss development plans and shape objectives. Some of the benefits of sharing the planning exercise include:

- Avoiding working on a product unless there is a plausible commercialisation path.

² <http://www.ausindustry.gov.au/content/level3index.cfm?ObjectID=40CEE157-EC9F-4AE3-863FFB2EEFE79ED9&L2Parent=AEB901E5-7CB8-4143-A3BF33B2423F9DA6>

³ Tax Concession for Research & Development, Overview; April 2006 AusIndustry

⁴ <http://www.sbdc.com.au/drilldown/drilldown.asp?refid=4.21>



- Developing a strategy to stage the development of the product to coincide with logical commercial milestones.
- Developing an open mind towards strategic partnering to accelerate the research and development and to create a more direct path to the market.

The program promotes itself via the rudimentary ‘going from here to there’ planning framework, expressed as: ‘where are you now? where do you want to be? and how will you get there?’ – a planning framework suitable for those starting a new venture as well as those wanting to check or revise their plans.

Applicants must be either a Western Australian small business or individual working on an innovation that is not yet being commercialised.

To apply

The first step is to complete this checklist:

http://www.sbdc.com.au/documents/4.21.1/ITM_FormA_Stage1_Checklist_locked.doc

and then this form:

http://www.sbdc.com.au/documents/4.21.5/ITM_FormA_Stage1_Application_locked.doc

Submit both to Bob Galloway, *Innovation to Market Program*, SBDC, 553 Hay Street, Perth WA 6000.

SBDC will then match you with an external consultant. It is recommended you request a CMC (Certified Management Consultant⁵). A CMC is the CPA (Certified Practising Accountant) of the consulting world.

Commercialising Emerging Technologies (COMET)

COMET is a competitive, merit-based program that supports early-growth stage and spin-off companies and individuals in successfully commercialising their innovations.

COMET has been extended until June 2011. More than 1,000 companies are expected to benefit. The *COMET* approach is to help customers become ready to commercialise their innovation through:

- Raising capital from business angels or venture capital funds;
- Borrowing money;
- Licensing; and
- Joint ventures or strategic alliances.

COMET is a merit based support program that provides business assistance through access to private sector business advisor consultants as well as merit-based financial assistance. Access to business assistance is available in the following areas:

- Management development, including participation in approved management skills development courses;

⁵ CMC is the mark of competency for the management consulting profession and indicates that a management consultant meets certain requirements of character, education and experience. The CMC designation is recognised internationally. <http://www.management-consultants.com.au/htm/about.asp>

- Engagement of mentors;
- Strategic and business planning, including an export strategy if appropriate;
- Market research;
- Market validity;
- Intellectual property strategy; and
- Proven technology (including finalising working prototypes).⁶

Applicants compete for funding from *COMET*, so businesses that appear more likely to succeed will win funding – the key step is to meet with the administrator and understand how to structure the request for your particular business situation.

COMET financial assistance is available through a two-tiered funding structure:

Tier 1: Grant value of up to \$64,000 (exclusive of GST). The rate of assistance is available at 80 per cent of the eligible expenditure.

Tier 2: Grant value of up to an additional \$56,000 (exclusive of GST). The rate of assistance is available at 50 per cent of the eligible expenditure.⁶

To apply

The application process is to submit a webform, then take a phone interview to check eligibility, then to make an appointment to see the program administrator. In Perth, the program is administered by Akshay Bhandari of CLASE Ventures on behalf of AusIndustry.⁷ In preparing this report, the author pursued a *COMET* application. Mr Bhandari was telephoned on at least 4 occasions but was not available. A return call was suggested on email for a time slot two days out, but even this call could not be taken.

The details of the AusIndustry *COMET* program are here⁸: page: <http://tinyurl.com/2vwtaq>

To get to the webform that takes you through the Pre-Application Checklist, go here: <http://tinyurl.com/b4mc3>

In a few days, you will be contacted by AusIndustry to confirm your eligibility.

It is also possible through the AusIndustry website to complete an application form on line. This requires you create an account at the AusIndustry website. The online process is laborious, confusing and cumbersome. It is much better to work closely with the local representative, although as mentioned he can be hard to reach by phone.

It is possible to prepare the material in the questionnaire document (*COMET Questionnaire.doc*) that the representative provides you. However before attempting to do so, it is much better to discuss how to structure the request to ensure the program guidelines are respected.

⁶ <http://www.ausindustry.gov.au/library/COMETCustInfoGuideFINAL13Sept04v21July05pdf20070302114849.pdf>

⁷ <http://www.claseventures.com/comet.html>

⁸ The original 200 character URL has been replaced by this 'tinyurl'.

Commercial Ready

Commercial Ready is a competitive, merit-based grant program supporting innovation and its commercialisation. It aims to stimulate greater innovation and productivity growth in the private sector by providing around \$200 million per year in competitive grants to small and medium-sized businesses (SMEs) between 2004-05 and 2010-11. A wide range of project activities can be supported, extending from initial research and development (R&D), through proof of concept, to early-stage commercialisation activities.⁹

Like *COMET*, *Commercial Ready* is a competitive program and aims to improve Australia's global competitiveness, an aim consistent with the 'Backing Australia's Ability' label of the current Federal policy. Thus the benefit to the economy is the key point for a competitive application. Benefits are sought under the following merit criteria:

1. Your management capability;
2. The commercial potential of your project;
3. The technical strength of your project, your technical capability and the resources available to undertake the project;
4. The extent to which your project is likely to provide national benefits; and
5. Your company's need for funding.

All five merit criteria are equally weighted.

These items are discussed in detail in the Appendix, which is an extract of a Commercial Ready Customer Information Guide.¹⁰

Preparing a *Commercial Ready* application is an extensive undertaking, requiring the documentation of business and commercialisation planning in addition to a well developed presentation document. Funding is dollar-for-dollar, and while shareholders and directors can be paid out of the plan, these payments must pass through individuals' tax accounts before the respective grant funds are cleared for payment.

Applications can be received for grants from between \$50,000 and \$5,000,000, for projects between \$100,000 and \$10,000,000.

As the request increases, so does the documentation and compliance burden.

The right time to use *Commercial Ready* is to double available investment funds, so that a \$500,000 investment can become a \$1,000,000 investment for example and so create the capacity to fully realise the commercialisation objectives.

The usual approach for companies seeking to make a Commercial Ready application is to engage a consultant to prepare the material, as it is a competitive process with high application standards. A Commercial Ready application costs at a minimum around \$50,000, for investment sums of \$1m or greater. Consultants who are capable to prepare such

⁹ <http://www.ausindustry.gov.au/content/level3index.cfm?ObjectID=78E5BCFA-D40D-46BC-B96813C361B8DBBA&L2Parent=AEB901E5-7CB8-4143-A3BF33B2423F9DA6>

¹⁰ <http://tinyurl.com/3a5q8u>



applications keep their methods to themselves and the experience in writing winning applications is not cheaply accessed.

The State Government has a 'Capital Access' support program designed to defray the cost of producing the Commercial Ready application, but this program has been on ice since mid 2006.

Innovation Investment Fund (IIF) (Federal)

The *Innovation Investment Fund* Program is a venture capital program that assists with the development of new managers in early-stage venture capital investing. It invests in private sector venture capital funds to assist small companies in the early stages of development to commercialise the output of Australia's strong research and development capability.¹¹

The program is generally aimed at clean, green, health and IT investments, rather than the mining and oil & gas industry.

However, if you have a project that will see cleaner, greener technologies being used in the subsea industry, then those could be supported.

To access the funds from this program, you have to apply to one of the fund managers who will be awarded funds to invest. Two from the following short list will be selected in mid-2007 and details will be posted at www.ausindustry.gov.au.

Accede Capital Pty Ltd¹² (Sydney, with a focus on early stage technology companies, with an internet, communications and technology flavour.)

Brandon Capital Management Pty Ltd¹³ (Sydney, and has a focus on novel therapeutics development, diagnostics, medical devices and other related biotechnologies.)

Cleantech Ventures Pty Ltd (The Cleantech Australia Fund will target investments in 12 cleantech technology sub-sectors including renewable energy, water, advanced materials and biofuels.)

Jagen Pty Ltd (Melbourne / Sydney, An early stage venture capital fund for energy, water, communications; software; internet applications; innovative manufacturing and security.)

The program guidelines dictate the kinds of investments that fund managers may make. There will be a pool of \$40m per year from government matched by \$40m from the fund managers, so making \$80m to be invested in new ventures in Australia each year.

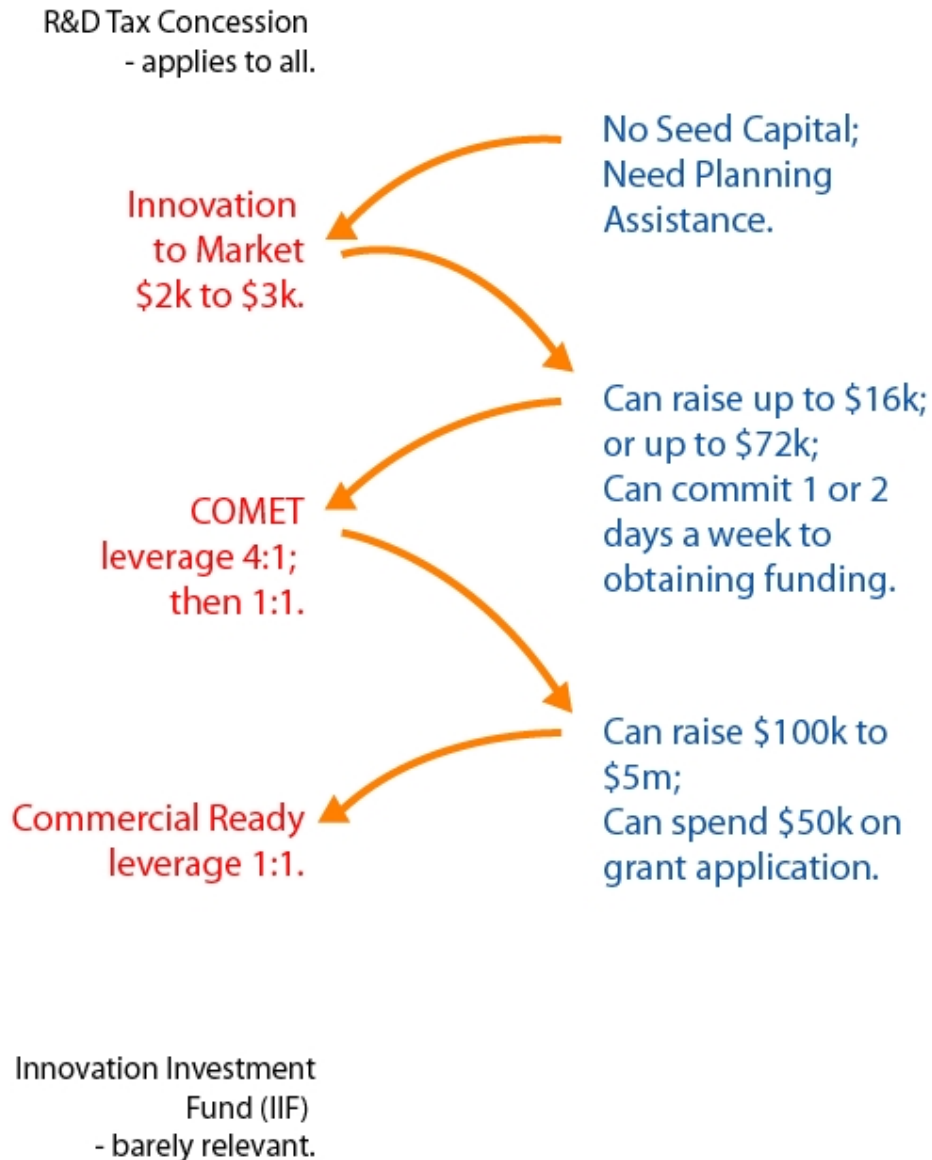
¹¹ <http://www.ausindustry.gov.au/content/level3index.cfm?ObjectID=C872E5E3-B1E5-471E-8443AD706534D546&L2Parent=2B5E8844-196D-421F-AD577FDDE9C466F8>

¹² <http://www.accedecapital.com/>

¹³ <http://www.brandoncapital.com.au/>

SUT member's grant navigation guide

The following diagram illustrates the development path for SUT members in accessing government support for their innovation.



Grant Navigation Guide

In all cases, private equity can be considered in parallel, as can Venture Capital, which is discussed on the following page.

Venture Capital Organisations

“Venture capitalism is risky so Vulture Capitalists hedge their bets by pooling funds and investing in a number of start-ups at once - what they don’t tell you is that, at a certain point into its life cycle, the start-up suddenly needs to double or triple its capitalisation in order to survive. To get over those cash flow problems that occur when orders suddenly go from zero to more than zero. When this happens, the vulture capitalists look at all their little companies, cull out the weakest 2/3 and let them starve. The rest, they provide with the capital they need to continue.”¹⁴ – William Ardrey

The following instructive comment is taken from Dr Ardrey’s recent presentation at the University of Western Australia (UWA) Club.

The context of a business considering venture capital is likely to comprise the following players:

<i>Entrepreneurs</i>	“Dreamers who Do,” and should get paid well to do it.
<i>Innovators</i>	Creative folk who bring new thinking to organisations.
<i>HNWIs</i>	(High Net Worth Individuals) Rich people who might give you \$.
<i>F&F</i>	(Family & Friends) Poor people who might give you \$.
<i>Angels</i>	Mythical Creatures who give you lots of money on easy terms. Often ‘devils’ in disguise.
<i>Venture or Private Equity Capitalists</i>	Real People who give you real money. Often turn to “Vultures” when hungry.

In building a venture capital strategy it is important to recognise that institutions want *Future Free Cash Flow* and *Growth*. A venture capital company goes through the process of screening opportunities for good ideas, especially those where there is a commercialisation roadmap to profitability. Then they look for a financing document that shows how money is raised and on what terms and convinces them the investment will make them rich.

Lastly, but perhaps most important, is the need for management and marketing skills. Some investors invest more on the qualities of the entrepreneur than the actual proposal fine details, because a good entrepreneur will revise the plan to keep the business competitive anyway.

The easy propositions for VC target health solutions to the baby boomers, as you move away from this huge market into less widely understood areas, such as oil & gas technology, the VCs find it more difficult to understand risk.

¹⁴ Presentation by William Ardrey, BSc (Georgetown) MA, (Columbia), PhD (W Australia), University of Western Australia, The Business School MBA Program, 20th April 2007.

Conclusion

For a small to medium sized business servicing the oil and gas industry, the opportunities for getting support to develop technology are pretty slim.

The R&D Tax Concession offers a relief to a portion of R&D investment, so is useful, but does not fill commercialisation investment gaps.

The SBDC *Innovation to Market* program merely allows you to get advice or feedback on the commercialisation path; it is not an investment solution.

The COMET program looks attractive, but does not recognise the huge time investments that are crucial for small businesses to develop technology, in addition, it is run by the private sector. This study found that the intending applicant might be subject to early judgement on the merits of the proposed technology, even prior to having any meetings with the program representatives.

The Commercial Ready program has a useful \$1-for-\$1 basis, but its standards are very high and the application process is demanding and costly.

The Innovation Investment Fund is targeted outside the mining and energy sector and all vendors are based in the east of Australia.

Appendix

The following extract illustrates the mentality that is applied to the evaluation of all kinds of government grant applications.

Competitive Assessment for Commercial Ready Grants

The merit criteria are:

1. your management capability
2. the commercial potential of your project
3. the technical strength of your project, your technical capability and the resources available to undertake the project
4. the extent to which your project is likely to provide national benefits
5. your company's need for funding.

All five merit criteria are equally weighted. You should ensure the merit criteria are addressed in your application. You can also present other relevant information or material to support your application. It is recommended you discuss your application with your AusIndustry customer service manager.

The indicators described below will help you to respond to each of the individual merit criteria. The Board and its *delegates* will use these indicators when assessing your application. The indicators are not, however, exhaustive, and customers are free to put forward any other information that they consider to be relevant to claims against merit criterion.

8.1 Management capability

Your management capability is critical. Your track record will be a crucial element of establishing your claims against this merit criterion. You will be expected to demonstrate a strategic understanding of your business and provide details of your management skills, particularly in marketing, production and innovation, as well as in the personnel and financial areas.

You should include reference to any previous, relevant funding you have received that can provide examples of your capacity to make beneficial use of funding support.

Where you have identified areas of possible management weakness or deficiency, you should include information on how these will be addressed - what the company will do to gain or access the particular skills or expertise needed.

If the proposed project and its commercialisation will be a significant departure from your company's existing operations, you should explain why this new area is being pursued, and what the company's overall business objectives are. You should provide information showing how committed the company is to the project, at board as well as management level.

A strategic business plan must be attached to your application. Studies show that strategic business plans act as triggers or disciplines for management and help assess a company's external opportunities and threats and internal strengths and weaknesses.

Your business plan should articulate your business strategy and should reflect your careful consideration of your company's aspirations, capacity and context. (See Appendix 5 for more detail).

For start-up companies without a track record of R&D, proof-of-concept or early-stage commercialisation it is often useful to show the relevant experience of key individuals.

Relevant indicators

Merit under the first criterion may be indicated by demonstrating in your application:

- An appropriate level of expertise in:
 - commercialisation management

- project management
- 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
- a business plan, which includes and supports the proposed project.

8.2 Commercial potential

Your application should demonstrate that a realistic market potential exists for the product, service or system being developed. You must include a commercialisation plan with your application, which can either be a component of your business plan or a stand-alone document. In developing this plan, you should bear in mind that implementation of this plan will form part of your obligations under your *Grant Agreement*.

Your application should include details of the size of each market and their prospects for growth, existing and potential user needs for current, equivalent or alternative products or services, and your capacity to tap into those markets. (See Appendix 5 for more information.)

In addressing the commercial potential of your project you should consider:

- the number of competitors in the market and their market shares
- the relative price of your product, process, system or service, compared with that of your major competitors (Note that these competitors do not have to offer similar products or processes if they can offer the same results.)
- the number and regularity of new products, processes or services entering the market place
- barriers to market entry .i.e. competing patents or patent applications, and the effects these will have on commercialisation.

If you are relying on background IP for this project, you should indicate whether this IP was developed and is owned by your company or alternatively provide evidence that you have access to that IP to enable the project to be undertaken and the outcome commercialised.

Lastly, you will need to detail the commercial strategy that will take your product to market. This may include details of selling and distribution arrangements, marketing and licensing, and the intellectual property protection strategy that you believe appropriate.

You should include realistic plans or arrangements for the production, distribution and promotion of the product, service or system. The commercialisation plan for your project should be shown to be consistent with your business strategy.

Relevant indicators

Merit under this second criterion may be indicated by demonstrating in your application:

- 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
- 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, intellectual property position and strengths and weaknesses compared to competing products
 - the frequency with which new products or services enter the market.

There are a number of strategies that may be used for the protection and exploitation of intellectual property that are described in Appendix 2.

8.3 The technical strength of your project, your technical capability and resources

The technical strength of your proposal will be judged on your capacity to undertake the proposed project. Among other things, you will need to demonstrate that you have a well articulated project plan. The Industry Research and Development Board will assess the availability of appropriate equipment, facilities and other support considered necessary to successfully undertake the agreed project.

You must demonstrate realistic timelines and show that any research and development activity contains an appropriate level of risk. You will need to identify the degree of risk associated with achieving the technical objectives of the project on time and on budget. The technical soundness of your approach will be judged on your understanding of the risks involved in undertaking the project and your strategy for managing those risks.

You should demonstrate that you have the technical capacity, personnel and equipment to undertake your project. Personnel you propose to employ or contract should be shown to have the technical capabilities and experience required to complete the project successfully. A track record in research and development and/or commercialisation will be an advantage.

Relevant indicators

Merit under this third criterion may be indicated by demonstrating in your application:

- the technical capacity to undertake the project, including:
 - adequate infrastructure, facilities and equipment to meet short and long-term requirements of the project
 - a good understanding of technical product development, testing and production start-up
 - 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
- a project with an appropriate level of technical risk, demonstrated by uncertainty over results.

8.4 Provide national benefits

The Australian Government provides support for innovation conducted within Australia to generate benefits for Australian industry and the wider community. Accordingly, customers for *Commercial Ready* funding must carry out their activities in a way that provides some identifiable benefits beyond those that can be captured by the customer.

In order for your application to be competitive, you must demonstrate that you will conduct the project, and/or exploit its outcomes, in ways that will benefit Australia. To show how your project is likely to generate national benefits, you must detail the national benefits to be generated by your project in your application. (See Appendix 6 for more details.)

Successful projects can benefit Australia in many ways, including:

- improved national productivity and contribution to economic growth
- diffusion of knowledge, skills and know-how to other parts of the Australian economy
- increased collaboration between Australian businesses and/or research institutions, or
- generation of societal, environmental or community benefits.

Relevant indicators

Merit under this fourth criterion may be indicated by demonstrating in your application any or all of the following:

- how the project will improve national productivity and contribute to economic growth
- how the project will result in social, community *and/or* environmental benefits
- 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.

8.5 Your need for funding

The Board will assess whether your project would be able to proceed satisfactorily without *Commercial Ready* support. It will assess the risk involved in your project, the extent to which you will be able to capture the benefits from it and your proposed method of sourcing matching funding.

In making its decision, it will consider your financial position and whether you have the capacity to obtain financing from alternative sources, such as venture capitalists, business angels or loans. It will also assess your need to complete the project in sufficient time to allow exploitation of commercial opportunities and whether this would be possible without assistance under *Commercial Ready*.

Relevant indicators

Merit under this fifth criterion may be indicated by demonstrating in your application:

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