

## Commercial Ready fact sheet

### *History of federal government grant programs for R&D*

- During the 1980s, the then Federal Labor Government introduced Grants for Industrial R&D (GIRD). The grants were designed to assist companies that were not yet profitable and therefore unable to access the R&D tax concession – the same principle as its successor, Commercial Ready
- The Howard Government replaced GIRD with the R&D Start program in the mid-1990s. This program became Commercial Ready about five years ago

### *Why was Commercial Ready a good program?*

- Through its rigorous application process, the program assisted companies to leverage substantial private investment
- It boasted extensive flow-on benefits – each dollar allocated in Commercial Ready grants was matched by private funding, doubling the value of the program
- It provided much-needed assistance at the commercialisation stage of up-and-coming companies – most being small, innovative businesses. While increased funding at the university level is welcomed, there is a perennial bottleneck when it comes to commercialising new technologies – this problem has just been exacerbated.
- The grants supplied companies with useful quantities of non-equity diluting capital
- It was the only Government program that assisted biotechnology and medical device companies where they needed it – at the crucial stage of commercialisation (around one-third of grant recipients were biotechnology / medical device companies)
- It helped many small innovative companies bring products to market that provide a community benefit or meet market demand. One example of such success is the headlice treatment product commercialised by Hatchtech, with the help of Commercial Ready.

***The impacts of the decision to axe Commercial Ready:***

- Officials from the Department of Innovation, Industry, Science and Research confirmed at a Senate Estimates hearing on 2 June 2008 that 71 submissions from Australian companies had been received that will now never be processed
- Many of these companies have invested tens of thousands of dollars, as well as hundreds of man-hours, in preparing applications and had either recently submitted them or were soon to submit them. The limited resources of small business are now wasted – and so is the opportunity to see new Australian companies succeed
- Brain/skills/innovation drain - some companies will be forced to relocate overseas where government assistance programs exist. We need such entrepreneurship here and should be encouraging this
- Other companies will be forced to source overseas investment – potentially reducing the end benefits to Australians because of increased foreign ownership
- There will be a reduced vibrancy in the biotechnology and medical devices sector. With fewer opportunities, fewer companies and less chance of success, some will abandon the sector and it will become harder to attract fresh talent into science and innovation – the job-creating industries of the future
- Economic impacts – the decision to axe the program will cost far more than the government's relatively small saving of \$700 million over four years. Because each dollar allocated in Commercial Ready grants was matched, this equates to \$1.4 billion – not including the multiplier effect
- Australians will miss out on cures and treatments for conditions and illnesses of today

***What does the Government say?***

- The Minister for Innovation, Industry, Science and Research, Senator Kim Carr, acknowledged at the 2 June Senate Estimates hearing that the Commercial Ready program had provided key assistance to allow many companies to commercialise their innovative products

- The Government actually closed the program on 28 April 2008 – 16 days prior to the Budget – yet departmental officials, mostly unaware of the closure, continued to hold committee meetings to assess applications
- The Minister for Finance and Deregulation, The Hon Lindsay Tanner, was quoted in an interview with finance writer Robert Gottliebson saying that his 'favourite' budget decision was the scrapping of the 'Howard' Commercial Ready program
- The Rudd Government has cited a 2007 Productivity Commission report that found the Commercial Ready program had supported too many projects that could proceed without public funding. However, it should be noted that the PC report did not recommend the cancellation of the program – but that a stronger filter should apply to grants
- The Government has consistently noted the need to cut spending in the Budget to put downwards pressure on inflation as the reason for axing the program, arguing the program would have incurred significant commitments in future years had it been allowed to continue. The Government has described Commercial Ready as a 'casualty' against the war on inflation
- However, the Government says the decision will allow more scope for new programs following the review of the National Innovation System, flagging the possibility of a replacement Commercial Ready program

### *Action*

- AusBiotech urges the Government to act swiftly to minimise the negative impacts of its decision
- The Government ought to give urgent consideration and assistance to those companies who had already submitted a grant application under the Commercial Ready program at their own great expense. AusBiotech has called for a review of the decision to cut the program off to those who had already submitted applications, given the Government has changed its position on other Budget measures, such as the imposition of the luxury car tax and 86 projects it had previously declined to fund under the Regional Partnerships program

- The Government should also consider assisting those companies who were in the process of working with Ausindustry to finalise their grant application
- As a priority, the Government must develop a replacement program to be in place and ready for operation at the beginning of the 2009-10 financial year
- AusBiotech is consulting with industry and members to determine the elements of a replacement program, which will include some key features of Commercial Ready as well as some new enhancements to the program
- AusBiotech looks forward to working with the Federal Government and the Minister for Innovation, Industry, Science and Research, Senator The Hon Kim Carr, to put in place a new policy package for the innovation sector
- Given the Chair of the National Innovation System Review, Dr Terry Cutler, has invited late submissions to the review in light of the Federal Budget, AusBiotech will provide a supplementary submission on this matter, following the outcomes of its consultations with industry figures and members
- AusBiotech has written to the Treasurer, The Hon Wayne Swan, the Minister for Finance and Deregulation, The Hon Lindsay Tanner, and the Minister for Innovation, Industry, Science and Research, Kim Carr