

Commercialisation Australia - the right step

The Government's launch of its new Commercialisation Australia funding body early next year is certainly a step in the right direction from the Rudd government, which had previously raised the ire of the Australian start-up community by axing the \$1 billion Commercial Ready Grant Scheme in 2008. Whether it is enough to encourage and stimulate the commercialisation of Australian innovation will remain to be seen.

In my last contribution to this magazine, I argued that the Commercialisation Institute would need to take a lead role in coordinating and directing government funds for commercialisation and foster intimate engagement with private sources of equity. Only then, with close cooperation between public and private sources of funding for commercialisation can the nation hope to turn a profit from Australian innovation.

The announcement of Commercialisation Australia is good news for local start-ups that have been struggling in the absence of Commercial Ready and the tight capital markets, and it should see some of the pressure subsided for successful applicants.

Yet whilst direct access to government money will be very welcome by Australia's innovation community, on closer inspection it would seem the devil is in the detail.

The Government's initial funding is set at \$50 million a year for 4 years. The assistance is noted as \$50,000 for specialist services, \$100,000 for executive recruitment and up to \$250,000 for proof of concept. Assuming each successful applicant accesses the full range of available support the funding will only support 125 projects per year. That means about 10 projects a month in the whole of Australia: not exactly a breathtaking rate of innovation. Although the funding goes up to \$82 million a year after 4 years it is expected that much of the additional funding will be directed to previous year applicants accessing early stage commercialisation funding of up to \$2 million each.

The Government's Commercialisation Australia fact sheet states that grant funding will be assessed through a competitive merit based selection process. This is appropriate but raises a concern that the assessment panel will be under great pressure to pick 'winners'. This is further highlighted by the intention that successful projects repay the

early stage commercialisation funding. In other words, whoever assesses the applications will be under pressure to select projects that are likely to return \$2 million to government coffers within a reasonably short time

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This may effectively rule out biotechnology and pharmaceutical innovations which are known for a lengthy return on investment. One can only hope that the assessment panel, whoever they may be, can develop an appropriate balance of short term and long term outlook. Bearing in mind that about 1 in 100 innovations are successful (in terms of positive cash flow), it seems unlikely that the correct balance will be easy to find.

However, notwithstanding some concerns, the Commercialisation Australia initiative must be applauded as better than the current options for federal funding of innovation. At present there is a very limited range of grants available for a narrow range of 'green' technologies. Coupled with the R&D tax refund initiative it seems that there may now be funding available for early stage commercialisation in Australia, albeit for just a lucky few.

**LESANZ is the premiere association for the education and promotion of the commercialisation of innovation. LESANZ has 578 members across Australia and New Zealand. The organisation will be hosting its Annual LESANZ conference in Adelaide next year from 22-24th April 2010.*