

Marionette money

BY **DAVE SAMMUT**

Government grants for business are readily available, but are they worth the trouble?

The near-desperation of many small businesses for funding, particularly in the early stages of their business cycle, was very clear at a series of events I attended last year. The events' aim was to help small businesses identify potential sources of government funding relevant to their business circumstances and provide advice about approaching the application process. This juxtaposes with the view I encounter at many larger, more established businesses, whose attitude to government grants is more typically a roll of the eyes and a dismissive sigh.

Many companies that have been around for a while tend to look at government grants as 'marionette money' – money with strings.

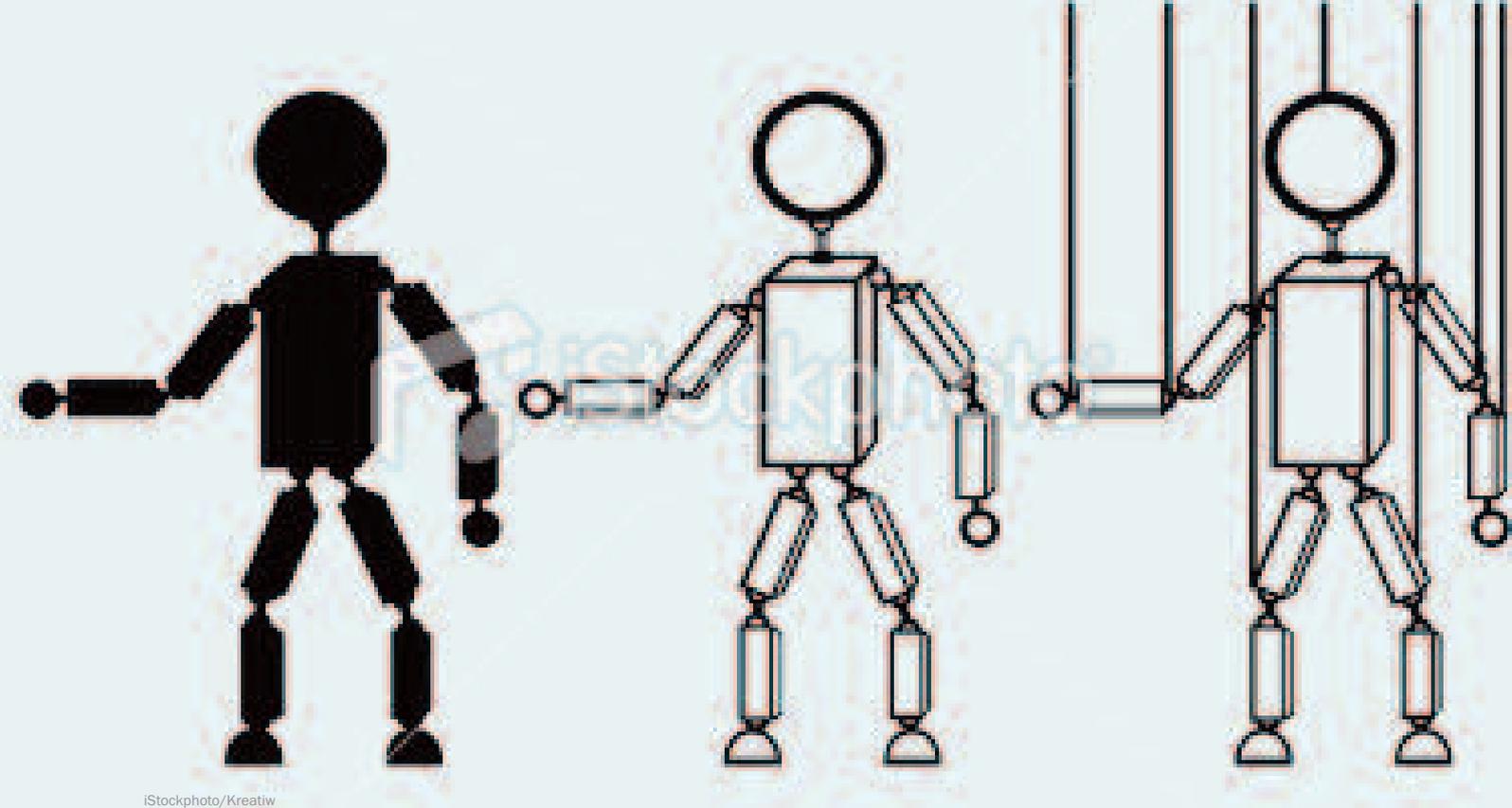
Why the difference in opinion? At least part of this is just experience. It can be quite true that for some grants, the time, paperwork and cost, both for applying for the grant and then complying with the resulting reporting requirements, can approach or even exceed the value of the grant itself. This is particularly true of some of the smaller grant amounts – where 'small' is a subjective term that will vary from business to business.

Even for the Federal R&D Tax Incentive, which is one of the more straightforward programs and is an entitlement based on eligible R&D activity rather than a discretionary grant, some companies choose not to take up their entitlements 'because it is just too much trouble'.

By contrast, I am ever the optimist. Sure, there are programs that I probably wouldn't bother with, but with more than 700 business grants (!) available at the federal, state and local government levels, totalling well over \$50 billion of budgeted government funds annually for businesses, there is bound to be a program to suit almost every business.

Currently, I concentrate on just three programs: the R&D Tax Incentive (up to 45% cash rebate for eligible R&D expenses), the Export Market Development Grant (EMDG) (a 50% cash rebate for eligible international marketing expenses, capped at \$150 000) and Commercialisation Australia grants ('CA grants', up to \$2 million of funding on a 1:1 basis). As legislated programs, these are more predictable from year to year, and are not subject to ministerial discretion.

To learn more about the other 697



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programs (or more), I recommend one of the subscription services or 'specialist grant gurus' that maintain and continuously update accurate databases, and (for a fee) can assist with selecting grants most appropriate to your business.

In describing the advantages of grants as a means of supporting business, Craig Hunter of government grant specialists Grant Ready notes, 'Grants are a useful means of government being able to implement economic policy at arm's length at a state and federal level, and can be used to stimulate specific industry sectors'.

As an industry-oriented consultant, I'm not going to discuss the academic research grants such as the ARC grants. They sound great, but I'm no expert on them. I'm interested in and impressed by the industry-oriented programs.

Starting with the R&D Tax Incentive, there is support for companies to develop new products, processes and services, either alone or in conjunction with R&D providers (academic institutions, registered Research Service Providers, or more general contractors).

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The Commercialisation Australia grants are intended to pick up once the R&D is basically 'complete' (albeit that it may continue as ongoing product development) and to cover what AusIndustry describes as 'the

valley of death' between commercial readiness and first sales.

The Export Market Development Grant can assist companies as they seek to expand from the domestic to international markets, excluding New Zealand, Iran and North Korea. (I am currently doing an environmental project in Iran using new Australian chemical technology, with the full input of the Department of Foreign Affairs and Trade. It has been an extremely positive experience, and the people of Iran are delightful.)

Once a company is established and has at least \$1.5 million of turnover, the Enterprise Connect programs can assist companies to expand and grow. Together, that seems a pretty comprehensive sequence.

There is not space to do justice to all of these programs, but having had a very positive experience with Enterprise Connect's Researchers in Business (RiB) program during the last couple of years, I will use this opportunity for an introduction.

The RiB program offers up to \$50 000 of research salary costs on a 1:1 basis over a 2–12-month period. Its aim is 'to help break down the cultural divide between business and the

IP: a hurdle between government and business

Sponsoring an honours project, for example, is basically just a gift to a uni. Few honours projects will turn up anything interesting, let alone insightful. PhDs might provide some novelty, but the time frames aren't appropriate for most commercial needs, and the costs are no better than hiring an internal junior. So the anticipated commercial outcomes of such projects are limited at best, and more typically negligible.

Yet time and again, when basically offering such a gift to a university out of goodwill, I have been stumped by the uni then demanding ownership of my company's intellectual property (IP). It's a nonsensical approach that shows little understanding of the commercial world. After all, when a company pays an employee or a contractor, the company retains the IP. Why would the situation change when the money flows to an institution? Quite simply, it should not, and time and again my proposed cooperation has fallen at this hurdle.

However, my experience with the RiB program was different. I had a particular idea that I wanted to explore, with a great opportunity to cooperate in its development. Most of the IP was already in place, but there was just one piece of the puzzle yet to fit. And CSIRO came to the table. We were able to agree that the company would own all of the IP resulting from the project, with CSIRO retaining the right to use the fruits of its own work for its future work.

At the December RACI NSW Consultants Group meeting, I was pleased to hear that several institutions have been coming around in recent years to a more realistic approach to IP, and I find this very encouraging.

To the other institutions, still holding out with 'sticky fingers,' I say, 'He who pays the piper calls the tune.'

research sector by speeding up the distribution of knowledge and expertise and accelerating the adoption of new ideas and technologies'.

From one point of view, the program suffers from many of the same problems that limit the desirability of 'free' government money. First, the maximum payment is sufficiently trivial that most medium-sized and larger organisations would find it hard to argue that without this funding the selected project would not go ahead.

Second, the list of eligibility criteria runs to several pages (quite literally: see RIB_CIG.pdf at www.enterpriseconnect.gov.au). Indeed, as someone who has worked his entire career in the private sector. I can't help but raise a sardonic smile that one of the criteria to exclude a project from eligibility is that it 'involves an activity that would be more effectively undertaken by a private sector organisation' ... not that

I would ever be ungenerous to my esteemed colleagues in academia.

Third, there is the reporting – a minimum of three reports over the life of the project, plus participation in published case studies (which may not suit all businesses).

Last, and by a long margin not least, any cooperation between academia and business faces the enormous challenge of intellectual property (see box).

Notwithstanding these limitations, I had a very good experience with this program in 2011. On a particularly serendipitous day, I was sitting at my desk mulling over the solution to a problem in a new technology program I had been developing. Breaking my concentration, I received an unsolicited call from a representative of the CSIRO asking 'Do you have any research that needs doing?' 'As a matter of fact, yes.' Mr Jim Grigoriou quickly found me a very well-suited researcher through CSIRO Minerals in

Perth (Dr Chu Yong Cheng, working for Dr Dave Robinson – see November 2013 issue, p. 24). Jim took care of most of the paperwork – with the RiB program supporting direct application by the research institution – and with quick approval on the funding both by Enterprise Connect and the company, we were ready to start in a matter of weeks. The process was so fast that our team had to scramble to prepare the process intermediates that were to form the feedstock to the research project!

Cheng and his team worked to a pretty aggressive timetable, reporting regularly, and ultimately delivering a successful result. And while the larger project temporarily 'fell over' the following year due to factors beyond anyone's control, the combined technology from the company and CSIRO stands ready to apply. I will take a great deal of pleasure in taking that technology to market at the first chance I get over the next few years.

The Enterprise Connect website lists well over 100 RiB projects successfully completed, with nearly 30 more currently underway. It's great to see that the program seems to be working, and it is proof positive that these programs can achieve their intended outcomes.

I applaud the efforts of the hard-working representatives of our various governments, who work tirelessly (and sometimes thanklessly) to support and encourage Australia to continue to be the clever country.

While plenty of businesses can manage just fine using their own resources and revenues, for the rest of us there are excellent avenues of support, both small and large. Either way, I would encourage every business to at least be aware of the support that is available.

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