



## **INPUT ON THE PROGRAMS FOR A COMMONWEALTH COMMERCIALISATION INSTITUTE (CCI)**

### **SUBMITTED TO:**

Ms Donna Valenti, Commonwealth Department of Innovation, Industry, Science & Research

### **AUTHOR:**

Dr Andy Sierakowski  
Chair, Knowledge Commercialisation Australasia (KCA)  
Director, Office of Industry and Innovation, The University of Western Australia  
Phone: 08 6488 7048  
Mobile: 0408 900 698  
Email: [afs@admin.uwa.edu.au](mailto:afs@admin.uwa.edu.au)

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## INTRODUCTION

This submission formalises the ideas provided by Dr Andy Sierakowski, Chair KCA to Ms Donna Valenti by telephone on June 22, 2009 concerning the CCI.

More specifically, the focus of the current submission is in the area of public research commercialisation and in particular that of commercialising ideas and technologies from universities through the effective transfer to the private sector.

## BACKGROUND

In various submissions over the last 6 years, KCA has argued that significant impetus to university technology transfer can be gained through Federal government supporting programs in the following key areas, all of which have been identified by us as “gaps” in the current public-sector innovation system. Namely:

- Insufficient and non-specific funding for on-campus commercialisation activities
- Inadequate pre-seed funding for proof of concept and related activities to make opportunities investor ready
- Education of university staff and students in IP commercialisation

(For background information on previous submissions see [www.kca.asn.au](http://www.kca.asn.au))

In addition, the sector still requires a regular supply of professionally trained technology transfer staff in the university offices and companies performing the technology transfer functions. On the other hand, it should be noted that over the last decade or so, an increasing sophistication and maturity has also been evident in the sector due in no small part to the hiring and recruitment of industry and business staff into such offices and companies. (See the KCA Commercialisation Metrics Survey 2008, also at [www.kca.asn.au](http://www.kca.asn.au)) This suggests to KCA that we are on the right road but need to accelerate our efforts through supporting programs to be implemented by the CCI. This is also why we argue below that the CCI should build on both this knowledge and infrastructure base.

KCA very much welcomes this opportunity to input and be heard as its members are all practitioners in this space and face the challenges of effective technology transfer daily.

In summary, we would suggest that past federal governments have focussed on funding public-sector research but have not provided specific commercialisation funds (or a percentage of such research funding) to be directed to university commercialisation activities. This has been left to the discretion of the institutes and universities. As a result, this has led to fragmented and inconsistent efforts across the sector with some “players” investing significantly, others modestly, and some not at all. KCA suggests that the formation of the CCI allows for programs to be developed to significantly boost Australia’s performance and outcomes in this sector. However, whatever programs we design we should take a long-term view by understanding that commercialisation outcomes often require careful nurturing over decades. Two of Australia’s often-quoted successes in this sector, namely Cochlear and Resmed, grew from inventions at universities in the 1970’s and 1980’s respectively.

## **COMMERCIALISATION DEFINITION**

KCA also wishes to avoid too narrow a definition of commercialisation and technology transfer. There are a variety of ways that public sector organisations including universities interact with the private sector for efficient knowledge and technology transfer. If we are to design effective programs for the sector, then we will need to address a broad range of initiatives. For the purposes of this submission, we shall use the following key commercialisation activities as part of the definition of commercialisation:

- Research contracts, consultancies, and collaborations between universities and industry (both large companies and SME's)
- Licensing of university IP to the private sector
- The formation of spin-out companies to commercialise university IP

Each of these activities is transaction intensive as it requires various stakeholders and processes to be adequately managed and co-ordinated.

## **CCI FOCUS, GOVERNANCE, ADMINISTRATION, AND DELIVERY**

KCA strongly believes that the CCI should be a “virtual” institute” and not be set up as a further layer over existing operators in the Australian innovation “scene”. Indeed it should provide directed support to these operators and concentrate on delivering targeted programs and funding to them. In theory, it should be able to discharge its charter and operations in a very cost-efficient way by utilising AusIndustry for delivery of its programs. Here are some suggestions in this area:

- Establish a CCI advisory Board to oversee deliver of the programs. Such a Board to have a good cross-section of private and public sector representatives
- A CEO to be appointed to co-ordinate delivery and report to the advisory Board
- Delivery of programs could be through AusIndustry

It is expected that existing programs such as COMET might be “folded in” as part of the CCI offerings.

## **PROPOSED PROGRAMS**

KCA believes the following funded programs are critical to boosting the national performance in university commercialisation. We support the concept that all programs (at a minimum) must have a “matching” funds component. In fact, we have focussed on programs that provide funding on a “rebate format” as we believe that the CCI needs to be directing and encouraging the *desired behaviours* from the program beneficiaries at the outset. In other words, eligibility to access programs and minimal administration of the programs will be factors in the process.

In terms of *desired behaviours*, applicants must demonstrate that they are engaged in commercialising their institute's or university's intellectual property and have put resources in place to do so. Such resources should be in line with the suggested

programs below and are known by KCA to be required for best practice in university technology transfer.

Therefore when providing funding under the suggested schemes below, the CCI would direct funding through the commercialisation companies and technology transfer offices in the universities (the applicants).

## **1. Commercialisation Support Scheme**

### Goal:

To significantly boost university commercialisation efforts and subsequent outcomes through direct funding for targeted and bona-fide commercialisation efforts to established entities. To ensure CCI funds are used on university commercialisation efforts not further research.

### Proposal Ideas:

- Support current technology transfer offices and companies by a rebate grant up to the value of 50% based on previous year's bona-fide commercialisation expenditure.
- Alternatively, the rebate could be based on 0.25-0.50 % of the university research spend from the previous year
- The amount would be capped by entity by year e.g. no greater than \$1M per organisation

### Eligibility:

- Must have established operations and expended own funds to claim rebate- not to be used for establishing new operations
- Qualifying commercialisation expenses include TTO staff salaries, patent costs, market research, external consultants to address internal gaps etc. and must be detailed in year-end submission to receive any rebate

## **2. Proof-of-concept Funding Support**

### Goal:

To provide direct proof of concept funding to demonstrate technologies and develop prototypes so as to reduce the risk of investment for private sector investors.

### Proposed Ideas:

- Establish proof of concept grants in the range of \$30K to \$100K as a matching grant
- Preferable might be the proof-of-concept rebate scheme whereby applicant University TTOs with bona-fide pre-seed funds receive a 50-100% rebate in the subsequent year after providing evidence of projects and spending with associated report
- As above, the amount would be capped per year per applicant

### Eligibility

- Applicant must operate an established pre-seed fund including external advisory board and appropriate governance etc.

- Not available to public-sector companies already formed through other funding such as COMET.
- Clear guidelines as to eligible expenditure that cover the necessary proof-of-concept work to be identified through consultation with stakeholders.

### **3. Commercialisation Training On Campus**

#### Goal:

To provide more frequent short programs on IP commercialisation to researchers including postgraduate students. To greatly increase the numbers of attendees through such programs so as to facilitate improved commercialisation understanding and outcomes.

#### Proposed Ideas:

- Provide a training rebate or offer grants up to \$100,000 per university or institute per annum. to assist them to increase the number of IP workshops and seminars conducted per annum
- Funding may be used to support a part-time or FTE trainer to co-ordinate the efforts
- The training would be co-ordinated through the technology transfer office or company with both internal and external training providers

#### Eligibility:

- Applicants must demonstrate capability to deliver the training
- Applicants need to produce an annual report on training delivered, numbers trained etc...to qualify for rebate

### **4. Business Person in Research Program**

The concept here is to reciprocate the “Researcher in Industry” scheme in the Enterprise Connect Program but have it so that interested and appropriate business and industry people can be seconded to public-sector research entities to help with commercialising specific opportunities on a part or full-time basis. In particular, we need more experienced entrepreneurs to move spin-out companies through the early-stage before revenue generation and then growth.

#### Proposed Ideas:

- A matching grant scheme to be applied for by research institute or university up to a maximum of \$100,000 from CCI per application
- Limited to two granted applications by entity at any one time
- Either for full-time or part-time business entrepreneur funding
- Application must detail purpose of assignment, expected achievements, time-frame etc.

#### Eligibility:

- Assessed on merit of the strength of application and track record of candidate etc)

**KCA believes that the above programs are the key ones in the public-research and university sector required to deliver significant benefits and accelerate both short and long term commercialisation outcomes.**

In addition, the following two programs are also put forward for consideration:

### **5. Australian Licence Incentive Scheme**

It might be worthwhile to consider incentive schemes whereby both Australian companies and research institutes/universities are encouraged financially to become licensee and licensor respectively. In most cases market forces will determine where a technology is best licensed. However, such schemes might help to focus the licensors on potential Australian licensees as a first step.

### **6. Economies of Scale-The Hub and Spoke Concept**

In addition, more consideration should be given on how best to effect economies of scale given that a certain critical mass is required in both research expenditure and commercialisation support for success. These might be on a state by state basis or based on other criteria such as research directions and synergies. Can we, through the CCI, provide programs to facilitate these concepts?

### **SUMMARY**

KCA is convinced that we are poised (with the establishment of a CCI) to significantly boost the performance of the Australian commercialisation space. We have therefore attempted to provide directions in the programs we know are necessary to achieve improvements in the public research and university sector. The KCA Executive and its individual members remain keen to support DIISR in further developing these programs and ideas.