

Budget Bulletin No1

CURRENT STATUS OF FEDERAL GRANTS – MAY 22, 2008

FEDERAL BUDGET MAY 2008 MAIN OUTCOMES AFFECTING GRANT PROGRAMS

Summary

In its first budget handed down on Tuesday, May 13, 2008, the Federal Labour Government made a number of changes to the grant and support base for innovation; changes that weren't available in the big picture overview.

These changes are now becoming evident, with a progressive release of changes to reflect new policies.

Overall, it seems that almost \$2.5Billion has been cut from government programs, along with many of the programs themselves.

On the other hand, new grant programs are being introduced, with those so far announced totalling also around \$2.5 billion. These new programs have reflected the government's election promises to support initiatives in business development, skills training, manufacturing, export and the environment.

Most notable amongst the grant program casualties has been the Commercial Ready Program (including Commercial Ready Plus) which has been retrospectively discontinued from April 30.

Comment

Most of the program cuts and deletions have been undertaken without any phase out period, ie they have been terminated with immediate effect; although there has not been any timetable so far issued to phase in new programs.

This action has caused both shock and dismay throughout industry, especially within the SME sector where companies rely on this form of support at a critical stage in their innovation development.

Pyksis recognises and understands the pain that many companies are suffering, quite a number of which have seen costly applications (either in progress or already in the evaluation phase), being rendered worthless overnight.

The biggest challenges that companies are facing in this changing landscape, over and above the immediate and real financial losses are uncertainties on:

- Whether any of the new programs will meet their needs, in part or in whole
- New programs' content and the guidelines/protocols that will need to be followed
- Timetables for introduction of the new programs, which departments will provide guidelines and assistance, the approval processes etc
- What to do in the meantime, as innovation programs mark time

Despite the uncertainties of the present situation, the new programs, when they are available, will offer new pathways to support for innovation and its all-important commercialisation.

Pyksis is providing advice and support for companies in order for them to capitalise on these new series of grant programs.

Further information on that assistance is provided at the end of this Bulletin.

This Bulletin sets out the most relevant grant and program support information, starting with the new (for which there is a strong environmental component), followed by what has been deleted or cut back.

This is the first of a number of Bulletins that will be issued by Pyksis to keep the innovation community informed on grant and other support.

New & Expanded Programs & Support

Business Enterprise Centres (BEC) - \$42 million over four years

The allocation is to fund the delivery of low cost small business advisory services, by way of thirty-six BECs located throughout Australia.

Enterprise Connect Innovation Centres - \$250.7 million over five years

The allocation is to establish ten Enterprise Connect Innovation Centres around Australia. The centres will provide business and advisory and diagnostic services targeted at assisting SMEs improve productivity and capacity for innovation.

As noted later in this Bulletin, Pyksis believes that these centres should provide an opportunity for productive cooperation between companies, the centres and Pyksis. This situation is being further investigated.

Export Market Development Grants Scheme — additional \$50 million

This is a good scheme that has been recognised and expanded.

See later in this Bulletin on how Pyksis can assist you to participate.

Regional Food Producers' Innovation and Productivity Program - \$35 million over four years

Funding is to be provided by way of matching grants to Australia's regional food producers, to assist them in becoming more competitive through productivity and innovation improvements.

The funding includes \$10 million for seafood industry projects.

Skills & Training

The Federal government has set aside almost \$2Billion (over five years) for skilling Australia for the future. The bulk of this funding has been directed at combating skills and labour shortages, including re-training those individuals who are currently outside the workforce.

The program that appears of most direct relevance to companies in Pyksis' catchment area is:

- \$704.6 million for 392,000 new training places for those in the workforce to train/upgrade skills

Environment & Sustainability

The Government has provided \$1.9 billion in funding to support the environment and to address climate change issues through a range of initiatives spread over four years.

In addition, the Government has allocated funding to work on the development on the emissions trading scheme.

The main programs and areas of funding are summarised later in this section.

These are areas of priority also for Pyksis, which has been focusing business attention on matters such as carbon footprints, reduction in atmospheric emissions and renewable energies, in anticipation of an Emissions Trading Scheme being introduced.



As a consequence, Pyksis is becoming increasingly well-positioned to assist its client companies to deal with and profit from activities in this area. See later in this Bulletin for more information on this initiative.

Clean Business Australia - \$240 million through the following programs

- **Climate Ready:** This provides funding of \$75 million over four years. This competitive grants program will assist SMEs to develop and bring to the market new products that save energy and water, as well as those that reduce pollution.
- **Retooling for Climate Change:** A further amount of \$75 million over four years to assist Australian manufacturers to improve their production processes, energy and water efficiency and to reduce their carbon emissions.

The program has been designed to provide grants of between \$10,000 and \$500,000 (up to a third of the cost of each project). The grants are to be provided to SMEs for initiatives such as investing in energy efficient manufacturing tools, small scale cogeneration plants and water recycling.

Advice will also be provided to small and medium enterprises on how to improve water efficiency through the National Manufacturing Network.

- **Green Building Fund:** Funding of \$90 million over four years is to be provided, to assist business to implement energy efficient measures. The Fund will subsidise 50 per cent of the cost of retrofitting and retro-commissioning existing commercial office buildings, up to a maximum of \$200,000 per building. Funds will be awarded to organisations on a competitive basis, with priority given to large buildings (over 5000m²).

Energy Innovation Fund - \$150 million over four years

The funding provided under this scheme is to support the development of clean energy technologies. It includes \$50 million for the Australian Solar Institute; \$50 million for photovoltaic R&D; and \$50 million for general clean energy R&D.

Renewable Energy Fund - \$499.7 million over seven years

This funding is to support competitive grants of between \$10 million and \$75 million to develop, commercialise and deploy renewable energy projects and technologies in Australia.

It is designed to assist the development of next generation ethanol technology by providing grants to Australian companies to commercialise new technology using alternative fuel sources.

Deleted Programs & Support

The following programs have been either discontinued (with immediate effect) or had their funding and/or scope cut.

As noted previously in this Bulletin, this list is by no means fully inclusive, but does address those programs that are most likely to impact on Pyksis' client base.

As the deletion of programs and/or reduction in funding appear to be works in progress under the new Federal Labor Government (the Cutler review of the National Innovation System has yet to be published), Pyksis will keep its companies informed in a timely manner, through further Bulletin Updates.

- **Commercial Ready Program** – This has been deleted as of 30 April 2008, saving \$707 million over four years. No further grants are to be approved, although all existing grant contracts will be honoured.
- **Regional Partnership Program** – This program has been deleted, saving \$236.2 million over five years
- **Australian Industry Productivity Centres** – These have been deleted as an initiative, saving \$157 million over five years. They are to be replaced with the *Enterprise Connect Innovation Centres*, costing \$42 million over four years.
- **Community Water Grants** – These have been deleted, saving \$73.6 million over four years
- **Food Innovation Grants (FIG)** – These have been deleted leading to a predicted saving of \$62.7 million over 5 years. Note the introduction of the *Regional Food Producers Innovation and Productivity Program*.
- **Building Entrepreneurship in Small Business Program** - This program has been deleted, with predicted savings of \$10.5 million over two years.
- **New Industries Development Program** – This program has been deleted with predicted savings of \$6.6 million over four years.
- **Pharmaceuticals Partnerships Program** – This program has been deleted with modest savings of \$3.2 million over two years (unallocated funds)
- **Global Opportunities Program** – This program which is worth \$62.6 million over four years has been transferred into Austrade.
- **Low Emissions Technology Demonstration Fund** – This program has suffered a funding cut of \$90 million and has been transferred to the new National Clean Coal Fund (not mentioned in this Bulletin, being not of immediate relevance to Pyksis client companies) and the Renewable Energy Fund (see above)
- **Renewable Remote Power Generation Program** – Funding to this program has been cut by \$42 million over 2 years.
- **Low Emissions Technology and Abatement Program** - Funding to this program has been cut by \$2.2 million.
- **Capability Technology Demonstration Program** - Funding to this program has been cut by \$30.3 million over four years.
- **Australian Tourism Development Fund** - Funding to this program has been cut by \$15.5 million over three years.

Pyksis Assistance & Advice

Pyksis believes, based on current information that the *Business Connect Innovation Centres* will provide useful links whereby Pyksis will be able to further assist its client companies develop and commercialise their innovations.

Pyksis is presently further investigating the establishment of these centres and provide further updating Bulletins as more information becomes available.

Pyksis is able to assist its client companies with applications for EMDG and encourages companies to be in contact as a matter of priority to ascertain their eligibility and likely support under this scheme.

In parallel with the EMDG, Pyksis is also encouraging companies to immediately consider *R&D Tax Concession* for the 2008FY. While the outcomes of the *Cutler Review* are yet to be announced (and it is expected that it will address, *inter alia*, the *R&D Tax Concession*), Pyksis believes that companies should move forward on the basis that the scheme will be retained.

The new Regional Food Producers grant promises to provide a good source of support now that previous FIG and the Regional Food grants have been abandoned.

Pyksis welcomes enquiries from companies which believe that they might qualify for these grants. Further updates will be provided as information is released.

The environment is looking to be one of the big areas for Federal Government support and is an area that Pyksis has, since mid 2007, been giving a greater focus to.

Pyksis is well positioned to assist companies in the three major new grant support categories of *Climate Ready*, *Retooling for Climate Change* and the *Green Building Fund*. Again, further information is needed before we can be specific about what projects are eligible for support and the actual application process.

Finally, the *Energy Innovation* and *Renewable Energy Funds* offer exciting new possibilities for companies with innovations in these areas. These are also areas of high priority for Pyksis.

In summary, you should, in the first instance be in contact with Pyksis to assess your position in the light of the many program closures and to discuss whether you could be eligible for support under one or more of the new programs.

Contact details are as below:

NSW & ACT: Robert Holgate 0407-910-740; robert.holgate@pyksis.com

VIC & SA: Mark Gustowski 03 8648 6419; mark.gustowski@pyksis.com

Elsewhere: John Johnston 02 9965 7259; john.johnston@pyksis.com

It is important that companies maintain close contact with Pyksis during the next few months as the grant landscape is likely to change significantly and a good deal of information on the new schemes will be progressively released.

Pyksis will, in parallel, work to keep you abreast of these developments through release of regular Bulletins.

Please check the Home Page on the Pyksis website (www.pyksis.com)