



Australian Government

**Department of Innovation
Industry, Science and Research**

Green Car Innovation Fund

Framework Paper

December 2008



The Green Car Innovation Fund is an initiative of the Australian Government under the [New Car Plan for a Greener Future](#)

MINISTER'S FOREWORD



Innovation is an essential driver for Australia's future. The difficult financial situation internationally, environmental concerns, and the challenges facing our domestic automotive industry, mean that it is even more important to innovate if we are to stay ahead.

The Australian Government's \$6.2 billion *New Car Plan for a Greener Future*, released in November 2008, is the most comprehensive plan ever devised for our automotive industry. The Plan demonstrates the Government's commitment to the industry, and is a huge vote of confidence for the industry's economic and environmental sustainability. The \$1.3 billion Green Car Innovation Fund is a key element of that Plan.

The Fund will stimulate innovation and investment in, and the greening of, our automotive sector. The focus is on significantly improving the fuel-efficiency and greenhouse gas emissions of passenger motor vehicles. It will contribute to sustainable high-skill, high-wage and green-collar jobs.

As the Prime Minister said in his World Environment Day statement in June 2008, Australia needs a car industry – one that is clever enough and farsighted enough to make motoring more affordable to working families and less costly to the planet.

The Government recognised that the issues need to be tackled early and so the Fund will start in 2009. We have an open mind about the range of innovative technologies that could provide effective solutions, but commercialising the technologies will be a key factor.

The Fund will be open to applications from all organisations and individuals. We are after the strongest possible field of projects, as well as the proponents willing and able to take those projects forward.

It is imperative that we get the structure of the Fund, and guidelines governing its implementation, right at the outset. This Framework Paper provides key details of the proposed implementation and operation of the Fund and seeks your suggestions on its final design.

I commend the Green Car Innovation Fund to you, and encourage your feedback on this paper. Your feedback will make a vital contribution to ensuring that the Fund is effective in achieving high quality environmental and economic outcomes for all Australians.

Senator the Hon Kim Carr
Minister for Innovation, Industry, Science and Research
December 2008

PURPOSE OF THIS PAPER

This Framework Paper has been prepared by the Department of Innovation, Industry, Science and Research to provide key details of the proposed operation of the Green Car Innovation Fund (the Fund). Stakeholder feedback on this paper will be used to inform the design of the Fund and its final guidelines.

NEW CAR PLAN FOR A GREENER FUTURE

On 10 November 2008, the Australian Government announced *A New Car Plan for a Greener Future*, worth up to \$6.2 billion between 2008 and 2021, to make the Australian automotive industry more economically and environmentally sustainable by 2020. The Plan works in four key areas:

- to attract new investment in innovations, technologies, capabilities and skills;
- to green the industry – improving fuel efficiency and reducing carbon emissions;
- to strengthen the local supply chain and boost skills; and
- to link local and international supply chains.

The Plan consists of:

- a new, better targeted, greener assistance program, the Automotive Transformation Scheme (ATS), running from 2011 to 2020-21 and providing \$3.4 billion to the industry;
- an expanded Green Car Innovation Fund of \$1.3 billion brought forward to 2009 and running over ten years;
- changes to the Automotive Competitiveness and Investment Scheme in 2010 to smooth the transition to the ATS (\$79.6 million);
- \$116.3 million to promote structural adjustment through mergers and consolidation in the components sector (from 1 January 2009) and facilitate labour market adjustment (from 1 November 2008);
- \$20 million from 2009-10 to help suppliers improve their capabilities and their integration in complex national and global supply chains;
- \$6.3 million from 2009-10 for an enhanced market access program;
- a new Automotive Industry Innovation Council, bringing key decision makers together to drive innovation and reform; and
- a \$10.5 million expansion of the LPG Vehicle Scheme, to start immediately, that doubles payments to purchasers of new private use vehicles that are factory fitted with liquefied petroleum gas (LPG) technology.

The legislated reduction of the automotive tariff to five per cent will go ahead as planned in 2010. Matching the world's best on tariffs will prepare the Australian industry for competition in an increasingly open global market.

GREEN CAR INNOVATION FUND

The Fund will provide \$1.3 billion over ten years from 2009. It is a competitive, merit-based, grants program. The Fund will generally contribute one dollar for every three dollars contributed by grantees, but there will be scope to vary this depending on risk profiles and the contribution to the sustainable and international competitiveness of the Australian automotive industry.

The objective of the Fund is to enhance research and development and the commercialisation of Australian technologies that significantly reduce fuel consumption or greenhouse gas emissions of passenger motor vehicles.

The Fund will help the Australian automotive industry to deliver the improved environmental performance required by the Automotive Transformation Scheme which also forms part of *A New Car Plan for a Green Future*.

STAKEHOLDER CONSULTATION

This Framework Paper provides key details of the proposed implementation and operation of the Fund and seeks suggestions on its final design. The Fund will be delivered through AusIndustry, a division of the Department of Innovation, Industry, Science and Research.

There are two ways for interested persons and organisations to present their views on the design of the Fund:

- through attendance at a series of public consultations on the Fund at key centres around Australia in early February 2009. Interested persons and organisations are encouraged to attend. Details of the consultations will be available at www.ausindustry.gov.au;
- written comments in response to issues raised in this Framework Paper or on any other aspects of the Fund can be submitted via email to:

The Manager
Green Car Innovation Fund Taskforce
GCIF@innovation.gov.au

Comments on the design of the Fund are due by **close of business 12 February 2009**.

Some key dates in the further development of the Fund are:

Further consultation based on the Framework Paper with stakeholders on the design of the Fund	Mid December 2008 to mid February 2009
Fund design finalised	March 2009
Fund launched and call for applications	April 2009

Information on the *A New Car Plan for a Green Future* and the Green Car Innovation Fund is available on AusIndustry's website at www.ausindustry.gov.au.

WHO WILL THE FUND SUPPORT?

The Fund will be open to all Australian companies, and to individuals who warrant to form a company if offered assistance and prior to signing a funding agreement. Applications from consortia or groups to undertake collaborative projects involving businesses, research organisations, industry associations or individual researchers will also be considered provided that an eligible lead entity representing the consortia or group is willing and able to commit to the legal and financial obligations arising from a funding agreement.

The Fund can be accessed through two streams:

- **Stream A** will be open only to Motor Vehicle Producers registered under the Automotive Competitiveness and Investment Scheme or the Automotive Transformation Scheme; and

- **Stream B** will be open to all Australian companies or individuals (who warrant to form a company if offered assistance and prior to signing a funding agreement) other than the Motor Vehicle Producers eligible under Stream A. Nonetheless, Motor Vehicle Producers may participate as members of consortia or group under Stream B provided that the Motor Vehicle Producer is not the applicant.

To be eligible to apply for a grant under **Stream A**:

- an applicant must be a Motor Vehicle Producer (MVP) registered under the Australian Government's Automotive Competitiveness and Investment Scheme or the Automotive Transformation Scheme;
- an applicant must demonstrate that it can fund the costs of the proposed project which are additional to the grant sought by the applicant;
- an applicant must demonstrate that it has access to, or the beneficial use of, any intellectual property necessary to carry out and commercialise the project;
- an application must be for a grant of \$10 million or more; and
- the cumulative total of grants allocated to the applicant under Stream A must not exceed \$300 million.

To be eligible to apply for a grant under **Stream B**:

- an applicant must be a non-tax exempt company incorporated under the Corporations Act 2001, or an individual who warrants in the application to form such a company if offered assistance and prior to signing a funding agreement;
- an applicant must not be a Motor Vehicle Producer, or an entity related to a Motor Vehicle Producer, registered under the Australian Government's Automotive Competitiveness and Investment Stream or the Automotive Transformation Scheme;
- an applicant must demonstrate that it can fund the costs of the proposed project which are additional to the grant sought by the applicant;
- an applicant must demonstrate that it has access to, or the beneficial use of, any intellectual property necessary to carry out and commercialise the project; and
- an application must be for a grant of \$100,000 or more.

WHAT ACTIVITIES WILL BE SUPPORTED?

The Fund will provide support for research and development (R&D), proof-of-concept, early-stage commercialisation and pre-production development activities that are carried out in Australia.

To be eligible for assistance under the Fund, activities must be undertaken in Australia and directly relate to the creation, acquisition, application or commercialisation of knowledge, technology, processes, materials or products which:

- are new or additional to the grantee; and
- significantly improve the fuel-efficiency or greenhouse gas (ie carbon dioxide equivalent) emissions of passenger motor vehicles.

It is proposed that applicants would be able to apply for a grant for one or perhaps a combination of the above activities. For instance, an applicant that has acquired intellectual property (IP) with high commercial potential could apply for a grant to undertake the proof-of-concept activity related to the IP. Similarly, an applicant could apply for a grant to undertake R&D, proof-of-concept and

early-stage commercialisation activities necessary to develop the product to the point where it could be ready for the market.

It is proposed that technology diffusion and collaboration activities associated with the above activities would be treated as eligible expenditure under the Fund.

Definitions of eligible activities

The terms R&D, proof-of-concept, early-stage commercialisation and pre-production development are fairly broad in nature and encompass a wide range of undertakings including, for instance, applied research, IP protection and management, product testing and development, experimental development or prototyping.

R&D activities are defined as systematic, investigative or experimental activities that involve innovation, technology transfer into Australia or technical risk and result in new knowledge or new or improved materials, products, devices, processes or services.

Activities can be seen as innovative if they have an appreciable degree of novelty, such as:

- seeking previously undiscovered phenomena, structures or relationships;
- attempting to apply existing knowledge or techniques in a new way; or
- the results are expected to be patentable.

Similarly, activities involving technical risk may be expected to have reasonable uncertainty about:

- the results;
- which of several alternatives is technically feasible; or
- whether the outcome will meet a desired technical specification.

Proof-of-concept activity is concerned with the work necessary to establish the commercial and technical viability of a product or process. The proof-of-concept process can involve different activities depending on the particular area of technology involved and it is likely that there will be no standard procedure that all projects will follow. Proof-of-concept activities will, however, primarily include validation and efficacy of the discovery, or demonstration of the applicability of the new capability.

Early-stage commercialisation activity could involve a wide range of activities, including related product development, development of prototypes and IP protection and management. Related product development is work undertaken to improve the performance or reduce the cost of a product, process or service.

Pre-production development activity is work focussing on enabling a new product or process to be produced to the stage where it can effectively be brought to market. This can involve a range of activities including retooling, technology development, product testing, demonstration and process improvement.

WHAT MERIT CRITERIA WILL BE USED TO ASSESS APPLICATIONS?

The assessment of applications will take account of the innovative, technological, commercial and environmental merits of the application. The applications for the Fund will be assessed against five equally weighted merit criteria.

Criterion 1 - The extent of the reduction in passenger motor vehicle fuel consumption and/or greenhouse gas (ie carbon dioxide equivalent) emissions arising from the proposed project.

An application must describe and demonstrate how the proposed project will meet the criterion.

The benchmark for measuring any significant improvements in fuel consumption or greenhouse gas emissions should be the 'business as usual' scenario. That is, what improvements will result from the project relative to the option of doing nothing new or different?

For example, in the case of a passenger motor vehicle, significant improvements could be 10 to 15 per cent or more improvement in fuel consumption (litres per 100 kilometres) using the relevant city/country test cycle or a 15 per cent or more improvement in carbon dioxide equivalents per kilometre relative to currently commercialised technologies.

Criterion 2 –The technical merit and extent and calibre of innovation generated in Australia by the proposed project.

An application should demonstrate its technical merits including, where applicable, the potential to extend the technology to other applications.

An application should describe the nature, extent and calibre of the new or additional innovation that will occur in Australia through the proposed project. For example, is it incremental new-to-the-firm innovation, new-to-the-industry innovation, radically new-to-the-world innovation that is collaborative with other organisations (including research organisations), or new-to-the-world innovation in collaboration with overseas partners.

Applications should also describe the level of technical risk associated with the project and strategies to manage the risk. This may also include, if appropriate, a discussion of the facilities, capabilities and expertise brought about through collaborations.

Criterion 3 – The capacity and capability of the applicant to undertake the project, including management capability.

An applicant must demonstrate that it has the management, technical and financial capacity and capability to undertake the project within the proposed budget, timeframe and risk profile. This should include a discussion of the facilities and infrastructure available to the applicant and the capabilities of personnel involved.

An application must demonstrate the need for the funding. That is, will the grant funding induce new or additional innovation relative to the situation where no grant funding was provided?

An application must detail the proposed budget for the proposed project, and specify the sources and amounts of funding for the project:

- to be provided by the applicant or other sources, including funding provided or sought from other Commonwealth, state or territory government programs;
- sought from the Commonwealth as a grant under the Fund.

The Fund will generally contribute one dollar of grant funding for every three dollars sourced by the applicant, although there may be scope to vary the ratio in some circumstances. As a non-exhaustive guide only, the Commonwealth may consider applications involving a different investment ratio according to:

- the risk profile of the proposed project;
- whether the principal innovation of the proposed project is new-to-the-world, new-to-Australia or new-to-the-applicant; or
- the strategic benefits of the proposed project for the Australian automotive sector and/or the broader Australian economy.

An application must describe the applicant's case for seeking grant funding involving a Fund contribution which is more than one dollar for every three dollars sourced by the applicant.

Criterion 4 – The commercialisation potential of the proposed project to the benefit of Australia.

The technology for which a grant is being sought must have the potential to be developed and commercialised to the benefit of Australia. An application must include a plan which identifies how and when the technology will be commercialised to the benefit of Australia.

For applications involving Motor Vehicle Producers, commercialisation is expected to include the development and/or engineering and sale and/or fitment of technologies to vehicles, or the introduction of new passenger motor vehicle models.

Criterion 5 – The contribution of the proposed project to a sustainable and internationally competitive Australian automotive industry, and the benefits to the broader Australian economy.

A proposal should contribute to a sustainable and international competitive Australian automotive industry, including the Australian automotive supply chain. This could be through the development of passenger motor vehicles and related technologies which meet consumer demand for more fuel efficient cars, investment in innovation which improves productivity and hence international competitiveness, and the future sustainability of the automotive sector.

An application should outline the economic benefits that would accrue to Australia and, where applicable, to regions in Australia. Economic benefits could include increased employment, spillovers from investment in innovation, and increased value adding at the industry level. The benefits could include both direct and flow-on benefits.

Typical information to be furnished by grant applicants

Application forms will be tailored to the particular Stream. The following information is indicative of what might be sought in a typical application:

- the applicant's name, corporate information (eg address, ABN, ownership), financial status, role in the project, and capabilities relevant to the project;
- information about other key parties involved in the project, including their role, contribution, capabilities, and how they will benefit;
- a detailed description of the project, including the innovation(s) and eligible activities occurring in the context of the project and the locations of where such innovation(s) and activities will occur;
- the environmental benefits of the project, specifically the forecast significant improvements in fuel efficiency and greenhouse gas (carbon dioxide equivalent) emissions of passenger motor vehicles which are directly attributable to the project;
- the economic benefits of the project, including on the competitiveness and sustainability of the Australian automotive sector and members of the Australian automotive manufacturing supply chain identified by the applicant, and on employment;

- business (including; R&D, IP management and commercialisation plans) and financial plans pertaining to the project, including: detailed costs; cash flow; timelines and milestones; sources and amounts of project investment to be provided by the applicant and other parties; the approval status of the project within the applicant's firm or project group; how, where and when the innovation(s) will be commercialised in the context of the project; the return on investment; a project risk assessment (including technological risks and, any related dependencies and assumptions);
- the amount of Fund assistance sought, the reason that assistance is required, evidence that assistance if provided will result in new or additional activity, a proposed grant milestone payment schedule, and the implications for the project if the assistance is not forthcoming; and
- information on other forms of assistance provided by, or sought from, Commonwealth, state or territory governments relevant to the applicant and the project.

GRANT DURATION

Fund projects will be limited to a maximum of three years duration at the time of application. If successful, extensions of time of up to an additional six months may be considered if the need for the extension could not have been anticipated prior to the project commencing.

APPLICATION AND ASSESSMENT PROCESS

The Fund will be administered by AusIndustry, the program delivery arm of the Department of Innovation, Industry, Science and Research with the assistance of Innovation Australia. Innovation Australia is an independent statutory body established under legislation to promote the development of Australian industry and aims to improve industry efficiency and international competitiveness by encouraging R&D, innovation and venture capital activities.

It is proposed that applications under both Stream A and Stream B can be lodged at any time and will be assessed on a continuous basis. Continuous application rounds will facilitate timely decisions by applicants and grantees to meet their respective innovation and investment cycles.

Upon applying for a grant, AusIndustry will assign a customer service manager to provide guidance on the application process and, if successful, support throughout the life of the project. If the application is not successful, AusIndustry will notify the applicant in writing and provide the opportunity to discuss the outcome with a customer service manager.

Eligibility of applications will be assessed by AusIndustry and only eligible applications will proceed to be assessed by a Committee of Innovation Australia. Ineligible applications will not be assessed and will automatically be rejected, with feedback offered to applicants.

The Committee will assess all eligible applications and provide advice to the Program Delegate (a Departmental officer appointed as the Minister's delegate) about the technical merit of applications assessed under the program. The Committee will convene approximately every six to eight weeks to facilitate the continuous assessment of applications.

The applicant must meet all costs associated with preparing applications and providing information to AusIndustry.

Applications involving grants of \$10 million or more that are recommended for funding will be referred to Cabinet for approval.

AusIndustry will enter into funding agreements with successful applicants and monitor the performance of grantees with the technical assistance of Innovation Australia.

ELIGIBLE EXPENDITURE

It is proposed that expenditure under the following headings be eligible to attract grant funding if it is directly related to eligible project activities (R&D, proof of concept, early-stage commercialisation):

- labour (including salaries, special bonus for employing recent graduates);
- contractors;
- plant and equipment;
- tooling;
- prototype;
- IP protection;
- collaboration;
- acquisition (for adaptation in the project) of new leading-edge technologies.

Other miscellaneous expenditure, if directly related to eligible project activities, may be eligible. The Fund does not provide retrospective funding—if a grant is offered, only the costs of project activities performed on or after the approved project start date attract grant funding.

To be eligible, the grantee must incur expenditure on or after the project commencement date, which cannot be before the date the Program Delegate accepts the application for assessment, and on or before the project completion date, with the exception of final audit costs which can be incurred within three months of the project completion date.

Activities paid for by the grantee using non-cash considerations are not eligible expenditure. Standard clawback provisions will apply to grants made under the Fund to ensure that proponents do not 'double dip'.

In addition, where proposed projects under the Fund receive other Commonwealth or State Government assistance or funding, the value of that contribution will be deducted for the purposes of determining the value of a grant under the Fund. Exceptions include programs with their own clawback provisions, including the Automotive Competitiveness and Investment Scheme (ACIS) administered under the *ACIS Administration Fund 1999*.

The following are not proposed to be eligible activities:

- infrastructure costs;
- the design and installation of financial management systems;
- market research, market testing, market development or sales promotion (including customer surveys);
- routine quality control;
- management studies or efficiency surveys;
- routine collection of information (other than for the purpose of research and development);
- the protection of industrial property rights by legal action;
- test and evaluation once a prototype becomes a production model; and
- staff selection systems.