



Australian Government



CENTRE FOR DEFENCE INDUSTRY CAPABILITY



Program Guidelines

Centre for Defence Industry Capability

September 2016

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1. Introduction

These guidelines set out the framework for the operation and administration of the Centre for Defence Industry Capability (the CDIC) including the granting component.

The CDIC is a key initiative of the Defence Industry Policy Statement released on 25 February 2016. It is a 10 year initiative worth \$230 million.

The Department of Industry, Innovation and Science through AusIndustry is responsible for administering the CDIC and the Department of Defence (Defence) is responsible for providing policy settings, strategic guidance, funding and supporting resources. The Minister for Defence Industry maintains ultimate responsibility for the CDIC.

The CDIC is the cornerstone of the government's strategy for resetting the Defence-industry partnership. It aims to help transform the Defence and industry relationship, and to fund defence industry development, critical skilling and export initiatives. It will also facilitate access to Defence's new innovation programs for Australian industry, academia and research organisations, working closely with the Defence Innovation Hub and Next Generation Technology Fund (See Appendix A).

The CDIC will be led by the CDIC Advisory Board consisting of representatives from Defence, private industry and industry groups, and co-chaired by a senior executive from both the private sector and Defence. It is designed to provide strategic leadership for the defence sector to best meet the needs of both industry and Defence and to help build the capability and capacity of Australian industry to support Defence requirements.

The CDIC's activities will span Defence's three key areas of focus (described in Section 2) and include:

- advisory and facilitation services to defence sector small to medium enterprises (SMEs) to improve business management, skills development, innovation and access to export initiatives and international and domestic supply chains
- grants to defence sector SMEs to implement recommendations from advisory and facilitation services
- strategic advice to government and key sector stakeholders on the development of a sustainable defence industry in line with Australia's defence priorities
- identifying strategic industry capability gaps and solutions and funding Industrial Capability Projects to address them through procurement processes.

The activities of the CDIC are described in Section 3 and information is available on business.gov.au. Granting elements of the CDIC align with the requirements of the [Commonwealth Grants Rules and Guidelines](#)¹.

Australian defence sector

The defence 'sector' includes all businesses that provide products or services or are developing products or services that have a specific application for the Department of Defence.

Definitions of key terms used in these guidelines are in Appendix A.

¹ <http://www.finance.gov.au/sites/default/files/commonwealth-grants-rules-and-guidelines-July2014.pdf>

2. CDIC overview

To achieve its mandate with the Australian defence sector, the CDIC operates across Defence's three key areas of focus:

Focus Area 1: Industry Development

Industry development activities delivered through the CDIC are not directly targeted at individual businesses. This element focuses on providing strategic support for the sector as a whole or sub-sectors.

The CDIC will provide support and funding through procurement processes for defence sector wide initiatives that develop defence industry skills and solve defence industry issues.

An important element of this focus area is the development of an Industrial Capability Plan that will be endorsed by the Board and released by the government. The Industrial Capability Plan will set the ongoing priority activities of the CDIC to target support of the Australian industrial capability to meet Defence requirements. More information about the Industrial Capability Plan is available on business.gov.au.

Focus Area 2: Facilitating Innovation

The CDIC's Innovation Portal connects defence industry, academia and research organisations with Defence innovation supply opportunities. Specialist business and innovation advisers will work with defence businesses and organisations to tap into new funding opportunities for developing innovative defence capability solutions.

Through the CDIC's Innovation Portal, business advisers will help businesses understand defence capability needs and support their ability to contribute to Defence's innovation requirements.

Services will include:

- providing information about Defence innovation requirements
- guiding industry applications into the Defence Innovation Hub and Next Generation Technology Fund (NGTF)
- advice regarding commercialisation and intellectual property management
- facilitating two-way connections between industry and national research organisations
- connecting businesses with other initiatives under the *National Innovation and Science Agenda*

Defence will publish its innovation capability requirements on the Innovation Portal (hosted on business.gov.au). The Innovation Portal is also where industry will be able to lodge their innovation proposals. The Innovation Portal will forward proposals to Defence for innovation funding consideration. Proposals will be assessed against Defence's innovation investment priorities and assessment criteria that will be published on the Innovation Portal (business.gov.au). Note that the innovation assessment criteria are different to the criteria used to determine eligibility for CDIC advisory and facilitation services outlined in section 3.1.1.

From innovation proposals received through the Innovation Portal, CDIC Business advisers may identify SMEs that could benefit from the advisory and facilitation services offered by the CDIC. SMEs will need to apply separately for these services and meet the CDIC advisory and facilitation services eligibility requirements outlined in section 3.1.1.

Focus Area 3: Defence Business Competitiveness and Exports

This focus area provides support and grant funding to assist defence sector SMEs improve their productivity and global competitiveness in areas identified as Defence industrial priorities. We will publish Defence's priorities on business.gov.au and update them from time to time. Eligible SMEs will be provided with defence-specific business advice and the possibility of accessing a range of defence business and skills development courses and export initiatives, including Team Defence Australia and Global Supply Chain.

2.1 CDIC objectives

The CDIC will provide strategic leadership for the Australian defence sector and partner with industry to help build a strong, sustainable, and internationally competitive Australian industry that meets defence capability requirements.

The CDIC will achieve these core objectives by:

- providing advisory and facilitation services to defence sector SMEs to improve business management, skills development, innovation and access to international and domestic defence industry supply chains
- providing grants to defence sector SMEs to implement recommendations from advisory and facilitation services
- identifying strategic industry capability gaps and solutions and funding industrial capability projects to address them through procurement processes.

2.2 CDIC outcomes

The CDIC's intended outcomes are to:

- improve the Defence sector SMEs' business capability, productivity and global competitiveness, aligning with defence capability priorities
- ensure that industry and Defence are well connected in order to tailor business capabilities with defence industrial priorities
- contribute to a strong, sustainable, and internationally competitive defence sector that meets defence capability requirements.

3. Activities

The CDIC will deliver activities across the three Focus Areas. Advice from the CDIC Advisory Board will inform the priority of activities. In addition to the core activities outlined below, the CDIC will support the implementation of other defence industry policy initiatives.

3.1 Activity 1: Advisory and facilitation services

The CDIC will provide advisory and facilitation services to assist eligible defence SMEs to improve capabilities, extend networks and take advantage of development opportunities within the defence sector. There is a single set of eligibility criteria, which covers all the advisory and facilitation services. You can find further information on eligibility in Section 3.1.1.

Through the advisory and facilitation services you will gain a better understanding of the defence market, learn how to engage with Defence and position your business to participate in global supply chains. By accessing advisory and facilitation services your business can improve its skills

and business practices, become more competitive, and take advantage of growth and collaboration opportunities.

The CDIC will deliver advisory and facilitation services through a network of experienced business advisers and facilitators located around Australia. CDIC business advisers and facilitators have extensive defence and private sector experience across a range of areas including business management, skills development, innovation collaboration, export activities and supply chain facilitation.

The Program Delegate may vary the services available on the advice of the Board and we will publish details on business.gov.au if changes occur. These guidelines will also be updated accordingly.

Through the CDIC's advisory and facilitation services your business will receive tailored assistance depending on

- the capability improvements your business requires
- the maturity of your business and
- your knowledge of the defence sector.

It is expected that over time and as your business grows you could access multiple services.

Your level of engagement with the CDIC's advisory and facilitations services will vary depending on your individual business requirements and may include:

- accessing defence sector information through business.gov.au and the contact centre on 13 28 46
- participating in and attending information sessions and workshops
- receiving referrals from CDIC staff and business advisers to other government programs and assistance
- connecting with CDIC staff and experienced business advisers and facilitators for guidance and mentoring
- working one on one with a business adviser to undertake a detailed analysis of your business to identify, recommend and prioritise business improvement and skills development opportunities
- working with a business adviser to undertake defence specific training needs analysis
- working with a business facilitator to help you access domestic and global supply chain and export opportunities. This may include accessing the Global Supply Chain and Team Defence Australia initiatives operated by the CDIC, participating in trade shows to showcase your products and services and finding opportunities to connect and network with the Department of Defence and large defence suppliers known as 'primes'
- working with a business facilitator to help you understand the defence sector's supply requirements and to present your innovative ideas to Defence
- working with a business advisor to explore collaboration opportunities and processes
- training to refine your business value proposition in order to maximise opportunities for growth.

You will need to demonstrate a capacity and commitment for the full engagement to receive detailed advisory and facilitation assistance.

As part of an advisory or facilitation service your business adviser may recommend specific business improvement or skills development opportunities in a report. To assist with the implementation of the recommendations you may apply for a Capability Improvement Grant (Section 3.2). The recommendations will reflect Defence's priorities which may change over time.

3.1.1 Who can apply for advisory and facilitation services?

Advisory and facilitation services are targeted at defence sector SMEs. SMEs are typically defined as organisations with less than 200 employees. However, the Program Delegate has authority to determine access to these services on a case by case basis taking account of the objectives of the program.

To be eligible for any of the advisory and facilitation services activities you must:

- have products or services or are developing products or services that have a specific defence application. If you are unsure call the contact centre on 13 28 46 or contact us at business.gov.au
- require defence specific support which could not be provided through other government assistance. CDIC staff will assess your suitability for advisory and facilitation services and where appropriate may refer you to other government programs and services
- have an Australian Business Number (ABN).

Eligible applicants must be one of the following:

- a company incorporated in Australia
- an incorporated trustee on behalf of a trust
- a Cooperative Research Centre (CRCs)
- a Defence Future Capability Technology Centre (DFCTC).

Businesses are **not** eligible to apply if they are:

- an income tax exempt corporation (with the exception of CRCs and DFCTCs)
- an individual, partnership or trust (however, an incorporate trustee may apply on behalf of a trust)
- a Commonwealth, state or local government agency or body (including government business enterprises).

Joint applications are acceptable, provided you have a lead applicant who is the main driver of the project and is eligible as per the list above.

3.1.2 How to apply for an advisory and facilitation service

There are two ways eligible defence businesses can access the CDIC's advisory and facilitation services.

Firstly, you can access initial information and guidance through business.gov.au and the contact centre on 13 28 46. This initial contact may lead to a discussion with an expert CDIC business adviser to provide further information about the CDIC and what activities may be suitable for your business.

Secondly, businesses with a specific capability improvement need can apply directly for the relevant advisory or facilitation service online at business.gov.au.

You may apply for advisory and facilitation services at any time during the life of the CDIC and may apply multiple times to access various services.

In the application form, you will need to nominate which advisory or facilitation service will best meet your needs. If you are unsure, you can call the contact centre on 13 28 46 or contact us at business.gov.au.

An authorised representative of a business must complete the application. The following are considered authorised representatives:

- Chief Executive Officer
- Chief Financial Officer
- Director
- Chair of the Board
- President
- authorised manager.

We may reject applications that are substantially the same as a previously ineligible or unsuccessful application.

3.1.3 How your application will be assessed

The Program Delegate will decide if your application is eligible under these guidelines.

If your application is eligible the Program Delegate will approve you for a service, subject to available funding.

We will contact you by email with a response within 5 working days of you submitting a complete application.

If we determine that you do not require Defence's specific support, we will refer you to other appropriate programs and services. If appropriate, we will assist you with applications to the Entrepreneurs Programme (EP) or the Industry Skills Fund (ISF).

3.1.4 If your application is successful

If the Program Delegate approves your application, the CDIC will assign a business adviser or facilitator who will work with you to complete the advisory or facilitation service.

After initial discussions with a business adviser or facilitator they may recommend that you access an alternative service offered by the CDIC or other government programs that better meet your immediate needs.

3.1.5 If your application is unsuccessful

If the Program Delegate does not approve your application you will receive notification outlining why your application was not successful. If you are able to address the reasons your application was unsuccessful you can re-apply, and your application may be reconsidered.

3.2 Activity 2: Capability Improvement Grants

You may be able to apply for a Capability Improvement Grant to help with the cost of engaging consultants or experts to implement the recommendations provided in the advisory or facilitation service report. This may also include undertaking any recommended eligible defence specific skills training.

A Capability Improvement Grant reimburses you, for up to half of the cost of engaging a consultant or expert, and undertaking training recommended in the advisory or facilitation service report.

The minimum grant amount is \$5,000 (excluding GST).

The maximum grant amount is \$250,000 (excluding GST).

The minimum and maximum grant amounts relate to the project as a whole which may comprise a number of recommendations.

Grants for skills development improvements are likely to be higher than those for business management improvements. We anticipate that where grants are for the implementation of business management improvements they will generally be up to \$30,000. Where grants are for the implementation of skills development improvements they may be up to \$250,000.

We anticipate that the CDIC will provide up to \$3 million in Capability Improvement Grants each year, however the exact amount will be determined in consultation with the CDIC Advisory Board and published on business.gov.au.

There is no limit on the number of grants a business can receive over the life of the CDIC. However, funding is capped at \$250,000 per grantee in a three year period.

The intention of the grant is to support the specific business improvement or skills development recommendations made by your business adviser or facilitator in their report. It doesn't support fixes for problems that are part of the ordinary every day operations of a business. For further information, refer to Section 3.2.3 (what capability improvements are eligible).

You must complete the funded projects within 12 months. For professional skills development and academic qualifications that extend beyond 12 months you will need to re-apply for a Capability Improvement Grant at the end of each 12 month period. Funding for the full qualification is not guaranteed and the Program Delegate will assess each application for funding independently with regard to the considerations outlined in Section 3.2.6.

Details of grants will be published within 14 days of the grant agreement being executed.

3.2.1 Who can apply for a Capability Improvement Grant?

As part of an advisory or facilitation service your business adviser may make specific business improvement or skills development recommendations in their report. If this is the case you will be invited to apply for a Capability Improvement Grant to help with the cost of engaging consultants or experts to implement the recommendations.

You may apply for a Capability Improvement Grant if you meet the following conditions:

- you apply within 12 months of receiving a CDIC advisory or facilitation service recommendation
or
within 12 months of completing a Defence Industry Innovation Centre (DIIC) advisory or facilitation service and meet the eligibility requirements for the CDIC as outlined in Section 3.1.1 of these guidelines
or
you are applying for funding to continue a longer qualification such as a university degree which has previously commenced through a Capability Improvement Grant and takes more than 12 months to complete

and

- you are implementing recommendations identified in a report provided by a business adviser or facilitator

and

- you are able to fund your share of the cost of engaging a consultant or expert not met by the grant.

3.2.2 How to apply for a Capability Improvement Grant

We will send you an email asking if you would like to be considered for a Capability Improvement Grant to implement the recommendations outlined in your advisory or facilitation service report. The email will contain a link to an application form. In the application form you will need to indicate which of the capability improvement recommendations you would like to implement and apply for grant funding. You can select more than one recommendation if applicable.

You will need to attach a quote from your preferred providers to implement part, or all, of the recommendations in the report. If you are using multiple providers to address different recommendations, you will need to submit a quote from each provider. The quote must address

- the report recommendations that are to be implemented
- the services the consultant will provide, including a break-up of key activities
- delivery timeframes
- costs, detailed in a payment schedule (including hourly or daily rates)
- the estimated number of consulting hours or days for each of the key activities
- the key people who will undertake the project work.

In the application form you will need to certify that your business is able to fund its share of projects costs.

3.2.3 What capability improvements are eligible

In the report, business advisers or facilitators will recommend a range of improvements. The improvements that are eligible for a grant may fall under one of the areas outlined in the following table.

Regardless of the business area, improvements must be related, directly or indirectly, to enhancing the capacity of the SME to meet Defence's need for a product or service. Capability improvement grants are only available where the business adviser or facilitator has confirmed a direct link between the improvements to be funded and Defence industrial priorities. We will publish Defence industrial priorities on business.gov.au and update them from time to time.

The Program Delegate may amend the list of eligible capability improvements in consultation with the CDIC Advisory Board. We will publish any amendments on business.gov.au.

Business capability improvements

| Business area | Example improvements |
|----------------------------------|---|
| Strategic business Issues | <ul style="list-style-type: none"> ▪ Formulating and implementing business goals, models and strategies ▪ Supply chain integration and management ▪ Developing formal business plans and review of business model ▪ Developing business development strategies and sales plans ▪ Developing key performance indicators ▪ Developing strategic partnerships and collaborations ▪ Developing product/service commercialisation plans ▪ Strategic advice on structuring and raising equity and investment. |
| Human resources issues | <ul style="list-style-type: none"> ▪ Cultural changes / change management ▪ HR strategies and systems ▪ Employee training and development ▪ Workforce planning. |
| Internal systems | <ul style="list-style-type: none"> ▪ Preparation for quality assurance and compliance ▪ Occupational Health & Safety ▪ Risk management ▪ Developing documents and processes in internationally recognised standards, training staff in meeting these standards ▪ Scoping, consulting and training to implement a software system, social media/digital strategies, incorporation of ecommerce functionality, and website strategies. |
| Production/operational | <ul style="list-style-type: none"> ▪ Structure and factory lay-out ▪ Advice on investment in new equipment ▪ Value stream mapping (process flow) ▪ Inventory management ▪ Process improvements (Lean auditing, reducing down time, error reduction) ▪ Lean principles and practices ▪ Research and development planning, but not research and development ▪ Scoping, consulting, (possibly developing) and training to implement business specific project management software systems |

| Business area | Example improvements |
|--|---|
| Marketing, branding and communication | <ul style="list-style-type: none"> ▪ Communication strategies, marketing plans, distribution channel management ▪ Strategic market research ▪ Sales team performance and management, customer relationships and retention, and creating a capability to respond to tenders ▪ Customer support systems including systems to record and action customer feedback. |
| Financial management systems | <ul style="list-style-type: none"> ▪ Scoping, tailoring and training of management accounting systems, including accounting systems (financial reporting/dashboards, forecasting and cash-flow management, debtor controls and credit management systems) ▪ Financial modelling in terms of developing the model for use by the business, including scoping, tailoring and training ▪ Advice on planning, directing, monitoring, organising and controlling financial resources. |
| Exploring new markets and market intelligence | <ul style="list-style-type: none"> ▪ Identification of new markets, sector analysis and market development ▪ Industry research and market appraisal (e.g. identifying contacts, language barriers) ▪ Competition strategy (i.e. price or quality basis) ▪ Market research to assist Australian companies develop their international trading/ exporting strategies ▪ Identification of potential offshore and onshore partners or customers ▪ Support with arranging for companies to visit overseas markets e.g. establish itinerary ▪ Export strategy, including compliance with foreign laws and regulations. |
| Environmental sustainability | <ul style="list-style-type: none"> ▪ Tailored advice and strategies to support ▪ Improving sustainability and reducing environmental footprint ▪ Carbon pollution reduction ▪ Waste stream identification, management and reduction ▪ Water and energy efficiency tailored advice and strategies ▪ Environmental management systems ▪ Regulatory issues ▪ Sustainability auditing (including waste, energy, water and environmental footprint). |

| Business area | Example improvements |
|--|---|
| Product and service development | <ul style="list-style-type: none"> ▪ Strategic Intellectual Property (IP) plans including IP protection methodology and advice and general IP advice regarding differentiation of product design ▪ Diversification and product/service innovation and development, including testing for market acceptability /product assessment and improvement for non-compliance purposes ▪ Research and development planning, but not research and development. |
| Mentoring/ coaching | <ul style="list-style-type: none"> ▪ Engagement of an independent and skilled business coach or mentor to build management capability tailored to the needs of the business. |
| Skills and training | <ul style="list-style-type: none"> ▪ Nationally recognised training, including full qualifications and skill sets ▪ Training that is identifiable, transferrable by a learner and builds the capability of a learner ▪ High quality, innovative or tailored training that may not yet be part of a training package or accredited course. This can include different combinations of training modules to form new skill sets and training tailored to meet specific business needs and ▪ Training required to navigate export barriers and/or access foreign markets. |

3.2.4 What business improvements are not eligible?

The following improvements are ordinary every day operations of a business, and are **not** eligible for the grant:

- fees for services provided by related parties such as companies with common shareholdings or directorship with the business, individuals, employees or immediate family related to the business
- salaries for staff or the costs associated with recruitment activities
- in-house running expenses such as standard accounting fees and office expenses
- purchase of plant and equipment or the costs of relocating machinery
- design and printing of sales promotion materials and advertising, including newsletters, brochures and other promotional material
- the cost of trade shows or costs associated with visiting overseas markets and trade events
- the costs of ISO certification or any work in registering domestic or international patents and fees or charges associated with registering intellectual property
- general legal advice or costs associated with estate planning or legal advice associated with this
- creation of Shareholders' Agreements
- purchasing off-the-shelf software or costs of generic software associated with the administrative functions of the business carried out in the normal course of business (e.g. finance, administration, sales, payroll, human resource management, stock control, project costing etc.)

- training or workshops in basic information technology skills
- the development of websites or basic website upgrades
- research and development.

3.2.5 What skills and training activities are not eligible?

The types of training that are **not eligible** include:

- training that allows a business to comply with regulatory requirements relating to normal day-to-day business operations
- training considered part of what a well-managed business should provide to its workforce, through normal day to day operations. This includes on the job training and supervision.
- training available to a business through the state and territory vocational education and training (VET) systems that are subsidised for employees
- training delivered by a business, consortium members or related parties. Related parties include organisations with common shareholdings or directorship and individuals, employees or immediate family related to the business
- consultancy and related activities that do not build capability of a learner to the satisfaction of the Program Delegate.

If we determine that you do not require defence specific support we will refer you to other appropriate programs and services. We can assist you with the application process for the Industry Skills Fund.

3.2.6 How an application will be assessed

The Program Delegate will consider applications for grant funding through a non-competitive open process with regard to the following:

- key defence industrial priorities which are published on business.gov.au.
- the CDIC objectives
- value for money
- available CDIC funds.

We will assess applications on a continual basis with regard to the above criteria and not relative to the merits of other applications.

Value for money considerations include:

- your contribution to the project costs
- expected project benefits
- appropriate market value for the proposed services.

When assessing value for money the Program Delegate will consider the applicant's need for support, taking advice from the relevant business adviser or facilitator.

Successful applications will have direct links to defence industrial priorities. The defence industrial priorities may be amended from time to time in consultation with the Board and the Department of Defence. We publish defence industrial priorities on business.gov.au.

We may not accept your application, or we may ask you to provide more information, if:

- the proposal is not in line with the recommendations made in your business adviser or facilitators report
- there are concerns about the quality of the proposed consultant or project
- a conflict of interest exists
- the improvements are ineligible
- the proposal does not represent value for money.

If you have any questions about your application, you can:

- talk to your business adviser or facilitator or
- call the contact centre on 13 28 46
- contact us through business.gov.au.

We will contact you by email with a response within 15 working days of submitting a complete application.

If CDIC funding is not available, we will publish notification on business.gov.au.

3.2.7 Final decision

The Program Delegate will make the final decision on which projects to fund.

If your application is successful, you will receive a written offer.

If your application is unsuccessful, the CDIC will notify you in writing and give you an opportunity to discuss the outcome. We cannot review decisions. You can submit a new application for the same project (or a similar project) but it should include new or more information to address the weaknesses identified in the previous application. We may refuse to admit for consideration a new application that is substantially the same as a previous ineligible or unsuccessful application.

The Program Delegate's decision is final in all matters, including:

- the approval of applications for funding
- the size of funding to be awarded
- the terms and conditions of funding.

3.2.8 Grant agreement

Grant agreements will vary depending on the project duration.

Short projects

For short projects with an expected duration up to 6 months, an approval letter along with your completed application form will form the grant agreement. If you are in this category you will receive one payment at the end of the project on completion of a satisfactory final project report including evidence of attainment of qualifications/training outcomes where applicable. A sample approval letter is available on business.gov.au.

You must not commence, or pay for the project, in part or full, (including paying for or attending courses) until you receive an approval letter.

Once you receive an approval letter you will have a maximum of 6 months to complete the project.

Longer or more complex projects

For longer or more complex projects with an expected duration of up to 12 months, you must enter into a more detailed grant agreement with the Department of Industry, Innovation and Science, acting on behalf of the Commonwealth. If you are in this category you may receive two grant payments and will be required to report at a minimum of six monthly intervals. We will make any progress payments on receipt of a satisfactory milestone report. We will make your final payment at the end of the project on receipt of a satisfactory final project report including evidence of attainment of qualifications/training outcomes where applicable. A sample grant agreement is available on business.gov.au.

You will have 21 days from the date of offer to sign and return the grant agreement. When we execute the grant agreement we will return a copy to you for your records. The CDIC may withdraw the offer if the grant agreement is not executed within 30 days.

You must not commence, or pay for the project, in part or full (including paying for or attending courses), until a grant agreement is signed by both parties.

Once you have received a copy of the executed grant agreement, you must agree on a start date for each project with the consultant(s).

Once the grant agreement is executed, you will have a maximum of 12 months to complete the project.

3.2.9 How the grant will be paid

The grant agreement will state the:

- maximum grant amount to be paid
- grant ratio which is the proportion of eligible expenditure covered by the grant
- the payment and reporting schedule.

We will not exceed the maximum grant amount under any circumstances. If you incur extra eligible expenditure, you must meet it yourself.

For short projects up to 6 months in duration, we will make one grant payment at the end of your project on submission of a satisfactory final project report. There will be no other reporting requirements for these projects.

For longer projects up to 12 months, we will pay you as outlined in your grant agreement in arrears on achievement of milestones.

Grant payments will only reimburse consultant costs that directly relate to the implementation of recommendations.

Grant payments will be based on:

- eligible expenditure incurred that is directly related to the project
- agreed funding ratio for the project
- provision of agreed evidence (e.g. satisfactory progress reports, final report, evidence of consultant costs).

3.2.10 Project variations

We recognise that unexpected events may affect project progress. In these circumstances, you can request a project variation, including:

- changing project consultants and service providers
- changing project milestones
- extending the timeframe for completing the project subject to available funding.

If you want to request changes to a project, you must put them in writing before the project completion date. We will not consider changes after the project completion date.

3.2.11 Tax obligations

Grants are subject to the Goods and Services Tax (GST). We will increase your grant payments to pay for GST if you are registered.

Grants are assessable income for taxation purposes, unless exempted by a taxation law. We recommend you seek independent professional advice on taxation obligations or seek assistance from the [Australian Taxation Office](#). We do not provide advice on tax.

On payment of grant funds we will provide a recipient created tax invoice (RCTI).

3.2.12 How we monitor your project

We will monitor the progress of your project by assessing reports that you submit.

You must submit progress and final reports, in line with your grant agreement. The amount of detail provided in the reports should be commensurate with the project size, complexity and grant amount. We will provide you with templates when finalising your grant agreement.

Progress and final reports must:

- include the agreed evidence
- identify the total eligible expenditure incurred in achieving the milestone
- be submitted within 4 weeks of completing the project or a milestone (reports can be submitted ahead of time if the milestone has been completed).

We will assess all reports and conduct site visits if necessary.

Grant recipients are required to cooperate with any evaluation or audit of the CDIC undertaken by the Commonwealth, officers of the Parliament and authorised independent third parties, including by providing information requested by the Commonwealth, officers of the Parliament and a relevant third party for the purposes of the evaluation or audit.

3.3 Activity 3: Strategic advice to government

The CDIC Advisory Board will provide recommendations to the Program Delegate with regard to the strategy and activities of the CDIC. The Board will also provide strategic advice to government on the development of sustainable defence industrial capability in line with Australia's defence priorities. The Board and Program Delegate will brief the Minister for Defence Industry as appropriate.

Fundamental to setting the strategy and activities of the CDIC is the development of a Defence Industrial Capability Plan that identifies the sovereign industrial capabilities that are required to be maintained and supported in Australia.

The Defence Industrial Capability Plan will be developed by the CDIC, endorsed by the Board and approved by government. The Industrial Capability Plan will be reviewed on an annual basis to ensure the priorities for the CDIC's activities remain current.

The CDIC will also conduct a skills gap analysis within the defence industry sector to help ensure Australia has the skills needed to meet the requirements of existing and future capabilities. The outcomes of this analysis will also be advised to government and influence the priorities of activities undertaken by the CDIC.

Through the course of all the CDIC's activities it will identify opportunities for improvement and make recommendations on:

- more efficient processes for engaging with industry
- better coordination with State and Territory governments.

3.4 Activity 4: Industry Capability Projects

Through recommendations from the CDIC, the Board will prioritise and endorse Industry Capability Projects. The Industry Capability Projects will target industry wide issues such as a critical and widely found skills shortage in a particular trade. These issues will be outlined in the Defence Industrial Capability Plan or project proposals developed by industry in collaboration with CDIC staff and Defence. Industry Capability Projects will be directed at improving the ability of the Australian defence sector to produce products and services that have a specific defence application or to contribute to defence capabilities.

The CDIC will be providing Defence capability managers with information, advice, facilitation, and networking services to support the implementation of the 'Industry as a Fundamental Input to Capability' policy, and strengthening of the Australian Industry Capability program. The CDIC may also establish Industry Capability Projects to assist with these policy initiatives.

Defence has transitioned the operation of two export initiatives to the CDIC: Team Defence Australia and the Global Supply Chain. These two initiatives target the enduring export challenge for Australian defence industry and may vary over time depending on the priorities identified for Industry Capability Projects.

The CDIC will procure the necessary goods and services to undertake Industry Capability Projects as required and approved by the Program Delegate. The Program Delegate, on advice from the Board, will determine the amount of CDIC funds spent on Industry Capability Projects in each year with consideration given to current Defence industrial priorities, the CDIC objectives and available funds.

Industry may be required to contribute to the costs and effort of managing and/or undertaking Industry Capability Projects. The Program Delegate, on advice from the Board, will determine the type and amount of industry contribution for each project.

We will publish information about Industry Capability Projects on business.gov.au. Industry Capability Project outcomes will also be shared with relevant industry and government stakeholders.

4. CDIC governance

4.1 Roles and responsibilities

4.1.1 Minister

The Minister for Defence Industry will:

- appoint a Program Delegate for the CDIC and delegate as required any of his or her roles or responsibilities to the Program Delegate

- select and announce the co-chairs of the CDIC Advisory Board and appoint other members
- maintain ultimate responsibility for the CDIC.

4.1.2 CDIC Advisory Board

The CDIC Advisory Board will provide strategic oversight of the CDIC through advice to government and recommendations to the Program Delegate.

The Board will consist of several members, including two Co-Chairs (one of which is ex-officio). The Board will comprise representatives from Defence, private industry and industry groups. The Board will meet as required but at least quarterly.

Private sector members will primarily be drawn from the defence and related industries sectors and will represent a broad range of private sector stakeholders including SMEs and Defence prime contractors.

The Department of Defence and The Department of Industry, Innovation and Science will each provide one adviser to the Board.

4.1.3 Department of Defence

The Department of Defence will provide policy and program oversight and advice to the Minister for Defence Industry and the Program Delegate on the CDIC.

4.1.4 AusIndustry

The Department of Industry, Innovation and Science through AusIndustry is responsible for administering the CDIC on behalf of the Department of Defence.

4.1.5 Program Delegate

The Program Delegate is the AusIndustry general manager who is responsible for administering the CDIC. The Program Delegate is authorised by the Minister for Defence Industry to make decisions in relation to the administration of the CDIC and to give directions to AusIndustry as to the interpretation of these guidelines and other documents used in relation to the CDIC.

The Program Delegate must have regard to the Defence Industry Policy Statement and CDIC objectives when performing any function or making any decision in relation to the CDIC.

4.2 Evaluation and review

The CDIC will develop performance metrics that will be used to measure the efficiency of the CDIC activities in achieving policy outcomes. A performance measurement and evaluation strategy will be established and reviewed annually to monitor how the CDIC is performing against the objectives and outcomes noted in Section 2.1 and 2.2.

Defence will evaluate the CDIC progressively over its life with an initial evaluation to commence in 2018.

5. Whole of government linkages

Delivering Defence capability involves many stakeholders at the Commonwealth and state and territory government levels. The CDIC specifically supports the defence sector and will be most effective by working in partnership, wherever practicable, with other government initiatives.

5.1 Entrepreneurs Programme and Industry Skills Fund linkages

The CDIC will leverage elements of other government programs as appropriate including the Entrepreneurs Programme and Industry Skills Fund. If we determine that you do not require Defence specific support, we will refer you to these or other government programs and services as appropriate. We can assist you with the application process.

6. Other things you should know

6.1 Conflicts of interest

For staff, technical experts, members of the Board and others who help to manage, assess and evaluate the CDIC, a conflict of interest can exist if there is a conflict between:

- their CDIC duties, roles and responsibilities and
- their private interests (where these interests could inappropriately influence the way they manage the CDIC).

Private interests include an individual's own personal, professional or business interests or the interests of individuals or groups with whom they are closely associated. This includes relatives, friends or other affiliations.

A conflict of interest can be:

- real (or actual)
- apparent (or perceived) or
- potential.

A real (or actual) conflict of interest exists when a person's private interests or their program duties, roles and responsibilities could improperly influence how they manage, assess and evaluate the program.

An apparent (or perceived) conflict of interest exists where it appears or is perceived by a third party that someone's private interests or their program duties, roles and responsibilities could improperly influence how they manage, assess and evaluate the program, even if a real or actual conflict has not, or cannot, be established.

A potential conflict of interest exists when someone has a private interest and an actual conflict of interest could arise if they make any decisions related to the program.

6.1.1 How we manage conflicts of interest

We manage conflicts of interest according to the *APS Code of Conduct* (subsection 13(7) of the *Public Service Act 1999*). We publish our conflict of interest policy on the [Department of Industry, Innovation and Science²](http://www.industry.gov.au/AboutUs/InformationPublicationScheme/Ourpolicies/Pages/Library%20Card/ConflictofInterestandInsideTradeExpectationsofInnovationEmployees.aspx) website.

CDIC Advisory Board members and other officials must declare any conflicts of interest. A delegated authority receives and retains all declarations. The delegated authority assesses all declarations to determine whether a conflict of interest exists and whether it is significant. In the

²

<http://www.industry.gov.au/AboutUs/InformationPublicationScheme/Ourpolicies/Pages/Library%20Card/ConflictofInterestandInsideTradeExpectationsofInnovationEmployees.aspx>

event that a conflict of interest is identified, that individual will be advised what they must do to manage the conflict. For example, if a conflict of interest is a cause for concern, that official will not take part in the assessment of a particular application under the CDIC.

If the Minister for Defence Industry cannot make a decision under the CDIC without a conflict of interest arising, the relevant Defence portfolio Minister will become the final decision maker.

6.2 How we use your confidential information

We'll treat the information you give us as sensitive and therefore confidential if it meets all of the four conditions below:

- You clearly identify the information as confidential and explain why we should treat it as confidential
- The information is commercially sensitive
- Revealing the information would cause unreasonable harm to you or someone else
- You provide the information with an understanding that it will stay confidential.

We may share the information you give us with other Commonwealth agencies for any purposes including government administration, research or service delivery and according to Australian laws, including the:

- *Public Service Act 1999* (Cth)
- *Public Service Regulations 1999* (Cth)
- *Privacy Act 1988* (Cth)
- *Crimes Act 1914* (Cth)
- *Criminal Code Act 1995* (Cth).

6.2.1 When we may reveal confidential information

We may reveal confidential information:

- to the Board and other Commonwealth employees and contractors, to help us manage the CDIC effectively
- to employees and contractors of the Department of Industry, Innovation and Science, so we can research, assess, monitor and analyse our programs and activities
- to employees and contractors of other Commonwealth agencies for any purposes, including government administration, research or service delivery
- to other Commonwealth, state, territory or local government agencies in program reports and consultations
- to the Auditor-General, Ombudsman or Privacy Commissioner
- to the responsible Minister or relevant portfolio Minister
- to a House or a Committee of the Australian Parliament.

We may also reveal confidential information if:

- we are required or allowed by law to reveal it
- you agree to the information being revealed before we reveal it
- someone other than us has made the confidential information public.

6.3 How we use your personal information

We must treat your personal information according to the Australian Privacy Principles (APPs) and the *Privacy Act 1988* (Cth). This includes letting you know:

- what personal information we are collecting
- why we are collecting your personal information
- to who we will give your personal information.

We will collect personal information from you, and we may give the information to our employees and contractors, the CDIC Advisory Board, and other Commonwealth employees and contractors, so we can:

- manage the CDIC
- research, assess, monitor and analyse our programs and activities.

We may:

- announce to the public the names of successful applicants
- publish personal information on the websites of the Department of Defence and Department of Industry, Innovation and Science.

Please read our [Privacy Policy](#)³ on the Department of Industry, Innovation and Science website for more information on:

- what is personal information
- how we collect, use, store and reveal your personal information
- how you can access and correct your personal information.

6.4 Freedom of information

The *Freedom of Information Act 1982* (Cth) (FOI Act) applies to all documents we create, receive or store about the Program. If someone requests a document under the FOI Act, we will release it (though we may need to consult with you and/or other parties first) unless it meets one of the exemptions set out in the FOI Act.

7. Public announcement

The Minister for Defence Industry, or the Minister for Industry, Innovation and Science in consultation with the Minister for Defence Industry, may publicly announce successful CDIC projects. We will also publish non-sensitive details of successful project on government websites as per the reporting requirements of the *Commonwealth Grant Rules and Guidelines* and consistent with the [Australian Government Public Data Policy Statement](#)⁴, unless otherwise prohibited by law.

This information may include:

- name of your business
- title of the project
- description of the project and its aims

³ <http://www.industry.gov.au/Pages/PrivacyPolicy.aspx>

⁴ <http://www.dpmc.gov.au/resource-centre/data/australian-government-public-data-policy-statement>

- amount of grant funding awarded
- business location
- industry sector of your business.

We publish this information to ensure open access to non-sensitive data within Australian Government agencies to enable greater innovation and productivity across all sectors of the Australian economy.

8. Enquiries and feedback

For further information or clarification you can contact us on 13 28 46 or by [web chat](#) or through our online enquiry form at [business.gov.au](#).

Questions you ask us may form the basis of a response that we will publish on our website as Frequently Asked Questions.

The AusIndustry [Customer Service Charter](#) is available at [business.gov.au](#). AusIndustry uses customer satisfaction surveys to improve its business operations and service.

If you have a complaint, call the contact centre on 13 28 46 or contact us at [business.gov.au](#). We will refer your complaint to the appropriate manager.

If you are not satisfied with the way we handle your complaint, you can contact:

Head of Division
AusIndustry – Innovation Programmes
GPO Box 9839
CANBERRA ACT 2601]

You can also contact the [Commonwealth Ombudsman](#)⁵ with your complaint (call 1300 362 072). There is no fee for making a complaint, and the Ombudsman may conduct an independent investigation.

⁵ <http://www.ombudsman.gov.au/>

Appendix A. Definitions of key terms

In these *Guidelines* unless the contrary intention applies:

Applicant means an entity referred to in these *Guidelines* that submits an *Application* for a Centre for Defence Industry Capability advisory or facilitation service or *Funding*.

Application form means the document issued by the *Program Delegate* for the purposes of *Applicants* applying for an advisory or facilitation service or funding under the *CDIC*.

AusIndustry means the division of the same name within the *Department*.

CDIC Advisory Board or **Board** means the body by the same name established by the *Minister for Defence Industry* to provide strategic oversight of the CDIC, to ensure guidance and alignment with Defence capability priorities, and provide recommendations to the Program Delegate.

CDIC Funding or **CDIC Funds** means the funding made available by the Commonwealth for the CDIC in any given financial year, being the funding specified in the Portfolio Budget Statement (as varied by any Portfolio Additional Estimates Statement or by the *Minister for Defence Industry*) for that year.

CDIC Innovation Portal or **Portal** means the mechanisms (web interface and advisers) that connect defence industry, academia and research organisations with defence innovation supply opportunities.

Conflict of Interest means the exercise of a power or making of a decision by a person in a way that may be, or may be perceived to be, influenced by either a material personal interest (whether financial or non-financial) or a material personal association.

Defence when capitalised refers to the Department of Defence and when not capitalised has its generic meaning.

Defence Innovation Hub refers to the system within the Department of Defence that will manage a portfolio of Defence innovation investments. The Hub will be coordinated from the Defence Strategic Policy and Intelligence Group, and will rationalise and simplify the existing Defence innovation programs into a streamlined program which nurtures and matures proposals through a single innovation pipeline.

Department means the *Department* of Industry, Innovation and Science.

Eligible Activities means the activities undertaken by a *Grantee* in relation to a *Project* which are deemed eligible for funding support by the *Program Delegate* in accordance with these *Guidelines* and the *Grant Agreement*.

Eligible Applicant means an *Applicant* that satisfies the requirements described in 3.1.1 of these *Guidelines*.

Eligible Expenditure means the expenditure incurred by a *Grantee* in relation to a *Project* and deemed eligible for funding support by the *Program Delegate* in accordance with these *Guidelines* and the *Grant Agreement*.

Goods and Services Tax (GST) has the same meaning as in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Grant Agreement means a single agreement for the receipt of a grant under the *CDIC* for a *Project*.

Grant Funding or **Grant Funds** means the funding made available by the Commonwealth of Australia to successful *Applicants* under the *CDIC*.

Grantee means an entity that has been offered grant funding and has entered into a *Grant Agreement* with the Commonwealth in relation to the *CDIC*.

Minister means the Minister for Defence Industry.

Non Income-Tax Exempt means not exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997 (Cth)* or under Division 1AB of Part III of the *Income Tax Assessment Act 1936 (Cth)*.

Next Generation Technology Fund will allow Defence to invest in strategic next generation technologies which will better position Defence to respond to strategic challenges, retain a technology 'edge' against adversaries and provide game-changing Defence capabilities for the future. The Defence Science and Technology Group will work collaboratively within the national innovation system and with international partners to conduct and integrate research in next generation technologies that are relevant to Australia's defence and national security needs.

Personal Information means the same as in the *Privacy Act 1988 (Cth)*.

Program Delegate means an employee of the *Department* who has been empowered by the *Minister for Defence Industry*, or is otherwise duly authorised, to carry out the relevant functions in respect of the *Program*.

Program Guidelines or Guidelines means these *Guidelines* that are given by the *Minister for Defence Industry* to the *Department* to provide a framework for the operation and administration of the *CDIC*, as in force from time to time.

Project means a project described in an *Application for CDIC Funding*.

SME (Small to Medium Enterprise) the term SME typically refers to micro-businesses, small businesses and medium sized firms. A small business has less than 20 employees, a medium business has between 20 and 199 employees and SMEs have less than 200 employees.