



CRCs EXIT STRATEGIES & SPIN-OFF COMPANIES

Australia's best capability
working together

This Guide is part of a series of Guides aimed at industry, including small and medium enterprises, and others who are new to the CRC Program.

INTRODUCTION

Cooperative Research Centres (CRCs) are engines of innovation for Australia.

An initiative of the Australian Government, CRCs bring together the best minds from research and industry to work as a team.

Together, and driven by the needs of private, public or community end-users, CRCs turn research results into products, services and technologies and address national priorities within a local and global context.

This Guide has been developed by the CRC Association to help interested parties, both current and potential CRC partners, plan and implement a CRC exit strategy and the enduring legacy of the CRC. It is part of a series of CRC Association Guides focused on providing useful information about the CRC Program to industry and other end-users, including small and medium enterprises (SMEs) and organisations unfamiliar with the CRC Program.

RATIONALE AND REQUIREMENTS

CRCs are funded for fixed terms. The CRC Program Guidelines state that 'funding is available for varying periods of up to ten years' and it is only 'in exceptional circumstances that a CRC may apply for an extension of funding that does not exceed a total of 15 funding years'. Consistent with the significant public investment in CRCs, there is a strong expectation that CRCs will leave a lasting legacy for Australia.

Planning for completion should be initiated as early as possible to allow sufficient time for consideration of the operational, legal and personnel issues in winding up a CRC. Where research outputs have been made accessible to a broad range of end-users via websites, consideration will need to be given as to whether these websites and their content will be maintained or managed by other organisations. An exit strategy should ideally provide returns to participants as well as allowing an orderly closure, ensuring assets are allocated in accordance with the Agreements, and liabilities are met.

In accordance with the Commonwealth Agreement and the Guidelines issued by the CRC Program, CRCs must develop a wind-up plan, including an evaluation of their achievements. The Impact Tool, which is now prepared as part of the selection process, is used as a framework against which a CRC's performance over its life can be evaluated. This evaluation contributes to the evidence of the benefits delivered to Australia through the CRC Program. When developing the proposed legacy and exit strategy for a CRC, it is useful to consider whether alternative funding options should be pursued. Options available to CRCs include becoming self-funding through participant contributions, accessing other government funding from agencies with a strong interest in the CRC's outcomes, or seeking to become part of another organisation such as the CSIRO or a university.

BENEFITS OF AN EFFECTIVE EXIT STRATEGY

FOR INDUSTRY AND END-USERS

- continuing value can be derived from the achievements of the CRC
- key relationships with research institutions and other participants can be maintained

FOR RESEARCHERS

- further interaction with industry and end-users can be developed beyond the life of the CRC
- commercial and other benefits derived from CRC research and utilisation outcomes can be extended
- negative impacts of winding up the CRC arrangements can be minimised

FOR AUSTRALIA

- the economic, social and environmental contributions of the CRC are clear at the end of the CRC and beyond

SCOPE OF EXIT STRATEGY ISSUES FOR CONSIDERATION BY CRCs

The following examples of exit strategies have been used by CRCs and provide an idea of different approaches which can be adopted.

EXITING USING SPIN-OFF COMPANIES

The CRC for International Food Manufacture and Packaging Science determined that the best exit strategy to maximise benefit to end-users and Australia was for some of their intellectual property to be commercialised in individual spin-off companies. Rather than seeking further public investment as a research organisation, two companies were spun-off and other unrelated intellectual property (IP) assigned to relevant participants. The spin-off companies were Plantic Technologies Ltd and Rendzan Pty Ltd. Plantic Technologies was formed in 2001 to commercialise technology from the CRC. Plantic Technologies now supplies packaging material to a number of multinational companies.

EXITING BY ESTABLISHING A NEW ORGANISATION FUNDED BY PARTICIPANTS

Some CRCs can attract sufficient support from participants to continue their work as a new organisation or company. Water Quality Research Australia Limited (WQRA), for example, is a national research centre established to succeed the CRC for Water Quality and Treatment when the CRC closed on 30 June 2008. The majority of the CRC participants joined WQRA and contribute financial resources



to enable research to continue in this vital area. WQRA undertakes collaborative research of national application on drinking water quality, recycled water and relevant areas of wastewater management. An additional legacy from the CRC for Water Quality and Treatment is that WQRA recognises the benefit of the CRC education program and has developed a similar program in the new centre.

EXITING BY FOCUSING ON COMPLETING THE WORK OF THE CRC WITHIN ONE TERM

The Predictive Mineral Discovery CRC (pmd**CRC*) set out to address end-user challenges within a seven year time frame. pmd**CRC* was conceived to generate a fundamental shift in exploration practice and cost-effectiveness by developing an improved understanding of mineralising processes and a four dimensional understanding of the evolution of the geology of mineralised terrain. They then transferred the concepts, skills and technologies developed to the mineral exploration industry to assure a long-term competitive advantage for the industry. A 'one life only' *CRC*, pmd**CRC* was established on 1 July 2001 and formally closed on 30 June 2008.

SPIN-OFF COMPANIES

Spin-off companies are not just an option for the end of a *CRC*'s life, but can be created at any point during the *CRC*'s operation. A total of 21 start-up companies were formed by *CRC*s between 2005–06 and 2007–08, earning *CRC*s income from sources such as royalties, contributions and cashed in equity.

Companies created during the life of a *CRC* are used primarily to commercialise particular piece(s) of IP developed by the *CRC*. There are three main reasons why the *CRC* or one of its participants does not undertake the commercialisation themselves:

- the commercialisation and utilisation of the IP are able to provide a royalty stream to the *CRC* by being licensed to a third party
- the IP was developed serendipitously and is outside the *CRC*'s field of research as well as being outside the "field" of the participants
- the *CRC* and its participants are assisting in the growing of an industry; this is particularly the case in frontier technologies such as information technology

POINTERS FOR NEW APPLICANTS

CRCMining Australia has spun off two companies to commercialise products and resulting services. CBM Innovations Pty Ltd is a joint venture between the CRC and BMA (a major coal alliance in Australia). This company is involved in the Tight Radius Drilling system. The other company is IntelliDrill Pty Ltd. Both of these companies are pursuing commercialisation through licensing arrangements to a third party.

Companies may also be spun off that are not commercial enterprises. For example, the International Centre for Eyecare Education (ICEE) is a non-government organisation that was created from the CRC for Eye Research and Technology. The ICEE is now a participant in the Vision CRC and delivers international training for ophthalmic professionals.

- decide early on what legacy the CRC should leave as a result of its existence
- consider which exit strategies should be investigated further for your CRC
- recognise that spin-off companies can serve a range of purposes, from commercialising specific IP to continuing the research programs of the CRC as a new organisation
- determine whether spin-off companies are the most appropriate vehicle for utilising/ commercialising your CRC's intellectual property
- ensure your wind-up plan meets the requirements in the Commonwealth Agreement and the guidelines issued by the CRC Program



FURTHER ASSISTANCE

CRC Association

02 6270 6524

www.crca.asn.au

CRC Program

02 6213 7177

www.crc.gov.au



Australian Government
Department of Innovation
Industry, Science and Research



Developed with funding assistance from the
Department of Innovation, Industry, Science and Research.

ACKNOWLEDGEMENTS

Drafting and production by Capital Hill Consulting:

www.capitalconsulting.com.au

Design by DesignEdge: www.design-edge.com.au

REFERENCES AND RESOURCES

CRC Association website www.crca.asn.au

CRC Program website www.crc.gov.au

© CRC Association 2010

Australia's best capability
working together