



Frequently Asked Questions

Automotive Diversification Programme

Overview

1. What is the purpose of the programme?

The Automotive Diversification Programme (ADP) is a competitive, merit based grants programme. The programme will assist Australian automotive supply chain companies to diversify out of the domestic automotive manufacturing sector and thereby retain manufacturing capability in Australia.

The programme was announced by the Government as part of the \$155 million Growth Fund which was established to support employees, businesses and regions affected by the closure of Australia's car manufacturing industry by 2017.

2. How long will the programme run for?

The programme will run for four years, commencing in the 2014-15 financial year.

3. What funding can I ask for?

Applicants are able to apply for grant funding towards an eligible project undertaking eligible expenditure. Grant funds can contribute up to 50% of total eligible expenditure and requests for funding must:

- be no less than \$50,000
- not be more than \$1 million.

Successful applicants can only receive up to \$1 million in funding in a 12 month period, and cumulatively, receive no more than \$1.5 million over the life of the programme.

4. How will funding be provided?

Grants are cash payments provided on a reimbursement basis, subject to Recipients meeting project milestones and incurring eligible project expenditure, as set out in the funding agreement.

The programme will contribute up to one dollar for every dollar contributed by a Recipient on eligible project expenditure.

5. When can I apply?

Round 3 of the ADP opened for applications on Monday 3 August 2015.

This round closes to applications on Thursday 17 September 2015.

Applicants must submit their application on the ADP Application Form. This form is accessible on the business.gov.au website or by contacting us on 13 28 46 or at ADP@industry.gov.au.

6. Will more than one application be accepted from the same company?

No, only one application per applicant is eligible per round.

Applicant Eligibility

7. Who is eligible to apply?

Eligible applicants:

- Must be a trading corporation in terms of Section 51(xx) of the Australian Constitution (i.e. an incorporated entity which gets its main revenue from its trading activities); and

- Have an Australian Business Number (ABN), pay income tax and are registered for the Goods and Services Tax (GST); and
- Can demonstrate completion of an independent business capability development activity to improve its competitiveness and business capability, and that this activity has resulted in the implementation of at least one improvement to its business within the two years preceding the date of application; and
- At the time of applying, are:
 - an Australian producer of automotive components; or
 - an Australian producer of automotive machine tools or automotive tooling; or
 - an Australian provider of automotive services; and
- At the time of applying, supply an Australian original equipment manufacturer; and
- Can demonstrate a commitment to contributing a minimum of 50 per cent of the overall eligible project costs from non-Government funding; and
- Can demonstrate access to, or the beneficial use of, any intellectual property necessary to carry out the project.

The following are **not eligible** to apply:

- Individuals and partnerships;
- Joint applicants;
- Australian motor vehicle producers;
- Commonwealth, State and Local Government agencies and bodies (including government business enterprises); and
- Entities that do not comply with the *Workplace Gender Equality Act 2012*.

8. Do I need to be registered in the Automotive Transformation Scheme (ATS) to be eligible to apply?

No, applicants who are not registered for ATS are also eligible to apply.

9. Why am I being asked to provide an accountant's letter?

This mandatory attachment to the application form is the easiest way for an applicant to meet the eligibility requirements of demonstrating both a commitment to providing, and access

to, project funding not met by the grant. It also means that applicants don't have to automatically provide financial statements and other financial data with their application.

Without an accountant's letter judged as appropriate by the Commonwealth, an application would be deemed ineligible and rejected without being reviewed by the ADP Advisory Committee.

10. Can I apply again in a future round if I have already received an ADP grant?

Yes, although it must not be for the same project.

The total value of programme grant funds that a Recipient may be awarded in a 12 month period must not be more than \$1 million, with the period start date taken from the original letter of offer.

The only limit on the number of applications that a company can submit over the life of the programme is restricted to one application per round. Additionally, the total value of grant funds accessed over the life of the programme cumulatively must not exceed \$1.5 million.

Project Eligibility

11. What are the eligible activities for a project?

A project under the Programme must involve one or more of the following eligible project activities:

- research and development activities undertaken in Australia;
- re-tooling activities undertaken in Australia;
- early stage commercialisation activities undertaken in Australia;
- pre-production development activities undertaken in Australia; and
- development of export capability activities.

However, please remember that grants are only to be paid upon eligible project expenditure incurred on capital items (i.e. items listed in a company's balance sheet and on their asset register).and reconfiguration costs (see question 12 below).

12. What is 'eligible' project expenditure?

Eligible project expenditure is limited to:

1. Capital equipment, recorded as a fixed asset in the applicant's accounts, for use in the operation of the business and directly related to the project to which the application relates; and
2. Reconfiguration costs, which are limited to restructuring or remodelling of a production line.

Capital equipment can be either:

- new equipment, including devices, machines and tools; or
- state-of-the-art second-hand equipment, including devices, machines and tools, purchased through an arm's-length transaction with a remaining economic life of not less than 70 per cent.

Expenditure on capital equipment may include equipment purchased using a finance lease as well as capitalising the commissioning or installation of new plant and equipment.

13. What is 'ineligible' project expenditure?

The following is not an exhaustive list but rather an initial guide to illustrate items that are **ineligible** for grant funding, even if related to eligible activities:

- capital equipment used in 'business as usual' activities, including, but not limited to:
 - general infrastructure;
 - financial management systems;
 - quality control;
 - collection of information;
 - vehicles and office fixtures, including general office equipment such as computers, printers and software, and furniture;
- second-hand capital equipment that has an economic life of less than 70 per cent;
- capital equipment acquired by the Recipient using an operational lease;
- capital equipment acquired by the Recipient using non-cash consideration; and
- retrospective activities (i.e. project expenditure prior to an approved start date will not be eligible).

14. Can I purchase equipment using a finance lease?

Expenditure on capital equipment may include equipment purchased using a finance lease.

This would be deemed eligible for expenditure incurred within approved project time frames.

However, items obtained via operating leases are not eligible expenditure and will not be reimbursed.

15. I have already started spending on my project, is this able to be reimbursed?

No. Although the ADP is a reimbursement granting programme, any expenditure prior to the project start date specified in the funding agreement is ineligible and undertaken at a company's own risk.

16. Why do I need to undertake a business capability development activity?

Undertaking a business capability development activity will help your company set a strategy for sustaining your company's manufacturing operations by identifying opportunities for diversification of your product(s) and/or customer(s) and your company's capacity to undertake diversification activities.

17. Does it need to have been completed at the time of applying?

At the time of application, all applicants must demonstrate that they have undertaken and completed an independent business capability development activity, which has resulted in the implementation of at least one improvement in the business.

18. What is an eligible business development capability activity?

An eligible business capability development activity is an activity that has been undertaken through a capability development organisation which has resulted in the implementation of at least one improvement in the business.

Business improvement activities undertaken through Automotive Supplier Excellence Australia (ASEA) and/or an ISO audit are examples of eligible business capability development activities.

19. Can I provide an internally developed business capability document instead?

No, an **eligible** business capability development document must have been undertaken at arm's length. Internally created

business capability development documents do not address this component.

20. What does “arm’s length” mean?

Arm’s length means that the parties are not related or associated.

Parties are taken to be related or associated if:

- they are part of a group of related bodies corporate within the meaning of section 50 of the Corporations Act 2001; or
- one party controls the other within the meaning of section 50AA of the Corporations Act 2001.

21. What is the project start date?

The project start date means the day specified in the funding agreement, not being a day before a grant offer made by the Programme Delegate is accepted by the applicant.

22. What is the project completion date?

Project completion date means the day specified in the funding agreement by which all project milestones will be completed. The ADP allows for a maximum project timeframe of 2 years.

Project Merit Criteria

23. What are the project merit criteria?

Each application is to be assessed against the following merit criteria:

1. the project meeting the objective of the Programme by supplying new products or services to customers in the domestic and international non-automotive industry or to the international automotive industry;
2. the capacity and capability of the applicant to undertake the project;
3. the contribution of the project to the economic sustainability of the applicant;
4. the value for money offered by the project including the level of applicant contribution; and
5. the contribution of the project to the sustainability of manufacturing in Australia.

24. Can I provide additional items to accompany my application?

All applicants are required to provide two mandatory attachments – these are:

- Evidence to demonstrate that an independent business capability development activity has been undertaken in the last two years, including evidence that at least one business improvement has been implemented as a result of this activity; and
- An independent Accountant Declaration.

Applicants are able to provide additional attachments in support of their applications (e.g. letters of support from potential customers, MOUs, IP information) but are limited to 10 attachment items. This ensures all applications are of a manageable and consistent size for the ADP Advisory Committee to review.

Application Assessment

25. How will my application be assessed?

The Programme is a competitive merit based grants programme. There may be more applications received than funding available to award in a funding round. Therefore, meeting the eligibility and merit criteria does not guarantee that an offer of funding will be made.

All eligible applications must be assessed by the ADP Advisory Committee against the merit criteria set out at Guideline 8 of the *ADP Ministerial Guidelines*.

During the assessment process, the Programme Delegate and the ADP Advisory Committee may:

- contact any applicant in relation to their project and seek additional information to assist the assessment process;
- invite an applicant to present their project in person to the ADP Advisory Committee; and
- seek additional expertise in assessing the merits of an application.

26. What is the purpose of the ADP Advisory Committee?

The ADP Advisory Committee is appointed by the Minister in accordance with any relevant guidance about board appointments. The purpose of the ADP Advisory Committee is to consider and assess applications and make funding recommendations to the Minister to award funding under the Programme.

27. Can I reapply if I am unsuccessful?

Yes. Applicants may re-submit an application in a subsequent funding round that addresses the concerns raised by the ADP Advisory Committee with new information. If the re-submitted application is eligible, it will be assessed on a competitive basis relative to the merit of other applications received in that round against the project merit criteria.

However, the Programme Delegate may refuse to accept a new application for consideration if it is ineligible or substantially the same as a previous unsuccessful application.

28. If I am successful, when will I be paid the grant?

Successful applicants must enter into a written funding agreement with the Commonwealth Government before receiving any grant funds.

The offer of a grant lapses if:

1. An applicant does not accept the offer within the timeframe prescribed by the Programme Delegate; or
2. If the grant offer has been accepted, a funding agreement has not been entered into within 30 days of the applicant accepting the offer of a grant.

Grant payments are made on a reimbursement basis and determined by the level of eligible expenditure incurred per quarter. They are made following the submission of quarterly reports on the progress towards achieving the agreed outcomes.

It is important to note that grant payments for eligible expenditure on approved items are made on a reimbursement basis for up to 50 per cent of the eligible cost of the item – which means that if a company overspends, it will not be compensated beyond approved grant limits.

29. Do any key terms have definitions?

The key terms **automotive components**, **automotive machine tools**, **automotive tooling** and **automotive services** have the same meanings as set out in regulations 1.7 to 1.10 of the Automotive Transformation Scheme (ATS) Regulations 2010. Additionally, **original equipment** and **motor vehicle** have the same meanings as set out in regulation 1.5 of the Automotive Transformation Scheme (ATS) Regulations 2010.

However, to alleviate any confusion, it should be noted that ADP applicants do not have to be registered for ATS to be eligible.

30. My business is located in Queensland; can I still apply for ADP funding?

Yes, the ADP is a national programme open to Australian automotive supply chain companies looking to diversify out of the domestic automotive manufacturing sector.

31. I have already started spending on my project, is this able to be reimbursed?

No. Although the ADP is a reimbursement grant programme, any expenditure prior to the project start date specified in the funding agreement is ineligible and undertaken at a company's own risk.

32. What are the taxation obligations associated with grant funds?

Grants under the Programme are treated as assessable income for taxation purposes, unless specifically exempted. On this basis, applicants should seek independent professional advice about their taxation obligations.

Grant payments are subject to Goods and Services Tax (GST). A component to take account of GST will be added to the grant payment amount.

33. Need more information?

For more information, visit business.gov.au, call 13 28 46 or email ADP@industry.gov.au.