



# AusBiotech response to the establishment of the Entrepreneurs' Infrastructure Programme

To: The Department of Industry

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Submission: online by accessing the Department of Industry's Consultation Hub

<https://consult.industry.gov.au/entrepreneurs-infrastructure-programme/entrepreneurs-infrastructure-programme>.

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## Introduction

AusBiotech is a well-connected network of over 3,000 members in the life sciences industry, including bio-therapeutics, medical technology (devices and diagnostics), food technology and agricultural biotechnology sectors.

AusBiotech is pleased to submit this preliminary comment regarding the establishment of the Entrepreneurs' Infrastructure Programme (EIP), recognising that the short timeframe has not enabled appropriate consultation with AusBiotech members. Therefore, AusBiotech looks forward to continuing to provide comment as the EIP evolves.

This submission responds to a number of the general questions posed in the EIP Discussion Paper (June 2014).

1. What lessons can be learnt from existing business support programmes that should be incorporated into the Entrepreneurs' Infrastructure Programme design and implementation arrangements?

Australia has a well recognised issue in translating our world-class research into cures and treatment, products and services. This issue was supported by, but not resolved through, the support of Commercialisation Australia (CA) and the Innovation Investment Fund (IIF).

The biotechnology industry, still recovering after the damage caused by the sudden removal of the Commercial Ready program by the previous Labor Government in 2008, which was closely followed by the GFC, has clawed its way back. The ability to retain and sustain the industry in the following years has been credited largely to the three-pronged support from: the R&D Tax Incentive; commercialisation support via CA; and access to venture capital via the IIF.

AusBiotech has been advocating for greater support for investment in innovation and new industries, and therefore extensions to the CA and IIF programs, to make them more meaningful. Despite the laudable goals and a range of good ideas in the new EIP, AusBiotech is disappointed to see the cessation of CA and IIF – and the even larger gap that now exists in commercialisation support and access to venture capital. Unfortunately little in the new EIP addresses either of these 'market failure' gaps and the industry fears the decision to cut these programmes without an alternative support or incentive may seriously damage Australia's hard-won momentum in innovation.

The Federal Budget (13 May 2014) disappointingly saw all three major support programs for biotechnology impacted. The abolition of two programs was revealed, CA and IIF, as well as an unexpected cut to the remaining program (the R&D Tax Incentive).

### **Medical Research Future Fund (MRFF)**

Also announced in the May Federal Budget was the establishment of the Medical Research Future Fund (MRFF). Should it be passed by the Parliament, it would be the biggest medical research fund of its kind in the world and is welcomed as a great nation-building investment for Australia. However the removal in the same Budget of commercialisation support and lack of detail on the MRFF has left the biotech sector wondering if and how the commercialisation of such research would occur.

Australia already has a recognised issue in translating our world-class research into cures and treatment, products and service. With the support for commercialisation that has been removed in this Budget (CA and IIF to cease), the level of difficulty in translating research into help that reaches patients just got a whole lot harder.

Access to venture capital remains a critical issue for Australian innovation, with the nation's innovations outstripping by far the available venture capital.

AusBiotech is urging the Government to consider the dedication of a portion of the MRFF proceeds to the translation of research, in-line with the McKeon Review recommendations.

A key element of the report was the strengthening of commercial pathways to ensure the translation of research outcomes into health and economic benefits for the Australian community, and recommends that funding address the twin "valleys of death" in commercialising research and called for the establishment a Translational Biotech Fund".

AusBiotech would urge that a substantial portion of the EIP funds are used to support commercialisation grants and venture capital, as a priority.

As you will be aware the McKeon review recommendations were made while CA and IIF existed. The removal of the remaining support for commercialisation means that there is now an even greater need for commercialisation support, if we are to see benefits flow from the MRFF to real treatments and cures, and real benefits for the economy to flow from Australian innovation and entrepreneurship.

2. How can we best work with stakeholders to facilitate access to the Entrepreneurs' Infrastructure Programme for their networks?

The biotechnology industry has noted, from the implementation of previous government programmes, that sound knowledge of the biotechnology industry within the government's administration and front-line staff, makes an enormous difference to the experiences of the applicants, and to the take-up of programmes.

Education of staff is therefore critical (including helpline staff, case managers, application assessors and advice providers), as is the retention of the hard-won resources that currently exist in CA and IIF. For example, CA had specifically employed a number of case managers with expertise in biotechnology.

The ability of staff who are providing guidance and information to understand enquiries specific to the biotechnology sector is critical. Quality training is available on the basics of the biotechnology sector and would be a sound investment for those administering unfamiliar or complex sectors such as biotechnology.

Also, the delivery of information to industries can be expedited via relevant industry associations, such as AusBiotech.

3. How can this Programme best complement similar state and/or territory based activities?

No comment

4. How can the Programme best complement other Government activities to maximise opportunities to support businesses to export?

AusBiotech agrees that attracting investment and exporting Australia's goods and services, requires further support and therefore agrees with the suggestion (item 2.3 in Discussion Paper) that services that could be delivered under the EIP's "Commercialising Ideas" arm include preparing businesses to pitch to early stage investors and activities to link markets to investors. AusBiotech have developed expertise in this area, due to the need that exists, and would be pleased to work with the EIP to develop these services.

Also, further to comments in question 1, the EIP's "Commercialising Ideas" arm should dovetail with commercialisation arrangements for MRFF, once they are established and/or known.

5. What other interconnection points do you believe will be important to deliver a strong Programme?

The EIP has acknowledged its aim to complement other Government programmes that provide support to business, such as the R&D Tax Incentive. As R&D and patent box incentives become more commonplace around the world, a number of governments have demonstrated that to stay ahead, it is necessary to offer a competing environment. AusBiotech is advocating for the introduction of the Australian Innovation and Manufacturing (AIM) Incentive, a 'patent box'-style incentive to keep home-grown IP once it reaches commercialisation, as well as associated manufacturing, in Australia. Supporters recommend that the Government consider adopting the structure of the UK Patent Box model and adapt the policy to suit the Australian environment.

Australia already supports the R&D phase of IP creation via the R&D Tax Incentive, but then leaves it vulnerable to being sold, managed or manufactured overseas at the critical point. The resulting community and economic benefits – such as jobs, exports, manufacturing and clinical trials - go with it.

The AIM Incentive is designed to capture the longer term benefits from IP creation, by retaining the development and manufacturing of locally patented products and the associated employment skills, through a lower tax on the new activity created. It is not a subsidy or a support mechanism for this aspect of innovation, but rather it is about creating an attractive environment to foster increased levels of investment and activity, leading to greater value in the economy.

6. What measures could be used by Entrepreneurs' Infrastructure Programme to evaluate the programme?

No comment

7. Is there value in prioritising support or funding to areas of global growth such as food and agribusiness; mining equipment, technology and services, medical technologies and pharmaceuticals; oil and gas; and advanced manufacturing?

Given the relatively small size of the Programme, especially the portion likely to be available for commercialisation activities, prioritising support or funding to chosen areas could be of value if the focus is on industries of future value to the Australia economy.

8. Are there any other issues that should be considered in the development of Entrepreneurs' Infrastructure Programme or Single Business Service delivery?

Regarding eligibility criteria, there is insufficient detail and perhaps some arbitrary criteria in the Discussion Paper, to understand which companies would be eligible for support at their vulnerable point/s of development.

For example a two-year old spin-out company from a university (or pre-revenue company) seeking to commercialise promising medical research, would not be eligible for business management support, according to the criteria in the Discussion Paper. It is not clear what "sufficient turnover levels" are and /or if "turnover" is a proxy for revenue. Companies, in their early and pre-revenue phase have the greatest need for business management, research and commercialisation support but may take up to a decade before receiving revenue. They are also the least likely to have the ability to match the Government funding to access matched grants.

In closing, while we understand the need for expediency, the consultation period for the EIP was too short for meaningful consultation with AusBiotech members. Given the importance of specific policy settings to the future success of life sciences-based companies and their spillover benefits to the Australian community, AusBiotech would like to be closely involved as the Programme evolves.