Australian Medical Research and Innovation Five Year Strategy

Title: AusBiotech submission to MRFF's Australian Medical Research and Innovation Strategy and related Priorities

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On behalf of its membership, AusBiotech has publicly congratulated the Government on creating and prosecuting the Medical Research Future Fund (MRFF) and fully supports the initiative. It will make a material difference to Australians' future and will be seen over time as a foundation strategy for improved commercialisation of quality discovery in Australia.

There is universal support for a fund designed to improve the national success rate for commercialising good biomedical science. In order to optimise this policy objective, we believe that a portion of the fund should be directed to Australian companies commercialising discoveries in the life science space and have suggested that a set and regular amount ought to be applied.

In terms of financial architecture, we have suggested in a previous submission that a rolling 'Translational Biotech Fund' providing a consistent and predictable resource for earlier stage life science companies. AusBiotech is of the firm view that the R&D Tax Incentive is effective and has demonstrated success in stimulating faster progress for Australian life science companies. The definition of "R&D" as prescribed by the existing tax legislation ought to be the reference point for determining translational fund eligibility. This approach delivers consistency and simplicity.

We have, therefore, welcomed the Biomedical Translational Fund (BTF) that was announced last December as part of the National Innovation and Sciences Agenda (NISA), as a game-changing package that will transform Australia's ability to commercialise and benefit from our world-class research and development.

The biotechnology and medical technology sectors are particularly excited by the ability of the program's investment to be a multiplier and make available much-needed capital to translate our research from our universities and medical research into products and services, like medical therapies and cures, medical devices, digital heath solutions, diagnostics and vaccines.

One effect of the fund will be to retain Australian companies on-shore and move technologies along the value chain more quickly for the betterment of the technology and the health outcomes of the Australian community.

The BTF is envisaged as a for-profit investment program of $250 million that is to be matched by an additional $250 million from private investors, so creating a $500 million capital pool available for commercialisation of biotech and medtech projects.

Fund manager, GBS Ventures, which specialises in the life sciences, has invested $400 million in 45 companies in recent years and reports it has attracted $5 to those companies for every $1 it has invested. So far as this can be extrapolated to the new fund, the BTF could be the catalyst for up to $2.5 billion to flow into the sector.

Whilst the argument that there are serious financial constraints for early stage life science companies in Australia is correct, it is also true that there remains a dearth of capital throughout the life cycle of companies and this reality should not be overlooked. A balanced approach is best – with private

investors collaborating with government at later stages of company development. The venture capital sector involvement is critical and with the demise of the Innovation Investment Fund, we see the MRFF's BTF as playing an important role.

Despite warmly welcoming the BTF program, which we expect to open soon for applications, with funding in the 2015/16 and 2016/17 financial years, AusBiotech urges the Australian Medical Research Advisory Board in setting a strategy to consider the need for commercialisation support beyond June 2017 and extend the BTF to be a reoccurring annual investment in translation and commercialisation.

As we are all aware, public sector research cannot be successfully commercialised without private investment at some point. In the biomedical discovery area, the need for capital is high and the pre-revenue phase long. This combination requires an effective and stable collaboration between government and private capital to optimise national benefits.