

Senate Economics Legislation Committee  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

7 September, 2016

**Via email: [economics.sen@aph.gov.au](mailto:economics.sen@aph.gov.au)**

Dear Sir/Madam

**Re: Budget Savings (Omnibus) Bill 2016**

Medicines Australia welcomes the opportunity to comment on the Budget Savings (Omnibus) Bill 2016 (the Bill), in particular, the proposed Rates of Research & Development (R&D) Tax Offset amendments contained therein.

The members of Medicines Australia invent, manufacture and supply innovative medicines and vaccines to the Australian community. Their medicines, discovered through global as well as local research and development, contribute to the prevention of disease in Australia and help keep Australians healthy and productive. Our members are at the forefront of innovation and science in Australia. They directly employ around 15,400 Australians with many thousands more employed by it indirectly.

Medicines Australia recognises that the Australian Government is seeking to repair the Federal Budget and deliver fiscally sustainable Budgets into the future, whilst also looking for opportunities to grow our economy.

We are very pleased that the Australian Government is encouraging science and innovation in Australia through, for example, Australia's first ever National Innovation and Science Agenda. We also welcomed the identification by Australia's Chief Scientist, entrusted with the oversight of a whole-of-government 10-15 year plan for growing and promoting innovation and science investment in Australia, of our sector as one of the five most promising growth sectors in Australia.

Although our industry is a global one, we are proud that, despite significant international competition, our members conduct clinical trials in Australia which are worth \$450 million annually and which contribute around \$AUD1 billion to the Australian economy each year. Innovative research partnerships between hospitals, research institutions and medicines companies support thousands of jobs for Australian scientists and researchers and we believe that with the right incentives, Australia can become an even stronger international innovation and investment destination.

As biotechnology and medical technology are global industries, Australia must compete to retain the R&D activity of local companies, as well as to attract international R&D activity into Australia. It is critical to maintain a stable, supportive and consistent policy environment in Australia in order to encourage life sciences businesses to make strategic decisions around R&D activity and bring additional investment into Australia. The current R&D Tax Incentive:

- provides significant support to businesses in our sector to undertake, develop and extend their R&D activities that would not be otherwise possible or that would be significantly delayed;
- plays a significant role in maintaining Australia's competitiveness as a preferred location for R&D activities, including pre-clinical testing and clinical trials;
- brings spill over benefits into the Australian health system by providing Australians with access to early stage therapeutics, diagnostics and medical devices during clinical trials and as final products;
- provides public sector research with contract R&D resulting from companies engaged in new research programmes;
- contributes to building a home-grown innovation ecosystem in R&D-intensive industries, ensuring Australia can deliver world-class research into treatments, cures, diagnostics devices and vaccines;
- allows opportunities to streamline the administration and compliance of the incentive to make it easier for companies to focus on undertaking research and development activities

This is consistent with our previously stated position including our submission to the Government's own R&D Tax Incentive Review (attached).

The Bill currently being examined by the Committee would unfortunately reduce the R&D Tax Incentive measures for our industry, and stand to detract from much-needed growth of the life sciences sector in Australia. We therefore suggest that the Australian Government's proposed R&D Tax Incentive measures be separately examined as part of the Government's future response to the R&D Tax Incentive Review.

Should you require any further information on this submission, I can be contacted at [elizabeth.desomer@medicinesaustralia.com.au](mailto:elizabeth.desomer@medicinesaustralia.com.au) or on 02 6122 8525. Medicines Australia would of course be pleased to appear before the Committee should it decide to hold public hearings on the Bill.

Yours sincerely



**Elizabeth de Somer**  
**Director, Policy & Advocacy**  
**(enc)**

Mr Bill Ferris AC, Chair, Innovation & Science Australia,  
Dr Alan Finkel AO FTSE, Chief Scientist of Australia and  
Mr John Fraser, Secretary to the Treasury  
C/- R&D Tax Incentive Review Secretariat  
GPO Box 9839, CANBERRA ACT 2601  
R&DTaxIncentiveReview@industry.gov.au

29 February 2016

## Joint letter to the Review of the Research & Development Tax Incentive

The R&D Tax Incentive is the most significant Government program for promoting innovation in the private sector, and plays a pivotal role in motivating and attracting research, development and clinical trials to be conducted in Australia. It is the most critical centre-piece program in the translation of Australia's world-class research into treatments, cures, diagnostics devices and vaccines.

The R&D Tax Incentive has been the shining beacon of encouragement and support to the industry and we join as a group to confirm its success and urge the Government not to diminish the programme and to provide consistency and certainty to the life sciences sector to allow its development. The entities eligible for the R&D tax Incentive have reported to the signatories below that progress, clinical trial activity, employment, partnering and investor interest have all improved in a material way due to the research support provided by the incentive.

Innovation will be the next boom for Australia and the biotechnology and medical technology combined sector has the potential to be a major economic driver for Australia, delivering new technologies and also in providing quality jobs in science, technology, engineering and maths (STEM) fields, exports and more clinical trials for patients to access. Our key positions are:

- The R&D Tax Incentive provides significant support that enables businesses to undertake, develop and extend their R&D activities that would not be otherwise possible or significantly delayed;
- The R&D tax incentive is a significant factor in maintaining Australia's competitiveness as a preferred location for R&D activities, such as pre-clinical testing and clinical trials. Biotechnology and medical technology are global industries, and Australia must compete to retain the R&D activity of local companies, as well as attracting international R&D activity into Australia;
- The R&D Tax Incentive is effective by providing spillover benefits into the health system by providing Australians with access to early stage therapeutics, diagnostics and medical devices during clinical trials and as final products. It also provides public sector research with contract R&D resulting from companies engaged in new research programmes.



- To build an innovation ecosystem in R&D-intensive industries it is critical to maintain a stable, supportive and consistent policy environment to encourage businesses to make strategic decisions around R&D activity and attract additional investment.
- There are opportunities to streamline the administration and compliance of the incentive to make it easier for companies to focus on undertaking research and development activities.

The industry in Australia is vibrant and promising with impressive ideas and technologies that have the potential to - and are already - saving and improving the lives of millions of people around the world. The industry has the potential to be our future if we continue to nurture and invest in it.

We would be happy to meet with the review panel and explore relevant policy options to grow research and development activities and translation in Australia.

Yours sincerely



**Dr Anna Lavelle**  
AusBiotech



**Mr Wes Cook**  
Medicines Australia



**Dr Krystal Evans**  
BioMelbourne  
Network



**Professor Doug Hilton**  
Association of Australian  
Medical Research Institutes



**Ms Nadia Levin**  
Research Australia



**Dr Meera Verma**  
BioSA

#### **About AusBiotech**

AusBiotech is Australia's biotechnology organisation, working on behalf of members for 30 years to provide representation and services to promote the global growth of Australian biotechnology. AusBiotech is a well-connected network of over 3,000 members in the life sciences, including therapeutics, medical technology (devices and diagnostics), food technology and agricultural, environmental and industrial sectors.

AusBiotech is dedicated to the development, growth and prosperity of the Australian biotechnology industry, by providing initiatives to drive sustainability and growth, outreach and access to markets, and representation and support for members nationally and around the world.

#### **About Research Australia**

Research Australia is an alliance of 160 members and supporters advocating for health and medical research in Australia. Independent of government, Research Australia's activities are funded by its partners, donors

and supporters from leading research organisations, academic institutions, philanthropy, community special interest groups, peak industry bodies, biotechnology, medical technology and pharmaceutical companies, small businesses and corporate Australia. We have a diverse alliance representing the interests of the broader community.

#### **About Association of Australian Medical Research Institutes (AAMRI)**

AAMRI is the peak body representing medical research institutes (MRIs) across Australia. Our mission is to achieve positive policy outcomes for our members, and Australian medical research more broadly, through advocacy, authoritative policy advice, the fostering of networks, and member representation in areas of shared concern. Our 47 member institutes are leaders in health and medical research, aiming to drive innovation in healthcare to improve the lives and livelihoods of people in Australia and world-wide. Collectively, our members represent over 10,000 staff and students and an annual turnover of more than \$1 billion.

#### **About Medicines Australia**

Medicines Australia represents the discovery-driven pharmaceutical industry in Australia. Our member companies invent, manufacture and supply innovative medicines and vaccines to the Australian community. Those medicines keep Australians out of hospitals, prevent disease and play a pivotal role in ensuring a productive and healthy community. Medicines Australia's mission is in partnership with key stakeholders, drive the creation and development of a predictable environment for the continued, sustainable growth of the innovative and research based prescription medicines industry so Australians continue to lead longer and healthier lives.

#### **About BioMelbourne Network**

The BioMelbourne Network is a membership based, industry forum representing business leaders in biotechnology, medical technology and health innovation industries in the State of Victoria. The power of our network resides with our members; we represent over 185 organisations and engage with more than 2,000 industry professionals each year. Our role is to foster links between companies, research organisations, financial markets and government to create an environment for that enables conversation, collaboration and prosperity. BioMelbourne Network's mission is to build the ecosystem of capabilities that support the development and commercialisation of new drugs, devices, diagnostics and digital health technologies that impact healthcare globally.

#### **About BioSA**

An initiative of the South Australian government, BioSA is fast-tracking the high-tech industry by providing access to grants, business assistance, customised facilities and international networks.

BioSA has facilitated significant company and job growth, increased exports and attracted investment capital to South Australia over the past 14 years. Adelaide offers world class facilities in research and commercialisation, and a network of high growth, emerging technology companies. South Australia has a wealth of investment opportunities available and BioSA is well placed to facilitate connections between industry and investors.