30 September 2025

Strategic Engagement of Research and Development Secretariat
10 Binara St
Canberra ACT 2601
Via email: rdreview@industry.gov.au

Dear Strategic Engagement of Research and Development Secretariat,

Re: Strategic Examination of Research and Development (SERD): Issues Papers 4

Medicines Australia welcomes the opportunity to make a submission to the SERD Issues Paper 4: Investment and capital. Our submission builds on the medicines and biopharmaceutical sectors prior input and provides new evidence and practical policy additions to ensure Australia attracts and retains globally competitive life sciences R&D, clinical trials, and advanced biomanufacturing.

Issues Paper 4

Australia's investment in research and development (R&D) is falling behind its global peers. In 2021, Australia spent just 1.7% of GDP on R&D, compared to the OECD average of 2.7% (OECD, 2023). This gap is a clear signal that Australia must take stronger action to support innovation and competitiveness.

Medicines Australia highlights that this underperformance means that all policies to boost R&D should be strengthened or considered. The SERD's Issues Paper 4 presents a range of policy options focused on increasing R&D investment in small companies, including mechanisms such as venture capital (VC) and angel investing.

While Medicines Australia does not disagree with the proposition that Australia can do better in supporting small business R&D, it is critical that:

a) Any policy action must be additional to existing policy. New measures should build on, not replace, current incentives.
b) Medicines Australia would not support delivering these measures by weakening existing policy incentives, or by adjusting any existing policies so they favour smaller businesses.
c) According to the latest ABS statistics, 89% of total business R&D investment in Australia is undertaken by businesses with five or more employees, while only 11% is contributed by businesses with five or fewer employees (Australian Bureau of Statistics, 2025). This means that while R&D at smaller businesses can and should be boosted, this cannot come at the expense of larger business R&D, which remains the dominant contributor to Australia's innovation output.

Australia's future prosperity depends on a balanced and inclusive R&D strategy—one that supports startups and scaleups but also sustains the innovation capacity of larger firms that drive most of the R&D investment.

While Issues Paper 4 addresses capital formation and investment vehicles, it omits several critical enablers for a sustainable life sciences ecosystem. These omissions—particularly in areas central to pharmaceutical innovation—create structural barriers that undermine Australia's competitiveness. Key gaps include recommendations that were explicitly raised in Medicines Australia's initial submission to the SERD but have not been reflected in the current issues paper.

Gap 1. Lack of a coordinated governance mechanism for capital and life sciences

- The paper references generic coordination via "Focus Area leads… to support angel networks and/or VC funds" (SERD Issues Paper, p.5) but does not propose a dedicated Life Sciences Council to align Health Technology Assessment (HTA), trials, migration, IP and manufacturing. Medicines Australia encourages the establishment of an Australian Life Sciences Council, as it would provide strategic leadership needed to align policy, investment, and innovation across government. This council could serve as central driver

of growth, helping to attract investment, create high-value jobs, and position Australia as a global leader in health and biotech.

Without a standing, cross-portfolio forum, policy relevant for the whole ecosystem remains fragmented (eg HTA reforms, National One Stop Shop funding, visas, intellectual property (IP), National Reconstruction Fund, slowing investor decisions and eroding Australia's competitiveness in biopharma.

Gap 2. No structured public-private partnership (PPP) model for capital mobilisation

- While Issues Paper 4 supports public co-investment where CAPEX is high (SERD Issues Paper 4, p.6), it does not propose PPP frameworks targeted at health outcomes (e.g., precision oncology, genomics trial matching). Medicines Australia has consistently endorsed the value of PPP in driving progress across the life science sector. By combining funding, expertise, and infrastructure, PPPs enable coordinated responses to major health challenges. An example of the national benefits of such collaboration is the Omico PrOSPECT trial, which has improved clinical trial access, attracted foreign investment, created jobs, and enhanced laboratory accreditation standards.

- Australian research is very grant reliant in the early stage of development; there is a dearth of funding once the innovation reaches later Technology Readiness Levels. There is an opportunity for Australia to step up in supporting this local R&D commercialisation success through Public Private partnerships. This includes VC, Superannuation and Multinational Corporations. Incentives are currently not in place Federally (apart from manufacturing) to encourage globally facing partners like VC and Multinational Corporations to invest in Australia. Some states have stepped this up and established successful partnerships (eg Sanofi Translational Science Hub in Queensland) which brings investment into this later Technology Readiness Level space and supports commercialisation.

Australia has an opportunity to extend the focus of sovereign capability wider than manufacturing to include R&D and see this as a route to both economic growth, global investment and national security. Without PPPs, Australia misses a proven mechanism to anchor industry trials, expand regional access, and crowd-in private capital, weakening our precision-medicine edge.

Gap 3. No explicit prioritisation of advanced biopharma manufacturing in capital programs

- The paper mentions high-CAPEX co-investment (SERD Issues Paper 4, p.6) but does not name biologics, sterile fill-finish, mRNA, or Cell and Gene Therapy as priority areas for National Reconstruction Fund or pooled vehicles. In its initial submission, Medicines Australia recommends that government investment strategies explicitly support advanced manufacturing and biotherapeutics, including these high-CAPEX technologies, through stronger IP protections, targeted funding mechanisms, and public–private partnerships to improve commercialisation and attract global investment.

Clear sector signals unlock private co-investment and global partnerships, ensuring Australia captures value from its research base.

Gap 4. Limited focus on specialist life-science investment talent

- Issues Paper 4 proposes to "Leverage the National Innovation Visa… include VC and investment expertise" (Issues Paper 4, p.8) but there is also an opportunity to incentivise broader life-science specialists such as GPs, CMC experts, or regulatory strategists. A whole-of-government strategic approach to life sciences innovation such as establishing an Australian Life Sciences Council would coordinate efforts across the full R&D lifecycle—from early-stage research to commercialisation—and consolidate momentum for targeted incentives to strengthen public-private partnerships, advanced manufacturing, and regulatory reform. These measures aim to attract and retain the specialised expertise needed to translate biomedical

innovation into patient impact, including regulatory strategists and CMC experts who are critical to successful commercialisation.

Capital without capability stalls. In complex biopharma ventures, specialist talent compresses timeliness and enhances return on investment by enabling more efficient development and regulatory navigation.

Gap 5. No explicit goal to diversify capital managers and investment models

- Issues Paper 4 references pooled investment vehicles and co-investment options (SERD Issues Paper 4, pp.6–7) and draws on the Breakthrough Victoria Fund as a blueprint. However, it does not set an explicit goal to diversify investment managers or models. This omission risks reinforcing a concentrated VC market, which predictably narrows the scope of what gets funded. Medicines Australia's initial submission highlights the importance of supporting multiple specialist managers and company-creators with real operating capacity. A program design that backs diverse fund managers—including those with deep domain expertise in life sciences—and company-creators with translational infrastructure will generate more shots on goal and improve the throughput of biomedical innovation.

Without capital diversity, Australia's life sciences sector will struggle to fund the full spectrum of innovation, from early-stage discovery to commercialisation, limiting the sector's global competitiveness.

Gap 6. Superannuation mechanisms lack design features to reach science and deep tech

- The Issues Paper discusses unlocking superannuation capital through pooled vehicles and tailored investment options (SERD Issues Paper 4, pp.6–7) but does not address how these mechanisms can be structured to effectively reach deep tech and scientific innovation. A single pooled fund will self-select for one investment style, potentially excluding high impact but complex ventures. Medicines Australia's initial submission recommends diversified mandates with clear manager selection, co-investment alongside specialist funds, and limited opt-in channels for members. These mechanisms would better align superannuation capital with Australia's strategic innovation goals, particularly in life sciences and biopharma.

Without targeted superannuation pathways, Australia risks missing a major source of patient capital that could accelerate translation and scale-up of scientific breakthroughs.

References

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OECD. (2023). *Gross domestic spending on R&D*. https://www.oecd.org/en/data/indicators/gross-domestic-spending-on-r-d.html