

Rudd's choice: the future or the past?

The Rudd Government has a choice about supporting the future or the past. Australia's vibrant and innovative biotechnology industry represents the future but is in real danger of falling behind due to the absence of substantial support for early stage innovation.

AusBiotech believes the Government's proclaimed focus on innovation is essential to help keep Australia prosperous. Supporting innovation does make economic sense, as it is an investment in productivity – a key driver of long-term economic growth.

A serious Government investment in research and development in the pharmaceutical sector must include support for biotechnology to maintain the advances we have made over recent decades.

While global pharmaceutical companies operating in Australia are shedding jobs and we have seen a decline in the value adding occurring in manufacturing, the reverse is the case in Australian biotechnology. To deliver new products for future growth at a time of rapidly changing technology, global pharmaceutical companies are increasingly forced to collaborate with independent, innovative and entrepreneurial biotechnology companies existing outside their walls, for example in Australia.

This development needs to be nurtured. Regretfully, to date we see little evidence of such support for the biotechnology industry from the Rudd Government. This is particularly in light of the decision to end the Commercial Ready Grant Scheme, which provided dollar-for-dollar funding with private enterprise to help small companies. This decision increased overnight the hurdles for hundreds of small and highly innovative Australian companies working at the cutting edge of science and knowledge. As a consequence, since Commercial Ready was axed the number of clinical trials has been in decline and biotechnology companies developing important new drug compounds are struggling in the face of the global credit crunch.

The Cutler [Review of the National Innovation System](#) and the Pharmaceuticals Industry Strategy Group (PISG) have both recognized this and called for a fund to support biopharmaceuticals and medical device companies undertaking the important work of clinical trials.

Last month, the Pharmaceuticals Industry Strategy Group (PISG) has submitted its [draft direction paper](#). In our view, the paper is a good summary of the challenges the pharmaceuticals industries are currently facing, but its recommendations do not go far enough.

While acknowledging the need for a whole of sector approach, the paper lacks any sense of urgency towards biotechnology, which plays such a vital role for the future of every pharmaceutical company.

We believe that grants of \$3 million to \$5 million, alongside private investment, are urgently needed today to optimise the creation of long-term economic value for our biotechnology and pharmaceutical industries. Also, private funding must be rewarded and incentivised with long-term co-funding from Government if we are to facilitate the growth of larger scale, globally competitive organizations.

The Cutler Review proposed a competitive grants program to help

Australia's biotechnology sector needs refundable tax credits now. Not when there are few companies left to use it.



200 firms with \$150 million annually (about \$750,000 each) with the grant repaid on commercialisation of the project.

This, however, falls short of what is required and we do not support the imposition of repayment requirements. Creating contingent liabilities for business developing new technologies only adds to the challenge of attracting and retaining company directors committed to the sector and long-term investment.

An average grant of \$750,000 will help proof-of-concept stage but will provide little or no support for companies as they mature. The program is underfunded and needs to be at least \$250 million a year.

At the same time, AusBiotech supports the Cutler Review recommendation of moving to a system of refundable tax credits now, not as a recovery strategy when the sector is in decline.

Australia's biotechnology sector needs refundable tax credits now. Not when there are few companies left to use it.

The global competitiveness of our corporate tax system is crucial to our ability to attract investment in high-value export-focused biotechnology technology industries. The current 125% deduction, 125 percent tax offset for small companies and 175% Premium Concession and International Premium Concession should be replaced with a refundable tax credit system. All research and development undertaken in Australia that meets the relevant definitions should be eligible for a refundable tax credit. This should be regardless of size and ownership.

A further initiative of a targeted grant system that boasts a streamlined application process must be put in place immediately. The grants need to be targeted to companies undertaking clinical trials of drug and medical device candidates.

The Rudd Government has a key role to play in restoring forward momentum to the sector. AusBiotech welcomes the partnership of the Rudd Government with the sector to deliver the benefits that biotechnology contributes to the wealth and health of our nation.

**AusBiotech represents 3,000 innovative high-growth and high-value biotechnology, medical device, industrial, fuel and agricultural technology members.*