

Industry key to boosting health and medical research

10 May 2019 | News | By Manbeena Chawla

Industry is a key driver of better health outcomes in our health system, and industry-driven research and development (R&D) activities are critical to achieve this.



Creating a business environment that better supports emerging and cutting-edge technologies along the pathway from discovery, through clinical trials, to patients is essential.

The health industry's R&D, including clinical trials, is a key contributor to Australia's economy. The signatories of this media release – from the medical technologies, biotechnologies and pharmaceuticals industry sector and the health and medical research sector – urge all political parties to adopt a common approach to R&D and to take action to support health and medical research by supporting the conditions that allow industry to do its part.

Australia's life sciences sector has been adding more than \$4 billion gross value per annum (2010– 2015) to Australia's economy, employs over 230,000 people, and is a world leader with a strong track record in developing new therapies to combat devastating disease.

The annual Australian businesses expenditure on R&D (BERD) declined by more than \$2 billion (12%) per annum between 2014 and 2016 (the latest period for which data is available). It is now at levels not seen since the global financial crisis. AusBiotech's 2019 research also shows that over the past 12 months there has been a 'stinging' drop in the industry's confidence that the operating environment (economic conditions and public policy) was conducive to growing a biotech business (37% to 14%) and a strong increase in the view that the operating environment was working against the industry (16% to 26%). Parliamentarians (present and future) can take action today by committing to support businesses investing in R&D: the key to boosting BERD.

BERD is critical to health and medical research, and all Australians – from bench, to business, to bedside – will benefit when this declining trajectory is reversed.

Supporting BERD supports the country's overall GDP. Government needs to increase Australia's R&D expenditure to three per cent of GDP in the short to medium term - a desirable pursuit which will help to discover new life-enhancing technologies and improve existing ones. We note Labor's commitment yesterday to "making the R&D tax incentive work" and their target of devoting three per cent of GDP to research. Increasing expenditure in R&D will benefit the full health and medical research pipeline. Australia will be able to facilitate innovative technological developments and capitalise on the benefits the

technologies bring if it further enhances the current R&D and business conditions that exist here.

To reverse this trend in declining R&D expenditure, we urge that the R&D Tax Incentive (RDTI) is preserved for the sector. Utilising tax incentives will ensure that Australia realises the social and economic benefits from R&D investment, before a tax incentive can be obtained. The R&D Tax Incentive is the most critical centre-piece programme for raising business investment in R&D and for the translation of Australia's world-class research into treatments, cures, diagnostics, medical devices and vaccines. The programme has been successful in attracting more long-term investment in R&D, creating highly-skilled jobs, and fostering a strong Australian life sciences clinical trials and R&D sector within a globally competitive space. The structure of the RDTI is a significant and valuable economic activator.

Committing to preserving the R&D Tax Incentive for the sector would enable government to make an immediate contribution to creating high-value jobs, attracting clinical research, growing the economy, and improving health outcomes for Australians. Beyond the economic benefit to Australia, the life science industry's R&D is developing life enhancing and saving interventions around the world, allowing Australia to continue to thrive as a home for some of the world's most talented scientists and medical researchers, and improve its position as a centre for high- quality medical R&D.

The intellectual property (IP) developed during R&D and underpinning the value of cutting-edge technologies is globally portable. The proposed Australian Innovation and Manufacturing (AIM) incentive has been developed as a complementary tax incentive [policy](#) to support and retain home-grown IP locally, and to support manufacturing and innovation. It encourages the research activities funded by Australia to stay in Australia long term, instead of going offshore. Australian- based companies can choose from multiple countries all operating with no or low tax jurisdictions. To remain globally competitive, Australia needs to adopt a comparable solution.

The AIM incentive is amongst one of a few policies that would create favourable economic conditions to help address this need.