



Biotech Daily

Tuesday April 2, 2019

Daily news on ASX-listed biotechnology companies

Budget 2019 Special Edition Comment & Analysis

Biotech Daily
Commonwealth Scientific and Industrial Research Organisation
Australian Medical Research Advisory Board
Association of Australian Medical Research Institutes
Medicines Australia
Ausbiotech

Federal Treasurer Joshua Frydenberg has delivered a pre-election Budget tonight with apparently little or no negative impact on the biotechnology sector.

Mr Frydenberg did not mention the 43.5 percent Research and Development Tax Incentive cut by his predecessors or any plans for the Tax Incentive.

Treasury Budget Paper 1.16 showed that expenditure on the R&D Tax Incentive was expected to increase from the "estimated actual" for 2018-'19 of \$1,967 million to a forecast \$2,237 million in 2019-'20, \$2,249 million in 2020-'21, \$2,292 million in 2021-'22 and \$2,410 million in 2022-'23.

Most of the Budget address focussed on promises of tax cuts, infrastructure spending and a claimed future Budget surplus.

Mr Frydenberg said the instant asset write-off would be increased from \$25,000 to \$30,000 for any individual item, which means companies could buy a new fleet of small cars to claim the write off, or fit out small laboratories and buy equipment.

The write-off has been extended to what Mr Frydenberg described as small and medium sized business with a turnover of up to \$50 million a year.

Mr Frydenberg said that there would be a further \$60 million for export market development grants, a \$525 million skills package of 80,000 new apprenticeships and incentives for women in science, technology, engineering and mathematics (STEM).

Mr Frydenberg announced \$9 billion for science, research and technology including commercialization, and said there would be \$400 million for genomics research.

He said that \$80 billion would be spent on healthcare and referred to the previously announced Children's Cancer Centre in Sydney, along with a "heart kids project" and funding for mental health and youth suicide.

A media release from Federal Health Minister Greg Hunt said that \$354 million would be spent on clinical trials for rare cancers, rare diseases and unmet needs, \$554 million on emerging priorities and consumer driven research, \$23 million for tackling anti-microbial resistance and drug resistant tuberculosis and \$444.6 million to researchers "to make breakthrough discoveries, develop their skills and progress their careers".

Mr Hunt said the funding included \$2 million for the Australian Brain Cancer Mission, \$430 million for the Genomics Health Futures Mission, \$185 million for the Ageing, and Aged Care and Dementia Mission, \$150 million for the Stem Cell Mission, \$220 million for Cardiovascular Mission and \$50 million for traumatic brain injury, along \$1.2 billion "to progress research ideas from the lab to the clinic".

The Budget Paper said that the Government would achieve efficiencies of \$48.9 million over five years from 2018-'19 from within the uncommitted funds from the Entrepreneurs' Programme and the Industry Growth Centres Initiative.

Biotech Daily Editorial Comment

The Budget is very big on promises, none of which need to be kept if the Government is not returned at an imminent Federal Election, expected to be held next month.

While there appears to be no further harm inflicted on the Australian biotechnology sector through further cuts or caps to the R&D Tax Incentive, and there are a few incentives to buy capital equipment and vehicles and hire apprentices, many of the "big ticket" items sound very familiar, especially the Sydney Children's Cancer Centre.

Until all the promises have been analysed it is uncertain what is new money and what is restated previous promises.

The one thing that is certain, is that this Budget was solely designed with the Federal Election in mind.

We look forward to deeper analysis in tomorrow night's edition.

David Langsam
Editor

Wednesday April 3, 2019

BUDGET COMMENT AND ANALYSIS

[BIOTECH DAILY](#)

Last night's budget has removed \$1,316 million or 10.55 percent from the five-year estimates for the Federal Research and Development Tax Incentive.

Instead of underpinning innovation, the Federal Liberal National Party Coalition Government has again cut funding to innovation.

Instead of cracking down on rorts in the research and development claims, it has chosen the blunt instrument of a \$4 million cap on Tax Incentives, despite the biotechnology companies claiming the larger amounts often being on the cusp of success.

Last year's Budget allowed for \$12,471 million in Treasury expenses for the Tax Incentive from 2017 to 2022. This year's Budget has \$11,155 million for 2018 to 2023.

This follows the penny-pinching Joe Hockey 1.5 percent cut to the original Gillard Government's 45 percent Tax Incentive, which was enacted under the Prime Minister for Innovation Malcolm Turnbull and delivered by now Prime Minister Scott Morrison.

The Budget Papers said the Government would achieve "efficiencies" of \$48.9 million over five years from 2018-'19 from within the uncommitted funds from the Entrepreneurs' Programme and the Industry Growth Centres Initiative.

In exchange, Federal Treasurer Joshua Frydenberg said that there would be a further \$60 million for export market development grants, a \$525 million skills package for 80,000 new apprenticeships, a tax write-off for capital expenditure up to \$30,000 per item and incentives for women in science, technology, engineering and mathematics (STEM).

It is increasingly hard to believe this Government is interested in innovation or jobs in future industries. There were promises of funds to farmers to ameliorate the impacts of climate change, but nothing allocated to create industries that would prevent global warming.

Indeed, the words "innovation", "biotechnology" and information technology" did not appear in Mr Frydenberg's Budget speech, at all; with the sole reference to "climate change" in relation to subsidies for farmers, with "Indigenous communities" tacked on for better marketing.

The promise of generational tax cuts - mirroring the previous Liberal Party Treasurer Peter Costello's middle-class welfare - means that there will be less money for core infrastructure in the years to come, including hospitals, schools and universities.

The only bright spot is that none of this will be implemented unless the Liberal National Party Coalition is re-elected, and even then, they may be non-core promises.

David Langsam
Editor

COMMONWEALTH SCIENTIFIC AND INDUSTRIAL RESEARCH ORGANISATION

The Commonwealth Scientific and Industrial Research Organisation has welcomed continued funding from the Government.

CSIRO manager media liaison Huw Morgan said, “the government’s investment in CSIRO across this period remains consistent with previous levels, increasing by over \$6 million, in line with indexation”.

“This funding will continue to be directed towards innovative science and technology to solve Australia’s greatest challenges,” Mr Morgan said.

AUSTRALIAN MEDICAL RESEARCH ADVISORY BOARD

The Australian Medical Research Advisory Board chair Prof Ian Frazer says that the Government’s 10-year commitment to the \$20 billion Medical Research Future Fund “will have a positive outcome for health in Australia and will also ensure that Australian continues to contribute to improving health across the globe”.

“While it is pleasing that the funding for the National Health and Medical Research Council is maintained in the budget, I am disappointed to note a reduction in funding for universities and for the Australian Research Council, as these organizations are essential to drive the basic research that enables the clinical research that translates into practical outcomes for patients,” Prof Frazer said.

ASSOCIATION OF AUSTRALIAN MEDICAL RESEARCH INSTITUTES

The Association of Australian Medical Research Institutes says it welcomes full funding for the \$20 billion Medical Research Future Fund by 2020-'21.

AAMRI said that about \$5 billion would be invested in medical research into chronic and debilitating diseases such as diabetes, cardiovascular disease, mental health, dementia and brain cancer.

The association said that the fund was “at the half way mark, with the Government committed to it being fully funded within the next two years, making it the largest sovereign wealth fund for medical research in the world”.

AAMRI president Prof Vlado Perkovic said, “the 10-year plan for the fund will provide long-term stability and allow investments in projects with longer time frames, allowing projects to deliver significant health and economic benefits for the nation”.

“We look forward to seeing competitive processes put in place to make sure we get most from this funding opportunity,” Prof Perkovic said.

[MEDICINES AUSTRALIA](#)

Medicines Australia has welcomed the Federal Government promised subsidy of \$331 for medicines listed on the Pharmaceutical Benefits Scheme.

Medicines Australia said the Government's Health portfolio would increase overall spending by \$20 billion to \$115 billion by 2022-'23, with a forward estimate of \$40 billion for the Pharmaceutical Benefits Scheme (PBS).

Medicines Australia chief executive officer Elizabeth de Somer said, "the Morrison Government has recognized that medicines matter and confirmed their commitment to the uncapped PBS and overall health expenditure".

"This will help ensure all Australians have access to new innovative medicines they need when they need them," Ms de Somer said.

[AUSBIOTECH](#)

Ausbiotech chair Julie Phillips says the organization is "pleased that additional cuts to the [Research and Development Tax Incentive] are not explicitly mentioned in the 2019 Federal Budget" but the organization was "curious to understand the Government's intent for future plans, particularly given the lack of detail and certainty around how they will obtain the \$1.35 billion savings from the RDTI outlined in the forward estimates".

"The RDTI is absolutely critical to the life sciences industry ... [and] should be maintained in its current form to ensure stability and maximize its economic benefits," Ms Phillips said.