



Biotech Daily

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Daily news on ASX-listed biotechnology companies

Budget 2017: 1st MRFF \$66m Trickles In Steady As She Goes

Biotech Daily Editorial Comment

[FEDERAL BUDGET 2017](#)

The Federal Budget has allocated \$65.9 million from the Medical Research Future Fund and made few, if any, other changes to the biotechnology and medical research sector.

The Federal Treasurer Scott Morrison did not cite any support for biotechnology or innovation in his half-hour Budget speech last night, with medical research mentioned in passing.

Mr Morrison made commitments to the Medicare universal health insurance system and the Pharmaceutical Benefit Scheme, with no change to funding for the National Health and Medical Research Council, the Australian Research Council and the Commonwealth Scientific and Industrial Research Organisation.

A Department of Industry official told Biotech Daily that the proposed \$2 million cap on the Research and Development Tax Incentive was not included in the Budget.

The \$20 billion Medical Research Future Fund was first announced in the 2014 Budget of then Treasurer Joe Hockey and from inception held \$1 billion from the Hospitals and Charities Fund, as well as allegedly receiving the benefit of a raft of cuts to the Health budget.

Today, the Budget papers said that over the next four years the Government would “move substantially towards doubling its current medical research funding”.

“This Budget starts the Government’s disbursements from ... [the MRFF] worth \$20 billion by 2021 ... [delivering] \$1.4 billion over the next five years,” Budget papers said.

The Budget papers said the \$65.9 million would fund eight “investments” including \$20 million for preventive health and research translation projects, of which \$10 million was for Advanced Health Translation Centres and \$10 million for the Australian Prevention Partnership Centre, as well as \$33 million for clinical trials and \$12.9 million for “breakthrough research investments”.

The Budget said that \$10.8 million would be allocated for childhood cancer research and trials, including \$4.4 million for Cancer Australia, as well as \$1.4 million to fast track research collaborations on paediatric brain cancer, with a further \$5 million from the MRFF for young people with cancer and \$68 million for the South Australian Government to establish Australia’s first proton beam therapy facility for research and treatment of cancer and \$2.1 million to ban cosmetic animal testing.

An NHMRC executive told Biotech Daily that the total grant budget “estimated actual” spending for 2016-’17 was \$852,458,000, rising to \$871,932,000 in 2017-’18, and included both the main Medical Research Endowment Account and other special funding measures.

The Australian Research Council grant budget increased from the estimated actual \$744,363,000 in 2016-’17 to \$758,055,000 in 2017-’18.

Medicines Australia said it had a five-year agreement with the Federal Government that would “deliver \$1.8 billion in savings that will be reinvested into the supply of medicines, including more breakthrough therapies on the Pharmaceutical Benefits Scheme”.

Medicines Australia said the changes would see single brand, or innovative, medicines reduced in price after being on the PBS for five, 10 and 15 years, respectively, while on entry of brand competition, there would be an increase from the current 16 percent reduction to 25 percent.

The Budget included company tax cuts, continued the \$20,000 instant asset write-off for businesses below \$10 million turnover for another year, but included extra payments for businesses with a turnover of more than \$10 million of \$5,000 upfront for each foreign employee on a permanent work visa and \$1,800 for each employee on a temporary skill shortage visa, while those under \$10 million would pay \$3,000 for permanent work visas and \$1,200 for temporary skill shortage visas.

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Biotech Daily welcomes the 2017 Budget, primarily for not cutting funding to the major agencies and not implementing the proposed \$2 million R&D Tax Incentive cap.

When he became Prime Minister in 2015, Malcolm Turnbull promised that innovation would be at the centre of his Government. Eighteen months and three Innovation Ministers later, the word “innovation” was notably absent from the Treasurer’s speech.

The start of Medical Research Future Fund allocations is welcome, albeit curious that it has taken four Budgets to find \$65.9 million from a previously invested \$1 billion, along with the “savings” made in previous swingeing cuts to the Health Budget.

The support for Medicare and the Pharmaceutical Benefit Scheme is a sea-change in Liberal-National Coalition thinking, and an unstated apology for heading towards the dysfunctional, byzantine US health insurance arrangements in previous Budgets.

That said, the penny-pinching 1.5 percent cut to the Gillard-era 45 percent Tax Incentive remains, as does the Ferris, Finkel, Fraser Review proposal to cap the R&D Tax Incentive at \$2 million, causing unnecessary uncertainty and likely to harm the most promising biotechnology companies.

If some companies are rorting the system, tighten it up so that Bentley Continentals are not part of the R&D budget. Better still, appoint an Independent Expert Biotech Board to authorize genuine research for tax concession purposes.

Budget measures cutting funds to universities and creating education disincentives to the less well-off means the talent-pool for biotechnology, medical research and engineering will be reduced.

The \$2.8 billion universities’ cut, along with a lower income threshold to repay student loans does not help the diversity of next generation scientists, managers and executives. Treating New Zealand students as foreigners and making them pay the full cost of degrees – a fortnight after Anzac Day - is simply bizarre.

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