



Biotech Daily

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Daily news on ASX-listed biotechnology companies

PM Malcolm Turnbull Launches \$1b Innovation, Science Agenda

**COMMENT: BIO-MELBOURNE NETWORK, BIOTECH DAILY, AUSBIOTECH
MEDICINES AUSTRALIA**

Prime Minister Malcolm Turnbull has launched a four-year \$1.1 billion 'National Innovation and Science Agenda' including funding for research and commercialization.

According to the Government's Innovation website, the measures include a \$250 million Biomedical Translation Fund and a \$200 million "co-investment" in the Commonwealth Scientific and Industrial Research Organisation.

The website said the Biomedical Translation Fund would invest in biomedical innovation and commercialization, drawing on fund managers "selected through a competitive process to bring at least matching funding from the private sector for investment".

The website said that the fund would "receive its funding by reducing the capital contributions to the proposed \$20 billion Medical Research Future Fund by \$125 million in 2015-'16 and 2016-'17, while the MRFF would be fully capitalized in 2019-'20 "meaning that investment will be available for medical innovation almost immediately" rather than when the MRFF was fully capitalized.

The Biotech and Related Industries Leadership Group has called for 25 percent of the proposed \$20 billion MRFF to be set aside for commercialization (BD: Jul 30, 2014).

A spokesperson for the Minister for Industry, Innovation and Science Christopher Pyne told Biotech Daily that the proposed 1.5 percent cut to the 45 percent Research and Development Tax Incentive, currently before the Senate, remained Government policy.

The Innovation website said that the CSIRO Innovation fund would include a \$200 million early stage innovation fund to support co-investment in new companies comprising \$70 million from the Government, as well as private sector investment and new revenue from CSIRO's wireless local area network (WLAN) program.

The Government said it would fund a \$20 million expansion to CSIRO's accelerator program to include other publicly-funded research organisations, beginning in 2016-'17 with the early stage innovation fund to be implemented in 2016.

The website said that from July 1, 2016 Venture Capital Limited Partnerships would be changed to make them more internationally competitive and attract greater levels of investment through a 10 percent non-refundable tax offset on investments in start-ups, an increase in maximum size from \$100 million to \$200 million and removal of the need to divest when a company exceeded \$250 million.

The Government said it would increase access to prior-year tax losses, with the 'same business test' being relaxed to a more flexible 'predominantly similar business test' and would make employee share schemes more user-friendly for innovative companies.

The Government said that investors in start-ups would gain a 20 percent non-refundable tax offset on their investment capped at \$200,000 per investor, per year, as well as a 10-year capital gains tax exemption for investments held for three years, for companies incorporated in the last three income years, not listed on any stock exchange and had expenditure of less than \$1 million and income less than \$200,000 in the previous year.

The Government said it would invest \$18 million in an Innovation Connections program to "expand and refocus the existing Research Connections program to drive new industry-led collaborations between researchers and small and medium enterprises".

The Government said that an \$8 million Incubator Support Program would offer competitive matched funding to support development of new incubators and accelerators.

Mr Pyne said the Agenda would "transform Australia's economy" with an additional \$127 million for research collaboration, and over the next 10 years, the Government would provide \$520 million to the Australian Synchrotron, \$294 million for the Square Kilometre Array, \$1.5 billion to the National Collaborative Research Infrastructure Strategy, with a \$36 million Global Innovation Strategy supporting businesses and researchers to collaborate with counterparts in Tel Aviv, Silicon Valley and three other key locations.

[BIO-MELBOURNE NETWORK](#)

Bio-Melbourne Network says the Federal Government National Innovation and Science Agenda "is the inflection point for innovation in Australia".

Bio-Melbourne Network chief executive officer Dr Krystal Evans told Biotech Daily that "innovation is an idea whose time has come, finally".

"The National Innovation and Science Agenda positions Australia for growth," Dr Evans said.

"It is a good start, and building on this platform will allow Australia to deliver on our innovation potential," Dr Evans said. "It is an important step in the right direction."

Dr Evans said that “the important thing from a policy perspective will be how the major parties can use this Agenda as a platform to build Australia’s future, leading into the 2016 election”.

“Too often our sector has suffered from stop-start program cycles and a lack of long term, stable, strategic planning,” Dr Evans said.

“We want to see a continuation of the positive vision that Prime Minister Turnbull has put forward, to continue to deliver life-changing health innovation to Australia and to the world,” Dr Evans said.

Dr Evans said that the \$250 million Biomedical Translational Fund was a key recommendation from the 2013 McKeon Review of Health and Medical Research and she welcomed its enactment.

Dr Evans said that “building the right team around technology” was key for biotechnology so the new Entrepreneur Visas would attract and retain talent in Australia.

Dr Evans also welcomed a proposed boost to science, technology, engineering and mathematics skills “to foster our own talent pipeline here, with a focus on women in science and entrepreneurial skills in schools”.

In terms of access to capital, Dr Evans said the new incentives would “invigorate our angel investor community, with a 20 percent non-refundable tax offset and capital gains offsets, but it was “not as generous as the UK Seed Enterprise Investment Scheme on which is it based, which provides a 50 percent non-refundable tax offset”.

Dr Evans said the Agenda included “real incentives to enhance industry and academic engagement, particularly supporting [small and medium sized enterprise] research connections, these relationships are critical for our innovation future”.

Dr Evans said it was “disappointing not to see any incentives to secure downstream activities that will secure the manufacture of innovation outputs in Australia”.

“Once companies move from start-up to scale-up we want to make sure Australia has a competitive business environment to keep Australian innovation Australian,” Dr Evans said.

Dr Evans said that the absence of changes to the R&D tax incentive were “a relief as this program provides significant support that enables companies to undertake, develop and extend their R&D programs”.

“This highly successful policy program has helped many Australian biotechnology and medical technology businesses to do more R&D and to successfully create innovative health care products for the global market,” Dr Evans said.

“The National Innovation and Science Agenda provides a solid platform on which to build,” Dr Evans said.

BIOTECH DAILY

Biotech Daily welcomes the Prime Minister Malcolm Turnbull's National Innovation and Science Agenda and the focus on the industries of the future, instead of the past.

The overall tone of the Federal Government since Mr Turnbull deposed Tony Abbott has been a breath of fresh air, not just socially and politically, but with particular reference to the economic base of the country, attempting to come to grips with the industries that will provide the jobs and export earnings of the future.

But the substance has changed little. Perhaps we must wait until Mr Turnbull has won an election in his own right and can dictate more progressive policies to those in his Liberal-National Coalition who proclaim their love of coal and fear of change.

The \$1.1 billion is welcome, with several important caveats:

spread over four years, \$250 million a year is not a large sum of money, say, compared to the \$14 billion projected to be spent on the failed Lockheed Martin F-35A Joint Strike Fighter project, or as a percentage of overall Government spending;

most of the new tax incentives relate to unlisted companies, making it difficult if not impossible for retail investors to be part of the action, keeping the benefits for high net worth individuals and families, the sophisticated and institutional investors;

it has been noted that last year the Government took \$100 million from CSIRO's scientists and is now promising to invest \$70 million to benefit venture capitalists;

a spokesperson for Innovation Minister Christopher Pyne confirmed to Biotech Daily yesterday that the Abbott-Hockey penny-pinching 1.5 percent reduction to the Research and Development Tax Incentive remains Government policy. The change before the Senate should be scrapped; and

the piecemeal presentation of the initiatives underlines the lack of a cohesive direction.

Those criticisms aside, we believe it is possible to invest wisely in projects that return far greater rewards than the initial outlay and any Federal Government support for investment is welcome.

The nagging doubt is that the sunrise industries of 2015 remain biotechnology, information and communication technologies and renewables, and the Federal Government has within its ranks those who claim that coal is clean, wind towers are a blight on the landscape and Mr Turnbull's own proposed National Broadband Network to the neighbourhood node is sufficient.

As one reader commented: "Compared to China, the US, Britain and Israel, [the Innovation Agenda] so small it hardly matters. You don't transform an economy with \$1 billion dollars over four years."

David Langsam
Editor

AUSBIOTECH

Ausbiotech welcomed “innovation’s new place firmly on Australia’s agenda” saying the tax breaks in early stage innovative companies and the Biomedical Translation Fund were among long-advocated policies delivered in the National Innovation and Science Agenda.

Ausbiotech said that Prime Minister Malcolm Turnbull had raised the prominence of innovation within Government, by establishing the innovation and science committee of cabinet, which he would chair.

Ausbiotech chief executive officer Dr Anna Lavelle said that it was “indisputable that innovation is firmly on the agenda, where it ought to be, as a key driver of productivity”.

“We are keen to see this positive policy transformed into action that makes a difference to Australia’s ability to commercialise and benefit from our world-class research and development,” Dr Lavelle said.

“The message is loud and clear that Australia needs innovation to be the big winner for our quality of life and economy,” Dr Lavelle said. “Ausbiotech is pleased to see the Government has been listening to its calls for capital gains tax breaks for investors in early stage companies, the same business test, the Biomedical Translational Fund and improvements to employee share schemes.”

Dr Lavelle said that the introduction of the patent-box style incentive was “an important, but so far overlooked opportunity, to keep home-grown intellectual property in Australia once it nears and reaches commercialization”.

“Ausbiotech will continue to advocate for the Australian innovation and manufacturing incentive,” Dr Lavelle said.

Ausbiotech said that under the Agenda, Innovation and Science Australia, chaired by Bill Ferris, with Australia’s next chief scientist Dr Alan Finkel as deputy chair, would replace Innovation Australia and be responsible for coordination and advising Government on science, research and innovation matters.

Ausbiotech said it welcomed bipartisan support for innovation as seen in the Federal Opposition’s launch of its innovation policy last week and says if elected, the Australian Labor Party would establish an independent agency called Innovate Australia charged with accelerating economic growth, delivering critical innovation programs and providing expert advice to governments modelled on the successful British agency, Innovate UK.

“Ausbiotech has welcomed the convergence of views and bipartisan support for innovation in the recent raft of announcements,” Dr Lavelle said.

Ausbiotech said that both major parties were committed to innovation as a key driver of the economy; tax incentives to encourage investment in early stage and start-up companies; increased support for collaboration between industry and researchers; support for science, technology, engineering and maths skills; support for incubators and accelerators; and global engagement for companies.

[MEDICINES AUSTRALIA](#)

Medicines Australia says it welcomes the National Innovation and Science Agenda and “its recognition that innovation is a key to economic growth”.

Medicines Australia said that the growing policy focus on innovation from all sides of politics was “positive news not only for the Australian economy, but ultimately the livelihoods and health of all Australians”.

Medicines Australia chief executive officer Tim James said that the “interest from our politicians in unlocking the opportunities for Australian innovation and ingenuity should be commended”.

“The right innovation policies can enable industry to invest in highly-valued jobs within sectors such as the Australian biopharmaceutical community which is good for the economy and the community,” Mr James said.

Medicines Australia said it would review and assess several of the Innovation Agenda initiatives.

“The Biomedical Translation Fund, the creation of Innovation and Science Australia, intangible asset depreciation, investment in national research infrastructure, a greater emphasis on commercial outcomes for university research, and encouraging more women to work in [science, technology, engineering and mathematics] jobs will all help to support the ecosystem [within] which the Australian biopharmaceutical sector operates, collaborates and invests”

Medicines Australia said it welcomed the recognition afforded to intangible assets such as patents, as critical to driving growth and ensuring that Australia’s intellectual property regime remained internationally competitive.

“Ultimately, in our sector, it’s important that innovation policies help stimulate Australia’s capabilities to discover and develop the next generation of breakthrough medicines because this delivers not just economic but also health benefits for the Australian people,” Mr James said.

“Our members already deliver more than \$1 billion every year to Australian research and development and the more our politicians deliver policies which encourage innovation the more chance for this investment to grow,” Mr James said.

“There have been some positive signals from our politicians to the world that Australia wants investment, it wants opportunities for its people and we look forward to seeing more of it in 2016,” Mr James said.

“A key opportunity will be to ensure it leads to better lives for all Australians in the years ahead,” Mr James said.