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Roundtable: from innovation to commercialisation - Part III: closing comments

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Continued from Part II of the roundtable discussion, which can be found [here](#). Panellists (Front row) Dr Bernie Tuch - Director - NSW Stem Cell Network Dr Trevor Davies - Partner - [Allens Arthur Robinson](#) Professor John Shine - Executive Director - Garvan Institute Michael Quinn - Managing Partner - Innovation Capital Dr Anna Lavelle - CEO - AusBiotech (Back row) Dr Wallace Bridge - Director, Entrepreneurs in Science Unit - University of New South Wales Tony Gellert - Manager - [PricewaterhouseCoopers](#) Tim Dean - Editor - Australian Life Scientist Associate Professor Jim Patrick - Chief Scientist - Cochlear Professor Mark Baker - Chair of Proteomics - Macquarie University Tim Dean: What role should government be playing in commercialising biotech? Wallace Bridge: Commercial Ready being axed was a disaster.

Tony Gellert: What the government is signalling in axing Comm Ready and not replacing it is that commercialisation is really not on the government's agenda. As Michael says, the amount that we are talking about treasury allocating is just too small to be on the radar as far as the government's priorities are concerned. Anna Lavelle: The 2008 federal budget was a disaster. On the lead up to the 2009 budget there were three things that we were advocating for: more money into the VC funds; a replacement for Commercial Ready, which is really Commercialisation Australia; and a change in the tax law, moving away from the concession to a credit, which was much friendlier to small innovative companies. We're still on the cusp of that. But big corporate Australia has come forward and said they don't like it, and for legitimate reasons. However, some of its legitimate from the government's point of view, such as not paying for airstrips and roads under the heading of R&D. But they've swept up the innocent with the guilty. From a biotech perspective or innovation point of view, we want the credit badly. And the second exposure draft satisfies 90 per cent of our concerns, but there are still some amendments that need to be negotiated between treasury and folk like the accounting firms to make sure we get it over the line in time otherwise people are going to miss out on this real money that'll go to the bottom line. Some of the money we're talking about in terms of the national budget are trivial. I'm a little disappointed that people aren't taking advice from those in the industry who know the answers. Michael Quinn: In many respects the best place the government can be is right out of the way. It can set a few things to encourage industry to figure it out for itself. There is a lot of money that is interested in investing in early stage business, not just VCs, but high net worth individuals. The government just has to set a few dials so that it's attractive to invest in this space, and then step back. Jim Patrick: I wonder whether, in Australia, risk aversion is an issue. In California you have these very wealthy people who are willing to put money into higher risk ventures. Would that be a factor? Michael Quinn: Businesses who go to the US looking for money after they've failed to find it in Australia don't tend to find it there either. In the UK, if I take a high risk investment in a start-up business, I can get an immediate tax deduction for my investment. It doesn't cost the government a huge amount of

money, but just enough to kick some interest into the business. Jim Patrick: Cochlear got off the ground because of a government grant. We got \$2.5 million over three years in the early 1980s. Before then the government funded a market survey and a development cost plan. The second of those grants came from the government because the government recognised it was too high a risk to attract commercial funding. That was way back when the numbers were very small. By the time Cochlear got going in 1981, there'd be two years worth of preliminary work to get the whole thing laid out, with many thousands of dollars paid to do that. The preparation was careful, and the people that were there made it all happen. It could have stopped for any number of reasons. But people were the key. Wallace Bridge: You have to have the right people in the right places as well. To go back to the tech transfer arms of the universities, that's a small collection of business development managers, they're looking after the research outputs of commercial opportunities from the entire university, they're the ones marketing and selling it to the world. They're the face of the people, and you want to make sure they have the right skills. Michael Quinn: If I compared the quality of the people hired by most commercialisation tech offices, they wouldn't stack up anywhere near the standard you'd get at UniQuest at the University of Queensland. Mark Baker: You won't get any arguments here. Michael Quinn: The government doesn't have to spend much, as Anna mentioned, in terms of the overall budget. They could spend almost nothing. Tim Dean: To wrap up, what could we change today that would make a real difference? Where's the low hanging fruit? Jim Patrick: There are programmes, like the linkage programme, that not enough people know about. The company puts something in, the government puts something in, the institution puts something in. It's a really effective way of translating someone's idea in to a product. They need to get companies involved in this as well. We find that it is very effective, and more people could do it as a good way to get technology development and innovation in products. Trevor Davies: I think it would be good to continue raising the profile and the understanding of IP and how you go about protecting it. There's still a lot of misinformation around it, particularly in the research institutes. It's our role to educate both the innovators and the managers who are hoping to assist in the exploitation of that IP. Wallace Bridge: I think it's a problem that every university has a tech transfer arm. I don't think they have sufficient funding to get the critical mass to take the technology outside. I'd like at least someone to explore the possibility of having a national technology transfer arm, where all the universities could feed in to give sufficient funding to staff, not just business development management, but strategists, negotiators, lawyers who can drive a deal from initial notification all the way through to a licensed deal or a start-up. Michael Quinn: I'd like the government to put five per cent less into pure research and redirect that money to compulsory courses for PhD and postdoc students to do a three-day course on the basics of what a business is, how to maintain their lab books, what a patent is etc - so if they happen to come across something, there's an initial understanding of what it's all about. I'd like the government to put some universal small, light incentive to invest in early stage businesses, which would support not just the venture industry but high net worth individuals and others to invest in early stage businesses. And then get out of the way. Bernie Tuch: In terms of clinicians, why would they want to go to research? There's a much more money to be made seeing patients. I'm one of the exceptions. Unless you encourage them in some fashion, what's the purpose? The NSW health system has moved in exactly the opposite direction. It used to appoint people who spent part of their time in the clinic and part of their time in research, but today they won't do the research they'll only do the clinical. Like the ARC linkage grant: you cannot be in the hospital system, you can't be a chief investigator in an ARC linkage unless you're employed by a university. Where's the message? They must be prepared to support clinicians so they can think about research as well as seeing patients, or combine the two. Mark Baker: I've been a big fan of what Wallace just espoused for 10 years and I think it's about time we reviewed the whole tech transfer arrangements. I've had a number of ARC linkages, but they don't go far enough. They stop at the basic research. Proof of concept is something they need to. Tony Gellert: I think people are key. We talked a lot about not having the support and the incentives from universities to really enable them to want to head in the direction of commercialisation, but I question whether many of the people in these institutions have the required capabilities even if the right structures and incentives were to be in place. I'd have loved to have seen the fallout in the financial services sector of recent years result in more people seeing a viable and exciting career in the biotechnology sector. This could have brought in some really capable people. Let's get more business-minded folk into this sector. In terms of government funding for commercialisation, the real funding gap still exists pre-VC money. Addressing this gap would also prevent the VC's

having to step in too early and act as pseudo-angels. John Shine: I don't disagree with anything that's been said. The biggest challenge is the gap between the early stage research funding and real commercial funding. We struggle with that all the time. And it's about people. At the end of the day it's as simple as that. As Anna said, the industry has done well over the past decade. To the point where there is a lot of people with experience, and they need to start mentoring the younger ones coming through. Anna Lavelle: The Tax Credit will put money to the bottom line of companies that need it. For some it goes part way to filling that gap problem. If they're investing \$1 million, they'll get \$450,000 back in cash. That'll also encourage investors. That's the number one thing at the moment. We've got until the first of July to make it happen.