

# Media Coverage

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## THE AGE

Business

**Life sciences has had the funds in Victoria, let's just hope it is not a dead-end for those dollars**

Ruth Williams

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BIOTECHNOLOGY - 'Revenue generated by the sector surged to \$8.8 billion last year.'

The auditor-general would like to see harder evidence of results from the investment, writes Ruth Williams.

IT WAS an oft-repeated ambition during the Bracks-Brumby years — to transform Victoria into one of the "top five biotechnology hubs" in the world. And the former government worked hard and spent big to make it happen.

Between 1999 and last financial year, \$3.44 billion of public funds were ploughed into the science, technology and innovation sector. Of that spend, biotech reaped an estimated \$722 million, more than 20 per cent, while another \$610 million went to areas relating to biotech.

Some of the \$722 million went to big infrastructure projects, such as the Australian Synchrotron — billed as the biggest stand-alone piece of scientific infrastructure in the southern hemisphere. And some served as seed funding for research projects with potential.

By any measure, it was a huge investment. And over that time, the industry grew. The number of clinical trials in Victoria doubled between 2005 and 2010, and revenue generated by the sector surged from \$3.3 billion in 2003 to \$8.8 billion last year. In 2009, Deloitte calculated that the state government's spending in the science and technology sector created more than 7600 jobs and added \$1.7 billion to the state's economy.

As for being in the top five biotech hubs in the world? Victoria was "well on the way" to becoming one of the world's top five biotech destinations, then premier John Brumby said in July last year. The next month, he wrote of "further cementing" Victoria's status as one of the top five biotech hubs in the world.

But a report out last week by the Victorian auditor-general asks some hard questions about the huge investment made by Victorian taxpayers in biotech. And it reaches some uncomfortable conclusions.

The report examined eight projects of varying sizes given state government funding — including the Australian Tissue Engineering Centre, whose problems were recently chronicled by The Saturday Age — and tracked the former government's 16 stated goals for its biotech investments over the years it was in power.

The problem? After more than a decade of channelling hundreds of millions of dollars into the biotech sector, the Department of Business and Innovation could not "objectively demonstrate" the extent to which this investment actually contributed to the biotech sector's achievements.

The report acknowledges that it was "reasonable" to attribute at least some of the biotech sector's performance to the department's investments. It found the department had delivered a range of "world-class facilities and technology platforms" for the biotech and broader life sciences sectors. And 10 of the government's 16 goals had been met, with progress made towards the rest.

But the department could not demonstrate a "cause-and-effect link" between the money it had spent in the sector and the results achieved. Plus, the various projects were not

"co-ordinated or reviewed for potential synergies", increasing the chance of inappropriate funding and potentially leading to "duplication, inefficiency and waste".

Most significantly, the audit poured cold water on the "top five biotech hub" goal. It's not that Victoria isn't, or never could be, a leading biotech hub. It's just that, as far as the auditor-general is concerned, it's impossible to know either way, "because there are no measures or targets for benchmarks".

The report does not suggest that the \$722 million was wasted. But it questions how decisions were made on where to spend the money — and how the benefits of that spending were tracked and measured.

"It is well established that the return from public support for science and innovation is complex," the department said in its published response. "The specific attribution of outcomes to a single intervention is even more challenging." However, it said it was working with other agencies and the Organisation for Economic Co-operation and Development to improve how it measured the results of its investments.

Dr Anna Lavelle, chief executive of the industry's peak body, **AusBiotech**, similarly acknowledged the difficulty in measuring the value for money involved in public investment in biotech. But she said such investment was essential to the industry and beneficial to the state — not just on economic grounds, but also due to the industry's potential to improve the lives of Victorians. "There's a degree of risk, there's no question there, but when there's a success the upside is significant," she said. "That more than compensates for one or two unsuccessful projects."

She pointed to a recent study in *Scientific American* magazine that ranked Australia as fifth in the world on a scale measuring countries' "capabilities to generate innovation in biotechnology". She says that about 45 per cent of Australian biotech companies are based in Victoria.

With the manufacturing sector decimated by the high dollar, and subdued consumer confidence and online shopping leaving the retail sector reeling, other Victorian industries — like biotech — are increasingly vital.

It costs a lot of money and time to bring a product out of the lab and into the pharmacy; success is rare and risk is high. This is why public investment is crucial to fund infrastructure for research and development, and to support projects in their early stages, long before they start generating revenue and saving or improving lives.

As the auditor-general's report notes, biotech's life-saving potential means that public investment in the sector is often seen as intrinsically "good".

But, it goes on, "this does not . . . exempt these public investments from scrutiny of their rationale, efficacy, benefits or outcomes".

The big question now is what the Coalition's approach to the sector will be, in light of the report. It is expected to release its own biotech plan soon.