

Media Release



19 March 2009
For immediate release

Government acknowledge problem, but real support is yet to come

“The Federal Government yesterday acknowledged AusBiotech’s concern for the at-risk fund-starved biotech sector, but the announcement may be too little too late,” said AusBiotech CEO , Dr Anna Lavelle.

Ausbiotech welcomed comments by Senator Kim Carr, Federal Minister for Innovation, Industry, Science and Research, in yesterday’s address to the National Press Club. The Minister said that firms are starved of critical capital through no fault of their own, and “if we lose these innovative companies we may never get them back.”

AusBiotech strongly agrees and has been asking for:

- Access to venture capital;
- Investment based on the recommendations made by Terry Cutler in his *Venturous Australia* report commissioned by Senator Carr:
 - Refundable tax credits for companies with operational turnover less than \$50m;
 - Competitive matched grants of up to \$750k to companies in proof-of-concept stage and \$3m to \$10m for companies in clinical trials for new drugs and devices.

Dr Lavelle said: “This is a \$600m problem, with the solutions offered to date falling short. While Government measures are a welcome move, the gap in what is needed is still significant, and still leaves the sector at risk of demise.”

Yesterday’s announcement of \$83m for venture capital in the *Innovation Investment Follow-on Fund*, will be a mechanism to allow reinvestment and boost investor confidence, however only an estimated 25% will go toward the biotechnology sector. AusBiotech predict that the actual contribution to the biotech sector will be about \$21m (of the \$83m).

The \$600m needed is made up of \$ 300m in refundable tax credits and \$ 300m in competitive matched grants.

“We are still looking to the May budget and urge direct support in the form of tax credits and a grants scheme,” said Dr Lavelle.

Page 1 - More -

Further information and interviews:
Lorraine Chiroiu on 0429 801 118

Media Release



Australia is about to lose its biotech sector, with fund-staved biotech companies in need of an immediate injection of funds to continue bringing life-saving and enhancing discoveries to our community – as well as providing jobs and a bright economic future.

The consequences of the gap between what is needed and what has been provided will see us lose large chunks of the biotechnology industry, resulting in many billions of dollars lost over the next 20 years, involving tens-of-thousands of highly-skilled jobs.

Before the financial downturn, the sector was growing well, with Australia “batting way above its weight”, ranking sixth in the world and the number one location in the Asia Pacific Region for biotechnology, as well as first in the world for clinical trials. However, the sector is characterised by smaller start-up companies, which need to access significant funds to bring innovations to commercialisation. This access, previously provided by private investors and the Government’s Commercial Ready program, has now dried up, leaving promising companies vulnerable.

Expert commentators around the world agree that innovative industries and biotechnology are the foundation stone of the future. McKinsey’s¹ summed it up this week, when it published: “Biology is likely to become the greatest single driver of the global economy.”

The industry currently provides at least 40,000² direct Australian jobs in the biotechnology and pharmaceuticals sector, plus 10,320³ in the medical technology sector. These are high-skilled jobs with long-term prospects.

AusBiotech, Australia’s voice on biotechnology, represents more than 3,000 members, encompassing medicines, medical diagnostics and devices, agriculture, alternative fuels and climate change. Of those listed on the ASX, 90% are AusBiotech members. Member companies export more than \$5bn annually.

1: Enriquez, Juan, McKinsey, 2009, *What Matters*, ‘How biotech with reshape the global economy’, 23 Feb 2009.

2: Commonwealth of Australia, 2008, Report: *Pharmaceutical Industry Strategy Group*.

3: IBIS World, 2008, *IBIS World Industry Report: Medical and surgical equipment manufacture in Australia*