

Joint Standing Committee on Trade and Investment Growth
PO Box 6021
Parliament House
Canberra ACT 2600



22 November 2018

Via email : jsctig@aph.gov.au

Dear Sir/Madam,

Joint Standing Committee on Trade and Investment Growth; Inquiry into Austrade's role in attracting investment in Australia

Medicines Australia strongly supports the Australian Trade and Investment Commission's (Austrade) role in promoting Australia as an attractive destination for foreign direct investment. We therefore welcome the opportunity to make a submission to the Joint Standing Committee on Trade and Investment Growth; Inquiry into Austrade's role in attracting investment in Australia.

Medicines Australia is the peak industry body representing the research-based medicines industry in Australia: Innovative companies that research, develop, manufacture and supply new medicines and vaccines to the Australian market. Our members are proud of the contribution they make to the health and well-being of everyday Australians, as well as to the local economy. Our industry provides high value jobs for Australians, generates up to \$4 billion in exports¹ and invests over \$1 billion in research and development every year.

Global prescription drug use has been forecast to grow at an annual compound rate of 6.5 percent in the next five years.² Challenges such as a growing and aging population, the increasing burden of chronic disease and the cost of innovative treatment options³, provide a real and significant opportunity to increase the positive impact the innovative pharmaceutical industry has on the health and wealth of Australians.

Medicines Australia supports investment in the health and wellbeing of Australians. It is a valuable investment. A recent KPMG report found that from 1990-2004, Australian medical research delivered a return on investment of \$3.90 for every dollar invested, and that of the \$78 billion in gains, \$52 billion has been delivered in the form of health gains, and \$26 billion in wider economic gains and from commercialisation of medical research.⁴

Medicines Australia believes there is a valuable opportunity to boost the profile of Australia's innovative medicines industry internationally through better marketing of our world class capabilities in R&D, such as clinical trials, promoting Australia's brand to key markets and potential investors. Support for a coherent nationwide plan, coupled with high profile political delegations at key forums, will increase our reputation as a go-to destination for medical research investment.

1 Medicines Australia FactsBook, 4th Edition

2 Deloitte. 2018; 2018 Global life sciences outlook

³ Australian Health Ministers' Advisory Council, 2017, National Strategic Framework for Chronic Conditions. Australian Government. Canberra.

4 KPMG. 2018; Economic Impact of Medical Research in Australia

Through collaboration with Medicines Australia, Austrade could:

1. Develop a long-term marketing strategy for the medical technologies and pharmaceuticals sector (MTP). This needs to involve collaboration with the states and territories to position Australia as a preferred country to invest in. This could include coordinated delegations of high profile Federal and State politicians.
2. Commit \$5 million over the forward estimates to facilitate this coordinated, high profile approach to marketing Australia's MTP sector overseas.

Our industry is highly reliant on a stable policy environment that needs to strongly support innovation, R&D and commercial translation to at least the same levels as competitor nations. Without these policies, there will be limited incentive for ongoing investment into Australia.

For Austrade to be most effective in achieving its objectives, it is critical for Australia to provide a competitive, stable environment to conduct business activity here. Recent policy changes have moved in a direction that arguably has reduced Australia's competitiveness to attract investment in priority areas such as medical research.

Australia competes on the global stage for medical research investment and there are several factors that influence where a company conducts its research activity. Some of these factors include;

- the quality and availability for partnerships with Australia's institutions and researchers,
- the strength of Australia's intellectual property provisions,
- stable and consistent government incentives available for R&D,
- population factors,
- the Clinical Trials Notification Scheme,
- governance systems, including costs of undertaking research investment and timeliness of processes.

Intellectual property (IP) policy is particularly important in the decision-making process. A strong, effective and stable IP system is critical to fostering pharmaceutical innovation, incentivising investment, leading to increased productivity and competitiveness. In this way, IP is a cornerstone of increased access to life-changing and life-saving medicines for Australian patients. To maintain its competitiveness, Australia should;

- **Strengthen regulatory data protection:** the current duration for regulatory data protection of five years is below global best practice, and uncompetitive in relation to our key competitors such as the EU, South Korea, the United States and Japan.
- **Ensure a strong, enforceable patent notification scheme:** Thereby providing certainty and preventing delay in generic market entry.

Austrade has identified attractive R&D tax incentives (R&DTI) for clinical trials as one of several factors that help make Australia an ideal destination for clinical trials.⁵ This incentive needs to be globally competitive and ensure support for the entire R&D ecosystem to provide Australia with its best

⁵ Commonwealth of Australia. 2018. Clinical trials Industry Capability Report.

possible chance to attract valuable medical research to its shores. Medicines Australia recently stated its position regarding the R&DTI in a submission to the Senate Standing Committee on Economics.⁶

Australian subsidiaries of global companies have been successful in competing for global clinical trials to be placed in Australia. Part of this historical success has been through Australia providing competitive incentives for clinical trials – including through the R&DTI program.

Clinical trials are an important part of medical research and make a valuable contribution to the Australian economy. Clinical medicine trial activity in Australia grew by 2.7% from 2010–2015, with industry sponsors driving most of that growth, specifically from 2012 to 2015.⁷

As has been acknowledged by a previous Senate Committee⁸, differences in research governance systems, including ethics approvals, and inconsistencies within and between states/territories in Australia, continue to hamper Australia’s potential to attract new clinical trials from key trading partners such as the EU.

The Australian Government aspires to make Australia a more innovative country with an economy driven by inventive, research-driven, knowledge-based industries. With the right incentives, Australia can build on its already strong reputation as an international innovation and investment destination. To remain internationally competitive, the Australian Government must provide a stable, consistent and supportive policy environment that encourages investment.

We would welcome the opportunity to discuss and collaborate with the Australian Government further on this issue. Please feel free to contact Andrew Bowskill, Manager, Industry Policy and Research on (02) 6122 8513.

Kind regards



Elizabeth de Somer
CEO

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https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/TLABMultinationalsTax/Submissions

⁷ MTPConnect. 2017; 'Clinical Trials in Australia: the economic profile and competitive position of the sector' ⁴ Commonwealth of Australia. 2018. Clinical trials Industry Capability Report.

⁸ Senate select Committee on Red Tape in Health Services. Interim report, recommendation 6.