



**Joint Select Committee on Trade and Investment Growth
Inquiry into Australia's Future in Research and Innovation**

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Ms Sharon McHale, Head of Public Affairs*

Melbourne - Thursday, 10th March 2016

Thank you for the invitation to speak on behalf of CSL.

CSL is a \$45 billion global biotherapeutics company and the only advanced manufacturer in the ASX top twenty.

We have a successful track record in the development of innovative medicines for global markets and research and development are central to our business.

We are one of the largest private investors in R&D in Australia. Last financial year our global R&D spend was \$463 million US dollars and about \$100 million of that was in Australia.

As an Australian company, we have a long-term and abiding commitment to world-class medical research and development in Australia. We believe Australia's medical research community is world-class and a rich source of potential new discoveries to help address the world's unmet medical needs.

However, we do not believe that this country maximises the full social and economic benefits that could flow from Australian research.

When Australian intellectual property is either not translated from an idea into a product, or goes offshore too early, this country misses out on the real economic payback from its significant investments in early stage R&D.

In a way, Australian taxpayers are underwriting R&D for other nations to reap the economic benefits of commercialisation.

We included in our written submission a graphic which attempts to show Australian policy settings overlaid on the biotech value chain and I think this demonstrates quite well the point we are trying to make.

Existing government support, the NHMRC and the R&D tax concession, focus on the beginning of the value chain - they are very important and must be maintained.

In the middle, between early research and commercialisation we have translational research. This is essentially, the scientific leap from the mouse to the man. It is a multi-year, multi-million dollar process and very little translational research is done in Australia.



The new Biomedical Translation Fund announced as part of the new National Science and Innovation Agenda, certainly recognises, and should go some way to begin addressing this. CSL has also suggested that 20% of disbursements from the Medical Research Future Fund, once it is up and running, should go to translational research.

At the end of the value chain is product commercialisation –large scale manufacturing for supply to global markets.

Advanced manufacturing employs highly paid, highly skilled staff and generates significant local multiplier effects. It is best suited to developed economies – like Australia, the UK, Europe and Singapore. And because it is a lucrative, and appropriate, replacement for traditional manufacturing the international competition for these facilities is fierce.

CSL spoke publicly last year about our decision to place a \$500 million greenfields biotech manufacturing plant in Switzerland, not Australia.

A significant proportion of the R&D and scientific proof of concept work for the product was done in Australia. In theory, this plant should have been in Australia but in reality Australia was not even in the race.

Perceptions of our industrial relations environment and a generally high cost structure are unhelpful, but one of the most significant impediments to Australia's competitiveness, is the corporate tax rate. The relevant rate for footloose projects is fully three times that of some other peer jurisdictions.

It is an economic fact that when Australia earns royalties on 'invented here' but does not get the returns on 'made here' it does not secure the full range of benefits from its innovation system. CSL has been arguing for a differential targeted tax rate for this particular sort of investment and more than 12 European countries have introduced 'patent box' regimes which are similarly intended to help retain local IP.

In CSL's opinion, in order to maximise the economic value of science and innovation, we strongly recommend that the Committee consider the global perspective. Track the value-chain and the international movement of Australian innovation and recommend some reforms designed to position Australia as a global competitor and keep our intellectual property onshore for as long as possible.

Thank you, I am happy to take any questions.