



CSL Statement

Senate Standing Committee on Community Affairs Legislation Committee

Inquiry into the Medical Research Future Fund Bill 2015 and Medical Research Future Fund (Consequential Amendments) Bill 2015

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Thank you Senator.

CSL is an Australian-based, multinational, speciality pharmaceutical company. We develop, manufacture, and market biological products to treat and prevent serious medical conditions.

CSL began in 1916 as the government-owned Commonwealth Serum Laboratories. We were privatised in 1994.

We are now a \$45 billion company, employing more than 13,000 staff in 27 countries.

Research and development are critical to our business and each year we spend around 9% of our revenue on R&D, that's around A\$700M dollars. We are the largest private sector investor in R&D in Australia. We are also the only advanced manufacturer in the ASX20.

CSL is strongly supportive of the Medical Research Future Fund because we see it as an acknowledgement of the disproportionate productivity benefits that Australia derives from investment in medical research.

I would like to focus these remarks on two areas of particular concern to CSL. Both of these relate to Australia's ability to commercialise our intellectual property.

Too often it is either not translated from an idea into a product or goes offshore for development at a very early stage and Australians miss out on the real economic payback. And the employment and multiplier effects that come from manufacturing.

To help address this, we would like to see the MRFF have a strong and strategic focus on Translational Research. We would like to see at least 20% of disbursements go towards it.

It is important to take a proportion of appropriate novel ideas to the point where there is the potential for commercial interest. Where the technical concept is proven, but commercial viability is uncertain and commercial risks remain. Translational research is the leap from fundamental science to its practical application. From an idea to a candidate product. From the lab to a Proof of Concept clinical trial.

Intellectual property around a project at the *pre-translational* stage is far less valuable than that same intellectual property at the *post-translational* stage.

We believe that this critical nexus between academia and commercialisation is underfunded in Australia and this impedes the overall productivity of the medical research sector.



New targeted funding from the MRFF could help recruit substantial, complementary research funding from the commercial sector as well as increasing the pool of sound research projects that firms like CSL can take forward to the later stages of development.

The second area I would like to highlight, relates to the challenge of capturing the economic and productivity benefits which come from the late stage commercialisation of this home-grown intellectual property.

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 investment in medical research.

In order to gain the maximum advantage from the new funding in the MRFF, we would like to see the government expand its focus and make some corresponding reforms to the Australian business environment.

You don't want to be underwriting medical research for other nations to commercialise. You want Australia to reap the really big economic and productivity benefits that flow from commercialisation.

Let me give you a practical example.

Last year, CSL needed to decide on a location for a new advanced manufacturing facility to produce a family of novel, haemophilia medicines using biotech manufacturing methods.

A significant proportion of the R&D and scientific proof of concept work was done in Australia and the IP resided in Australia.

The value of the initial capital investment will be around half a billion US dollars, there will be more than 500 jobs created, and once fully operational, this plant would have doubled CSL's economic contribution to Australia to around 5 billion a year.

After a thorough review of multiple criteria – including labour costs and productivity, availability of skills, industrial relations and corporate tax, we decided to build the plant in Switzerland.

The fact is, similar countries to ours are competing very hard to get these high-tech, footloose investments. Switzerland (and Ireland, Singapore, the UK) are offering a very sophisticated and expedited process for investing in their countries.

They also offer advanced manufacturing around a 10% corporate tax rate. This compares to a 30% corporate tax rate in Australia. Their aim is to capture investment that otherwise would not take place in that country.

Over the lifetime of a significant project, this difference in corporate tax rate can equate to more than a billion dollars. By choosing to invest in Australia CSL would have been putting ourselves at a significant competitive disadvantage.

My point is that the MRFF is a wonderful initiative, which we strongly support but I am urging you to continue this sort of policy innovation by also reforming the uncompetitive tax environment which is stopping Australia from hosting much of the advanced manufacturing of our R&D.

If that could be done, the economic multiplier from each dollar the MRFF spends would be significantly more.

CSL has articulated an Advanced Manufacturing Tax proposal at length in various papers and I would be happy to provide these to the Committee if that would be useful.



Conclusion

Senators, in conclusion, CSL is very strongly supportive of the MRFF, and we believe it is a wonderful initiative.

It would be even MORE wonderful if the government could use this momentum to ensure a competitive tax environment for investing in high value advanced manufacturing, and amplify the economic benefits we could be deriving from our intellectual property.

Finally, CSL would be delighted for the Committee or individual Senators to visit either of our R&D and manufacturing facilities at Parkville or Broadmeadows, and we extend that as an open invitation either during the course of this inquiry or at a later date.

We are very happy to answer any questions that Senators may have. Thank you.
