

**AAMRI Submission re Commonwealth Commercialisation Institute
28 August 2009**

(Response to questions on the DIISR on-line submission form)

Commercialisation in Australia

Describe your organisation

The Association of Australian Medical Research Institutes (AAMRI) represents 38 independent medical research institutes across Australia. AAMRI member institutes are independent not-for-profit organisations, closely affiliated with the health sector, hospitals, and universities.

1. Main barriers to commercialising new ideas. Comments (300 word max)

Research commercialisation is a critical step in the conversion of health and medical discoveries into clinically useful products. Several government inquiries have recommended the integration of public investments in research with private development opportunities, such that real economic and health returns are generated.

However, significant private investment will only occur once each innovation is developed to a point where external investment is feasible. Government support is absolutely critical during this early stage of research commercialisation.

AAMRI members state that each year there is a pool of research discoveries with commercial potential, from which only a small percentage are successfully prosecuted as patents; the so-called "valley of death" for research commercialisation. There are several barriers for medical research institutes when commercialising their research discoveries. Our member institutes have reported significant costs related to salaries of their commercialisation staff, establishing proof-of-principle, seeking legal advice, filing IP applications and prosecuting and maintaining successful patents. These form a significant component of the 'indirect costs' of our institutes, for which they only receive a small amount of government support.

Each year MRIs alone file patent applications for over 250 different inventions, and universities file over 800 per year. However, the NHMRC, our main funding body, only granted 22 Discovery Grants, which are aimed at projects in the early-stage of commercialisation. Thus, government support for this early stage of the commercialisation process is currently inadequate for any real commercialisation of research discoveries.

2. What is needed to overcome these barriers. (300 word max)

AAMRI supports a proposal by peak industry bodies for a \$1 billion Health and Medical Research Fund to be established. This sequestered funding would be specifically for the life sciences, and is needed to support research projects that are in too early a stage to attract commercial funding and may be beyond the capacity of existing government programs, but that demonstrate great potential for national benefit.

Importantly, commercialisation funding should be available in the form of grants to the founding scientists. The current situation, which is skewed towards venture capitalists, is a major disincentive to innovation. The absence of significant early-stage funding has

enabled venture capital companies to purchase greater ownership in the inventions; this stifles innovation by failing to reward the very people responsible for the discovery.

A Health and Medical Research Fund which allows scientists to develop their own discoveries beyond the early-stage will improve the attractiveness of these investments to capital providers whilst still allowing the original inventors to retain ownership and be rewarded for their innovations.

3. How should specialist advice be delivered?

AAMRI recommends that the Commercialisation Institute seek advice from existing successful venture capital firms such as the Medical Research Commercialisation Fund (MRCF) which provide both advice and funding opportunities, when appropriate, to its member institutes. An organisation which solely provides advice has the danger of not being grounded in the real world of investment funding.

Design elements of the Commonwealth Commercialisation Institute.

4. What are the most appropriate mechanisms to implement principles of mutual obligation and support?

AAMRI supports establishing an industry that is ultimately self-sustaining. However, a grants or loans scheme that has onerous or punitive repayment schemes, such as have existed in the past, would lead to the financial disincentive for health and research organisations to undertake commercialisation. The Government must recognise that health and medical research has very long lead-times until project fruition, and must therefore structure a grants or loans scheme accordingly. In addition, although co-investment schemes may be appropriate further along the development pathway, currently our industry faces a significant lack of funds in the early stages of commercialisation, when developing innovations to the point where external investment is feasible.

5. What needs are specific to research organisations that should be taken into account in the design of the CCI?

Health and medical research projects have a necessarily long lead time before products can be launched on the market. This is due to the complexity of the research involved, and also the rigorous safety and efficacy testing needed in animal and human models. As such, the CCI must have realistic times for repayment of any grants or loans. In addition, a thorough understanding of the areas of biomedical science and the use of experts to provide advice is essential.

6. Where are you currently on the developmental pathway and what specific services do you require to progress along the pathway?

AAMRI is a peak body for independent medical research institutes, therefore represents many organisations which have projects at various stages along the developmental pathway.