

Association of Australian Medical Research Institutes

AAMRI

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SUBMISSION FROM THE ASSOCIATION OF AUSTRALIAN MEDICAL RESEARCH INSTITUTES ON PIIP

To the Productivity Commission Inquiry into PIIP,

The Association of Australian Medical Research Institutes (AAMRI) represents the independent academic medical research sector in Australia, including most of the high profile research units associated with Universities and Hospitals. In all, they employ about 10,000 staff and bring in over \$300 million per annum in competitive grants and biotechnology initiatives. AAMRI has worked closely with successive governments to improve the climate for biotechnology in relation to medicine in Australia, and we have a major interest in facilitating applied research in collaboration with the pharmaceutical industry.

The PIIP scheme offers international pharmaceutical suppliers concessions if they invest in research and development in Australia, in general with five-fold leverage (for every \$5 million spent here on R&D, a company gets \$1 million benefit on pricing with the PBS). The scheme is capped at \$300 million over five years, or \$60 million per annum. AAMRI believes that the PIIP scheme has had mixed success, less than its predecessor (factor F) but better than no incentive plan. We realise that such incentive schemes are a balancing act. PIIP leverage, which represents government funds, is used to obtain R&D investment in Australia and to counter the disinclination of the international pharmaceutical industry to invest in Australian research, development and manufacturing as a result of the monopsony purchasing power under the PBS.

A robust, flexible and widely applicable incentive plan should and can result in substantial economic and social gains for Australia, and in our view represents a highly credible and sustainable investment. We note that such a plan is called for by the Pharmaceutical Industry Action Agenda, and by Government policy through its initiatives to maximise Australia's ability in the biomedical research and biotechnology areas. We very much support the proposal for further industry-government dialogue in defining the process, and suggest this dialogue continue to involve not only Industry but also Health and Science from the Commonwealth Government side, and also representatives of the States, and of AAMRI and the Universities from the academic sector.

The sub-optimal features of the current PIIP scheme are

- (i) lack of flexibility, which makes it difficult for industry members to discharge their obligations in the context of rapid scientific and corporate change, and difficult for government in equitably and responsively administering the scheme;
- (ii) capping of the scheme at a total level of A\$300m over five years, inclusive of administration and regulatory costs, with a maximum ask of \$60m in relief from any one company; and
- (iii) the process of prioritisation of applications, whereby those considered most attractive were funded in full, to a total of ~\$300m, and the remainder not funded at all.

In the scheme to be developed to follow and replace PIIP, we believe that

- (1) the extent of the investment should be uncapped. In the last round a cap of \$450-\$500m would have allowed investment in all complying applications. The multiplier between price relief and dollar investment is five-fold, so that a flexibly capped scheme is in no danger of occasioning a fiscal blowout. Australia wins five dollars of investment for every dollar allowed for PBS relief.
- (2) the guidelines for application should be simplified, and the timelines made more flexible, given the necessity for consultation and iteration of draft applications between, for the most part, Australian and overseas head offices. On the one hand, there should be provision for longer and more flexible negotiations; on the other, the ability to move quickly when required.
- (3) where companies are unable to meet their annual undertakings to support research and development, they should be allowed to carry forward their commitment for a period of a year, with the funds held in escrow pending negotiations and decisions on its disbursement.
- (4) the research sector should continue to be represented in the PIIP process, in terms of the evolution of the scheme and its application.
- (5) While AAMRI accepts the Government's reluctance to "pick winners", the PIIP Secretariat should be more proactive in pointing out opportunities for PIIP investment that would benefit Australian science and technology. It might even be advantageous to hold "pre-bid workshops" between the Government, pharmaceutical companies and Research Institutes and Universities to identify broad areas that would be of interest to Australia. One example is research into pharmaceutical dosages and prescribing for the elderly.

Yours sincerely

Professor Bob Williamson, FRS, FAA
President, AAMRI (2000-2002)