FINANCIAL REVIEW

SE Supplement - Special Report

HD Cash a bonus but no panacea

BY Olga Galacho
WC 1,141 words
PD 30 May 2014
SN The Australian Financial Review
SC AFNR
ED First
PG 32
LA English

LP

A consensus is firming that the future of medical research is too important to leave entirely in the hands of boffins, following the unexpected federal budget proposal for an endowment fund worth $20 **billion** for science in search of miracle cures.

The mooted Medical Research Future Fund has been championed by some as a noble and long-overdue solution to discovering and developing tangible medicine, and dismissed by others as a decoy diverting attention from the budget's assault on other areas of scientific endeavour. Observers warn the government should have avoided "picking a winner" to deliver better health for future generations.

TD

Former president of the Australian Medical Association, Kerryn Phelps, who now advises the NSW government on preventative health issues, believes researchers and big pharmaceutical companies need to share the spoils of the new seed funding. "Some of the money should be quarantined for non-product or non-profit based inquiry to build better health provision and better paid hospital doctors to deliver the fruits of research," Dr Phelps said.

Protagonists for a sustainable future for medical discoveries have for decades called on Australian governments to show a greater commitment than the $780 **million** allocated for disbursement by the National Health and Medical Research Council.

A model for delivering $1 **billion**-plus a year from a capital-protected income stream to develop blockbuster drugs, and precision-packed medical devices should answer that call. But whether it should rely on co-payments from doctor visits to bankroll the concept is being questioned. Further, detractors point to the experience of many research grant outcomes that have failed to convert pre-clinical data and peer-reviewed findings into medicine.

On the other hand, Henry De Aizpurua, deputy director at the Florey Institute of Neuroscience and Mental Health, warns you cannot count the cost of research. "Biology has many mysteries to be discovered, but its secrets are not given up easily. This fund will help researchers to rise above their current survival mode and concentrate on effective science," Dr Aizpurua said. "If you want to do it properly – if you believe in a healthy future for research – you can't nickel-and-dime it. I believe the thinking behind this fund acknowledges that. Then experts in other fields must do the job of ensuring the research is not lost in translation."Support networks crucial

Tanya Monro, the highly acclaimed nanoparticle researcher based at the University of Adelaide, is a strong advocate for building the trans-disciplinary network around research to transform it into meaningful medicine. Without these mechanisms, she argues that spending on science for science's sake will be setting up research for failure.

"So much of what makes a discovery successful is not coming out of medical research … The big impact emerges from collaboration with business, clinicians, engineers, physicists, mathematicians and

many other disciplines that have the know-how to translate all elements of the research for the benefit of humanity," Professor Monro said.

Rob Crombie, a former Commercialisation Australia case manager and the new chief of immunotherapy **company** Virax, understands better than most how to make biotechnology perform for medical advancement and investor returns. A **lead** negotiator in more than 30 deals between drug companies and drug developers, Dr Crombie said the viability of research has to be measured against questions such as "what's the value proposition, who wants its, and why would people buy it?". "A sustainable future for research cannot rely on too much technology push and not enough market pull," he said.

That sentiment is echoed by venture capitalist Chris Nave, the architect of this year's $75 **million sale** of Australian scar-tissue repair developer Fibrotech. As managing director of Brandon Capital Partners, Mr Nave raises and manages funds for research companies. He says those developing medical devices have the brightest future on the global stage. "Australia's Cochlear and ResMed, two device companies that dominate the global markets for ear implants and sleep monitors, make their products here," he said. "Now that we are losing the car-making industry, we need to look beyond laboratories and further expand the opportunities of the nation's biggest exports manufacturer – the drugs and medical devices sector."

Mr Nave argues building more capacity in the devices industry is low-risk because "we can't be undercut by **China** or Asia as our inventions are protected by patent and Australia's safe clinical and regulatory environment is compelling to global consumers". It is a strategy that will create sunrise industry jobs in high-tech manufacturing and feed lucrative export markets.Incentives keep findings alive

Medical research, on the other hand, faces greater risks. The so-called valley of death – that chasm of commercial reality that a discovery must negotiate to produce a genuine therapy – has claimed much great science. Last year, a non-partisan road map to help research avoid failure was plotted in the 300-page McKeon review. If the government sticks to the directions within it, there are high hopes that the budget's $20 **billion** endowment proposal will **lead** to self-funding research delivering game-changing discoveries to pharmacy shelves. Simon McKeon, the CSIRO chairman and Macquarie Group operative who chaired the review, said that at the heart of the findings was an imperative for research to partner with medical collaborators, commercial nous and capital markets.

"Our report did not come up with the co-payment idea, but we did suggest good research would benefit from health practitioners substituting a portion of clinical time for laboratory work," he said. "Who better to do research than those specialists who practice medical care for a living? But as we have seen in overseas models, it requires financial incentives."

Doug Hilton, director of the Walter and Eliza Hall Research Institute, agrees new approaches need exploring over and above generous grants. "If I am asked for my thoughts on the endowment fund I will tell them to study how things are done in the United States. For every dollar an institute receives for research, an extra US60¢ is provided to exclusively build the infrastructure needed to translate that research into tangibles," Professor Hilton said.

"Further, little silos of knowledge in every hospital are not more worthy of funding than programs to understand environmental exposures, interpret genetic information, recycle expensive therapies to meet new needs, and streamline healthcare systems."

The government will undoubtedly be looking for ways to marry the fortunes of medical research with lifting the burden of healthcare on future budgets, given that close to a quarter of the money collected by Treasury is spent keeping Australians healthy. The imperative for research to find treatments earlier and help keep hospital stays shorter has never been as great as it is today, thanks to a growing and ageing population.

IN i257 : Pharmaceuticals | i951 : Health Care/Life Sciences

RE austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

PUB Fairfax Media Management Pty Limited

AN Document AFNR000020140529ea5u0001f

