

SMART STATE – HEALTHY FUTURE

A proposal to the Victorian Government from the State's 13 major medical research institutes

1. Victorian Health & Medical Research

- The medical research sector employs approx. 9,200 people in Victoria (40% national total).
- Victoria has received \$2.4bn in National Health & Medical Research Council (NHMRC) funding over the past decade. Direct research revenues to Victoria from NHRMC grants in 2003 were \$129.5m, and grew to \$322.6m by 2012.
- In 2011, over half of 51% of NHRMC fellowships were awarded to researchers in Victoria.
- 62% of NHRMC development grants awarded in 2011 went to Victorian institutes.

2. The contribution of Victoria's Medical Research Institutes (MRIs)

- MRIs in Victoria are a more significant component of this success than in other States. MRIs are 27% of the national HMR effort, but in Victoria they are 36-40% of the State's activities.
- In Victoria MRIs had a turnover (from all revenue sources) of \$336m in 2008/9 and this has grown 29% to \$434m by 2012.
- For every dollar invested, MRIs publish and produce commercially valuable intellectual property at a rate of more than twice the University sector.

3. The MRI funding crisis

- The indirect costs of grant revenues are paid to all Universities by the Commonwealth, and to all MRIs jointly by the NHMRC and the relevant State Government.
- The total contribution by Victoria for its MRIs was raised to \$25m in 2004 when competitive grant revenues to Victorian MRIs were \$93m; 27 cents in the dollar. This was a competitive advantage, and allowed the Victorian sector to expand.
- By 2011 income had risen to \$186m but Victorian funding was capped at \$26m; 14 cents in the dollar by this time. The competitive advantage has been lost to Queensland and NSW, with the result that talent and activity is starting to leave the State.
- Institutes have filled the gap with efficiencies, redirection of philanthropic and investment revenues nominally targeted for new research initiatives (rather than back-funding existing ones) and finally now, by eating into reserves. The situation is unsustainable and has produced several very undesirable consequences:
 - Pared back activities are less able to deliver benefits for the Victorian health sector;
 - Philanthropy is falling because we are using donations to 'keep the lights on' rather than initiate new projects;
 - Competitive poaching of our talent interstate is now well established;
 - Any further erosion of institute reserves risks insolvency in some cases.

4. The proposal

- We have identified that Victoria's MRI sector would be well served by enhancing the diversity of our revenue base, and that our greatest opportunities lie in making Victoria a more attractive destination for philanthropy, commercial revenue and international grants.
- We know that the existing program (Operational Infrastructure Support – OIS) has been successful in leveraging NHMRC funding, and propose a new program providing cents-in-the-dollar support for these other potential sources of revenue that will provide similar leverage of these new income sources.
- The program should be capped at \$26m pa, and continued after five years only if the benchmark of the existing program of 7 x leverage has been achieved. The target will be a further \$186m revenues from these as yet under-tapped sources.