“Costing Medical Research to Reform Health Outcomes”
The case for increased indirect cost funding for Australian accredited MRIs

January 2010
# Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preface</td>
<td>1</td>
</tr>
<tr>
<td>Executive Summary</td>
<td>3</td>
</tr>
<tr>
<td>1. Benefits of medical research</td>
<td>6</td>
</tr>
<tr>
<td>2. Indirect costs of medical research; methods and results of Australian accredited MRIs</td>
<td>17</td>
</tr>
<tr>
<td>3. Comparison with university indirect cost funding</td>
<td>34</td>
</tr>
<tr>
<td>4. International indirect cost funding</td>
<td>41</td>
</tr>
<tr>
<td>5. Benefits of increasing MRI indirect cost funding</td>
<td>49</td>
</tr>
<tr>
<td>6. The proposed role of Federal and State Governments in funding indirect costs</td>
<td>54</td>
</tr>
<tr>
<td>7. Appendix</td>
<td>60</td>
</tr>
</tbody>
</table>
Preface

This report has been written and compiled by L.E.K. Consulting and commissioned by the Association of Australian Medical Research Institutes (AAMRI)

AAMRI represents the majority of Australia's independent medical research institutes (MRIs). AAMRI members are leaders in health and medical research excellence, both in Australia and internationally. All AAMRI members are not-for-profit organisations, are accredited with the NHMRC, and comply with the highest standards of ethical and financial accountability

The funding position of AAMRI members were surveyed for this report. The results were then extrapolated to include the few non-AAMRI independent, accredited institutes in order to represent the sector

The main purposes of this report are:

1. To benchmark the indirect costs of research faced by all Australian independent, accredited medical research institutes
2. To provide a comparison between indirect cost funding for all accredited MRIs and other national and international research sectors, including the Australian university sector
3. To propose a solution in the form of a Federal and State Government joint funding arrangement, to ensure Australian accredited MRIs maintain a pre-eminent competitive position
**Executive Summary (1/3)**

**Medical research delivers significant benefits to Australia**

- There are widely accepted direct health and social benefits associated with a vibrant and sustainable medical research sector, including improved health outcomes, new employment opportunities and the indirect “halo effect” of research excellence on the health and medical sector.

- The benefits of medical research have been estimated in leading Australian and UK studies. The most conservative of these estimate an extremely healthy internal rate of return of 30 – 40 percent per annum.

- Australia’s accredited MRIs play a unique role in the medical research sector which is distinct to the research undertaken by universities and hospitals. MRIs are able to focus on health and medical research and therefore achieve high productivity and attract significant talent and philanthropic funding into the sector.

- The continued success of Australia’s medical research is reliant on transparent investment by Federal and State Governments in the indirect cost of medical research, in addition to providing direct grant funding.

**The indirect costs of medical research are sizable**

- The indirect costs incurred by medical research are significant and integral to successful research. Indirect costs cover essential items critical to successful research which cannot be attributed to an individual research project, for example computing and bioinformatics centres, animal houses, and administrative staff and ethics committees.

- L.E.K. conducted an extensive survey of 32 AAMRI member institutes (87% of all AAMRI members) with regards to their indirect costs and funding sources for the years 2005 to 2008 inclusive. These results have been extrapolated to represent all accredited MRIs.

- The survey results indicate that indirect costs of research for Australian accredited MRIs are on average 60 cents per dollar of all peer-reviewed research funding.
Executive Summary (2/3)

- This level of 60 cents of indirect costs per dollar of research grant is consistent with national and international studies which report indirect costs of research of 50 to 70 cents per dollar of peer-reviewed research income

- The Review of Australian Higher Education ("Bradley review") acknowledged the level of funding required for research and recommended additional funding towards indirect costs for universities. This recommendation was adopted by the Federal Government through the introduction of the Sustainable Research Excellence (SRE) program. The SRE program is a supplement to the existing university indirect cost funding scheme, the Research Infrastructure Block Grants (RIBG). The SRE program, in combination with the RIBG, will provide 60 cents per dollar of competitive research funding to universities by 2014

- In contrast, combined Federal and State funding for indirect costs incurred by MRIs is on average 30 cents per dollar of peer-reviewed funding, which covers only half of total indirect costs

**Australian accredited MRIs are more productive than universities and should receive equitable funding**

- MRIs should receive an equivalent funding rate to universities, given their significantly higher productivity in the delivery and commercialisation of research outcomes

- The ramp-up of the SRE will create a further funding gap between universities and MRIs of approximately 30 cents per dollar of research income by 2014. The discrepancy between government funding for MRIs and other research sectors needs to be resolved
Australia is a world leader in health research and development, but risks falling behind

- Australia is recognised as a global leader in health and medical research excellence
- However, Australia’s private sector investment in medical research is likely to face increased regional competition in the future from a number of Asia-Pacific countries including China, India and Singapore
- Mature markets widely considered ‘best practice’, e.g. the USA and the UK, currently fully reimburse indirect costs (ranging from 50-70 cents per dollar of peer-reviewed funding), roughly double the level funded by the Australian State and Federal Governments
- There are significant economic and health risks to under-funding research in Australia, including the erosion of investment and talent to overseas countries, and the under-utilisation of new and existing capital works
- It is imperative that the funding of Australian accredited MRIs be maintained at globally-competitive levels to enable Australia to continue to produce excellent research, and attract and retain investment and world-class scientists

The Federal Government must increase its support of Australian accredited MRIs

- The indirect cost funding gap is significant, at 30 cents per dollar of peer-reviewed funding, or half of indirect costs. MRIs are currently funding this gap from sources which would otherwise be diverted into additional research
- The Federal and State Governments must contribute towards closing the gap to ensure MRIs maintain funding parity with universities and competitiveness on an international level
- An increase in Federal Government funding of approximately $140m per year by 2014 will be required to achieve this. An accompanying increase of $130m will be required from the combined State Governments
- This will ensure Australia maintains its international position as a leader in health and medical research excellence
Section 1: Benefits of medical research

Medical research delivers significant commercial and social benefits to Australia
Medical research is carried out by universities, hospitals and medical research institutes (MRIs), with each necessary to the achievement of a productive and commercially innovative medical research sector.

- Education of researchers and medical professionals
- Research (predominantly laboratory and public health)
- Source of innovation for commercialisation organisations
- Provision of healthcare services
- Training of researchers and clinicians
- Medical research (predominantly clinical)
- Adoption and translation of research into clinical practice
- Focused medical research (from laboratory to clinic)
- Research commercialisation and IP capture
- Training of researchers
- Attract philanthropic participation with medical research
The benefits of a healthy medical research community have been widely espoused.

**Direct Research Benefits**
- Ability to win and attract competitive grants, international investment and philanthropic support
- Increased employment opportunities
- Produces superior quality and quantity of research output (e.g., clinical trials)
- Commercial exploitation of innovations arising from R&D

**Social “Spill-over” Benefits**
- Attracts and trains the “best and brightest” researchers
- Attracts the “best and brightest” clinicians
- Supports the broader economy through economic stimulus – the “multiplier effect”
- Contributes to a culture of excellence and learning within hospitals, health services and universities

**Improved health delivery outputs and outcomes from the translation of research**

**Wider economic benefits**


Australian accredited MRIs. Indirect Cost Funding.
Medical research plays an important role in addressing the Federal Government’s National Health Priority Areas initiative

<table>
<thead>
<tr>
<th>National Health Priority Area</th>
<th>Australian accredited MRIs with specific expertise</th>
<th>National Health Priority Area</th>
<th>Australian accredited MRIs with specific expertise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arthritis and Musculo-skeletal Conditions</td>
<td><img src="image1" alt="Hanson Institute" /> <img src="image2" alt="Menzies Research Institute" /></td>
<td>Cardio-vascular Health</td>
<td><img src="image3" alt="CHRI" /> <img src="image4" alt="Victor Chang" /></td>
</tr>
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<td>Asthma</td>
<td><img src="image5" alt="Telethon Institute" /> <img src="image6" alt="Woolcock Institute" /></td>
<td>Diabetes and Obesity</td>
<td><img src="image7" alt="Baker IDI" /> <img src="image8" alt="SVI" /></td>
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<td>Cancer</td>
<td><img src="image9" alt="Peter Mac" /> <img src="image10" alt="Children’s Cancer Institute Australia" /></td>
<td>Injury Prevention and Control</td>
<td><img src="image11" alt="Prince of Wales Medical Research Institute" /></td>
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<td><img src="image12" alt="Mental Health" /> <img src="image13" alt="Mental Health Research Institute" /></td>
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</table>

Source: Department of Health & Ageing, AAMRI
Australian accredited MRIs. Indirect Cost Funding.
Australian accredited MRIs are involved in many successful translational research programs which address the national health priority areas (1/2)

**Examples: Mental Health and Asthma**

**Telethon Institute for Child Health Research - Asthma**

TICHR scientists analysed the way that common allergens can lead to asthma in children.

The scientists at the Telethon Institute developed a treatment that can create ‘immunological tolerance’ which turns off the child’s allergic reactions. This ‘educates’ the immune system to avoid harmful responses, such as asthma attacks.

A cost-benefit analysis by the Centre of International Economics stated that the benefits of this program arise from the reduced cost of asthma to the community, including medical costs and lost productivity. The work has attracted R&D and trial funds from overseas.

It is expected that the treatment will significantly lower the impact and incidence of asthma in the future.

**MHRI – Development of Fast-Acting Alzheimer’s Drug**

The Mental Health Research Institute has studied Alzheimer’s disease for more than 20 years. As a result of the research, they have made three major discoveries around the causes of Alzheimer’s disease. These discoveries have led to the development of a product, PBT2, which is now in clinical trials.

A safety trial (Phase 1) of PBT2 in healthy humans has been completed with satisfactory results; the Phase 2 trial of PBT2 is currently being undertaken in Sweden. This trial will test the drug in people in the early stages of Alzheimer’s disease.

The development of the drug to market is being carried out by PRANA Biotechnology Ltd, a dual-listed ASX and NASDAQ biotech.

Source: Telethon Institute for Child Health Research; Mental Health Research Institute

Australian accredited MRIs. Indirect Cost Funding.
Australian accredited MRIs are involved in many successful translational research programs which address the national health priority areas (2/2)

**Examples: Cancer and Cardiovascular**

**Peter Mac – New Bone Cancer Treatment**

Researchers from the Peter MacCallum Cancer Centre have led an international clinical study to develop a treatment for bone cancer, denosumab. The results of the new treatment have demonstrated substantial improvements in patients with bone cancer.

Interim results of the international multicentre trial show 87 percent of patients treated with denosumab demonstrated significant improvement in their giant cell bone tumors after 25 weeks.

This study is the result of Melbourne’s cancer scientists and clinicians applying modern genomics technologies to unravel the causes of cancer. The study may result in a new and effective cancer therapy.

**Centenary Institute – National Genetic Heart Disease Registry**

The Centenary Institute officially launched the World’s First National Genetic Heart Disease Registry. The objective is to increase researchers' understanding of genetic heart disease to provide families of sufferers with information which allows them to initiate measures to prevent sudden cardiac death.

The database will build an accurate picture of genetic heart diseases in Australia. This will provide a key foundation for further research breakthroughs and personalised treatment of patient populations.

The National Genetic Heart Disease Registry will lead to significant advances in research into genetic heart diseases, better treatment options and ultimately prevention of sudden cardiac deaths.

Source: Peter MacCallum Institute; Queensland Institute for Medical Research
Social benefits of medical research include the value of innovation, and the impact on the performance of the private sector and wider economy.

Source of social benefits: public R&D and its interaction with private R&D

Government investment in the NHMRC has resulted in the creation of several thousand new research scientist jobs

**Total NHMRC grant value by state (FY 2000-08)**

- Millions of dollars

**Cumulative increase in Australian NHMRC funding from 2000 levels (FY 2001-08)**

- Millions of dollars

- CAGR** percent (2000-08)

Using a multiplier of 10 positions per million dollars of funding*, this has resulted in an annual increase of approximately 400 new positions per year in Australia from 2000-08, or 3,200 new positions over an eight year period

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Note:  
* Based on average ratio of current research staff levels to direct research income in Victorian MRIs  
**Compound Annual Growth Rate (CAGR) is the average annualised growth rate over a specified period of time  
A leading UK report has estimated that the total value of the direct and indirect benefits of medical research delivers an annual rate of return of 35 - 40 percent

### Direct Health Benefits
- It is possible to measure the direct health benefits resulting from medical research. The value of direct benefits is the opportunity cost for each QALY related to medical research:
  - quality adjusted life years (QALY) is a measure of the number of years of improved life resulting from medical intervention
  - the opportunity cost of a QALY is the amount of money an individual would pay to improve the quality of their life for one year
  - the value of direct health benefits is the total QALY value, net of the costs of the medical program
- The direct value is often expressed as a ‘internal return’ on the investment in the medical research. The internal rate of return (IRR) is the discount rate at which the present value of all the future cash flows from an investment, equals the cost of the investment
- The size of the return differs by therapeutic area

### ‘Spill-over’ Benefits
- Publicly funded research provides significant benefits to the wider economy, in particular, private R&D
  - “… In one study, 15 of the 21 drugs identified as having had the most impact on therapeutic practice were developed with input from the public sector …”
  - Joint Economic Committee, US Senate, 2000
- Public research stimulates growth in other areas, as illustrated below;
  - R&D investment in one organisation generates a benefit to itself, to other organisations in the same sector, and to other sectors in the economy

### Economic Benefits
- “… For CVD the IRR from the value of UK net health gains alone is just over 9 percent…”
- “… The GDP gains…(of) medical research deliver an additional rate of return …of 30 percent…”

The latest Australian Access Economics report has calculated the return on investment (an alternative measure to IRR) of medical research and development to be 117 percent

- The 2008 Australian Access Economics report re-analysed the return on investment (ROI) created by medical research, previously cited in its 2003 review on the value of health R&D. (ROI is the profit, or return, from an investment as a proportion of the total cost of the investment*)

- The report states that the major return on investment is the increase in QALYs, referred to in the report as DALYs (Disability Adjusted Life Year)
  
  “… The major return on investment (ROI) from health R&D is the gain in wellbeing achieved from lowering mortality rates and associated morbidity, relative to what they otherwise would have been (i.e. in the absence of the R&D)…”

  Access Economics, 2008, Exceptional Returns: The value of investing in health R&D in Australia II

- The study took into account an average ‘time lag’ of 40 years between the R&D investment and the resultant health benefits. The net benefit was found to be an average of $2.3 billion per year

  “… The ROI analysis compared the value of the wellbeing gains projected to occur with a 40 year lag from the expenditure year, to take account of lags in R&D translation into benefits, and the long period for which benefits from R&D may continue to be realised…”

  Access Economics, 2008, Exceptional Returns: The value of investing in health R&D in Australia II

- The overall return of health R&D was calculated to be 117 percent, much higher than other private sectors, such as manufacturing and agriculture (50 and 24 percent respectively)
  - the return on health R&D was also found to be higher than the average gross rate of return reported by the Productivity Commission in 2007**, of 65 – 85 percent

Notes:  
* The ROI is a different measure to IRR (used in Medical Research: What’s it worth?). IRR is a discounted measure, while ROI is reported in nominal undiscounted terms. Therefore, it is expected that the IRR would typically be smaller than the ROI for a particular investment


Section One Summary – Benefits of medical research

- Medical research is carried out by universities, hospitals and MRIs. Each sector is necessary to achieve a productive and commercially innovative medical research sector

- There are widely accepted direct research and social benefits associated with a vibrant medical research community
  - medical research plays an important role in addressing the Government’s national health priorities
  - innovation and commercialisation bring economic benefits to the private sector and wider community

- Australia’s health and medical research has delivered significant health and social benefits
  - significantly increased the amount of competitive grants bestowed
  - increased employment opportunities
  - contributed to many translational research successes, particularly in areas that address the national health priorities

- Medical research contributes many far-reaching benefits to Australia. Leading Australian and UK studies have measured the benefits; of these, the most conservative has estimated the annual, ongoing return of publicly funded medical research of 30 – 40 percent*

- The continued success of Australia’s medical research is reliant on the transparent investment of Federal and State Governments to offset the indirect cost of medical research, as well as direct research grants

Section 2: Indirect costs of medical research; methods and results of Australian accredited MRIs

The indirect costs of medical research are sizable (approximately 60 cents per dollar of research funding) and critical to research quality. The current level of indirect funding covers only half of indirect costs and is not supportive of high quality research.
In order to estimate the indirect cost and indirect cost funding for Australian accredited MRIs, a subset of accredited MRIs was selected to represent the wider group.

- All members of AAMRI were invited to take part in this study. 32 of the 37 AAMRI members agreed to participate and provide details on their breakdown of peer reviewed and other funding, indirect costs, employee numbers and examples of translational and commercial outcomes for 2005-08.
  - Calculations were undertaken on a calendar year basis to be consistent with the IRIISS funding timeframe.

- As the report was compiled within a tight timeframe, fifteen accredited MRIs were chosen as a representative sample for all Australian accredited MRIs:
  - The MRIs were chosen so that their size, geographic location and research areas were representative of the wider MRI group.
  - The MRI sample was used to estimate the indirect costs and indirect cost funding as a proportion of peer-reviewed research funding.

- The calculated results were extrapolated to represent all accredited MRIs.

- Peer-reviewed direct grant funding was compiled from a larger sample size (26 of the participant MRIs) due to the availability of information.

- Indirect costs include three key categories: laboratory cost, building and facility costs and administration costs.
  - In determining the indirect cost of research, the administrative costs of fundraising were excluded.

- Indirect costs were assumed to grow in line with peer-reviewed research funding through to 2014.

- Peer-reviewed grants are defined as those grants listed on the Australian Competitive Grants Register published by the Department of Innovation, Industry, Science and Research (DIIRD). AAMRI members reported their peer-reviewed research funding based on the grants included in this list.
The indirect costs of research across universities, MRIs and hospitals includes general research, building and administration costs which cannot be attributed to a single research program

**Laboratory costs**
- Laboratory support costs cover the essential service platforms that are essential for medical research. These include technical services (e.g. biotechnicians etc.), laboratory equipment (e.g. microscopes, animal houses, etc.) and analytical services
- Some research and technology platforms, such as analytical and clinical services, cannot be attributed to a single grant and must be supported through indirect costs

**Building and facilities cost**
- Building and facilities operating costs cover the costs of occupying and maintaining the building. These include rent, services, waste removal, maintenance costs and facilities management staff
  - “…Facilities also carry significant longer term maintenance and renewal costs that are not factored into ongoing funding arrangements…”
  - Innovative Research Universities Australia, 2008, ‘Funding the full cost of research’

**Administration costs**
- Administration costs include activities critical to the efficient running of the institutions and impact their ability to attract competitive researchers, and to gain international recognition and commercial income from their research. Examples include administrative staff salaries, IT, OH&S, business development, financial management and HR

Source: The Allen Consulting Group, 2009. The indirect costs associated with university research funded through Australian Competitive Grants; Innovative Research Universities Australia, 2008. Funding the full cost of research

Australian accredited MRIs. Indirect Cost Funding.
Indirect costs for Australian accredited MRIs are significant. Our results show that in 2008, indirect costs were approximately 60 cents per dollar of peer-reviewed research expenditure.

Weighted average Australian MRI* indirect costs as a proportion of peer-reviewed research funding (2008)

- The range of lab support costs at individual MRIs can broadly be explained by the different types of research carried out in each institution.
- "...There are good reasons for this variation among institutions. First, research is more expensive in some subjects than in others. Second, there are marked regional differences..."
  - May, R.M., Sarson, S.C., 1999, Revealing the hidden cost of research

- MRIs incur high costs for procedures involving expensive technical or analytical services and for animal research. ‘Dry’ research (involving computer modelling) is usually lower in cost than ‘wet’ (laboratory-based) research. For instance, epidemiological research is often less costly than laboratory-based research.

- Buildings and facilities costs are often higher for MRIs with new buildings due to larger depreciation costs. Buildings and facilities operational expenditure (opex costs) are usually lower for those MRIs that have long-established facilities.

- Differences in administration spend are often due to deviation in salary expenditure due to organisational structure. For example, the total administration salary spend is higher in MRIs that have commercialisation or business development teams.

Note: * Sample of 15 Australian accredited MRIs, range represents lower and upper quartile; ** Includes depreciation

Australian accredited MRIs. Indirect Cost Funding.
Indirect costs of medical research

Indirect costs of research for Australian accredited MRIs are continuing to increase across the board

- Budgetary pressures have resulted in universities and hospitals increasingly shifting costs onto co-located MRIs where previously these services were provided free-of-charge
  “… The hospital stopped funding the service of our fire safety systems a few years ago. Although we are an independent MRI, we are located on a hospital campus and our building is part of the hospital fire safety system. We are now invoiced $20,000 each year …”
  AAMRI member A
  “… Audit fees were previously paid by the State government and IT services were provided free of charge by the University, but are no longer paid by them …”
  AAMRI member B

- New regulation and legislation have made the compliance costs of medical research more costly
  “… animal ethics committees and OH&S compliance are making research increasingly expensive …”
  AAMRI member C

- Additionally, recent building upgrades have significantly increased operational costs for some MRIs
  “… We moved into a new building in 2008. It is a fantastic building, but the knock on effect is that our indirect costs for rent, cleaning, waste disposal etc. went from about $50,000 pa to $460,000 pa almost overnight. This has placed a huge burden on our infrastructure budget …”
  AAMRI member D

- New research projects can also increase the laboratory component of indirect research
  “… Over the past 18 months, we have had to purchase eleven -80°C freezers to meet the demand of increasing cold storage requirements. In total we have spent $233,690 on these eleven units…”
  AAMRI member E

Source: AAMRI member data, L.E.K. interviews
Australian accredited MRIs. Indirect Cost Funding.
Australian and international studies* have confirmed that the indirect costs of medical research in universities and MRIs are between 50 and 70 percent of peer-reviewed research funding.

- A number of sources indicate that required funding levels are in the order of 50-70 percent of direct research costs and research funding (direct research costs are assumed to be equivalent to direct research grants)
  
  “… Studies around the world have found from both individual university studies and studies of national systems that administrative/overhead costs and research facility costs are between 50 percent and 60 percent of direct project costs… They are a little higher in science/engineering…”
  
  Australian Technology Network of Universities, 2008, ‘Quantifying the full cost of research’

  “… There is general agreement that the average indirect cost is around 50 per cent of direct project costs… indirect cost payment / reimbursement rates vary from 35 per cent to more than 70 per cent…”
  
  The Allen Consulting Group, 2008, ‘Recognising the full costs of university research’

- The results of the studies are consistent with the findings of the L.E.K. report into the funding of the Victorian Medical Research Institutes
  
  “… Indirect costs of research for Victorian MRIs currently average 65 cents per dollar of direct research costs…”
  
  L.E.K. Consulting, 2009, Funding for the Future

Studies confirm that the indirect costs of research are around 50-70 cents per dollar of direct research income. This is in line with the cost structures of AAMRI survey participants.

Best practice countries, such as the UK & USA, provide close to full economic costing under a negotiated audited approach. This approach takes into account the variable cost bases of research organisations.

Estimated total indirect funding as a proportion of peer-reviewed research funding

Source: The Allen Consulting Group, 2008. Recognising the full costs of university research; Research Councils UK; Investment Review of Health and Medical Research; L.E.K. analysis

USA
US universities individually negotiate a fixed cents per dollar indirect funding rate with the Office of Naval Research and the Department of Health and Human Services.

The rate varies depending on the cost structure and takes into account the efficiency of the institution.

This rate is then applied to all federally-funded grants for a four-year cycle and is intended to be representative of all indirect costs incurred.

United Kingdom
In 2005, the UK government and research councils pioneered the support for the full economic costs of research by building indirect cost support into the grant.

Institutions measure the full costs of research through the Transparent Approach to Costing (TRaC) process. This then forms the basis for grant funding.

Funding levels are dependent on the source. Government grants fund 100 percent of the full costs of their grants. Research councils fund 80 percent.
It is widely accepted that the indirect costs of research for universities and MRIs are significant and integral to research success

- Adequate indirect funding is essential to achieve desired research outcomes
  
  “… There is complete agreement that the lack of funding of indirect research costs has led to deterioration in basic research infrastructure and research training …”  
  National Health and Hospitals Reform Commission, Dec 2008, ‘A healthier future for all Australians’

  “… One issue of increasing significance is that external competitive project funding usually only partly covers full costs…This increases the danger that the objectives of funding programmes will not be fully met because universities fear they will not recover the full costs of activities …”
  Financially Sustainable Universities, 2008, European University Association

- A number of reports commissioned by the State and Federal Governments have highlighted the problems associated with providing insufficient indirect funding
  
  “… The more successful a university is in obtaining national competitive research grants, the more it must subsidise such research from other revenue sources. This is a perverse incentive …”
  Bradley et. al., 2008, Review of Australian Higher Education Report

  “… The absence of full-cost funding is also contributing to inadequate spending on the maintenance of research infrastructure and the commissioning of world-class new infrastructure …”
  Cutler et. al., 2008, Venturous Australia Report

  “… The pressures on research in the state will not abate. If NSW capacity is not strongly supported, it could wilt, with the potential loss of some of the best of the state’s scientific leadership …”

The Federal Government has already accepted the costs of indirect research are approximately 60 cents per dollar of peer-reviewed funding, and has introduced the SRE scheme to support universities

- The existing funding system for universities offered indirect support under the Research Infrastructure Block Grant (RIBG). The grant contributes approximately 21 cents per dollar of peer-reviewed research funding. Other grants, such as the RTS/IGS can also be used by universities to cross-subsidise indirect costs.

- However, both the Productivity Commission (2007) and the Allen Consulting Group (2008) reported that funding had not kept pace with growth in competitive grants from FY2001-07 and had become inadequate. Universities had also reported cross-subsidisation of funding from other sources to support research grants, resulting in a negative impact across both research and teaching.

- The Bradley review addressed the level of indirect support required for research, reporting international benchmarks of 50 cents per dollar in 2006, which would require additional funding of $300m per annum.

- This recommendation was adopted by the Federal Government through the introduction of the Sustainable Research Excellence (SRE) program, to supplement the RIBG. Funding is expected to increase from 2010 to the full value of 61 cents per dollar of peer-reviewed research funding by 2014.

MRIs receive indirect cost funding from state and federal sources. There are a variety of Federal and State departments involved.

**Government Indirect Cost Funding**

- MRIs which administer their own NHMRC grants receive IRIISS funding from the Department of Health and Ageing (DoHA).
- MRIs for whom the grants are administered through an affiliated university receive a portion of RIBG funding from the university (via the Department of Innovation, Industry, Science and Research). The amount received by the MRI is individually negotiated with each university.
- Some MRIs may receive additional funding from universities (RTS or IGS through DIISR) in exchange for supporting university research students and publication citations. The amount provided is entirely based on individual negotiations.

**Federal indirect cost funding**

- **Directly allocated**
- **Indirectly allocated**
- **Other allocations**

**State indirect cost funding**

**State** | **Program** | **Department**
---|---|---
VIC: | OIS | Department of Innovation, Industry, and Regional Development (DIIRD)
NSW: | MRSP | Office for Science and Medical Research (OSMR)
QLD: | SSHMRF | Office of Health and Medical Research (OHMR)
WA: | MHRIF | State Health Research Advisory Council (SHRAC)

Source: DoHA; DIIRD; OSMR; OHMR; SHRAC; AAMRI; L.E.K. interviews

Australian accredited MRIs. Indirect Cost Funding.
There are a range of state schemes to support indirect costs. The majority of these are independent of the source of peer-reviewed funding

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<tr>
<th>Name of Scheme</th>
<th>Description</th>
<th>No. of MRIs</th>
<th>Annual value (2008-2009)</th>
<th>Funding criteria &amp; eligibility</th>
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<tbody>
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<td><strong>VIC</strong></td>
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<tr>
<td>Operational Infrastructure Support (OIS)</td>
<td>Indirect cost support for MRIs</td>
<td>13</td>
<td>$25.7m</td>
<td>Two components, growth (2/3 of OIS) and innovation (1/3 of OIS); Growth component is applied to peer-reviewed grants. If funding required exceeds the pool, the OIS is allocated on a pro-rata basis. Innovation component is available to projects which provide evidence of ‘added value’ to Victoria.</td>
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<td>Medical Research Support Program (MRSP)</td>
<td>Indirect cost support for MRIs</td>
<td>13</td>
<td>$20.3m</td>
<td>Pool is allocated based on share of eligible grant funding over last 3 years.</td>
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<td><strong>NSW</strong></td>
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<td>Queensland Department of Health</td>
<td>10-year overhead funding support</td>
<td>3</td>
<td>Est.$5-10m (confidential contracts)</td>
<td>Individually negotiated between MRIs and the QLD Dept. of Health with the aim to reach commercial self-sufficiency by the conclusion of the program.</td>
</tr>
<tr>
<td>Smart State Health and Medical Research Fund (SSHMRF)</td>
<td>Indirect funding support</td>
<td>2</td>
<td>Approx. $0.7m</td>
<td>Specific contract for Mater and Wesley only.</td>
</tr>
<tr>
<td>QIMR</td>
<td>Indirect funding support</td>
<td>1</td>
<td>Approx. $6.3m</td>
<td>Specific contract for QIMR only.</td>
</tr>
<tr>
<td>Fellowships</td>
<td>Fellowship program</td>
<td>n/a</td>
<td>Up to $5m</td>
<td>Competitive awards based on the quality of candidate’s proposal. Spend is at discretion of Fellow.</td>
</tr>
<tr>
<td><strong>QLD</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>WA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical and Health Research Infrastructure Fund (MHRIF)</td>
<td>Indirect support for MRIs, unis and hospitals</td>
<td>3</td>
<td>$5m</td>
<td>Wide range of eligible grants for funding support.</td>
</tr>
</tbody>
</table>

Source: DoHA; DIIRD; OSMR; OHMR; SHRAC; AAMRI; L.E.K. interviews.
The Federal IRIISS scheme was established to provide indirect cost funding to place MRIs on a similar footing to universities. However, funding is only available for NHMRC grants.

- In 2008, Australian accredited MRIs received a combined total of approximately $350m in direct peer-reviewed competitive research grants from national and international funding bodies.

- The Federal Government introduced the Independent Research Institute Infrastructure Support Scheme (IRISS) scheme in 2005 to support medical research institutes in maintaining research competitiveness with universities.

  “… This measure will allow the NHMRC to fund overhead infrastructure costs for independent medical research institutions awarded NHMRC research grants. This will allow these institutions competitive access to overhead infrastructure support on a similar footing to that provided to universities …”

  Federal Budget, 2004-05

- However, the scheme only provides indirect cost support for NHMRC-funded projects, which represent less than 60 percent of total peer reviewed funding for accredited MRIs.

- Given indirect costs of research are on average 60 cents per dollar of research income, the absence of federal funding for non-NHMRC grants is not supportive of research excellence.

- The variance has significant equity implications for MRIs that are weighted towards non-NHMRC grants.

Note: See slide 29 for detailed calculation methodology.
Source: AAMRI member data; Federal Budget, 2004-05; L.E.K analysis.
An estimation of the indirect cost funding gap has been built bottom-up from a range of sources:

<table>
<thead>
<tr>
<th>Value (CY08)</th>
<th>Description and source</th>
</tr>
</thead>
</table>
| Total indirect cost funding | $100m  
$100m \times 0.30 = $30m  
$350m - $30m = $320m | Aggregate of the State (MRSP, OIS, SSHMRF, MHRIF) and Federal (IRISS) indirect funding program amounts (2006-08)  
Aggregate of RIBG/RTS/IGS funds distributed to participant MRIs† (2006-08). The funds received by MRIs not participating in this report have been estimated using the average funding rate of the participant MRI funds |
| Participant MRI † indirect cost funding rate | 30 cents per dollar*  
$100m \times 0.30 = $30m  
$350m - $30m = $320m | The average proportion of indirect funding per dollar of peer-reviewed funding has been calculated from the participant MRI sample† (2006-08) |
| Total peer-reviewed funding | $350m**  
$350m \times 0.60 = $210m  
$350m - $210m = $140m | Total peer-reviewed funding has been calculated by applying the average participant MRI† indirect funding rate to the total amount of indirect funding  
Peer reviewed funding has also been cross reconciled to the survey information provided by 26 of the participant MRIs |
| Participant MRI † indirect cost rate | 60 cents per dollar*  
$100m \times 0.60 = $60m  
$350m - $60m = $290m | The average indirect cost per dollar of peer-reviewed funding has been calculated from the participant MRI sample † (2008) |
| Total indirect cost | $210m  
$210m \times 0.60 = $126m  
$210m - $126m = $84m | Total indirect cost has been calculated by multiplying total peer-reviewed funding by the average indirect cost per dollar of peer-reviewed funding |
| Funding gap | $110m  
$210m - $110m = $100m  
$100m \times 0.60 = $60m  
$210m - $60m = $150m | Total indirect costs less indirect funding |

Note:  
* Cents per dollar of peer-reviewed research funding  
** Totals may not equal due to rounding  
† See Appendix for list of participant MRIs who have contributed to this study. See slide 18 for details on the MRI Sample Description and source
This analysis shows that current government schemes fall well short of the funds required. State Governments currently provide over half (56%) of the total current government indirect cost funding.

**Total indirect funding for independent MRIs as a proportion of peer-reviewed research funding (CY2006-08)**

- Total funding for the indirect costs of medical research currently covers only half of total indirect costs.
- Of the funding supplied by governments, total Federal Government funding (IRIISS, RIBG plus other) comprises less than half the total amount (44%).
- Indirect cost funding has declined over the last three years:
  - Federal funding levels have slightly increased on a cents per dollar of peer-reviewed research basis. However, the increase in federal funding has not been sufficient to offset the decline in state funding.
  - Total state funding has declined by nearly 5 cents per dollar of peer-reviewed funding.

Note: * Other funding includes federal funding received through affiliated institutions

Source: AAMRI member data; L.E.K. analysis

Australian accredited MRIs. Indirect Cost Funding.
Australian accredited MRIs have experienced a considerable increase in competitive grants, but there remains a significant and widening indirect cost funding gap.

- MRIs in total received an estimated $103m towards their indirect costs in 2008. Of this, the combined state governments provided $58m, and the Federal Government schemes provided $45m.

- MRIs’ indirect funding position has declined on an absolute basis. MRIs currently only receive half of the funds necessary to cover their indirect costs.

- The Federal Government has provided an increasing share of indirect cost funding. However, IRIISS is only applied to NHMRC grants.

- Many states’ total funding have remained relatively static year to year, resulting in the decline on a cents per dollar of peer-reviewed research funding basis. Although some effort has been made in NSW to address this, WA and Victoria still lag behind.

- The total value of the funding gap in indirect costs was estimated to be $110m for MRIs in 2008. If the value of indirect funding plateaus as direct funding increases, the gap will widen.

- Over time there is a risk that the growing gap will result in compromised research outcomes.

Note: * Includes federal funding received through affiliated institutions; † MRSP is distributed on a FY basis. Funding commenced in FY2007.

Source: DoHA; DIIIRD; OSMR; SHRAC; AAMRI member data; L.E.K. analysis

Australian accredited MRIs. Indirect Cost Funding.
Indirect costs of medical research

Australian accredited MRIs are currently covering the funding gap for indirect costs through several sources, the majority of which were not intended to be spent on indirect costs.

Illustrative – MRI costs of research and funding sources

<table>
<thead>
<tr>
<th>Percent</th>
<th>Costs of research</th>
<th>Indirect cost funding gap</th>
<th>Indirect cost funding</th>
<th>Corporate Contracts/ Sales of Service</th>
<th>OIS</th>
<th>IRISS</th>
<th>Commercial / Investments</th>
<th>Philanthropy / Sponsorships</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>Direct</td>
<td></td>
<td></td>
<td>Corporations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>90</td>
<td>Indirect</td>
<td></td>
<td></td>
<td>Corporations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>70</td>
<td></td>
<td></td>
<td></td>
<td>Corporations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources of cost-subsidisation

<table>
<thead>
<tr>
<th>Pressures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philanthropy / Sponsorships</td>
</tr>
<tr>
<td>The amount of philanthropy and sponsorships varies substantially between different MRIs. This source of funding is not reliable year to year, and economic conditions have negatively impacted endowments and donations. Additionally, most philanthropic funding cannot be applied to indirect costs.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Commercial / investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Includes royalties, investment income, rental income and other assorted income groups. These sources of income can be volatile from year to year and between MRIs.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Corporate contracts/ Sales of services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate contracts and sales of services contribute to direct research costs. While they typically cover their own indirect costs, they make limited, if any, contribution to covering indirect costs from grant funding.</td>
</tr>
</tbody>
</table>

Source: Victorian MRI DIIRD survey submissions
Australian accredited MRIs. Indirect Cost Funding.
Section Two Summary – Indirect costs of medical research: methods and results

- The indirect costs incurred by medical research for universities and MRIs are significant and integral to successful medical research outcomes.

- Indirect costs of research for Australian accredited MRIs are approximately 60 cents per dollar of peer-reviewed research funding.

- This level is consistent with international studies which report indirect costs of research for universities and MRIs are 50 to 70 cents per dollar of research income. These studies argue that inadequate indirect cost funding leads to compromised research outcomes.

- The Federal Government has already recognised that the indirect costs of medical research are 60 cents per dollar of peer-reviewed funding, and introduced the SRE scheme to support universities to this level.

- In contrast, combined federal and state funding for indirect costs incurred by MRIs is on average 30 cents per dollar of peer-reviewed funding, less than half of total indirect costs.

- The Federal IRIISS scheme was established in 2005 to provide indirect cost funding to place MRIs on a similar footing to universities. However, IRIISS funding is only allocated for NHMRC grants (less than 60 percent of peer reviewed grants).

- Most state based funding systems have also failed to keep pace with growth in grants.

- Australian accredited MRIs have funded the indirect cost “gap” through a number of sources, which would otherwise be used to fund additional research and therefore deliver incremental health outcomes.
Section 3: Comparison with university indirect cost funding

Despite their higher level of productivity, Australian accredited MRIs are under-funded with regards to indirect costs compared to universities. The funding difference is as high as 30 cents per dollar of research funding.
Indirect cost funding for universities undertaking research is administered by the Federal Government under an entirely different system to MRIs

<table>
<thead>
<tr>
<th>Description</th>
<th>Annual value*</th>
<th>Cents per dollar of total grants †</th>
<th>Funding criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>RTS (Research Training Scheme)</td>
<td>Block grant to support research training for doctorate and masters degrees by research</td>
<td>$592m</td>
<td>2-4 cents</td>
</tr>
<tr>
<td>IGS (Institutional Grant Scheme)</td>
<td>Block grant made to HEPs (Higher Education Provider) to support research and training activities</td>
<td>$311m</td>
<td>8-16 cents</td>
</tr>
<tr>
<td>JRE (Joint Research Engagement)</td>
<td>Replacement to IGS from FY2010, designed to encourage collaboration between universities, industry and end-users</td>
<td>$311m**</td>
<td>8-16 cents</td>
</tr>
<tr>
<td>RIBG (Research Infrastructure Block Grant)</td>
<td>Block grant for indirect cost support for HEPs</td>
<td>$210m</td>
<td>21 cents</td>
</tr>
<tr>
<td>SRE (Sustainable Research Excellence)</td>
<td>Designed to supplement the RIBG, with the aim of providing a total of 50 cents per dollar of peer-reviewed research funding by 2014</td>
<td>$300m by FY2014; 30 cents by FY2014</td>
<td>20 percent of funding is based on the existing formula-based allocation 80 percent is activity-based costing measures as well as specified performance targets</td>
</tr>
</tbody>
</table>

Note: * FY2009; **Reallocation of IGS funding; † May vary due to research income mix
Source: Department of Education, Employment and Workplace Relations; Department of Innovation, Industry, Science and Research
Australian accredited MRIs. Indirect Cost Funding.
MRIs are under-funded with regards to indirect costs comparison to universities; this will be greatly exacerbated by the introduction of the SRE program

Indirect cost funding on average for Universities vs Australian accredited MRIs†

Cents per dollar of peer-reviewed research funding

Universities have greater flexibility to cross-subsidise indirect costs through a wider and more certain range of revenue and funding sources

This discrepancy is impacted by university and MRI funding being handled by different Government portfolios

Notes: * Other funding includes federal funding received through affiliated institutions. † Based on findings of the Cutler review
Source: Victorian MRI DIIRD Survey submissions; NHMRC; Department of Innovation, Industry and Regional Development; Cutler and Company Pty Ltd, 2008. Venturous Australia

Australian accredited MRIs. Indirect Cost Funding.
Australian accredited MRIs have higher rates of citations than equivalent local and global research organisations

Citation rate of research organisation biomedical publications (2002-06)
Number of citations per publication

Relative bio-medical citation impact* (2003-07)
Citation rate relative to world citation rate

Research published by AAMRI members is cited on average 10.6 times per publication (CPP), ahead of the world average of 6.9 and ahead of universities, who have a CPP of 6.8

Note: * Average number of citations per sector publication in a given field divided by the average number of citations for all publications in that field
Australian accredited MRIs. Indirect Cost Funding.
Australian accredited MRI invention disclosures and patents are on a par with the leading universities

**Invention disclosures per million dollars of funding received** (2005-07)
Number of invention disclosures per million dollars of NHMRC funding

**Patents per million dollars of funding received** (2005-07)
Number of patents per million dollars of NHMRC funding

Estimates are for medical research invention disclosures, which comprise approximately 60 percent** of total invention disclosures

Estimates are for medical research patents, which comprise approximately 65 percent** of total patents

In 2007, Australian universities and AAMRI institutes produced over 0.8 invention disclosures and 8 patents per million dollars of competitive peer-reviewed grant funding received

Note: * Includes USYD, UniMelb, Uni of Adelaide, UWA, ANU, UNSW and Monash (the Group of Eight universities). UQ has been excluded from this analysis as it has internalised the MRIs (e.g. IMB, Nanotech etc.). ** Based on surveys of UNSW, USyd, Monash, Melbourne


Australian accredited MRIs. Indirect Cost Funding.
Australian accredited MRIs generate greater commercialisation income than leading universities. In 2007, AAMRI members generated $75,000 in LOAs for every million dollars of grants.

**Total number of LOAs yielding income per million dollars of funding received** (2005-07)

Number of LOAs per million dollars of NHMRC funding

- **AAMRI members**
- **University “Group of 8”**

**Total value of LOAs that yield income per dollar of funding received** (2005-07)

Thousand dollars of LOAs per million dollars of NHMRC funding

Note:
- * LOAs are Licenses, Options and Assignments, a measure of commercialisation output; Excludes Monash income from sale of IVF business of $100m
- ** Includes USYD, UniMelb, Uni of Adelaide, UWA, ANU, UNSW and Monash. UQ has been excluded from this analysis as it has internalised the MRIs (e.g. IMB, Nanotech etc.). † Based on surveys of UNSW, USyd, Monash, Melbourne


Australian accredited MRIs. Indirect Cost Funding.
Section Three Summary – Comparison with university indirect cost funding

- Funding for indirect research costs for universities is federally administered under different programs and criteria to MRIs. In 2008, the Federal Government provided indirect cost funding of 30 cents per dollar of grants awarded to universities.

- The Review of Australian Higher Education Final Report (2008) recommended that the Federal Government address the quantum and allocation of funding for research indirect costs in universities. Accordingly, the Government has introduced the Sustainable Research Excellence (SRE) program to provide indirect cost funding of 50 cents per dollar for competitive grants. The SRE/RIBG program allocates funding based on NHMRC, ARC and a range of other competitive grants.

- When combined with current RTS and IGS funding, total funding for indirect costs for universities will rise to 60 cents per dollar of peer-reviewed funding.

- The ramp-up of the SRE will create a further funding gap between universities and MRIs of approximately 30 cents per dollar of research income by 2014. This discrepancy appears to be unintentional and likely brought about by university and MRI indirect funding being overseen by different Government portfolios.

- MRIs should receive equivalent funding to universities, given their productivity in the delivery and commercialisation of research outcomes. MRIs have a higher citation rate for their research articles compared to other national and international research sectors. MRIs have significantly higher licences, options and agreements (LOAs) per dollar of funding than the top universities, and are on par with universities for invention disclosures and patents.

- The discrepancy between indirect funding for MRIs and other research sectors needs to be resolved, and will require increased contributions from both State and Federal Governments.
Section 4: International indirect cost funding

Australia's international reputation for research and innovation is strong, but indirect cost funding is substantially below the levels in leading research countries.
Australia is likely to face increased regional competition in the future from a number of developing countries in the Asia Pacific who are seeking to grow their R&D sectors.

**India:**
Medical R&D is booming in India, largely due to its well-educated and low cost work-force.

**China:**
Aims to spend 2.5 percent of GDP on R&D. Medical research is one of the research priorities.

**Singapore:**
Has ambitions of being the medical hub of Asia-Pacific.
India has made significant advances in the field of medical research

Outsourcing of early stage drug development

- Indian pharma firms have developed the expertise to perform in-house R&D, leveraging their generics manufacturing experience
- As a result, the last 4-5 years have seen global pharma contract out early-stage activities to Indian R&D institutes. Over $700m has been invested in partnerships over the last two years
- Global MNCs are attracted to Indian firms for their low cost, proven technical ability and speed. Additionally, the government has enacted tougher data security laws, stronger IP protection and tax incentives to aid the development of the industry

Attractiveness for clinical trials

- India is becoming an increasingly attractive country to conduct clinical trials in, due to:
  - low cost. Total costs are 30 – 50 percent cheaper than in the US
  - speed. Trials can be conducted ~75 percent faster than in the US
  - diverse genetic pool
  - availability of medical talent
  - recent capital works upgrades
  - recent accreditation in international quality standards
- The continued strong growth of clinical trials is expected

Public investment in Medical Research Institutes

- The Indian Government has committed to the development of at least 20 new biotech parks to promote life sciences research
- The Government has also entered a 10-year pact with the Wellcome Trust, UK’s largest medical research charity. The pact aims to support the retention of Indian scientists through the offer of fellowships
- Furthermore, the Government has improved tax incentives and increased legal support offered for medical R&D. As a result, India is expected to attract significant amounts of research in the future

The attractiveness of India as a location for medical research is increasing, which poses a threat to other countries, including Australia

China has substantially increased its investment in R&D and health care. This investment is beginning to attract foreign clinical trials

- China’s growth in R&D investment has been led by the central Government. The Government has set a goal to spend 2.5 percent of GDP on R&D by 2020, which includes biomedical sciences.
- China has also announced funding support of $US9.2bn for eleven national research priorities to 2010, including research into drug development and the treatment of major infectious diseases.
- To facilitate research, the Government has strengthened IP protection and ensured the safe use of biological technologies and products.
  
  “… Licensing deals, both domestic and foreign, are on the rise and much needed reform of its intellectual property laws has been initiated since China joined the World Trade Organization in 2001 …”
  

- Furthermore, China has committed to spend $US124bn on basic health care reform to attempt to improve public health.

- China offers several advantages for running clinical trials:
  - China is able to offer low cost clinical trials, access to a large pool of patients and a sizable supply of researchers.
  - Both global pharma and international universities have set up relationships with Chinese universities to take advantage of the benefits of conducting clinical trials and the growing development in the healthcare sector.

  “… The trend [in increasing clinical trials] reflects intensifying interest by the healthcare sector in China, which is growing rapidly as a result of rising income and expanding health coverage and is already forecast to be the world’s fifth-largest pharmaceuticals market by 2010 …”
  
  Financial Times, Aug 07.

  “… In 2006, big drug companies doubled R&D investment in China and India over the previous year, to $2.2 billion. Nearly all of that went into China, thanks to generous government support and strong infrastructure … AstraZeneca, Novartis, Eli Lilly and GlaxoSmithKline are among the leaders in the pharma world who are blueprinting some ambitious expansion plans within China”
  
  Time Magazine, Nov 07.

Singapore has the express aim of being the medical hub of Asia Pacific

<table>
<thead>
<tr>
<th>Public policy and investment</th>
<th>Capital works</th>
<th>Attractiveness of Singapore for research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore intends to increase R&amp;D spending to 3 percent as a proportion of GDP by 2010</td>
<td>Over $2bn of public and private capital works has been developed or announced since 2000</td>
<td>Singapore is an attractive destination for Australian researchers:</td>
</tr>
<tr>
<td>– biomedical sciences is touted as one of Singapore's research focal points</td>
<td>The first stage of public capital works development was the construction of Biopolis, a $S500m biomedical research park housing over 2,000 researchers. The park includes private research as well as Singapore’s Government-led research organisation, A*STAR</td>
<td>- access to world-class infrastructure</td>
</tr>
<tr>
<td>Under the auspices of the National Medical Research Council, the Singapore Government has committed $S1.55bn from 2006-10. It aims to be a centre for translational and clinical research</td>
<td>Biopolis is part of a larger development known as one-north, which aims to be Singapore’s main science research hub</td>
<td>- proximity to Australia</td>
</tr>
<tr>
<td>Generous awards are available for researchers, including the TCR Flagship program which is is worth $125m over 5 years. Its aim is to attract a critical mass of world-class researchers in the areas of cancer, neurosciences, eye diseases, cardiovascular and infectious diseases</td>
<td>An additional $S140m has been committed to research capital works at the National University of Singapore and the Singapore General Hospital</td>
<td>- access to global pharma</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- strong IP protection</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- pro-business culture which facilitates quick approval turnaround for operations, including clinical trials</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- low taxation (18 percent)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- westernised society</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- English is an official language</td>
</tr>
</tbody>
</table>

Australia’s spend on indirect research costs lags other countries, where ‘best practice’ reimbursement of indirect costs is up to 50-70 cents per dollar of direct grant funding

Estimated total indirect funding as a proportion of peer-reviewed research funding

The US and UK have implemented full economic costing. The benefits to research institutions are high, although the investment in compliance is significant.

**UK**

- The UK pioneered full economic costing in 2005 under the program known as TRaC – transparent approach to costing. The program was created to allow a transparent view of the full costs of research.
- The program enabled the full support for the indirect costs incurred from government and research council grants.
- Institutions seeking to be part of the program must comply with program rules. Compliance typically requires substantial administrative resources on the part of the institute:
  - the TRaC manual suggests compliance costs in the order of £100,000 - £300,000 per annum, though many universities claim this is higher.
  - many institutions require additional staffing, including a dedicated TRaC officer.
- However, university administrators are in agreement over the positive net benefits of the system:
  - “… One estimate puts additional funding at £1bn per annum …”
    Research Councils UK, 2009
  - “… the fact that the sector has implemented TRAC has been important in building Government confidence that HEIs can manage additional funding if it is provided…”
    UK Joint Costing and Pricing Steering Group, 2009

**USA**

- US universities negotiate a fixed cents per dollar indirect funding rate with the Office of Naval Research and the Dept. of Health and Human Services. This is applied to all grants for a four-year cycle:
  - this rate is intended to be representative of all costs incurred by the institution.
- The university is responsible for documenting and justifying the indirect costs incurred. Preparation costs for the negotiation are significant:
  - consultant fees are in the order of several hundred thousand dollars.
  - the process can take up to six months.
- The negotiation process allows increased transparency and efficiency in the allocation of funding:
  - “… The [funding] system has benefitted from [the process], in terms of efficiency and value for money, and in fostering a common understanding of aims and purposes …”
    May and Sarson, Nature, 1999

Source: The Allen Consulting Group, 2008. ‘Recognising the full costs of university research’

Australian accredited MRIs. Indirect Cost Funding.
Section Four Summary – International indirect cost funding

- Australia is a global leader in research excellence
- However, Australian private sector investment in medical research is likely to face increased regional competition in the future. A number of Asia Pacific countries are committed to growing their R&D sectors
- Emerging markets such as India and China have increased their attractiveness for undertaking medical research, particularly contract research. The development of medical talent, reformed IP laws and existing low cost labour has attracted significant global investment
- Singapore has also invested heavily in medical research. Singapore is an attractive destination for expatriates, and poses a particular threat to the Australian medical research industry
- Mature markets widely considered ‘best practice’, for example, the USA and the UK, currently reimburse indirect costs up to a level of 50-70 cents per dollar of peer-reviewed funding, approximately double the level funded by the Australian State and Federal Governments
- It is imperative that the funding of Australian accredited MRIs be maintained at globally-competitive levels to enable Australia to continue to attract and retain investment and world’s best researchers
Section 5: Benefits of increasing MRI indirect cost funding

The benefits of increasing funding for indirect costs to Australian accredited MRIs, and the risks of falling further behind, are real.
An increase in indirect funding to Australia’s MRIs will generate significant social, health and economic benefits

- Additional indirect cost funding would allow philanthropic and other sources of income currently used to fill the gap by MRIs to be directed towards **improved medical research**, for example
  - investment in better platform technologies and core technologies
  - additional research programs that may involve a lower proportion of indirect costs, e.g. health services research

- **A healthier community and workforce** through both translational research and workforce culture

- Improved **delivery of health outputs** in relation to expenditure
  - health workforce performance
  - treatment / technology gains
  - preventative / public medicine

- Increased **economic investment** in medical research in Australia
  - additional international research investment, NHMRC & other peer-reviewed research grants
  - increased philanthropic support

- Increased **utilisation of government capital works investment**
  - ensures government capital works are maintained and provides a return on government investment

- Increased **employment opportunities** for Australians
### Benefits of increasing MRI indirect cost funding

**Planned medical research capital works will put further pressure on funding for direct costs, and therefore funding for indirect costs**

**Major medical research capital works projects under construction**

<table>
<thead>
<tr>
<th>States</th>
<th>Number of projects</th>
<th>Value of projects</th>
<th>Estimated new employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>VIC</td>
<td>7 projects</td>
<td>$947m</td>
<td>Approximately 600 to 1,000 new researchers*</td>
</tr>
<tr>
<td>NSW</td>
<td>8 projects</td>
<td>$822m</td>
<td>At least 600 new researchers*</td>
</tr>
<tr>
<td>WA</td>
<td>4 projects</td>
<td>$305m</td>
<td>770 new researchers</td>
</tr>
<tr>
<td>QLD</td>
<td>2 projects</td>
<td>$520m</td>
<td>At least 340 new researchers*</td>
</tr>
<tr>
<td>SA</td>
<td>1 project</td>
<td>$200m</td>
<td>340 new researchers</td>
</tr>
<tr>
<td>TAS &amp; NT</td>
<td>2 projects (one in each state)</td>
<td>$134m</td>
<td>60 new researchers 210 new employees</td>
</tr>
<tr>
<td>Total</td>
<td>24 projects</td>
<td>$2,928m</td>
<td>2,925 – 3,325 new employees*</td>
</tr>
</tbody>
</table>

---

Over the next four years, medical research capital works requiring at least 2,900 new employees will be built in Australia.

* May be incomplete. In some cases, the number of researchers was not specified, therefore the total figure could be much higher.

Benefits of increasing MRI indirect cost funding

There are important social consequences if Australia continues to under-fund the indirect costs of medical research for MRIs

Australia will fall behind other countries in terms of research indirect cost funding

This will limit the previously successful growth trajectory of Australian accredited MRIs. They will have difficulty attracting and retaining renowned and talented researchers due to strong competition from other countries

Significant investment of over $2.9 billion in new capital works will be under-utilised (The capital investment is much higher than the annual outlay required to support research on an ongoing basis and ensure utilisation of these capital works)

The employment, economic and translational health benefits associated with a vibrant medical research community in Australia will be eroded
Section 5 Summary – Benefits of increasing MRI indirect cost funding

- The social and economic benefits of equitable funding of Australia’s MRIs are significant
  - improved health outcomes and increased investment in the medical research sector provide a range of social and economic benefits

- In Australia, over $2.9b of investment in medical research capital works is planned over the coming years which is expected to employ approximately 2,900 – 3,300 additional staff

- The operating costs required to maintain these investments will put further pressure on funding for indirect costs

- There are significant economic and health risks to under funding the direct costs of medical research for Australian accredited MRIs
  - Australia will fall behind other countries’ indirect cost funding
  - the $2.9 billion of new capital works investment will be under-utilised
  - the employment, economic and translational health benefits associated with a vibrant medical research community will be eroded

- The funding of Australian accredited MRIs must be maintained so that the social and economic benefits can be reaped by all Australians
Section 6: The proposed role of the Federal and State Governments in funding indirect costs

Proposed funding model. Federal and all State Governments have an important role to play in raising indirect cost funding for accredited MRIs to competitive levels.
Future indirect funding should take into account growth in underlying peer-reviewed research funding, which is estimated at approximately 10 percent per annum.

Forecast funding gap for MRIs (CY2008-14)

- NHMRC funding for Australian accredited MRIs has been forecast to grow by 10 percent per annum over the next six years (see appendix for supporting information).
- Total peer-reviewed research funding has been assumed to increase in line with NHMRC funding.
- It is estimated that accredited MRIs will be awarded a total of $620m from all peer-reviewed grants (NHMRC, ARC, plus others) in 2014. These grants will require an estimated total of $370m in indirect costs.

Source: AAMRI member data; L.E.K. analysis.
AAMRI is requesting the Federal Government lift funding from $45m in 2008 to $185m in 2014 to ensure parity with universities and leading international research centres

Estimated total MRI indirect funding gap (2014)

Millions of dollars

- Indirect costs: $370m
- 2008 funding levels: $103m*
- Additional State: $130m†
- Additional Federal: $140m†

Note: * Other funding has been included within federal funding. †Rounded to the nearest $5m
Source: AAMRI member data; L.E.K. analysis

Includes growth in underlying peer-reviewed research funding, estimated at 10% pa

Australian accredited MRIs. Indirect Cost Funding.
The additional indirect funding can be introduced over a time period, consistent with the introduction of SRE for universities. This will lessen the immediate burden on Government and will maintain parity with the universities.

**Proposed Federal Government Funding for indirect costs of research for MRIs***

<table>
<thead>
<tr>
<th>Millions of dollars</th>
<th>CY2008</th>
<th>CY2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total indirect cost funding (current and requested)</td>
<td>45</td>
<td>81</td>
<td>116</td>
<td>151</td>
<td>187</td>
</tr>
<tr>
<td>Year-on-year funding increase due to increase in funding rate</td>
<td>-</td>
<td>27</td>
<td>27</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>Year-on-year funding increase due to growth in underlying competitive grants won</td>
<td>-</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>9</td>
</tr>
</tbody>
</table>

**Proposed State Government Funding for indirect costs of research for MRIs**

<table>
<thead>
<tr>
<th>Millions of dollars</th>
<th>CY2008</th>
<th>CY2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total indirect cost funding (current and requested)</td>
<td>58</td>
<td>90</td>
<td>122</td>
<td>154</td>
<td>187</td>
</tr>
<tr>
<td>Year-on-year funding increase due to increase in funding rate</td>
<td>-</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Year-on-year funding increase due to growth in underlying competitive grants won</td>
<td>-</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>11</td>
</tr>
</tbody>
</table>

Note:  * Includes IRIISS and RIBG for MRIs  
** Totals may not add up due to rounding  
Source:  AAMRI member data, L.E.K. analysis  
*Australian accredited MRIs. Indirect Cost Funding.*
The proposed Federal Government initiative will ensure equity in health and medical research funding and will maintain the support for excellence in research

1. Establish a new health and medical research indirect costs funding scheme to recompense all competitive peer-reviewed grants. The new scheme should fund indirect costs at the rate of 60 cents per dollar of competitive grants awarded. This would assist in ensuring equity in funding arrangements between publicly-funded research sectors and would reward excellence.

2. Responsibility for funding the new scheme should be shared between the Federal and State Governments, under a clearly defined agreement. For instance, the Federal Government should aim to fund indirect costs of 30 cents per dollar of grant funding by 2014; each state government can also aim to provide a base of 30 cents per dollar.

3. The Federal Government should ensure parity is maintained by taking a ‘whole of Government’ approach, rather than the current departmental view.

4. Establish regular reviews every 3 years to ensure funding for indirect costs keeps pace with growth in competitive grants and the costs of research. As a result, the federal and state budgets need to accommodate growth in funding for indirect costs.

5. Allocate funding on the basis of transparent and consistent criteria to enable a level playing field and certainty for MRIs in their funding stream.

6. The large majority of indirect cost funding should remain directly linked to competitive peer-reviewed grants.

7. In the long term, all grants should carry full funding for all research costs.
Section Six Summary – The proposed role of the Federal and State Governments in funding indirect costs

- The indirect cost funding gap is significant, at 30 cents per dollar of peer-reviewed funding

- It is imperative that Australia maintains its leadership position for health and medical research. In order to achieve this, the level of State and Federal funding for indirect costs needs to double on a cents per dollar basis (from 30 cents to 60 cents per dollar of peer-reviewed research grants)
  - this will achieve parity with universities and meet international best practice for funding indirect costs

- This implies an increase in Federal Government funding of approximately $140m per annum to $185m by 2014 will be required to support Australian accredited MRI research excellence
  - this increase incorporates an expansion of Federal Government funding to include all competitive peer-reviewed grants, not just NHMRC grants

- State Governments should make a commitment increase in indirect cost funding of approximately $130m per annum

- The requested increase in Federal Government funding represents only 5 percent of the $2.9 billion in new capital works investment in medical research in Australia over the next few years

- An increase in indirect cost funding will enable Australian MRIs to maintain competitiveness, and divert income currently used to fill the ‘gap’ into incremental research programs and technologies. This in turn will deliver significant translational health and economic benefits to Australians
Appendix
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### AAMRI members participating in this report (Participant Australian accredited MRIs)

<table>
<thead>
<tr>
<th>State</th>
<th>MRI</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSW</td>
<td>Children's Medical Research Institute</td>
</tr>
<tr>
<td>NSW</td>
<td>Centenary Institute of Cancer Medicine</td>
</tr>
<tr>
<td>NSW</td>
<td>Garvan Institute of Medical Research</td>
</tr>
<tr>
<td>NSW</td>
<td>Victor Chang Cardiac Research Institute</td>
</tr>
<tr>
<td>NSW</td>
<td>Westmead Millennium Institute</td>
</tr>
<tr>
<td>NSW</td>
<td>Children's Cancer Institute Australia</td>
</tr>
<tr>
<td>NSW</td>
<td>Heart Research Institute</td>
</tr>
<tr>
<td>NSW</td>
<td>Kolling Institute of Medical Research</td>
</tr>
<tr>
<td>NSW</td>
<td>Institute for Eye Research</td>
</tr>
<tr>
<td>NSW</td>
<td>Prince of Wales Medical Research Institute</td>
</tr>
<tr>
<td>NSW</td>
<td>Woolcock Institute of Medical Research</td>
</tr>
<tr>
<td>NSW</td>
<td>The George Institute for International Health</td>
</tr>
<tr>
<td>QLD</td>
<td>Queensland Institute of Medical Research</td>
</tr>
<tr>
<td>QLD</td>
<td>The Wesley Research Institute</td>
</tr>
<tr>
<td>NT</td>
<td>Menzies School of Health Research</td>
</tr>
<tr>
<td>SA</td>
<td>Women's and Children's Health Research Institute</td>
</tr>
<tr>
<td>VIC</td>
<td>Baker IDI</td>
</tr>
<tr>
<td>VIC</td>
<td>Burnet Institute</td>
</tr>
<tr>
<td>VIC</td>
<td>Centre for Eye Research Australia</td>
</tr>
<tr>
<td>VIC</td>
<td>Florey Neuroscience Institute</td>
</tr>
<tr>
<td>VIC</td>
<td>Walter and Eliza Hall Institute of Medical Research</td>
</tr>
<tr>
<td>VIC</td>
<td>Murdoch Children's Research Institute</td>
</tr>
<tr>
<td>VIC</td>
<td>Prince Henry's Institute of Medical Research</td>
</tr>
<tr>
<td>VIC</td>
<td>St Vincent's Institute of Medical Research</td>
</tr>
<tr>
<td>VIC</td>
<td>Peter MacCallum Cancer Institute</td>
</tr>
<tr>
<td>VIC</td>
<td>Bernard O'Brien Institute of Microsurgery</td>
</tr>
<tr>
<td>VIC</td>
<td>Bionic Ear Institute</td>
</tr>
<tr>
<td>VIC</td>
<td>Ludwig Institute for Cancer Research</td>
</tr>
<tr>
<td>VIC</td>
<td>Mental Health Research Institute of Victoria</td>
</tr>
<tr>
<td>TAS</td>
<td>Menzies Research Institute</td>
</tr>
<tr>
<td>WA</td>
<td>Western Australian Institute for Medical Research</td>
</tr>
<tr>
<td>WA</td>
<td>Telethon Institute for Child Health Research</td>
</tr>
</tbody>
</table>
# Glossary

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAGR (Compound annual growth rate)</td>
<td>The annualised average growth rate over a specified period of time</td>
</tr>
<tr>
<td>CY (Calendar year)</td>
<td>Year ending 31st December</td>
</tr>
<tr>
<td>Capital works</td>
<td>Physical facilities or infrastructure (also known as investment in property plant and equipment)</td>
</tr>
<tr>
<td>FY (Financial year)</td>
<td>Year ending 30th June</td>
</tr>
<tr>
<td>HEP</td>
<td>Higher Education Provider</td>
</tr>
<tr>
<td>Indirect costs</td>
<td>All other costs excluding direct research costs (e.g. electricity, use of common facilities, administrative costs and salaries, building/facilities rent, cleaning, and maintenance, legal, insurance, information technology and computing services and any other costs involved operation of the MRI).</td>
</tr>
<tr>
<td>Indirect costs funding</td>
<td>Funding aimed at financing the indirect costs associated with research (e.g. funding aimed at supporting training, paying for administrative costs, etc).</td>
</tr>
<tr>
<td>Discount Rate</td>
<td>A certain interest rate that is used to bring a series of future cash flows to their present value in order to state them in current dollars</td>
</tr>
<tr>
<td>IGS (Institutional Grants Scheme)</td>
<td>A federally funded scheme to provide capital works funding for universities</td>
</tr>
<tr>
<td>IRR (Internal Rate of Return)</td>
<td>The discount rate at which the present value of the future cash flows of an investment equals the cost of the investment</td>
</tr>
<tr>
<td>Peer-reviewed research funding</td>
<td>Funding directly attributable to research projects (e.g. researcher salaries, project related consumables, conference-related travel, costs directly attributable to a project). Funding is obtained through the competitive peer review process</td>
</tr>
<tr>
<td>ROI (Return on Investment)</td>
<td>The profit, or return, from an investment, divided by the cost of the investment</td>
</tr>
<tr>
<td>RIBG (Research Infrastructure Block Grant)</td>
<td>A federally funded block funding available for universities to support indirect funding for research activities</td>
</tr>
<tr>
<td>SRE (Sustainable Research Excellence)</td>
<td>A federally funded scheme to augment the RIBG scheme to cover the indirect costs of research</td>
</tr>
</tbody>
</table>

Australian accredited MRIs. Indirect Cost Funding.
Peer reviewed funding, including NHMRC funded grants, has increased significantly over the last three years. Funding is expected to continue to grow, albeit at a lower rate.

Total NHMRC grants administered, by institution type (CY2006-13F)

- Total NHMRC funding has increased by 17 percent per annum over the last three years.
  - Over the same time period, MRIs have increased their share of total NHMRC funding by 1 percent per annum.

- NHMRC funding is expected to grow for the next five years, albeit at the lower rate of 6 percent per annum.

- Assuming MRIs continue to increase their share at the same rate to 2013, the implied 2008-13 growth rate of MRI NHMRC funding is 10 percent per annum.

- Total peer-reviewed research funding has been assumed to increase in line with NHMRC funding.

Note: See slide 23 for detailed calculation methodology.
Source: AAMRI member data; NHMRC Annual Report, 2008-09; L.E.K analysis.
Products developed in medical research institutes often provide stand alone commercial benefits, and in the case of Genera, underpin corporate spin-offs

**Commercial value of products**

<table>
<thead>
<tr>
<th>WEHI - DNA anchoring technology and the creation of Genera Biosystems Limited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Researchers from the WEHI invented a new method for anchoring DNA fragments onto small particles of silica.</td>
</tr>
<tr>
<td>The technology formed a platform for a wide range of potential applications in research, environmental and diagnostic markets.</td>
</tr>
<tr>
<td>In 2002, Genera Biosystems Pty Ltd was created as the commercialisation vehicle for the technology. The technology was incubated at the new WEHI Biotechnology Centre at Bundoora.</td>
</tr>
<tr>
<td>In June 2008, Genera Biosystems listed on the ASX. Total capital raised to date is in excess of $12 million and current market capitalisation is approx. $37 million.</td>
</tr>
<tr>
<td>The benefits to Victoria have been employment and activities funded by the capital raised, exploiting a world-class strength in women’s health and expanding a translational capability in molecular diagnostics.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ludwig – Use of VEGF-D factor to prevent blocking of blood vessels after surgery</th>
</tr>
</thead>
<tbody>
<tr>
<td>The VEGF-D factor was discovered at the Ludwig Institute (1998) and it is now been applied to late stage clinical trials in a product called Trinam®. Trinam® consists of a local delivery device and gene-based medicine (the VEGF-D gene) and is being developed to prevent the blocking of veins and arteries that frequently occur after vascular surgery.</td>
</tr>
<tr>
<td>This treatment has been shown to prevent blocking of dialysis lines in renal dialysis patients and has achieved orphan drug status in Europe and the US in 2004.</td>
</tr>
<tr>
<td>Ark Therapeutics, the developer of the drug, has received approval from the US Recombinant DNA Advisory Committee to conduct a Phase II/III trial in haemodialysis access surgery for which recruitment is starting in 2009.</td>
</tr>
</tbody>
</table>

Source: WEHI, Bionic Ear Institute
Australian accredited MRIs. Indirect Cost Funding.
Technologies provide health and economic benefits through commercialisation, as in the case of Replikun, ADRO and CASALAL

**Commercialisation of technology**

<table>
<thead>
<tr>
<th>QIMR – Replikun Pty Ltd</th>
<th>Bionic Ear Institute – the development of ADRO® and CASALA™ software</th>
</tr>
</thead>
<tbody>
<tr>
<td>Replikun Biotech Pty Ltd is a spin-off company, formed by QIMR to further develop and commercialise the KUNrep technology. The KUNrep technology is based on the Kunjin virus, which is related to the West Nile virus. The Kunjin virus is being investigated for use in vaccine delivery and gene therapy treatments. The technology also has significant prospects as a new method for the production of therapeutic proteins, which may be used by many of the world's pharmaceutical companies. Replikun Biotech has obtained $2m of funding from Start-up Australia’s Innovation Investment fund to further the research. Since then, the company has also entered an out-licensing agreement with UniQuest Pty Ltd to commercialise a new West Nile virus vaccine technology.</td>
<td>The Bionic Ear Institute was the Managing Agent for CRC Hear. The Institute’s participation in the CRC Hear involved contributions to the development of ADRO and CASALA. ADRO is an innovative concept in digital signal processing for cochlear implant and hearing aid users. Following the development, a spin-off company, Dynamic Hearing, was established leading to subsequent clinical trials, commercial licenses and export earnings. The patented technology is currently marketed by Dynamic Hearing Pty Ltd under the ADRO® brand. ADRO® is a registered trade mark of Dynamic Hearing Pty Ltd. CASALA is a stand-alone computer software program designed to help speech pathologists and other people interested in spoken language to transcribe and analyse speech samples. CASALA has been commercialised by the Hearing CRC and is used in clinical practice as well as research studies.</td>
</tr>
</tbody>
</table>

Source: Queensland Institute for Medical Research, Ludwig Institute for Cancer Research Australian accredited MRIs. Indirect Cost Funding.
New projects in the medical research field will employ more than 600 new staff in the coming years in Victoria

<table>
<thead>
<tr>
<th>Project</th>
<th>State</th>
<th>Funding ($m)</th>
<th>Total employment</th>
<th>New employment</th>
<th>Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bio21</td>
<td>VIC</td>
<td>400</td>
<td>500 researchers</td>
<td>Not specified</td>
<td>Completed</td>
</tr>
<tr>
<td>Peter MacCallum Cancer Centre – Genomics Platform Technology</td>
<td>VIC</td>
<td>0.8</td>
<td>5 researchers</td>
<td>5 researchers</td>
<td>2010</td>
</tr>
<tr>
<td>Victorian Life Sciences Computation Initiative</td>
<td>VIC</td>
<td>50</td>
<td>30 employees</td>
<td>30 new employees</td>
<td>2011</td>
</tr>
<tr>
<td>Melbourne Neuroscience Project</td>
<td>VIC</td>
<td>225</td>
<td>500 researchers</td>
<td>Not specified</td>
<td>2011</td>
</tr>
<tr>
<td>Walter and Eliza Hall Institute (new wing and redevelopment)</td>
<td>VIC</td>
<td>150</td>
<td>400 researchers</td>
<td>400 new researchers</td>
<td>2012</td>
</tr>
<tr>
<td>Children’s Bioresource Centre</td>
<td>VIC</td>
<td>4.9</td>
<td>100 researchers</td>
<td>100 researchers</td>
<td>2012</td>
</tr>
<tr>
<td>Monash Health Research Precinct Translation Research Facility</td>
<td>VIC</td>
<td>116</td>
<td>400 researchers</td>
<td>100 researchers</td>
<td>2013</td>
</tr>
</tbody>
</table>

New projects in the medical research field in NSW will employ over 600 new staff in the coming years

<table>
<thead>
<tr>
<th>Project</th>
<th>State</th>
<th>Funding ($m)</th>
<th>Total employment</th>
<th>New employment</th>
<th>Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moss Vale Mouse Breeding Facility</td>
<td>NSW</td>
<td>20</td>
<td>30 employees</td>
<td>30 new employees</td>
<td>2009</td>
</tr>
<tr>
<td>Lowy Cancer Research Centre (Children’s Cancer Institute Australia)</td>
<td>NSW</td>
<td>35</td>
<td>250 researchers</td>
<td>170 researchers</td>
<td>Late 2009</td>
</tr>
<tr>
<td>Neuroscience Research Precinct / Prince of Wales Medical Research Institute</td>
<td>NSW</td>
<td>42</td>
<td>250 employees</td>
<td>No new researchers required</td>
<td>2010</td>
</tr>
<tr>
<td>Westmead Millennium Institute</td>
<td>NSW</td>
<td>90 current (seeking further 40)</td>
<td>600 employees</td>
<td>200 new employees</td>
<td>2012</td>
</tr>
<tr>
<td>National Institute for Virology</td>
<td>NSW</td>
<td>120</td>
<td>300 employees</td>
<td>Not specified</td>
<td>2012</td>
</tr>
<tr>
<td>Garvan St Vincent’s Campus Cancer Centre</td>
<td>NSW</td>
<td>100</td>
<td>Not specified</td>
<td>200 new researchers (~50 from overseas), 50 new support staff</td>
<td>2012</td>
</tr>
<tr>
<td>Centre for Obesity, Diabetes and Cardiovascular Disease</td>
<td>NSW</td>
<td>400</td>
<td>1,000 researchers</td>
<td>Not specified</td>
<td>2013</td>
</tr>
<tr>
<td>Centre for Basic and Translational Cancer Research</td>
<td>NSW</td>
<td>15</td>
<td>380 researchers</td>
<td>Not specified</td>
<td>2014</td>
</tr>
</tbody>
</table>

Source: NSW Minister for Science and Medical Research, 2009, ‘$30 million in additional funding for the Westmead Millennium Institute’; AAMRI member correspondence; L.E.K. analysis
New projects in the medical research field will employ approx. 2,000 new staff in the coming years in WA, QLD, SA, TAS and NT

<table>
<thead>
<tr>
<th>Project</th>
<th>State</th>
<th>Funding ($m)</th>
<th>Total employment</th>
<th>New employment</th>
<th>Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clinical Trials at WAIMR</td>
<td>WA</td>
<td>9.5</td>
<td>20 researchers</td>
<td>20 researchers</td>
<td>1st qtr 2010</td>
</tr>
<tr>
<td>Western Australian Institute for Medical Research North</td>
<td>WA</td>
<td>100</td>
<td>800 researchers</td>
<td>300 new researchers</td>
<td>Dec 2012</td>
</tr>
<tr>
<td>Western Australian Institute for Medical Research South</td>
<td>WA</td>
<td>67</td>
<td>500 researchers</td>
<td>150 new researchers</td>
<td>Dec 2013</td>
</tr>
<tr>
<td>Telethon Institute for Child Health Research</td>
<td>WA</td>
<td>130</td>
<td>600 researchers</td>
<td>300 new researchers</td>
<td>2014</td>
</tr>
<tr>
<td>QIMR Smart State Medical Research Building</td>
<td>QLD</td>
<td>180</td>
<td>400 employees</td>
<td>340 new employees</td>
<td>2011</td>
</tr>
<tr>
<td>Translational Research Institute</td>
<td>QLD</td>
<td>342</td>
<td>500 employees</td>
<td>Not specified</td>
<td>2012</td>
</tr>
<tr>
<td>Health and Medical Research Institute</td>
<td>SA</td>
<td>200</td>
<td>675 researchers</td>
<td>675 – estimated that 50% will be new to the state from either overseas or interstate</td>
<td>2012</td>
</tr>
<tr>
<td>Menzies Centre</td>
<td>TAS</td>
<td>90</td>
<td>160 researchers</td>
<td>60 researchers</td>
<td>2012</td>
</tr>
<tr>
<td>Menzies School of Health Research</td>
<td>NT</td>
<td>44</td>
<td>500 employees</td>
<td>210 new employees</td>
<td>2010</td>
</tr>
</tbody>
</table>

Source: Kate Ellis MP, Media release ,2009,’SA’s new $200m health and medical research institute’; QIMR press release, 2009, ‘Queensland Institute of Medical Research receives record $27.5m gift’; AAMRI member correspondence; L.E.K. Analysis
By 2014, without a funding increase the gap will grow to $270m. AAMRI is requesting the Federal Government lift funding by $140m in 2014

**Estimated total indirect funding gap as a proportion of peer-reviewed research funding (2014)**

- 2008 funding levels
  - Additional State - growth: 103
  - Additional State - added funding: 58
  - Additional Federal - growth: 45
- Additional Federal - added funding: 106

Source: AAMRI member data; L.E.K. analysis

[Graph showing the estimated total indirect funding gap as a proportion of peer-reviewed research funding (2014)]