

The Senate

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Community Affairs  
Legislation Committee

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Medical Research Future Fund Bill 2015  
[Provisions]

Medical Research Future Fund  
(Consequential Amendments) Bill 2015  
[Provisions]

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## 44<sup>th</sup> Parliament

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Senator the Hon Jan McLucas for Senator Carol Brown (from 4 August 2015 to 4 August 2015)	Queensland, ALP
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### Participating members for this inquiry

Senator Richard Di Natale	Victoria, AG
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## **Recommendation 1**

**2.60 The committee recommends that the Bills be passed.**



# Chapter 1

## Introduction

### Referral

1.1 On 27 May 2015, the Treasurer, the Hon. Joe Hockey MP, introduced the Medical Research Future Fund Bill 2015 and the Medical Research Future Fund (Consequential Amendments) Bill 2015 (the Bills) in the House of Representatives.<sup>1</sup>

1.2 On 16 June 2015, the Senate referred the provisions of the Bills to the Community Affairs Legislation Committee (the committee) for inquiry and report by 10 August 2015.<sup>2</sup>

### Background

1.3 The health and wellbeing of all Australians is essential to the continuation of Australia as a productive nation.<sup>3</sup>

1.4 The proposed Medical Research Future Fund (MRFF) will ensure that this potential is realised by guaranteeing a long-term and secure revenue source for medical research and innovation in Australia.<sup>4</sup>

### Purpose and key provisions of the Bills

1.5 In the 2014–15 Budget, the Australian Government announced its intention to establish the MRFF<sup>5</sup> to support medical research and innovation in Australia.<sup>6</sup> Together, the Bills establish this Fund and propose a number of changes to existing acts to allow for the administration of the Fund.

### *Medical Research Future Fund Bill 2015*

1.6 The Medical Research Future Fund Bill 2015 (MRFF Bill), as read a third time in the House of Representatives, is comprised of 6 Parts. Parts 1–4 introduce the 2014–15 Budget measures, Part 5 outlines the reporting requirements of both the Finance Minister and the Future Fund Board of Guardians, and Part 6 outlines delegations and rules.

### *Part 2 – Medical Research Future Fund*

1.7 The MRFF will consist of the:

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1 *House of Representatives Votes and Proceedings*, No. 117—27 May 2015, p. 1317.

2 *Journals of the Senate*, No. 96—16 June 2015, pp. 2661–2.

3 Medical Research Future Fund Bill 2015, p. 1.

4 The Hon. Joe Hockey MP, Treasurer, Second Reading Speech, *House of Representatives Proof Hansard*, 27 May 2015, pp 4701–4703.

5 Australian Government, *Budget Paper No. 2 2014-15*, p. 115, [http://budget.gov.au/2014-15/content/bp2/download/BP2\\_consolidated.pdf](http://budget.gov.au/2014-15/content/bp2/download/BP2_consolidated.pdf) (accessed 20 July 2015).

6 Explanatory Memorandum, Medical Research Future Fund Bill 2015, p. 4.

- MRFF Special Account; and
- the investments of the Medical Research Future Fund (Fund).<sup>7</sup>

1.8 Credits to the MRFF will be determined by the responsible Ministers (the Finance Minister and the Treasurer), and will include an undetermined balance of the Health and Hospitals Fund (HHF),<sup>8</sup> in addition to the value of health saving measures announced.<sup>9</sup>

1.9 The Finance Minister, under the direction of the Health Minister who must take into consideration the Australian Medical Research and Innovation Priorities (the Priorities), can direct that specified amounts from the Fund can be debited and credited to:

- the MRFF Health Special Account for the purpose of making grants to medical research institutes, universities, a corporate Commonwealth entity and corporations;
- the COAG Reform Fund for making payments to the States and Territories for expenditure on medical research and medical innovation; and
- corporate Commonwealth entities outside the General Government Sector.<sup>1011</sup>

1.10 The exclusive and non-exclusive investment purposes of the MRFF Special Account are outlined in sections 18 and 19,<sup>12</sup> and the MRFF Health Special Account is established under part 2, division 4, subdivision D.<sup>13</sup>

1.11 Finally, the Australian Medical Research Advisory Board (the Advisory Board) is established under Part 2A of the MRFF Bill.

1.12 The Advisory Board, under the direction of the Health Minister, will be required to determine the Australian Medical Research and Innovation Strategy (Strategy) and the Priorities.<sup>14</sup>

1.13 In determining the Strategy, the Board must take into account the national strategy for medical research and public health research as prepared under the *National Health and Medical Research Council Act 1992* and any other relevant

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7 Explanatory Memorandum, Medical Research Future Fund Bill 2015, p. 4.

8 Medical Research Future Fund Bill 2015, clause 12(1), p. 13.

9 Explanatory Memorandum, Medical Research Future Fund Bill 2015, p. 4.

10 Explanatory Memorandum, Medical Research Future Fund Bill 2015, p. 4.

11 Section 42 (disallowance) of the *Legislative Instruments Act 2003* does not apply to the above determinations.

12 Medical Research Future Fund Bill 2015, clause 18 and 19, pp 18–20.

13 Medical Research Future Fund Bill 2015, part 2 division 4 subdivision D, pp 22–23.

14 Medical Research Future Fund Bill, part 2A division 2, p. 28.

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matters. The Strategy will be in force for five years, and cannot directly stipulate that any particular person or project shall receive financial assistance.<sup>15</sup>

1.14 The Priorities must be in alignment with the Strategy, and the Advisory Board must take into account the following in determining the Priorities:

- the burden of disease on the Australian community;
- how to deliver practical benefits from medical research and medical innovation to as many Australians as possible;
- how to ensure that financial assistance provided under this Act provides the greatest value for all Australians;
- how to ensure that financial assistance provided under this Act complements and enhances other financial assistance provided for medical research and medical innovation; and
- any other relevant matter.<sup>1617</sup>

1.15 Membership of the Advisory Board will consist of the Chief Executive Officer (CEO) of the National Health and Medical Research Council (the NHMRC) and up to seven other members to be appointed by the Health Minister.<sup>18</sup>

1.16 In determining a member's eligibility, the Health Minister must ensure that the Advisory Board collectively possesses a balance of the following experience and/or knowledge: medical research, policy relating to health systems, management of health services, medical innovation, financing, and investment and commercialisation.<sup>19</sup>

1.17 Membership on the Advisory Board cannot exceed a period of five years.<sup>20</sup>

#### *Part 3 – Maximum annual distributions*

1.18 This part proposes that the Advisory Board will determine the maximum cash annual distributions (the limit) that can be debited from the MRFF each financial year, whilst minimising the long-term fluctuation of the nominal value of the capital.<sup>21</sup>

#### *Part 4 – Investment of the Medical Research Future Fund*

1.19 This part proposes that income derived from investments of the MRFF will be held in the name of the Future Fund Board and must be credited to the MRFF Special Account.<sup>22</sup>

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15 Medical Research Future Fund Bill, clause 32D, pp. 29.

16 Medical Research Future Fund Bill, clause 32E, p. 30.

17 Section 42 (disallowance) of the *Legislative Instruments Act 2003* does not apply to the above determinations, nor does subsection 33(3) of the *Acts Interpretation Act 1901*.

18 Medical Research Future Fund Bill, clause 32F and 32G, p. 32.

19 Medical Research Future Fund Bill, clause 32G clause 2, p. 32.

20 Medical Research Future Fund Bill, clause 32G, clause 4, p. 32.

21 Explanatory Memorandum, Medical Research Future Fund Bill 2015, p. 5.

1.20 This part also proposes that, although the Future Fund Board will be responsible for determining how to invest the MRFF, the Government will issue an investment mandate (the Medical Research Future Fund Investment Mandate) to provide the Future Fund Board with strategic guidance in making this determination.<sup>23</sup>

1.21 The Future Fund Board must take all reasonable steps to comply with the investment mandate, however the responsible Minister must provide the Future Fund Board with an initial draft of this mandate, and invite the Future Fund Board to make a submission on the direction outlined in the mandate.<sup>24,25</sup>

1.22 Any submission made by the Future Fund Board in response to this draft must be tabled in each House of Parliament.<sup>26</sup>

#### *Part 5 – Reporting obligations*

1.23 This part proposes that the publication of any MRFF reports will be at the discretion of the Finance Minister.<sup>27</sup>

1.24 The Future Fund Board, at the direction of the Finance Minister, will be required to:

- prepare reports and/or documents about matters pertaining to the performance of the Future Fund Board's functions under this Bill; and
- keep the responsible Ministers informed of the Board's operations under this Bill, and prepare any reports and/or documents relating to these operations as necessary.<sup>28</sup>

1.25 The Health Minister will be required to prepare:

- a report every two years in conjunction with the conclusion of the Priorities that summarises any financial assistance provided to medical research and medical innovation from the MRFF during the period in which the most recent Priorities were in effect; and
- information relating to grants awarded through a debit of the MRFF Special Account.<sup>29</sup>

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22 Medical Research Future Fund Bill 2015, clause 37, pp 38–39.

23 Medical Research Future Fund Bill 2015, clause 39, pp 39–40.

24 Medical Research Future Fund Bill 2015, clause 42(1), p. 42.

25 Section 42 (disallowance) of the *Legislative Instruments Act 2003* does not apply to this direction.

26 Medical Research Future Fund Bill 2015, clause 42(2), p. 42.

27 Explanatory Memorandum, Medical Research Future Fund Bill 2015, p. 5.

28 Medical Research Future Fund Bill 2015, clause 55(1) and 56, p. 50.

29 Medical Research Future Fund Bill 2015, clause 57A and 58, p.50–51.

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*Part 6 – Miscellaneous*

1.26 This part proposes that the Finance Minister, the Health Minister and Treasurer have delegation powers to certain employees within their respective Departments. In addition, the Health Minister can delegate powers to the CEO or an SES employee of the NHMRC.<sup>30</sup>

1.27 A review of the operation of this Bill must be undertaken at a date to be determined by the responsible Minister, no later than 30 June 2023.<sup>31</sup>

1.28 The Finance Minister, by legislative instrument, may make rules covering matters required to be prescribed in this Act, or matters that it would be convenient to prescribe for the purposes of this Act.<sup>32</sup>

***Medical Research Future Fund (Consequential Amendments) Bill 2015***

1.29 The Medical Research Future Fund (Consequential Amendments) Bill 2015 (the Consequential Bill) seeks to provide for consequential amendments related to the MRFF Bill in six Commonwealth Acts.<sup>33</sup> These amendments will:

- enable grants to the States and Territories through the COAG Reform Fund;
- extend the Future Fund Board's duties to manage the MRFF; and
- allow for amounts to be transferred between the MRFF and the Future Fund to allow for proper apportioning of common expenses incurred by the Future Fund Board in managing the MRFF, the Nation-building Funds and the DisabilityCare Australia Fund.<sup>34</sup>

1.30 The Consequential Bill abolishes the HHF by repealing relevant sections of the *Nation-building Funds Act 2008*, and amends the *Health Insurance Act 1973* to allow for the Department of Health to meet ongoing financial commitments arising from HHF projects that had already been committed to.<sup>35</sup>

***Amendments and New Clauses to the Bills***

1.31 On 22 June 2015 the House of Representatives considered and agreed to 22 Government amendments relating to the Bills.<sup>36</sup>

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30 Medical Research Future Fund Bill 2015, clause 61A, p. 53.

31 Medical Research Future Fund Bill 2015, clause 62, pp 53–54.

32 Explanatory Memorandum, Medical Research Future Fund Bill 2015, p. 54.

33 These Commonwealth Acts are: the *COAG Reform Fund Act 2008*; the *DisabilityCare Australia Fund Act 2013*; the *Health Insurance Act 1973*; the *Future Fund Act 2006* and the *Nation-building Funds Act 2008*.

34 Explanatory Memorandum, Medical Research Future Fund (Consequential Amendments) Bill 2015, p. 4.

35 Explanatory Memorandum, Medical Research Future Fund (Consequential Amendments) Bill 2015, p. 4.

36 *House of Representatives Votes and Proceedings*, No. 127—22 June 2015, p. 1425.

1.32 These amendments, as discussed above, collectively:

- establish an independent expert Australian Medical Research Advisory Board (Advisory Board) to develop a required Australian Medical Research and Innovation Strategy (the Strategy) and a required Australian Medical Research and Innovation Priorities (the Priorities);
- specify that decision-making mechanisms for the disbursement of funds from the MRFF must take into account the Strategy and the Priorities, which will determine the focus of medical research and innovation every two years; and
- clarify the involvement of the National Health and Medical Research Council (NHMRC) in the effective disbursement of funding from the MRFF.<sup>37</sup>

1.33 Supplementary Explanatory Notes provided in the Supplementary Explanatory Memorandum further stipulates that clauses 12(2) and 15(3) will be declared as legislative instruments and, as such, any determinations relating to crediting the MRFF by the responsible Ministers must be tabled in Parliament and published on the Federal Register of Legislative Instruments.<sup>38</sup>

1.34 Finally, the amendments to the MRFF Bill require mandatory reporting every two years by the Health Minister on MRFF funding expenditure and to clarify the Health Minister's role in debiting amounts from the MRFF to ensure that all decision-making processes have a high degree of transparency.<sup>39</sup>

### **Financial implications**

1.35 The 2014–15 Budget foreshadowed \$1 billion in initial funding for the MRFF from uncommitted funds in the HFF.<sup>40</sup> Statements made by the Hon. Joe Hockey MP indicate that an amount close to this figure is still expected to be deposited into the MRFF.<sup>41</sup>

1.36 The 2014–15 Budget also indicated that the MRFF would receive further reinvestments equal to the estimated value of health saving measures published in the 2014–15 Budget, until the MRFF reaches a target capital level of \$20 billion by 2019–20.<sup>42</sup>

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37 Supplementary Explanatory Memorandum, Medical Research Future Fund Bill 2015 and Medical Research Future Fund (Consequential Amendments) Bill 2015, p. 2.

38 Supplementary Explanatory Memorandum, Medical Research Future Fund Bill 2015 and Medical Research Future Fund (Consequential Amendments) Bill 2015, p. 7.

39 Supplementary Explanatory Memorandum, Medical Research Future Fund Bill 2015 and Medical Research Future Fund (Consequential Amendments) Bill 2015, p. 4.

40 Australian Government, *Budget Paper No. 2 2014-15*, p. 115, [http://budget.gov.au/2014-15/content/bp2/download/BP2\\_consolidated.pdf](http://budget.gov.au/2014-15/content/bp2/download/BP2_consolidated.pdf), (accessed 20 July 2015).

41 Explanatory Memorandum, Medical Research Future Fund Bill 2015, p. 4.

42 Australian Government, *Budget Paper No. 2 2014-15*, p. 115, [http://budget.gov.au/2014-15/content/bp2/download/BP2\\_consolidated.pdf](http://budget.gov.au/2014-15/content/bp2/download/BP2_consolidated.pdf), (accessed 20 July 2015).

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## Consideration of the Bills by other committees

1.37 The Bills were considered by the Senate Standing Committee for the Scrutiny of Bills (Scrutiny committee) on 17 June 2015.<sup>43</sup> The Scrutiny committee made no comment on the Bills.

1.38 The Bills were also considered by the Parliamentary Joint Committee on Human Rights (Human Rights committee) on 18 June 2015.<sup>44</sup> The Human Rights committee concluded the Bills do not raise human rights concerns.

## Conduct of the inquiry

1.39 Details of the inquiry, including a link to the Bills and associated documents, were placed on the committee's website. The committee also wrote to 112 organisations inviting submissions by 10 July 2015.

1.40 The committee received 58 submissions. Submissions are listed at Appendix 1 and were published on the committee's website.

1.41 The committee held a public hearing in Melbourne on 4 August 2015. A list of witnesses who appeared at the hearing is at Appendix 2, and the *Hansard* transcript is available through the committee's website.<sup>45</sup>

## Acknowledgement

1.42 The committee thanks those organisations who made submissions and who gave evidence at the public hearing.

## Notes on references

1.43 References to the committee *Hansard* are to the *Proof Hansard*. Page numbers may vary between the proof and official *Hansard* transcript.

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43 Senate Standing Committee for the Scrutiny of Bills, *Alert Digest No. 6 of 2015*, pp 34–35.

44 Parliamentary Joint Committee on Human Rights, *Human Rights Scrutiny Report: Twenty-third report of the 44<sup>th</sup> Parliament*; 18 June 2015, p. 2.

45 See: [http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Community\\_Affairs/Future\\_Fund/Public\\_Hearings](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/Future_Fund/Public_Hearings).



# Chapter 2

## Key Issues

2.1 The establishment of the Medical Research Future Fund (MRFF) will provide a dedicated vehicle for investment in medical research. The committee heard:

As a capital protected fund it will ensure that medical research funding is available on an ongoing basis. The fund will support the sustainability of the health system into the future. It will enable research that may lead to the discovery of new medicines and technologies used for prevention, treatment and cure.<sup>1</sup>

2.2 The MRFF will almost double medical research spending; it will be transformative by focusing on health outcomes, not just interesting research, and will strengthen Australia's position as a major player in the international field of medical research.

2.3 As noted in Chapter 1, amendments to the MRFF Bill seek to clarify and enhance the decision making and accountability mechanisms to be used in the disbursement of funds from the MRFF. The amendments provide for:

- establishment of an independent expert Australian Medical Research Advisory Board (Advisory Board) to develop the Australian Medical research and Innovation Strategy (Strategy) and the Australian Medical Research and Innovation Priorities (Priorities);
- creation of a requirement to have a Strategy;
- creation of a requirement to have Priorities;
- a requirement that decision-making mechanisms for the disbursement of funds from the MRFF must take account of the Strategy and the Priorities which determines the focus of medical research and innovation every two years; and
- clarification of the involvement of the National Health and Medical Research Council (NHMRC) in the effective disbursement of funding from the MRFF.

2.4 Submitters to the inquiry welcomed the Australian Government's commitment to medical research through the MRFF and were generally supportive of the intent of the Bills.<sup>2</sup> The Medical Research Future Fund Action Group (MRFF AG) described the MRFF as providing 'an extraordinary opportunity to improve the future health and wellbeing of all Australians and to support economic growth in the key areas of medical devices and pharmaceuticals while contributing to a safer, more effective and efficient health system'.<sup>3</sup> The committee heard that the MRFF had the capacity to

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1 Mr Mark Cormack, Deputy Secretary, Strategic Policy and Innovate Group, Department of Health, *Proof Committee Hansard*, p. 32.

2 See for example: Australian Medical Association, *Submission 50*, p. 1.

3 MRFF AG, *Submission 10*, p. 3.

bridge the gap between world-class research and the development of an innovation economy.<sup>4</sup>

2.5 Submitters noted that a number of concerns identified with the Bills have been resolved by the amendments passed by the House of Representatives on 22 June 2015.<sup>5</sup> These amendments improve the integrity, transparency and accountability to the Parliament and clarify how the funds will be governed. However, submitters made further suggestions to enhance aspects of the Bills, including:

- the composition and operation of the Advisory Board and the establishment of the Strategy and the Priorities;
- the relationship between the NHMRC and the proposed MRFF;
- existing definitions of 'medical research' and 'medical innovation' in the Bills;
- the importance of commercialisation and translation being prioritised in the allocation of funds from the proposed MRFF; and
- the process for awarding funds, grants and any other investments from the proposed MRFF.

### **The proposed Medical Research Future Fund Advisory Board**

2.6 Submitters welcomed the government amendments establishing the Advisory Board and offered suggestions regarding its composition and operation. The committee notes that the Bill as amended provides for an Advisory Board of up to eight members, including the CEO of the NHMRC, and that collectively the membership of the Advisory Board must possess an appropriate balance of experience or knowledge in the fields of: medical research; policy relating to health systems; management of health services; medical innovation; financing and investment; and commercialisation of research and innovation.<sup>6</sup>

2.7 The committee heard that the current membership requirements should be further amended to ensure broad representation from key medical organisations on the Advisory Board.<sup>7</sup> For example, the Australian Academy of Science noted:

A broad and representative membership of Advisory Board including key stakeholders such as the Australian Chief Scientist, professional medical associations, relevant scientific organisations...and relevant consumer and

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4 Professor Sharma Arun, Chair, Deputy Vice-Chancellor's Research Committee, Universities Australia, *Proof Committee Hansard*, p. 32.

5 *House of Representatives Votes and Proceedings*, No. 127—22 June 2015, p. 1425.

6 Supplementary Explanatory Memorandum, p. 10.

7 See for example: Cancer Voices Australia, *Submission 1*, p. 2; Deakin University, *Submission 2*, p. 2; Philanthropy Australia, *Submission 6*, p. 3; MRFF AG, *Submission 10*, p. 4; Research Australia, *Submission 11*, p. 2; Federation University Australia, *Submission 15*, p. 2; Multiple Sclerosis Research Australia, *Submission 19*, p. 2; University of Sydney, *Submission 31*, p. 2; Orygen, *Submission 34*, pp 2–3; Alzheimer's Australia, *Submission 28*, pp 2–3; University of Western Sydney, *Submission 40*, pp 2–3 and Australian Council of Trade Unions, *Submission 45*, p. 4.

patient advocacy groups would also help to ensure alignment of MRFF priorities with Australia's broader national research priorities, and with the priorities of the Australian people as represented by health consumer and professional organisations.<sup>8</sup>

2.8 Some submitters recommended amending the membership requirements to include representation from sectors such as research translation<sup>9</sup> and clinical trials<sup>10</sup> to ensure the MRFF can effectively deliver greater value and returns to the Australian people through the translation of medical research into health and economic benefits.<sup>11</sup> Additional recommendations focused on providing avenues for the Advisory Board to consult with independent expert advice as required.<sup>12</sup>

2.9 Some submitters expressed support for a consumer voice on the advisory board. Speaking at the committee's public hearing, Mr Michael Wilson, Chief Operating Officer and Managing Director of JDRF Australia, said

I would support that quite strongly, selected such that the ultimate beneficiaries of research, patients, are represented in an appropriate manner; and that the description of the success of the fund be couched in patient related terms—in health outcome terms...<sup>13</sup>

2.10 The Department of Health told the committee that the inclusion of the Advisory Board in the MRFF Bill:

[C]larif[ies] and enhance[s] the decision making and accountability mechanisms to be used in the disbursement of funds from the MRFF...<sup>14</sup>

2.11 The committee notes that there is scope to broaden the criteria for board members in the legislation so that the Advisory Board membership includes expertise in health consumer issues. As proposed by the MRFF Action Group, this could be achieved through an addition to the existing selection criteria rather than by adding an ex officio position.

### ***Determining the Strategy and the Priorities***

2.12 As outlined in Chapter 1, the Advisory Board, will be responsible for the establishment and review of the Priorities and the Strategy for the MRFF. Submitters observed that the Priorities and the Strategy will guide the funding disbursements of the MRFF, and:

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8 Australian Academy of Science, *Submission 4*, pp 2–3.

9 Council of Academic Public Health Institutions Australia, *Submission 36*, p. 2.

10 Professor John Zalcborg OAM, Australian Clinical Trials, *Proof Committee Hansard*, pp 9–11.

11 See: ACTU, *Submission 45*, p. 4 and Supplementary Explanatory Memorandum, Medical Research Future Fund (Consequential Amendments) Bill 2015, p. 2.

12 See: Univeristy of Notre Dame, *Submission 38*, p. 3; Group of Eight, *Submission 13*, p. 2 and Professor Alan Pettigrew, *Submission 18*, p. 2.

13 Mr Michael Wilson, CEO, JDRF Australia, *Proof Committee Hansard*, p. 2.

14 Mr Mark Cormack, Department of Health, *Proof Committee Hansard*, p. 53.

[S]hould deliver a rigorous and transparent mechanism for identifying national health and medical research priorities as well as a strategy for their delivery (and reporting) through a competitive funding process.<sup>15</sup>

2.13 Many submissions were supportive of the proposed role of the Advisory Board in determining the Strategy and the Priorities. In its submission, Orygen—National Centre for Excellence in Youth Mental Health (NCEYMH) strongly agreed with the criteria that the Advisory Board must apply when establishing the Priorities and the Strategy:

We also believe that the four criteria that the Advisory Board must take into account in setting priorities (burden of disease, numbers of potential beneficiaries, value for money, complementarity with other research and innovation funding) are broadly appropriate.<sup>16</sup>

2.14 The Australian Clinical Trials Alliance further substantiated this view at the committee's public hearing, explaining:

[T]he legislation as currently written provides the best balance of flexibility to generate better health outcomes for Australians...In terms of priorities, the combination of burden of disease and research tractability – that the particular question is capable of being answered – is an important consideration and one that an appropriately constituted advisory board is well positioned to make judgements about.<sup>17</sup>

2.15 Mr Cormack of the Department of Health told the committee that the Strategy and the Priorities would work together to ensure that there is a refreshing of priorities and a responsiveness to emerging issues:

The role of the priority-setting process is, in many ways, to get down to the specifics. The strategy gives you the general framework within which the fund will operate for the five-year period, and the act requires publication of that strategy. The priorities will get down to individual priorities.<sup>18</sup>

### ***Committee view***

2.16 The committee concurs with these positions and notes that the current requirements for the Health Minister to be satisfied that the Advisory Board collectively possesses experience and/or knowledge in the fields of medical research, policy relating to health systems, management of health services, medical innovation, financing and investment and commercialisation will allow for broad representation from Australia's medical sector on the Advisory Board.<sup>19</sup> Such representation will ensure that the Advisory Board has the flexibility to successfully establish Priorities and a Strategy that will allow for 'well-targeted investments' from the MRFF,

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15 University of Tasmania, *Submission 42*, p. [2].

16 Orygen, *Submission 34*, p. [3].

17 Professor Steve Webb, Australian Clinical Trials Alliance, *Proof Committee Hansard*, p. 12.

18 Mr Mark Cormack, Department of Health, *Proof Committee Hansard*, p. 54.

19 Medical Research Future Fund Bill 2015, part 2A division 4 section 32G, p. 32.

underpinned by a strong business case and consideration of how such investment will 'translate into improvements in the health, life expectancy and quality of life for all Australians'.<sup>20</sup>

2.17 The committee further notes that, in light of the submissions noting the value of patient and consumer input, there is scope for consultation with and consideration of consumer needs in the development of the Strategy and Priorities for the MRFF.

### **Relationship between the National Health Medical Research Council and the Medical Research Future Fund**

2.18 The committee heard that the Bills provide for the MRFF to leverage the existing expertise and administrative systems of the NHMRC to assist in the disbursement of MRFF funding.<sup>21</sup>

2.19 Many submitters expressed support for this initiative, with the Australian Academy of Science stating:

It would be in Australia's advantage to utilise the expertise and processes that are already in place through agencies such as the NHMRC to make sure maximum benefits are gained from future investments in medical research and innovation.<sup>22</sup>

2.20 The Children's Cancer Institute supported this view, suggesting that the establishment of the MRFF as a distinct body from the NHMRC is critical:

Funding bodies such as the NHMRC cannot adequately support the innovation system in its full complexity beyond the invention phase, which, combined with a lack of industry investment, has resulted in a dramatic gap in the volume of Intellectual Property generated in the medical research field and the capacity for its commercialisation and translation in Australia.<sup>23</sup>

Further:

[T]he MRFF and the NHMRC should have different purposes for existence. The NHMRC should remain an incredible engine for the proliferation and support of scientific knowledge within Australia at the more basic and developmental end of the spectrum. The MRFF must be rooted in a desire to change the health of people very close to the projects that it is supporting.<sup>24</sup>

2.21 Many of the arguments for maintaining separation between the NHMRC and the MRFF centred around allowing the MRFF to retain the flexibility to provide

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20 Supplementary Explanatory Memorandum, Medical Research Future Fund Bill 2015, p. 2.

21 Whole of government submission, *Submission 27*, pp 7–8; *Supplementary Explanatory Memorandum*, p. 3.

22 Australian Academy of Science, *Submission 4*, p. 4.

23 Children's Cancer Institute, *Submission 17*, p. 1.

24 Mr Michael Wilson, CEO, Juvenile Diabetes Research Foundation Australia, *Proof Committee Hansard*, p. 4.

funding for projects that are currently beyond the capability of the NHMRC to grant due to legislative constraints:

[T]he NHMRC, because of its act, is unable to fund this type of clinical infrastructure through the medical endowment fund. We see that this provides a broader opportunity to allow this type of research, which is so pivotal to patient welfare, to occur.<sup>25</sup>

2.22 It has further been suggested that maintaining a complementary relationship between the NHMRC and the MRFF will lead to significant economic benefits for the Australian community, with the University of Sydney suggesting that '...together, the NHMRC and the MRFF could provide a return of \$3.39 for every \$1 invested'.<sup>26</sup>

2.23 The committee notes some submitters who expressed concern that the MRFF may duplicate the existing structures within the NHMRC.<sup>27</sup> To this end, some suggested that the NHMRC would be the most effective body to administer the MRFF:

[U]tilising all the systems and the peer review...in terms of maximising everything in place and avoiding extra cost to set up a whole new administrative system is the goal of having it [the MRFF] under the umbrella of the NHMRC.<sup>28</sup>

2.24 Mr Cormack from the Department of Health drew the committee's attention to the Explanatory Memorandum which provides the following summary of the government's expectation that the MRFF would leverage rather than duplicate the work of the NHMRC:

The Government is committed to boosting health and medical research. This must not just do more of the same, but demonstrate greater value and returns to the Australian people. The MRFF will give particular impetus to the translation of medical research into health and economic benefits. The MRFF will complement the Medical Research Endowment Account operated by the National Health and Medical Research Council (NHMRC), and leverage the existing capabilities of the NHMRC, including peer review, grants management, and the provision of expert advice.<sup>29</sup>

### ***Committee view***

2.25 The committee notes that the majority of submitters support the current structure of 'synergy', but separation between the MRFF and the NHMRC.<sup>30</sup> The

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25 Professor John Zalberg OAM, Australian Clinical Trials Alliance, *Proof Committee Hansard*, p. 12.

26 University of Sydney, *Submission 31*, p. 2.

27 See: Deakin University, *Submission 2*, p. 2; QIMR Berghofer Medical Research Institute, *Submission 16*, p. 1 and University of NSW, *Submission 14*, p. 2.

28 Dr Phoebe Phillips, Australian Society for Medical Research, *Proof Committee Hansard*, p. 19.

29 *Explanatory Memorandum*, p. 2.

30 Mr Michael Wilson, Juvenile Diabetes Research Foundation Australia, *Proof Committee Hansard*, p. 12.

committee believes that the MRFF represents a unique opportunity for the translation and commercialisation of medical research, and that by ensuring complementarity between the NHMRC and the MRFF, the MRFF will have the capacity to:

...complement the excellence within the existing NHMRC programs, but initiate changes that are consistent with the McKeon review to build national health, priority-focused institutional support and translational initiatives...it will create a more complete program of activities than at present, which will achieve greater impact and efficiency within the health sector.<sup>31</sup>

2.26 The committee also notes that the MRFF will hold the legislative power to award medical research and innovation grants to organisations beyond the current scope of the NHMRC; particularly towards the States and Territories in addition to government research organisations such as CSIRO.<sup>32</sup>

2.27 Given that the MRFF is a transformative initiative that will provide significant funding and support innovative work to bridge the gap between pure research and application of research results in the field, it is important that there should be focussed leadership vested in a new organisation. The skills and mission of the new organisation should reflect the role of the MRFF in playing a strategic role that complements the narrower mandates of existing Australian Government research organisations. The committee further notes that section 62 of the Bill includes a requirement for a review of the Act in 2023. The committee recognises that this review could include consideration of future efficiencies of governance arrangements.

### **Definition of 'medical research' and 'medical innovation'**

2.28 A number of submissions noted that amendments should be made to the current definitions of 'medical research' and 'medical innovation'.<sup>33</sup>

#### ***Medical Research***

2.29 The Bill defines 'medical research' as 'research into health'.<sup>34</sup> Evidence to the committee was divided on whether this definition was appropriate with some submitters supportive of retaining the definition and others advocating the application of a more detailed definition.

2.30 In its submission to the committee, the Group of Eight (GoE) urged the committee to reconsider its current definition of 'medical research' as it would 'limit

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31 Mr Ian Smith, Medical Research Future Fund Action Group, *Proof Committee Hansard*, p. 45. The Strategic Review of Health and Medical Research (McKeon Review) was established by the Australian Government in late 2011. This review reported to the Government in February 2013 and recommended a 10 year strategic health and medical research plan for the nation.

32 Professor Douglas Hilton, Medical Research Future Fund Action Group, *Proof Committee Hansard*, p. 52.

33 Australian Health Economics Society, *Submission 5*, p. 2; Innovative Research Universities, *Submission 29*, p. 2.

34 Medical Research Future Fund Bill 2015, section 5, p. 6.

research funded through the MRFF to medicine or health fields'. In turn, this would likely 'hinder Australia's capacity to produce truly outstanding advances in health and medicine'.<sup>35</sup> GoE suggested that research funding should be expanded and made available to include other disciplines that are involved in medical research such as information technology, physics, engineering, mathematics and chemistry.<sup>36</sup> Despite these concerns, the GoE noted that:

[T]he legislation does make it clear that the MRFF will be able to support activities that go beyond research and in particular it will assist those activities that underlie the implementation and use of research findings, including those which require commercialisation.<sup>37</sup>

2.31 In contrast, the University of New South Wales (UNSW) noted that funding from the MRFF 'should be restricted to basic medical research, applied medical research or translational medical research'. UNSW argued that funding should not be made available to build infrastructure or develop commercial medicines. The committee is not convinced that 'Australian universities, medical research institutes and hospitals' should be the only recipients of MRFF funding.<sup>38</sup>

2.32 Mr Nathan Smyth of the Department of Finance noted the importance of retaining a broad definition of 'medical research':

In terms of the definition of 'medical research', I think we have a very expanded approach to that, rather than a restrictive, narrow approach, and we see that as being incredibly beneficial for research purposes, innovation purposes and commercialisation purposes. The building of an enormous amount of research infrastructure will lead to significant opportunities for career path progression for university graduates and the like to build the knowledge base of the medical research community in Australia. The medical research action group talked about a broad definition around that in relation to people who are involved in computer programming, in mathematical concepts, in other sciences and in medical research, which all contribute to, I suppose, the definition that we would see as being medical research across the country. There are broad applications and benefits across the economy for the application of this fund.<sup>39</sup>

2.33 The committee concurs noting that the retention of a broad definition of 'medical research' as currently reflected in the Bills will allow the MRFF to adopt an appropriately multidisciplinary approach to funding medical research.

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35 Group of Eight Australia, *Submission 13*, p. [3].

36 Group of Eight Australia, *Submission 13*, p. [3].

37 Group of Eight Australia, *Submission 13*, p. [3]. See also: The University of Melbourne, *Submission 26*, pp 3–4.

38 University of New South Wales, *Submission 14*, p. 1.

39 Mr Nathan Smyth, First Assistant Secretary, Governance and Public Management, Department of Finance, *Proof Committee Hansard*, p. 59.

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## ***Medical Innovation***

2.34 The definition of 'medical innovation' was raised as an issue requiring further attention throughout the inquiry.

2.35 The Bill currently defines 'medical innovation' as:

The application and commercialisation of medical research, and the translation of medical research into new or improved medical treatments, for the purpose of improving the health and wellbeing of individuals.<sup>40</sup>

2.36 In its submission to the committee, MRFF AG highlighted their concern that 'the reference to 'treatments' alone is potentially too narrow, as treatment does not ordinarily include diagnosis or prevention. As such, it could exclude, for example, the development of diagnostic devices or vaccines'.<sup>41</sup> MRFF AG suggested re-defining 'medical innovation' in the Bill to mean:

[T]he application, commercialisation and translation of medical research into new or better ways to improve the health and wellbeing of individuals and the community.<sup>42</sup>

2.37 Submitters also suggested that it is not clear whether the current definition of 'medical innovation' would permit atypical treatments such as biotechnological and other medical devices that may not originate in the medical community—such as those developed in the physics, chemistry and engineering disciplines—to be supported by the proposed MRFF.<sup>43</sup>

2.38 Mr Cormack of the Department of Health pointed to the Strategy and the Priorities as the vehicles that will guide the 'decision making mechanisms for the disbursement of funds from the MRFF':<sup>44</sup>

It is the general framework in which the investment will take place. It will certainly be required to take into account advice from the NHMRC and its determination of priorities, under its own requirements, under the act. It will also be required to take into account other Commonwealth government science priorities. We have seen some of those put forward recently.<sup>45</sup>

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40 Medical Research Future Fund Bill 2015, section 5, p. 6.

41 MRFF AG, *Submission 10*, p. 3.

42 MRFF AG, *Submission 10*, p. 3. This alternative definition is supported by Research Australia, *Submission 11*, p. [1] and Multiple Sclerosis Research Australia, *Submission 19*, p. [2].

43 Australian Academy of Technological Sciences and Engineering, *Submission 8*, p. 2; University of Notre Dame, *Submission 38*, p. 2.

44 Mr Mark Cormack, Deputy Secretary, Strategic Policy and Innovation Group, Department of Health, *Proof Committee Hansard*, p. 53.

45 Mr Mark Cormack, Deputy Secretary, Strategic Policy and Innovation Group, Department of Health, *Proof Committee Hansard*, p. 54.

**Committee view**

2.39 The committee considers that the definition of 'medical innovation' is flexible, but acknowledges the concerns about the 'narrow' definition from submissions. While the responsibility for determining the overarching funding disbursement strategies and priorities for the MRFF appropriately rests with the Advisory Board, the committee notes that a broadening of the definition of 'medical innovation' may be appropriate to clarify the purpose of the fund.

**Commercialisation and translation**

2.40 A key focus of this Bill is to ensure that research activities funded through the MRFF lead to practical improvements in health for all Australians through commercialisation and translation. This is described in the Explanatory Memorandum to the Bill which states that the Finance Minister may direct funding to:

[T]he COAG Reform Fund for making payments to the States and Territories for expenditure on medical research and medical innovation—including application and commercialisation activity that translates discoveries to new treatments and practice.<sup>46</sup>

2.41 Some submitters disagreed with this particular focus in the Bill arguing that commercialisation should not be a driving factor in medical research. In evidence to the committee, Mr Michael Wilson of Juvenile Diabetes Research Foundation Australia emphasised that on occasion commercial objectives do not always align with public health outcomes:

You have commercial decisions being made with regard to profit, but, in the end, the ultimate beneficiary must be the patient, and that is not an incentive that is always present in decisions made at earlier stages in that. There are market failures in those incentives. There are examples where the public interest would suggest that a particular drug or therapy or device should be progressed but the commercial interest perhaps does not recognise the same benefit because the benefit will accrue to the public purse, not to the commercial purse, and hence something may not progress because of a lack of foresight or lack of an ability to bring that potential benefit to bear at an earlier stage in the system. So the misalignment of incentives in the system is a challenge for good research to progress.<sup>47</sup>

2.42 The University of New South Wales agreed noting:

There must be a focus on providing the right environment and infrastructure to capture and capitalise on new developments with commercial potential but commercialisation should not be a driver for determining medical research priorities.<sup>48</sup>

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46 Explanatory Memorandum, Medical Research Future Fund Bill 2015, p. 4.

47 Mr Michael Wilson, Chief Operating Officer and Managing Director, Juvenile Diabetes Research Foundation Australia, *Proof Committee Hansard*, p. 1.

48 University of New South Wales, *Submission 14*, p. 2.

2.43 However, the majority of submitters highlighted the need to ensure medical research projects are developed and awarded in consideration of marketable end products and for those who stand to benefit most from a practical application of the research—the Australian health consumer.<sup>49</sup>

2.44 In its submission, Deakin University agreed with the importance of commercialisation and translation of medical research noting that:

Commercialization of research findings will clearly be a priority for the MRFF. Despite a very strong research track record, Australia has not performed well in translating research findings into commercial returns. The MRFF provides an opportunity to develop strong incentives for universities and industry partners to work together to improve commercial outcomes. It will be important to recognize the high failure rate of start-up companies and build this into funding policies.<sup>50</sup>

2.45 Mr Cormack of the Department of Health noted that 'the legislation is now quite explicit—more explicit in terms of leveraging the capacities of the NHMRC, but also not exclusively the NHMRC'.<sup>51</sup> The MRFF is intended to bridge a gap in the current system, to bring valuable scientific discoveries closer to the point of application in the field for the benefit of relevant health consumers.

2.46 Professor Kelso of the National Health and Medical Research Council (NHMRC) highlighted that the NHMRC already has a number of mechanisms that the MRFF could seek to emulate. For example, she spoke about the use of specialist panels that are able to review funded research:

[I]f it was research that was specifically associated with early commercial research, and we do have one scheme in that area. If it was an area of work which was for later stage commercial research than that which we currently support then we would be well capable of establishing appropriate peer review committees with that relevant expertise—so using our fundamental processes of peer review but with specialist panels according to the goals of the scheme.<sup>52</sup>

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49 Deakin University, *Submission 2*, p. 1; Bionics Institute, *Submission 3*, p. 1; *Submission 8*, p. 2; Medicines Australia, *Submission 9*, p. 4; MRFF AG, *Submission 10*, p. 6; Knowledge Translation, *Submission 12*, pp 1–3; Biotech and Related Industries Leadership Group, *Submission 20*, pp 1–4; La Trobe University, *Submission 30*, p. 1; Universities Australia, *Submission 32*, pp 3–4; CSL, *Submission 35*, pp 20–23; University of Western Sydney, *Submission 40*, p. 2; The University of Wollongong, *Submission 41*, p. 3.

50 Deakin University, *Submission 2*, p. 1. See also: Universities Australia, *Submission 32*, p. 3. This submission states that 'research translation is essential and should be guided by national health priorities, noting that translation of research into clinical practice and preventative health strategies in Australia lags well behind research discoveries'.

51 Mr Mark Cormack, Deputy Secretary, Strategic Policy and Innovation Group, Department of Health, *Proof Committee Hansard*, p. 56.

52 Professor Anne Kelso, Chief Executive Officer, National Health and Medical Research Council, *Proof Committee Hansard*, pp 55–56.

**Committee view**

2.47 The committee is satisfied that the AMIRS and AMIRP will ensure a balanced approach that allows for the funding of both novel and commercial projects. The committee is also satisfied that the funding and management of medical research and innovation within the MRFF will be conducted in an appropriate manner by using the expertise of the NHMRC and a range of other Commonwealth research bodies.

**Awarding of funds, grants and other investments from the proposed Medical Research Future Fund**

2.48 Some submissions to the inquiry expressed concern that the process for determining the awarding of grants, funds and investments to organisations, states and territories, universities or corporations from the MRFF has not been adequately discussed in the Bills. To this end, some submitters recommended that competitive processes and expert review mechanisms be put in place to evaluate proposed expenditure from the MRFF.<sup>53</sup>

2.49 In allocating funds for medical research and innovation, many submitters also stressed the importance of investments continuing to support research infrastructure, the maintenance of databases and any other indirect costs of medical research.<sup>54</sup> In its submission, the Australian Academy of Science outlined a best practice approach to funding research from the MRFF:

The Academy firmly believes that the best approach to allocation of MRFF funding within identified Priorities is to use a competitive process and expert review mechanism to ensure funding is targeted towards the very highest quality research. It would be to Australia's advantage to utilise the expertise and processes that are already in place through agencies such as the NHMRC to make sure maximum benefits are gained from future investments in medical research and innovation.

The precise mechanisms might differ according to the priority areas to be targeted by the fund, and the level at which funding is being allocated. For example the peer review approach utilised by the NHMRC would be most appropriate for investigator led research, and it would be advantageous to take advantage of the NHMRC's expertise in this regard. Whereas broader research support, such as for the development of research infrastructure, might best be competitively awarded using mechanisms similar to the

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53 Cancer Voices Australia, *Submission 1*, p. 2; Deakin University, *Submission 2*, p. 2; Australian Health Economics Society, *Submission 5*, p. 4; MRFF AG, *Submission 10*, pp 4–5; Federation University Australia, *Submission 15*, p. 3; University of Melbourne, *Submission 26*, pp. 2–3; Innovative Research Universities, *Submission 29*, p. 2; Orygen—The National Centre of Excellence in Youth Mental Health, *Submission 34*, p. 3.

54 Deakin University, *Submission 2*, p. 2; Australian Health Economics Society, *Submission 5*, p. 3; Australia Melanoma Consumer Alliance, *Submission 23*, p. 1; La Trobe University, *Submission 30*, p. 1.

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university block-grant arrangements, or the ARC ERA [Excellence in Research Australia], or other indicators of excellence.<sup>55</sup>

2.50 Mr Cormack confirmed that the MRFF would utilise this approach by describing how the MRFF will largely disburse funds through established research grant application pathways:

[A]nd this is where a large proportion of the funding will no doubt flow, is the MRFF health special account, which enables a flow through directly to the NHMRC—directly in some cases to research institutes and directly to corporations. So in that pathway, the decision made each year at the program level to disburse funds through the budget process would flow directly, in that instance, to the NHMRC. The NHMRC is able then to utilise its peer review capabilities and grant management capabilities to disburse that.

I guess the other flow is through other corporate Commonwealth entities such as the CSIRO [Commonwealth Scientific and Industrial Research Organisation] and the ARC [Australian Research Council]. Again, they all do different things. They all do them well, and I think it is certainly likely that, for example, the CSIRO, with its particular advantages, may be a most appropriate program level decision in a given year for investments from the MRFF account, as indeed it may be for the NHMRC. I think the act is pretty explicit in how these things could flow. Each of those vehicles give flexibility to government while at the same time leveraging the very substantial capabilities of those organisations and, indeed, the state governments in their current research endeavours.<sup>56</sup>

2.51 A number of witnesses observed that researcher peer review will not be appropriate in all circumstances, for instance in some cases where there is greenfield research, complex multidisciplinary breakthroughs, or where commercialisation or enabling infrastructure are the focus rather than pure scientific research. Dr Tamika Heiden the Principal of Knowledge Translation Australia observed:

The problem that we have at the moment is that we probably do not have the expertise to peer review on the types of activities that I am talking about. ... you will ask for funding specific to activities that are just for translation and not necessarily for the research-finding of knowledge-which is on top of that. ... I would really like to see us open that up to talk about both commercial innovation and also social innovation that actually effects change to health delivery and health services—a much broader spectrum of things, rather than just a new drug or a new piece of equipment. So I would just be mindful of that in the innovation area.<sup>57</sup>

2.52 Mr Krystian Seibert, the Policy and Research Manager of Philanthropy Australia, said:

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55 Australian Academy of Science, *Submission 4*, p. 4.

56 Mr Mark Cormack, Deputy Secretary, Strategic Policy and Innovation Group, Department of Health, *Proof Committee Hansard*, p. 56.

57 *Proof Committee Hansard*, pp 40-41.

I will make one point at the beginning: not all funding for medical research will be of a nature that is amenable to peer review. I am looking at one example, which is one of the biggest contributions that philanthropy made, together with Commonwealth and state governments, to medical research: the construction of the Queensland Institute of Medical Research building.<sup>58</sup>

2.53 The MRFF Action Group made the point that pressures can arise where rapid decisions and responses can be required, leaving no time for a competitive process. As examples they referred to Influenza outbreaks, including the 'Swine flu', where the response of the NHMRC was criticised for being 'way too slow'. While they proposed that competitive processes and merit assessments should be the default approach for awarding funds, they thought that rather than imposing a rigid rule mandating this in all cases, there should instead be an accountability mechanism for reporting the exceptions where funding is not awarded competitively or using expert review.

#### ***Committee view***

2.54 The committee is satisfied that the Bill provides clear mechanisms on the disbursement of funds from the MRFF. As stated in the Explanatory Memorandum:

The MRFF will complement the Medical Research Endowment Account operated by the National Health and Medical Research Council (NHMRC), and leverage the existing capabilities of the NHMRC, including peer review, grants management, and the provision of expert advice.<sup>59</sup>

2.55 To add to the level of transparency and accountability, the committee recognises advantages in reporting back to the parliament on the processes through which funds are awarded, in particular the use of expert advice and competitive processes. Where appropriate this reporting could aggregate information at the program level, while exceptions to a merit or competition principle should be reported at the level of the relevant grant or payment.

#### **Committee view**

2.56 The committee acknowledges the many submissions that have reflected positively on this Bill to establish the MRFF. The committee also acknowledges much of the constructive feedback that has led to the amendments made to this Bill by the government.

2.57 The formation of a broad and representative Advisory Board will ensure that the priorities and strategies of the MRFF reflect the current and emerging health needs of the Australian public. In reflecting these broad needs, the priorities and strategies will in turn fund projects that harness the spectrum of research disciplines that encompass modern medical research.

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58 *Proof Committee Hansard*, p. 40.

59 Explanatory Memorandum, Medical Research Future Fund Bill 2015, p. 2. See also: Mr Mark Cormack, Deputy Secretary, Strategic Policy and Innovation Group, Department of Health, *Proof Committee Hansard*, p. 56.

2.58 The committee is satisfied that the MRFF and bodies such as the NHMRC hold different but complementary purposes. The MRFF will establish and review the strategic direction of medical research and will also be the primary funder of medical research. However, the committee notes that in delivering against this remit, the MRFF will draw on established and proven grant processes and project management expertise.

2.59 The committee is confident that this model whereby the MRFF holds and disburses research funding according to a series of flexible and transparent priorities and strategies will lead to improved health outcomes for all Australians.

### **Recommendation 1**

**2.60 The committee recommends that the Bills be passed.**

**Senator Zed Seselja**

**Chair**



# Supplementary Report from the Australian Labor Party

1.1 Labor Senators support the establishment of the Medical Research Future Fund as an opportunity to expand Australia's health and medical research sector, especially in that it provides an opportunity to implement some of the recommendations of the McKeon Review - *Strategic Review of Health and Medical Research – Better Health through Research*.

1.2 Labor Senators particularly welcome the opportunity to pursue McKeon's recommendations to imbed research in the health system, and to create a new structure to define strategic research that supports a range of strategic topics.<sup>1</sup>

1.3 Labor Senators however see the MRFF as a missed opportunity to pursue many of these recommendations due to the rushed and poorly developed proposal the Government has developed, giving no consideration to McKeon's recommendations to attract philanthropy and new funding sources, or indeed define the recommendations in the original Bill.

1.4 Labor Senators support the principle that disbursements from the Medical Research Future Fund should be administered through a new committee under the existing National Health and Medical Research Council committee structure. In this respect the Bills do not even meet the Government's own stated policy in announcing the Fund that *'Fund earnings will be directed to medical research, primarily by boosting funding for the National Health and Medical Research Council'*<sup>2</sup>

## **The need for an independent process of expert review**

1.5 Labor Senators acknowledge the internationally respected and transparent processes the NHMRC has established over more than 80 years and believe these existing mechanisms establish the best process through which the highest quality health and medical research can be funded through MRFF disbursements.

1.6 Labor Senators agree that the types of research that should be funded through MRFF disbursements is different from what the NHMRC has traditionally funded, especially when it comes to commercialisation and translational research. Labor Senators also recognise that through the NHMRC's existing committee structures this capacity is lacking which is why Labor Senators support the development of a the Australian Medical Research and Innovation Strategy and the Australian Medical Research and Innovation Priorities.

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[http://www.mckeonreview.org.au/downloads/Strategic\\_Review\\_of\\_Health\\_and\\_Medical\\_Research\\_Feb\\_2013-Final\\_Report.pdf](http://www.mckeonreview.org.au/downloads/Strategic_Review_of_Health_and_Medical_Research_Feb_2013-Final_Report.pdf) p. 2

2 <http://budget.gov.au/2014-15/content/glossy/health/download/Health.pdf> p.5

1.7 Labor Senators do not agree that decisions regarding the projects and programs awarded funding should sit wholly with the Minister of the day. This is inconsistent with the way existing grants are awarded by the NHMRC and inconsistent with international best practice in awarding grants to the highest quality projects based on a process of peer review.

1.8 Labor Senators support the Australian Medical Research and Innovation Strategy and the Australian Medical Research and Innovation Priorities as the basis for disbursements from the MRFF only when a process of independent peer or expert review is followed consistent with the processes already established through the NHMRC.

1.9 Labor Senators believe that establishing a new process entirely independent from the NHMRC has the potential to undermine the NHMRC as the preeminent, independent, independent institution from which Governments takes advice about health and medical research and health and medical research grants funding is administered. Duplicating this process is also likely to be costly and inefficient.

1.10 In evidence to the Committee, NHMRC CEO Professor Anne Kelso acknowledged that a number of existing organisations, including Cancer Australia, utilised the NHMRC to undertake peer review and provide ranked recommendations. Specifically, Professor Kelso provided evidence that:

That is a really excellent way of reducing the enormous cost of setting up new committees and drawing on the same pool of researchers to provide the advice in reviewing applications. I think it has been a very efficient process over some years now.<sup>3</sup>

1.11 Labor Senators do not support a discretionary funding mechanism through which the Minister for Health of the day can allocate funding based on a broad set of parameters – as defined by contested and inadequate definitions of 'medical research' and 'medical innovation' – as well as whether they agree with the recommendations of the Australian Medical Research Future Fund Advisory Board or not.

1.12 Labor Senators do not support the transfer of existing funds within the Health and Hospitals Fund transferring to the MRFF on the basis that this Fund was established for different purposes from which the MRFF should exist and administer disbursements.

### **The majority of stakeholders recognise that the role of the NHMRC should be formalised in the final Bill**

1.13 The position of Labor Senators is supported by the Australian Society for Medical Research that supports a subcommittee existing within the existing NHMRC structure, specifically that:

We have said a subcommittee could exist under the research committee. The research committee brings in some additional things which were not included in the advisory Medical Research Future Fund group, and that is

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3 *Proof Committee Hansard*, p. 55.

consumer involvement and Indigenous researchers and clinicians. Also, if it sat underneath the NHMRC Research Committee umbrella, you would avoid duplication. What we do not want is the same types of research being duplicated in what is already funded within NHMRC. This is to add value to the current system. By having them in the same room, they are already talking about the national research strategies for the country—that is part of NHMRC's Research Committee profile; that is what they do—and all of the different expertise that was recommended for the advisory committee is there. I would say that they could emphasise some additional expertise in terms of commercialisation and some industry type people and financial people around the table, but that could still sit under the umbrella<sup>4</sup>

1.14 The former CEO of the NHMRC, Professor Warwick Anderson AM, now the Secretary-General of the International Human Frontier Science Program Organization, supports an MRFF Advisory Committee setting the strategy for the MRFF and the NHMRC administering the majority of the funding. Specifically, Professor Anderson submitted evidence that:

- When judging how to use public money for research, only peer review can identify what is valuable and what is not.
- NHMRC's almost 80 years of effective, ethical and efficient service to the Australian community means that public trust in the MRFF will be maintained if NHMRC plays the major role in administering the earnings of the Fund in accord with the Advisory Board Strategy.
- NHMRC's current Act allows simple and recently established ways to proceed, if the MRFF funds are provided to NHMRC outside the NHMRC's Medical Research Endowment Account (as is the case for the current Government Dementia Research Initiative).
- Coordination between the MRFF and NHMRC will be essential if the greatest good is (to) be gained from the MRFF for the benefit of Australia.<sup>5</sup>

1.15 The submission from Universities Australia supported a more formal interaction between the NHMRC and MRFF. Universities Australia noted that:

Extensive consultation and ongoing monitoring is necessary to ensure the MRFF achieves the goals outlined by the Australian Government. In particular, the interaction between the NHMRC and the operation of the MRFF needs to be carefully considered, so that existing linkages, infrastructure, expertise and support systems are drawn on to maximise the positive impacts from the system as a whole.<sup>6</sup>

1.16 Group of Eight also welcomed the need for independent expert review, submitting that:

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4 Dr Phoebe Phillips, President, Australian Society for Medical Research, *Proof Committee Hansard*, p. 19.

5 Answers to written questions on notice, received 5 August 2015, p. [1]

6 *Submission 32*, p. [1]

The Go8 urges the Senate to include the need for independent expert review or advice as part of the process of distributing funds from the MRFF. Independent expert review represents international best practice in the allocation of scarce funding, and should be included in the selection and allocation of project funding from the MRFF. Independent expert advice should be sought in other instances.<sup>7</sup>

1.17 Professor John Zalcborg OAM, representing the Australian Clinical Trials Alliance provided evidence that:

With respect to the discussion around peer review and the application of the strategies and priorities, we agree that expenditure for the MRFF should be supported by a strong business case that considers how the financial assistance provides greatest value to Australians. However, we recommend that the legislation should include a mandatory process for peer review to assess each business case—at the moment, it does not require that it is a mandatory process of peer review—as well as provide the health minister of the day with independent assessment of the quality of the science of the rationale for the proposal, of the potential to lead to improvements in health outcomes and/or cost savings, which can be both short and long term, and the expected return on investment.<sup>8</sup>

1.18 Professor Rosalie Viney, President of the Australian Health Economics Society also agreed for the need for some sort of peer review process and noted that different forms of this process exist already depending on the kinds of research being considered:

It is important to note too that there are different models of peer review that can operate and even within organisations such as NHMRC and ARC there are different models that operate. So it may be that some of the issues are around the model of peer review that is the best for the Medical Research Future Fund in terms of perhaps having shorter expressions of interest that then lead to the development of a fuller proposal as a more effective way of being able to streamline the process of peer review.<sup>9</sup>

1.19 Professor Robert K Shepherd, the Director of the Bionics Institute of Australia provided evidence that the MRFF should include a process of peer review from a commercial, industrial review perspective:

the inclusion of a peer review from a commercial, industrial experience perspective. At the moment the only commercialisation program within the NHMRC is a development grant, which receives less than one per cent of the overall NHMRC funding. So there is very little funding going into the commercialisation of medical products through NHMRC at the moment, but the development grant process is very well reviewed and it is well reviewed commercially as well.

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7 *Submission 13*, p. [2]

8 *Proof Committee Hansard*, p. 10.

9 *Proof Committee Hansard*, p. 20.

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I really think strongly that we should also be encouraging industry to feed back into what is important for industry in terms of performing research so that they could co-invest in projects. Co-investment is not performed in the NHMRC review process but it is performed in the ARC linkage process where ARC linkage grants also leverage approximately 30 per cent cash contribution from commercial partners. This, I think, is a real opportunity within the future research fund to include that.

In Australia, two-thirds of PhDs are working in universities and one-third in industry. It is the reverse in Switzerland and the UK. We need to ensure that we engage industry with academic research and having a leveraged funding system would certainly help the engagement.<sup>10</sup>

1.20 Labor Senators do support the establishment of the MRFF but will seek to make a number of amendments to the Bills to establish a more robust assessment process. Labor's amendments establish the inclusion of a process of expert review to ensure that the highest quality research is rewarded, rather than – potentially politically motivated and influenced by the 'loudest voices' - decisions being made by the minister of the day and subject to no independent oversight and with little transparency.

1.21 A Labor Government would seek to amend the NHMRC Act to ensure that, whilst the MRFF Special Account were to remain independent, the role of any MRFF advisory committee would be reflected in the NHMRC Council structure with the same sort of rigour applied to funding assessment as the NHMRC does through its existing grants streams.

**Senator the Hon Jan McLucas**



# **APPENDIX 1**

## **Submissions and additional information received by the Committee**

### **Submissions**

- 1** Cancer Voices Australia
- 2** Deakin University
- 3** Bionics Institute of Australia
- 4** Australian Academy of Science
- 5** Australian Health Economics Society
- 6** Philanthropy Australia
- 7** Australian Research Council
- 8** Australian Academy of Technological Sciences and Engineering
- 9** Medicines Australia
- 10** Medical Research Future Fund (MRFF) Action Group
- 11** Research Australia
- 12** Knowledge Translation Australia
- 13** Group of Eight
- 14** University of New South Wales (UNSW) Australia
- 15** Federation University Australia
- 16** QIMR Berghofer Medical Research Institute
- 17** Children's Cancer Institute
- 18** Professor Alan Pettigrew
- 19** Multiple Sclerosis (MS) Research Australia
- 20** Biotech and Related Industries Leadership Group
- 21** Aeras
- 22** Melbourne Melanoma Project Consumer Reference Group

- 23 Australian Melanoma Consumer Alliance
- 24 Juvenile Diabetes Research Foundation (JDRF) Australia
- 25 The George Institute for Global Health
- 26 The University of Melbourne
- 27 Whole of Government
- 28 Alzheimer's Australia
- 29 Innovative Research Universities
- 30 La Trobe University
- 31 The University of Sydney
- 32 Universities Australia
- 33 Royal Australian and New Zealand College of Psychiatrists
- 34 Orygen - The National Centre of Excellence in Youth Mental Health
- 35 CSL
- 36 Council of Academic Public Health Institutions Australia (CAPIA)
- 37 Commonwealth Scientific and Industrial Research Organisation (CSIRO)
- 38 The University of Notre Dame Australia
- 39 Blackmores
- 40 University of Western Sydney
- 41 University of Wollongong
- 42 University of Tasmania
- 43 The Australian Society for Medical Research
- 44 Mr Adam Johnston
- 45 The Australian Clinical Trials Alliance (ACTA)
- 46 Australian Technology Network of Universities (ATN)
- 47 Rare Voices Australia
- 48 Peter MacCallum Cancer Centre
- 49 Cancer Australia

- 50** Australian Medical Association
- 51** Victorian Government
- 52** University of Adelaide
- 53** Neuroscience Research Australia
- 54** Medicines for Malaria Venture
- 55** Cure Brain Cancer Foundation
- 56** The Kids' Cancer Project
- 57** Policy Cures
- 58** CanTeen

### **Answers to Questions on Notice**

- 1** Answers to written Questions on Notice, received from the International Human Frontier Science Program Organization, 5 August 2015
- 2** Answers to Questions taken on Notice during 4 August public hearing, received from Australian Clinical Trials Alliance, 7 August 2015
- 3** Answers to Questions taken on Notice during 4 August public hearing, received from Australian Clinical Trials Alliance, 7 August 2015

### **Correspondence**

- 1** Correspondence clarifying evidence given at Melbourne public hearing on 4 August, from Professor Anthony Scott, received 5 August 2015



# **APPENDIX 2**

## **Public hearings**

*Tuesday, 4 August 2015*

*Stamford Plaza Hotel, Melbourne*

### **Witnesses**

#### **Children's Medical Research Institute**

REDDEL, Professor Roger, Director

#### **JDRF Australia**

WILSON, Mr Michael John, Chief Operating Officer and Managing Director

#### **Australian Clinical Trials Alliance**

ZALCBERG, Professor John Raymond, Founding Director and Chair

DONNAN, Professor Geoffrey, Founding Director

McNEIL, Professor, John, Founding Director

WEBB, Professor Steve, Founding Director

TATE, Ms Rhiannon, Executive Officer

#### **Australian Health Economics Society**

VINEY, Professor Rosalie, President

SCOTT, Professor Anthony, Member

#### **Australian Society for Medical Research**

PHILLIPS, Dr Phoebe, President

#### **Medicines Australia**

CROSS, Dr Martin, Chairman

#### **Bionics Institute of Australia**

SHEPHERD, Professor Robert K, Director

#### **Australian Academy of Technological Sciences and Engineering**

FINKEL, Dr Alan, President

WENHAM, Dr Matt, Executive Manager, Policy and Projects

#### **CSL Limited**

NAYLOR, Mr Gordon, Chief Financial Officer

CUTHBERTSON, Dr Andrew, Chief Scientific Officer and Research and Development Director

**Group of Eight**

McCLUSKEY, Professor James, Deputy Vice-Chancellor, Research, University of Melbourne

**Universities Australia**

LANSDOWN, Ms Anne-Maree, Deputy Chief Executive Officer

SHARMA, Professor Arun, Chair, Deputy Vice-Chancellor's Research Committee

**Innovative Research Universities**

KING, Mr Conor, Executive Director

**Knowledge Translation Australia**

HEIDEN, Dr Tamika, Principal

**Philanthropy Australia**

SEIBERT, Mr Krystian, Policy and Research Manager

**Medical Research Future Fund Action Group**

SMITH, Mr Ian, Deputy Chair, Medical Research Future Fund Action Group

CRABB, Professor Brendan, Chief Executive Officer, Burnet Institute

HARTLAND, Professor Elizabeth Louise, Deputy Director, Peter Doherty Institute for Infection and Immunity

HILTON, Professor Douglas James, President, Association of Australian Medical

Research Institutes, and Director, Walter and Eliza Hall Institute of Medical Research

MULLINS, Mr Greg, Head of Policy, Research Australia

**Department of Health**

CORMACK, Mr Mark, Deputy Secretary, Strategic Policy and Innovation Group

SPENCER, Dr Jenean, Assistant Secretary, Health and Medical Research Branch

**National Health and Medical Research Council**

KELSO, Professor Anne, Chief Executive Officer

**Department of Finance**

CASTLE, Mr Matthew, Acting Assistant Secretary, Fund and Superannuation

SMYTH, Mr Nathan, First Assistant Secretary, Governance and Public Management

**Future Fund Management Agency**

NEAL, Mr David, Managing Director