AVCAL

The AUSTRALIAN PRIVATE EQUITY & VENTURE CAPITAL ASSOCIATION Limited

October 31, 2012

Submission to the Strategic Review of Health and Medical Research in Australia consultation paper

The Australian Private Equity and Venture Capital Association Limited (AVCAL) is the peak body representing the private equity and venture capital industry in Australia.

AVCAL appreciates the opportunity to respond to the SRHMRA Consultation Paper dated 3 Oct 2012.

We strongly endorse the recommendation for a $250m early stage development fund (Recommendation 16). The funds should be invested and managed by independent professional venture managers with expertise in the areas they are investing in, and not directly invested by a Government agency.

The fund should also allow investment in all stages of the funding cycle, including subsequent (later) rounds. This would help mitigate the current gap seen in later stage venture funding, and reduce the likelihood of seeded ventures failing to succeed or achieve their full potential due to the lack of later stage funding.

We would recommend that the fund be administered in the form of a biomedical-dedicated round of the existing Innovation Investment Fund (IIF) co-investment programme. The IIF programme is well-understood by industry participants and would, in the long-term, enable the funds to be part of a revolving, self-sustaining programme where the returns to Government can be reinvested in the future.

It must be emphasized that venture capital is a key component in the biomedical innovation pipeline. The Australian Government spends around $9 billion on R&D but only a small fraction of these funds are spent on supporting commercialisation. Part of the solution to realising the maximum value from this federal investment in research is having a robust VC sector that is able to invest capital and expertise into early stage companies. A number of substantial Australian companies such as Cochlear, Resmed and Pharmaxis are where they are today thanks to VC funding in their early years.

AVCAL submits that it is important that commercialisation support mechanisms to be developed in consultation with the industry with a view to ensuring that the goals of the SRHMRA review are achieved.

Please feel free to contact me should you wish to discuss our submission further.

Yours faithfully,

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