

**South Australian Productivity Commission**

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**Inquiry into Health and Medical Research in South Australia**  
**Submission to the Issues Paper**

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**8 May 2020**

## **Introduction**

South Australia (SA) has a proud history of being at the forefront of many medical advances and delivering positive medical innovations to the world.

With an increasingly globalised society and a rapidly expanding middle class, there is significant value in the SA Government, SA agencies and Industry working together to leverage their collective knowledge and expertise for the benefit of South Australia.

I congratulate the SA Government for requesting that the SA Productivity Commission examine SA's health and medical research sector through a consultative process.

The views contained in this submission are drawn from my private sector experience as follows:

- The Pipette Company (Former Executive Director, General Manager) – A medical device business that grew to 45 staff manufacturing and supplying micropipettes used in IVF procedures globally.
- RHS Ltd (Former Non-Executive Director, Advisor) – A life sciences business formed on the basis of intellectual property (“IP”) from the University of Adelaide. The business undertook multiple venture capital rounds, listed on the ASX and was subsequently acquired by PerkinElmer due to its world leading single cell genomics capability.
- Austofix Ltd (Executive Director) – A local orthopaedic medical device manufacturer and supplier that undertakes a significant amount of ongoing research and development.
- StratifEYE Pty. Ltd. (Executive Director) – A private company that is seeking to further develop and commercialise IP owned by multiple research institutions in the field of eye disease.

In my view, a vital component of a strong health and medical research sector is a vibrant private sector. This is critical because it greatly assists in attracting federal grant funding as well as private capital. Importantly, it also helps focus funding and effort into those areas of medical research that will deliver the most significant outcomes.

In this regard, the comments below are intended to inform the information requests primarily contained within 5.5 (funding) and 5.6 (translation of research).

### ***Leverage federal funding more effectively***

The Australian Government's \$20bn Medical Research Future Fund is in the early stages of delivering a seismic shift across the medical and health industry.

The Fund will nearly double the amount of health and medical research funding in Australia. Importantly, significant funds have been set aside to provide grants for clinical trials, research translation and commercialisation.

Increasingly, MRFF funding is interested in potential commercial outcomes of medical research as well as private sector collaboration. Other states have been stronger in facilitating this and have the benefit of some larger industry players.

The SA Government could be active in seizing the opportunities that the Fund presents (either directly or via a local industry organisation) by investigating and facilitating specific opportunities for researchers, public institutions, entrepreneurs and private businesses to take advantage of this significant opportunity.

### ***Ensure SA Health is engaged and facilitative***

The SA Government should ensure that SA Health is facilitative, rather than ambivalent or obstructive, in engaging with industry to take advantage of national research funding opportunities.

While it is appropriate that SA Health's key focus should remain on service delivery to improve health outcomes, a significant economic benefit to the State would accrue if one of its legislative objectives specifically included assisting in the development of SA's health and medical industry.<sup>1</sup>

Despite a reasonable research budget and a Strategic Plan that mentions that its approach is to "think in terms of the whole of our State", commercialising SA Health's IP is limited and barriers for local companies to access hospital stakeholders and commercial pathways remain high.

In this regard, I have first-hand experience in attempting to create a new business to obtain MRFF and private funding to undertake further research, development and commercialisation of intellectual property owned by three universities, a private company and SA Health.

Despite reaching the final round of the MRFF's BioMedTech Horizon program, we were unable to obtain the \$1m grant primarily because SA Health could not come to an agreement with the other IP owners (a local university, two interstate universities and a private company) to licence intellectual property (IP). Despite the other IP owners coming to an agreement within two to three weeks, it took SA Health five months to reach a legal position that they were comfortable with. A further two months on and the agreement is yet to be signed to my knowledge.

This should have been the start of an exciting opportunity that would have increased medical research, grown employment and drawn investment into South Australia. Instead, a lack of commercial focus from some elements within SA Health has, I believe, resulted in South Australia missing out on a minimum of \$1m in MRFF funding and significant matched private capital being invested in this State.

SA Health should aspire to becoming the Texas Medical Center (TMC) of the Southern Hemisphere. TMC is renowned for its research, innovation, collaboration and commercialisation of medical research. It is no wonder that the Australia has set up a Bio-Bridge Initiative with TMC and the SA Government has set up a new trade and investment office in Houston. In particular, TMC's Innovation Institute should be investigated as a potential model to be applied to SA Health, perhaps in conjunction with the Universities and the Medical Device Partnering Program.

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<sup>1</sup> The NSW Medical Technology Industry Development Strategy (2018) listed NSW Health as the lead institution for many of its strategic objectives. See: [https://www.industry.nsw.gov.au/\\_\\_data/assets/pdf\\_file/0005/182840/NSW-medical-technology-industry-development-strategy.pdf](https://www.industry.nsw.gov.au/__data/assets/pdf_file/0005/182840/NSW-medical-technology-industry-development-strategy.pdf)

Further, SA Health has a fantastic ability to assist in the validation of locally made product through clinical trials. In particular, there should be a bias or onus for undertaking trials with locally developed products rather than overseas products if the solutions are equivalent. This would significantly assist in providing access to an important market for smaller domestic manufacturers that compete against large multinationals. For example, using orthopaedic devices manufactured by an existing local company in public hospitals would likely add ~\$15m per annum to GSP immediately while also providing SA Health with cost savings.<sup>2</sup> This is just one small example which could be replicated across other products and further increase medical research and development.

In summary, two things need to occur for this to improve engagement by SA Health at a structural level. These include:

- Adding an additional legislative objective to SA Health's mandate which includes promoting private sector collaboration across medical research and commercialisation; and
- Adding some industry liaison / commercialisation resources into SA Health or at least transferring this from the Department of Industry. Alternatively, this could be outsourced to an existing local research institution that already has strong capabilities in this area (e.g. a local university commercialisation arm)

### ***Facilitate SA-based companies to publicly list on a stock exchange***

While public listing is not the best option for all companies, it can certainly expand medical research and grow GSP rapidly by drawing investment into the State. The multiplier effect with such companies is also significant and helps underpin a vibrant finance sector and improve the depth of corporate governance in the State. In particular, there are two scenarios that provide interesting examples.

Firstly, listing can expand medical research and develop IP that would otherwise not occur. RHS Limited, a life sciences company, was an example of a company that successfully developed IP from a local university. Despite some private investment, the path to commercialisation risky and without being able to list on the ASX, the company would have been wound up. Instead, the company was able to raise funds and over the next 4 years spent \$8m on employing South Australian scientists while developing world leading expertise in its field of single cell genomics.

Secondly, a public listing provides significantly improved access to capital which is particularly important for the development of MedTech and life science companies. The ability to raise significant capital quickly helps these companies to expand and acquire businesses rather than be acquired and shifted interstate or overseas. Inevitably, this increased access to funding leads to greater opportunities for investing in medical research locally.

The SA Government should aim to significantly expand the number of publicly listed companies headquartered in SA (not just in the medical and health industry). Two possible ways to help accomplish this may include:

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<sup>2</sup> Once in the public sector, it may also increase the likelihood of such products being taken up in the private sector, adding up to another \$25m to GSP per annum.

- Co-ordinating information sessions to advise on the public listing process, as well as its benefits and costs. This could be conducted in conjunction with key industry participants (e.g. accounting groups, broking houses, ASX) at little or no cost to government; and
- Support the listing process by providing loans to cover listing expenses. Such loans would be repayable after a period of time or in the event that the company left SA. Innovative finance such as convertible notes could also be considered so that there is additional upside to government.

If just one or two MedTech / life science companies publicly listed each year, South Australia could double its listed companies in this field within a few years, bringing in millions of dollars into South Australia and developing a robust medical and health industry ecosystem.

## Conclusion

Thank you for the opportunity to contribute. I would be happy to assist the Productivity Commission should it wish for further elaboration of the contents above.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Johnathon Matthews', enclosed within a large, loopy oval flourish.

Johnathon Matthews

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