Biotech's tax cap fears

TREVOR CHAPPELL
HEALTH

THE Australian biotechnology sector fears the federal government will move to cap tax refunds on research and development in the upcoming Budget, stymieing the development of medical treatments.

AusBiotech, the umbrella group for the sector, says it opposes a recommendation from a review of the R&D Tax Incentive last year for a $2 million cap on the annual cash refund payable. The refund was effectively a pivotal enabler of clinical trials, especially for smaller biotechs, AusBiotech said.

If it were capped at that level, it would stymie the clinical development of medical treatments and cost jobs, the group said.

Chairman Julie Phillips said the biotech sector had received no information on how the recommendation for a cap was being treated, and it was causing uncertainty in the biotech, medical technology and pharmaceutical sector.

"The uncertainty around it is already having an impact, and it will be really quite devastating to our sector and the momentum that it's getting," Ms Phillips said yesterday. Companies in the global biotechnology sector considered where to run clinical trials over a period of two to five years, and they are not going to wait to see what happened in Australia with the proposed cap.

"We've got companies reconsidering whether they run trials in Australia ... international as well as local companies," Ms Phillips said.

"That affects jobs, and secondarily to that, there's all the infrastructure and support that goes around conducting clinical trials, where there are also jobs.

"Reductions in trials also mean that patients don't get access to those earlier-stage medicines that you tend to get through the trials."

Ms Phillips said the cheapest clinical trials cost between $3 million and $5 million, and could cost up to $25 million a year. As an alternative to the $2 million cap, AusBiotech has proposed an $8.5 million limit.

Ms Phillips said the biotechnology sector needed encouragement, as it was an innovative, sustainable sector creating high value jobs, and employed about 45,000 people.

AAP

FANTASTIC SOLUTION TO TACKLE PLASTIC

CLAIRE HEANEY

Plastic Forests managing director David Hodge inpects a load at his Yennora distribution centre. Picture: JUSTIN SANSON

A VICTORIAN company "dry cleaning" contaminated plastic destined for landfill has been declared one of the 20 businesses of the future.

Plastic Forests, based in Strathmerton, 250km north of Melbourne, was named one of Westpac's Businesses of Tomorrow, short-listed from 200 businesses.

It was timed to coincide with Westpac's 200th anniversary this month.

Plastic Forests has developed a revolutionary dry cleaning process whereby plastic used in agriculture and food industries is cleaned without using water.

Plastic Forests managing director David Hodge said that after years of research the company was commercialising a unique process that extracted contaminated polyolefins or PE plastic films, which are not currently recycled.

They are then turned into film to be used in a range of recycled plastic products.

Plastic Forests, which also has a factory in Sydney's west, sells recycled products such as underground cable covers, garden edging and resin pellets, all under the Green Mongrel brand.

BUSINESS OWNER
CLAIRE HEANEY

The underground cable cover is being in the National Broadband Network rollout.

Mr Hodge said, until their innovation, there had been no commercial alternative for this contaminated plastic film, which has typically carried foodstuffs. but to bury it or burn it. Plastic film is difficult to recycle. Globally, only 14 per cent of plastic packaging is recycled.

"Plastic Forests is enabling Australian food manufacturers and agriculture to divert thousands of tonnes of dirty plastic film, used in their production process, away from landfill and into sustainable new products," Mr Hodge said.

"Our process cleans it without water, a major benefit in a world without enough freshwater."

He said an investment in a "supersite" in Albury NSW would enable the business to further expand.

"It will allow us to ... manufacture additional products, like garbage bags, for our customers, made from their own plastic waste, thus completing the 360° economy."

Mr Hodge said winning the award recognised his team's passion for making the world a better place.

The company has shared in grants from the NSW Government worth up to $800,000. Westpac Bank began as the Bank of New South Wales.

plasticforests.com.au

Rewards for global thinking

ENTRIES are open for the annual Premier's Sustainability Awards.

In their 15th year, the awards encourage individuals, businesses and not-for-profits to look at how they could run more sustainably.

"The bar gets higher every year," Sustainability Victoria chief Stan Krpan said.

"We're delighted to see increasingly diverse and interesting ways that people are working hard to combat the effects of climate change and improve the environment.

"We want to recognise them and their wonderful work, and hopefully inspire others to think about their own environmental contributions."

There are 10 categories and in addition to winners in each category the Premier will select two overall winners for the Premier's Regional Recognition and the top award, the Premier's Recognition Award.

Last year's winner was conference, wedding and accommodation centre Yarra Valley Estate. The estate measured its footprint and benchmarked its operations locally and globally. In addition, it contributes 11 per cent of net revenue to community programs.

Entries close June 21.

sustainabilityawards.vic.gov.au

Retailers are battening the hatches for a perfect storm

THE SHORT CUT
with ROGER MONTGOMERY

WITH interest rates having been inoffensively low for years now, we're becoming complacent about high prices for every asset class from residential property and stocks to art, wine and low-digit number plates.

Investors, however, need to start worrying about their share portfolios, especially if they have exposure to retail stocks, many of which are trading on price-to-earnings ratios of more than 20 times and now appear to be confronting a perfect storm.

Consider the outlook for retailers of furniture, building supplies and household appliances.

We know that there is a very high correlation between housing sales and housing alterations and additions. The lag is about 10 months and given that housing sales have slumped from 15 per cent growth per annum in 2013 to negative 10 per cent today, it follows that housing alterations and additions will also slump in coming months.

This could put pressure on earnings for Harvey Norman, Bunnings owner Wesfarmers, Nick Scali, Good Guys owner JB Hi-Fi , Kresta, Adairs and Godfreys and even online furniture and homewares retailer Temple & Webster.

In 2013, alterations and additions were declining at an annual pace of 5 per cent. By 2016 that number had surged to 10 per cent growth.

It has since slumped, now sits at zero and should decline further, heaping burning coals on retailers who are facing other pressures.

Australia's ratio of household debt to GDP sits at 123 per cent, third highest in the world behind Denmark and Switzerland, according to data released by the Bank for International Settlements.

Household debt, including the record $32 billion in credit card debt, has grown despite persistent weakness in wages. As a result of low wages growth and surging real estate prices, Australia's debt servicing ratio is the second highest in the world.

When so many are cutting it this fine, you don't need a lot to go wrong to for financial stress to increase. A recent CBA survey revealed one in three Australian households would be unable to find $500 in an emergency.

Amid such a massive debt burden, it would not be surprising to see purse strings tightening. In fact, a 'deleveraging' phase always follows a debt binge and retail sales suffer as the debt burden acts like an anchor on activity.

Sitting atop this huge debt burden is my most serious concern — job losses.

The construction industry employs 12 per cent of the workforce in Australia.

In October last year, construction consultants Rider Levett Bucknall reported in their biannual crane count survey that a record 528 cranes were working above apartment blocks in Sydney, Melbourne and Brisbane in the September quarter — more than in New York, Boston, Chicago, San Francisco, Los Angeles, Toronto and Calgary combined.

But we now know dwelling construction approvals, commencements and completions are coming off the boil, which suggests less work for all those cranes and less work for those employed underneath them.

The final nail in the coffin for many retailers is the foreign invasion.

David Lawrence, Marcs, Allphones, Dick Smith, Pumpkin Patch, Payless Shoes, Masters, Herringbone and Rhodes & Beckett and Howards Storage World have fallen into the hands of receivers or administrators.

All this without the arrival yet of Amazon, a company now collecting almost one of ever two dollars spent online in the US.

As the retail industry employs more than 10 per cent of working Australians, the impact of all of the above should be concerning for all of us, not only investors.

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