



The Australian Society for Medical Research

The ASMR Executive

1 October 2021

Senate Finance and Public Administration Committees
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Re: Supplementary submission to the Senate Inquiry proceedings of 28 September 2021, session 2, discussing the **Investment Funds Legislation Amendment Bill 2021, Schedule 3**

Thank you for the opportunity to provide evidence at the Senate Inquiry on the 28th of September 2021. We write in response to discussions between Senators Ayres and Patrick and the Witnesses from AAMRI and AAHMS.

We wish to clarify our view on some of the discussion provided in the Hansard and offer further evidence and insight.

- 1) The witness for AAMRI suggested that “The 10-year plan is an instrument of Government. It is not part of the MRFF per se, but the MRFF is a tool of Government”. We agree that, to date, the MRFF has been used to a large extent as a tool of Government, but strongly believe that it should not be used in this way, as it is public money that should be invested wisely on behalf of the taxpayer.
 - Contrary to the evidence given, the 10-year plan is very much part of the MRFF as the \$5.1 billion to enact it comes solely from the MRFF.
 - The fund is very much being used as a political tool with politicisation of outcomes and elements of Ministerial discretion that public money should not be used for.
 - As pointed out in Senator Ayres’ line of questioning, the recent ANAO report established that the MRFF 10-year plan has no alignment with the MRFF Strategy and Priorities. While there are several factors to consider (durations and alignment of Strategies and Priorities with the 10 year plan, need for flexibility to align multiple Strategies and Priorities within the 10 year plan timeframe) the plan should encompass the current and future Strategies and Priorities given the \$5.1 billion to be disbursed has been and is proposed to be the majority of funding available from the MRFF during that time (from a total of \$5.7443 billion, assuming \$650 million per year from 2022-2028).

- 2) The witness from AAMRI suggested “In a top-down fund there is always a small window for needing to pick urgent priorities”. We agree with this statement, for rapid response to situations such as the Bushfires of 2019/2020 and Coronavirus research. But again, we call into question the processes and transparency of doing this with rapid turnaround times and whether this is done effectively.

A recent article (Seidler *et al.* 2021, Medical Journal of Australia 215(2):58-61.e1) found that many of the COVID-19 research efforts were funded by Government and not-for-profits and highlighted issues around duplication, lack of collaboration and data sharing, underpowered studies, lack of recruitment capability, lack of publicly available and transparent standards and processes and “little is known about how effectively these funds have been used to drive the global agenda of preventing, diagnosing and treating COVID-19.” “Furthermore, extensive media coverage and public opinion may have influenced prioritisation of interventions that were not particularly promising. For instance, many simultaneous trials on hydroxychloroquine (six in Australia alone)”. While funding rapid response research is essential, there needs to be established and effective procedures for transparent and open calls for applications, peer-review and funding decisions that don't duplicate efforts and will have verifiable and optimal outcomes for the investment made.

- 3) The witness for AAMRI stated “The \$1 billion was the estimate of the earnings return given the investment mandate of the day. Unfortunately the world changed over the time period when funds started going in – interest rates went down – so with the current investment mandate it really is impossible to deliver more than \$1 billion”. This is not supported by 2021-2022 Budget Portfolio Statements from Treasury (Table 2.2.1.2, page 30) that showed over \$1 billion net returns in 2020-2021 and around \$900 million to \$1 billion in forward estimates for 2022-2023, 2023-2024 and 2024-2025. This is under the current “conservative” investment mandate and so can return the promised revenue to support at least close to the promised \$1 billion per annum. With the proposed change to increase the risk of the investment mandate and align it with other funds managed by the Future Fund Guardians, the return on investment will be far in excess of \$1 billion per annum and could provide much greater disbursements to research than the promised \$1 billion, while potentially also allowing the balance of the fund to grow for sustainability.

As mentioned in our evidence, the ASMR's independent report from 2014 modelled a global financial crisis situation that the Australian Future Fund experienced in 2008 of -5.1%. On a balance of \$22 billion the MRFF could sustain that stress for one year. At no other time have we seen a greater than one year negative return on investment on the Australian Future Fund and returns on the MRFF during the COVID-19 pandemic were 0.2%. With no year-on-year stressors on record and the history of returns generated by all other Future Fund Guardian managed funds, we feel confident that the MRFF could sustain the higher risk investment mandate proposed without compromising the corpus of the fund. Particularly if the balance of credits were grown in conjunction with higher disbursements, which seems possible with the expected returns from a higher investment mandate.

We recommended modelling and strategic planning in our submission to this inquiry; “High-level modelling of increasing balance versus return on investment, along with projections of market downturn or global crisis impact, should be used to inform an MRFF balance at which the fund will be considered sustainable and disbursements can be made to a maximum. Ideally, a detailed plan would be provided before legislating these changes.”.

- 4) We wish to respond to Senator Ayres' question pertaining to benchmarking the disbursements from the MRFF to indexation. We feel this is a necessary point to clarify in the context of the NHMRC Medical Research Endowment Account, which has received static investment for over a decade that is not indexed and due to the rising costs of

research those annual investments are actually decreasing in real terms. We therefore agree with AAMRI and AAHMS that disbursements from the MRFF should at least reflect inflation if not increasing considerably year-on-year from greater investment returns.

- 5) We would like to provide our opinion on the discussion around Senator Patrick's line of questioning. Firstly, as outlined in our submission, we feel that the current "amendments do not address the shortcomings of the MRFF governance and processes and may decrease the transparency and accountability for certain activities. We advocate for legislated transparency, accountability and integrity in relation to all MRFF activities". The ASMR has advocated for this from the very beginning, providing evidence in the Tuesday 4 August 2015 Community Affairs Legislation Committee Senate Inquiry pertaining to the *MRFF Act 2015*, where we recommended "All strategies and priorities for the Medical Research Future Fund should be established under the existing umbrella of the National Health and Medical Research Council, with an additional subcommittee to provide expertise in innovation and commercialisation. All Medical Research Future Fund investment must be independently peer reviewed." This was also highlighted in the ANAO audit where it was reported that the Chair of the Australian Medical Research Advisory Board (AMRAB) suggested the MRFF should be managed by an organisation like the NHMRC with its established structures and systems.

On the points made by Senator Patrick, there was a focus on peer review and peer reviewers as the source of potential "corruption" and lack of transparency in disbursing public money. We disagree that this is an area of concern and certainly not the area of greatest concern with respect to transparency and "corruption", as it was put, in relation to the MRFF. While the responses to those questions focussed on the NHMRC rather than the MRFF, we think the responses highlight that the NHMRC system of peer review is in line with international best practice; although there are areas for improvement, this is the gold standard in Australia.

We argue instead that the lack of transparency and potential for "corruption" comes not from the process of peer review but from processes and activities outside of peer review. For instance, ministerial discretion, the awarding of funds without any peer review process, the lack of any apparent application process for some grants awarded, rapid turnaround times for application submissions, selection and circumstances of priorities, missions and flagships, as well as non-competitive awards.

A few points on this topic:

- Accountability for peer reviewer scores and justifications can be effected by the grant review panel process, as it enables several experts to discuss, justify and resolve any discrepancies.
- The NHMRC has informed us previously that there are privacy issues surrounding the public release of the names of reviewers on a given panel. This pertains to the safety of those individuals.
- Despite the existing rigorous process for identifying and declaring Conflicts of Interest, releasing the names of reviewers would almost certainly increase the burden of complaints and, as a result, stretch limited resources even further.
- As mentioned by the witness for AAMRI, grants must be kept confidential as they are the ideas of the applicants and are susceptible to being scooped by competitors.
- As a lot of the peer review for MRFF applications is handled by the established processes of the NHMRC, we feel that this is not the area of importance with regard to lack of transparency and "corruption" when considering the MRFF but that those not subject to this process come into question.

Please do not hesitate to contact the ASMR for further discussion (contact details below).

Yours sincerely,

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President

Dr Daniel Johnstone
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Past-President (2017)