

**WESTERN AUSTRALIAN FUTURE FUND AMENDMENT
(FUTURE HEALTH RESEARCH AND INNOVATION FUND) BILL 2019**

Introduction and First Reading

Bill introduced, on motion by **Mr R.H. Cook (Minister for Health)**, and read a first time.

Explanatory memorandum presented by the minister.

Second Reading

MR R.H. COOK (Kwinana — Minister for Health) [11.04 am]: I move —

That the bill be now read a second time.

The purpose of the bill is to amend the Western Australian Future Fund Act 2012 to provide a secure, long-term source of funding to support medical and health research, and medical and health innovation and commercialisation activities in the state. The bill will establish the Western Australian future health research and innovation account to allow for funding to be made available for those activities. The original purpose of the Western Australian Future Fund, which was to provide for the accumulation of revenue for the benefit of future generations, will be repealed. The future fund will be repurposed to create the Western Australian future health research and innovation fund, which will be used for the purposes of crediting the new FHRI account.

As members may be aware, in 2012 the WAFF act established the future fund to set aside and accumulate a portion of the royalties earned from the finite mineral resources of the state. The actions of the former Liberal–National government to establish the future fund now presents an opportunity for this government. We have the resources available to set the state on the path to keeping Western Australians healthier for longer and transforming our health system.

The opportunity to diversify the economy and create jobs is also significant for the state. A review commissioned by the Medical Technology Association of Australia identified that as at 2015 there were more than 500 medical technology companies in Australia with a combined annual turnover of more than \$10 billion. According to MedTech and Pharma Growth Centre’s 2019 “Medical Technology, Biotechnology and Pharmaceutical Competitiveness Plan”, there were 70 000 industry and research jobs in Australia in 2018, an increase of 11 per cent since 2016. Western Australia has an opportunity to become a major contributor to these industries. Western Australia is very fortunate to have access to a wealth of mineral resources, but they will not last forever. We must act now to make the most of this opportunity to diversify our economy and to create the jobs of the future.

The McGowan government is committed to the provision of world-class, economically sustainable health care. However, Western Australia faces a host of challenges to deliver this outcome. This includes an increasing demand by consumers for services where and when they want them, increasing complexity in managing patient health, and the advent of disruptive technologies like artificial intelligence. A thriving ecosystem for medical and health research, and medical and health innovation and commercialisation has the potential to address these challenges.

Research and innovation can improve health care through advancing medical and health knowledge, translating new treatments or techniques into practice, and developing innovative technologies. I am sure members will be familiar with the use of spray-on skin to treat burns, the benefits of folate supplementation to reduce the occurrence of birth defects, and the ability to treat stomach ulcers with antibiotics. These Western Australian–based discoveries would not exist without research and innovation, and tens of thousands of lives would be much poorer for it. It is possible that the next spray-on skin invention is just around the corner, but it will falter without access to funding, expertise or infrastructure. By repurposing the future fund, there is an opportunity to increase the odds that the next great research or innovation discovery occurs in an ecosystem that supports its translation into treatments, devices or system changes that result in better health for Western Australians.

Investment in research and innovation contributes to attracting and retaining a high-calibre medical and health workforce. Research and innovation are foundational elements of the leading hospitals and health systems in the world. Not surprisingly, the best and brightest health professionals want to work in these centres of healthcare excellence. Although Western Australia currently has a dedicated and talented health workforce, support for research and innovation has to be boosted to help our health professionals realise their full potential in Western Australia, rather than elsewhere in Australia or abroad. Practising medicine and healthcare delivery in an environment that embraces research and innovation ensures that our health professionals are aware of and can access and deliver the most advanced cutting-edge healthcare solutions. Indeed, it allows our health and medical stars to sharpen their skills, to make the breakthroughs and to see them through to becoming the healthcare practitioners of tomorrow.

Sustained investment is now required to realise the benefits of research and innovation, some of which may take many years to materialise. We are talking about the need for a sustainable transformation of research and innovation in Western Australia. We cannot rely on others to do this for us. Western Australia’s share of funding from the National Health and Medical Research Council, the major funder of research in this country, is well below what could

be expected on a population basis. Further, we are yet to see significant funding from the Australian government's Medical Research Future Fund flowing into Western Australia.

In comparison with Western Australia, other Australian jurisdictions perform better in competing for limited Australian government funding. Those states that receive the most funding are able to continue to grow their investment in research and innovation. This creates a positive feedback loop whereby greater investment leads to greater success in obtaining national funding, which itself makes those states more competitive for funding. Action is needed to become a part of this cycle in order to secure a greater and ongoing share of the national funding pool for Western Australia.

Competition is not coming only from elsewhere in Australia. In a global environment, pharmaceutical companies, international philanthropists, investors and private industry have a multitude of potential destinations vying for their attention. In the Global Innovation Index for 2019, Australia ranked fifteenth of 129 countries in innovation "inputs", which are the elements of the economy that enable innovation. However, Australia ranked only 31 out of 129 countries for innovation "outputs", which are the results of innovation activities. Clearly, there is an opportunity to capitalise on an environment that has the raw ingredients for innovation to transform Western Australia into a leader in innovation implementation. This must start now, or we risk being left behind. With these benefits and challenges in mind, in March 2017 the Western Australian Labor government reaffirmed its election commitment to amending the Western Australian Future Fund Act to repurpose the future fund and allow access to investment earnings to drive this important sector.

The amended act will be supported by a detailed governance framework, which provides guidance in relation to key features of the FHRI fund and account to support its effective and responsible operation and to promote accountability and transparency of decision-making. It defines roles and responsibilities related to the FHRI fund and account and sets out strategic instruments that will guide how research and innovation will be supported with funds from the FHRI account. I now table the governance framework to assist members in their consideration of the bill.

[See paper 2870.]

Mr R.H. COOK: The object of the bill is to provide a secure source of funding to support activities that improve the financial sustainability of our health system; improve the health and wellbeing of Western Australians; improve our state's economic prosperity; and advance Western Australia's position to being, or maintaining its position as, a national or international leader in qualifying activities, including activities such as medical and health research and innovation. The bill will also establish the FHRI account; provide the Minister for Health with the power to make arrangements and make disbursements under those arrangements; provide the Minister for Health with the power to establish and maintain an advisory group; and establish the FHRI fund.

Part 2 of the bill will establish the FHRI account. This is an agency special purpose account administered by the Minister for Health. The FHRI account will be credited annually with the forecast investment income from the FHRI fund. Forecast investment income means the estimate of income derived from investment of the money standing to the credit of the FHRI fund. Money from other sources, such as private sector contributions or parliamentary funding, may also be credited to the FHRI account. Part 2 of the bill also gives the Minister for Health specific powers. The Minister for Health may make or approve arrangements that further, or facilitate the furthering of, qualifying activities that contribute to one or more of the four matters outlined in the new object of the amended act. This covers a variety of arrangements, including contracts for monetary grants and service agreements. The Minister for Health can also apply money standing to the credit of the FHRI account for the purposes of, or in relation to, an arrangement. Funding awarded from the FHRI account will be based on competitive excellence, with clear selection criteria and transparent selection processes to ensure government accountability in decisions about public money.

The FHRI account is not intended to be a substitute for existing funding sources. In fact, a key design consideration for the FHRI account is that it will act to bring additional research and innovation funding into Western Australia, boosting the state government's investment. For example, being able to make money available will provide opportunities to leverage new funding from the Australian government through its \$20 billion Medical Research Future Fund.

Under part 2 of the bill, the Minister for Health must establish and maintain an advisory group. The primary role of the advisory group is to provide strategic advice and guidance to the Minister for Health or the Department of Health, as the relevant department, on issues and priorities for Western Australia in research and innovation. The advice of the group will inform how the money in the FHRI account is to be applied to ensure the best value for money and the highest return on investment.

The advisory group will comprise at least eight members: an expert in research, an expert in innovation, a community representative, and at least three other persons with relevant expertise and experience and who could come from fields such as business, law, philanthropy or the not-for-profit sector. The advisory group will also include the chief executive officers, or their nominees, from two state government departments: one from the Department of

Health, as the department that is responsible for administering the FHRI account; and the other from the department that the minister decides is most relevant to the activities of the FHRI account. The advisory group will consist of highly capable, respected and broadly knowledgeable members.

Aboriginal health and regional Western Australia health issues are recognised as requiring particular attention by the advisory group. The state government is committed to building a new relationship with Aboriginal people and communities. Therefore, at least one member of the advisory group will have a sound understanding of and experience in dealing with the complex health issues that currently face Aboriginal people and communities in Western Australia. Likewise, the state government recognises the complex challenges posed by providing health care to regional areas in a jurisdiction as vast as Western Australia. As a result, at least one member of the advisory group will have significant experience in or knowledge of regional, rural and remote health issues. This membership requirement also acknowledges the origins of the funding from the royalties for regions fund.

This advisory group will be an enduring, independent source of strategic guidance regarding the funding priorities of the FHRI account and the overarching strategic direction for medical and health research, and medical and health innovation and commercialisation in the state. For example, the advisory group will be tasked with leading a recurring cycle of broad consultation that will inform development of a strategy for medical and health research, and medical and health innovation and commercialisation for the state, and the specific priorities of the FHRI account.

The advisory group will serve as an advocate for research and innovation and a link with private industry and philanthropy and, perhaps most importantly, provide assurance to the people of Western Australia that the future health research and innovation account is being applied appropriately. Dealing effectively with conflicts of interest—both real and perceived—will be critical to the effectiveness of the advisory group. Therefore, part 2 of the bill will require that conflicts of interest be addressed in a member's instrument of appointment, which will set out not only the steps to avoid conflicts, but also the steps to be followed if a conflict, in fact, arises. The effective and ethical operation of the advisory group will be further supported by Public Sector Commission governance principles and guidelines.

Part 3 of the bill will discontinue the Western Australian Future Fund and establish the future health research and innovation fund. The FHRI fund will continue to be a Treasurer's special purpose account and administered by the Treasurer. All the money currently standing to the credit of the future fund will stand to the credit of the FHRI fund and the FHRI fund will continue to be credited each year with one per cent of the state's forecast royalty income. Capital in the FHRI fund will continue to be preserved in perpetuity to ensure that the funding stream will be available over the long term.

Although the basic components of the future fund have been retained for the FHRI fund, the bill proposes some notable changes. Importantly, section 9 of the Western Australian Future Fund Act will be repealed. This section provided for income derived after 30 June 2032 from investment of money standing to the credit of the future fund to be applied for the purpose of providing public works and other public infrastructure in the metropolitan area and regions of Western Australia. The new section 9 of the amended act will instead make forecast investment income available immediately for the purposes of crediting the FHRI account. The bill includes a provision allowing the Minister for Health and the Treasurer to return uncommitted funds in the FHRI account to the FHRI fund. This provision will ensure that if any funds accumulate in the FHRI account, they can be returned to the FHRI fund and reinvested to earn the highest possible rate of return at all times.

The bill will impose reporting requirements for both the FHRI account and the FHRI fund in addition to that required under the Financial Management Act 2006 for special purpose accounts. There will be robust policy, governance and evaluation guidelines to ensure accountability and transparency in the use of public money. For example, the performance of initiatives that are funded from the FHRI account will be independently evaluated under an evaluation framework developed according to national and international best practice. Standardised processes will also be implemented for risk identification and mitigation.

Part 4 of the bill will outline the final provisions. Most notably, the amended act will retain the manner and form requirements in section 10(2). Any amendments to sections 6 to 10 of the WAFF act, which this bill purports to do, must pass both houses of Parliament with an absolute majority. The manner and form requirement will continue to apply to any amendments to sections 7, 8 or 9 of the amended act until 30 June 2032 to protect the FHRI fund and the money credited to the FHRI account.

The central purpose of this bill is to provide a secure source of funding to support health and medical research and innovation now, not wait until 30 June 2032, to ensure that Western Australia can make the most of all the opportunities that present themselves over this coming decade. In summary, the sooner we take positive action to boost medical and health research, and medical and health innovation and commercialisation, the sooner we can expect the resulting health benefits to be available to our family and friends, the sooner we can see new industries and jobs for our children; and the sooner we can see Western Australia regarded as a hotbed of innovation and a centre of exceptional research.

I commend the bill to the house.

Debate adjourned, on motion by **Dr D.J. Honey**.