

Biotech, junior miners ‘miss out on wage subsidy’

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Australia’s next generation of innovative biotechnology and medical device companies could be hamstrung by the coronavirus crisis unless the federal government extends its wage subsidy program to companies that rely on the capital markets to fund their research, the industry says.

The biotechnology industry’s concerns mirror those of junior mining and exploration companies, who also risk being forced to put off skilled geologists and technical staff and go into hibernation as investors shun risk stocks amid global market volatility.

Under Prime Minister Scott Morrison’s JobKeeper wage subsidy scheme, the government will pay \$1500 a fortnight to the staff of small to medium sized companies — those with a turnover of less than \$1bn — to encourage their employers to retain staff through the duration of the virus crisis.

But that definition excludes companies with no revenue from operations, industry bodies say, putting at risk thousands of skilled jobs.

Start-up biotechnology and medical research companies, like junior exploration companies in the resources sector, generally have few sources of revenue outside of the sharemarket or venture capital companies prepared to invest in risky propositions.

The lack of any revenue-based turnover, industry bodies say, means they may be excluded from claiming the JobKeeper allowance to keep their staff on.

Lorraine Chiroiu, chief executive of biotechnology peak industry body Ausbiotech, told *The Australian* it appeared the sector had been inadvertently excluded from the new legislation, to be considered by parliament on Wednesday.

“These companies are pre-revenue and have a unique business model that enables them to translate research into lifesaving and enhancing products for patients, but leaves them in a pre-revenue phase for up to decade. Therefore, they do not have revenue to reduce by 30 per cent, regardless of their fierce need for cash flow,” she said.

She said the vast majority of Australian biotechnology and medical device companies — which Ausbiotech says employ a combined 65,000 workers — were excluded from the program because they lacked operational revenue.

“Excluding the majority of biotech companies from accessing the JobKeeper payment puts at risk the very industry who are working to diagnose and treat COVID-19, and other illnesses, she said.

“Life sciences works in a unique environment, and the government is urged to ensure that they look after the full healthcare pipeline so we remain strong throughout this period and able to recover.”

Association of Mining and Exploration Companies chief executive Warren Pearce said many of his members were in the same position, and were desperate to keep geologists and key technical staff employed amid growing fears the capital markets would dry up for early stage explorers.

A March report from accounting firm BDO showed that as many as 40 per cent of Australia’s listed resources juniors had less than \$1m at bank at the end of 2019, with many — already scarred by capital droughts after commodity prices tumbled from 2012 when the mining boom ended — already considering laying off staff and hibernating until markets recovered, risking the jobs of thousands of skilled staff.

Mr Pearce said AMEC had written to Federal Treasurer Josh Frydenberg in late March, when the package was first announced, to raise its members concerns about their potential exclusion, but was yet to get any clarity on whether the package would be include companies without operational revenue.

“It can’t ever have been the government’s intention to exclude companies that employ and support staff and survive by raising funds from investment, rather than from sales turnover,” he said.

“Collectively, these companies employ hundreds of people and many of these jobs are in serious jeopardy, as their ability to raise investment to support operations is no longer possible as a result of COVID-19. Employees are being stood down now as these companies prepare for a very barren 2020. Just like so many other industries across Australia, we need this support now.”

Exploration companies seeking to take advantage of other elements of the federal government’s package, including low-interest rate loans of up to \$250,000 to see them through the crisis period, say they have also been knocked back on the basis they did not meet the turnover criterion.

Cape Lambert Resources managing director Tony Sage, whose company has been knocked back for one of the loans, said he was particularly angry with WA-based cabinet ministers such as Mathias Cormann, who knew the exploration sector well.

“This is outrageous. Coming from WA, Mr Cormann should know the backbone of the mining industry is the exploration industry, employing over 100,000 West Aussies at its peak.

The job retention policy is astounding,” he said.

Sources in both industries say the issue appears to have been overlooked in the rush to put forward a job-saving package primarily aimed at the retail and hospitality sector to Parliament, but say they have also seen push-back from government and the opposition when raising the issue, on the argument their companies could still tap the market for cash even amid current volatile conditions.

But Chatsworths Associates managing director Andrew Maxwell, who is the chairman of three unlisted biotechnology and medical device companies, rejected that argument, saying the capital markets had dried up for risk investments and the government should make provisions to try to keep highly skilled Australian researchers and technical staff in start-ups employed.

Mr Maxwell said the point of the government's JobSeeker program was to keep workers employed until the crisis receded to the point the economy returned to normal, and it should not matter what sector in which they were employed.

"Why is this sector any different to any other?" he said.

"Every day is a day closer to death in the start-up sector. I've got one company that has 50 staff and we're considering now whether we may half to lay half of them off. And if we do we may not be able to get them back when all of this ends."

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Nick Evans has covered the Australian resources sector since the early days of the mining boom in the late 2000s. He joined The Australian's business team from The West Australian newspaper's Canberra bureau, w... [Read more](#)