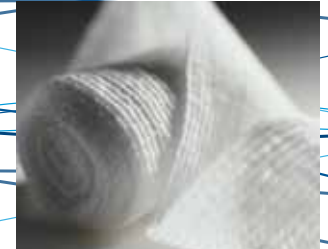


WORLDCLASS HEALTHCARE; DRIVING GROWTH

A thriving New Zealand medtech industry



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INTRODUCING MTANZ

- An association representing manufacturers, exporters, importers and distributors of medical technology devices, first established in 1979
- Made up of local companies of all sizes, as well as foreign multinationals operating in New Zealand
- Works to increase national awareness of the medical technology industry, and the benefits it offers patients and society in general
- Strong supporter of New Zealand researchers and manufacturers in the development of medical devices for international markets
- Improves outcomes and efficiencies in New Zealand's healthcare sector by ensuring patients have access to the best medical technology available
- Works closely with government to promote a regulatory and economic environment that advances growth and innovation in the medical technology industry

OVERVIEW

This document provides a window into the New Zealand medical technology industry.

In these pages, you will find information about who we are and what we do. You will see the critical role we play in delivering and improving healthcare to New Zealanders, by guaranteeing the accessibility, affordability and availability of the best and most advanced medical technology devices.

We're a young, dynamic, innovation-intensive industry. We're passionate about creating Kiwi champions whose ideas can help to improve the lives of people in New Zealand and around the world. We have ambitious goals for the future, and we look forward to working with our stakeholders – in government, industry, and the community – in order to achieve them.

“ We're passionate about creating Kiwi champions whose ideas can help to improve the lives of people in New Zealand and around the world. ”



THE MEDICAL TECHNOLOGY INDUSTRY IN NEW ZEALAND

The medical technology industry makes a vital contribution – often behind the scenes – to the lives of all New Zealanders.

Our industry is responsible for providing nearly all the non-pharmaceutical products that are found in GPs' offices, private and public hospitals, medical centres, ambulances, and dental clinics around the country. Whether it's the most simple wound dressing or a leading-edge MRI scanning machine, our industry has produced or supplied it.

The presence of international medical technology companies in the New Zealand market is a key feature of our industry. For over 40 years, the world's leading medical technology companies have played

a crucial role in advancing the health of New Zealand, supplying Kiwi healthcare providers and their patients with the newest and best equipment available globally. Locally owned companies have also imported and distributed international medical technology products to the New Zealand market for many years.

But the industry has an increasingly Kiwi face. Over the last ten years, a thriving home-grown manufacturing sector has developed, marketing Kiwi medical technology devices to the world. These companies have flourished in an environment where they can develop alongside international ideas and breakthroughs from multinational counterparts.

Many of these companies have carved out a niche for themselves internationally, and earned New Zealand a reputation as an emerging breeding ground of medical technology innovation and excellence. For instance, Fisher & Paykel Healthcare (respiratory devices and treatments for obstructive sleep apnoea), Dynamic Controls (electronic wheelchairs and scooters), and Orthopaedic Synergy (orthopaedic devices) are all world leaders in their fields.

We are an industry with a bright future. Globally, the medical technology industry is worth around \$410 billion (US\$335 billion) each year, and is set to grow. Faced by rising healthcare costs,



ageing populations, increasing consumer expectations, and limited clinical capacity, healthcare is becoming an ever more important focus for governments. At the same time, new knowledge and tools are creating new possibilities for prevention and treatment of chronic diseases. For bold and creative New Zealand companies, there is an exciting opportunity to develop new products that improve the lives of patients at home and abroad.

“ Whether it's the most simple wound dressing or a leading-edge MRI scanning machine, our industry has produced or supplied it. ”



OUR INDUSTRY'S CONTRIBUTION TO THE NEW ZEALAND ECONOMY

Our industry takes pride in the important contribution we make to the New Zealand economy. The home-grown industry is characterised by precisely the type of export-focused, innovation-intensive firms that New Zealand needs in order to grow its economy.

REVENUE

The domestic medical technology industry generates around \$1.4 billion in revenue each year.

As an industry, we've grown quickly. The top nine export-oriented medical technology firms raised revenue by 21% in 2009 and a further 8% in 2010. We've therefore achieved strong growth at a time when industries around the world have struggled to remain afloat.

Revenue among medical technology exporters is set to more than double in the next three to five years.

EMPLOYMENT AND SKILLS

We employ more than 6,000 people across more than 200 companies, and employment is expected to grow. In the local manufacturing sector alone, there are plans to recruit 165 new skilled jobs by 2013.

Due to the high-tech nature of the industry, jobs are typically highly skilled and highly paid. The average salary for the industry is similar to IT, law, and engineering. In terms of the contribution to GDP, the New Zealand-based medical technology manufacturing sector generates around \$300,000 per employee each year, more than double the national average for all industries.¹

If New Zealand is to retain its talent, and attract skilled international professionals, these are exactly the types of opportunities that must be on offer.



“ All over the world, medical technology is a heavily innovation-intensive industry, and New Zealand is no exception. ”

The training and education we provide to the healthcare professionals who use our technology make an essential contribution to raising the skills and knowledge of the healthcare industry as a whole, and ensure the safe and effective use of our often complex products.

INNOVATION AND R&D

All over the world, medical technology is a heavily innovation-intensive industry, and New Zealand is no exception. R&D expenditure by New Zealand medical technology companies is equal to about 10% of revenue – that's almost twice as much as the average R&D spend for New Zealand's

top internationally focused technology businesses.

Industry investment is underpinned by strong government investment. In addition to its contribution of \$71 million through the Health Research Council, the Government invests a further \$45 million each year into commercially focused R&D in healthcare and medical technologies.

The close relationship we have with clinicians plays an important role in innovation. Through using our products – either in their daily duties or as part of clinical trials – clinicians help us to develop new devices and test and refine those that are already in use.

¹Speech by Dr Wayne Mapp, Minister for Science and Innovation, at NZBio Annual Excellence Awards Dinner, 22 March 2011: <http://www.beehive.govt.nz/speech/nzbio-annual-excellence-awards-dinner>.

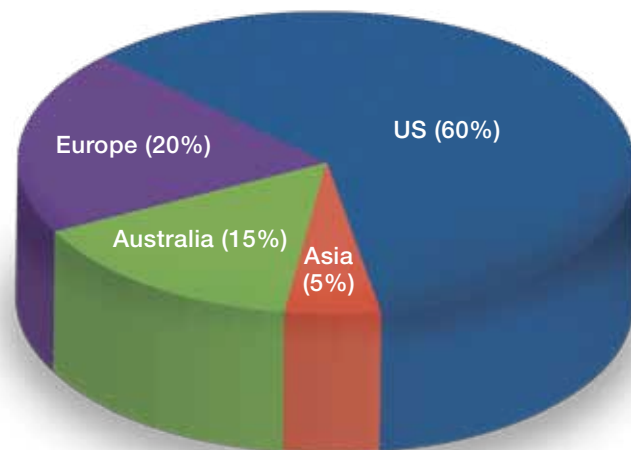
OUR INDUSTRY'S CONTRIBUTION TO THE NEW ZEALAND ECONOMY

EXPORTS

As an exporter, we're a Kiwi success story. In 2010, we contributed around \$600 million in export revenues to the New Zealand economy (comparable to the wool and paper industries), having raised the figure from \$333 million in 2008. For local medical technology companies, exports represent over 95% of total revenues – very few New Zealand export sectors can claim a higher ratio.

Our key export markets are the US, Australia, Europe, Asia and the UK.

Export market mix 2010



“ Thanks to medical technology, the disability rate among over-65s has declined by 13%, New Zealand's infant mortality rate has declined by over 30%, and life expectancy has increased by six years for males and three years for females since the 1990s. ”

HEALTHCARE OUTCOMES AND EFFICIENCIES

The medical technology industry makes an essential contribution to the performance of the healthcare sector in New Zealand, both for the public and the Government. Our industry ensures that patients have equitable access to the best medical technology products that are available. In turn, those products deliver patients with an improved quality of care and quality of life.

It is innovative medical technology that reduces disease and hospitalisation, increases the efficacy of treatment, reduces hospital stays, and increases the potential for patients to self-manage.

Thanks to medical technology, the disability rate among over-65s has declined by 13%, New Zealand's infant mortality rate has declined by over 30%, and life expectancy has increased by six years for males and three years for females since the 1990s.

Our industry has stood firm in New Zealand's times of greatest need. During the aftermath of the February 2011 Christchurch earthquake, there was not a single disruption to the supply of medical equipment to health providers in the Canterbury region.

In addition to the benefits for society in general, these gains have resulted in massive efficiencies for the Government's administration of the healthcare sector.





VISION FOR THE FUTURE

Looking ahead, we aim to help raise the performance of the New Zealand healthcare sector, and to realise the full potential of our home-grown export industry.

IMPROVE HEALTH SECTOR OUTCOMES AND EFFICIENCIES

By continuing to supply the latest and best-quality medical technology products, in particular in areas such as self-care technologies, we aim to deliver still greater health benefits to New Zealanders and administrative efficiencies to the New Zealand Government.

2015 goals:

- Contribute to an increase in life expectancy by at least half a year for females and a year for males from the current figure
- Reduce both the hospital admission rate and the average bed days of care for chronically ill patients by 25%
- Drive an increase in government healthcare efficiencies of at least \$100 million annually

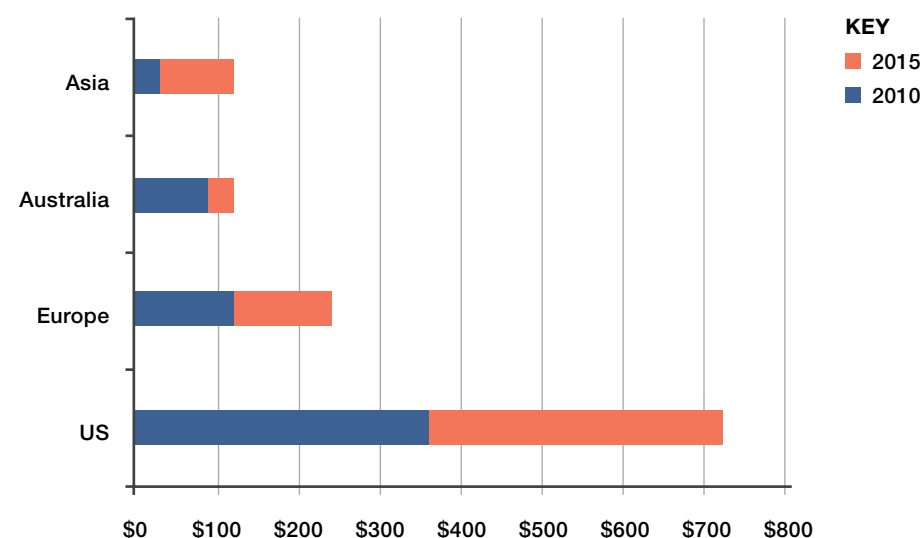
EXPAND LOCAL MANUFACTURING

The local manufacturing sector will be an important priority in our growth plans. We need more home-grown champions developing innovative products that are the best of their kind in the world.

2015 goals:

- Increase employment in local manufacturing by 50%
- Increase revenue of local manufacturing by more than 100%
- Increase the number of medical technology companies included on the TIN100 Report, an annual study and ranking of New Zealand's leading internationally focused technology businesses, by 50%

Medical technology exports by value (\$ million)



GROW EXPORTS

We don't just need more companies, we need more companies that successfully engage with international markets. In the next two years, we aim to become New Zealand's next \$1 billion export industry, placing us alongside fruit, seafood, wine and aluminium in the elite group of New Zealand exporters. By 2015, we will push ahead still further.

As our exports grow, the mix of our export markets will evolve. Though the US – the world's largest market – will remain our focus, other markets will emerge as product development and registration move to Europe and the developing world.

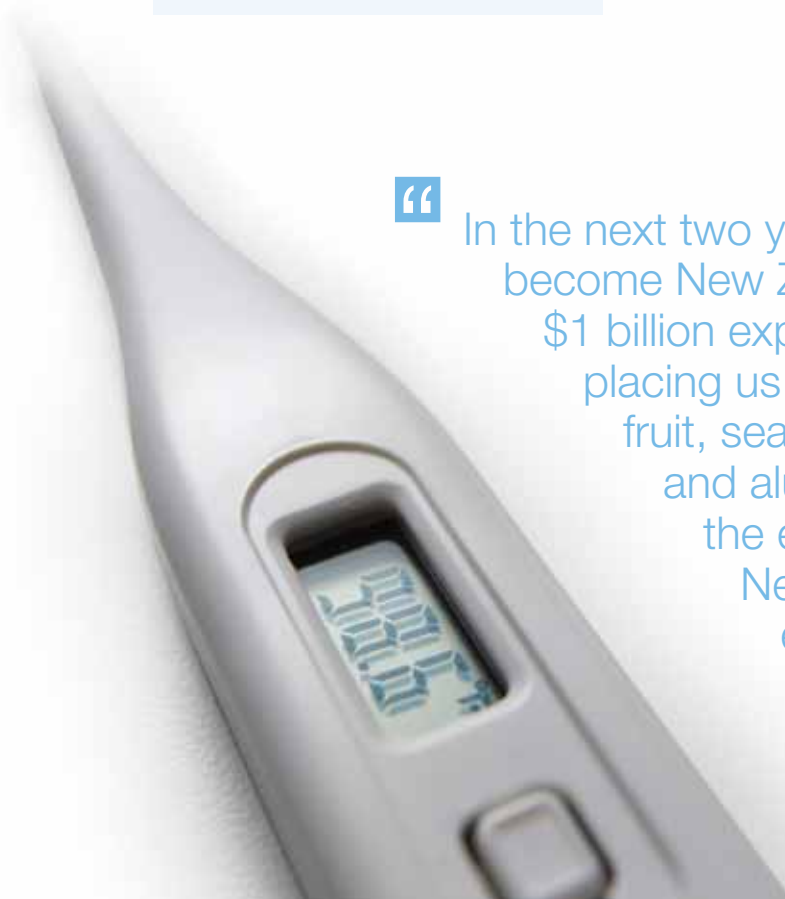
China, which is fast improving its innovation capacity, will be a key centre of the

medical technology development by 2020. Developing countries in Asia and elsewhere are becoming the lead markets for smaller, faster, and more affordable medical technology, and will offer exciting opportunities for New Zealand exporters in the years ahead.

2015 goals:

- Double the value of our exports
- Double the value of exports to the US market
- Increase the value of exports to China from \$10 million to \$40 million

“ In the next two years, we aim to become New Zealand's next \$1 billion export industry, placing us alongside fruit, seafood, wine and aluminium in the elite group of New Zealand exporters. ”



HOW WE WILL GET THERE

WHAT WE NEED TO DO

Achieving our goals won't mean completely overhauling the way we do things as an industry. Rather, it will be about taking what we already do well, and doing it a lot better. We've identified five areas where we need to focus our efforts.

i. Invest in R&D

R&D spending in our industry is already high, but it must be higher still. Across the industry, we need to raise R&D spending to at least \$90-\$100 million by 2015, an increase of around 50% from the current figure.

ii. Strengthen our relationships

We must maintain and deepen the excellent working relationships we have with our industry counterparts, government, and academic institutions, and do our bit to make a success of recent government- and industry-led initiatives to build our industry.

Our key relationships include:

- **Clinicians** – working ever more closely with clinicians to maximise the impact of domestic developments and explore new and better ways to use technology at the front line
- **DHBs** – close, ongoing collaboration with DHBs is also vital, including through the Health Innovation Hub, which has been designed to validate and develop health technology ideas (including medical technology devices) that emerge from DHBs and industry
- **Government agencies** – our relationship with the Government is crucial at all levels. The top priority remains the Ministry of Health, but we must also work in partnership with the newly created Ministry of Science and Innovation and with NZTE, through its Health Strategic Initiative
- **Universities** – the recently established Centre for Medical Device Technologies, which aims to nationally link research activities relating to medical device technologies, will be an important focus.



iii. Clinical trials

To expose our clinicians to the newest concepts under development and provide added incentive for skilled researchers to remain in New Zealand, we need to increase the number of clinical trials conducted locally. Our aim is to double the number in the next two to three years, both through increased clinical trials by local firms and by attracting a greater number of trials by multinational companies.

iv. Attract talent

To compete with the best in the world, our industry needs the world's best talent. We need to capture and retain the top science graduates

from New Zealand's tertiary education system, and consistently attract top-level professionals from around the world.

v. Raise capital

Firms in our industry plan to raise \$44 million by 2013, but to develop more leading-edge products and bring them to customers around the world, we will need to raise significantly more, both in New Zealand and abroad. Venture capital remains an important focus, but we will also need to source more capital – through private investment and partnerships – to enable firms to advance their products to the commercialisation and internationalisation phases (which can cost 5-6 times more than the initial development phase).



We must maintain and deepen the excellent working relationships we have with our industry counterparts, government, and academic institutions.



HOW WE WILL GET THERE

THE ROLE FOR GOVERNMENT

We can't achieve our goals alone, and there is an important role for government to play in assisting the development of our industry. From the Government, we're seeking support in the following areas:

- **Greater resourcing** – working to create a better public and political understanding of the social and economic contribution medical technologies make to New Zealand; and increasing funding for R&D in the medical technology industry
- **Coordination** – ensuring that the various government-led initiatives are consistent and consolidated, rather than being 'shots in the dark'. Ongoing constructive engagement with industry, and a willingness by officials to work with industry on policy issues
- **Operating environment** – for the health of Kiwis, the ongoing presence of leading international medical technology companies in the New Zealand market is vital. It's therefore essential that further steps are taken to guarantee that New Zealand remains an attractive market for these companies; it's also important that the Government continue to develop a regulatory framework that allows home-grown medical technology companies to flourish
- **Trade liberalisation** – increasing our access to international markets through a pragmatic approach to trade negotiation, especially via a targeted rather than 'scattergun' focus on trade agreements. Continued support for stronger international laws for the protection of intellectual property and for a globally harmonised regulatory system, so that companies do not have to meet multiple – and often potentially conflicting – requirements or have to re-register in each market.



“ For the health of Kiwis, the ongoing presence of leading international medical technology companies in the New Zealand market is vital. ”

