

Strategic Examination of Research and Development: response to issues papers 1-4

Australian Academy of Science
submission

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Australian Academy of Science response to issues papers 1-4

National coordination for R&D impact

(This section responds to the issues paper: National coordination for RD&I impact)

What aspects of the model would work well?

The Academy welcomes the unambiguous recognition that the fragmentation of Australia's RD&I system is a barrier to progress. We also welcome the inclusion of a strategic process for agreeing focus areas in the model, which reflects the Academy's recommendation for national pillars for co-investment.

The Academy welcomes the positive features of the proposed coordination model:

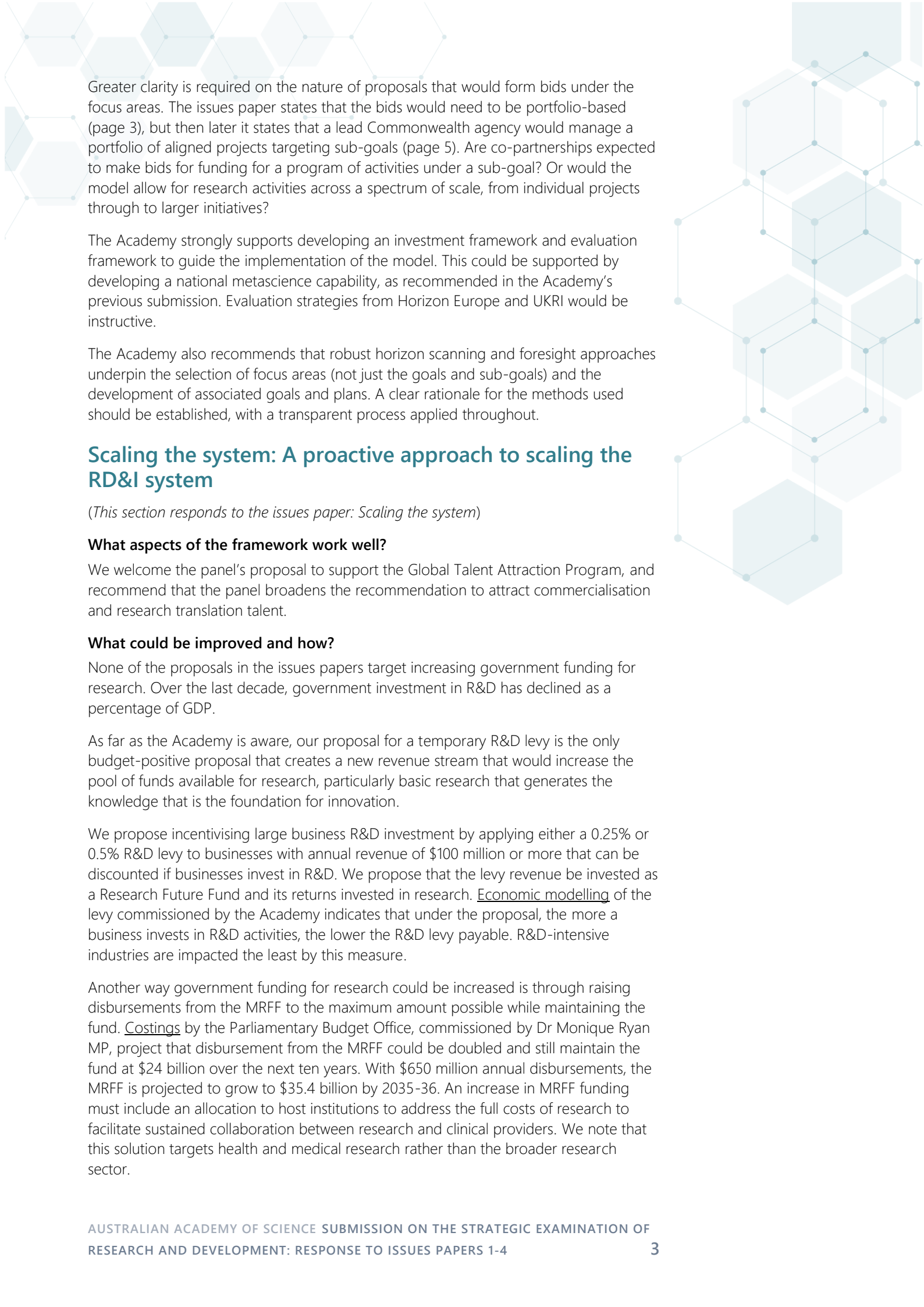
- Developing focus areas to direct co-investment towards areas of national importance.
- SMART goals under each focus area, with activity supported over a ten-year timeframe to support planning, investment, collaboration and progress.
- Tri-sector partnerships between governments, industry and research organisations to pursue research activities aimed at the sub-goals.
- Strategically consolidating existing Commonwealth government programs geared towards translation.
- A Commonwealth-level governance board to coordinate and evaluate progress, ensure strategic direction and develop whole of system strategies for research infrastructure and other R&D enablers.

What could be improved and how?

To prioritise R&D at the highest levels of government, the proposed governance model could be strengthened by establishing an R&D Strategy Cabinet subcommittee and an R&D Ministerial Council under the National Cabinet federation architecture, to provide a dedicated forum for cooperation between federal, state and territory governments.

Consideration should also be given to which department the advisory group, governance board and associated secretariat would sit within. The Academy recommends that the governance board be situated with the Department of Prime Minister and Cabinet to enable high-level coordination across all parts of government, reflecting its cross-disciplinary advisory role. The Academy also previously recommended establishing an R&D statement in the Federal Budget to elevate R&D as a national priority.

An issue that is not clear in the proposed coordination model is how broad coordination across the whole R&D system would be achieved to connect discovery research through to the activities under the pillars. In its previous submission, the Academy proposed that an Australian Innovation Council would provide a collaborative forum bringing together representatives from major research funding agencies and programs to provide research policy advice and enable coordination to logically sequence funding. This integrated approach would support continuity from discovery to translation and commercialisation. It would bring together different entities and advisory boards that inform research priorities across the system (e.g. research agencies, the Australian Medical Research Advisory Board, etc). This responsibility could sit with the proposed Commonwealth-level governance board.



Greater clarity is required on the nature of proposals that would form bids under the focus areas. The issues paper states that the bids would need to be portfolio-based (page 3), but then later it states that a lead Commonwealth agency would manage a portfolio of aligned projects targeting sub-goals (page 5). Are co-partnerships expected to make bids for funding for a program of activities under a sub-goal? Or would the model allow for research activities across a spectrum of scale, from individual projects through to larger initiatives?

The Academy strongly supports developing an investment framework and evaluation framework to guide the implementation of the model. This could be supported by developing a national metascience capability, as recommended in the Academy's previous submission. Evaluation strategies from Horizon Europe and UKRI would be instructive.

The Academy also recommends that robust horizon scanning and foresight approaches underpin the selection of focus areas (not just the goals and sub-goals) and the development of associated goals and plans. A clear rationale for the methods used should be established, with a transparent process applied throughout.

Scaling the system: A proactive approach to scaling the RD&I system

(This section responds to the issues paper: Scaling the system)

What aspects of the framework work well?

We welcome the panel's proposal to support the Global Talent Attraction Program, and recommend that the panel broadens the recommendation to attract commercialisation and research translation talent.

What could be improved and how?

None of the proposals in the issues papers target increasing government funding for research. Over the last decade, government investment in R&D has declined as a percentage of GDP.

As far as the Academy is aware, our proposal for a temporary R&D levy is the only budget-positive proposal that creates a new revenue stream that would increase the pool of funds available for research, particularly basic research that generates the knowledge that is the foundation for innovation.

We propose incentivising large business R&D investment by applying either a 0.25% or 0.5% R&D levy to businesses with annual revenue of \$100 million or more that can be discounted if businesses invest in R&D. We propose that the levy revenue be invested as a Research Future Fund and its returns invested in research. [Economic modelling](#) of the levy commissioned by the Academy indicates that under the proposal, the more a business invests in R&D activities, the lower the R&D levy payable. R&D-intensive industries are impacted the least by this measure.

Another way government funding for research could be increased is through raising disbursements from the MRFF to the maximum amount possible while maintaining the fund. [Costings](#) by the Parliamentary Budget Office, commissioned by Dr Monique Ryan MP, project that disbursement from the MRFF could be doubled and still maintain the fund at \$24 billion over the next ten years. With \$650 million annual disbursements, the MRFF is projected to grow to \$35.4 billion by 2035-36. An increase in MRFF funding must include an allocation to host institutions to address the full costs of research to facilitate sustained collaboration between research and clinical providers. We note that this solution targets health and medical research rather than the broader research sector.



The proposals to attract foreign investment and build ties internationally should be part of a broader strategic approach to deepen Australia's international research partnerships. This would be best delivered through a national framework for international R&D collaboration that would provide strategy, clarity and purpose to international engagement.

The Academy supports the proposal for industry PhDs to facilitate mobility and exchange of knowledge and skills between academia and industry. However, this does not address the critical issue of low-level financial support for PhDs. The full-time base stipend for a PhD student in Australia is \$33,511 (tax free). The minimum wage in Australia is \$49,296 (subject to income tax). In Australia, Higher Degree by Research students comprise more than half the research workforce (57% in 2020), and domestic enrolments are falling. Industry PhDs help by providing top ups to the PhD stipend, but this is not applicable to all PhDs. The proposals targeting industry PhDs could be strengthened by including a competitive minimum top up that industry must contribute.

RD&I incentives: Incentivising breakthrough innovation and ambitious R&D

(This section responds to the issues paper: RD&I incentives)

Which of our proposals will work well?

The Academy supports the reform concepts articulated in the issues paper to better target the R&D Tax Incentive (R&DTI) to support transformational R&D conducted in Australia, aligned with national priorities and incentivise novel, collaborative research and business growth.

The proposed collaboration premium for large businesses to incentivise collaboration with scaleups and start-ups, and to undertake collaborative R&D activities is welcome. The collaboration premium should be used to incentivise industry to collaborate with the research sector and reward businesses who reach into universities and research organisations to form partnerships.

What should be improved and how?

Where possible, reforms to the R&DTI should be modelled to determine which interventions will be most effective at achieving these reform priorities.

Sharpening R&DTI eligibility conditions to improve additionality and spillovers should be included in the reforms. This could include eligibility conditions that target business growth and ambition and incentivise collaboration with researchers and start-ups. The proposal to base ongoing eligibility on outcomes including revenue growth from R&D activity would support this. The 2016 Ferris, Finkel and Fraser review of the R&D Tax Incentive recommended the collaboration premium and R&D intensity threshold as measures to improve additionality.

Another R&DTI reform for consideration is to enable R&DTI pre-eligibility at the beginning of the financial year before expenditure is claimed, to be adjusted at the end of the financial year based on actual accrued expense. This would give businesses greater certainty and encourage companies to strategically plan R&D investment and activities rather than the R&DTI being used solely as an accounting mechanism.



Investment and capital: growing investment and capital for RD&I

(This section responds to the issues paper: Investment and capital)

Which of our proposals work well?

The Academy supports changes to superannuation policy settings to establish this as a source of investment in RD&I.

What should be improved and how?

Government alone cannot reverse the decline in R&D investment in Australia, nor can it be achieved in one budget cycle. However, private sector investment will be aided when there is certainty that only government can provide. The Academy strongly recommends that a 10-year investment plan be developed so that both the public and private sectors can work together to create an R&D ecosystem that makes Australia globally competitive.

The Academy supports removal of barriers to investment via superannuation, venture capital and private equity. One barrier is the absence of mechanisms for superannuation fund managers to evaluate and consider risk and return associated with investment in R&D assets. This mechanism and expertise needs to be built in the superannuation sector or could sit adjacent to it as a function of government. This could support the issues paper proposal for superannuation funds to offer tailored investment options to preference investment in emerging Australian firms and technologies, whilst maintaining their regulatory and fiduciary obligations to superannuants.

Public-private partnerships between government and superannuation funds should be explored to enable long term investment in research infrastructure that requires large up-front investment, particularly where that infrastructure is also used by industry to innovate. These partnerships enable risk sharing and reduce the burden on public budgets.

Growing private investment in RD&I in Australia requires a culture shift to tackle the “conservative capital culture” acknowledged in the issues paper. This may be achieved via an “Innovation-Accord” that is developed and led by IISA as part of their proposed role in consolidating programs that stimulate commercialisation of research.

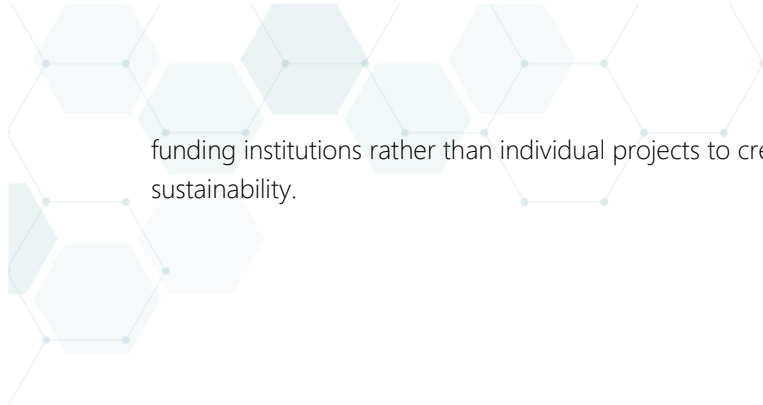
The panel could also consider additional measures to harness the substantial wealth transfer underway in Australia due to an aging population, with an estimated \$150 billion in inheritances expected in 2024 and a projected total of \$5.4 trillion over the next 20 years, up from \$3.5 trillion in 2017.¹

The issues paper does not make recommendations targeting philanthropy. Philanthropy can offer flexible funding that enables researchers to pursue innovative, high-risk projects that private research funding assessments may overlook; and support capabilities of for-purpose institutions to strategically respond to emerging challenges.

Philanthropic funders are more likely to invest when there is a clear government commitment, signaling stability and national interest. Government and philanthropic co-investment models could stimulate investment in early-stage research.

There is an opportunity for Australia to scale philanthropic donations that support long-term institutional core capabilities to build a robust and resilient not-for-profit sector –

¹ JBWere (2024). *The Bequest Report: Reshaping Australia by passing on more than assets*. <https://www.jbwere.com.au/content/dam/jbwere/documents/campaigns/JBWere-Bequest-Report.pdf>.



funding institutions rather than individual projects to create long-term impact and sustainability.

