Queensland University of Technology
submission in response to the
Australian Universities Accord Interim Report

QUT thanks the Australian Universities Accord Panel for its considerable work so far, and for the opportunity to comment on the Interim Report. These remarks address only the most pressing or distinctive of the many issues raised.

1. Research

a) Indirect costs

Universities have reached and, in many cases, exceeded their capacities to continue subsidising Government's and other external funders' R&D[1] requirements, by covering an unsustainably large and increasing share of the total cost of conducting research (for a full explanation of the causal factors, please see Appendix A). The remedy is to require external research funders across all portfolios and levels of government to make a fair contribution towards the full cost of the university research they commission or fund, starting at a rate of 50 cents in the dollar. Further detail on the implementation of this idea is to be found in Appendix 4 of Universities Australia's submission.

b) Research integrity

Universities and the research sector more broadly must commit to a rigorous, transparent and trustworthy regime of research integrity monitoring, investigation and reporting, to retain public confidence. This could be achieved by strengthening the role and powers of the Australian Research Integrity Committee, to support a voluntary but rigorous regime of accountability and transparency based on an expanded Australian Code for the Responsible Conduct of Research.

c) Quantum of public research funding

The Australian Labor Party took to its recent National Conference a renewed commitment to a target of 3 per cent of Gross Domestic Product (GDP) devoted to R&D, by 'working with business, industry, universities and research institutes.'[2] Conference delegates advise that this target was adopted. Alarmingly, however, the national figure actually fell from 1.80% in 2019-20 to 1.68% in 2020-21. The OECD average in 2021 was 2.71%, with our main competitors in the 3-3.5% range.[3] The required reversal and acceleration will not be attainable – nor will the Treasury productivity projections which underpinned its forecast economic over the forward estimates in the 2023-24 Budget – without an appreciable increase in government funding of university research, in addition to the whole of government approach to indirect costs discussed above. It would help the Government turn our national R&D performance around if it were to implement the 'premium rate' recommendation of the 2016 Review of the R&D Tax Incentive conducted by Bill Ferris, Alan Finkel and John Fraser:

> *Introduce a collaboration premium of up to 20 percent for the non-refundable tax offset to provide additional support for the collaborative element of R&D expenditures undertaken with publicly-funded research organisations.*[4]

d) Research and Education infrastructure

Since the EIF was first frozen in 2013 then abolished in 2019, funding for the establishment, maintenance, upgrade and expansion of essential research infrastructure has become precarious, notwithstanding recent extensions to NCRIS contracts and funding. This issue affects other research organisations besides universities; conversely, universities are confronted by similar challenges with their learning and teaching facilities. A coordinated, cross-portfolio approach is needed to ensure that shared and institutional education and research infrastructure is placed on a secure and sustainable basis, to ensure facilities and technology are properly maintained, so the needs of students continue to be met through world class, modern teaching facilities, with leading edge technology. The cost of supporting research infrastructure so we retain the most talented academics is also becoming prohibitive.

e) Indigenous research and Indigenous researchers

The Interim Report highlights the need to place First Nations people at the heart of higher education. QUT endorses this principle and encourages the Panel to consider how it can be achieved in the research program – both in terms of fostering and encouraging a strong pipeline of Indigenous Australian researchers, and of creating a safe, respectful, fruitful and engaged practice of research on topics of particular interest and relevance to Indigenous Australians and that are conducted in genuine partnership with Indigenous communities.

f) Research pipeline

Research application, translation and commercialisation are critical if we are to achieve our national innovation and productivity objectives. They all rely on a steady feedstock of fundamental discovery, without which the ideas dry up and applied research grinds to a halt. It is essential that a proportion of funding is preserved and that strategic policy directives include scope for fundamental research. Similarly, talented future innovators are struggling to become and remain PhD students while the stipend[5] is set below the Henderson poverty line for a single person and well below it for anyone with dependents.[6] The stipend must be increased as a matter of urgency. These are the elite athletes of research and innovation: if we cannot attract, retain and support them in their development years we risk losing them to research altogether.

g) Coordination and coherence across government

Science and research are undertaken in a significant way across a number of Commonwealth portfolios (including Education, Science, Health and Environment), and to at least some extent in many more, yet at present Government lacks an overarching coordinating mechanism to ensure that federally funded research activities are efficient, effective and coherent. To address this deficit, QUT recommends the re-establishment of an interdepartmental committee along the lines of the officials' group that sat beneath the former Prime Minister's Science, Innovation and Engineering Council (PMSEIC) in the period up until 2010, comprising relevant department secretaries and agency heads.

h) Research evaluation

The design and implementation of any new regime must be preceded by a clear and reasoned assessment of the need for and purpose of research evaluation: is it to guide national strategic investment, for instance, or to feed into a funding formula? To reward institutional performance or assist with recruitment and promotion? Caution should be used in relying solely or too heavily on metrics to estimate research capability, quality and impact, advances in data science notwithstanding. Even in the so-called citation disciplines, expert review of data is critical to the integrity of the process, including for the identification of and correction for potential structural bias. In the so-called peer review fields, data still fail to capture anything close to a fair picture of research capability, quality and impact.

2. Student support

a) Job-Ready Graduates

The poorly designed JRG Package significantly distorted the funding of undergraduate coursework learning and teaching, and requires an urgent and extensive overhaul. Simple repeal of its worst aspects will not suffice, since the preceding arrangements were burdened by an accumulation of earlier distortions going back to the mid-1990s. Total CGS funding per subject must be realigned to the actual cost of provision, to remove perverse incentives, relieve manifest unfairness and restore equilibrium. The ratio of student to commonwealth contributions must be overhauled across the field of education funding clusters, and substantially revised and simplified, to strip out the futile price signalling, attempted social engineering, and crude, reductive assumptions about graduate destinations that have distorted this cost-sharing scheme since the division of HECS into three bands under the Howard Government. The purpose of the student contribution is to assume a share of the cost of provision; it should be rendered fit for that purpose once again, by aligning the program design to its objective. This could be achieved by fixing the student contribution at a uniform dollar figure per FTE across the board, as it was initially implemented, or at a constant proportion of the estimated cost of delivery for each field of education. Estimates of the cost of delivery of education do not include the indirect costs associated with an academically qualified and scholarly workforce. It is not clear that measures which vary the size of the ultimate debt has been effective in encouraging students into areas of national need. Workforce shortages cannot be addressed in isolation of the professions and the other financial challenges that deter or prevent students from undertaking some areas of study.

b) Placement poverty

The incapacity to participate in student placements is a serious impediment to students' progression and completion of their degrees, especially in courses where it is compulsory for graduation and practice, such as nursing, teaching and social work. Students are typically obliged to take time off from work, without any relief of ongoing financial obligations and they often incur additional expenses resulting from being placed away from home. These challenges are especially difficult for equity students, and for mature-age students with more complicated obligations. There is an urgent need for formal support measures to assist students on compulsory placement, and a further need for extension to students on optional but invaluable WIL placements.

c) 'Student-centred, needs-based funding'[7]

As the Panel notes at section 3.3.4.4 of the Interim Report, the additional support required per student in the expansion cohorts will often require the dedication of greater resources. The measures soon to be mandated through the Higher Education Provider Guidelines for the provision of student support will involve additional resources for universities, especially for the provision of high-quality support for cohorts of students who are new to and often, less well prepared for university study. As the Panel suggests, the funding model will need to provide additional resources for these students for our collective national ambition to be met. This is evident for the equity cohorts identified in the Interim Report, but there are also distinct local challenges that will not be addressed simply by say, additional rural university centres. Queensland's population density, for instance (at 3.1 persons per square kilometre) is lower than the national average of 3.4 pax/km², less than a third of NSW's (at 10.2 pax/km²) and just over one-tenth of Victoria's (at 29.1 pax/km²),[8] and the RUCs will not fully meet the needs of students across such a deurbanised jurisdiction, so students will need to travel to a larger centre to receive a supported educational experience. Queensland has a conspicuously low bachelor-or-above attainment rate[9] and, perhaps relatedly, a school system that it could be argued encourages retention of Indigenous and other low-SES secondary students by streaming them into non-ATAR pathways 'that represent essentially closed doors to higher education.'[10] Queensland also has a high Pasifika population, who experience social disadvantage but as non-Australians encounter additional financial and social barriers to the our sector differently. We welcome the extension of the demand-driven system for non rural First Nations students, given the very high urban indigenous populations in both South East Queensland and in major regional cities including Townsville and Cairns. Queensland's challenges require approaches that are more nuanced than simple city-country divides; we have outer-metro populations with historically low participation rates and muted aspiration compared to the equivalent parts of Sydney and Melbourne; on the other hand we have widely dispersed regional populations that cost more to serve adequately. It will be necessary to attach a CGS support loading not only to students from traditional identified target cohorts but also to those who come from areas of historically low levels of entry, progression and success, to ensure their institutions are able to fully support them without compromising the quality of their learning experiences. Access and participation are meaningless without quality, which in turn relies upon additional activity being properly funded to meet the true cost of provision.

<u>3. Sector governance</u>

a) Levy of international fee revenue

With a relatively low proportion of international students and a relatively high research performance, QUT would likely benefit financially from the implementation of the proposal to levy international student fee revenue for redirection towards collective sector research priorities. Nevertheless, we consider the proposal flawed in conception and fraught in potential execution and oppose it in its entirety. For two decades Australia has enjoyed a *de facto* subsidy of its public research enterprise from the revenues contributed by the higher education export market. A levy would not only entrench this arbitrary cross-subsidy but by transferring it to the national level it would be made much more explicit for the international students themselves. Therefore the market risk to international education is considerable, alongside the risk to Australia's reputation in a fragile geopolitical world order.

b) Tertiary Education Commission

The proposal to establish a Tertiary Education Commission has not articulated a clear purpose, which risks delivering marginal value relative to the additional overhead. A Commission model is sensitive to the expertise of the personnel, and the independence envisaged potentially comes at the cost of accountability and the potential for funding to be eroded over time. Improved and more informed arrangements are certainly desirable, but the development of a standing collaborative mechanism of the kind contemplated by the Panel in Chapter 4 might be more effective than the establishment of a TEC.

Appendix A: Indirect costs of research

The full cost of conducting research is not typically met by research grants: salaries for primary researchers are not covered other than for Fellowship grants, for instance; specialist equipment and supplies, access to essential research infrastructure, and running costs for labs, libraries and offices, among other things, must typically be funded by other means. Without these additional resources the research could not succeed, but they are not typically funded from within direct grants. Estimates vary on the precise quantum of indirect costs – and they will obviously vary between disciplines and even institutions – but a study commissioned by the Department of Innovation, Industry, Science and Research (DIISR) in 2009 found that mean full indirect costs at Australian universities ranged from 77 to 99 cents per Australian Competitive Grant dollar.[11]

The Research Support Program (RSP), operated by the Department of Education, makes a contribution towards those costs, but it covers only a small and dwindling proportion of the indirect costs. Each university draws its share of the RSP according to a formula based on its share of the total research revenue of the sector. Whenever a grant is made to University Z from outside the Education portfolio – from the Medical Research Future Fund (MRFF), say, which sits in Health – that funded research is effectively subsidised to provide for the indirect but essential resources without which the research could not be conducted. Conservatively pricing indirect costs at 50 cents in the dollar, this means Health enjoys a 33% discount on every research grant it awards to a university, paying $1.00 for every $1.50 ultimately spent to successfully conduct the research. All other portfolios rely to some extent on universities to meet their research needs, thereby enjoying this subvention, conspicuously Agriculture, Defence, Energy, Environment and Climate Change.

Moreover, it is not the Department of Education itself that funds the additional indirect costs associated with each new grant: it is the university sector collectively, since the RSP fund is a fixed pool and does not expand to meet the additional expense. When UniZ wins its MRFF grant, all the other universities' shares of RSP are top-sliced to fund UniZ's expanded share: the funding pool is diluted, and every dollar of research income garners a shrinking proportion of indirect costs from the RSP. Although UniZ's MRFF grant is specific to one university and one field of research, the result is felt across all universities and all disciplines: it becomes less affordable to conduct physics research at UniY, for example, whenever UniZ wins a MRFF grant. Philanthropic donations to research income, state government investments and industry grants, further dilute the RSP pool effectively drawing a subsidy from all other universities. This trend steadily broadens the gap in each research project between the funding (direct grant plus RSP) and the actual full cost of research. Each university has to fund that residual gap from its own resources – largely from international student fee revenues. It is estimated that the RSP contribution to indirect costs has now declined to around 20 cents in the dollar.

This model will require whole-of-government buy-in to the principles and actions: Cabinet will need to commit to the full funding of total research costs for grants awarded or projects commissioned, from the granting or commissioning portfolio, as the cross-subsidy from international student fee revenues to meet the true cost of research currently conducted at a deep discount for agencies across government is no longer sustainable.

Appendix B: End notes

[1] For the sake of economy, we do not expand acronyms that are defined in the Interim Report's glossary.
[2] ALP Draft National Platform. 49th National Conference, 2023. p6. https://laborconference.org.au/files/ALP%20Draft%20National%20Platform%2049th%20Annual%20Conference%202023.pdf
[3] OECD. Gross domestic spending on R&D. 2023. https://data.oecd.org/rd/gross-domestic-spending-on-r-d.htm
[4] Bill Ferris, Alan Finkel and John Fraser. *Review of the R&D Tax Incentive*. Canberra: Department of Industry, Innovation and Science, 2016. p.3. https://www.industry.gov.au/sites/default/files/May%202018/document/pdf/research-and-development-tax-incentive-review-report.pdf
[5] The base full-time Research Training Program stipend is set at $29,863 in 2023. https://www.education.gov.au/research-block-grants/research-training-program
[6] The latest (March quarter 2023) Henderson poverty line figure for singles without dependents including housing costs is $602.50 per week, which equates to $31,438 per annum.
Melbourne Institute: Applied Economic and Social Research. *Poverty Lines*. March quarter 2023. https://melbourneinstitute.unimelb.edu.au/__data/assets/pdf_file/0003/4710153/Poverty-Lines-Australia-March-Quarter-2023.pdf
[7] Universities Accord Interim Report, section 3.3.4.
[8] Australian Bureau of Statistics. Regional population, 2021-22. Data cube: *Population estimates and components by LGA, 2021 to 2022 – Revised*. Released 31 August 2023. Table 8. https://www.abs.gov.au/statistics/people/population/regional-population/latest-release
[9] Australian Bureau of Statistics. Education and Work, Australia, May 2022. Data download 11: *Highest educational attainment, Tables 21-23*. Released 10 November 2022. Table 21. https://www.abs.gov.au/statistics/people/education/education-and-work-australia/latest-release
[10] Andrew Harvey, Lucy McDermid and Rebecca Wren. 'The impact of school streaming on growth and equity in Australian higher education: evidence from Queensland.' Pathways in Place policy paper #1. Logan: Griffith University, August 2023. p.2. https://doi.org/10.25904/1912/4989
[11] The Allen Consulting Group. *The indirect costs associated with university research funded through Australian Competitive Grants*. Canberra: Department of Innovation, Industry, Science and Research, 2009. p. viii. https://www.education.gov.au/download/1923/indirect-costs-associated-university-research-funded-through-australian-competitive-grants-final/2497/document/pdf