

# UNSW – 2025-26 Pre-Budget Submission

The University of New South Wales (UNSW) welcomes the opportunity to contribute a submission for the 2025-26 Federal Budget.

## **UNSW Recommendations for the 2025-26 Budget**

### **R&D, entrepreneurship and innovation**

1. As recommended by the '3F' Review, the R&D tax incentive should be amended to include a 'collaboration premium' for businesses undertaking research in partnership with publicly funded research organisations.
2. That Government consider a more ambitious timeline to invest in programs that qualify for support under the NRF and the Industry Growth Program.
3. That Government develop a Framework for Government Investment in Emerging Technologies aligned to the *Future Made in Australia* vision.
4. That Government work with federally affiliated superannuation funds to establish a research commercialisation future fund that accelerates the delivery of new technologies to global markets from Australia, where the Government's investment is paid back by profitable startups and spinoffs under a profit-contingent loan scheme.

### **Education, lifelong learning and equity of access**

5. That Government prioritise implementing the recommendations of the Australian Universities Accord, including implementing a sustainable funding model, and establishing an Australian Tertiary Education Commission.
6. That Government routinely include new CSP allocations and funding for grant programs designed to increase access, especially in regional areas.
7. That Government offer FEE-HELP for higher education students studying stackable micro-credentials or short courses at a Table A provider.
8. That Government work with the tertiary sector to develop a framework for 'higher apprenticeship' style qualifications, particularly in areas of skills shortage and industry demand.
9. That Government conduct an economic analysis of the impact of the 2023-24 international student policy and visa changes. This analysis should include universities' ability to fund domestic students attending university above universities' allocation of CSPs and to conduct research aligned to the national R&D priorities.

10. That Government not introduce any further policy changes affecting the international education sector until it has analysed the impact of earlier changes.

#### **Using university expertise for public benefit**

11. That Government develop a 'public service capability priorities' statement, including capabilities needed at different stages of a public service career, to better enable providers to deliver against the professional learning needs of the public service.

12. That Government better draw upon university expertise and research to inform its policy development and decision making.

## **About UNSW**

The University of New South Wales (UNSW) is one of the world's top 20 universities<sup>1</sup>. We are a leading research and teaching-intensive university, known for innovative, pioneering research and high-quality education with a longstanding global impact, covering a wide range subject matter. Across seven faculties, UNSW educates more than 70,000 current students with the support of more than 7,500 staff<sup>2</sup>. UNSW has a significant footprint across NSW, including throughout Greater Sydney, Canberra and a number of regional locations.

## **The fundamental challenge for Australia: boosting national productivity**

Arguably the key challenge facing the nation is the need to boost national productivity, following the slowest decade of productivity growth over the last 60 years. National productivity is critical to ensuring higher living standards for Australians, and to building our international competitiveness. The Treasurer himself has highlighted that "there is no more important structural problem in our economy than productivity"<sup>3</sup>.

The Government has highlighted that it seeks to build national productivity, focusing on five pillars<sup>4</sup>:

- Creating a more dynamic, competitive and resilient economy
- Building a skilled and adaptable workforce
- Harnessing data and the digital economy
- Investing in the net zero transformation
- Delivering quality care more efficiently, as our population ages and the care economy expands

Australia's universities are uniquely placed to support these five pillars. Indeed, progress in some of these pillars will be difficult for Australia to achieve without the close involvement of the nation's universities.

For example, efforts to create a more dynamic, competitive and resilient economy rely on modernising and diversifying Australia's industrial base, requiring a greater focus on innovations that can be commercialised. Building a skilled and adaptable workforce will require the central involvement of

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<sup>1</sup> <https://www.unsw.edu.au/newsroom/news/2024/06/UNSW-Sydney-retains-Top-20-position-in-QS-World-University-Rankings#:~:text=The%20University%20has%20placed%2019th,20%20universities%20in%20the%20world.>

<sup>2</sup> <https://www.unsw.edu.au/content/dam/pdfs/unsw-adobe-websites/about-us/unsw-at-a-glance/2024-08-unsw-at-a-glance-2024-A5-digital.pdf>

<sup>3</sup> <https://ministers.treasury.gov.au/ministers/jim-chalmers-2022/speeches/address-australian-business-economists>

<sup>4</sup> [https://treasury.gov.au/sites/default/files/2023-11/pc\\_statement\\_of\\_expectations.pdf#:~:text=The%20Government%E2%80%99s%20productivity%20agenda%20is%20focused](https://treasury.gov.au/sites/default/files/2023-11/pc_statement_of_expectations.pdf#:~:text=The%20Government%E2%80%99s%20productivity%20agenda%20is%20focused)

universities, as identified in the final report of the *Australian Universities Accord*, and its ambition for 80% of the workforce to have attained a tertiary qualification by 2050. The Treasurer has highlighted the importance of investing in Australia's seven critical technology fields to better capitalise on the emerging digital economy<sup>5</sup>, and universities such as UNSW are playing a critical role in developing new technologies central to the net zero transformation, such as developing smart grids and ever more efficient solar photovoltaic technology. To illustrate this point, more than 90% of the world's solar energy uses technology developed at UNSW<sup>6</sup>.

The proposals set out in this submission highlight how government could best capitalise on the nation's universities to boost productivity, and in turn ensure higher living standards for Australians.

## R&D, entrepreneurship and innovation

### Improving the R&D Tax Incentive to drive productivity

Boosting productivity by creating a dynamic, competitive and resilient economy requires greater national investment in research and development to build new industries. As a major undertaker of Australia's national R&D effort, universities are acutely aware of this imperative, and the need to partner with industry.

However, Australian business investment in R&D is low by OECD, and indeed world, standards, and has been in decline over recent years, from a peak of 1.37 percent of GDP in 2008-09 to 0.9 percent of GDP in 2019-207. To fully capitalise on the expertise at Australian universities, policy measures to incentivise greater industry participation in research should be considered.

At present, the major incentives for industry participation in research are through the R&D tax incentive. However, this measure is not achieving its stated objective. Many SMEs are not properly incentivised to fully take advantage of the incentives and participate in R&D, in part because of cash flow constraints and lack of finance. At present, a major criticism of the R&D tax incentive is that it is predominantly used to support reducing the tax burden of participants, rather than stimulating R&D as was intended. The 2016 '3F' Review of the R&D Tax Incentive made a number of recommendations to achieve better outcomes<sup>8</sup>, including the introduction of a 'collaboration premium' for research conducted in partnership with publicly funded research organisations, but those recommendations have not been acted upon.

#### **Recommendation 1:**

As recommended by the '3F' Review, the R&D tax incentive should be amended to include a 'collaboration premium' for businesses undertaking research in partnership with publicly funded research organisations.

### Unlock government programs to drive economic growth

The National Reconstruction Fund (NRF) supports a broad range of investment opportunities including funding R&D at early-stage technology readiness levels to overcome the 'valley of death' stage where many Australian technologies and companies fail. While the NRF's policy intent of supporting

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<sup>5</sup> <https://ministers.treasury.gov.au/ministers/jim-chalmers-2022/speeches/address-australian-business-economists>

<sup>6</sup> <https://www.unsw.edu.au/about-us/innovation-impact/global-top-20>

<sup>7</sup> <https://www.abs.gov.au/statistics/industry/technology-and-innovation/research-and-experimental-development-businesses-australia/latest-release>

<sup>8</sup> <https://www.industry.gov.au/publications/2016-review-rd-tax-incentive>

Australian manufacturing is to be commended, the implementation over the past two years has proven to be slower than anticipated.

UNSW encourages the government to consider a more ambitious timeline to get projects off the ground. The same principle applies to the Industry Growth Program which connects small and medium enterprises (SMEs) that pursue innovative commercialisation projects within the priority areas of the NRF with an Industry Growth Program Adviser. Following specialised advice, SMEs are then able to apply for grants for commercialisation projects. The Industry Growth Program would also benefit from an accelerated timeline.

**Recommendation 2:**

That Government consider a more ambitious timeline to invest in programs that qualify for support under the NRF and the Industry Growth Program.

### **A Framework for Government Investment in Emerging Technologies**

To ensure Australia has a broad and resilient economy, UNSW recommends the development of a framework for Government investment in emerging technologies. Such a framework should focus on fostering an inclusive and competitive environment among Australian companies seeking to commercialise research in emerging technologies.

By strategically investing across multiple start-ups in the same field, government can support the growth of whole industries, like quantum computing and artificial intelligence (AI), while allowing the strongest participants to naturally succeed. A structured framework would also provide clear guidelines and equitable opportunities, ensuring that investments are made based on merit and potential impact. It would also promote innovation, mitigate public perception around “picking winners” and strengthen Australia's position as a leader in cutting-edge technologies in line with the Government's *Future Made in Australia* vision.

**Recommendation 3:**

That Government develop a Framework for Government Investment in Emerging Technologies aligned to the *Future Made in Australia* vision.

### **Leverage Superannuation Funds**

To drive economic growth further, UNSW encourages the Government to look at establishing a research commercialisation future fund together with federally owned superannuation funds. As of September 2024, the Australian superannuation sector was worth \$4.1 trillion<sup>9</sup>. Noting the superannuation sector's focus on long-term dividends, a Research Commercialisation Future Fund supported by the Framework for Government Investment in Emerging Technologies could invest strategically in Australia's future economy. By supporting scale-ready proven products developed by profitable startups and spinoffs under a profit-contingent loan scheme, superannuation members would not only be investing in the creation of jobs in Australia, but they would also stand to benefit from assets that grow in value over time to fund their future.

**Recommendation 4:**

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<sup>9</sup> <https://www.superannuation.asn.au/resources/super-stats> .

That Government work with federally affiliated superannuation funds to establish a research commercialisation future fund that accelerates the delivery of new technologies to global markets from Australia, where the Government's investment is paid back by profitable startups and spinoffs under a profit-contingent loan scheme.

## Education, lifelong learning and equity of access

Building a skilled and adaptable workforce to boost national productivity will require the central involvement of the nation's universities, together with VET providers. As identified in the *Australian Universities Accord*, increasing access and participation in higher education for underrepresented groups is critical to developing the skilled workforce Australia needs. It will also ensure that every student will have the chance to achieve a tertiary qualification and realise a successful career. By ensuring that school leavers and the broader labour force have access to quality education and lifelong learning opportunities, we can build a more skilled and adaptable workforce and enhance overall productivity and economic growth. Lifelong learning enables individuals to continuously update their skills to keep pace with a changing economy.

### Implementing the *Australian Universities Accord*

A fundamental objective of the *Australian Universities Accord* was to place the national higher education system on a sustainable financial footing, to ensure that it would be well placed to meet the current and future needs of the nation, including boosting national productivity.

A key element of the Accord includes standing up the Australian Tertiary Education Commission (ATEC) to work to design a sustainable funding model for Australian universities. Having a sustainable funding model would enable universities to achieve the National Tertiary Education Objective without having to rely on own-source revenue which – in recent years – has largely come from international students. ATEC would work with publicly funded universities to create missions-based compacts that will deliver Australia's future skills needs and ensure Australia's academic workforce can support the nation's teaching and research ambitions.

#### **Recommendation 5:**

That Government prioritise implementing the recommendations of the Australian Universities Accord, including implementing a sustainable funding model, and establishing an Australian Tertiary Education Commission.

### Ensuring CSP allocations are integrated into new commitments

The Government's recent commitment to Fee-Free Uni Ready Places allocates additional CSP eligibility and funding for universities to deliver these enabling courses. However, Government grants aimed at expanding degree access in new areas, or supporting skills shortages and needs, such as teaching or allied health at rural or remote campuses, do not always include a CSP funding commitment. This means that while there is funding to expand program delivery, there is a lack of corresponding funding for the students themselves to have a CSP.

In these cases, universities are forced to reallocate CSPs away from other program commitments, or to enrol above their cap, which does little to sustainably expand access. To address this issue, it is essential that any new government initiative to create new or expanded programs in critical skill areas,

particularly in regional and remote locations, includes a built-in allocation of additional CSP funding. This approach would ensure that universities are not forced to reduce student intake in other programs or enrol over their cap, which will support the growth of essential skills in areas and professions where they are most needed.

**Recommendation 6:**

That Government routinely include new CSP allocations and funding for grant programs designed to increase access, especially in regional areas.

**Fee-HELP for stackable micro-credentials and short courses**

Currently, micro-credentials and short courses are not funded through the Australian Government's FEE-HELP program. This situation disadvantages large segments of the population who do not have the financial resources to pursue lifelong learning opportunities or who do not work for an employer sponsoring them. Consequently, the development of important skills for a changing economy, such as cyber security and AI may only be accessible to a select group of Australians. To address these issues, the Government should consider extending FEE-HELP funding to include micro-credentials and short courses, particularly stackable ones that can lead to an award degree. This policy change would promote economic growth by fostering a more skilled and adaptable workforce, benefiting both individuals and the broader economy.

**Recommendation 7:**

That Government offer FEE-HELP for higher education students studying stackable micro-credentials or short courses at a Table A provider.

**Higher degree apprenticeships**

Higher apprenticeship qualifications combine on-the-job experience with a university degree, ensuring that graduates have the right technical skills for the workplace. There is great opportunity in the development of higher apprenticeships tailored to areas of skills shortages and industry demand, for example around net zero and energy transition, advanced manufacturing, and digital and cyber.

However, to create a higher apprenticeship style qualification, articulation and mutual recognition pathways between vocational and higher education institutions are needed. UNSW encourages the Government to work with industry bodies and across VET and higher education accreditation and regulatory requirements to identify suitable degrees for a higher apprenticeship. This would enable students to transition, for example, from early childhood education to primary or secondary school education, or from electrotechnology to engineering disciplines. A higher apprenticeship would make good use of work integrated learning and stacked qualifications to ensure multiple entry and exit points for students. It would also create earn-while-you-learn opportunities for students together with industry partners, thus addressing some of the financial barriers students face who must support themselves while undertaking their chosen qualification.

**Recommendation 8:**

That Government work with the tertiary sector to develop a framework for 'higher apprenticeship' style qualifications, particularly in areas of skills shortage and industry demand.

**Recognising the value of international education to Australia**

In 2023, international education was worth \$47.8 billion to the Australian economy, consisting of \$30.5 billion as goods and services and \$17.1 billion paid as tuition fees. This makes international education Australia's fourth largest export sector after iron ore, coal and natural gas.<sup>10</sup> International students also provide substantial savings to the public purse as their tuition fees subsidise the domestic student experience and research costs. Moreover, according to Austrade, 69% of the international tourism spend in Australia is generated by international education<sup>11</sup>.

In 2024, 10% of UNSW's domestic students were not supported by Commonwealth contributions, requiring the university to use own-source funds to expand access to these students above the current CSP cap. Unless a more sustainable funding model is introduced (as canvassed by the *Australian Universities Accord*), a reduction to international student numbers will limit our ability to contribute to meeting the government's ambitious equity target of 80 per cent of the Australian working age population having a tertiary degree by 2050 as set out in the Accord.

Given the importance of international education to both the higher education sector and wider economy, further consideration of the full impact of recent measures is needed before any further changes are implemented.

**Recommendation 9:**

That Government conduct an economic analysis of the impact of the 2023-24 international student policy and visa changes. This analysis should include universities' ability to fund domestic students attending university above universities' allocation of CSPs and to conduct research aligned to national R&D priorities.

**Recommendation 10:**

That Government not introduce any further policy changes affecting the international education sector until it has analysed the impact of earlier changes.

**Using university expertise for public benefit****Public Service Capability Priorities for Lifelong Learning**

The continuous learning culture that underpins the Australian Public Service is critical to ensuring that the public service is capable, engaged, and delivers for both Government and all Australians. To

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<sup>10</sup> <https://www.education.gov.au/international-education-data-and-research/education-export-income-calendar-year#:~:text=On%20this%20page%3A,billion%20paid%20as%20Tuition%20fees.>

<sup>11</sup> [https://www.aph.gov.au/Parliamentary\\_Business/Committees/Joint/Foreign\\_Affairs\\_Defence\\_and\\_Trade/Tourismandeducation/Interim\\_Report\\_-\\_Inquiry\\_into\\_Australias\\_International\\_Education\\_Sector/Chapter\\_2\\_-\\_The\\_value\\_of\\_international\\_students\\_to\\_Australia#:~:text=2.14Austrade%20noted%20at%20the,international%20tourism%20spend%20in%20Australia.](https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Foreign_Affairs_Defence_and_Trade/Tourismandeducation/Interim_Report_-_Inquiry_into_Australias_International_Education_Sector/Chapter_2_-_The_value_of_international_students_to_Australia#:~:text=2.14Austrade%20noted%20at%20the,international%20tourism%20spend%20in%20Australia.)

support the Government to uplift skills in the public service workforce, UNSW encourages the Government to develop a 'public service capability priorities' statement together with UNSW and other institutions. This would help universities to better deliver against the professional learning needs of the public service and to better develop tailored micro-credentials in, for example, project management, governance, human resource management, strategic workforce planning, policy development, evaluation, and consultation and engagement best practice.

In 2024 UNSW piloted micro-credentials in foresighting and gender-bias in policy to public servants. Future tailored learning modules delivered together with universities could be embedded in existing APS programs such as the APS Graduate program or the APS Academy leadership programs.

**Recommendation 11:**

That Government develop a 'public service capability priorities' statement, including capabilities required at different stages of a public service career, to better enable providers to deliver against the professional learning needs of the public service.

### University expertise informing public policy

Universities can and should play an important role in advising the Government through their technical expertise and skills. Australia's universities hold collective expertise relating to a wide range of issues, covering a significant proportion of the issues before policy makers in government. Universities can contribute this expertise to support policy design and evaluation as well as strategic and technical analysis of major projects. Universities can also provide advice to the public service as to whether their decision making is based on the most up to date research.

Possible examples for future collaboration between UNSW and the Australian Public Service could include developing new health financing models, translating climate science into decision-useful information for government, or technical engineering expertise for major infrastructure projects. UNSW looks forward to working with the Government to foster closer collaboration and trust between academics and policy practitioners.

This includes broadening the pool of expertise by helping broker access to researchers across all our faculties and assisting the Government in raising awareness of the issues it would like university research to address.

**Recommendation 12:**

That Government better draw upon university expertise and research to inform its policy development and decision making.

## Conclusion

Thank you for the opportunity to provide a submission to the 2025-26 Federal Budget.

Should you wish to discuss any issue raised in this submission, please do not hesitate to contact our Director of Government Relations & Policy, Mr Robin Schuck, on 0411 124 258 or [r.schuck@unsw.edu.au](mailto:r.schuck@unsw.edu.au).