

Strategic Examination of R&D (SERD): ANDHealth's response to consultation on Issues Papers

October 2025

ABOUT THE CONSULTATION

The Australian Government has commissioned a strategic examination of Australia's research and development (R&D) system. An independent expert panel, chaired by Robyn Denholm, is leading the examination. The panel consulted on six issues papers to inform the strategic examination of Australia's R&D system. The issues papers followed consultation on a discussion paper, which closed on 11 April 2025. The following responses were submitted on 30 September 2025 and 10 October 2025 via an online portal at: [Strategic Examination of Research and Development: Issues Papers - Department of Industry, Science and Resources](#)

PAPER 1: NATIONAL COORDINATION

[National coordination for RD&I impact](#)

This paper is open for comment until 30 September 2025. The paper presents a model for national governance. It outlines focus areas to enable system-wide performance management and evaluation to support broader societal and economic outcomes.

Consultation questions:

1. What aspects of the proposed model work well?

Points 1-5: ANDHealth recognises there could be substantial benefit in "wiping the slate clean" and implementing a completely new approach to RD&I funding as outlined in this paper. However, we have concerns the legislative and administrative change required to do so could represent an insurmountable barrier to the effective implementation of the strategy.

Point 5: ANDHealth agrees with the core foundations and approach to 'Maintain investment in foundational RD&I and system enablers for a vibrant research base' detailed on Page 6 of this paper.

2. What could be improved and how?

Point 1:

Prioritisation risks isolating leading research and researchers in niche areas or may not allow enough blue sky to be at forefront of the next game changing technology.

Regarding the model of 'a structured process for RD&I focus areas over a 10+ year horizon', bi-partisan support is required for the priorities to prevent chopping and changing (may not be possible). A 'high-level long-term goal (of up to 30 years)' may not align with other national strategies and governance frameworks within focus areas.

This paper fails to include Blue Sky RD&I. This is critical as it can lead to transformative breakthroughs and long-term advancements.

Point 2:

It is unclear if core discovery funding would also fall under focus areas.

We have concerns about the approach of a single bid owning each sub-goal, as this will require the creation of “mega-consortia” analogous to super-sized CRCs.

This has the potential for organisations with real capability to be isolated/excluded not due to their capability but for other reasons (politics/ personalities etc) and could ultimately lead un-funded groups to shift offshore. Large consortia also require much higher levels of running costs, decreasing the cost-effectiveness of the strategy and reducing RD&I funding.

It diminishes competition for funding over time and the excellence and innovation driven by a more open and competitive approach.

At least one state should be amended to at least three to facilitate collaboration and prevent centralisation of all capability within a focus area around a single state & the isolation of smaller states.

Point 3:

There are many more Ministers & major research funders involved in RD&I across Australia than those named. By specifying the Ministries/ Ministers involved, the strategy becomes at risk of being influenced by future changes to Ministerial portfolios.

Figure 3 assumes the strategy is being implemented in effectively a “clean

slate” environment. It’s unclear if the intention is to disestablish all existing programs and funding (including to CSIRO, NHMRC, MRFF etc) to implement this. Given there are already programs, legislative instruments and governance processes in place, it’s unclear how this would integrate with other frameworks or whether the intent is to remove these, which poses legislative challenges.

Point 4:

The ‘Aus Gov Grants Framework’ already exists and establishes the guidelines by which all guidelines should be run. Existing best-practice standards (peer-review and use of independent, expert panels in grant assessment such as those used by MRFF) can be leveraged. On evaluation, this is complex and an area which significant effort has been invested into. Creating clear and consistent metrics and achievable objectives for all RD&I funding across focus areas would create a strong foundation for tracking success (or otherwise) of the Strategy. Research evaluation is only meaningful if it is used equally to decide what NOT to fund (or continue funding) as it is used to decide what to fund.

PAPER 2: SCALING THE SYSTEM

[Scaling the system: A proactive approach to scaling the RD&I system](#)

This paper is open for comment until 30 September 2025. This paper presents a framework to radically accelerate and strengthen Australia's research, development and innovation (RD&I) system with a focus on how we create value, including economic impact, from our efforts.

Consultation questions:

1. What aspects of the framework work well?

ANDHealth is hugely supportive of the recommendation in this policy paper to 'Simplify access to the R&D Tax Incentive'.

We are also supportive of:

- Lifting access to 'RDTI contingent on ambition and growth' but caution this will be largely impossible to implement as "ambition" is a subjective measure which can be communicated but never executed.
- The proposal to 'Focus funding in priority areas and better incentivise collaboration' noting ANDHealth's concerns around the idea of a single bid owning each sub-goal as detailed in our submission on the 'National Co-ordination for RD&I impact' issues paper.
- The recommendations to 'Attract foreign partners who can strengthen innovation capability in Australia'.

2. Tell us what should be improved and how

On 'Direct the RDTI to encourage scale in RD&I activity', ANDHealth would caution against utilising RDTI as the main tool for change. That's because RDTI is effective largely due to its certainty and availability to all firms which meet the necessary criteria. Adding new criteria and/ or premiums for selected firms will have a number of flow on effects, including firms shaping their strategy in a capital constrained environment to maximise their access to the RDTI and the expansion of additional RDTI-centric consulting and debt facilities which exist only to monetise the process for firms accessing the RDTI and do not, in themselves, contribute to the productivity of our RD&I sector.

ANDHealth also recommends considering adding a proposal to 'encourage the best of our business graduates to look at careers in STEM and technology industries, including embedding commercialisation into business courses'. Australia's RD&I strategies are heavily weighted upon upskilling STEM graduates with business capabilities but fail to capture the significant capabilities available in attracting graduates from our globally recognised business schools into our R&D intensive industries.

On the recommendation to 'Establish mentorship programs between startups and ASX companies', ANDHealth would argue that should be extended to '**ASX or large private companies**'. It is a well-documented issue that Australian companies become public too early in their development which leads to inefficient capital markets, unnecessary loss of shareholder value and, in some cases, lower exit valuations than would have been realised if companies remain private. Therefore, we need to link to large private companies as well as ASX companies to demonstrate alternative growth pathways.

Another recommendation to consider would be to look at and seek to establish an Australian Expat Association, similar to the successful Kiwi Expat Association (KEA) network to engage with our expat community involved in RD&I and successful businesses abroad. The KEA network is a significant driver of international business expansion and inbound skills attraction for New Zealand and is a model that could be easily adapted.

PAPER 3: RD&I INCENTIVES

[RD&I incentives: Incentivising breakthrough innovation and ambitious R&D](#)

This paper is open for comment until 30 September 2025. This paper presents ways to enhance research, development and innovation incentives to foster greater ambition. It sets out how incentives, including the R&D Tax Incentive, can be better directed to support growth and achieve greater economic and social impact.

Consultation questions:

1. Tell us which of our proposals will work well?

ANDHealth is broadly supportive of the approach and recommendations detailed in this policy paper.

2. Tell us what should be improved and how?

ANDHealth believes the recommendation for 'Smaller but higher volume repayable grants or convertible notes' will be problematic for follow on investors in some cases. Debt-based instruments have an impact on the viability of companies in successive capital raising rounds, with convertible notes proving particularly challenging depending upon the terms within them. Repayable grants are more acceptable, depending upon the conditions for repayment, noting that all debt instruments will influence a company's Statement of Financial Position (Balance Sheet) which may influence / deter equity investors.

We would recommend updating the wording in the recommendation 'Encourage establishment of accelerators aligned to focus areas of support early' to 'Encourage establishment and sustained support for accelerators and incubators' where such organisations can point to a proven track record. Accelerators and incubators can form deep pools of specialised domain capability, able to support hundreds of high-growth potential companies, but currently in Australia these organisations are poorly funded and struggle to establish sustainability over the longer term unless sponsored by a major (\$1B+) fund. However, with accelerators such as ANDHealth delivering >\$22 capital raised per \$1 public funding invested, the multiplier effect of these organisations is undeniable and they have the ability to form the foundation for a faster transition to a RD&I intensive economy.

Whilst we recognise the value in establishing 'a directory of 'help' for founders/startups federally and by state', we note that this has been attempted many times at both a State and Federal level and none have been successful. This requires clear definition of what "help" is (does it include professional services firms, grant writers, contract manufacturers, or is it focused on funding 'help' such as grant programs etc) and also needs to be maintained and developed over time, requiring ongoing resourcing. It can also open the administering body to significant criticism with respect to inclusions/exclusions.

An open-source alternative could be attempted, however in the past this has led to quality control issues. So whilst we acknowledge the value in this, we caution that the implementation and ongoing maintenance is incredibly difficult.

ANDHealth recommends this addition to the recommendations under 'Incentivise & support spinouts and startups': 'Encourage greater integration/collaboration between business schools and STEM faculty to build cross functional capabilities in all graduates'.

PAPER 4: INVESTMENT AND CAPITAL

[Investment and capital: growing investment and capital for RD&I](#)

This paper is open for comment until 30 September 2025. This paper presents opportunities to grow investment and capital in Australian research, development and innovation. This includes ways to increase the availability of venture capital to support startups and scaleups and reduce barriers to funds choosing higher Australian private equity exposure.

Consultation questions:

1. Which of our proposals work well?

ANDHealth is supportive of leveraging fund of funds in the recommendation around 'Public Investment Funds' to leverage private capital markets, such as through fund of funds.

2. What should be improved and how?

ANDHealth believes five years is insufficient in areas such as health where companies may face pre-revenue R&D timelines of 10-15 years in the recommendation to 'Update the Early-Stage Innovation Company (ESIC) tax incentive tests, e.g. extending eligibility to startups less than 5 years old'.

We would recommend expanding the recommendation 'Ensure that new fund-of-funds/investment vehicles not only facilitate larger scale investments but also promote skills development' to add this wording at the end '**new funds, specialised capabilities and international networks**'.

This paper is missing any recommendations or proposals around supporting the development of new funds and managers increasing the diversity of venture capital funds and improving the opportunities for syndication support and increased specialisation in the VC sector through new managers and funds with expertise specifically aligned to focus areas.

We would recommend including recommendations around deploying tools such as the Biomedical Translation Fund using dollar-for-dollar public fund matching to 'crowd in' private sector investment into new and existing venture capital funds to increase the pool of available capital.

ANDHealth has deep concerns around the recommendation to 'Support the ASX in its plans to position as a late-stage VC funding market through IPO' as this does not work in all cases. Many VC stage companies which list on the ASX suffer post-market losses in valuation due to the low level of literacy of the Australian retail shareholder base.

ANDHealth believes Australia should be looking to build out its VC industry to provide late-stage VC funding and only list when companies are mature enough to be understood and properly supported by retail shareholders.

PAPER 5: FOUNDATIONAL RESEARCH

[Foundational research: creating knowledge](#)

This paper is open for comment until 10 October 2025. This paper focuses on upholding quality research, while reorienting the system to engage with national priorities. It also looks at how we can better use knowledge to achieve economic, social and cultural outcomes.

Consultation questions:

1. Which of our proposals work well?

Overall, ANDHealth is extremely supportive of any efforts to improve foundational research and protect critical blue-sky, discovery research across Australia.

The increasing gap between the actual cost of research and the costs funded by grants is a looming threat to the RD&I ecosystem of Australia and needs to be addressed. As such, ANDHealth also strongly supports developing a R&D costing framework and increasing funding for the indirect costs of research.

The paper mentions 'Embed collaborative, commercialisation and entrepreneurial training into research programs' which ANDHealth supports but there is no reference to cross-collaboration between the business schools and STEM schools. STEM industries rely on business expertise to go to market (e.g. patent lawyers, accountants etc) but we don't actively sell STEM industries as career pathways to business graduates. Whilst embedding commercialisation and entrepreneurship skills into STEM degrees most certainly will have benefit, Australia would equally benefit from incorporating RD&I industry content into business, law and finance degrees.

2. What should be improved and how?

Regarding 'deliver funding through a new 'pillars' funding model', it's not clear whether it is intended these pillars apply to only translational research, or encompass foundational, or discovery, research as well. Whilst ANDHealth acknowledges the approach to limiting translational research funding to focus areas (re National Coordination of Research Paper), applying those focus areas to foundational research may limit Australia's future competitiveness, preventing Australian scientists from pursuing investigator-led research that uncovers 'the next big thing'.

With respect to: 'Create the capacity for immediate investment in emerging opportunities and challenges that allows Ministers to respond to national priorities with short, focused support'. Whilst this would enable Ministers to make funding decisions within a compressed time frame in response to external stimuli (e.g. Covid-19), it must be noted that, in the past these types of Ministerial 'captains calls' have attracted significant public criticism and pushback from the research community (e.g. allegations of Ministerial interference in the Australian Research Council and Medical Research Future Fund).

As such, ANDHealth would recommend a fast-track pathway for this type of funding that still provides an open and competitive, peer/expert review process before any such Ministerial grants are made, in order to maintain the transparent, open and competitive grant environment that Australia aims to cultivate.

Regarding institutional specialisation, the competitive nature of university revenues, funding and performance targets may mean that increasing specialisation is commercially unattractive for certain institutions. A transition period may need to be considered, with appropriate funding/ incentives to bolster revenues/ balance sheets until the financial implications of specialisation have stabilised. With respect to investing “in next generation high-performance compute(sic) and data to enhance Australia’s digital innovation and AI capabilities’, whilst the infrastructure is critical, so too will be the human capabilities to fully utilise it. Embedding data science and AI knowledge across the entirety of our RD&I ecosystem will be critical to our future competitiveness.

The concept of a “national IP library” has been surfaced multiple times in the past. As a concept, libraries make significant sense, however their implementation including creation, maintenance (as a living tool) and ongoing funding have largely failed to materialise as, in order to be effective, a library cannot be a one-off initiative. Rather, it needs to be a concept that is funded and resourced appropriately over the long term.

At a high level, without detail of implementation and incentives for institutions to change, it is difficult to see how these recommendations will be implemented in practice or to determine the cost (financial and opportunity costs) of doing so.

PAPER 6: GOVERNMENT AS AN EXEMPLAR

[Government as an exemplar](#)

This paper is open for comment until 10 October 2025. This paper presents ways government leadership and example setting can deliver a more impactful system. It looks at how governments can lead through being a first customer for RD&I companies, improving regulatory efficiency and by promoting Australia as a knowledge and innovation nation.

1. Which of our proposals work well?

N/A

2. What should be improved and how?

ANDHealth strongly support the ‘use (of) public procurement to support innovative solutions from local providers’. However, we would recommend strengthening this recommendation to include ‘creating tender and procurement processes which give preference to Australian owned providers/ suppliers’.

In the event that comparable technologies, products and services are priced competitively, ANDHealth believes that Australian procurement dollars should always be given to Australian providers.

Australia has long been captive to major multi-nationals (similar to the common anecdotal mantra “no one gets fired for hiring IBM”) which has worked against our local technology and RD&I companies for decades.

Regarding ‘promote use of co-creation and challenge-based innovation procurement’, ANDHealth argues that improving tender processes and making them more SME friendly, so that it doesn’t cost prohibitive amounts to prepare tenders, would be more impactful than using public sector funding and resources to run co-design, hackathon and challenge like programs.

Regarding ‘a flexible model for managing preapproved supplier panels, and increase panel visibility’, ANDHealth believes competitive tenders should be used wherever possible over and above panels, which are often appointed for significant lengths of time. ANDHealth also notes that securing a place on these pre-approved panels can be immensely prohibitive for SMEs in both time and cost. We would recommend against using preapproved supplier panels on this basis and instead use open tenders where possible or alternatively provide a fast-tracked pathway for Australian SMEs to get onto those panels. Where panels are used they should be comprised of a minimum of 60% local providers.

Throughout the various issues papers, there are numerous references to leveraging Austrade. However, Austrade’s total funding envelope has decreased significantly in recent years. In order for Austrade to play the significant role outlined by the Strategic Examination of R&D, ANDHealth believes that Austrade’s funding, capabilities and footprint would need to be assessed and significant effort would need to be invested to ensure Austrade is “fit for purpose” in human and financial capital.

ANDHealth agrees the state-based system does create complexity and inefficiency costs. As such, any national grant system established will need to be ultimately customisable in order to span the broad range of grants, grant types and reporting frameworks required. In addition, State Government’s would need to ‘buy-in’ to the concept and agree to work collaboratively to design and deploy such a platform. Without State Government buy-in this could be a significant technology ‘white-elephant’ as the ‘build it and they will come’ approach to these types of platforms has not been effective in the past.

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