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Productivity Commission
Five-pillars Productivity Inquiries
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Group of Eight Universities (Go8) submission to the Productivity Commission Five-pillars Productivity Inquiries

The Go8 consents to the publication of this submission and has no wish for any of it to be treated as confidential.

Introduction

All pillars require a solid and sustainable foundation to succeed.

This applies equally to the five pillars of productivity. **The solid foundation required is a thriving national Research and Development (R&D) base, an adaptable highly qualified workforce, and meaningful global engagement to advance our national areas of excellence.**

Without that foundation, reforms in the 15 priority areas identified by the Productivity Commission under the five-pillars inquiries will be less likely to succeed, and Australia will risk falling further behind in our living standards.

Productivity is a vital source of economic growth and the key sustainable source of long-term prosperity, and all the benefits that flow from that. Productivity growth is imperative to achieving a more profitable business sector, better jobs and higher real wages. Sustained productivity growth can turn around Australia's structural budget deficits and enhance the ability to provide important public services, not least of which is defence and security.

What drives productivity, and the policy levers we should utilise, is complex. There is no question as to the value of the 15 priority reform areas identified, however **while attention to these areas is necessary, we need to do more. We need reforms at a much more fundamental level – specifically to boost the key drivers of productivity – research and development (R&D), innovation and education.**

Go8 universities **are** the research powerhouses of Australia, responsible for over 20 per cent of Australia's R&D investment. This equates to \$8.5 billion in annual terms and is approximately equal to the combined investment in R&D by all levels of government and the rest of the higher education sector in Australia.

Go8 universities also educate the advanced workforce that Australian industry relies on to grow and become more competitive. For example, the Go8 educates half of all PhD students and more than 120,000 graduates each year, including in high demand STEM related fields such as engineering, health, mathematics, and computer science.

Reform priorities

The Go8 is recommending both immediate and longer-term reforms that are primarily centered on lifting both business and university R&D to boost Australia's innovation and productivity. It is not one sector over another – developing the all-important interlinkages (both locally and globally) between businesses, leading research-intensive universities such as the Go8, and government sectors is critical for success.

Immediate reforms

To boost Australia's research and innovation system and in turn its positive impact on productivity, we recommend two equally important reforms that the Australian Government can action in the immediate term.

Immediate reforms:

1. The Australian Government should pursue Australia's participation in globally leading-edge research consortia and collaborations, specifically Horizon Europe.
2. The Australian Government should introduce a Small Business Technology Transfer (STTR) program to incentivise SMEs to engage with Australian research institutions on R&D collaboration.

Why are these reforms needed immediately?

Horizon Europe

The European Union's Horizon Europe is the world's largest single funding program for research and innovation, with a budget of €95.5 billion over the 2021-2027 period. It is critical that the Australian Government begin pursuing association to Horizon Europe's successor from 2028, whose recommended budget is in the €200 billion range¹. This is important because it opens up new opportunities globally, and further integrates Australian businesses and researchers into R&D globally.

We have seen recently that one critical source of international research funding, the United States Government, has come under stress, so ideally Australia should diversify its international funding sources and collaboration networks. While Australia has in place the Global Science and Technology Diplomacy Fund, as a nation we should go further and pursue Australia's participation in other globally leading-edge research consortia and collaborations such as Horizon Europe.

Small business innovation and technology transfer

In the case of small business innovation and technology transfer, SMEs are the bedrock of the Australian economy, therefore lifting their productivity is crucial to Australia's economy-wide productivity performance.

The Australian Government already has various programs in place to support SME innovation, but there remains a critical gap in coverage and emphasis. The introduction of a Small Business Technology Transfer (STTR) program would address that gap. The program would uniquely involve a combination of formal R&D partnerships between small businesses and research institutions in areas broader than the mandates of existing programs; provide direct links to Australian government agencies extramural R&D budgets; and focus on R&D activity much earlier in the technology readiness cycle.

A broader set of reforms

The Go8 has also made a number of important recommendations to boost the foundations of Australia's productivity capacity, including through our own work on a decadal roadmap for Australia to invest 3 percent of GDP in R&D and in submissions to the Universities Accord, and the ongoing Strategic Examination of Research & Development (SERD).

¹ https://www.europarl.europa.eu/doceo/document/TA-10-2025-0028_EN.pdf

We would urge the Productivity Commission to consider these recommendations as part of consideration of the 15 priority reform areas identified:

- [Go8 Australia's R&D Intensity: A Decadal Roadmap to 3% of GDP](#)
- [Go8 Submission to Strategic Examination of Research and Development \(SERD\)](#)
- [Go8 Response to Australian Universities Accord Interim Report](#)

Conclusion

The clock is ticking on whether as a nation we can lift ourselves out of the current weak productivity environment or we fall behind our ambitions to remain a prosperous nation. We have been here before with reviews, inquiries and other forums on how we can as a nation lift productivity.

What has changed this time around is the urgency given global geopolitical volatility and domestic pressures to address recent declining per capita living standards.

Regardless, the fundamental foundations do not change – productivity relies on research, innovation and education and these should be front and centre in any discussion about reforms to boost the nation's productivity.

I would be pleased to discuss the contents of this submission and you can contact me via email: chief.executive@go8.edu.au or phone: +61 2 5123 6700.

Yours sincerely

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