AGENCY/DEPARTMENT: INNOVATION, INDUSTRY, SCIENCE AND RESEARCH

TOPIC: Research Funding

REFERENCE: Question on Notice (Hansard 26 February 2009, E103)

QUESTION No.: AI-50

Senator ABETZ—If I might just go back so I fully understand: if I use the term 'the full cost of research', does that mean anything to you?
Senator Carr—That is a different concept altogether.
Senator ABETZ—What does that mean?
Senator Carr—Could you just give us a second?
Senator ABETZ—Can you please answer for the minister?
Ms Borthwick—Certainly. The full cost of research is generally taken to mean a couple of things. One is the full funding of the direct cost of research through the competitive granting processes through the ARC and the NHMRC as well as the supporting funding through our block grant program.
Senator ABETZ—What is the difference between full funding and full cost? Supporting the full funding or the full cost of research, I would have thought, means the same thing, doesn't it?
Ms Borthwick—I am not sure what distinction you are pointing to.
Senator ABETZ—Nor can I, because the minister is directly quoted in the *Age* in inverted commas on 2 January 2009: 'I personally support the principle of the full cost of research.'
Senator Carr—Which is different from the full funding of research.
Senator ABETZ—I then asked, 'What is the difference?' and nobody has yet been able to explain that to me. Take it on notice.
Ms Borthwick—I was going to go on to say—
Senator ABETZ—Take it on notice. We are playing semantics, but I think we know what—
Senator Carr—You are pretty good at the Perry Mason style—
Senator ABETZ—the minister meant.

ANSWER

The costs of research fall into two broad categories; direct costs and indirect costs[1].

- Direct costs are those that can be identified accurately with a specific research project. Examples are the salaries of staff employed specifically to carry out the research work, and the materials and equipment purchased for the project.
- Indirect costs, or overheads, are those incurred in the course of a research project but which cannot be attributed specifically or exclusively to the project. Examples of such indirect costs are space, light, heat, maintenance, library services and computer services. Other examples are the administrative support required to run the project, including recruiting staff, purchasing equipment and materials and financial reporting.

The expressions "full cost of research" and "full funding of research" are used to describe a funding model which provides universities with sufficient funds to support both the direct and indirect costs of a specific research project allowing universities to perform research of quality on a financially sustainable basis.

1 The Higher Education Authority Report of the Group on Research Overheads, July 2003

The phrases "full funding" and "full cost" are often used interchangeably; however the term "full cost of research" is the internationally recognised term[2].

The term "full economic cost of research (fEC)[3] was introduced via the United Kingdom's (UK) Transparent Approach to Costing (TRAC). This term has a very country-specific meaning which can lead to misunderstandings when used in other countries. “Full economic costs”, which is the term used in the UK, includes a special form of depreciation, the cost of capital employed and risk.

2: Financially sustainable universities: Towards full costing in European universities. European Universities Association, 2008.

3 JCPSG Standard Definitions for Costing and Pricing. http//www.jcpsg.ac.uk/costing/definitions.htm