

25 November 2021

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Tēnā koe Michael

### **Official Information Act request**

The Health Research Council of New Zealand (HRC) received the transfer of your email request for official information from the Ministry of Health on 4 November 2021. You requested the following information under the Official Information Act 1982 (OIA):

*The Health Research Council annually publishes guidelines for its funding applications. The current guidelines, dated August 2021 state that funded salaries “may be increased by a maximum of 3% per annum each year, or by more if specific details of expected promotion are provided and fully justified in Section 4A. Note: the HRC does not consider annual scale increments or across-the-board wage increases as promotions.”*

*Using current University of Otago pay scales as an example, routine annual progression along pay scale increments can often exceed 3%. For example, the lowest-paid academic salary range is for Assistant Research Fellows. In 2022, a person would start at \$50892 on Step 1 of that scale. Over the subsequent two years of the typical duration of an HRC project, a combination of annual progression to Steps 2 and 3 of the scale, along with projected inflation adjustment, would result in annual pay rises of 6.8% and 5.8%. As above, the HRC does not regard such progression as being due to promotion and hence will not fund the full increments in salary, leading to deficits which will compound across the multiple years of a contract. The employer may be bound by existing employment contracts to pay the agreed amounts, with the difference therefore needing to be sourced from other funds. Alternatively, there may be pressure upon precarious HRC-funded researchers to accept lower pay rates than those funded by other agencies. Salary-derived overhead funding on grants is also correspondingly reduced, compounding the extent to which the research organisation must subsidise the cost of the research contract.*

*This policy appears to be a clear deviation from the government’s long-standing policy of full-cost funding of research, with the research provider, or even individual employees, being required to subsidise the cost of a government research contract.*

*This HRC policy has been in effect for several years. On behalf of the health research community, I have the following questions:*

*(1) Does this policy indicate that the government is beginning to resile from its commitment to the full-cost-recovery funding model of research?*

*(2) What are the special circumstances that have led to the HRC adopting this policy, which does not (currently) appear to have been enacted by other government agencies?*

*(3) The Health Research Council is a dominant purchaser of public-good health research, dwarfing other agencies such as private philanthropic health research funders. As such, it is in a near-monopsony position, and like any monopsony, poses a risk of imposing anti-competitive practices upon its suppliers (research organisations). The policy outlined above does indeed seem on the face of it to be a clear attempt at price-fixing, enabled by its monopsony power in the public-good health research market.*

*(i) Before enacting this policy, did the Heath Research Council seek and receive any advice from the Commerce Commission on its anti-competitive nature?*

*(ii) If not, why not?*

*(4) Will this policy be allowed to continue at HRC, or to be adopted by any other government research funder?*

The purpose of this letter is to respond to your Official Information Act request pursuant to section 15 of the OIA. We understand that the guidelines referred to in your request are the 2022 Programme Application Guidelines, for use with the 2022 Programme Application Form.

Question 1:

*Does this policy indicate that the government is beginning to resile from its commitment to the full-cost-recovery funding model of research?*

Response:

The HRC cannot respond on behalf of government.

Question 2:

*What are the special circumstances that have led to the HRC adopting this policy, which does not (currently) appear to have been enacted by other government agencies?*

Response:

The HRC's requirement for proposal budgets to limit annual salary increases (excluding promotions) to within 3% has been in place for over 25 years without alteration. There are no special circumstances associated with the requirement.

Question 3:

*The Health Research Council is a dominant purchaser of public-good health research, dwarfing other agencies such as private philanthropic health research funders. As such, it is in a near-monopsony position, and like any monopsony,*

*poses a risk of imposing anti-competitive practices upon its suppliers (research organisations). The policy outlined above does indeed seem on the face of it to be a clear attempt at price-fixing, enabled by its monopsony power in the public-good health research market.*

- (i) *Before enacting this policy, did the Health Research Council seek and receive any advice from the Commerce Commission on its anti-competitive nature?*
- (ii) *If not, why not?*

Response:

- (i) Records related to the HRC process for determining this proposal budget requirement, including whether advice was sought from the Commerce Commission, are not available, as this requirement has been in place for over 25 years. However, we note that the Commerce Act does not apply to a Crown corporation unless it is engaged in trade (section 6 Commerce Act 1986). The HRC is not engaged in trade.
- (ii) As noted above, we are not able to determine whether advice was sought or not, and if not, why, as we no longer have records in relation to this.

Question 4:

*Will this policy be allowed to continue at HRC, or to be adopted by any other government research funder?"*

Response:

The HRC is currently aligning its investment mechanisms with the New Zealand Health Research Prioritisation Framework and underpinning New Zealand Health Research Strategy. Proposal budget requirements will be reviewed as part of broader design and implementation of revised investment mechanisms. The HRC cannot respond on behalf of the two Ministries we are accountable to, or on behalf of other government research funding organisations.

If you are not satisfied with our response, you have the right to seek an investigation and review by the Ombudsman of this decision. Information about how to make a complaint is available at [www.ombudsman.parliament.nz](http://www.ombudsman.parliament.nz) or freephone 0800 802 602.

Ngā mihi

**Professor Sunny Collings**  
Tāhuhu Rangapū | Chief Executive