

Submission to Department of Education, Skills and
Employment

ATSE SUBMISSION TO RESEARCH BLOCK GRANT REFORM CONSULTATION

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The Australian Academy of Technology and Engineering (ATSE) is a Learned Academy of independent, non-political experts helping Australians understand and use technology to solve complex problems. Bringing together Australia's leading thinkers in applied science, technology and engineering, ATSE provides impartial, practical and evidence-based advice on how to achieve sustainable solutions and advance prosperity.

ATSE welcomes the opportunity to make a submission to the Department of Education, Skills and Employment's consultation on proposed reforms to the Research Block Grant (RBG) funding framework. This submission makes three key recommendations:

Recommendation 1: Reject the proposed changes to Research Block Grants.

Recommendation 2: Increase flexible funding for basic research through the Research Block Grants.

Recommendation 3: Incentivise industry to invest in research and development, including through a collaborative premium on the R&D tax incentive.

Support for basic research

The proposed new allocations for RBGs will provide a larger share of funding to the universities that collaborate with industry and thereby generate additional research income – reducing the funding to universities that do not collaborate with the private sector. This is counter-productive to the original purpose of RBGs, that being to provide general, flexible funding for university research, including for indirect (but crucial) costs of research such as libraries, laboratories, consumables, and support staff. The only alternative source of funding for these essential overheads is cross-subsidisation from teaching income (which has also been recently reduced under the Job-Ready Graduates legislation). While ATSE strongly supports measures that encourage academic-industry collaboration to apply and commercialise Australian research, it is important to note that the translation, application and commercialisation of research fundamentally builds on knowledge-based research. Without basic research, application and commercialisation of research is not possible. The proposed changes to RBGs are detrimental to basic research and will over time erode the bedrock upon which Australia's research commercialisation ambition is built.

Tying one of the last flexible research funding mechanisms to industry collaborations risks incentivising the Australian tertiary research sector to become less differentiated. This in turn may reduce Australia's existing areas of international competitive advantage, as enumerated by Excellence in Research for Australia, across many different fields of research.

Supporting the overhead costs of basic research through a flexible RBG is important for future university-industry relationships: industry collaborators seek out relationships with universities in part to gain access to their resources and infrastructure, as well as access to the direct outcomes of research collaborations. Critical academic infrastructure such as libraries, national research kit and facilities like James Cook University's Orpheus Island Research Station, and key research service facilities such as the National Battery Testing Centre at the Queensland University of Technology, rely on stable long-term income to weather and support the more variable and short-term needs of industry.

Increasing industry engagement

As a result of the Watt Review of research education funding in 2017, changes were previously made to RBG allocation in an attempt to encourage increased industry funding. It is still not clear whether these changes have had an impact on the level or frequency of industry collaboration with universities. It is clear that the 2017 changes created fluctuations in the overall level of government funding allocated to universities. These changes have left the sector with a large administrative burden – administrative requirements have now been shown to cost the sector \$500 million a year (Group of Eight, 2022) – while funding from businesses for university research has only increased by \$81 million in that time (Australian Bureau of Statistics, 2022). Administrative requirements represent a substantial sunk cost, at least some of which could be redirected into ground-breaking research if the administrative burden is reduced.

Incentivising increased research-industry collaboration, and industry investment in R&D, can be achieved through mechanisms such as the patent box and R&D tax credits. As argued by ATSE's [2021 submission to the University Research Commercialisation Scheme consultation](#), efforts focused on just one side of the collaborative coin – universities - are unlikely to boost research translation and commercialisation in the long term: universities are not always best-placed to understand the likelihood of commercial success for a particular piece of research (Australian Academy of Technology and Engineering, 2021). Government efforts to increase research collaboration and translation must include industry, particularly by creating incentives for industry to invest in R&D. This could include the introduction of a collaborative premium to the R&D tax incentive, as proposed by Universities Australia (Universities Australia, 2017).

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Recommendation 2: Increase flexible funding for basic research through the Research Block Grants.

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References

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