

## Research block grant reform to boost incentives for greater university and industry collaboration

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Science & Technology Australia thanks the Department of Education Skills and Employment for the opportunity to offer feedback on the [Research block grant reform to boost incentives for greater university and industry collaboration](#) consultation paper. STA is the peak body representing more than 90,000 scientists and technologists in Australia. Many of them work in the nation's research sector – in discovery research; applied and translational research; and in research commercialisation.

STA has been a leading voice championing stronger research commercialisation in Australia. We strongly support the new investments in research commercialisation announced with bipartisan backing earlier this year. However, we caution against making a significant shift in the research block grants formulas without a considered look at the entire research funding landscape.

The research block grants deliver foundational funding to equip Australia's universities with a baseline capability to conduct world-class research. This flexible and unconstrained funding is often used to cover the indirect costs of research – the costs of running laboratories and other facilities – as well as other general university research operational costs, such as resourcing for a research office. By design, it helps to fill significant funding gaps when a university wins competitive research grants, as competitive grants do not cover the full costs of research projects they fund.

Boosting research commercialisation is best supported with targeted policy and dedicated and funding streams. The proposed adjustment to the research block grant allocation mechanism will signal to universities that all sources of research income are important and should be valued. However, this is not necessarily the best lever for boosting university–industry collaboration and research commercialisation.

### Recommendations

Science & Technology Australia recommends the Australian Government:

1. takes an opportunity to consider the research funding landscape in Australia as a whole and new Budget measures to strengthen Australia's research system and funding;
2. proceed with adopting the clearer terms for broad categories of income – 'government research income' and 'industry research income' – proposed in the consultation paper;
3. set aside the proposed changes to the percentages in the formulas pending a considered review of the research funding landscape and how to strengthen it;
4. acknowledge that as any new funding schemes are added to the system, research block grant funding is diluted to cover the indirect costs of projects in the new funding stream – so new funding schemes should be coupled with a commensurate increase in the total research block grant funding; and
5. allocate modest resourcing for a 'Bench-to-Boardroom' training scheme to complement the broader University Research Commercialisation Action Plan measures.

### Research block grants purpose

Australia's research block grants – the Research Support Program (RSP) and Research Training Program (RTP) – together comprise around \$2 billion in funding for university research each year. The research block grants are a vital source of unconstrained funding that universities can choose to use to support discovery (or applied) research. The RSP supports the indirect costs of research not covered by competitive grant funding, while the RTP funds higher degree by research (HDR) student stipends and other HDR operational costs, making it a critical support for the first stage of Australia's research workforce.

Income from competitive grant schemes administered by the Australian Research Council (ARC), the National Health and Medical Research Council (NHMRC) and the Medical Research Future Fund (MRFF) does not cover the full cost of research. These grants fund specific research projects and a portion of the resources the projects require. Competitive grant funding can not be used for the more general purposes of maintaining university facilities – funding research infrastructure, as well as the basic costs of keeping the lights on, the floors cleaned and the roof from leaking.

The 2018 inquiry into [Australian Government funding arrangements for non-NHMRC research](#) found several examples of the disparity between research funding and costs. The Universities Australia submission noted each dollar of competitive grant funding requires 85 cents of additional supporting funding, and the University of Melbourne submission said the university spent \$1.71 for every \$1 of competitive research income in 2011. This highlights the crucial role research block grants play in supporting the university research sector. The RSP in particular provides universities with flexible funding that can be used to support their research efforts in whichever way best suits the university, and are an essential support that complements competitive grant and other sources of funding.

## Research block grant formulas

Given the research block grants' central role is to support the indirect costs of research and complement competitive funding sources, funding is apportioned to universities via a formula that takes into account a university's other research income (RSP and RTP) and higher degree by research (HDR) student completions (RTP).

The proposed change in research block grant funding allocation formulas would serve to redefine income sources to two simple categories – government and industry – and shift the weightings between government and industry sources of income to give a stronger weighting to industry income than in the current formula. The new formula definitions would lead to an equal weighting for government and industry income.

For the RSP, this could send a signal to universities that sources of income other than the national competitive grants schemes should be equally valued. This is a useful signal and could contribute to shifting university performance metrics and cultures to more strongly value industry collaborations. Historically, Category 1 income – government income from national competitive grants – has received a stronger weighting in the research block grants formula than other sources of income. Shifting this source of income into the broader category of 'government income', grouped with other income sources that were previously under the 'engagement' category, effectively neutralises the disproportionate value given to competitive grant funding and would also serve to send the desired signal of valuing industry partnerships and funding.

Given this change to the income categories would serve to balance the weighting of competitive grants compared to other income sources, the 50:50 split between the two proposed new categories should be reconsidered. Noting the role the RSP plays in covering the indirect costs of research that competitive income does not cover, it should be acknowledged that universities are able to claim a proportion of the indirect costs and overheads within contracts with industry partners. As such, the 50:50 weighting of the proposed new RSP formula should be reconsidered to provide slightly greater RSP support to government income (which will largely be competitive grants) in recognition of the fact that industry income can cover some (although not all) of a given research project's indirect costs.

In addition, the engagement income component of the current formula is already an incentive for universities to seek sources of funding other than government grants. The current formula was implemented following the 2015 [Review of Research Policy and Funding Arrangements](#), with the specific aim to 'increase incentives for business and other research end-user engagement'. These arrangements have been in place for insufficient time to properly assess the efficacy of the drivers, particularly given the disruption caused by the pandemic during the past three years.

The RTP formula was recently changed to apply an increased weighting to HDR completions with an industry internship, applying to data collected in 2022 for RTP allocations from 2024 onwards. Time should be allowed to analyse the impact of this incentive, rather than changing the RTP formula again so soon.

## Quantum of research block grant funding

The changes proposed in the consultation paper do not lift the overall level of funding for the research block grant programs – the new formula will simply lead to a redistribution of the funding among universities. The

new formula will likely favour universities with existing streams of industry income, and runs the risk of diminishing support for other important areas of research.

The consultation paper emphasises that universities will retain discretion over how the research block grant funding is spent. While this is an important feature of research block grants, having discretion over how to spend the funding will not change the fact that many universities may ultimately receive less funding and find themselves under-resourced to support critical research functions.

The University Research Commercialisation Action Plan also includes a new ARC Industry Fellowships scheme. It must be remembered that with each addition of new funding to the system, which is of course, beneficial and welcome, the research block grants will be expected to stretch further, to cover the indirect costs of the projects funded under new schemes. This is particularly the case with the implementation of the Job-Ready Graduates funding model, under which there is no capacity for any funding provided through Commonwealth Supported Places to be diverted to defray research costs. Ideally, the introduction of any new funding scheme would see a commensurate 40% addition to the total research block grant funding.

## Support for discovery research is crucial

**As other grant schemes increasingly trend towards a focus on applied research, the research block grants are a crucial source of flexible funding and support for universities' discovery research. Discovery research is the bedrock of new ideas, innovations and serendipitous discoveries on which applied research, and future commercialisation, rely. A wholesale shift towards applied research across all government research funding would be extremely short-sighted and runs a real risk of jeopardising Australia's long-term research capability.**

The RTP is the primary source of funding for PhD students pursuing a discovery research program – a shift to gear this funding more towards industry collaboration runs the risk of defunding discovery research at a PhD level. This could result in Australia losing talented students, threatening our future research workforce and research capabilities.

Research block grant funding also supports HASS disciplines and areas of translational research that do not always have an obvious or practical industry connection. This does not mean these areas of research should not be pursued, but there is a risk that universities will be forced to prioritise other research directions or risk losing funding. This runs the risk of losing research for the public benefit.

## Other ways to support enhanced university–industry collaboration

There are many ways to boost university and industry collaboration – and there are many great examples of such collaborations. The most fruitful are those with robust relationships that have been built over time between researchers, institutions and industry partners. It is important to ensure our research workforce has the skills and capabilities to build these relationships, understand how best to work with industry and take their research through to translational and commercial success. STA's Bench-to-Boardroom program proposal would train cohorts of researchers to equip them with the skills to boost collaboration and commercialisation opportunities and help create a culture shift in the research system.

STA also supports the other components of the [University Research Commercialisation Action Plan](#), including the proposed ARC Industry Fellowships program, and industry PhD program. Both of these have the potential to contribute to creating a critical mass of researchers with the skills and experience to level up Australia's research commercialisation. The [CRC](#) and [CRC-P](#) programs are also successful models of applied research being conducted through a close collaboration of academic and industry partners.

Please do not hesitate to contact us if we can assist with any additional information.

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