

2 June 2022

Submission to the Department of Education, Skills and Employment consultation on research block grant reform

The Australian Academy of Science (the Academy) welcomes the opportunity to respond to the Department of Education Skills and Employment consultation paper *Research block grant reform to boost incentives for greater university and industry collaboration*.

The Academy:

- Does not support the proposed amendments to the research block grants (RBGs)
- Strongly supports the principle of improving industry/academic research collaboration, preferably through industry-side incentives
- Stresses the importance of fundamental research, for which the RBGs are currently an important source of funding, as a foundation for a strong innovation system.

Impact of the proposed changes

Research Block Grants are currently one of the most important sources of funding for fundamental research. These grants were founded on the principle of providing flexible and discretionary funding for university research and to support the indirect costs of conducting research. The reforms as described do not encompass an increased quantum of funding, meaning that this shift towards applied research can only come at the expense of foundational, exploratory, fundamental research.

Such an approach amounts to a decision by the Australian Government to reduce funding for fundamental research. To be clear, the Academy does not and will not support such an approach.

The proposals do not include measures to facilitate or incentivise industry to seek academic collaborations, meaning there is no reason to expect the overall amount of business investment in research will increase – it could even fall: the universities get the same, business pays less and the public pays more.

Why lock research into the current industrial base, rather than grow a future-focussed research ecosystem?

Indirect costs of research and the industry sector

The indirect costs supported Research Block Grants were originally those arising from research enabled by research council competitive grants. As government grants still do not pay the full costs of conducting research, universities must find other sources to cover the costs, such as international student fees. In the meantime, industry was expected to pay the full (direct and indirect) costs of research when conducted in universities.

Following the 2015 Watt review the balance and rationale for block funding was altered to include support for the indirect costs of industry research. This was intended as an incentive to both the industry and higher education sectors to improve collaboration, but with no overall increase in funding its effect was to subsidise industry research at public expense and at a cost to fundamental research.

Industry research is important, but it should be funded by industry. It cannot be funded at the expense of Australia's capabilities in fundamental research – the building block on which so much industry research is based.

To discuss or clarify any aspect of this submission, please contact Mr Chris Anderson, Director Science Policy at Chris.Anderson@science.org.au.