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Department of Education, Skills and Employment

RBGrants@dese.gov.au

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

Response to the Consultation Paper

Introduction

We are pleased to have the opportunity to make this brief submission, respecting the 3 page restriction placed on submissions.

Research Australia is the national alliance representing the entire health and medical research (HMR) pipeline, from the laboratory to the patient and the marketplace. Research Australia works to position Australian HMR as a significant driver of a healthy population and a healthy economy. Half of Australian HMR is conducted via our world-class universities and so policy reform in this space is closely monitored by Research Australia,

Research Australia believes that changing the formulae for the allocation of Research Block Grants may only increase universities' industry funded research in the future by reducing their capacity to undertake other research. While the Research Block Grants are vitally important to the capacity of universities to undertake research, the decline in the RBG over time relative to other research expenditure means that universities' capacity to increase the volume of research is being exhausted, and that future increases in one area, such as business funded research, may come at the cost of a reduction in research in other areas, including pure basic research and other public good research. The pandemic has shown that relying on universities to fill the gap with revenue from international students, as they have done for most of the last decade, is a high-risk strategy.

The action that would most increase universities' capacity to engage with industry without jeopardising other research would be an increase in Research Block Grant funding.

384 Victoria Street
Darlinghurst, NSW 2010

T +61 2 9295 8546
E admin@researchaustralia.org

ABN 28 095 324 379
www.researchaustralia.org

University Funding and Research Block Grants

Research Block Grants help support the costs of conducting research in universities. The RTP pays stipends for Higher Degree by Research students, and helps universities meet the costs associated with their research. The Research Support Program is intended to support the indirect costs of research at universities that are not funded by the direct revenue captured by HERDC, such as libraries, laboratories consumables and support staff. Universities' HERDC income has increased by 66.3% between 2010 and 2020, from $3.1billion to $5.1 billion.[1] HDR completions also increased by 40.3% over this period, from 7390 to 10,372.[2] By contrast, RBG funding to universities only increased by 37% over the same period, from $1.4 billion to $2 billion.[3]

To look at this another way, in 2010 the ratio of all RBG funding to HERDC income was 46.4%. By 2020, this ratio had fallen to 38.3%.

This reduction in the relative value of RBG funding to research expenditure is placing real capacity constraints on the ability of universities to undertake research.

Trends in university research

The latest ABS data on university research expenditure shows a dramatic change in types of research being undertaken at universities. The most significant change in the context of a proposal to change RBG funds to incentivise business engagement is that business expenditure on R&D at universities increased by 15.5% between 2018 and 2020, to $603 million.[4] This is greater than the overall increase in funding for university R&D between 2018 and 2020, which was $510 million.[5]

This increase in business funding is reflected in an increase in expenditure on applied research, up by 14% ($824 million) over the same period, to $6.7 billion, somewhat offset by a 6% ($80 million) decline in experimental development.[6] At the same time, expenditure on pure basic research declined by 11.3% ($314 million) to $2.5 billion, partly offset by a $79 million increase in Strategic Basic research.[7]

Business expenditure on university research is most likely to be in the later stages of applied research and experimental development, which collectively grew by $744 million over two years.[8] On the other hand, basic research and applied basic research are most likely to be publicly funded, as public good research.

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[1] Australian Government, Department of Education, Skills and Employment, HERDC time series 2020 v.2, last modified 8 April 2022, accessed 24 May 2022 at https://www.dese.gov.au/research-block-grants/resources/research-income-time-series

[2] Australian Government, Department of Education, Skills and Employment, HDR Completions by time series 2020, last modified 8 April 2022, accessed 25 May 2022 at https://www.dese.gov.au/research-block-grants/resources/hdr-completions-time-series

[3] Australian Government, Department of Education, Skills and Employment, RBG time series 2001-2022 v.6, last modified 19 April 2022, accessed 24 May 2022 at https://www.dese.gov.au/research-block-grants/resources/rbg-allocations-time-series

[4] Australian Government, Australian Bureau of Statistics, Research and Experimental Development, Higher Education Organisations, Australia, 2020, released 6 May 2022, HERD by type of activity, accessed 25 May at https://www.abs.gov.au/statistics/industry/technology-and-innovation/research-and-experimental-development-higher-education-organisations-australia/2020

[5] Ibid.

[6] Ibid.

[7] Ibid.

[8] Ibid.

What is the right balance?

We want businesses to fund more research more universities, but what is the right balance between business-driven research and public good research? Between basic research and applied research?

Do we want more business funded research at universities if it will displace public good research rather than expanding the total volume of research at universities?

Is this what is already happening?

From 2010, basic research has declined from 25% of total university research expenditure to 22.7% in 2018.[9][10][11] What is significant about the decline between 2018 and 2020 is not just the size of the further decline, to 19.4%, but that **the dollar value of Pure Basic research declined for the first time, from $2.8 billion to $2.5 billion.**[12]

The impact of the Watt Review's recommendations, which have only just been fully implemented, are only now making their effects felt in the university research system, and we do not yet have data to fully understand what impact they are having.

We can see, however, the increase in business funded research in our universities in 2020 and the decline in Pure Basic research.

Conclusion

While we fully acknowledge government is not and should not be the only source of funding for university research, and that greater industry engagement is important, the proposal as set out in the paper risks only increasing industry engagement at the expense of pure basic research. It fails to address the broader issue with the falling ratio of RBG to research expenditure.

In the current environment, Research Australia does not support changing the RBG formula to further incentivise business funded research in our universities. The full impact of the Watt Review should be evaluated before further changes to the formulae are contemplated.

The only action that could be taken to increase universities' capacity to engage with industry that Research Australia would support would be the provision of additional Research Block Grant funding.

We would welcome the opportunity to discuss this submission further. The appropriate contact person is Greg Mullins, Head of Policy, greg.mullins@researchaustralia.org

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[9]Australian Government, Australian Bureau of Statistics, 81110DO001_2014 Research and Experimental Development, Higher Education Organisations, Australia, 2014, Table 1 Higher education resources devoted to R&D, summary statistics - 1992 to 2014

[10]Australian Government, Australian Bureau of Statistics, 81110DO001_2016 Research and Experimental Development, Higher Education Organisations, Australia, 2016

[11]Australian Government, Australian Bureau of Statistics, 81110DO001_2018 Research and Experimental Development, Higher Education Organisations, Australia, 2018

[12]Australian Government, Australian Bureau of Statistics, 81110DO001_2020 Research and Experimental Development, Higher Education Organisations, Australia, 2020, Table 1 Higher education expenditure on R&D, by location, by type of activity, 2020