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Secretariat
Policy Review of the National Competitive Grants Program
Australian Research Council
Level 2, 11 Lancaster Place
Canberra Airport ACT 2609
AUSTRALIA

By email: ARC-PolicyReview@arc.gov.au.

RE: 2024 Policy Review of the National Competitive Grants Program

The Australian Industry Group (Ai Group) welcomes the opportunity to provide brief comments regarding the above consultation.

Ai Group is a peak national employer association representing and connecting thousands of businesses in a variety of industries and sectors across Australia. Our membership and affiliates include private sector employers large and small from more than 60,000 businesses employing over 1 million staff.

Industry Transformation Ahead

Due to the highly competitive and oversubscribed nature of the National Competitive Grants Program there is an impression that industry engagement and interest in the linkage element of the program may still be high and deeply engaged. However, our data and discussions with members show that this may no longer be the case.

Ai Group's latest [Australian Industry Outlook for 2024](#) offers valuable insights on this critical issue, as it allows C-suite executives to step back from their daily roles and share their thoughts on the future of their business and industry.

McKinsey's Three Horizons Model was developed to guide businesses in their investment strategies for innovation. It categorises innovation into three horizons:

- Current Products: Focused on existing offerings and incremental improvements
- Incremental Innovations: Mid-term innovations that build on current products
- And breakthrough Innovations: Long-term, transformative ideas.

In considering the model, and insights from our membership, we find that instead of executing their growth and innovation plans, and looking to horizons 2 and 3, many business leaders are preoccupied with navigating unprecedented levels of red, green, and grey tape, increased input costs, and assessing the suitability of their business models as they attempt to navigate the broader transformational challenges encapsulated in the "Three Ds": decarbonisation, diversification, and digitalisation.



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As a result, executives are posing tough questions about internal research and development programmes, external collaborations, and technology purchases during this period of transformation.

Further, we note amongst our members there an increasing level of disenchantment with many of the collaborative programs (ARC, CRC etc) and questions as to whether they result in an appropriate return on investment (time and money). With the increasingly competitive nature of the grants landscape industry is at times treated simply as a source of funding rather than a valued partner on the research and development journey.

Consequently, some of our members are now looking globally for partnerships and are finding them. Feedback on these partnerships is that discussions around IP are realistic, research has a commercial mindset, there is access to markets and an emphasis on customer insights informing research program design.

This aligns with Innovation Science Australia's Barriers to Commercialisation report that endorsed the decoupling of the requirement for industry to engage with publicly funded research organisations to be eligible for government innovation support programs.

Instead, industry should partner with any organisation that can expedite the progression of their products to market if they so choose. As such, consideration should be given to whether the number and type of research partners covered under the National Competitive Grants Program grows to also include internationally and private sector providers.

SME Engagement

Initial conversations between small to medium enterprises and researchers are often focused on ARC linkages bids. As highly competitive, multiyear engagements that take significant time and resources to apply for, such collaborations often do not progress as a consequence.

We recommend a smaller grants program (with government funded facilitators e.g. [Innovation Connections](#)) that fosters relationship development between researchers and industry before they progress to larger multiyear grants. This will increase the pool of industry partners and result in better designed research projects.

Other thoughts

The Linkage Infrastructure, Equipment and Facilities (LIEF) grant scheme has strong similarities to the Department of Education's National Collaborative Research Infrastructure Strategy (NCRIS). We suggest that LIEF could be folded into NCRIS as the later has a focus on open access of research infrastructure to national and global research organisations as well as industry.

We endorse the mandating of simplified HERCIP contracts for all publicly funded research/industry collaborations (with the option for industry to opt out) as a means of speeding up the legal process and assisting industry to collaborate with multiple research organisations.



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We note that there are a number of initiatives focused on increasing the level of commercialisation and translation of public sector research and development such as Australia's Economic Accelerator (AEA). Where appropriate, we endorse the alignment of the National Competitive Grants Program with the AEA priority areas to support an accelerated progression of IP to market.

Finally, while R&D is crucial for first-to-market innovations, one of industry's most important parts in the innovation jigsaw puzzle lays in its ability to effectively commercialise IP by providing the necessary infrastructure, resources, and market access, resulting in job creation, increased competitiveness, productivity, and economic growth.

We would like to see government and research sectors lean into this experience in the early development of research and development, rather than at the conclusion.

Should you wish to discuss the matters raised in this submission, please contact our Director of Emerging Industries and Innovation at david.martin@aigroup.com.au.

Sincerely yours,

Louise McGrath
Head of Industry Development and Policy