

Australian Catholic University

Submission to the Senate Finance and Public Administration Legislation Committee

Inquiry into the Emergency Response Fund Bill 2019 and the Emergency Response Fund (Consequential Amendments) Bill 2019

September 2019

ACU Submission to the Senate committee inquiry into the *Emergency Response Fund Bill 2019* and the *Emergency Response Fund (Consequential Amendments) Bill 2019*

Australian Catholic University (ACU) welcomes the opportunity to make a submission to the Senate Finance and Public Administration Legislation Committee in relation to its inquiry into the Emergency Response Fund Bill 2019 and Emergency Response Fund (Consequential Amendments) Bill 2019 (hereafter ‘the Bills’).

These bills propose to repeal the *Nation-building Funds Act 2008* and thereby abolish the Education Investment Fund (EIF). This would see approximately \$4 billion of uncommitted funds currently in the EIF, allocated for investment in the tertiary education and research sectors, redirected to other purposes.

The EIF was, fittingly, established as one of three important nation-building funds.¹ As such, it provides Australia’s university sector with its only dedicated pool of funding to support strategically-focused infrastructure investments. Such investment is essential to transforming Australian higher education and research, and to ensuring the ongoing international competitiveness of Australia’s tertiary education sector.

ACU expresses its disappointment in the Government’s decision to seek to close the EIF, as funding from this initiative has supported a number of important projects across the higher education, research, and vocational education and training (VET) sectors.

This is not the first occasion the Government has sought to close and redirect funds allocated to the EIF, away from their intended purpose, to other initiatives. In 2017, a similar attempt was made to close the EIF to repurpose the funds, through the *Nation-building Funds Repeal (National Disability Insurance Scheme Funding) Bill 2017*. Prior to that, the Government proposed to divert uncommitted EIF funds to an Asset Recycling Fund in 2014.

ACU recommends that the Senate **reject** the Bills, given the critical importance of university infrastructure for the quality of university teaching and research, and the Australian economy.

Infrastructure at Australian Catholic University

ACU is a public university with campuses in Sydney (North Sydney and Strathfield), Melbourne, Ballarat, Brisbane, Canberra, Adelaide and Rome. With around 34,000 students, ACU educates more teachers, nurses and paramedics than any other Australian university, and teaches a range of other courses in health sciences, law, business, arts and theology. In addition to teaching students, ACU is a world-leading research university in its priority areas of education, health, and theology and philosophy.

ACU itself has received no funding from the EIF – one of only four public universities in Australia that have not benefitted from the fund. This submission therefore reflects ACU’s experience in building university infrastructure without support from the EIF.

Instead, ACU has funded the development of new buildings and other physical infrastructure on its campuses over the last several years entirely out of retained surpluses and conservative

¹ Established along with the Building Australia Fund and the Health and Hospitals Fund.

debt funding. ACU invested a total of \$450 million in capital works during the period 2010-2015. This was achieved through prudent financial management and careful planning around the introduction of the demand driven funding system.

Following the effective termination of the demand driven system and the reduction in real terms of Commonwealth Grant Scheme (CGS) funding, even well-managed universities, such as ACU, have significantly less capacity to run operating surpluses sufficient to fund large-scale infrastructure projects. This only increases the importance of the EIF to ensuring that universities' buildings and research and teaching infrastructure remain up to date and meet the needs of the Australian economy.

ACU has a strong interest in the future of university infrastructure funding, in view of the large national 'footprint' occupied by the university across its campuses and its experience of raising and managing funds for capital works during an increasingly challenging period for the university sector.

The need for a dedicated infrastructure investment fund for the higher education sector and for the economy

The Explanatory Memorandum of the Bills states that “[t]he Government remains committed to a world class higher education system” and that it has recently made “significant investments into education infrastructure projects.” The Government’s investment in redevelopment projects in Tasmania, and additional funding earmarked for a new school of mining in Central Queensland, are cited as examples of such investment.

While these initiatives are commendable, ACU submits that, as a matter of policy and best practice, the allocation of public funds to national higher education infrastructure projects is best managed through an open, dedicated and permanent scheme such as the EIF. Public funding for education infrastructure projects should be allocated on a transparent, clear and competitive basis and such funding should be distributed with a view to enhancing existing capacity and addressing future need.

This is best achieved through a dedicated and strategically managed infrastructure fund, rather than being subject to ad hoc decisions by Government that may be unduly influenced by political motivations, rather than projects' relative merit.

The critical role of university infrastructure

As a direct result of the EIF, Australia’s universities made substantial improvements to their physical infrastructure over the period it was in operation (2009-2015).²

It is important to understand that the delivery of new buildings and advanced equipment on university campuses is not an end in itself: the EIF building program has been transformational because physical infrastructure is essential to high-quality teaching, learning and research. If the Australian university sector is to maintain its reputation and its ability to attract

² For information on the types of projects that have been funded under the EIF, see Department of Education, ‘Education Investment Fund’, at <https://www.education.gov.au/education-investment-fund>; Department of Education, ‘Super Science Initiative’, at <https://www.education.gov.au/super-science-initiative> ; Australian Government, ‘Expense Measures’, *Budget 2009-10*, at http://www.budget.gov.au/2009-10/content/bp2/html/bp2_expense-20.htm ; Department of Education, ‘EIF Support for Clean Energy Research Infrastructure’, at <https://www.education.gov.au/eif-support-clean-energy-research-infrastructure>

researchers, funding, and international students, then the quality of its offering and output must be maintained. This requires significant capital investment on an ongoing basis.

Ensuring adequate funding of infrastructure projects in the higher education and research sectors is an essential investment in Australia's economy and future. This funding is vital to strengthen the capacity for innovation across all Australian universities and ensure the future competitiveness of Australia's higher education system.

It is also important to recognise the significance of university infrastructure for the international student market. The higher education sector accounted for \$22.2 billion of international education export income in 2017-18, and 45.6 per cent of all international student enrolments in 2018.³ The university sector's ability to continue to attract international students and ensure Australia's ongoing international competitiveness in higher education provision will depend heavily on its capacity to provide world-class campuses, facilities and experiences.

The future of university infrastructure funding

As noted, the Bills propose to redirect approximately \$4 billion from the EIF, where it is quarantined for investment in the tertiary sector, to the Emergency Response Fund.

The Explanatory Memorandum of the Bills asserts that "The Government is making increased investments in the education sector and the EIF is not needed to fund these initiatives." However, if the Parliament passes the Bills in their current form, the reality is that infrastructure will become less attainable for many universities.

There are two reasons for this:

1. Universities have limited capacity to access infrastructure finance.
2. Core government funding of universities – through the CGS – has declined in real terms following the effective capping of the demand driven system from 2018.

In July 2017, ACU became the first university in the world to raise investor funds through the issue of Sustainability Bonds.⁴ The bond issue secured \$200 million from institutional investors, with the funds earmarked for projects that deliver positive social and environmental outcomes, including the construction of energy-efficient buildings on ACU campuses.

While ACU is justifiably proud of this achievement, it will not be an option for every university. With growing pressure on university balance sheets, it will be decreasingly an option for those universities like ACU that currently can borrow to fund capital investment. Several Australian universities are already in deficit, with consequences for their ability to secure or finance loans for infrastructure development. Every university requires infrastructure in order to deliver high-quality teaching and research but, with declining funding and the proposed abolition of the EIF in these Bills, few universities will be able to afford it.

³ Parliament of Australia, 'Overseas students in Australian higher education: a quick guide' (20 June 2019). Accessible via https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1819/Quick_Guides/OverseasStudents

⁴ See Ross, J., 'Australian Catholic University World-First Bonds Reap \$200m', *The Australian* (2 August 2017); National Australia Bank, 'NAB places Australia's first sustainability bond', at <http://news.nab.com.au/nab-places-australias-first-sustainability-bond-raising-200-million-for-australian-catholic-university/>.

Conclusion

Financing infrastructure development is a major and significant element of university budgets. The difficulty of this task is exacerbated in the context of the significant funding restrictions and ongoing uncertainty faced by the sector. The management of long-term assets will become increasingly difficult in a restricted funding environment.

ACU urges the Senate to reject the Bills, insofar as they propose to terminate the EIF.