

IRU Submission to the Senate Standing Committee on Economics Inquiry into the Medicare Levy Amendment (National Disability Insurance Scheme Funding) Bill 2017 and 10 related bills

Key recommendation to the Committee

The IRU strongly opposes the abolition of the Education Investment Funds (EIF). The EIF is the only Commonwealth investment in research and education infrastructure in the Higher Education sector. To remove these funds would stifle and ultimately regress Australia's research system and be particularly deleterious for regional research and education capacity.

The withdrawal of these funds, would signal to the university sector and the community, a Government prepared to accept an ad hoc and under-resourced higher education and research system.

The EIF should be retained for its original and intended purpose to provide vital funds for research and higher education infrastructure. Whilst the IRU supports the National Disability Insurance Scheme (NDIS) being adequately funded, it cannot come at the cost of stemming essential and future-proofing infrastructure investment.

Scope

The Innovative Research Universities (IRU) limits its submission to the repeal of the Education Investment Fund (EIF) as proposed in Schedule 1 of The Nation-Building Funds Repeal (National Disability Insurance Scheme Funding) Bill 2017. The EIF, is currently the sole Commonwealth funding available for development and refurbishment of crucial research and teaching infrastructure.

The IRU is the peak policy and development body for a coalition of seven comprehensive universities, located across the nation, committed to innovation and inclusive excellence in teaching, learning and research. IRU members are based in outer metropolitan and regional areas making them key partners and anchors in the growth corridors of urban spread and regional renewal.

Our Students

- Over 247,000 students nationwide, including 44,000 international students, choose to study with us, 15 % of all students.
- Over 7,800 research students, representing 12% of all research students.
- Over 3,600 Indigenous and Torres Strait Islander students, 23% of all such students.
- Over 24,300 students from a low socio-economic background, 20% of all such students.
- Over 38,700 students from regional and remote communities, 19% of all such students.

Our Research

- 82% of our research is world class or better, across 263 fields of research.
- \$304 million in research income, spread across national competitive grants and support for industry driven research, representing 9% of all university research income.

Support for university infrastructure

There is no ongoing source of capital funding that supports universities to renew the facilities required to provide the education and research of the future. This includes making university buildings digitally capable. University property plant and equipment was valued at \$44 billion in 2015 [Table 3, *Higher Education Financial Report 2015*], showing the annual investment required for maintenance and renewal.

The Capital Development Pool ceased from 1 January 2012, just as the full operation of demand driven funding began. It supported small to medium capital projects, with allocations made annually based on university bids. It was a small source providing \$54 million in its final year. Consistent with Australia's economic needs all universities expanded student numbers, requiring considerable renewal of teaching facilities to meet student needs.

The Education Investment Fund can provide larger amounts targeted at significant new developments which allowed for new developments easing the challenge for universities to support campus renewal through overhaul of degrading buildings and instillation of modern technologies. EIF expenditure has now ceased while the Government seeks to direct the remaining funds away from higher education purposes.

The impact of the lack of Commonwealth investment in university facilities over recent years is clear.

Table One summarises financial revenue and expenditure information for the IRU members from the annual *Higher Education Financial Report* to show the main revenue sources and the main expenditure items.

Across 2010 to 2015 the surplus of revenue over expenditure has fallen from 13% to 5% as universities have reworked expenditures to focus on ensuring their future sustainability. While between 2010 and 2015 revenue rose 21%, with revenue from students rising much more than revenue from the Australian Government, expenditure has risen 33%, with that on depreciation and amortization nearly doubled, increasing by 95%.

The figures reflect the lack of Commonwealth programs to support university capital needs, showing why universities cannot afford to lose the EIF.

The Government's Higher Education Package, if passed, would result in further reducing universities' resources to invest in long term capacity. The proposed "efficiency dividend" would cut the net income from the Commonwealth Grant Scheme (CGS) and the Student Contributions by 2.8%. And 7.5% of the remaining CGS to be put at risk every year for each university according to a yet unknown performance mechanism and metrics. Similar amounts are at risk as permanent residents and New Zealand students respond to the loss of Commonwealth funding for their education.

This creates fiscal uncertainty for universities making critical and foreword planning and infrastructure investment even more tenuous. Ensuring the EIF remains a separate and dedicated fund source is essential in the current climate.

Funding the Government's commitment to long-term investment in research infrastructure

IRU supports the Government's 2015 National Innovation and Science Agenda (NISA) with a key challenge being the extent to which it has managed to generate innovation across Australia, harnessing Australia's full innovation potential.

One element of NISA investment was to provide ongoing support for the National Collaborative Research Infrastructure Strategy (NCRIS) facilities developed since 2005. However, there is no scope to create new facilities and resources targeting developing research needs. The long-term funding challenge for Australia's research infrastructure remains.

The *Research Infrastructure Review* report recommends a \$3.7 billion up-front capital injection to support the major national research infrastructure. The plan for such investment has been set out in the Government's National Research Infrastructure Roadmap. The remaining funds in the EIF could provide the needed resource to implement the Roadmap over the coming decade.

Table One: IRU members revenue and expenditure 2010 to 2015 (\$'000)

IRU Group Revenue	2010	2011	2012	2013	2014	2015	Change 2010 to 2015
Australian Government Grants	\$1,091,529	\$1,127,150	\$1,207,852	\$1,186,201	\$1,285,569	\$1,270,068	16%
Student Contributions	\$896,717	\$910,850	\$992,940	\$1,119,734	\$1,202,164	\$1,269,292	42%
Contracts, Royalties, Trademarks and Licenses	\$161,070	\$184,065	\$183,495	\$190,608	\$178,615	\$168,624	5%
Other Income	\$415,640	\$444,832	\$458,570	\$452,270	\$427,198	\$406,727	-2%
Total Revenues from Continuing Operations	\$2,564,956	\$2,666,897	\$2,842,857	\$2,948,813	\$3,093,546	\$3,114,711	21%
Percentage of revenue per Category							
Australian Government Grants	43%	42%	42%	40%	42%	41%	
Student Contributions	35%	34%	35%	38%	39%	41%	
Contracts, Royalties, Trademarks and Licenses	6%	7%	6%	6%	6%	5%	
Other Income	16%	17%	16%	15%	14%	13%	
Total Revenues from Continuing Operations	100%	100%	100%	100%	100%	100%	
IRU Group Expenditure	2010	2011	2012	2013	2014	2015	Change 2010 to 2015
Academic Employee Benefits	\$706,019	\$773,640	\$827,204	\$864,128	\$909,105	\$888,182	26%
Non-Academic Employee Benefits	\$653,747	\$677,490	\$729,978	\$780,137	\$836,471	\$838,105	28%
Depreciation and Amortisation	\$118,685	\$131,259	\$143,467	\$158,889	\$179,870	\$231,997	95%
Maintenance, Impairment of Assets & Finance Costs	\$81,263	\$70,796	\$76,258	\$88,888	\$84,959	\$98,081	21%
Other Expenses	\$673,567	\$710,257	\$780,939	\$838,021	\$900,171	\$915,919	36%
Total Expenses from Continuing Operations	\$2,233,281	\$2,363,442	\$2,557,846	\$2,730,063	\$2,910,576	\$2,972,284	33%
Percentage of expenditure per Category							
Academic Employee Benefits	32%	33%	32%	32%	31%	30%	
Non-Academic Employee Benefits	29%	29%	29%	29%	29%	28%	
Depreciation and Amortisation	5%	6%	6%	6%	6%	8%	
Maintenance, Impairment of Assets & Finance Costs	4%	3%	3%	3%	3%	3%	
Other Expenses	30%	30%	31%	31%	31%	31%	
Total Expenses from Continuing Operations	100%	100%	100%	100%	100%	100%	
Balance	\$331,675	\$303,455	\$285,011	\$218,750	\$182,970	\$142,427	
Balance as percentage of revenue	13%	11%	10%	7%	6%	5%	

Source: Higher Education Financial Report, 2010 to 2015, Department of Education and Training

Effective universities across the whole of Australia

Australia needs multiple sites of research excellence. IRU members are critical to the building of regional education and research systems across Australia. To enhance and grow regional research its systems must be robust and world-class. Enabling valuable research to be conducted throughout the nation, not just in city-centric enclaves, must be a priority commitment, not just an aspirational one.

IRU members teach 18% of all students in regional campuses across Australia, a significant student cohort that requires dedicated research facilities and opportunities. Through our research, we contribute to the building of regional research systems across Australia. The impact on regional communities is significant where their universities have the research infrastructure to win grants and tap into research funds such as the Medical Research Future Fund (MRFF).

A challenge of Government is to develop regional capacity and ensure a truly national research system with benefits shared with industries and communities. In short, a commitment to evening up the playing field and ensuring community and education services are of a comparable standard across our nation.

The infrastructure challenge is particularly acute, with few options to raise funds. An effective, intentional national approach to hosting of the research facilities planned in the Roadmap is part of the solution. The loss of the remaining EIF funds will hinder the universities capacity to deliver across Australia.

Conclusion

The EIF should be retained for vital investment in higher education and research infrastructure. To abolish this fund would damage the nation's education and research capability and innovation momentum now and into the future. It would be a short-sighted act with long-term adverse consequences.

The key to Australia positioning itself as an innovation driven knowledge economy, hinges on our capacity to deliver world-class research and innovation. Without new and expanding infrastructure our university sector will lose touch internationally diminishing our return from global knowledge development.

8 September 2017