

Australian Catholic University

Submission to the Senate Economics Legislation Committee

Inquiry into the Medicare Levy Amendment (National Disability Insurance Scheme Funding) Bill 2017 and 10 Related Bills

September 2017

Australian Catholic University (ACU) Submission to the Senate Economics Legislation Committee Inquiry into the Medicare Levy Amendment (National Disability Insurance Scheme Funding) Bill 2017 and 10 Related Bills

Australian Catholic University (ACU) welcomes the opportunity to make a submission to the Senate Economics Legislation Committee in relation to its inquiry into the Medicare Levy Amendment (National Disability Insurance Scheme Funding) Bill 2017 and 10 related bills.

ACU writes to address the Nation-building Funds Repeal (National Disability Insurance Scheme Funding) Bill 2017. This Bill proposes to repeal the *Nation-building Funds Act 2008* and thereby abolish the Education Investment Fund (EIF).

ACU recommends that the Senate **reject** the Bill, given the critical importance of university infrastructure for the quality of university teaching and research, and in light of concurrent efforts by the Government to cut university funding by nearly \$2 billion.

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 over 35,000 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 runs seven flagship research institutes, which produce world-class output and support higher degree research candidates.

ACU is in the slightly unusual position of having received no funding from the EIF – one of only four public universities in Australia that have not benefitted from the fund. 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 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.

This submission therefore reflects ACU's experience in building university infrastructure without support from the EIF. ACU nevertheless 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 a challenging period for the university sector.

The critical role of university infrastructure

As a direct result of the EIF, Australia's universities have made substantial improvements to their physical infrastructure over the last eight years.¹ It is important to understand that the delivery of

¹ For information on the types of projects that have been funded under the EIF, see Department of Education and Training, 'Education Investment Fund', at <https://www.education.gov.au/education-investment-fund>; Department of Education and Training, '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 and Training, 'EIF Support for Clean Energy Research Infrastructure', at <https://www.education.gov.au/eif-support-clean-energy-research-infrastructure>

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 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.

ACU has been one of the greatest beneficiaries of the demand driven system, measured in terms of the increase in enrolments in the period 2011-2016, from 22,800 to 33,700 students. While this leap in enrolments generated greater income for ACU, it created a concomitant need for new facilities to service a significantly larger student body. In tandem with the increase in student numbers, ACU has pursued a research intensification strategy, to improve the quality and impact of research. This drive to build research capacity has required investment in work spaces and facilities for staff and postgraduate students.

The demand driven system has provided Australian universities with the opportunity to create larger, more diverse communities of students, and to develop the next generation of skilled professionals. Many universities, like ACU, have embraced this opportunity. With expansion, however, comes the responsibility to deliver high-quality teaching and learning infrastructure for all students and staff. University infrastructure is therefore not an ‘addendum’ to the current debate over higher education funding cuts and the future of the demand driven system – it is integral to it, and should be considered by the Senate as such.

The future of university infrastructure funding

If Parliament were to pass the Nation-building Funds Repeal (National Disability Insurance Scheme Funding) Bill 2017, infrastructure would become less attainable for many universities. There are two reasons for this: first, the difficulties involved in accessing infrastructure finance; and second, the effects of the Government’s proposal to cut nearly \$2 billion from university budgets via the Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017 (the Higher Education Support Bill).

In July 2017, ACU became the first university in the world to raise investor funds through the issue of Sustainability Bonds.² 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. Not every university will be able to pursue innovative sources of capital finance. Several Australian universities are currently in deficit, with consequences for their ability to secure or finance loans for infrastructure development. Yet every university requires infrastructure in order to deliver high-quality teaching and research.

The effects of abolishing the EIF would be magnified by another bill currently before the Parliament: the Higher Education Support Bill. If this bill passes, funding to universities will be cut by nearly \$2 billion. In the absence of EIF contributions towards infrastructure development, universities will be forced to ‘slice the cake’ even more finely, with less funds divided not only between existing teaching, learning and research commitments but also to capital works.

² 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/>.

If both bills were passed by the Senate, universities would face the prospect of delivering (measurably) high-quality services to students, while funding some research activities, and all of their capital works requirements, from a significantly reduced budget.

It is also important to recognise the significance of university infrastructure for the international student market. International students account for more than 26% of all students in Australia, an export stream of over \$24 billion annually. 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 infrastructure.

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 uncertainty faced by the sector. The management of long-term assets will become increasingly difficult if further cuts to Commonwealth funding of universities proceed.

ACU urges the Senate to reject the Nation-building Funds Repeal (National Disability Insurance Scheme Funding) Bill 2017, insofar as it proposes to terminate the EIF. The EIF is an especially important source of infrastructure funding at a time when the Commonwealth proposes to cut other sources of funds.