



6 September 2017

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Flinders University submission to the Senate Standing Committee of Economics inquiry into the *Medicare Levy Amendment (National Disability Insurance Scheme Funding) Bill 2017* and 10 related Bills [Provisions].

Executive Summary

The Education Investment Fund (EIF) has been an important source of infrastructure funding for the Australian University Sector and Flinders University opposes the passage of the *Nation-Building Funds Repeal (National Disability Insurance Scheme Funding) Bill 2017*.

The University acknowledges that the National Disability Insurance Scheme is an important priority. However, so too is the need to create and develop innovative, world-class infrastructure that bolsters the high quality education and research required of Australian universities and enhances their international competitiveness.

The critical importance of investment in research infrastructure has been identified by a number of recent reviews, including the *Review of Research Infrastructure (2015)* and the *National Research Infrastructure Roadmap (2016)*. The benefits of investment in relevant infrastructure relate not only to the ongoing provision of high quality research and education, but also wider community benefits such as the creation of direct and indirect jobs (including in construction), economic growth and export earnings from international education that support industries such as travel and tourism, retail and student accommodation.

As highlighted in the recent submission by Flinders University to the Senate Committee on Education and Employment, the Higher Education Reform measures as currently proposed will reduce Commonwealth Grant Scheme (CGS) funding and significantly impact the ability of universities to generate surplus budgets to provide for infrastructure and capital projects. The loss of EIF would further compound the inability of the higher education sector to invest in significant capital infrastructure.

Therefore, Flinders University strongly recommends that:

1. The Senate oppose the passage of the *Nation-Building Funds Repeal (National Disability Insurance Scheme Funding) Bill 2017*, and;
2. The remaining uncommitted capital within the Education Investment Fund (EIF) be retained for its original purpose of co-investment by the Federal Government in significant education-related infrastructure.

This submission is intended to complement the submissions from Universities Australia and the Innovative Research Universities Group (IRU). The comments from Flinders University are confined to the *Nation-Building Funds Repeal (National Disability Insurance Scheme Funding) Bill 2017*.



Key points

The Education Investment Fund (EIF) was established by the *Nation-building Funds Act 2008* announced in the 2008-09 Federal Budget. An initial contribution of \$6 billion was transferred from the previous Higher Education Endowment Fund (HEEF), which was generated from Federal Budget surpluses.

The Department of Finance¹ highlights that following its establishment more than 100 infrastructure projects received co-investment from the EIF capital. Around \$4.2 billion in commitments have been provided from EIF.

Following the closure of EIF as of 1 January 2015 the remaining capital has been overseen by the Future Fund Board of Guardians. The Future Fund portfolio update of 30 June 2017² indicates a remaining EIF balance of \$3.8 billion. In the previous 12 months, the EIF funds generated a return of 2.4% through investment in short and medium term debt instruments.

Flinders University would support the \$3.8 billion in capital held within the EIF Nation-Building Fund being returned for co-investment by the Federal Government in the creation and development of higher education infrastructure, research infrastructure and other eligible education infrastructure to generate substantially higher returns for universities, government and the broader community.

Impact on research excellence and high-quality, innovative education

There is significant support for the use of EIF capital to maintain and bolster investment in research infrastructure as well innovative, world-class educational facilities. For example, in 2015 the *Review of Research Infrastructure*³ for the Federal Government led by Philip Marcus Clark AM highlighted the need for \$6.6 billion investment in research infrastructure over the next decade.

The Review highlighted the critical importance of research and innovation and the need for high-quality infrastructure to underpin future success. The Review also highlighted the role of research infrastructure investment in generating jobs, economic growth and improving international competitiveness. The Review recommended the establishment of Australian National Research Infrastructure Fund (ANRIF) as a dedicated fund to support relevant investments. An option for funding the ANRIF raised in the Review of Research Infrastructure report was to transfer the unallocated balance of the EIF (Section 6.4, Recommendation 10).

The importance of infrastructure was similarly highlighted in the *2016 National Research Infrastructure Roadmap*⁴. The Innovative Research Universities (IRU) group, of which Flinders University is a member, indicated its support for the nine overarching recommendations but highlighted that a key issue⁵ remained, being:

¹ Department of Finance: <http://www.finance.gov.au/investment-funds/NBF/> and <https://www.finance.gov.au/sites/default/files/eif-live-list-of-infrastructure-projects.pdf> both websites accessed September 2017

² Future Fund Portfolio Update as at 30 June 2017 <http://www.futurefund.gov.au/investment/investment-performance/portfolio-updates> website accessed September 2017

³ 2015, *Review of Research Infrastructure*, Department of Education and Training website:

https://docs.education.gov.au/system/files/doc/other/research_infrastructure_review.pdf, accessed September 2017

⁴ 2017, *National Research Infrastructure Roadmap*, Department of Education and Training website:

<https://www.education.gov.au/2016-national-research-infrastructure-roadmap>, accessed September 2017

⁵ January 2017, *Long-term funding is the missing piece of the Research Infrastructure puzzle: IRU's response to the 2016 Draft National Research Infrastructure Roadmap*, Innovative Research Universities Group

https://www.iru.edu.au/policy_submissions/long-term-funding-missing-piece-research-infrastructure-puzzle-irus-response-2016-draft-national-research-infrastructure-roadmap/ website accessed September 2017



'Long-term funding is the missing piece of the Research Infrastructure puzzle. For this Roadmap exercise to be meaningful, the Government must resolve the Funding issue. The \$3.7 billion from the Education Investment Fund (EIF) should be part of the equation.'

Australian universities require infrastructure that enables ongoing provision of world-class higher education to domestic students and to sustainably maintain our share of the international education market.

Impact on future capital infrastructure projects, job creation and economic growth

With the closure of EIF in 2015, some universities have funded capital infrastructure by generating operating surpluses. The IRU reports that between 2010 and 2015 IRU members' annual surpluses dropped from 13 percent to 5 percent as the universities invested in having the facilities students and researchers will need in 2021⁶.

Flinders University targets an annual operating surplus margin of 5 percent. In 2015 Flinders achieved a margin of 3.1 percent and the financial surplus amounted to \$14.1 million. Flinders University has recently reinvested \$180 million in capital from its balance sheet in two key infrastructure initiatives;

- Our cutting-edge building within the Tonsley Innovation District in 2015 containing state-of-the-art laboratories that is home to our STEM disciplines and our start-up incubator and accelerator program (New Venture Institute), and;
- Our innovative new Student Hub and Plaza in 2016 which received national acclaim.

The development of the Student Hub and Tonsley buildings created 250 direct jobs through construction and a further 750 indirect jobs for the South Australian economy, and have been beneficial in sustainably attracting the best and brightest domestic and international students to Flinders University.

Flinders University was founded in 1966, and as such the majority of our buildings and infrastructure are more than 50 years old. Therefore the ongoing capacity to reinvest and modernise infrastructure is essential if the University is to remain competitive in the global higher education market.

However amongst the proposed savings measures in the Higher Education Reform Package is an efficiency dividend that would result in a 2.8 percent reduction in Commonwealth Grant Scheme (CGS) funding for Australian universities, equating to \$2.8 billion in cuts from 2018 to 2021.

The impact of the proposed efficiency dividend would be to reduce revenue received by Flinders by \$8 million per annum. IRU member universities will lose \$49 million per annum through this cut to CGS funding alone.

The repeal of the EIF Nation-Building Fund and the removal of capital infrastructure funding will increase the already significant impact of the proposed efficiency dividend and other measures in the *Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017* and will significantly reduce the ability of the University to fund capital infrastructure.

⁶ August 2017, *A Dodgy Chart Does Not a Good Case Make*, Innovative Research Universities Network
https://www.iru.edu.au/policy_submissions/dodgy-chart-not-good-case-make/ website accessed September 2017



Impact on international education export earnings

Australian universities have a global reputation as being world-class providers of high quality teaching and research. International education is currently the third largest export earner in Australia.

The South Australian Government commissioned Deloitte Access Economics to undertake an analysis of the value of the international education market. The analysis⁷ found that:

- International education is the largest service export in South Australia and generated \$1.2 billion from education fees as well as other goods and services such as accommodation and retail;
- the international education and training sector sustained a workforce of 7,536 full time equivalent jobs in 2015, or 1.1% of the South Australian workforce;
- One enrolment in higher education contributes \$43,700 in total value added and 0.33 FTE jobs in South Australia.

The ongoing international competitiveness of Australia as a global leader in international education will require investment in innovative, world-class education and research infrastructure.

Sustainable, longer-term funding for capital infrastructure is therefore essential and Flinders University strongly recommends that the EIF capital is retained for the purposes of co-investment by the Federal Government in the creation and development of significant education and research infrastructure.

⁷ July 2016, *International Education in South Australia*, Deloitte Access Economics, commissioned by the Department of State Development, pg. 5