



4 June 2014

Senate Finance and Public Administration Committee
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Canberra ACT 2600
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To whom it may concern

Please find the following submission by the **Australian Technology Network of Universities (ATN)** to the Asset Recycling Fund Bill 2014 inquiry.

By way of background, the ATN consists of five leading Australian universities. Together we teach around a quarter of a million higher education students at our campuses in Australia and across the globe. Combined the ATN invests more than a billion dollars on research and development each year, much of it directed at the needs of industry.

Our ongoing investment in research and development is reliant on modern research infrastructure that has been funded in recent years by distributions from the Education Investment Fund (EIF). However the EIF will be wound up with the creation of the Asset Recycling Fund (ARF) from 1 July 2014.

In our submission, the ATN strongly recommends that:

1. ARF investment in national-scale, strategically important research infrastructure be legislated following the abolition of the Education Investment Fund (EIF);
2. Clear selection and evaluation criteria for infrastructure projects be developed to ensure national-scale research infrastructure projects are given equal consideration with other infrastructure projects in ARF funding decisions by government; and,
3. Recommendations for infrastructure projects should be a broader government decision rather than at a Ministerial level to ensure the needs of industry and the wider community are considered.

Yours sincerely

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ATN submission to the Asset Recycling Fund Bill 2014 (the Bill)

The Asset Recycling Fund (ARF) will be established from 1 July 2014 to invest in new productivity enhancing infrastructure. The Education Investment Fund (EIF) will cease operation on 31 December 2014.

The ATN is concerned about the continuation of research infrastructure funding from 2015 and the lack of guidance in the Bill as to how future research related infrastructure projects will be prioritised for funding via the ARF. The following recommendations to the Senate Finance and Public Administration Legislation Committee are made by the ATN for the inquiry.

Recommendations

The ATN recommends that:

- 1. ARF investment in national-scale, strategically important research infrastructure be legislated following the abolition of the Education Investment Fund (EIF);**
- 2. Clear selection and evaluation criteria for infrastructure projects be developed to ensure national-scale research infrastructure projects are given equal consideration with other infrastructure projects in ARF funding decisions by government; and,**
- 3. Recommendations for infrastructure projects should be a broader government decision rather than at a Ministerial level to ensure the needs of industry and the wider community are considered.**

These recommendations are detailed further below.

- 1. ARF investment in national-scale, strategically important research infrastructure be legislated following the abolition of the Education Investment Fund (EIF);**

The ARF will start from 1 July 2014 with an initial size of approximately \$5.9 billion, with contributions from:

- uncommitted funds currently in the *Building Australia Fund* (BAF) (around \$2.4 billion); and
- uncommitted funds currently in the *Education Investment Fund* (EIF) (around \$3.5 billion).

The intended purpose of the ARF seems to align with that of the BAF (to build transport infrastructure) and the consolidation of funding appears to enlarge the capital pool of funding for that purpose only. The prioritisation of research and education related infrastructure is not apparent in the Bill; this is despite 59% of the seed capital for the ARF coming from the EIF.

The original \$6.48 Billion Higher Education Endowment Fund (HEEF) established in 2007 by the previous Coalition Government (and has since become the EIF) recognised the national importance of maintaining world class research infrastructure.

In a similar vein, Prime Minister Tony Abbott advocated a five pillar economy for Australia in his 2013 Federal Election campaign. These pillars included 'building a world-class Education and Research sector' in which the Coalition Government would, 'encourage modernisation and the development of world-class Education and Research capabilities and support the use of new technologies, particularly digital and IT.' This would suggest the maintenance of the EIF capital pool for building modern, productive research infrastructure, or at the very least, a commitment for the ARF to prioritise and fund important national research infrastructure in balance with other infrastructure.

Both the 2007 Productivity Commission study into *Public Support for Research and Innovation* and the 2014 *National Commission of Audit Report* highlight the essential contribution of substantial and publicly supported research infrastructure to Australia's research and innovation system. This will continue to be the case in the future in order to conduct and commercialise research in expensive areas such as, for instance, medical health and advanced manufacturing.

EIF funding has been used to develop new research and education infrastructure across universities, VET institutions, research centres and institutes and the CSIRO (pertaining to the SKA). The provision of modern research capabilities comes at a cost. To date 71 infrastructure projects have been funded by EIF to the sum of \$2.4 billion. This included \$643m in funding for pure research infrastructure – not including funding for dual purpose teaching/research infrastructure across a wide range of fields including Medical Research, Science and Engineering since 2008.

National Collaborative Research Infrastructure Strategy (NCRIS) funding has been allocated in the 2014-15 Budget as a one off payment of \$150 million, its future far from assured. The \$1.8 billion in research block grant funding received is largely used to support the indirect costs from the \$1.7 billion received to undertake actual research across Australia. It typically does not include provisions for new infrastructure.

Therefore following the removal of EIF the remaining research funding mechanisms, including research block grant funding, are not sufficient to create world class research infrastructure.

Investment by the Federal Government in strategically important research will continue to be necessary to fill investment gaps where market drivers are not sufficiently incentivised to do so or where the scale of investment required is beyond the capacity of States or universities, even in an environment of fee deregulation.

There will be occasions where larger, consolidated investment in research infrastructure at a national level via the ARF would be more effective and efficiently undertaken than at a State level. Decisions about investment at the State or local level may lead to undesirable duplicated infrastructure expenditure.

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The ATN acknowledge that in the current fiscal environment it is necessary to prioritise national needs over sectorial ones. The onus of investment in smaller scale/institutional research infrastructure can be the domain of universities (in line with their autonomous strategies); however the need for investment national-scale research infrastructure through the ARF should remain a priority for the Government.

Without systematic and sustainable funding for research infrastructure, Australia will not be able to attract the best and brightest researchers in the world, nor commit to significant long term research and commercialisation projects as is done in our competitor economies.

2. Clear selection and evaluation criteria for infrastructure projects be developed to ensure national-scale research infrastructure projects are given equal consideration with other infrastructure projects in ARF funding decisions by government

The BAF has a set of evaluation criteria for projects under s.120 of the *Nation Building Funds Act 2008*. This criterion, protected and enforced via the legislation, ensures expenditure is in line with national priorities, is assessed for potential risks, and that infrastructure funded meets a broader range of requirements including in relation to meeting social needs. The role of Infrastructure Australia in providing advice about potential infrastructure projects provides safeguards and a level of independent analysis to government about the relative merits of projects.

Similarly for the EIF, the EIF Advisory Board provides recommendations to Government about worthy projects to ensure that expenditure of Commonwealth funding is appropriate and that benefits are broadly distributed across VET, universities and government agencies such as the CSIRO.

The ARF Bill currently lacks BAF-like evaluation criteria to guide government decision making. The ATN recommend inclusion of criteria in the Bill that ensures funding for a broader array of infrastructure projects, including research infrastructure. Criteria will assist in the transparency of government decisions and promote due diligence of Commonwealth expenditure.

Written agreements developed between the Commonwealth and recipients of AFR funding could make reference to these criteria, and any other specific clauses required to ensure safeguards for taxpayers are in place.

3. Recommendations for infrastructure projects should be a broader government decision rather than at a Ministerial level to ensure the needs of industry and the wider community are considered

The Bill indicates that The Treasurer and Ministers of Finance and Infrastructure will have a significant voice to recommend infrastructure projects for investment by the

ARF. The Minister for Finance and Infrastructure are currently responsible for decisions around the BAF Fund.

As stated above, the EIF, which currently sits with the Commonwealth Department of Education, is contributing 59% of the initial capital to create the ARF. Additionally the alignment between the choice of infrastructure investment and the current and future needs of industry should be of paramount importance to government. ***Therefore the ATN recommends that a broader range of Ministers, including the Ministers for Education and Industry, be involved in decision making around the infrastructure to be funded via the ARF.***