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Mr John Carter  
Secretary  
Standing Committee on Employment, Workplace Relations and Education  
Parliament House  
Canberra ACT 2600

27 August 2007

Dear Mr Carter

***Inquiry into the Higher Education Endowment Fund Bill 2007***

Thank you for the opportunity for the Federation of Australian Scientific and Technological Societies (FASTS) to comment on the *Higher Education Endowment Fund Bill 2007* (HEEF Bill).

FASTS strongly supports additional funding for capital and research infrastructure for Australian universities.

The establishment of the \$5 billion HEEF fund in the May budget, and the additional \$1 billion announced on the 21<sup>st</sup> of August, is likely to provide a funding stream of approximately \$300 - \$450m pa.

This is a welcome investment and will help universities provide appropriate, practical and competitive infrastructure.

In our experience, there has been a steady decline in the quality of teaching, learning and research infrastructure across the sector. Indeed, as DEST pointed out in their submission to the recent productivity commission inquiry into *Public Support for Science and Innovation*, estimates of deferred maintenance in 2005 were \$1.5 billion (and that figure is certainly higher now).<sup>1</sup>

This decline needs to be understood against the international backdrop of major new investments in universities and research notably in China and India but also in most OECD countries.

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<sup>1</sup> DEST, *Response to the Productivity Commission's Draft Research Report on Public Support for Science and Innovation*, (Submission NO. DR205), p. 5

While FASTS welcomes the creation of HEEF, we are concerned with a number of elements in the current legislation, including,

- Excessive power residing with the Minister to control all stages of the granting process from selection of advisory board, selection criteria for grants and capacity to select grants.
- Lack of clarity as to relationship between HEEF grants and other programs including NCRIS, and
- Potential high level of uncertainty for universities resulting in short or opportunistic planning horizons.

FASTS submits that in its current form, the Fund runs a risk of lacking credibility and accountability in the sector and wider community by becoming, in effect, a significant slush fund for Ministerial pork-barrelling.

Moreover, FASTS are concerned that future Governments or Ministers will use the existence of HEEF as a reason to cut back other programs such that over time HEEF does not provide additional funding but is used in whole or part as replacement funding. This eventuality cannot be legislated for, but FASTS will expect all political parties to recognise and honour the intent that HEEF provide additional funding.

### **Power of Minister**

The intent of s40 of the Bill is to give the Minister control of all stages of the grant process including selecting the Advisory Board (s40(2)), terminating members of the Board (s40(3)), giving directions (s40(4)) and authorising grants to eligible higher education institutions (s45). The only constraint is the quantum of funding available (s.46(1) & (2))

While directions and grant decisions are to be tabled, these are not disallowable instruments, and, more to the point, there is no requirement that the Advisory Board's recommendations or any variations to those recommendations are made public.

FASTS believes this is not a good governance model and recommends the legislation be amended to ensure the Minister makes public both Advisory Board recommendations and significant Ministerial variances from this advice.

There is no direction in the legislation as to the make-up of the Advisory Board. While FASTS does not support overly prescriptive requirements on the make up of Advisory Boards, we do believe that it should contain sufficient diversity of expertise to ensure the prospect of a credible process. FASTS believe merit and expertise should be the key determinants as distinct from a representative or formulaic structure giving representation to formal university groupings.

### **Clarity of Program**

In the Minister's second reading speech, it was stated that "the Endowment Fund is in addition to existing programs and serves a very different purpose".

While allocation is clearly different from other programs it is not clear to FASTS how grants made under the HEEF will differ from existing programs like NCRIS. Will they, for instance, be targeted at 'gaps' in existing programs? Will grants need to be collaborative? Will research infrastructure, for example, have financial limits such as over or under \$5m?

Such criteria will need to be spelt out prior to any funding rounds.

### **Allocation of Funds**

FASTS believes that competitive grants from the fund should have a strategic focus – including enhancing institutional differentiation/diversity; supporting research in niche areas, such as taxonomy, that otherwise may not be supported by existing National Competitive Grants Schemes; providing specialised teaching and learning environments; investments in 'proof of concept' infrastructure and so forth.

There is a risk though, that a series of annual, competitive project grants will lead to opportunistic planning and short horizons in universities rather than strategic investments.

Therefore, FASTS believes that it is a good idea to have two streams of grants. Perhaps 50% of the available allocation could be provided as a block grant determined by a composite formula including;

- a) student load and/or student load in national priority areas (thus reinforcing that teaching and learning are part of the ambit of HEEF), and
- b) success in the IGS/RTS (or, when implemented, the RQF) and National Competitive Grants.

This component of HEEF grants will mean institutions will have some notion of likely income in the medium term and will be better placed to make thoughtful investments.

Institutions should, however, be required to provide a succinct plan and identify relevant outcomes to demonstrate how this component of the HEEF grant is to be spent and the Minister should have the power to withdraw block grants allocated under HEEF if institutions fail to provide adequate plans or accounting of the block grant.

The balance of the HEEF allocation should be for competitive grants for capital and research projects. To ensure proper process, publication of consistent, clear selection criteria will need to be publicly available well before each selection round.

FASTS believes it is a good idea to hold two selection rounds per annum to provide for more agile and responsive actions from institutions.

Additional advantages of having two methods of allocation resources include:

- less work for the Advisory Board in making allocation recommendations, and
- reduced concern that decisions will be politicised.

**Future Fund Board to Manage HEEF**

FASTS have no issues with HEEF being managed by the Future Fund Board of Guardians or the provisions for the Treasurer and Minister for Finance and Administration to provide an investment mandate for HEEF.

**Capacity to direct funds for a specific institution**

FASTS do not have a strong view on whether private individuals or firms should be able to specify which institutions can receive funding if they make a gift to the HEEF. To the extent that gifts can already be made directly to institutions and receive tax deductability it is not clear why it is necessary to direct earnings from Gifts to HEEF (if a donor does not trust an institution to run an endowment why make a grant in the first place?).

Please do not hesitate to contact me if the FASTS can assist the committee on its consideration of this legislation.

Yours sincerely

Bradley Smith  
Executive Director