



Australian Vice-Chancellors' Committee
the council of Australia's university presidents
(ACN 008 502 930 - ABN 53 008 502 930)

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30 April 2006

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

Email: eet.sen@aph.gov.au

Dear John

**Australian Vice-Chancellors' Committee Submission to the Inquiry into the provisions of the
*Australian Research Council Amendment Bill 2006***

The Australian Vice-Chancellors' Committee (AVCC) is pleased to provide this submission to the Senate's Employment, Workplace Relations and Education Legislation Committee's Inquiry into the provisions of the *Australian Research Council Amendment Bill 2006*.

Background

The AVCC values the role played by the Australian Research Council (ARC) in building Australia's capacity for social and economic well-being through the funding of research projects. The ARC fosters excellence, partnerships and research training in all fields of science, social sciences and the humanities. The ARC provides advice to government on investment in the national research effort. The ARC fosters excellence in research and research training in all fields of industry, government, community organisations and the international community.

Under arrangements that have been in place until now, the Board of the ARC made recommendations to the Minister on the basis of advice received from the College of Experts. The College of Experts developed its advice through a peer review process. Recommendations by the ARC in relation to approval of proposals must not be made unless approved by the Board and the final decision about which projects to fund rested with the Minister under clause 52 of the existing Act.

AVCC Concerns with the Existing Governance Structure

In the past the AVCC has been concerned that the ARC was subject to intervention by the Minister of the Day, who had the ability to use this legislative right to veto certain grant applications. Concerns in this regard related in particular to the fact that such decisions were not transparent and were not accountable in any way to the ARC's stakeholders. The development of a Quality and Scrutiny Committee in 2005 by the former Minister included a number of lay members, and further brought issues of transparency into the spotlight, as it was not clear to the researchers submitting applications, and to the general public, what role the Quality and Scrutiny Committee played in advising the Minister in the grant approval process

The AVCC'S concerns regarding the governance structure were therefore solely in relation to the matter of political interference. The AVCC remains strongly opposed to decisions made concerning the awarding of research funding where the process is unclear or there is a potential for external

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interference where that interference is tangential and potentially irrelevant to the proper processes expected for grant funding. The AVCC therefore supports a governance structure that has a clear and definite delineation between the board, CEO and external funding processes.

Changes Proposed Under the Bill

The proposed changes involve abolishing the existing Board, creating direct reporting for the CEO to the Minister and establishing a system of advisory committees while retaining the College of Experts. The role of the 'Advisory Committee' is to provide advice to the CEO on 'research matters', although precisely what this means is unclear. The College of Experts will continue to provide advice to the CEO on which projects to fund. The Bill maintains the peer review process through the College of Experts. The AVCC strongly supports the retention of this peer review process as it is crucial for the maintenance of the research community's faith in the funding processes. The Bill currently reads that the Minister will appoint the College of Experts. The AVCC does not support this and the Bill should be amended so that it is the CEO who appoints the College of experts subject to approval by the Minister.

AVCC concerns about the proposed changes

- **Removal of the Board of Directors**

The existing Board of Directors is comprised of a number of eminent Australians in both the business and academic sectors with skills and experience in education, research, business and government. The Bill proposes the abolition of the Board so as to remove the potential for confusion between the responsibilities of the ARC Board and those of the CEO.

The AVCC rejects this notion of confusion because effective governance arrangements require clarity in roles and responsibilities between the governing body and CEO, not legislation introduced to remove any confusion. The contemporary understanding of effective governance arrangements is that the role of a board is to provide leadership concerning the organisation, assure accountability for decisions arising and advise the CEO on matters of strategic importance; whereas the role of the CEO is implement such directions howsoever he or she may see fit. There is therefore a separation between governance and process. The AVCC is therefore opposed to the proposed removal of the ARC Board on the basis that the existence of the Board provided a degree of independence in the assessment and ranking processes concerned with funding the national research effort, and through its' removal, the AVCC is concerned that there will be a perceived reduction in the integrity of the grant approval processes.

- **Statement of Expectations to the ARC's CEO**

In the second reading speech the Minister has indicated that the changes will enable enhanced governance arrangements to be complemented by other changes. One of these changes is the issuing of a statement of expectations to the ARC's CEO to outline the government's objectives relevant to the authority as well as any broad expectations for the ARC itself. The AVCC views this proposal as a helpful to the strategic planning processes of the ARC but is concerned that it represents a further intrusion to the management of the ARC.

- **Establishment of Designated Committees**

The AVCC is concerned particularly about Part 4 of the Bill which establishes designated committees. The AVCC's concern relates specifically to the fact that the Minister will have unprecedented control over the work of these committees.

Under section 30, the Minister will establish and dissolve any committees at any time. Under section 31 (1) the Minister will determine the function of any such committees, and under section 31 (2) 'the committee[s] must comply with any direction given to the committee by the Minister.' Thus the Minister has total control over the committee membership, over what tasks they will carry out, and over how they will carry them out. The only limitation included is that the Minister must, in appointing members, 'try to ensure that the composition of the committee reflects the diversity of interests' of relevance to the Committee. As this is the sole limitation to the Minister's power over the Committee, the AVCC is concerned that there may not be sufficient diversity in that selection process to ensure fair and reasonable advice is provided to the CEO.

The AVCC has no in-principle objection to the establishment of an Advisory Committee to support the capacity for the CEO to harvest ideas if the ARC Board is abolished. The AVCC recommends that this committee be structured so as to ensure that any such advice is consistent with the mission and objectives of the ARC and is both fair and equitable to ARC's stakeholders. It would especially need to be able to provide fair and reasonable advice on issues such as emerging research opportunities in disciplines or cross-discipline areas.

- **Power of Inquiry**

The Bill proposes to remove the capacity for the ARC to initiate its own inquiries with that function to become the responsibility of the Minister. The AVCC understands that with the underlying intention of the Bill aimed at improving processes and expediting research funding to the Australian research community, the removal of the power of inquiry is designed to achieve that aim. However, this power is a function of the ARC that is seen as a proper additional process for maintaining the independence of the advice provided by the ARC on grant funding. Closer consideration should therefore be afforded to how this function can effectively and legitimately be included in the new Bill.

- **Increase to Funding Cap**

The Bill increases the overall appropriation by \$572m as a result of the indexation of existing grant funding and the extension of the funding cap to include the final year of the 2005-06 forward estimates period (2008-09). The AVCC supports the increase in funding.

Please do not hesitate to contact on (02) 6285 8204 if you wish to seek further evidence from the AVCC.

Yours sincerely



John Mullarvey
Chief Executive Officer