

# **Evaluation Report**

## **Establishment of the United States Studies Centre**

Prepared by  
The Hon. John Brumby, former Premier of Victoria  
Professor Peter Sheehan, Centre for Strategic Economic Studies

April 2012

## 1. The Review Task

Under an agreement dated 27 June 2006 between the Commonwealth of Australia and the American Australian Association Limited (AAA), with a Deed of Variation signed on 14 May 2007, the Australian Government charged AAA to carry out a Project to establish a United States Studies Centre at a major Australian university and to fund other select institutions to carry out activities consistent with the Centre's objectives. The Government provided funding of \$25 million to AAA for the purposes of the Project.

The objectives of the Centre under the agreement are to:

- deepen the appreciation and understanding of the United States' culture, political climate and government and strengthen the relationship between both countries;
- complement and provide leadership on current Australian-United States educational endeavours;
- increase the awareness of the study of American politics and government;
- promote collaborative research between institutions in Australia and the United States; and
- operate as a think tank for the Australian-American relationship.

The agreement between the Australian Government and AAA provides that, before 30 September 2012, AAA will commission and provide to the Government an independent Evaluation Report of its performance of the Project. This report must include the result of a review and evaluation of:

- the success of the Project in establishing the Centre in accordance with the agreement and meeting the Centre's objectives;
- the success of the Project in supporting the activities of the Centre and other activities provided for in the agreement;
- the success of the Project in securing Third Party Contributions and other on-going or in-kind support from sources other than the Commonwealth;
- the future capacity of the Project to deliver on the objectives outlined in the Funding Agreement; and
- the future and ongoing financial viability of the American Australian Association – Australia.

This independent report is submitted at the request of AAA and in fulfilment of the requirement for an Evaluation Report.

## 2. Key Findings

### *Successful establishment of the United States Studies Centre (USSC)*

After entering into an agreement with the Australian Government on 27 June 2006 regarding funding for the establishment of a United States Studies Centre (USSC), the American Australian Association (AAA) acted expeditiously to establish such a Centre. Through a competitive process open to all major universities in Australia, with bids submitted in September 2006, the University of Sydney was selected as the host university.<sup>1</sup> A Host University Agreement was negotiated with the University of Sydney and was signed on 10 November 2006. USSC was registered as a company limited by guarantee on 1 February 2007, with a Board consisting of equal numbers of directors nominated by AAA and the University of Sydney. The operation of USSC began formally in February 2007, and the founding CEO (Professor Geoffrey Garrett) took up his appointment on 1 April 2008. The Board and the CEO have moved quickly to establish USSC as an independent centre well integrated into the University of Sydney. To date AAA, with support from the Board and staff of USSC, has raised funds of approximately \$21 million from the University, the New South Wales Government and private sources, to substantially match the \$25 million contribution from the Australian Government.

In the short time since its establishment, USSC has performed strongly in achieving most of its overall performance objectives and specific program deliverables. In particular, USSC has established an excellent communications program and has a powerful media presence, and has become an important source of information within Australia on US issues. It has provided thought leadership on these issues in a balanced and considered way, and has contributed significantly to the understanding and advancement within Australia of the US-Australia relationship. USSC has developed strong partnerships with the private sector, both in the US and in Australia, and with leading American academics and universities. Some of its programs bringing together academic and business leaders in the two countries to address important policy issues show great promise. USSC has also succeeded in developing a sound position at the University of Sydney, with good working relations with relevant faculties, and has built a strong undergraduate student program with about 800 students taking USSC courses in 2011, including some postgraduate programs.

While the overall performance of USSC has been very strong, not all objectives laid out in the original proposal by the University of Sydney and in the agreement between AAA and the University have been met. In particular – in spite of an impressive postdoctoral program, some major research training initiatives and some growing domestic research and research training capability – USSC has not yet developed a strong in-house academic research capability able to lead research in Australia on key issues and to raise significant research funding through standard academic sources. In

---

<sup>1</sup> It should be noted that one of the authors of this report (Professor Sheehan) was a member of the selection panel for the USSC, while the other (Mr Brumby), as the then Premier of Victoria, had offered financial support to a proposal from the University of Melbourne that was not successful.

addition, while USSC has had some outreach to other states and cities, it remains strongly Sydney-based, exerting a national influence from that Sydney base. Nor has it yet achieved a financial base and an operating model to sustain its activities on an ongoing basis, appropriately balancing earned income and reliance on member's funds.

The success of USSC to date can be ascribed to several factors. These include the strong initial funding provided by the Australian Government; the effective role undertaken by AAA and the Board of USSC in establishing the centre, in building strong networks and stakeholders both in Australia and abroad, and in raising further funds; and the exceptional leadership provided to USSC by the CEO and COO Dr Sean Gallagher, together with the cooperative relationship that has been developed between USSC and the University of Sydney, including the Faculty of Arts and Social Sciences and the Business School. Most of the benefits provided by USSC – such as providing a deeper knowledge base to underpin the US-Australia relationship and contributing to policy development – are public goods. While private support to achieve these benefits is welcome, their public nature provides a strong justification for Government support.

### *Issues for the future development of USSC*

After a rapid and successful development phase, several issues need to be addressed to ensure the continued success of USSC on an ongoing basis.

- (i) *Redirection of resources to broader capacity building.* To build the Centre and create a national profile, much of the untied resources available to USSC have been devoted to administration, communications and outreach. In 2011 about 75% of core funding was used for these purposes, and the budget provides for about 95% to be so used in 2012 (see Table 3 below). These activities have been highly successful, and the initial concentration of untied resources on these programs was appropriate. But now that the Centre's profile is widely acknowledged and its outreach activities well established, substantial economies should be possible in these areas, freeing up funds to build the capacity of USSC in other areas.
- (ii) *Building stronger research capability on the ground at USSC.* One area to which additional funding needs to be devoted is building a stronger research capability on the ground at USSC. Both the postdoctoral program and the visitor programs have been highly successful in bringing US academics of the highest quality to USSC for limited periods. There have been strong benefits from these programs, in terms of outreach, links with others researchers in the University of Sydney and through publications. But there has been only modest growth in continuing research capability at USSC in priority areas. In our view, further investment should be made in building such capability in terms of full-time researchers, drawing on the success of the visitor programs and on cooperation with other Australian researchers. This would allow USSC to move from commenting on and interpreting emerging trends related to the US-Australia relationship to providing new knowledge to shape the policy agenda for this relationship.

- (iii) *Developing earned income sources from research and research training.* Most of USSC's funds to date have come from member contributions or from government and business contributions for particular projects. While gaining significant revenue through undergraduate teaching, USSC has as yet limited capacity to earn its own revenue, from standard academic sources, for research and research training. Substantial ongoing revenues from this source were a feature of the original University of Sydney bid, and increased focus on earned research income is required. While such revenues might be sourced from a range of Australian and international programs, it would be appropriate for USSC to be eligible to compete, on an equal basis with other research groups in Australian universities, for Australian Research Council funding for particular projects. It would also be appropriate for research undertaken at USSC to be eligible for inclusion as part of the research income of the University of Sydney, for the purpose of calculating the level of research support to the University under the Higher Education Block Grant scheme.
- (iv) *More structured management of the overall Think Tank program.* Through its Think Tank program, including the Alliance 21 project, USSC has demonstrated the powerful role that it can play in bringing together experts from academia and business, from both Australia and USA, to address major policy issues. These programs could have a major impact on policy development and implementation in Australia and elsewhere. But they have emerged on a somewhat opportunistic basis, and further consideration should be given to defining the program model, providing some core resources for it and build some ongoing core capability in the policy development process. The Alliance 21 project, in particular, is a large and complex one, involving up to 50 contributors over 6 themes and many meetings in the USA and in Australia, but is also potentially of great importance. Careful attention and adequate resourcing needs to be given to its successful implementation.
- (v) *Further expansion and resourcing of the teaching programs.* Over the past four years, USSC has been successful in developing undergraduate teaching, with over 800 students studying in Centre courses in 2011. This activity is valuable, with some elements at the leading edge within Australia, and there are good prospects for developing it further. While some programs at the Master level have been developed, USSC has only a limited PhD program and a limited number of in-house academics capable of supervising PhDs. Without seeking to compete with relevant faculties in the University of Sydney, there is a case for strengthening these programs and strengthening the research training capability of USSC. This could build on the existing SMART program, which helps to build the research capabilities of PhD students in the social sciences from around Australia.
- (vi) *Increased focus on the US economy.* Finally, issues concerning the strength and trajectory of the US economy are central to the position of the USA in the 21<sup>st</sup> Century world, as are issues about the economic interrelationships between the USA, China and Australia. USSC has undertaken a number of activities in these areas, but has to date lacked a focus on

economic issues commensurate with their importance. While not suggesting that USSC develop a major professional capability in economics, there is a strong case for more attention to the key issues facing the US economy, especially in the context of the rapid changes taking place in the region of which Australia is situated. USSC's ability to bring high level experts, from the USA and other countries, to Australia and to enliven the debate on the big economic issues would be of value both to the University and to the national debate.

### *Towards a Sustainable United States Studies Centre*

In spite of its many successes to date, the current financial and operational model of USSC remains highly dependent on funds from members, and particularly on the annual contribution of \$3.5 million from AAA, which is supported by an investment fund of \$19.5 million. While these funds have been carefully managed and AAA Australia remains a financially sound organisation, existing funds cannot support an ongoing contribution of \$3.5 million per annum. The agreement between the University of Sydney and AAA for the University to host USSC expires at the end of 2012, and preliminary discussions for a new agreement have begun. The completion date in the agreement between AAA and the Australian Government regarding funding for USSC is in early 2013, and the agreement provides that after this date the Government may offer a variation of the existing agreement or a new agreement. Given the demonstrated value of USSC to the US-Australia relationship and to public policy debate in Australia, it is important that a sustainable financial and operational model is established over the next twelve months.

There seem to be four key elements to such a model. First, beyond the development phase USSC can now direct more of its core funds to building its research and research training capacity, and can contain costs more generally. Building this research capacity should allow it to earn more of its income through research funding programs over the longer term, both in Australia and overseas, although in the first instance it would require further investment from core funds. Secondly, it is important that a new Host Agreement is reached with the University of Sydney and that it at least preserves in real terms the current levels of support provided by the University to USSC. USSC provides many benefits to the University, not least through increased public recognition of activities at the University, and these benefits are recognised by the leaders of the University. Such an agreement should also recognise USSC's integration into the University of Sydney in ways, such as an appropriate affiliation agreement and joint appointments for leading staff members, which allow USSC to participate in competitive funding schemes such as those of the Australian Research Council, and also to benefit from Higher Education Block Grants. Thirdly, corporate support from both national and international companies has been vital to USSC's success to date, and renewed affirmation of that commitment will be critical to a sustainable funding model. Finally, in view of the extensive public benefits provided by USSC's activities, there is a case for further direct support from the Australian Government through a new or extended funding agreement, to enable the core level of support of \$3.5 million per annum through AAA to be provided on a continuing basis.

### **The National Role of USSC**

USSC has developed a strong national profile, but based heavily on its operations in Sydney. USSC and its key spokespersons seem to be nationally recognised. Strong partnerships with institutions in other cities (such as the University of Melbourne, the University of Adelaide and the Australian National University (ANU)) have not developed to the extent envisaged in the original bid document, however the Alliance 21 project is deepening USSC's links with many Australian universities, by the working arrangements built into that program. At this stage it is likely to be more effective to foster broader linkages on a project-by-project basis than by seeking major new institutional relationships.

Consideration is being given by the USSC Board to developing a second campus of USSC in Perth. In our view this is worth serious consideration, given the dramatic impact of the resources boom on Western Australia and the heavy involvement of many US companies in those resource activities. But this should be pursued only on the basis that it is financially viable in its own right and does not in any way compromise the viability of USSC at the University of Sydney. The prime task is to secure the long-term financial sustainability of the existing, and highly valuable, USSC operation.

## **3. Establishing and Supporting the United States Studies Centre**

After entering into a funding agreement with the Australian Government on 27 June 2006 regarding funding for the establishment of a United States Studies Centre (USSC), the American Australian Association (AAA) acted expeditiously to establish such a Centre. AAA established a competitive process open to all major universities in Australia, with bids submitted by the University of Sydney, the University of Melbourne and ANU in September 2006. An appropriately constituted selection panel reviewed the proposal and interviewed representatives of the two shortlisted bidders, the University of Sydney and the University of Melbourne. The panel recommended to AAA that the University of Sydney was the preferred bidder in terms of the selection criteria, and the selection of the University of Sydney as the host university was announced by the Prime Minister John Howard on 14 November 2006.

A Host University Agreement was negotiated with the University of Sydney prior to the announcement, and was signed on 10 November 2006. USSC was registered as a public company limited by guarantee on 9 November 2006, with a Board consisting of equal numbers of directors nominated by AAA and the University of Sydney. Both initially and on a continuing basis the Board consisted of a distinguished group of individuals with an extensive record of public service (see Table 1), well placed to oversee and support the establishment of USSC.

**Table 1 Board of Directors of the United States Studies Centre Ltd**

Name	Position
<b>Founding Board (2008)</b>	
Malcolm Binks, AO (Chair)	Chairman, American Australian Association
Geoffrey Garrett	Chief Executive Officer, United States Studies Centre
Michael Baume, AO	Former member of the Australian House of Representatives and the Senate
Kim Beazley, AC	Former Deputy Prime Minister of Australia
Loftus Harris, AM	Former Director General of the NSW Department of State and Regional
Linda Bardo Nicholls, AO	Former Chairman, Australia Post
Don Nutbeam	Provost, The University of Sydney
Joseph Skrzynski, AO	Managing Director, Castle Harlan Australian Mezzanine Partners
Ezekiel Solomon	Senior Partner, Allens Arthur Robinson
Michael Thawley, AO	Former Australian Ambassador to the US
Lucy Turnbull	Former Lord Mayor of Sydney
<b>Board at December 2011</b>	
Malcolm Binks, AO (Chair)	Chairman, American Australian Association
Geoffrey Garrett	Chief Executive Officer, United States Studies Centre
David Anstice	Former Senior Executive, Merck & Co.
Bob Carr	Former Premier of New South Wales
Stephen Garton	Provost and Deputy Vice-Chancellor
Loftus Harris, AM	Former Director General of the NSW Department of State and Regional
Kevin McCann, AM	Chairman, Origin Energy Limited and Chairman of Macquarie Group
Linda Bardo Nicholls, AO	Chairman, Healthscope
Dennis Richardson, AO	Secretary of the Department of Foreign Affairs and Trade
Joseph Skrzynski, AO	Managing Director, Castle Harlan Australian Mezzanine Partners
Ezekiel Solomon, AM	Senior Partner, Allens Arthur Robinson
Michael Thawley, AO	Former Australian Ambassador to the US
Lucy Turnbull, AO	Former Lord Mayor of Sydney

After these establishment activities, the full operation of USSC effectively began early in 2008, and the founding CEO (Professor Geoffrey Garrett) took up his appointment on 1 April 2008. Since that time AAA, the Board and the CEO have moved quickly to establish USSC as an independent centre well integrated into the University of Sydney. To date AAA, with support from the Board and staff of USSC, has raised funds of about \$21 million over 2007-11 from the University, the New South Wales Government and private sources, to substantially match the \$25 million contribution from the Australian Government. These contributions are summarised in Table 2 (p. 9).

The Host Agreement with the University of Sydney specifies that the University will provide support to USSC as follows:

- \$700,000 in year 1 and, in each year up to the end of 2012, the higher of \$700,000 or a figure calculated having regard to the net yield on the University Endowment in the preceding year (under this clause \$700,000 has been paid in each year except in 2010 when \$1.6 million was paid);
- \$2 million over the period to 31 December 2012 for Professorial Chairs or for other purposes as determined by the USSC Board; and



- appropriate University premises, including the refurbishment of the initial premises at the John Woolley Building up to a maximum cost of \$600,000 in 2007 and 2008, and the right to access to the University's library facilities.

In practice the University has incurred costs of some \$10 million in refurbishing both USSC's initial premises and the premises that USSC currently occupies. These remain University premises and it is difficult to be sure how to value them as a specific contribution to USSC, but they have both been substantial contributions of critical importance to USSC. Including only an implied rental value, and a value for library and IT assets, the University's support to USSC over 2007-12 is put at \$8.5 million.

Other third party contributions are also summarised in Table 2. The New South Wales Government has provided support amounting to \$2.6 million over 2007-12, comprising \$1 million in cash and \$1 million in in-kind support, plus initial payments under an agreement to provide \$2.5 million over 2012-15 to research projects. Total committed corporate support to date has amounted to \$8.2 million, although some of the commitments under the Alliance 21 project will be met beyond 2012. Of this support, \$3.5 million, provided by News Corporation and Pratt Industries, is in form of general purpose funds and \$4.7 million – including \$2.7 million from Dow Chemical, \$500,000 from both Merck and Chevron and further contribution from seven other companies – were to support specific projects as listed in Table 2. Three universities, Harvard, Stanford and ANU, have contributed matching funding to USSC activities of \$420,000 and four donors have contributed \$155,000 for USSC scholarships.

The Australian Government has also committed \$2 million over 2011-13 for the Alliance 21 project, subject to matching funding from the corporate sector, which is being provided. This Australian Government funding is not treated as a third party contribution.

Overall AAA has moved quickly and effectively to establish USSC, with the support of the Board, the University of Sydney and management. The level of third party contributions to date (\$21 million) is high by the standards of Australian universities, and is an indication of the widespread support for the activities of USSC that has been generated.

**Table 2 Third party contributions to USSC, 2007 to date (including commitments)**

Source	Year(s)	Amount	Purpose and/or notes
<b>UNIVERSITY OF SYDNEY</b> (\$8.5 million plus incurred fit-out costs <sup>1</sup> over 2007-12)			Pursuant to the Host Agreement, setup as Endowment, and agreed to provide funding to USSC at a minimum rate of 7%, or whatever the annual return might be in any particular year if it was in excess of 7%.
	2007-2012	\$5,100,000	(\$700,000 per annum other than for 2010, when \$1.6 million was paid)
	2007-2012	\$2,000,000	Professorial Chairs or other purposes
	2008-2012	\$220,000	Notional rent per annum, indexed at 5%
	2008-2012	\$30,000	Access to library and IT infrastructure, per annum
<b>NSW GOVERNMENT (\$3.5m)</b>	2007-2011	\$1,000,000	\$1m over 4 years
	2007-2012	\$1,000,000	In-kind support over 5 years
	2012-2015	\$2,500,000	Research projects
<b>CORPORATE (\$6.2m)</b>			
News Corporation		\$2,500,000	General purpose funds
Pratt Industries		\$1,000,000	General purpose funds
DOW Chemical Company	2010-2012	US\$2,000,000	Sustainability Project
ALCOA	2010	US\$200,000	Sustainability Project
Merck Corporation	2009-2011	US\$500,000	Innovation Project
<b>21ST CENTURY ALLIANCE<sup>2</sup></b>			
Corporate Matching (\$2.2m)			
Dow Chemical Company	2011-2013	\$500,000	21st Century Alliance Project
Chevron Corporation	2011-2013	\$500,000	21st Century Alliance Project
NewsCorp	2011-2013	\$250,000	21st Century Alliance Project
Pratt Industries	2011-2013	\$250,000	21st Century Alliance Project
ConocoPhillips	2011-2013	\$250,000	21st Century Alliance Project
GE	2011-2013	\$250,000	21st Century Alliance Project
Morgan Stanley	2011-2020	\$100,000	21st Century Alliance Project
Raytheon		\$100,000	21st Century Alliance Project
<b>UNIVERSITIES (\$420k)</b>			
Harvard University		US\$160,000	Matching funding of \$40k for 4 years.
Stanford University	2010-2012	US\$150,000	Matching funding for Sustainability, over 3 years.
ANU	2010-2012	\$150,000	Matching funding for Sustainability, over 3 years.
<b>INDIVIDUALS (\$155k)</b>			
The Turnbull Foundation		\$85,000	Scholarships
David Anstice		\$10,000	Scholarships
Fleur Harlan		\$10,000	Scholarships
University of Sydney		\$50,000	Scholarships from US alumni

Notes: <sup>1</sup> The University has spent \$6 million to refurbish and fit out the John Woolley Building, which was temporarily occupied by USSC, and \$4 million to fit out the current USSC building.

<sup>2</sup> The Australian Government has also committed \$2 million over 2011-13 for the Alliance 21 project, subject to matching funding from the corporate sector, which is being provided. This Australian Government funding is not treated as third party contributions in the table above or in the text.

## 4. The Performance of the Centre

In the short time since its establishment, USSC has performed strongly in achieving most of its overall performance objectives and specific program deliverables. The Centre's performance in four key areas – appreciation and awareness, educational leadership, collaborative research and Think Tank activities – is reviewed briefly below.

### *Appreciation and awareness*

Important elements of the Centre's mission relate to deepening the awareness and appreciation within Australia of the culture, political climate and government of the USA and also to raising awareness of the study of American politics and government. Having regard to these facts, USSC gave immediate and sustained attention to communication and outreach activities, with outstanding results.

One important area has been media appearances, contributed articles, comments and so on. One indicator of increasing activity is the number of media appearances/references/articles, etc., which has quadrupled from a total of 388 in 2008 to 1605 in 2011 (to the end of November 2011), an average of 146 per month for 2011. The Centre has made very effective use of electronic media, such as its website and eNewsletter, and of social network media, such as Twitter, Facebook and YouTube, to convey information and to build awareness. It has held a wide range of conferences, summits, forums, cultural events and business development programs, some of which have been highly successful. For example, public lectures by New York Times journalist and author Thomas Friedman in Sydney and Melbourne in 2011 attracted a total audience of 3000 people. (See Box 1 below for further details.)

Through these and other activities, USSC has established an excellent communications program, has a powerful media presence, and has become an important source of information within Australia on US issues. It has provided thought leadership on these issues in a balanced and considered way, and has contributed significantly to the understanding and advancement within Australia of the US-Australia relationship. The success of this program in such a relatively short time appears to reflect several factors: the ample funding devoted to the program, the priority given to it within the Centre and the quality and quantity of management resources assembled; the high quality of the CEO (Professor Garrett) and other senior figures associated with USSC as public communicators; and the level and quality of the visitors attracted from the USA. It is also notable that USSC's media presence began to build in the US presidential election year of 2008, and demand for USSC analysts in the media has already been intense, and is likely continue to be intense, during the 2012 presidential election campaign.

### Box 1 Communications and outreach

**Media:** Over the past four years the Centre has become established as a key resource for the Australian media seeking high quality analysis and commentary on the US. This has ranged from politics, to foreign policy, security, economics and cultural/social issues. The growth in the Centre's media profile has been very strong, with some data provided in the tables below. Media coverage has spanned international, high-end national, regional Australian and commercial media outlets.

MEDIA	2008	2009	2010	2011	EVENTS	2008	2009	2010
			(est.)	(est.)				
Op-eds	58	73	121	134	Number of events Sydney	34	67	90
Newspaper interviews	71	103	113	155	Number of events non-Sydney	2	8	30
Radio	121	175	191	391	Total number of events	36	75	120
Television	64	129	178	311	<b>NUMBER OF VISITORS</b>	18	30	72
Total	314	480	603	991				

Many other communication and outreach activities have been undertaken, of which summarised below.

**Website:** 2010 saw the United States Studies Centre website build on the substantial gains it made after its re-design, with nearly 100,000 hits over the year.

**American Review:** The Centre's journal of policy and commentary, American Review, was launched as a biannual in 2009. Now published quarterly, it attracts prominent contributors from around the world.

**eNewsletter:** In 2009, the Centre switched from a monthly email newsletter to a weekly digest of current media, events and achievements and is sent to a database of 4,500 subscribers each week and consistently has a 15% open rate.

**Election Watch:** In 2008 provided information, analysis and commentary on all facets of the election with 33,000 unique visitors A similar expanded program is planned for 2012.

**Conferences, Summits and Forums:** USSC has an extensive schedule of events. Examples of 2011 highlights include National Summit on 9/11 Decade including US Ambassador Jeffrey Bleich (370 attendees, 170 at dinner, 80 at reception) and the 2011 Thomas Friedman public talks Sydney (total audience 1600) and Melbourne (total audience 1400).

**Cultural events:** Some 2011 highlights include 2011 Stop(the)Gap/Mind(the)Gap: International Indigenous Art in Motion: screening and panel discussion, Allan Michelson, American artist (150 attendees) and 2011 G'Day USA/Australia Week, events in Los Angeles and San Diego on sustainability and politics, as well as a symposium on politics and foreign policy in Los Angeles.

**Business leadership program:** 2009 program Included 10 CEO luncheons, 3 public lectures, 4 briefings, 4 leadership forums, 7 meetings with government and business leaders, and 3 university lectures and seminars.

**National survey:** The Centre has conducted annual national surveys since 2007 to measure Australian attitudes towards the US and on some issues, American attitudes towards Australia.

### Leadership in education

As previously noted, USSC has succeeded in developing a sound position at the University of Sydney, with good working relations with relevant faculties, and has strong teaching programs in several areas. As listed in Box 2 below, the Centre's teaching activities are in a wide range of areas: PhD degrees, postgraduate coursework degrees, postgraduate units of study in the degrees of various Faculties within the University, undergraduate units of study, internship programs and the SSMART program to contribute to increasing the quality of social science research training in Australia. The Centre also runs a high school engagement program, including a summer school and a Year 11 preliminary course.

USSC introduced its first degree programs in 2008: the Master, Graduate Diploma and Graduate Certificate in US Studies. A Master of Letters in US Studies involving an additional research or internship abroad semester was subsequently introduced in 2009. The Centre's first undergraduate unit of study, *US in the World*, was offered in 2009. *Introduction in US Politics* and *Americanism and anti-Americanism* were added in 2010. *Global America* was introduced in 2011 as the foundation first-year class for the American Studies major in the Faculty of Arts and Social Sciences.

The undergraduate units of study have been very successful, with 757 students enrolled in individual units of study in 2011. The quality of teaching in these subjects appears to have been high and the subjects topical, so that there are indications that student interest was high. This was confirmed by the rapid build-up in enrolments. In the postgraduate area, the postgraduate units of study seem to have been most successful, and by 2010 there were 36 students enrolled in postgraduate coursework degrees run by USSC. By 2011 there were, however, only 3 students enrolled in USSC's PhD program. In terms of equivalent full-time student load (EFTSL), in 2011 USSC had 1.5 EFTSL in the PhD program, 17.6 EFTSL in postgraduate course work programs, 61.3 EFTSL in undergraduate courses and 1.875 EFTSL in the high school program.

The Centre's Washington DC Internship Program appears to have been very successful. It provides 20 outstanding undergraduate University of Sydney Business School students the opportunity to study, live and work in the US capital for nine weeks each year. The program is a partnership between the Centre and the University of California Washington Center. Students complete three units of study whilst in Washington DC and are placed in a range of professional placements in government (including the offices of congressmen and senators), think tanks, private and not-for-profit organisations. Feedback received by the Review about this program was very positive.

The Social Science Methods, Analysis and Research Training (SSMART) program is an initiative by USSC to help Australian research students and early career researchers access methodological and analytical innovations that are shaping work in the major journals and research programs. Cutting edge research in the social sciences increasingly requires sophisticated use of diverse methods ranging from game theory and statistical analysis, to fieldwork (both experimental and case-based) and archival and textual analysis. In both 2010 and 2011, USSC invited leading scholars in American political science, sociology and cultural studies to share their expertise with interested Australian research students. Student participation has been strong, with 46 students enrolled in 2010 and 66 enrolled in 2011. This is a good example of the way in which USSC can use its unique US-Australia links to improve the quality of research and research training in Australia.

The major limitation of USSC's teaching program to date has been the slow development of its PhD program, with only three students currently enrolled on a part-time basis. This may reflect the limited in-house research capability that currently exists within USSC and well as the priority given, within the wide range of other activities that the Centre has pursued, to developing the PhD program.

**Box 2 Teaching at USSC**

**Doctor of Philosophy**

**Postgraduate coursework degrees**

- Graduate Certificate in US Studies (com. 2008)
- Graduate Diploma in US Studies (com. 2008)
- Master in US Studies (com. 2008)
- 2009 Master of Letters in US Studies (com. 2009)

**Postgraduate units of study (com. 2008)**

- Fundamentals of US Studies
- US Politics: Competing Centres of Power
- US Foreign & National Security Policy
- US Constitution
- American Exceptionalism
- Key Issues in American Culture
- US Economic Policy and Regulation
- Research Essay in US Studies
- The American City
- American Film & Hollywood
- News in the USA: The Objectivity Norm
- Social Entrepreneurship
- American Art: Pollock to Warhol
- Treatise part 1, 2 & 3 units
- Internship project
- Exchange 1, 2, 3 & 4 units

**Undergraduate units of study**

- Global America (com. 2011)
- US in the World (com. 2009)
- Introduction to US Politics (com. 2010)
- Americanism & Anti-Americanism (com. 2010)
- Sex, Race & Rock in the USA (com. 2012)

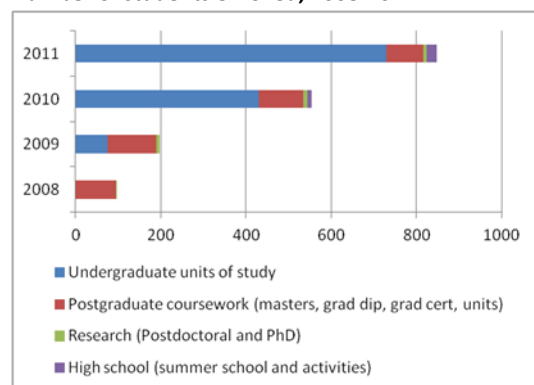
**Internship programs**

- Washington DC Internship Program (20 per year, 9 weeks)
- Summer Foreign National Student Internship Program at the US Consulate General Sydney (high-school students)
- Uni-Capitol Washington Internship Program (external program)

**SSMART Program**

- 2010 – External funding \$14,000
  - Quantitative Approaches Workshop 2010
  - Field Experiments Workshop 2010
  - Formal Theory and Qualitative Historical Research Workshop 2010
- 2011 – External funding \$31,500
  - Statistics Fundamentals Workshop 2011
  - Field Experiments Workshop 2011
  - Cultural Studies Workshop 2011
  - Quantitative Approaches Workshop 2011

**Number of students enrolled, 2008-2011**



	2008	2009	2010	2011
Undergraduate Units of Study	0	75	430	757
Total No. of Postgraduates	94	115	105	130
Master of US Studies	16	27	22	27
Master of Letters	0	2	5	4
Graduate Cert. US Studies	5	5	8	4
Graduate Dip. US Studies	0	1	1	1
Cross-listed Postgraduates	73	80	69	94
Research (Postdoc & PhD)	1	8	9	8
High-school (Sum. Sch. etc.)	0	0	10	44

**Developing high quality, collaborative research**

One of the Centre’s specified objectives under the Funding Agreement with the Australian Government has been to promote collaborative research between institutions in Australia and the United States. USSC has promoted such research to date by four main methods: the postdoctoral fellowship program; the Think Tank programs (discussed in the next sector); short visits by distinguished researchers; and the development of a small cohort of full-time research and lecturing staff.

The postdoctoral fellowship program, directed by Professor Margaret Levi of the US Studies Centre and the University of Washington, brings to Sydney a cohort of the world's emerging scholarly leaders working on the United States in the humanities, social sciences and related professional

disciplines. Over 2009-11, 16 leading young scholars from the US have been brought to USSC, normally for a 12-month period, to undertake intensive postdoctoral research, and 2 Australian students have also been awarded such a fellowship. The imbalance between scholars from the USA and Australia reflects the strong competitive position in US studies of high quality graduates from leading American universities. Fellows complete a major research project, as well as engage with students and scholars in Sydney and around Australia during the fellowship period.

### Box 3 Publications list and postdoctoral program

Publications	2009	2010	2011	Postdoctoral Fellows (one-year duration)		
				Year	Number	Origin
Books	9	10	4	2009	6	5 US, 1 Australia
Journal articles & chapters	30	41	30	2010	6	5 US, 1 Australia
Essays & reports	6	9	4	2011	6	6 US

While this is a very impressive program has generated high quality activity in, and output from, USSC, it has not made a major contribution to building the local research capability of the Centre. With one-year appointments, the postdoctoral fellows typically leave USSC and take up positions in other institutions, most commonly in the United States. If USSC had a stronger domestic research base, the impact of the postdoctoral fellows on *collaborative* research would be stronger, as they would be able to engage with and undertake ongoing joint research with those local researchers. A similar point applies to the wide range of high quality visitors from the USA: their lasting impact would be greater if they were able to interact with a strong research base located at USSC.

Consistent with the objective of deepening the understanding of the culture, political climate and government of the USA, much of the research undertaken through the postdoctoral program has been focused on these issues in their American context. In our view, the future of the US, and of the US-Australia relationship, is being heavily shaped by economic issues and by the forms of participation of both the US and Australia with the emerging nations of Asia. In building a stronger research base at USSC, it would seem appropriate to give greater attention to these issues, and this may in turn increase student interest in the Centre's PhD program.

### *Think tank for the Australia/USA relationship*

The policy development process which USSC has created in its Think Tank program is an important one, with potentially major significance. The essential idea, as we understand it, is to bring together relevant experts from Australia and the US in a particular area of national or global significance, to broker a process of identifying the needs of effective policy development and the gaps in knowledge available to support such formulation, and then to work with the parties to secure further funding. This brokering role focussed on effective policy development is a major role which the Centre can fulfil on an ongoing basis. The program has been built on the basis of new external funding raised by AAA and Centre management, principally from the private sector (see Table 2 above).

There have been three programs to date operating under the Think Tank banner, and some details of these are provided in Boxes 4-6 below. The first is the Innovation Program, funded by a grant of USD \$500,000 over four years from Merck & Co., Inc., to analyse the American innovation experience and to help stimulate innovation and commercialisation of scientific and technological discoveries in Australia. The research program is directed by Professor Bruce McKern, who is Professor of International Business in the University of Sydney.

#### Box 4 Innovation Program

**Funding:** Global pharmaceutical company Merck & Co., Inc. (known as Merck Sharp & Dohme in Australia) has provided funding of USD \$500,000 over four years (2008-2012) to establish a research program on innovation.

**Program Director:** Bruce McKern

The USSC Program on Innovation analyses American innovation experience to help stimulate innovation and commercialisation of scientific and technological discoveries in Australia. Focusing on the analysis of US experience of the commercialisation process from research to business, with the aim of increasing the productivity of relationships among government, business and universities in Australia, the Program is one of the most comprehensive of its type. The research program is directed by Professor Bruce McKern, who is Professor of International Business in the University of Sydney, with Dr Thomas Barlow as Research Associate.

In 2009 the Program focused on research projects that compared innovation systems in the United States and Australia. The 2010 phase of the commercialisation program focused on comparing development of the biotechnology industry in San Diego with the three leading Australian states – Victoria, New South Wales and Queensland. In higher education, Dr Sean Gallagher has undertaken research on “21<sup>st</sup> Century Research Intensive Universities”.

#### Papers:

*Innovation in America: a Comparative Study*, 2008, prepared by researcher Thomas Barlow, provides a comparison of key characteristics of the United States innovation system compared with Australia and other developed countries.

*Biotechnology Clustering Phase II: Landscape Analysis*, 2010, prepared by Thomas Barlow, compares the biotechnology industry and its supporting ecosystem in Melbourne, Sydney and Brisbane with that of San Diego, California.

*US-Australian Research: Collaboration Survey*, 2011 prepared by Thomas Barlow. The goal of this report was to explain the nature of the US-Australian research relationship, to review the scale and focus of recent collaborations, to analyse existing policy priorities, and to formulate ideas for nurturing constructive interactions in the future.

*Entrepreneurship in Australia: The Missing Links*, 2011, by Fiona Wood, is an evidence-based context for understanding the importance of entrepreneurship to Australia’s economic prosperity.

*The Formation of Australian Mining Technology Services and Equipment Suppliers*, by Don Scott-Kemmis, is a pilot study on the formation of Australian mining technology services and equipment suppliers.

The second is the Dow Sustainability Program established in February 2010 with a commitment of US\$2,000,000 over three years from the Dow Chemical Company Foundation. The Program brings together academic and policy experts from Australia and the US to develop action-oriented solutions to a range of sustainability challenges concerning energy, water, food and biodiversity that are technologically innovative, commercially scalable and politically viable. It has five main themes – the urban environment, water management, water-energy tradeoffs, the promise of biofuels, and soil carbon sequestration – and is led by The Hon Robert Hill, Adjunct Professor in Sustainability at the US Studies Centre, former Minister for the Environment and former Ambassador to the United Nations.



The Centre and the University of Sydney's Faculty of Agriculture is leading a consortium to put together a bid for around \$13 million of research funding from the "Filling the Research Gap" funding scheme (\$200 million available) in the federal Department of Agriculture, Fisheries and Forestry (DAFF).

#### Box 5 Dow Sustainability Program, including Soil Carbon Initiative (SCI)

**Funding:** Dow Sustainability Program (\$2m) and ALCOA (\$200k), 2010-2012, with \$330k allocated to the Soil Carbon Initiative

**Program Coordinator:** Robert Hill

The Dow Sustainability Program brings together academic and policy experts from Australia and the US to develop action-oriented solutions to a range of sustainability challenges concerning energy, water, food and biodiversity that are technologically innovative, commercially scalable and politically viable.

Dr Susan Pond AM, Adjunct Professor at the US Studies Centre and the first person to be appointed to the Sustainability Program, will focus initially on biosequestration and biofuels. The first project will assess the commercial potential and appropriate public policies regarding large scale algae farming.

**Collaboration:** Faculty of Agriculture, Food and Natural Resources, University of Sydney

#### 2010 highlights

**Soil Carbon Summit (31 January 31 – 2 February 2011) and Stakeholder Workshop (3 February 2011):** The summit participants were 18 of the world's leading soil and plant scientists who discussed the question: can we sequester soil carbon and improve soil? Outcomes were presented to a group of 100 stakeholders, including policy makers, scientists, industry participants and farmers.

**Climate, Energy and Water nexus forums** held in partnership with ANU looked at how we can benefit from new and renewable energy technologies and carbon sequestration.

**Cities of the Future conference** hosted with the Global Change Institute at the University of Queensland, to address the challenge of building sustainable cities in the future **while minimising perverse outcomes for water resources**

**Papers:** For the Summit, a science review paper was prepared and circulated to the participating scientists.

Stockman, U. (compiled by) 2011, 'Managing the soil-plant system to mitigate atmospheric CO<sub>2</sub>', Discussion paper for the Soil Carbon Sequestration Summit, Sydney, January 2011, 55 pp.

Following the workshop, the authors drew together a list of some management practices that are known to be successful in optimising the accumulation of soil carbon.

McBratney, A. and Stockmann, U. 2011, 'Some Key Management Options for increasing Soil Organic Carbon: A primer of practical management for those interested in managing soil carbon', Faculty of Agriculture, Food and Natural Resources, University of Sydney, March 2011, 7 pp.

An outcomes document was prepared after the summit, including input and feedback from the stakeholders.

USSC and University of Sydney, 2011, 'Outcomes Document: Soil Carbon Summit, Sydney, 31st January – 3rd February 2011', Sydney, 11 pp.

**Spinoffs:** The Centre and Sydney University's Faculty of Agriculture will lead a consortium to put together a bid for around \$13 million of research funding from the "Filling the Research Gap" funding scheme (\$200m available) in the federal Department Agriculture, Fisheries and Forestry (DAFF). The other partners in the bid will be UNE, UWA, CSIRO and James Cook University, among others. This consortium brings together both Australia's leading scientists and leading institutions in the soil carbon field. Andrea Koch and Robert Hill from USSC will manage the bid process and drive the consortium. This is a direct outcome of the incubation of the soil carbon issue.

USSC hosted the US Navy and its Great Green Fleet biofuels initiative, centrepiece of the Pacific 2012 International Maritime Conference, held in Sydney on 31 January 2012 – 1 February 2012, a direct spinoff of biofuels initiative.

The third is the Alliance 21 project (see Box 6) is by far the largest and, by orders of magnitude, the most complex project the Centre has undertaken, and offers important benefits to the policy making process in Australia and for the US-Australian alliance. It will also allow the Centre to move into a more proactive role in the public debate, by actively shaping the policy agenda concerning the US and its relationship with Australia and through a report provided to the Prime Minister. In addition, the Alliance 21 project involves working relationships with individuals and universities and think tanks in every mainland Australian capital city, and will help to deliver on the Centre's national mandate. But the scale, complexity and importance of the project will mean that careful management and coordination, and adequate resourcing of these processes, will be critical.

#### **Box 6 21st Century Australia–United States Alliance project (2011-2013)**

**Funding:** Commonwealth of Australia (\$2m); Other (\$2.2m from: Chevron \$500k, Dow Chemical Company Foundation \$500k, ConocoPhillips \$250k, GE \$250k, Pratt Foundation \$250k, News Corporation \$250k, Morgan Stanley \$100k, and Raytheon \$100k)

The project, launched on 18 January 2012 in Washington DC, brings together the best institutions and thinking from Australia and the US to canvass new thinking on how the US-Australia alliance can best meet the principal challenges ahead. It includes 50 contributors over 6 themes, up to 12 workshops and conferences in 2012, with half the activity and authors in each of Australia and the US, the bulk of Australian-based activity outside Sydney, a major conference in Washington in mid 2013 and a major conference in Canberra in mid 2014.

**Project Co-directors:** Geoffrey Garrett and Robert Hill

**Themes:**

- Defence and security, Russell Trood, USSC
- Education and innovation, John Daley, Grattan Institute, Melbourne
- Emerging Asia, Andrew MacIntyre, ANU
- Energy security, Howard Bamsey, USSC
- Natural resources and the environment, UWA and UQ
- Trade and investment, Andrew Stoler, University of Adelaide

**Future outcomes:**

- 8-10 position papers per theme in 2012
- One authors workshop, one public conference per theme
- One event in the US, one in Australia per theme
- Mid 2013 mid-term conference in Washington DC
  - summary reports and policy recommendations from each theme
- Mid 2014 final conference in Canberra
  - overall project report and policy recommendations

## 5. Issues and Future Directions for the Centre

The past five years has been a dynamic process of establishing USSC as a significant institution on the national scene. This establishment process will be effectively completed by 2012, and in our view a number of issues need to be addressed to take the centre forward on a sound basis for the next five years and to achieve its full potential. These are listed and discussed below.

### 1. *Redirection of resources to broader capacity building.*

To build the Centre and create a national profile, much of the untied resources available to USSC have to date been devoted to administration, communications and outreach. These activities have been highly successful, and the initial concentration of untied resources on these programs was appropriate. But now that the Centre's profile is widely acknowledged and its outreach activities well established, substantial economies should be possible in these areas, freeing up funds to build the capacity of USSC in other areas such as developing local research capacity and building a funding base in terms of research income.

Table 3 summarizes the sources of funding for the Centre in 2011 and expenditure by program type for 2010 and 2011, with budget figures for 2012. In 2011, for example, total income amounted to \$8.3 million, of which \$4.65 million consisted of core funds contributed by AAA, and the University of Sydney, with the balance of the funds derived from teaching and learning activities or provided for specific purposes. Expenditure, which amounted to \$8.7 million in 2011, is distributed across the five program types shown in the table. Reflecting the priority given in the establishment period to administration, outreach and communications, expenditure in these areas was \$4.0 million or 53.9% of expenditure in 2010. Much, but not all, of this expenditure was financed from core funds. In the budget from 2012, expenditure in these areas is set at \$4.4 million, or 42.6% of total expenditure.

Table 3 USSC income and expenditure by activity, 2010 and 2011 (actual), and 2012 (budget), (\$)

Activity	2010		2011		2012 (budget)	
	Income	Expenditure	Income	Expenditure	Income	Expenditure
Teaching and Learning	601,335	1,052,040	1,365,955	1,342,125	2,705,434	1,426,485
Think Tank	845,283	711,034	816,907	1,231,580	2,836,026	2,854,243
Research and Research Training	–	1,661,744	1,264,423	2,361,839	30,000	1,686,685
Outreach	683,609	1,925,626	210,886	1,990,044	39,962	1,906,369
Administration	322,050	2,073,502	–	1,774,277	–	2,523,337
General Purpose Funds	5,681,000		4,647,500		4,633,000	
<b>TOTAL</b>	<b>8,133,277</b>	<b>7,423,946</b>	<b>8,305,671</b>	<b>8,699,865</b>	<b>10,244,421</b>	<b>10,397,118</b>

Table 4 shows the net expenditure (expenditure less income) in each activity, expressed as a proportion of core funds. This is a measure of the extent to which, in each year, core funds are devoted to the activity in question. Some part of those funds will also be used in a given year to

generate a surplus or fund a deficit. In 2010, 52.7% of general purpose funds were devoted to outreach, communications and administration, with the share rising to 76.5% in 2011 and to 94.7% in the 2012 budget. On average, about 30% of the untied funds have been used for research and research training, and the proportion is set at 35.8% in 2012 budget, in which substantial net income from teaching is anticipated.

**Table 4 Use of core funds by activity, USSC, 2010-2012 (budget)**

Net expenditure by activity as a proportion of core funds			
	2010	2011 (% of free funds)	2012 (budget)
Teaching and Learning	7.9	-0.5	-27.6
Think Tank	-2.4	8.9	0.4
Research and Research Training	29.3	23.6	35.8
Outreach	21.9	38.3	40.3
Administration	30.8	38.2	54.5
Surplus (deficit -)	12.5	-8.5	-3.3
Total	100	100	100
Outreach and Administration	52.7	76.5	94.7

While this emphasis was appropriate in the establishment phase, now that the centre has an established profile and is operating effectively, it should be possible to achieve efficiencies in the areas of administration and communications and outreach, and to direct some of these funds to other areas, particularly the development of stronger teaching and research capabilities at the centre. This is not to suggest that strong administration and effective communications and outreach are no longer vital. Rather, having invested heavily to reach a high level of performance in these areas, this level might be maintained on an ongoing basis at a somewhat reduced cost. Another notable point evident in Table 3 is the low level of earning income in research and research training, apart from the one-off figure of \$1.66 million in 2011.

## **2. Building stronger research capability on the ground at USSC.**

One area to which additional funding needs to be devoted is to building a stronger research capability on the ground at USSC. The Centre has several components of such a research capability, and has about 5 full-time equivalent academic personnel involved in research. But these components seem to be somewhat disjointed and lacking in a clear research strategy at the present time. Building a strong research base within Australia has not been a central priority for USSC to date.

Both the postdoctoral program and the visitor programs have been highly successful in bringing US academics of the highest quality to USSC for limited periods. The postdoctoral program has brought many exceptional young academics to Australia and contributed both to the Centre's reputation and to important research work on the US. The Centre's research visitor program has also been excellent, with many world leading researchers visiting and spending some time at the Centre.

There have undoubtedly been strong benefits from these programs, in terms of outreach, links with other researchers in the University of Sydney and through publications. But there has been only modest growth in continuing research capability at USSC in priority areas. In our view, further investment should be made in building such capability, drawing on the success of the visitor programs and on cooperation with other Australian researchers. This would allow USSC to move from commenting on and interpreting emerging trends related to the US-Australia relationship, to providing new knowledge to shape the policy agenda for this relationship. But it would also be, at least in the investment phase, a further drain on core funds.

The issues surrounding the US-Australia relationship are many and diverse, and USSC cannot be at the leading edge in terms of research in all of them. Thus there is a need for the Centre to develop a clearer research strategy, which can continue to build on the existing international exchanges and on the strengths of research at the University of Sydney, and which will guide the development of a strong and sustainable in-house research capability at the Centre in Sydney. This research capability should be more closely linked to both undergraduate and postgraduate teaching programs and to the policy development programs within the Centre.

To support the development of this stronger ongoing research capability, the Centre should give consideration to directing more of its core funding revenue to supporting domestic research capability within USSC, and to generate further core funding from members to this end. Sustained efforts should also be made to complement the Centre's revenue sources with academic research funding raised through competitive processes, both within Australia and internationally.

### ***3. Developing earned income sources from research and research training.***

Most of USSC's funds to date have come from member contributions or from government and business contributions for particular projects. While gaining significant revenue through undergraduate teaching, USSC has as yet limited capacity to earn its own revenue, from standard academic sources, for research and research training. Substantial ongoing revenues from this source were a feature of the original University of Sydney bid, and increased focus on earned research income is required. While such revenues might be sourced from a range of Australian and international programs, it would be appropriate for USSC to be eligible to compete, on an equal basis with other research groups in Australian universities, for Australian Research Council funding for particular projects. It would also be appropriate for research undertaken at USSC to be eligible for inclusion as part of the research income of the University of Sydney, for the purpose of calculating the level of research support to the University under the Higher Education Block Grant scheme. This issue is discussed further below.

### ***4. More structured management and resourcing for the Think Tank programs.***

Through its Think Tank program, including the Alliance 21 project, USSC has demonstrated the powerful role that it can play in bringing together experts from academia and business, from both

Australia and USA, to address major policy issues. While these activities are in our view highly prospective, they have developed reasonably rapidly and the centre needs to give further consideration to how they are funded, managed and sustained on an ongoing basis. There is a danger that some prospective activities might not achieve their potential because insufficient resources are available for management and coordination. Serious consideration also needs to be given to how the centre's own expertise in policy development can be built through these individual programs. While it is not envisaged that the centre would become a competing centre of scientific or other expertise in any particular area, it could over time develop a strong body of expertise in policy development which could be applied to a brokering role in many different areas.

#### ***5. Further expansion and resourcing of the PhD program.***

The Centre has been more successful than envisaged in the development of undergraduate teaching, with about 757 students taking Centre units in 2011. This success seems to be due to many factors, including effective cooperation with relevant faculties in the University of Sydney, high quality teaching and the inherent interest of the topics being offered. While this activity can expand further, it is not the role of the centre to operate effectively as a department within the university, nor is this sought by the University of Sydney. Nevertheless, the undergraduate teaching program is an important part of what the Centre can do on a continuing basis, and the new approaches that it is introducing can help to enliven teaching programs in this area in Australia. Further attention should be, and is being, given to how it is resourced and developed for the medium term.

While some programs at the Master level have been developed, and these can probably be expanded, USSC has only a limited PhD program and a limited number of in-house academics capable of supervising PhDs. Without seeking to compete with relevant faculties in the University of Sydney, there is a case for strengthening these programs and strengthening of the research training capability of USSC. Such an expansion would both require and complement the expansion of in-house research capacity discussed above.

#### ***6. Increased focus on economic issues.***

Finally, issues concerning the strength and trajectory of the US economy are central to the position of the USA in the 21<sup>st</sup> Century world, as are issues about the economic interrelationships between the USA, China and Australia. USSC has undertaken a number of activities in these areas, but has to date lacked a focus on economic issues commensurate with their importance. While not suggesting that USSC develop a major professional capability in economics, there is a strong case for more attention to the key issues facing the US economy, especially in the context of the rapid changes taking place in the region of which Australia is situated. USSC's ability to bring high level experts, from the USA and other countries, to Australia and to enliven the debate on the big economic issues would be of value both to the University and to the national debate. Such increased emphasis would be welcomed by sources as diverse as the Vice Chancellor of the University of

Sydney, Professor Michael Spence, and the Editor at Large of The Australian newspaper, Mr Paul Kelly. The Centre's unique capability to bring eye-level US experts to Australia and to enliven the debate on the big issues, while also linking them to fundamental academic work would be of value both to the University and to the national debate.

## 6. The Future Sustainability of USSC

In spite of its many successes to date, at the present time the ongoing operations of USSC remain highly dependent on funds from members, and particularly on the annual contribution of \$3.5 million from AAA. This ongoing AAA contribution is based on an investment fund, derived from the original Australian Government investment of \$25 million and corporate general purpose contributions of \$3.5 million, less contributions to date to USSC to the end of 2011 of \$15.05 million. As at the end of 2011, the balance in the fund, in Australia and the US, stood at \$19.5 million. While these funds appear have been carefully managed, such an investment fund cannot support an ongoing contribution of \$3.5 million per annum.

The agreement between the University of Sydney and AAA for the University to host USSC expires at the end of 2012, and preliminary discussions for a new agreement have begun. The completion date in the agreement between AAA and the Australian Government regarding funding for USSC is in early 2013, and the agreement provides that after this date the Government may offer a variation of the existing agreement or a new agreement. Given the demonstrated value of USSC to the US-Australia relationship and to public policy debate in Australia, it is important that a sustainable financial and operational model is established over the next twelve months. In our view, there should be four key elements to such a model.

First, beyond the development phase, USSC can now direct more of its core funds to building its research and research training capacity, and can contain costs more generally. Building this research capacity should allow it to earn more of its income through research funding programs, both in Australia and overseas. Looking ahead, there is more that USSC can do to use the existing financial resources available to it to build a sustainable funding base.

Secondly, it is important that a new Host Agreement is reached with the University of Sydney and that it at least preserves in real terms the current levels of support provided by the University to USSC. USSC provides many benefits to the University, not least through increased public recognition of activities at the University, and these benefits are recognised by the University. Such an agreement should also recognise USSC's integration into the University of Sydney in ways, such as an appropriate affiliation agreement and joint appointments for leading staff members, which allow USSC to participate in competitive funding schemes, such as those of the Australian Research Council and Higher Education Block Grants.

Thirdly, corporate support from both national and international companies has been vital to USSC's success to date, and renewed affirmation of that commitment will be critical to a sustainable funding model.

Finally, in view of the extensive public benefits provided by USSC's activities, there is a case for further direct support from the Australian Government, in a new or extended funding agreement, to enable the core level of support of \$3.5 million per annum through AAA to be provided on a continuing basis. Most of the benefits provided by USSC – such as providing a deeper knowledge base to underpin the US-Australia relationship and contributing to policy development – are public goods. While private support to achieve these benefits is welcome, their public nature provides a strong justification for Government support.

## **7. The Financial Viability of AAA**

The American Australian Association Limited (AAA) is a company limited by guarantee, incorporated and domiciled in Australia (ABN 65 119 727 847). It has broad objectives to promote friendship, cooperation and understanding between the peoples of Australia and the USA, and to strengthen relations between the two countries. AAA is the counterpart of the US non-profit organisation, also the American Australian Association, based in New York and founded by Sir Keith Murdoch in 1948. AAA holds a range of events and functions, to promote the relationship between the two countries and to raise funds for AAA's education fund. At 30 June 2011, AAA had a Board consisting of 18 distinguished individuals with a strong record of service in business and government.

The Panel has reviewed the special purpose Annual Report of AAA for 2010-11, which was audited by PricewaterhouseCoopers. AAA recorded a surplus of \$2.8 million in 2009-10 and \$1.9 million in 2010-11. At 30 June 2011, AAA held current assets of \$18.8 million, of which about \$16 million were investment funds held in relation to USSC. Apart from the obligation to provide grants to USSC from these funds, AAA had liabilities at 30 June 2011 of less than \$1 million. All the evidence available to us suggests that AAA is a sound, financially viable and well-managed organisation, well placed to play a central ongoing role in shaping the future of USSC.



## Appendix 1 USSC Board Members, Staff, Students and Stakeholders Met by the Review Panel

Name	Position
<b>8 December 2011</b>	
<b>Group meeting with Board of Directors and AAA</b>	
Malcolm Binks, AO (Chair)	Chairman, American Australian Association,
Bob Carr	Former Premier of New South Wales
Geoffrey Garrett	Chief Executive Officer, USSC
Sean Gallagher	Chief Operating Officer, USSC
John Olsen	Former Premier of South Australia
Dennis Richardson, AO	Secretary of the Department of Foreign Affairs and Trade and former Australian Ambassador to the United States
Ezekiel Solomon, AM	Senior Partner, Allens Arthur Robinson
Lucy Turnbull, AO	Former Lord Mayor of Sydney
<b>9 December 2011</b>	
<b>Individual meetings USSC and AAA</b>	
Malcolm Binks, AO	Chairman, American Australian Association
Margaret Levi	Chair in US Politics & Director of Research and Research Training, USSC
Nina Fudala	Director of Media, USSC
Amber D'Souza	Director of Marketing and External Relations, USSC
Susan Pond AM	Adjunct Professor, Dow Sustainability Program, USSC
Robert Hill	Adjunct Professor in Sustainability, Head of Dow Sustainability Program and Alliance 21, USSC
Student group	Undergraduate: Lindsay Gumley, Jake Nicol, Matheus Yeo Postgraduate: Lauren Haumesser PhD: Malcolm Jorgensen
Brendon O'Connor	Director of Teaching and Learning, USSC
Andres Vigano	Director of Finance, USSC
Sean Gallagher	Chief Operating Officer, USSC
<b>Stakeholders</b>	
Duncan Ivison	Dean of Arts and Social Sciences, The University of Sydney
Michael Spence	Vice-Chancellor, The University of Sydney
Tyrone Carlin	Dean of Business School, The University of Sydney
Kylie Hargreaves	Executive Director, Investment and Export Services, NSW Trade and Investment Centre, NSW Department of Trade and Investment
Paul Kelly	Editor at Large, The Australian