

Additional information: Senate Inquiry into the *Higher Education Support Legislation Amendment Bill 2017*

In response to the written questions by Senator McKenzie and Senator Collins, La Trobe University provides the following answers:

Senator Bridget McKenzie

- 1. Can you please break down your annual reports to a granular level so I can understand your teaching costs per student, including associated teaching expenses and marketing?**

These details have been provided through the Innovative Research Universities (IRU)'s additional submission, as requested by the Senate Committee.

- 2. Please provide a detailed summary of the remuneration structure for the Vice-Chancellor of your institution.**

The remuneration structure for the Vice-Chancellor is composed of a base salary, superannuation and a performance bonus. The remuneration package is overseen by Council which takes account of remuneration elsewhere in the sector and in organisations of comparable scale and complexity. It is published yearly in the annual report that is available at <http://www.latrobe.edu.au/about/at-a-glance/plans>.

Senator Jacinta Collins

- 1. What is La Trobe's assessment of the impact of the cuts in the bill, to the university, over the next four years?**

The Bill, if passed, entails a number of far-reaching cuts:

- **Efficiency Dividend:** According to La Trobe's estimates, the efficiency dividend will result in a \$40 million cut from the La Trobe budget over the next four years. This includes a cut to La Trobe's regional loading.

The regional loading is included in the funding that will be subject to the efficiency dividend. The government-commissioned Deloitte Access Economics report¹ concluded that "teaching and scholarship costs are 17% higher for regional students". This confirms that a higher proportion of regional students is associated with a persistently higher cost of delivery and provides evidence for increasing and reforming the regional loading. The current regional loading does not come close to matching the cost levels Deloitte identify, and the current structure as a fixed pool of funds means resourcing falls on a per capita basis as regional student participation increases. Instead, universities like La Trobe with a high proportion of regional students, find themselves with fewer resources to support this specific element of our mission.

- **7.5% Performance Funding:** Without clarity on the criteria upon which performance will be measured, and recognising that it is expected that there will be distribution across universities, the performance funding could result in a cut of as much as \$67m over four years to 2021. In the event that La Trobe were to benefit from a redistribution of funding, this would be at the expense of another university that would therefore further struggle to afford the costs of improving performance. In addition to the impact on universities, this raises serious issues of fairness for students who would have made a choice to study at a certain university and then suddenly find themselves studying at a university operating with a significantly-reduced budget.
- La Trobe supports the principles of openness and transparency but putting universities' base funding at risk is fundamentally flawed. There is a genuine risk that this will harm institutional performance rather than improving it, by undermining the viability of universities. A far better approach is to introduce a separate, additional fund in the same vein as the Learning and Teaching Performance Fund. This would have the desired effect of investing in teaching and learning improvement without introducing further uncertainty.

¹ Deloitte Access Economics (2017), 'The Cost of Delivery of Higher Education', p.61

- This \$107 million cut (efficiency dividend and performance funding) does not include any further potential impacts stemming from increased student contributions and lower HELP repayment thresholds. Under reasonable assumptions for price sensitivity, the University could be faced with a further revenue decrease of \$19 million. This estimate is based on an assumption that for each +1% increase in price there is a 0.5% decrease in volume of students. As the price increases do not involve grandfathering of existing students, the price sensitivity assumption has been applied to all students. The lowered HELP threshold is also assumed to lead to a reduction in volume of 1% in 2018, growing to 4% in 2020. The net impact of price increases and HELP threshold reduction is that La Trobe projects to lose more in volume reduction than it gains in price rise, amounting to \$19m over 4 years to 2021.
- In total therefore, La Trobe University, which is one of the largest providers of regional education in Victoria, could face a reduction of \$126 million to its budget over the next four years. This would have a huge impact on every aspect of the University, including the quality of the student experience, the financial viability of the course portfolio and the quality of research. In addition, the University would have reduced ability to maintain its facilities and sustain current levels of staff employment across the University's metro and regional campuses. We estimate that around 60-70 jobs could be at risk as a result of these cuts. The university's backlog maintenance is currently estimated at \$95 million (of which at least \$14 million is related to regional campuses). The economic benefits to regional communities surrounding La Trobe campuses would be diminished.

2. Will (understood as 'What') impact will the cuts have on the viability of your campuses?

La Trobe University is one university with many campuses serving different communities. Four of our campuses are in regional Victoria namely Albury-Wodonga, Bendigo, Mildura and Shepparton. As acknowledged by the government-commissioned Deloitte report², the cost of delivery for regional students is at least 17% higher. The current regional loading does not remotely cover this cost.

The difficulties of maintaining regional campuses are well documented. The future of Deakin's Warrnambool campus was under threat prior to a \$14 million lifeline from the federal government. Monash University withdrew from its Berwick campus. Unlike metropolitan campuses, regional campuses find it much harder to attract international students, which are an important source of revenue for any university, particularly at a time when per-student funding has not increased. Despite these challenges, La Trobe University had maintained its commitment to regional Victorian communities. Faced with a \$126 cut to the operating budget, maintaining that commitment might well become impossible.

La Trobe University has repeatedly lamented the government's refusal to address the issues facing regional higher education delivery. One effect of the demand driven system, in place since 2012, has been to rob our regions of the talent and skills we need to transition our regional economies to the new knowledge economy. **La Trobe research³ shows that since the introduction of the demand-driven system, the number of regional students across Australia moving to a city location to study has increased by more than 76 per cent between 2008 and 2014.** Between 2011 and 2014, the number of regional students moving to study in a city increased by more than 15,500 (or 44 per cent), whereas the number of regional students studying in the regions increased by about 13,400 (or 11 per cent). **This gap represents a growing brain drain of students from the regions to the cities.** These students tend not to return. There is nothing in the higher education reform package to address this problem.

Although Victoria is not the most regionally-oriented of states in Australia, the data from Victoria are still very indicative of weak regional campus growth. The demand-driven system has led to an increase in the number of enrolments at La Trobe University but this increase has not been reflected in our regional campuses (see Figure 1). In fact, this trend has been replicated across Victoria (see Figure 2) and raises important questions about the impact of the demand-driven system and the continuing drift of students from regional to metropolitan Australia. In addition, the 2016 Census data shows that despite starting from a low base in 2011, regional SA4s have not had

² Deloitte Access Economic (2017), 'The Cost of Delivery of Higher Education', p.61

³ Cardak, Brett et. al., 'Regional Student Participation and Migration: Analysis of factors influencing student participation and migration Australian higher education', (2017) La Trobe University

significant increases in the percentage of young persons attending university between 2011 and 2016 (see Figure 3). SA4s in greater Melbourne, which already had high student figures in 2011, had much sharper increases in the percentage of young persons attending university.

There are other elements within the higher education package that accentuate our concern. For instance the regional study hubs, if placed in a location where a regional campus is located, will make it even harder for regional campuses to survive. In addition, the regional and rural enterprise scholarships should be allocated for students studying in regional campuses.

Figure 1: La Trobe University domestic enrolments by campus (2011-2015)

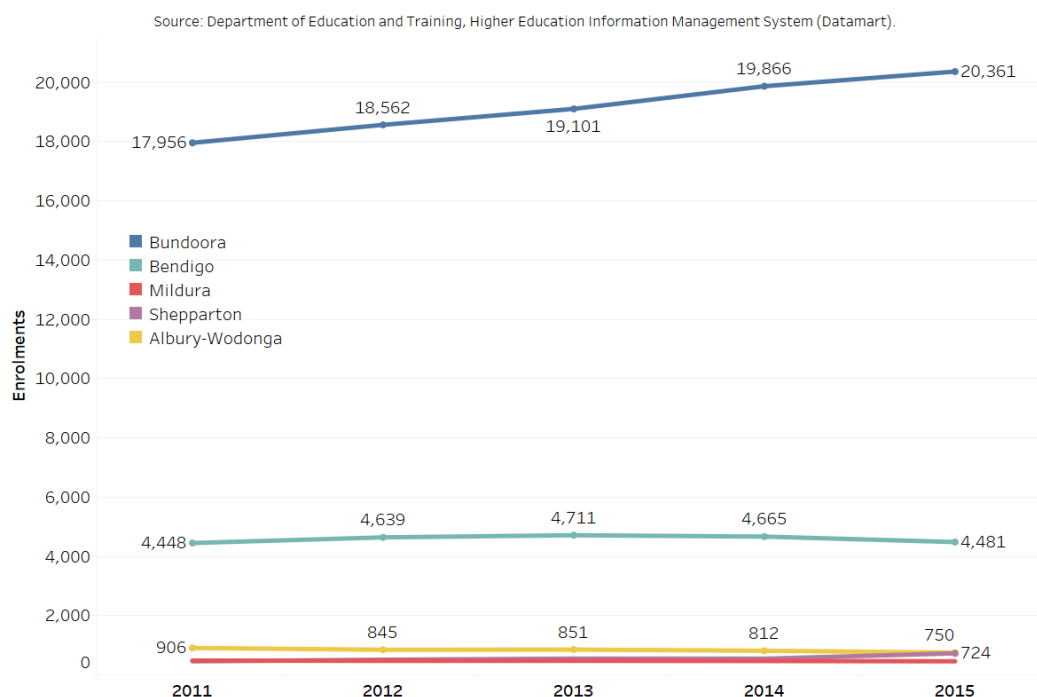


Figure 2: Domestic enrolments at Victorian universities (2011-2015)

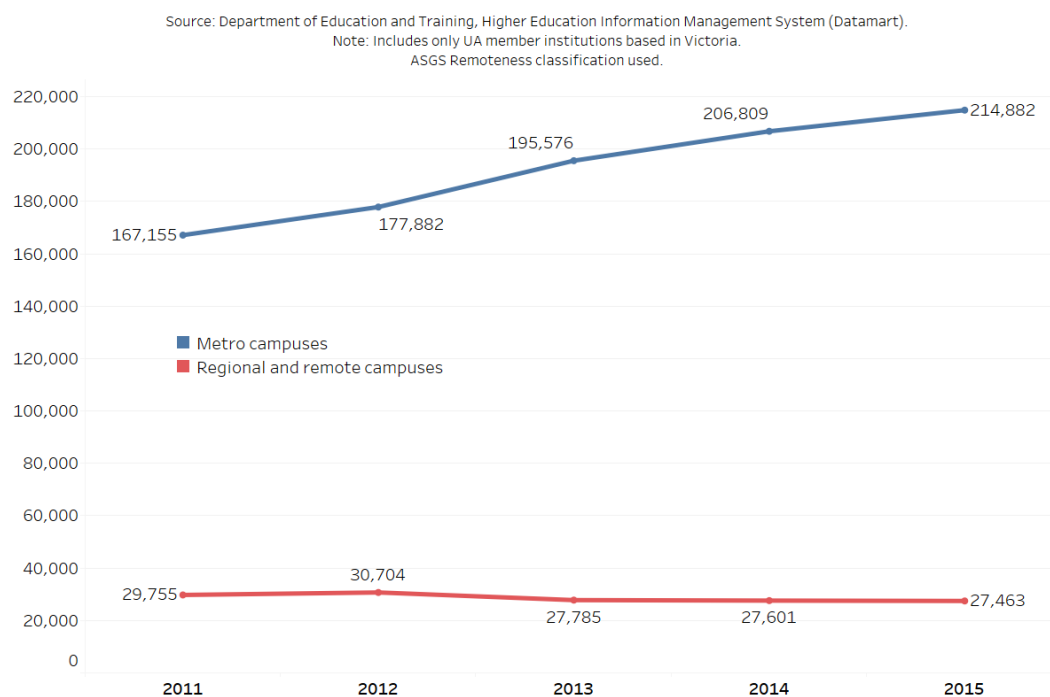
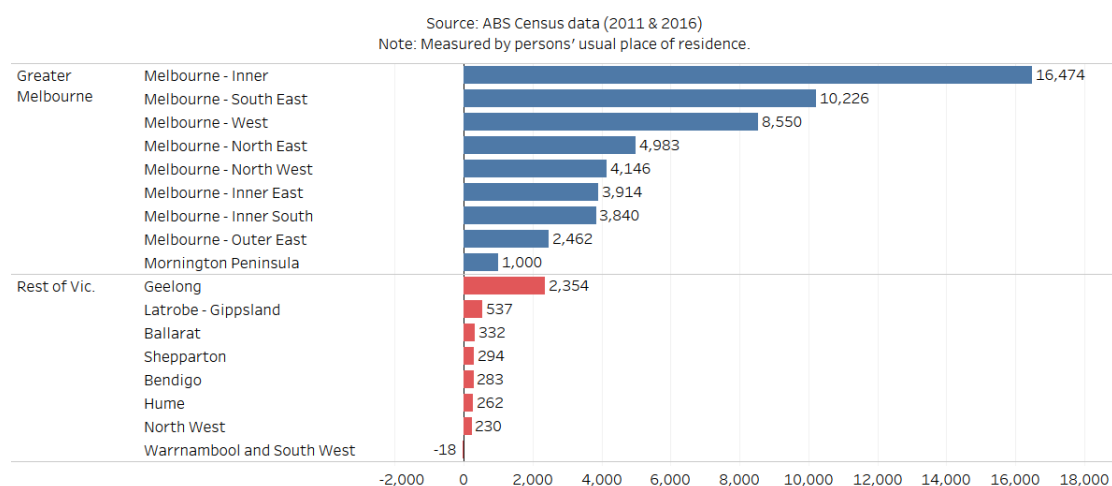


Figure 3: Growth in number of persons (20-39 years) attending 'University or other Tertiary Institution' by Statistical Area 4 (SA4) in Victoria (2011-2016)



3. What will the impact on fee increases have on low SES students – does La Trobe have research in this area?

Since the onset of the demand-driven system, the number of low SES students studying at La Trobe University has increased from around 17% to almost 20%⁴. Despite other claims (including those presented to this Senate Inquiry) that increased student contributions would not have an impact on student demand, La Trobe argues that the demand-driven system has, as intended, opened up higher education to a previously-excluded cohort that might be more sensitive to cost.

As La Trobe argued in its submission to the Senate, specific modelling needs to be carried out to estimate the impact that fee increases and lower HELP repayment thresholds would have on student demand particularly for low SES students. To the extent that La Trobe is aware, this modelling was not carried out by the Department of Education and Training prior to this proposal.

In March 2016, La Trobe University researchers published a study⁵ about the adaptation of tertiary admission practices to growth and diversity. The study confirmed the disincentives of financial cost particularly for students from low SES and regional backgrounds and the way this was a factor in their choices:

“Students from low SES and regional backgrounds were most likely to lack information about tertiary admissions. Both students and careers advisers stressed the potential difficulties of relocating to study, and the disincentives of financial cost, particularly around living and relocation costs.”

Reflecting on the ability to recruit students from low SES backgrounds, one university representative cited a range of mostly financial barriers to attracting low SES students and how “these costs are likely to weigh more heavily for students juggling work, study and other personal commitments.”⁶ **One questions the coherence of a policy that on the one hand is trying to encourage mature and low SES students to reskill and return to further study and on the other hand will make it much harder for them to manage the rising costs.**

The reality is that there will always be a number of factors impacting a student’s decision on whether to pursue further study. It is true that some students, recognising the potential benefits of higher education, will go on to further study despite increased costs. The question is whether the government, through its policies, wishes to make that decision and process harder or not. **The deeper and perhaps more important question is how to tackle the fact that aspiration and achievement for low SES students particularly in regional Australia continues to seriously lag that of metropolitan Australia.**

In terms of the impact on students, the Committee might wish to refer to the various submissions to this inquiry by student representative bodies who oppose these changes. The National Union of Students for instance argues that “The threat of large study debts can act as an aspirational constraint on going down the pathway to higher education, particularly for the students in junior high who have limited knowledge of managing HELP debts.”⁷ Irrespective of whether this has an impact on student demand, the NUS argues that what is already a difficult situation for young people, is being made worse through large debts and lower repayment thresholds.

⁴ Department of Education and Training, Higher Education Statistics; Appendix 5.4: Equity - Participation Rates for Domestic Students at Table A and B Institutions(a), 2009 to 2015

⁵ Harvey, A., Brett, M., Cardak, B., Sheridan, A., Stratford, J., Tootell, N., McAllister, R. & Spicer, R. (2016). The Adaptation of Tertiary Admissions Practices to Growth and Diversity. Report for the Australian Government Department of Education and Training, Melbourne, Access and Achievement Research Unit, La Trobe University, p. 8-9

⁶ Harvey, A., Brett, M., Cardak, B., Sheridan, A., Stratford, J., Tootell, N., McAllister, R. & Spicer, R. (2016). The Adaptation of Tertiary Admissions Practices to Growth and Diversity. Report for the Australian Government Department of Education and Training, Melbourne, Access and Achievement Research Unit, La Trobe University, p. 96

⁷ NUS Submission To Senate Education and Employment Committee Inquiry into Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017, June 2017, p. 8

4. La Trobe has been doing some excellent work collaborating with TAFE. Will the changes to sub-bachelor courses have an impact on this?

La Trobe University places a lot of importance on its collaboration with TAFE including in its regional campuses. In other consultations, La Trobe has put forward its recommendations towards the aim of having a more resilient TAFE system, which is a crucial component to an appropriate suite of education options for students.

At this stage and before further details emerge, it is not possible to fully anticipate the impact that these changes would have on La Trobe's collaboration with TAFE. However, La Trobe intends to continue working with its TAFE partners and will assess the opportunities presented in the sub-bachelor space together with those partners. That said, La Trobe University acknowledges the potential risks to TAFE providers that, as a result of increased competition, might be crowded out of the system. A weakened TAFE system is not in the best interests of student choice and access, or the wider Australian community.

As with other elements of the package, this appears to be another change where there might be unintended consequences which have not been properly modelled or tested.

5. Can La Trobe elaborate on their about how this bill will impact the delivery of tertiary education in regional Australia?

As outlined in its submission, La Trobe is particularly concerned about the short, medium and long-term impacts of this bill on the delivery of tertiary education in regional Australia.

First, even if the Senate were to heed the advice of all of Australia's universities and reject this Bill, there are already significant issues with regard to higher education participation and attainment in regional Australia.

Second, if this Bill were to be passed, the situation will be much worse:

- There is nothing in the Bill to address the acknowledged higher costs of regional delivery making the situation of regional campuses even more precarious. As cited earlier, the Deloitte Access Economics report⁸, used to buttress claims that the university sector could withstand a significant budget cut, confirmed that a higher proportion of regional students is associated with a higher cost of delivery. However, there is no effective measure to address higher costs for universities like La Trobe University that are committed to regional delivery. This is compounded by the fact that the impact of the proposed efficiency dividend will be greater on regional campuses than elsewhere, given that they tend to be more teaching focused than other campuses. In other words, while the government's own research shows that regionally delivered higher education costs more, the impact of the proposed cut will be punitive.
- As outlined earlier, as a result of the proposed cuts, La Trobe could face up to \$126 million reduction in its revenue meaning that the viability of its regional campuses will be particularly at risk. At the very least, the number of courses we would be able to offer at our campuses might need to be diminished, compared to our current approach of increasing course choices in regional Victoria. Similarly, the University would also need to revisit planned infrastructure investment in our regional campuses as the impact of the proposed cuts would substantially erode the modest surpluses achieved. These operating margins are currently the only source of funds for maintenance, refurbishment and new infrastructure.
- **The long-term solution for regional campuses is to fund the higher differential cost of delivery and support development of flagship destination courses, such as medicine, in regional university cities.**

⁸ Deloitte Access Economic (2017), 'The Cost of Delivery of Higher Education', p.61

6. What is your assessment on the regulatory impact of this bill?

Given the lack of detail divulged on the impact of the different measures when the Bill was made public, it is very difficult to assess the full regulatory impact of the Bill.

However, La Trobe University can already anticipate that given the magnitude of the 7.5% CGS performance funding which will be 'at risk', significant university resources will be devoted to making sure that universities do not lose this funding at the expense of other universities. These resources would be better spent on continuing to improve the teaching and learning experience of our students. This is why we recommend an additional fund that would incentivize and direct investment in better performance rather than creating an unhealthy wrangle between universities where the only losers will be the students.

La Trobe University will fully participate in the requirements to provide further reporting in the reform of admissions information and the cost of teaching and research transparency initiatives. These are listed as the requirements to receive the 7.5% performance funding in 2018. Complying with these requirements will however definitely entail additional administrative resources.

La Trobe also notes that the retrospective element of some elements in the Bill (for instance the increase in student contributions and the lowering of HELP repayment thresholds) raises serious questions about the choices current students have made on the basis of current arrangements that will suddenly be amended.