

# **Submission of Australian Catholic University**

## ***Senate Inquiry into the Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017***

**June 2017**

**ACU Submission to the Senate Inquiry into the *Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017***

**Table of Contents**

<b>EXECUTIVE SUMMARY .....</b>	<b>1</b>
<b>FUNDING CUTS ('EFFICIENCY DIVIDEND') .....</b>	<b>3</b>
THE CUTS WILL HAVE AN ADVERSE IMPACT ON EQUITY IN HIGHER EDUCATION IN AUSTRALIA .....	3
THE CUTS POSE AN EXISTENTIAL RISK TO SOME UNIVERSITIES .....	6
AN 'EFFICIENCY DIVIDEND' WILL PLACE AT RISK VALUABLE BUT LESS PROFITABLE OPERATIONS .....	6
THE CGS FUNDING CUT HAS BEEN JUSTIFIED BASED ON INCOMPLETE AND FLAWED DATA .....	8
<b>PERFORMANCE-CONTINGENT FUNDING FOR UNIVERSITIES .....</b>	<b>11</b>
CRITERIA FOR PERFORMANCE CONTINGENT FUNDING ARE UNDEFINED AND INAPPROPRIATELY DELEGATED..	11
PERFORMANCE-BASED FUNDING FOR HIGHER EDUCATION IS INEFFECTIVE AND COUNTER-PRODUCTIVE .....	12
UNIVERSITIES ARE ALREADY HIGHLY ACCOUNTABLE .....	13
THE PROMISE TO RETAIN WITHHELD FUNDS WITHIN THE SECTOR SHOULD BE ENSHRINED IN LEGISLATION.....	13
<b>POSTGRADUATE (COURSEWORK) SCHOLARSHIPS SYSTEM .....</b>	<b>15</b>
PROBLEMS WITH THE EXISTING ALLOCATION SYSTEM .....	15
PRINCIPLES AND PRIORITIES FOR THE NEW SCHOLARSHIPS SYSTEM .....	15
<b>EXTENSION OF DEMAND DRIVEN FUNDING TO APPROVED SUB-BACHELOR COURSES .....</b>	<b>17</b>
ACU SUPPORTS THE EXPANSION OF THE DEMAND DRIVEN SYSTEM TO SUB-BACHELOR COURSES.....	17
GREATER CLARITY IS REQUIRED AROUND PROPOSED ELIGIBILITY RESTRICTIONS .....	17
<b>HIGHER EDUCATION PARTICIPATION AND PARTNERSHIPS PROGRAM (HEPPP).....</b>	<b>18</b>
HEPPP PLAYS AN IMPORTANT AND VALUABLE ROLE IN IMPROVING EQUITY AND UNIVERSITY ACCESS .....	19
HEPPP GUIDELINES SHOULD ALLOW UNIVERSITIES SUFFICIENT FLEXIBILITY .....	20
<b>FINANCIAL IMPACT ON STUDENTS.....</b>	<b>21</b>
THE BILL INCREASES STUDENT FEES WHILE REDUCING STUDENT EXPERIENCE .....	21
FEE INCREASES AND HELP REPAYMENT CHANGES MAY HAVE NEGATIVE EQUITY CONSEQUENCES .....	21
<b>ATTACHMENT A - CGS REVENUE AS A % OF TOTAL REVENUE BY UNIVERSITY .....</b>	<b>23</b>
<b>ATTACHMENT B - AUSTRALIAN CATHOLIC UNIVERSITY PROFILE.....</b>	<b>24</b>

## Executive Summary

Australian Catholic University (ACU) welcomes the opportunity to make a submission to the Senate inquiry into the *Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017* (the Bill).

ACU strongly opposes the elements of the Bill that:

- cut critical Commonwealth Grant Scheme (CGS) base funding to universities through the application of a 5 per cent efficiency dividend over two years;
- provide for unspecified and discretionary conditions to be attached to a further 7.5 per cent of CGS funding through the introduction of an undefined performance-contingent element; and
- require universities to remit to the Commonwealth the 7.5 per cent increase in student fees through further dollar-for-dollar cuts to the CGS.

ACU urges the Senate to reject the Bill in its entirety, as any benefits are significantly outweighed by shortcomings. At the very least, the Senate should amend the Bill to scale back its most extreme elements. This could be done by:

- opposing the 5 per cent ‘efficiency dividend’ cut to the CGS; and/or
- allowing students to receive the educational benefit of their increased fee payments instead of requiring universities to remit the value of the fee increases to the Commonwealth.

ACU also calls on the Senate to place limits on the matters the Bill currently delegates to CGS Guidelines. Provisions in the Bill currently provide virtually unlimited discretion to the executive in relation to:

- the conditions universities will be required to meet to receive their performance-contingent funds;
- the criteria used to determine whether sub-bachelor courses will be eligible for demand-driven Commonwealth supported places; and
- the criteria used to assess the eligibility of students for ‘merit-based’ postgraduate scholarships and the process for awarding such scholarships.

ACU’s greatest concern with the Bill, as introduced into the Parliament, relates to the proposed cuts to essential CGS funding. These blunt cuts present a major threat to equity in Australian education. They will undermine, and in many instances reverse, the ongoing project of opening up access to quality university education for a greater number of Australians, particularly for those from disadvantaged backgrounds.

The impact of the cuts will be highly uneven across the university sector and disproportionately target universities that admit a greater proportion of equity students.

Moreover, the magnitude of the cuts will have far-reaching and unintended consequences for the delivery of higher education in Australia.

As is the nature of an ‘efficiency dividend’, some universities will need to look to cutting less ‘efficient’ or unprofitable operations, notwithstanding their social or national value. This is likely to lead some universities to consider:

- shutting regional and/or smaller campuses;
- terminating unprofitable courses or subjects, such as languages or resource-intensive sciences;
- reducing the level of support available to disadvantaged students; and
- scaling back investment in research.

On the basis of the most recently available financial data collated by the Department of Education and Training, ACU will suffer the greatest cut of all universities as a proportion of its overall funding. ACU is also the largest educator of nurses and teachers in Australia, a critical element of Australia’s future workforce.

ACU has exercised conservative and prudent financial management since the introduction of the demand driven system that will allow it to continue its core activities. Budget revisions for 2018 and beyond, however, show that staff numbers, plans for new learning and teaching infrastructure and student support services will all be negatively affected if the Bill passes in its current form.

For some other universities, the cuts pose a potentially existential challenge. Five institutions were already operating at a loss according to the most recent figures. If more marginal universities bear the full impact of the potential 12.5 per cent cut to CGS funding, at least ten institutions – representing a quarter of Australia’s public universities (including one Group of Eight university) – would be in deficit. A number of others would be pushed below a prudent operating surplus.

Australia has not experienced the collapse and closure of a university. It would be a perverse outcome if, under the banner of improving the ‘sustainability’ of higher education, the Government’s reforms forced some universities to shut their doors.

The Bill does contain some positive elements, particularly around the qualified expansion of the demand driven system to sub-bachelor courses and the protection of the highly effective Higher Education Participation and Partnerships Program (HEPPP). These aspects are substantially overshadowed, however – if not completely undermined – by the proposal to subject the sector to blunt and inequitable cuts to base funding.

## Funding Cuts ('Efficiency Dividend')

*The Bill proposes a 5 per cent cut ('efficiency dividend') to funding provided to universities under the Commonwealth Grant Scheme (CGS).<sup>1</sup>*

ACU strongly opposes the cut to base funding for the following reasons:

- It will have a significant and negative impact on the university sector and the delivery of higher education in Australia. The funding cuts will have far-reaching, unintended, and unevenly distributed consequences for institutions, students and local communities.
- As a proportion of their overall revenue, universities that enrol the greatest proportion of students from low socio-economic status backgrounds will be hit hardest by the cuts to the CGS.
- The Government has justified the cuts by relying on data contained in a 'cost of delivery' report that explicitly warns against its use for this purpose.
- Base funding must take into account the essential use of such funding for functions such as the upgrading of infrastructure, student support services and the cross-subsidisation of research (as acknowledged in the 2011 Base Funding Review).<sup>2</sup>
- A 5 per cent cut is manifestly excessive. Combined with the proposal to make 7.5 per cent of university funding contingent on universities meeting currently unknown performance requirements, individual universities face CGS funding cuts of up to 12.5 per cent by 2019. On the most recent figures, a quarter of all Australian universities would be in deficit if subjected to this level of funding cut.

### **The cuts will have an adverse impact on equity in higher education in Australia**

Analysis of university finances shows that the impact of the cuts to CGS funding will be highly uneven across the university sector, and will disproportionately target universities that admit a greater proportion of equity students.

The greater the proportion of a university's revenue that is derived from CGS funding, the more serious the cuts to CGS will be for that institution. Data on the proportion of CGS funding out of total university revenue for all institutions is provided in Attachment A.

Universities that derive a greater proportion of their revenue from CGS funding tend to be universities that admit a greater proportion of students who are:

- from disadvantaged or low socio-economic backgrounds;
- from regional areas; and/or
- the first in their families to go to university.

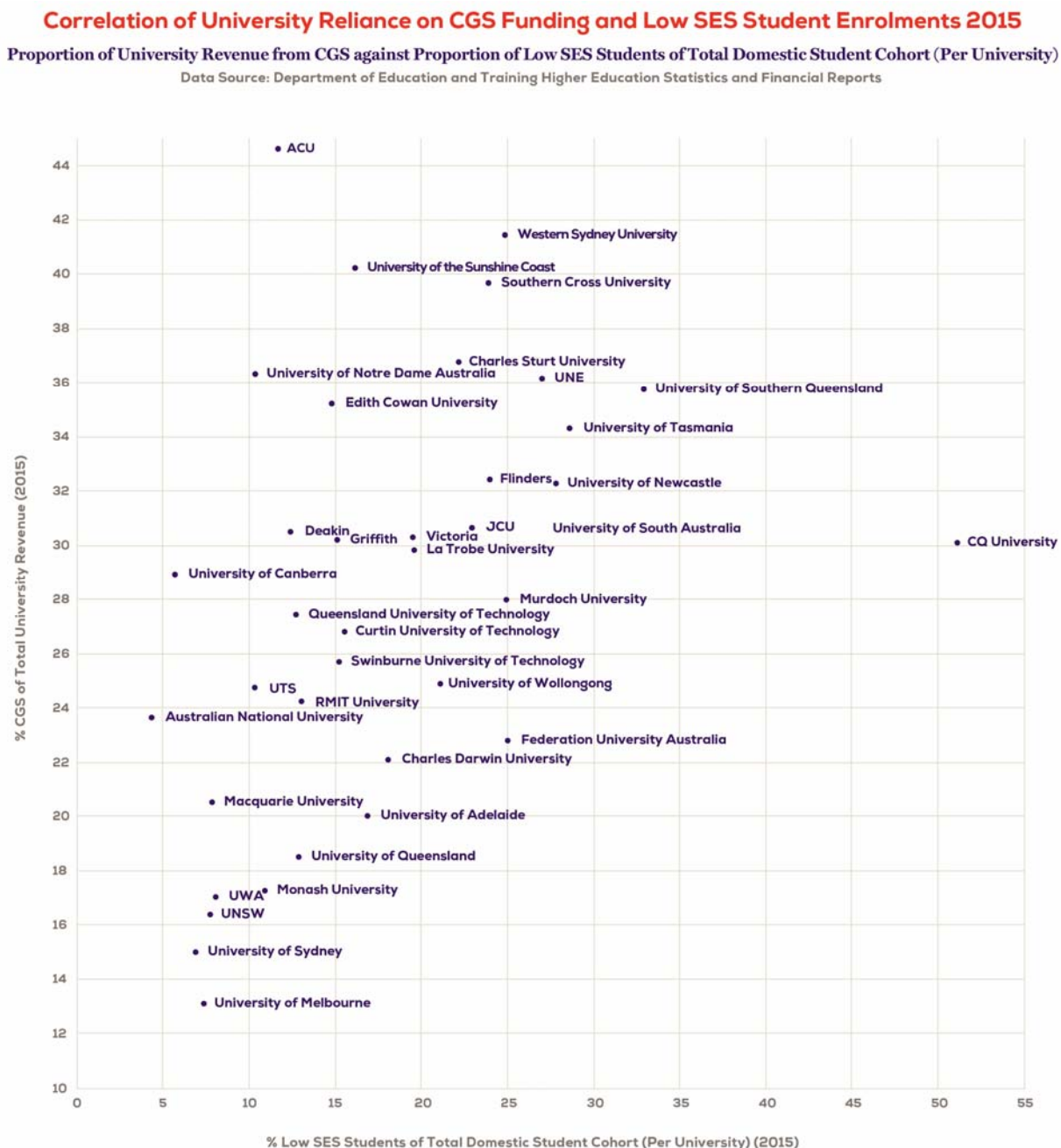
---

<sup>1</sup> The Bill proposes to introduce a 2.5 per cent efficiency dividend in each of 2018 and 2019, amounting to a 5 per cent cut in funding to the Commonwealth Grant Scheme (CGS) component of university funding.

<sup>2</sup> See Lomax-Smith, J., Watson, L., and Webster, B., *Higher Education Base Funding Review – Final Report* (October 2011), at 12; 83-85.

The following graph shows the clear correlation between the proportion of overall funding that each university receives from the CGS<sup>3</sup> and the proportion of its domestic student body classified as from a low socioeconomic status (low SES) background. In other words, the universities that enrol more low SES students are the ones hardest hit by the cut to the CGS.

Graph 1.



<sup>3</sup> The financial statement category is ‘Commonwealth Grants Scheme and Other Grants’ in the Australian Government Department of Education and Training, *Finance 2015: Financial Reports of Higher Education Providers* (2016). Accessible via [https://docs.education.gov.au/system/files/doc/other/finance\\_2015\\_3.pdf](https://docs.education.gov.au/system/files/doc/other/finance_2015_3.pdf)

The next table provides a snapshot of the relative significance of CGS funding as a proportion of total university revenue for a sample of universities.

The sample selected covers a range of universities – regional, metropolitan, ‘elite’ and/or national – to demonstrate the varied level of impact the proposed cut would have on individual institutions.

**Table 1. University revenue streams (percentage of total revenue, 2015)<sup>4</sup>: representative sample**

Revenue Source (selected)	ACU	Charles Sturt University	University of Southern Queensland	University of Tasmania	Victoria University	The University of Sydney	The University of Melbourne
<b>Commonwealth Grant Scheme (CGS)*</b>	44.6	36.6	35.8	34.3	30.3	15.0	13.1
<b>Education Research Grants &amp; ARC</b>	1.5	1.8	1.7	10.2	2.5	10.6	11.2
<b>Overseas Students (Full Fee-Paying)</b>	9.5	13.9	10.8	10.6	17.2	23.6	25.0
<b>State/Local Government</b>	0.5	0.2	0.6	4.1	7.4	1.0	1.9
<b>Investment Income</b>	0.2	2.1	1.4	3.9	0.7	4.7	6.1
<b>Donations &amp; Bequests</b>	0.03	0.1	0.09	0.7	0.5	3.5	2.5
<b>Non-government Grants</b>	1.9	0.4	0.0	1.0	0.01	2.1	2.7

\*This category is formally ‘Commonwealth Grants Scheme and Other Grants’.

As the data shows, ACU and regional-based universities, University of Southern Queensland and Charles Sturt University, are around three times more dependent on CGS funding than the University of Melbourne and the University of Sydney.

These elite universities derive significantly more revenue from wealthy donors, international students and research grants. Indeed, in 2015, the University of Sydney received over 100 times more of its revenue from donations and bequests than did ACU.

Universities that have more diverse sources of revenue will be less affected by a cut to CGS funding, compared to those that have greater reliance on CGS funding. Not all institutions are equally placed to markedly diversify their sources of revenue, as some are limited by individual university profiles, missions, campus locations and course offerings.

In its submission to the Government’s 2016 options paper, the University of the Sunshine Coast emphasised the disproportionate disadvantage that any cut to CGS funding would have on regional universities, stating: ‘Regional universities in general have fewer opportunities for income diversification, and hence are more reliant on CGS income as a proportion of revenue.’<sup>5</sup>

<sup>4</sup> Data has been sourced from the Australian Government Department of Education and Training, *Finance 2015: Financial Reports of Higher Education Providers* (November 2016). Accessible via [https://docs.education.gov.au/system/files/doc/other/finance\\_2015\\_3.pdf](https://docs.education.gov.au/system/files/doc/other/finance_2015_3.pdf)

<sup>5</sup> University of the Sunshine Coast submission to the Australian Government consultation paper ‘Driving Innovation, Fairness and Excellence in Australian Higher Education’ (25 July 2016). Accessible via <https://submissions.education.gov.au/Forms/Archive/AHE/Documents/1072.%20University%20of%20the%20Sunshine%20Coast.pdf>

Of all universities, ACU will suffer the greatest proportionate impact of the CGS funding cuts. ACU also educates more nurses and more teachers than any other university in Australia. The negative impact on the future workforce for these critical professions, through a severe cut to CGS funding, is short-sighted and potentially counter-productive.

### **The cuts pose an existential risk to some universities**

In addition to the impact on equity, funding cuts of the magnitude proposed in the Bill threaten the very viability of some institutions.

Suggestions that universities can universally accommodate the funding cuts within their existing operational budgets are false. A 5 per cent cut to CGS funding will place an intolerable financial burden on some universities.

Based on the latest financial data (2015),<sup>6</sup> five institutions have already been operating at a deficit, i.e. at a net loss: Southern Cross University, Victoria University, Murdoch University, Charles Darwin University, and Batchelor Institute of Indigenous Tertiary Education.

At least ten institutions, representing a quarter of Australia's public universities, risk plunging into deficit if the 5 per cent cut is implemented and individual institutions are stripped of the further 7.5 per cent of CGS funding, which the Bill makes contingent on meeting yet-to-be-determined metrics.

Australia has not experienced the collapse and closure of a university. It would be a perverse outcome if, under the banner of improving the 'sustainability' of higher education, the Government's reforms forced some universities to shut their doors.

ACU has exercised conservative and prudent financial management since the introduction of the demand driven system that will allow it to continue its core activities. Budget revisions for 2018 and beyond, however, show that staff numbers, plans for new learning and teaching infrastructure, and student support services will all be negatively affected if the Bill passes in its current form.

### **An 'efficiency dividend' will place at risk valuable but less profitable operations**

Even in times of fiscal constraint, Australia's higher education system must be adequately funded to continue to provide the economic and social benefits that our nation needs to remain internationally competitive.

After a lengthy policy vacuum, the Government's proposed flat 5 per cent CGS funding cut is a simplistic approach that gives the impression of being designed primarily to deliver savings to the Budget, without regard for proper policy considerations.

A 5 per cent cut to CGS funding is manifestly excessive and greater than what has traditionally been applied to other sectors. It is also worth remembering that the impact of an efficiency dividend compounds over time and that universities will be required to operate from smaller funding bases into the future. If enacted, this measure will have a lasting and ongoing impact on universities into the future.

The very purpose of an 'efficiency dividend' is for universities to eliminate their less 'efficient' or profitable operations. As a result, proposed cuts to CGS funding will have a direct impact on university operations.

---

<sup>6</sup> Australian Government Department of Education and Training, *Finance 2015: Financial Reports of Higher Education Providers* (2016). Accessible via [https://docs.education.gov.au/system/files/doc/other/finance\\_2015\\_3.pdf](https://docs.education.gov.au/system/files/doc/other/finance_2015_3.pdf)



Universities will be forced to take difficult practical steps to achieve savings, by stripping away services and facilities to protect core functions. These operational cutbacks will be to the detriment of students, communities (particularly regional and remote), and the Australian higher education system and its international reputation.

Areas that are particularly vulnerable to funding cuts include:

- **University campuses** – Smaller and regional campuses are especially vulnerable. In addition to the eight Australian universities based in regional areas<sup>7</sup>, many metropolitan universities operate regional campuses.<sup>8</sup> Some of these regional campuses, such as ACU's Ballarat campus, already operate at a loss but exist to provide valuable educational, economic and social opportunities in regional communities. If universities find it financially necessary to close unprofitable regional campuses, there is little prospect these campuses will find a new owner, as the experience of Deakin University's Warrnambool campus showed. In that case, following a refusal by Federation University to take over the campus, a multi-million dollar government bail-out and cuts to course offerings were required to keep the campus open.<sup>9</sup> The closure of regional campuses would have major impacts on regional employment, economies, communities, demographics (as school leavers are forced to travel to metropolitan centres to pursue higher education) and the availability of university educated professionals, such as teachers and nurses.
- **Courses with high costs of delivery** – Many university courses or subjects are important, and may even have national interest value, but may be uneconomic for universities to offer. These are courses that either have smaller enrolments and do not lend themselves to economies of scale, or require expensive infrastructure and equipment for quality teaching. These courses are likely to be among the first scaled back or terminated by universities in response to an 'efficiency' dividend. Examples of such courses include:
  - Courses with limited enrolments but which require intensive face-to-face teaching, such as Asian and other foreign languages.
  - Science, technology, engineering and mathematics (STEM) courses.
- **Student support services** – Costly student support services build the academic skills and success rates of disadvantaged students, such as students with a disability, and students from low socioeconomic and/or Indigenous backgrounds. With less support, vulnerable student cohorts are less likely to enrol, and those who do are more likely to underperform or drop out. The likelihood that the Government will penalise universities for student attrition by cutting a further 7.5 per cent of their CGS funding creates too great a risk for universities to enrol and fund costly support services to disadvantaged students, notwithstanding funding available under HEPSP. This would exacerbate the negative effect of the efficiency dividend on equity, as set out above.
- **Teaching and teaching quality** – Universities will be forced to make cuts across all areas, including staffing and teaching-related activities. Consolidation of class scheduling is likely to occur, with larger class sizes, less time devoted to each student and a diminished educational experience overall for students. In view of the increase in student fees proposed in the Bill – which will flow directly back to the Commonwealth, rather than to universities – this provides a poorer experience for students while leaving them with a greater debt burden.

---

<sup>7</sup> These are: Central Queensland University, Charles Darwin University, Charles Sturt University, Federation University Australia, James Cook University, Southern Cross University, University of New England, University of Southern Queensland.

<sup>8</sup> These are: Australian Catholic University, Curtin University, Edith Cowan University, La Trobe University, Monash University, Murdoch University, RMIT, University of Adelaide, University of Melbourne, University of Queensland, University of South Australia, and The University of Western Australia.

<sup>9</sup> See, for example, Judd, B., 'Job Losses 'Inevitable' for Deakin University to Retain Warrnambool Campus', *ABC* (3 October 2016), at <http://www.abc.net.au/news/2016-10-03/job-losses-inevitable-for-deakin-university-to-keep-warrnambool/7898392>

- **Cross-subsidisation of research** – The 2011 Base Funding Review acknowledged the important and necessary role of base funding to provide for some cross-subsidisation of research.<sup>10</sup> There is an inextricable link between university research and teaching that underpins scholarship and enquiry-based learning. Universities, through their research activities, afford students the opportunity to be taught by the brightest minds and expert authorities in their areas of study. While not every student in every field will always be directly taught by these active researchers, involvement in and exposure to a scholarly community has flow-on benefits to university teaching and learning. The risk that universities will scale back their research activities or scholarship creates the potential for a clear schism in the sector between elite research-intensive universities and those which are effectively teaching-only institutions in the model of centres for adult education.

Overall, university campuses and communities in rural and regional Australia stand to bear a disproportionate share of the burden of the Government's cuts. In addition, the withdrawal of high-cost or unprofitable courses will have an impact not only on student choice, but also on knowledge and skills development for the economy. National and regional economic development will suffer when valuable teaching resources and infrastructure are withdrawn from service, and students will receive a poorer educational outcome while being burdened with an increased debt at the conclusion of their studies.

### **The CGS funding cut has been justified based on incomplete and flawed data**

The Government has sought to justify its proposal to subject universities to a 5 per cent cut to CGS funding by relying on data from two costings studies undertaken in 2011 and 2016 by Deloitte Access Economics for the Department of Education and Training.<sup>11</sup> These reports, and the processes underlying them, do not support the policy reforms the Government is seeking to implement.

ACU makes the following critical points regarding the costings studies and their shortcomings.

#### *1. Both costings studies were based on incomplete data.*

The studies did not have costings data from all – or even the majority of – Australian universities. A mere eight universities were the subject of the 2011 study<sup>12</sup> and only 17 out of Australia's 37 public universities responded to the 2016 study.<sup>13</sup>

Based on this consideration alone it is apparent that the findings of the 2016 study are not directly comparable to the 2011 study, and no reliable inferences can be drawn from comparing the differences in costings between those years.

A distinctive feature of Australia's university sector is the diversity of its institutions. Evidently, with incomplete data, the studies cannot adequately reflect the diversity of the sector. Determining critical funding allocations on skewed information has the potential to draw incorrect conclusions, to the detriment of some universities.

---

<sup>10</sup> See Lomax-Smith, J., Watson, L., and Webster, B., *Higher Education Base Funding Review – Final Report* (October 2011), at 12; 82.

<sup>11</sup> See commentary in Australian Government, *The Higher Education Reform Package – May 2017* (2017), at 11-12.

<sup>12</sup> Deloitte Access Economics, *Higher Education Teaching and Learning Costs – Department of Education, Employment and Workplace Relations (DEEWR)* (August 2011).

<sup>13</sup> The study notes that although eighteen universities 'responded', only seventeen provided full data sets. Deloitte Access Economics, *Cost of Delivery of Higher Education – Australian Government Department of Education and Training Final Report: December 2016* (2016).

2. *Data provided for the studies was inconsistent and not directly comparable, both across the sector and in respect of individual universities.*<sup>14</sup>

There is no uniform activity-based costing model or methodology that is utilised across the university sector. Therefore, the findings of the costings studies have inherent limitations and flaws. The report of the most recent costings study itself identifies this shortcoming and reveals that a number of assumptions had to be made for the purposes of the study.<sup>15</sup> Deloitte Access Economics explicitly states that:

*...[the 2015] figures cannot be compared as direct growth or decline in costs relative to funding over the five years to 2015, given the differences in the sample, and differences in cost collection approaches. Similarly, caution should be taken in drawing inferences about the sufficiency of CGS funding directly from these ratios.*<sup>16</sup>

Deloitte Access Economics also states:

*Given the variation in sample size, sample representativeness, and in approach between the current study and the 2011 study, it is not appropriate to attempt to determine precise cost growth over this period from a direct comparison of the two studies.*<sup>17</sup>

Despite these explicit warnings from Deloitte Access Economics, the Government has mischievously referred to these reports in seeking to prosecute its case for the cuts to CGS funding.

3. *The cost of delivery studies only sought to quantify the costs of university teaching and scholarship.*

The existing CGS funding scheme, appropriately, recognises the interdependence between teaching, learning and research. This fundamental feature and function of the CGS was also recognised by the 2011 Base Funding Review.<sup>18</sup> These costs are not easily reflected or apportioned in pure costings studies.

The research, teaching and learning functions of universities work in a complementary manner to support students, foster scholarship and build workforce capacity.

As the report of the 2016 study notes:

*While not specifically stated in the Higher Education Support Act 2003, there is a general view that CGS funding is intended to cover some level of base research activity (which may be excluded from the definition of teaching and scholarship costs used in [the Deloitte] study, and the cost of such research may vary as a proportion of teaching costs.*<sup>19</sup>

Despite recognising the functional and funding links between teaching and research, Deloitte Access Economics does not seek to adjust the findings accordingly. This means that the reports overstate the

---

<sup>14</sup> Universities Australia has also publicly commented on these shortcomings, highlighting that the 2016 study “cannot be compared with [the]...2011 analysis nor be used to draw conclusions about growth over time”. See Universities Australia, *Report says study can't be used to measure changes in uni costs* (1 May 2017) at <https://www.universitiesaustralia.edu.au/Media-and-Events/media-releases/Report-says-study-can-t-be-used-to-measure-changes-in-uni-costs#.WSYqL9wlG60>

<sup>15</sup> Acknowledgments by Deloitte included that “participating universities [varied]...in the sophistication of their data collection and reporting ability” and that “...despite the focus on maximising the cross-institution consistency in the dataset, some differences in approach remained.” See Deloitte Access Economics, *Cost of Delivery of Higher Education – Australian Government Department of Education and Training Final Report: December 2016* (2016).

<sup>16</sup> Deloitte Access Economics, *Cost of Delivery of Higher Education – Australian Government Department of Education and Training Final Report: December 2016* (2016), at 39.

<sup>17</sup> *Ibid*, at x.

<sup>18</sup> See Lomax-Smith, J., Watson, L., and Webster, B., *Higher Education Base Funding Review – Final Report* (October 2011), at 83.

<sup>19</sup> Deloitte Access Economics, *Cost of Delivery of Higher Education – Australian Government Department of Education and Training Final Report: December 2016* (2016), at 39.

‘surplus’ gained by universities from their teaching income (which includes CGS funding) and fail to account for the uses to which surpluses are put, including the investment in research.

*4. The studies only encompassed data for single, and disparate, years (2010 and 2015).*

In view of the significant variations that occur from year to year, ascertaining a clear picture of the cost of delivering higher education requires consideration of data for consecutive years (three or more), and certainly more than one year of data.

*5. ACU is aware that the 2016 study was, in particular, a rushed exercise, and the process was prone to error.*

ACU formally expressed its concerns to both Deloitte Access Economics and the Department of Education and Training during the study. Universities were required to deliver the requested data in the absence of a shared understanding and approach to costing methodology between universities.

While participating universities endeavoured to assist with the Department’s request for data to the best of their abilities and within their (varied) individual means, the result was not a complete nor directly comparable data set and lacked appropriate rigour. Furthermore, Deloitte Access Economics was itself required to undertake the data analysis and prepare its final report within a very tight timeframe upon receipt of data from universities, and notably, while consultations with individual universities were still taking place to clarify, and provide context to, the provided data.

**Recommendations:**

**ACU urges the Senate to reject the Bill in its entirety.**

**In the event that the Parliament is minded to pass the broader reform package, ACU urges the Senate to amend the Bill to:**

- **remove the 5 per cent ‘efficiency dividend’ cut to the CGS; and/or**
- **allow students to receive the educational benefit of their increased fee payments by removing the effective remittal of fee increases from universities to the Commonwealth.**

## Performance-Contingent Funding for Universities

*The Bill proposes to introduce a performance-contingent element to the CGS, whereby 7.5 per cent of a university's CGS funding would be contingent on the university meeting performance requirements. The operation of the performance element will be set out in the CGS Guidelines.*

ACU opposes the proposal to place 7.5 per cent of universities' CGS funding at risk, because it has the potential to dramatically exacerbate the funding cuts associated with the 'efficiency dividend', lacks clarity, and is likely to prove counter-productive to the Government's stated aims.

### Criteria for performance contingent funding are undefined and inappropriately delegated

The Bill, in its current form, wholly delegates to the CGS Guidelines the basis for which the Government may withhold 7.5 per cent of a university's CGS funding 'to reflect the performance of the provider'.

The delegation of such significant and untrammelled discretionary power to the executive is inappropriate and should greatly trouble the Parliament.

The Government has suggested in public statements that it intends to make the performance measures based on:

- data collection, transparency and reporting in 2018; and
- student attrition, completion and satisfaction in subsequent years.

The lack of certainty contained in the Bill demonstrates a significant policy deficiency, particularly in view of:

- the length of time the Government has taken to formulate this policy since the failure of its previous 2014 reforms; and
- the enormous proportion of university funding the Bill puts at risk in this measure.

In general terms, ACU notes that the Government's approach is one of 'all stick, no carrot' – penalising universities for failing to meet targets rather than providing any positive incentive to meet them. Rather than encouraging and enabling universities to concentrate efforts on improving performance, the measure places universities on the 'back foot' with an effective starting point of a 7.5 per cent cut to CGS funding.

Developing suitable performance standards will also be highly challenging.<sup>20</sup> It will be difficult to benchmark performance using common, and reliable, measures given the diversity amongst and within Australia's universities. The application of any blanket measures across the sector would be particularly undesirable and inequitable. If performance measures are adopted, they would have to: be developed in close consultation with each institution; keep administrative costs low; and reflect the individual contexts and cohorts of each institution.

None of these considerations are reflected in the Bill in its present form. Such uncertainty should leave the Parliament sufficiently concerned to reject this extremely vague provision.

---

<sup>20</sup> For instance, see critique of recent experience in the UK with the 'Teaching Excellence Framework' (TEF) which is attempting to assess and benchmark UK universities on the 'quality' of teaching using metrics such as student satisfaction and retention rates – this includes observation of 'lack of clarity', 'eccentric and unintended outcomes' and that it is more about fees than teaching excellence and the public benefit of education. E.g. see University College London, 'UCL's Response to Government on the Teaching Excellence Framework', (21 July 2016) at <https://www.ucl.ac.uk/teaching-learning/news/2016/jul/ucls-response-government-teaching-excellence-framework> ; Gardner, M., 'Why Birmingham's Performance Funding Plan Won't Improve Australian Universities', *The Conversation* (9 May 2017), at <https://theconversation.com/why-birminghams-performance-funding-plan-wont-improve-australian-universities-77389> ; Forstenzer, J., 'Why the Teaching Excellence Framework is Flawed', *The Guardian* (23 February 2016), at <https://www.theguardian.com/science/political-science/2016/feb/23/why-the-teaching-excellence-framework-is-flawed>

## Performance-based funding for higher education is ineffective and counter-productive

The imposition of a hefty funding penalty for failing to meet targets in respect of attrition is likely to deter universities from enrolling students who face greater challenges in completing their studies. Such students include students from disadvantaged or non-English speaking backgrounds, single parents and regional students studying remotely.

A 2015 US-based study of Indiana's public universities (where performance based funding is used) highlighted the issues raised in that case: '[P]erformance funding decreased admissions, increased selectivity, and may have further marginalised underrepresented minority and low-income applicants.'<sup>21</sup>

Other studies<sup>22</sup> have revealed unintended negative impacts of performance-contingent funding on overseas higher education institutions. These include:

- a weakening of academic standards – including reports of institutions lowering academic requirements in class (or inflating grades), reducing degree requirements, and pushing students through developmental education more rapidly, as a means of ensuring good results in performance indicators;
- restrictions on student admissions, particularly to the detriment of 'less prepared' students (often students from disadvantaged backgrounds), to focus on 'better-prepared' students so as to ensure that performance outcomes are not adversely affected by seemingly weaker students;
- increased institutional compliance costs, as institutions are forced to account formally for performance requirements;
- narrowing of institutional mission to focus on areas rewarded through performance funding;
- lower staff morale;
- prioritisation of bureaucratic imperatives over best academic practice; and
- 'gaming' of the system by some institutions to secure funding.

At the same time, research shows that making higher education funding contingent on performance-based metrics is ineffective at achieving the types of goals hinted at by the Government:

*The research literature does not provide firm enough evidence that performance funding significantly increases rates of remedial completion, retention and graduation. When such claims are made, they are often not based on solid data that control for other possible causes of changes in student outcomes beyond performance funding. In fact, the few careful multivariate quantitative analyses of the impacts of performance funding on retention and graduation rates have largely failed to find statistically significant positive impacts.'*<sup>23</sup>

---

<sup>21</sup> Umbricht, M. R., Fernandez, F., and Ortagus, J. C. 'An Examination of the (Un)Intended Consequences of Performance Funding in Higher Education' 1-3 *Educational Policy* 1 (2015), at 24.

<sup>22</sup> For instance see Lahr, H., Pheatt., L., Dougherty, K. J. et al, 'Unintended Impacts of Performance Funding on Community Colleges and Universities in Three States', *Community College Research Center (CCRC) Working Paper No. 78* (November 2014). Accessible via <https://ccrc.tc.columbia.edu/media/k2/attachments/unintended-impacts-performance-funding.pdf> ; Yi, P., Kwak, J., and Kim, J., 'The Impact of Performance Funding on Institutional Performance Over Time: Evidence from South Korean Universities' 16(4) *Asia Pacific Review* 505 (December 2015); Dougherty, K. J., Jones, S. M. et al, *Performance Funding for Higher Education* (2016), at 171-202; Umbricht, M. R., Fernandez, F., and Ortagus, J. C. 'An Examination of the (Un)Intended Consequences of Performance Funding in Higher Education' 1-3 *Educational Policy* 1 (2015).

<sup>23</sup> Dougherty, K. J., and Reddy, V., 'Performance Funding for Higher Education: What are the Mechanisms? What are the Impacts?' 39(2) *ASHE Higher Education Report* (2013).

## Universities are already highly accountable

Existing mechanisms and regulatory provisions within the higher education regime, which require and incentivise universities to improve student learning and outcomes, already ensure the accountability of universities. The role of the Tertiary Education Quality and Standards Agency (TEQSA) as the regulatory and quality assurance authority for the higher education sector, and the operation of the Quality Indicators for Learning and Teaching (QILT) as an incentive for universities to continuously improve teaching and learning to remain competitive, are cases in point.

The demand driven funding system itself compels universities to improve teaching, learning and student outcomes, to innovate and to offer a high-quality higher education to attract and retain students.

As ACU observed in a previous submission to Government:

*Under the demand driven system, universities must more sharply focus their services on students. While students have always been a primary focus for higher education providers, the demand driven system facilitates greater competition between institutions. In order to attract students, institutions are forced to work harder to ensure the delivery of quality education and to strengthen their respective reputations. Under such a system - where funding follows the student - students are effectively higher education 'shoppers' who are more interested than ever before in specific learning outcomes, job guarantees, and prices.<sup>24</sup>*

Universities have also demonstrably been working to strengthen student success, with identifiable results. For instance, despite the introduction of the demand driven funding system in 2012 (phased-in from 2009), which has seen well over an additional 190,000 (diverse) students enter Australian universities, student attrition rates have remained broadly steady.<sup>25</sup>

Rather than make CGS funding contingent on particular metrics, the Government should continue to work with universities to strengthen student success through initiatives such as the HEPPP and the review of retention currently underway through the Higher Education Standards Panel.

## The promise to retain withheld funds within the sector should be enshrined in legislation

ACU notes that the Government has indicated that 'any unused funds will be distributed among the remaining recipients, meaning funding to the sector will not be reduced'.<sup>26</sup> However, no such guarantee of this pledge is contained in the Bill.

The Bill does not include a stipulation that any unused performance funds will be redistributed among the remaining grant recipients, and therefore remain in the sector, let alone the basis for the redistribution of funds stripped from individual universities.

Consequently, it appears that the intention is to include this provision in the CGS Guidelines, where the relevant provisions would be subject to change by the Minister. This leaves universities vulnerable to losing a proportion (or potentially all) of this funding in the future, should the present Government or a future Government seek further savings from the sector to fill future Budget holes.

If this measure is to proceed, despite it constituting poor public policy, the Government's commitment to retain any unused funds within the sector should at least be enshrined in legislation.

---

<sup>24</sup> ACU Submission to the Review of the Demand Driven Funding System (December 2013). Accessible via [https://www.acu.edu.au/data/assets/pdf\\_file/0009/763074/ACU\\_Submission\\_to\\_the\\_Review\\_of\\_the\\_DD\\_System.pdf](https://www.acu.edu.au/data/assets/pdf_file/0009/763074/ACU_Submission_to_the_Review_of_the_DD_System.pdf)

<sup>25</sup> See Australian Government Department of Education and Training, 'Selected Higher Education Statistics – 2015 Student Data' (2016). Accessible via <https://www.education.gov.au/higher-education-statistics>

<sup>26</sup> Australian Government, *The Higher Education Reform Package – May 2017* (2017), at 27.

**Recommendations:**

**The Senate should reject the provision imposing performance-contingent CGS funding, as it:**

- **delegates virtually unlimited power to the executive to determine performance metrics via the CGS Guidelines;**
- **is unsupported by evidence; and**
- **is likely to result in counter-productive outcomes.**

**If, however, the reform does proceed:**

- **The Parliament should impose appropriate limitations on the discretion delegated to the executive to determine performance metrics via the CGS Guidelines.**
- **Any attempt to develop performance metrics should be carefully formulated and rigorously interrogated prior to implementation. This should be undertaken in close consultation with individual universities, and allow for any indicators to be tailored and contextualised for each institution.**
- **The Bill should be amended to require confiscated funds to be distributed among universities so that funding to the sector overall will not be reduced.**



## Postgraduate (Coursework) Scholarships System

*The Bill proposes to introduce a scholarship system for postgraduate coursework places.*

ACU cautiously welcomes the proposal to move away from the centralised allocation of Commonwealth supported postgraduate places, which to date has been based primarily on historical arrangements rather than demand or an efficient use of these places.

There is, however, very little detail regarding:

- the eligibility criteria for the scholarships;
- which courses will be included in the scheme; or
- how scholarship applications will be assessed.

As drafted, the Bill leaves these and other significant decisions to be made at the discretion of the Minister by indicating that the requirements will be specified in the CGS Guidelines.

### Problems with the existing allocation system

The current allocation of postgraduate places is the result of a number of historical decisions which may no longer be applicable. Although the previous Government undertook a review of the allocation and funding of postgraduate Commonwealth Supported Places (CSPs) in 2011, their allocation has essentially been frozen in time since the implementation of the demand driven funding system. This rigidity in the allocation means universities have been unable to change their student profile or meet shifting professional requirements and student demand.

While around 40 per cent of domestic postgraduate coursework places were supported by the Commonwealth nationally, the proportion of domestic supported coursework places at individual institutions varied wildly, ranging from about 14 per cent to around 91 per cent.<sup>27</sup>

The allocation of places should be made more consistent to rectify current anomalies in the system which distort student choice and prevent effective competition between institutions. For example, Exercise Science students may be eligible for a Commonwealth subsidy at one institution, while being required to pay full fees at another due to the allocation of postgraduate places. It is likewise not uncommon for half the students in a postgraduate Psychology class to be subsidised at one institution, whilst the entire class at another institution is subsidised simply because of that institution's larger share of postgraduate CSPs.

### Principles and priorities for the new scholarships system

The allocation of postgraduate coursework scholarships under the new scheme must be transparent, consistent, and practical, with a focus on:

- courses that offer a high community benefit, such as teaching and nursing, noting that graduates in these professions can face significant financial barriers to further study due to generally lower salaries than graduates of courses such as law, commerce or medicine;
- places for skills-deepening qualifications, particularly in areas such as nursing or STEM; and

---

<sup>27</sup> Department of Education and Training data (2014) provided to the Regional Universities Network (RUN) – see the RUN submission to the Australian Government consultation paper 'Driving Innovation, Fairness and Excellence in Australian Higher Education' (2016). Accessible via <http://www.run.edu.au/resources/RUN%20submission%20Driving%20Innovation%20Fairness%20and%20Excellence%20in%20Aust%20HE%202022%20July.pdf>

- areas of current or projected workforce shortage, such as specialist nursing qualifications, psychology, and specialist education courses.

It is also vital that where courses are selected to be eligible for postgraduate scholarships, all similar courses across the country should be equally eligible. This will ensure that the scheme is consistent and fair to all students and providers.

The Government will need to consult extensively with the university sector when developing and determining course eligibility and selection criteria for the scheme. Furthermore, universities need to be allowed sufficient notice of course and student eligibility criteria to be able to plan their postgraduate offerings from year to year.

ACU also stresses that costs associated with administering the scholarships scheme should be kept to a minimum for both students and providers.

ACU recognises that it is important to produce graduates who are able to meet industry requirements and to ensure workers have adequate skills where specific areas of specialisation are required. However, the Government should remain conscious of, and avoid the risk of, ‘credential creep’, when determining course eligibility.

Some professional bodies may see the scholarships scheme as an opportunity to shift professional development costs from its members to the Commonwealth. In view of the capped number of postgraduate scholarships proposed to be available, the Government should take care in selecting eligible postgraduate courses in order to maintain the integrity of the new system.

#### **Recommendations:**

**ACU supports in principle the introduction of a scholarship system for postgraduate coursework places but urges the Government to clarify:**

- **the bases on which courses will be eligible for scholarships; and**
- **the processes for assessing the relative merits of scholarship applications.**

**Postgraduate course scholarships should be allocated on a transparent and consistent basis, with a focus on:**

- **courses that offer a high community benefit and low personal return, such as teaching and nursing;**
- **places for skills-deepening qualifications, e.g. STEM courses;**
- **areas of workforce shortage, such as specialist nursing qualifications, psychology, and specialist education courses in design and technology, languages and measurement and assessment; and**
- **ensuring that where a course is eligible for a postgraduate scholarship, all similar courses across the country must be equally eligible.**

**The Government should ensure:**

- **extensive consultation with the university sector when developing and determining course eligibility and selection criteria for the scheme;**
- **universities are afforded sufficient notice of courses that are eligible for postgraduate scholarships, along with student eligibility criteria, to allow them to plan their offerings; and**
- **the costs associated with administering the scholarships scheme are kept to a minimum for both students and providers.**

## **Extension of Demand Driven Funding to Approved Sub-bachelor Courses**

*The Bill proposes to expand the demand driven funding system to include ‘approved’ sub-bachelor courses at public universities from 1 January 2018.*

### **ACU supports the expansion of the demand driven system to sub-bachelor courses**

ACU broadly supports the proposed expansion of the demand driven system (DDS) of funding to approved sub-bachelor courses at public universities.

There is great benefit in having a diverse range of pathways for students to access higher education.

The extension of the DDS is likely to improve educational access and outcomes for a range of students, including those from low socioeconomic backgrounds, Indigenous students, students from regional and remote areas, and students with a language other than English. It also increases student choice and student mobility, better enabling students to study the courses at institutions that are the best fit for them.

Importantly, expansion of the DDS will correct some of the current market distortions in which some students who may be less prepared for university choose a bachelor level course due to the Commonwealth subsidy available.

### **Greater clarity is required around proposed eligibility restrictions**

As is the case in respect of performance-contingent funding and postgraduate scholarships, the Bill provides virtually unlimited discretion to the executive to determine (through CGS Guidelines) which sub-bachelor courses will be ‘approved’ and therefore eligible for demand driven funding.

ACU also notes that the Bill contains a provision barring students who have previously obtained a higher education award from receiving a sub-bachelor CSP under the new arrangements (unless the award was obtained by completing an enabling course).

ACU calls on the Senate to clarify that this provision does not apply to individuals who may be concurrently enrolled in two courses, one of which may be a sub-bachelor qualification. Otherwise, as has been publicly reported, this provision has the potential to discourage some individuals from developing important specialisations in areas that serve the national interest.<sup>28</sup>

It is a common pattern of enrolment, for example, for students to be enrolled in a degree course alongside a Diploma of Languages. Denying access to a CSP for a diploma in this instance would create a significant disincentive to pursuing such a useful skillset.

---

<sup>28</sup> For instance, see Ross, J., ‘Asian language teaching ‘at risk’ under bachelor reforms’, *The Australian* (17 May 2017). Accessible via <http://www.theaustralian.com.au/higher-education/asian-language-teaching-at-risk-under-bachelor-reforms/news-story/f506cf51a4caa185460b0e871cb4f116>

**Recommendations:**

**ACU supports the extension of the demand driven funding system to approved sub-bachelor courses but calls on the Parliament to ensure that the Bill provides for sub-bachelor CSPs to be available to students concurrently studying another higher education qualification.**

**ACU also encourages the Government to work swiftly and transparently to provide certainty to students and universities regarding the eligibility criteria for sub-bachelor courses to be ‘approved’ for funding purposes.**

## Higher Education Participation and Partnerships Program (HEPPP)

*The Bill proposes to embed the Higher Education Participation and Partnerships Program funding arrangements into Higher Education Support Act 2003 (Cth) (HESA). Funding arrangements are to include: the introduction of a new, demand driven, low-SES student loading amount per eligible student per year; annual performance funding; and shared grants under a National Priorities Pool.*

ACU supports, and commends, the proposal to secure HEPPP funding arrangements in HESA. HEPPP is an important equity measure that lifts university participation and attainment for a greater number of individuals.

The measure appropriately recognises that the achievement of HEPPP objectives is a long-term commitment by universities, communities and the Government.

### HEPPP plays an important and valuable role in improving equity and university access

HEPPP activities have already provided marked benefits to individuals, the community and the Australian economy. HEPPP funding has assisted students from low socioeconomic backgrounds, Indigenous students, students from rural and remote areas, and broader equity groups, to access and attain a university education.

With the support of HEPPP funding, ACU has conducted outreach activities in schools, raising aspirations to attend university. School partnerships have enabled students to complete a university unit while at school (Step Up Programs), promoted learning in STEM subjects, and assisted students with the transition to university. HEPPP funds have also supported retention programs and equity bursaries at ACU.

Programs facilitated by the HEPPP have been effective in creating greater awareness, raising aspirations and assisting prospective students to explore pathways to university. The experiences of low SES and first-in-family students have flow-on effects and benefits amongst their families, friends and community members.<sup>29</sup>

For instance, a 2015 KPMG cost-benefit analysis assessed the HEPPP-funded 'Bridges to Higher Education' program,<sup>30</sup> which involved five universities (including ACU) working with primary and secondary schools, TAFE and community partners in Greater Western Sydney to engage young people who previously might not have considered higher education.<sup>31</sup>

KPMG estimated that the program delivered:

- an expected economic return to low socioeconomic status communities of \$54 million in projected earnings and tax revenues equating to a six-fold return on the Government's investment to low-SES communities and a threefold return to the NSW community at large; and

---

<sup>29</sup> The significant non-financial benefits education can deliver to graduates and the broader community, which have lasting effects include: greater wellbeing and happiness; improved health; volunteering and community participation; less crime and stronger relationships; and less reliance on welfare, as more graduates become employed. For example, see Bridges to Higher Education, 'Bridges Effect', at [http://www.bridges.nsw.edu.au/about/bridges\\_effect](http://www.bridges.nsw.edu.au/about/bridges_effect)

<sup>30</sup> KPMG, *Evaluation of Bridges to Higher Education – Final Report* (2015). Accessible at [http://www.bridges.nsw.edu.au/data/assets/pdf\\_file/0007/898504/04302015Bridges\\_to\\_Higher\\_Education\\_Final\\_Report.pdf](http://www.bridges.nsw.edu.au/data/assets/pdf_file/0007/898504/04302015Bridges_to_Higher_Education_Final_Report.pdf). Also see the Bridges to Higher Education website at <http://www.bridges.nsw.edu.au>

<sup>31</sup> Universities participated in nine collaborative projects designed to lift participation, with students benefitting from support and aspiration building initiatives such as mentoring, tutoring, homework clubs, work experience, career coaching and scholarships incentives.

- an expected economic return to the community-at-large of \$45 million in projected earnings and tax revenues – equivalent to a \$3 return for every extra dollar invested in all Bridges school projects.

### **HEPPP guidelines should allow universities sufficient flexibility**

The new HEPPP guidelines will play a critical role in ensuring the continued and effective delivery of the program to achieve its objectives. ACU urges the Government to undertake in-depth consultation with universities to develop the new guidelines.

Ultimately, the guidelines should respect and support the principle of university autonomy and afford institutions the flexibility to determine which initiatives, whether undertaken independently or collaboratively, they engage in to achieve HEPPP objectives. This should acknowledge and take into account the diversity of the sector, as well as the communities in which universities operate, and appropriately recognise that institutions are best placed to contextualise and assess which activities will be most effective in achieving HEPPP objectives.

#### **Recommendations:**

**ACU endorses the proposal to afford legislative protection for HEPPP funding.**

**ACU encourages the Government to undertake in-depth consultation with universities to develop the new guidelines. The guidelines should respect and support the principle of university autonomy, and acknowledge the diversity of institutions and the communities they serve.**

## Financial Impact on Students

*The Bill proposes a number of reforms to the Higher Education Loan Program (HELP) and CGS funding structure which would impact directly on students and graduates into the future. Most significantly, the reforms will:*

- *increase student contributions for all Commonwealth Supported Places by 7.5 per cent (1.82 per cent annually for four years from 2018);*
- *reduce the minimum HELP repayment income from \$51,957 (currently) to \$41,999 for the 2018-19 income year, and introduce new repayment thresholds, indexed using the CPI;*
- *extend access to student loans for most Australian permanent residents and most New Zealand citizens while removing their entitlement to a CSP from 1 January 2018; and*
- *terminate the Commonwealth loading for enabling programs and replace it with a student contribution through the HELP.*

### **The Bill increases student fees while reducing student experience**

ACU's primary objection to the 7.5 per cent increase in student fees set out in the Bill is that it requires students to pay more for a diminished university experience.

While universities are forced to reduce expenditure on teaching, infrastructure and student services to accommodate the 5 per cent 'efficiency dividend', students will not even receive the offsetting benefit of their higher fees, which are effectively diverted to the Commonwealth through further dollar-for-dollar reductions in CGS funding over the four year period.

Combined, the efficiency dividend and the increase in student fees will result in a reduced university experience at greater cost to students. ACU therefore opposes the increase in student fees, both as part of its opposition to the overall package and due to its unfairness.

If, however, the Parliament is minded to pass the broader reforms, ACU urges the Senate to amend the Bill to eliminate the obligation for universities to effectively remit the increase in student fees to the Government. This would provide some counterweight to the negative impact of the efficiency dividend and preserve the student experience at close to its current level.

### **Fee increases and HELP repayment changes may have negative equity consequences**

In considering the impact of proposed fee increases and changes to the HELP repayment regime, the committee should have regard to the following vulnerable student cohorts:

- Students who 'fall between the gaps' in terms of financial assistance and support. This includes those not eligible (or just above the eligibility threshold) for government assistance but who nevertheless have limited means and/or low incomes. A disproportionate number of part-time and mature-age students may fall into this category.
- Disadvantaged students, such as those from low socioeconomic and Indigenous backgrounds, and students from regional, rural and remote areas. There is also a heightened risk for students facing more than one disadvantage, who are likely to carry the increased financial burden throughout their adult lives.
- Individuals considering undertaking further study, particularly at a postgraduate level, who do not have high earning capacities. Increased student contributions and a lower repayment threshold could have the effect of deterring some students from undertaking further study, including valuable upskilling. This is particularly the case for individuals in professions such as nursing or teaching that are not highly financially rewarding – and where the heavier debt

burden from undergraduate degrees, combined with increased fees for postgraduate study, may prove a significant disincentive to further study.

The long-term financial impact on students, which will necessarily extend beyond graduation, should also be considered in the context of broader national priorities. The impact on graduates' prospects for home ownership is one such consideration. It is noteworthy that one of the Government's key priorities announced in the 2017 Federal Budget was an effort to improve housing affordability, especially for first-home buyers. However, the increase in student fees and decrease in the HELP repayment threshold runs counter to this objective and calls into question the Government's holistic approach to policy making.

**Recommendations:**


**If the Parliament is minded to pass the overall reforms, ACU urges the Senate to amend the Bill to eliminate the obligation for universities to effectively remit the increase in student fees to the Government.**

**ACU urges the Parliament to give consideration to broader consequences of increases in student fees and the decrease in the HELP repayment threshold.**



## ATTACHMENT A - CGS Revenue as a % of Total Revenue by University

COMMONWEALTH GRANT SCHEME (CGS) REVENUE AS A PERCENTAGE OF TOTAL UNIVERSITY REVENUE (2015) <sup>32</sup>	
University	CGS (% of total revenue)
Australian Catholic University	44.6
Western Sydney University	41.4
University of Sunshine Coast	40.2
Southern Cross University	39.8
Charles Sturt University	36.6
The University of Notre Dame Australia	36.3
University of New England	36.2
University of Southern Queensland	35.8
Edith Cowan University	35.2
University of Tasmania	34.3
Flinders University	32.4
University of Newcastle	32.3
University of South Australia	30.6
Deakin University	30.5
James Cook University	30.5
Victoria University	30.3
Griffith University	30.2
Central Queensland University	30.1
La Trobe University	29.9
University of Canberra	28.9
Murdoch University	27.9
Queensland University of Technology	27.4
Curtin University	26.8
Swinburne University of Technology	25.7
University of Wollongong	24.9
University of Technology, Sydney	24.7
RMIT University	24.2
Australian National University	23.7
Federation University Australia	22.8
Charles Darwin University	22.1
Macquarie University	20.5
The University of Adelaide	20.0
The University of Queensland	18.5
Monash University	17.2
The University of Western Australia	16.9
University of New South Wales	16.4
The University of Sydney	15.0
The University of Melbourne	13.1

 = Group of Eight

<sup>32</sup> Formally ‘Commonwealth Grants Scheme and Other Grants’. Data has been derived from the Australian Government Department of Education and Training, *Finance 2015: Financial Reports of Higher Education Providers* (2016). Accessible via [https://docs.education.gov.au/system/files/doc/other/finance\\_2015\\_3.pdf](https://docs.education.gov.au/system/files/doc/other/finance_2015_3.pdf)

## ATTACHMENT B - Australian Catholic University Profile

Australian Catholic University (ACU) is a publicly funded Catholic university, open to people of all faiths and of none and with teaching, learning and research inspired by 2,000 years of Catholic intellectual tradition. ACU operates as a multi-jurisdictional university with eight campuses, across four states, one territory, and overseas. ACU campuses are located in North Sydney (NSW), Strathfield (NSW), Canberra (ACT), Melbourne (Victoria), Ballarat (Victoria), Brisbane (QLD), Adelaide (SA), and Rome (Italy).

ACU is the largest Catholic university in the English speaking world. Today, ACU has over 33,000 students and 2,000 staff.<sup>33</sup>

ACU graduates demonstrate high standards of professional excellence and are also socially responsible, highly employable and committed to active and responsive learning.

ACU has built its reputation in the areas of Health and Education. ACU produces more nursing and teaching graduates than any other university in Australia, serving to meet significant workforce needs in these areas.<sup>34</sup> Under the demand driven system, ACU has sought to focus and build on these strengths.

ACU has four faculties: Health Services; Education and Arts; Law and Business; and Theology and Philosophy. This consolidation of ACU's previous six faculties in 2014 has created a more efficient and competitive structure focused on the needs of industry and employment partners. ACU has also moved towards the adoption of a shared services model where suitable, to improve efficiencies, internal processes and better allocate resources.

ACU is committed to targeted and quality research. ACU's strategic plan focuses on areas that align with ACU's mission and reflect most of its learning and teaching: Education; Health and Wellbeing; Theology and Philosophy; and Social Justice and the Common Good. To underpin its research intensification efforts, ACU has appointed high profile leaders to assume the directorships, and work with high calibre members, in its nine research institutes.<sup>35</sup>

In the last three years the quality of ACU's research has improved dramatically. In the 2015 Excellence in Research for Australia (ERA) assessment ACU received high scores in the fields of research identified as strategic priorities and in which it has concentrated investment in order to achieve the highest levels of excellence. These include selected areas of Health, as well as Education, Psychology, Theology, and Philosophy.

ACU's research in Psychology, Human Movement and Sports Science, Nursing, Public Health and Health Services is rated in the top category under ERA of being "well above world standard". ACU's research in Specialist Studies in Education, Philosophy, and Religion and Religious Studies is in the next ERA category as being above world standard, while ACU's research in Education Studies in Human Society, Law and Legal Studies, History and Archaeology Education Systems, Curriculum and Pedagogy, Business and Management, Political Science, Sociology, Law, Applied Ethics and Historical Studies is at world standard.

---

<sup>33</sup> As at January 2017. Student numbers refer to headcount figures while staff numbers refer to full-time equivalent (FTE).

<sup>34</sup> Department of Education and Training, '2015 Special Courses' in *Selected Higher Education Statistics – 2015 Student Data* (2016). Accessible via <https://www.education.gov.au/selected-higher-education-statistics-2015-student-data>.

<sup>35</sup> See Australian Catholic University, 'Research' via <http://www.acu.edu.au/>.