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31 July 2017

Ms Jade Monaghan
Administrative Officer
Education and Employment Committee
Department of the Senate

Dear Ms Monaghan,

Re: Group of Eight responses to Questions on Notice from the Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017

Please convey our thanks to the Senate Committee Chair and members for providing an opportunity for the Group of Eight to appear before the recent inquiry into Higher Education Support Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017 held on 24 July, 2017.

As you would be aware, the Group of Eight, together with other witnesses, was asked to respond to a number of questions on notice as part of the proceedings.

Attached are our responses noting the following:

- In correspondence via email dated 25 July, 2017 the Go8 was invited to 'review the attached transcript for questions, and provide responses to the committee by COB 31 July 2017'.
- In addition, correspondence via email received 27 July requested answers to specific and additional questions on notice for Senator Collins.

Yours sincerely

VICKI THOMSON
CHIEF EXECUTIVE

Attachment 1 - Go8 Responses to questions on notice from the Chair of the Senate Standing Committee on Education and Employment Legislation hearing into the Higher Education Support Legislation Amendment Bill 2017 on 24 July 2017

Introduction

This document contains responses to questions on notice by Chair of the Senate Standing Committee on Education and Employment Legislation – Senator McKenzie – at the Committee hearing into the Higher Education Support Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017 held on 24 July, 2017.

This response represents a good faith interpretation by the Go8 of the questions raised by Senate McKenzie in the official Hansard transcript from the hearing.

It is important to note that the Go8 Directorate – as a peak body – does not hold comprehensive institutional operational data referred to by the Senator which would be more properly sourced directly from institutions and from the Department of Education and Training. The figures below represent the Go8’s best efforts with available data and should be considered indicative.

Provision of data in response to questions by Senator McKenzie

Go8 statistics – Teaching and Learning

2012 2013 2014 2015

1. Commonwealth supported places

EFTSL

Bachelor	141,526	146,010	147,474	145,596
All CSPs	153,768	159,480	162,324	161,712

Annual change

Bachelor	2.2%	3.2%	1.0%	-1.3%
All CSPs	3.8%	3.7%	1.8%	-0.4%

Go8 statistics – Teaching and Learning continued

2012 2013 2014 2015

2. CGS funding per undergraduate place

Go8 estimate

Average	\$10,623	\$11,037	\$11,367	\$11,571
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3. University income from Commonwealth Grants Scheme and Other Grants

As reported by institutions to the Department of Education and Training – this includes more than just CGS funding

\$ million	1,988.2	2,032.4	2,062.9	2,096.3
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4. Teaching cost per Bachelor place

Go8 aggregate based on universities participating in the 2016 costing exercise – available only for 2015

Average				\$17,527
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5. Academic staff with a teaching function

FTE for staff with a teaching-only function or teaching-and-research function

Total FTE	14,025	13,707	14,123	14,612
Annual change	3.7%	-2.3%	3.0%	3.5%

6. Student staff ratios

Using Departmental definition: Total onshore student EFTSL, excluding work experience / total FTE for staff with a teaching-and-research function

Student staff ratio	17.7	18.8	18.8	18.7
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Go8 statistics – Marketing

1. Collective Go8 marketing budget

Total Budget 2016 - *Advertising, marketing & promotional expenses* = \$81.4m

Attachment 2 - Go8 response to questions on notice from Senator Jacinta Collins, member of the Senate Standing Committee on Education and Employment Legislation hearing into the Higher Education Support Legislation Amendment Bill 2017 on 24 July 2017

Introduction

This attachment contains responses to specific questions on notice from Senator Collins of the Senate Standing Committee on Education and Employment Legislation at the Committee hearing into the Higher Education Support Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017 held on 24 July, 2017.

This response has been compiled following consultation with Go8 members.

Questions

- 1. What is the assessment of financial impact on each of your members, from the cuts – both efficiency dividend and performance funding – for each of your members over the next four years?***

Modelled 4 year change to funding 2018 - 2021 for Go8 members (\$m)

Go8 Uni	Efficiency Dividend + HECS/CGS changes	Performance funding - at risk amount	Total impact
Monash	-60	-99	-159
ANU	-15	-22	-37
Uni Adelaide	-31	-51	-82
Uni Melbourne	-48	-81	-129
UNSW Sydney	-50	-82	-132
Uni Queensland	-57	-95	-152
Uni Sydney	-54	-92	-146
UWA	-29	-47	-76
Go8 Total	-343	-569	-912

Performance contingent funding

The Government has proposed that 7.5% of CGS funding will be performance contingent. Using the CGS modelled amounts, the estimated value of the funding potentially at risk is \$148 million in 2018 and slightly lower values in future years in line with reducing CGS revenue.

Over the four-year period to 2021, this amounts to approximately \$568 million of funding that could be at risk for Go8 universities if they do not reach KPIs yet to be agreed with the Government.

Limited detail about the method of distributing this funding is available, therefore modelling is of low certainty, beyond this upper level estimate.

2. *The Group of Eight says the cuts are the biggest since 1996 – can you elaborate on this?*

The current cuts are the most significant cuts in over twenty years. In 1996 the Commonwealth Government implemented cumulative cuts in operating grants of 4.9% over the forward estimates cutting over a billion dollars (2017 value).

As part of these measures the Government also introduced an increased differential rate of HECS and lowered the repayment threshold for HECS.

The current legislation is similar in the scope of its cuts, removing a total of \$2.8 billion from the system over the forward estimates through a combination of cutting the CGS and adjustments to HELP and increased Student Contribution Amounts.

3. *How will the cuts impact your member universities ability to undertake research?*

The cuts have a double impact on research intensive universities such as the Go8 as the CGS funding is intended by government to include an element of cross subsidy for basic research, and this is necessary because the government does not fund the full cost of research. If we lose CGS funding we not only lose money for teaching, we also lose money for research. If we are to divert our limited discretionary funding to plug the gap in teaching funding this will impact right across our research agenda, as we will be have considerably less money to support the indirect costs of our research, the vast majority of which is classed by ERA as above or well above world standard – this includes research in cardiovascular medicine, medical and biomolecular chemistry, oncology and carcinogenesis, food and agriculture, fisheries science, civil engineering and so on.

By way of specific impacts, the University of Queensland points to the fact that a reduction in income per student will lead to a reduction in staff. Those very same staff undertake research - so a cut in staff will lead to reduced research output and capacity.

In addition, the proposed cuts cannot be compensated for by research funding from the Commonwealth as the full costs of research are not funded. This reduced research outcome will damage Australia's innovation capacity and hence our future ability to support education, health and other essential services. The reduced ability to undertake research will reduce our global rankings and hence our international student fee income, which to a large extent is dependent on the standing of our research intensive universities.

The University of Sydney points to the consequences of under-investment in new and existing infrastructure by research intensive universities due to funding cuts, in terms of both maintenance and in opportunity costs for new investments:

Based on a 25 year asset refit/replacement timeframe, industry best practice would see institutions dedicating an average of 4% of Asset Replacement Value (ARV) to maintenance activities (preventative and corrective works, backlog maintenance and refurbishment) annually. In the 2011 costing exercise, we estimated that between 2002 and 2009 we averaged infrastructure reinvestment of 2.32% of ARV (excluding new capital works). Between 2010 and 2015 our investment in backlog maintenance and refurbishment averaged 2.03% of ARV, with our total backlog maintenance liability standing at \$320 million (10% of ARV compared to industry best practice of 3%). In 2015, total expenditure on backlog maintenance and refurbishment was \$86 million or 2.62% of ARV. Despite the uplift, this still represents a shortfall of \$45.5 million compared to industry best practice of 4% ARV.”

4. Can you elaborate on your group’s criticism of the Deloitte report in to the cost of higher education delivery?

Minister Birmingham,¹ the Treasurer,² and the Assistant Minister for Vocational Education and Training³, have each made essentially the same claim:

The [Deloitte Access] report shows that the cost for universities to deliver bachelor level courses increased by 9.5 per cent between 2010 and 2015. Over the same period funding for university students increased by 15 per cent.⁴

However, the report itself explicitly cautions against using its findings to compare university costs in this way:

...caution should be taken in drawing inferences about the sufficiency of CGS funding directly from these ratios. 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 this study), and the cost of such research may vary as a proportion of teaching costs.⁵

Indeed, if there is no intention to fund a proportion of university research through such measures, it is difficult to envisage how teaching-active academics otherwise could conduct research. Most competitive funding schemes for research are stretched and typically do not include a salary component for the fraction of time an academic commits to their research.

¹ Cited during a speech to an event co-hosted by Universities Australia and Ai Group, Canberra, Monday, 1 May, 2017, and in a speech at the National Press Club on 4 May, 2017

² Cited in a televised interview, Canberra, 1 May, 2017, ABC News.

³ Cited in the Higher Education Support Legislation Amendment Bill 2017, Second Reading Speech, 11 May, 2017.

⁴ Cited in the Higher Education Support Legislation Amendment Bill 2017, Second Reading Speech, 11 May, 2017.

⁵ Deloitte Access Economics, *Cost of delivery of higher education*, Report for the Australian Government, Department of Education and Training, December 2016.

5. What other investments would be at risk because of the cuts?

As outlined in the University of Sydney submission, the package's failure to address the significant under-funding of Commonwealth research grant schemes means universities will continue to need to cross-subsidise this research from student fees and other sources of income. To sustain quality education and research in many fields we will have to further increase student-to-staff ratios, reduce expenditure on staff and infrastructure for teaching and research, and enrol more fee-paying domestic and international students.

UNSW has identified that cuts to projected funding will mean choices will need to be made about what to fund or cut back on and what new initiatives to cancel, scale back or delay.

They identify that the cuts could impact across a range of services and facilities including:

- The number and level of UNSW scholarships, pathways or other support for equity students
- Capital infrastructure. Ten years of the efficiency dividend cuts for UNSW is the equivalent of not having funding for our new Biological Sciences Building (\$165M), a new 16,800 m² building; or the \$120M Biomedical Precinct; or \$104M Electrical Engineering building.
- The ability to upgrade the IT infrastructure

Additionally, UWA reports that, like other Go8s, it has not significantly increased its student numbers through the DDS, and so the Government's argument that the DDS has pumped additional money into the sector does not apply. The current and recent level of funding means that despite our success in attracting philanthropic and industry funding we still have outdated IT infrastructure, student facilities and teaching spaces and other campus infrastructure. The CGS cuts will directly impact on our ability to fund improvements in this. This will impact on domestic students and on our ability to attract international students.

The Go8 also supports many 'charitable functions' for the benefit of sporting organisations, arts organisations etc. These are at risk with these funding cuts. For example, schools using university sporting facilities will feel such cuts as will the public - which has millions of individual uses of university infrastructure annually. UQ notes that investment in the following will be at risk:

- Brisbane Writers Festival (co-educational components)
- Surf Life Saving Queensland (co-educational components)
- World Science Festival (jointly with QUT and Griffith) (co-educational components)
- The Conversation
- Royal Institution
- Australian Science Media Centre
- Pro bono legal services
- Incubator spaces for start-ups.

6. Has the Group of Eight done any analysis of the impact higher fees might have on low-SES students?

The Go8 has not performed specific modelling on the impact of this specific package on low SES students. However, we do know that in the UK, when fees were increased to 9000 pounds, the immediate impact was a reduction in the number of part time students; mature age and some ethnic minorities.

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

In its submission to the Senate inquiry, the Go8 provided a detailed analysis of the regulatory impact of the Bill.

While much of the regulatory and administrative burdens associated with the Bill and the associated reform package are yet to be fleshed out, it appears likely that a number of the measures will require significant new administration and regulation at a high cost to both government and universities.

For example, but not limited to:

- Changes to the Higher Education Participation and Partnerships Program (HEPPP): According to the Department of Education and Training,⁵ implementing these changes will require the creation of an Evaluation Framework, an Equity Research and Innovation Panel, and a new data collection to support the proposed Australian Higher Education Equity Ranking.
- Establishment of Six Regional Study Hubs: Will likely require an advisory group to work with state governments, local government and other stakeholders to identify effective locations for additional hubs.
- Scholarship system for postgraduate coursework places: Will likely require an advisory body to design and oversee the system and a body to manage applications and allocate scholarships.
- Sub-bachelor courses: Will likely require a new data collection on the industry focus of sub-bachelor courses, and associated compliance processes to confirm eligibility of sub-bachelor courses to access Commonwealth Supported Places.
- Enabling course places: Will now be required to go out to tender every three years, requiring considerable effort from universities on a regular basis with no guarantee of outcome and the need for an additional data collection and process. Furthermore, the application cycle means that places are potentially liable to change every three years, creating considerable uncertainty for students.
- Performance contingent funding: Will likely require an advisory body to determine the indicators to be used in determining the 7.5% of CGS “at risk” and a new accompanying data collection.
- Transparency for teaching and research expenditure: The Deloitte Access Economics report *Cost of delivery of higher education*⁶ identified the intrinsic difficulties of cost of teaching data collection and inter-institutional comparability of such data.