

7 June 2017

Committee Secretary  
Senate Education and Employment Legislation Committee  
PO Box 6100, Parliament House  
Canberra ACT 2600

Dear Committee

James Cook University welcomes the opportunity to comment on the *Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017*. We support the submissions by Universities Australia and Innovative Research Universities. We wish to highlight the very serious impact of funding cuts.

#### Profits and Surpluses

The Treasurer has commented in an interview that universities have “effectively got a profit there of around 6%”. <http://sjm.ministers.treasury.gov.au/transcript/069-2017/>

Public universities are not-for-profit organisations required to meet the objectives of their establishing legislation (as opposed to corporations, and for-profit higher education providers who are required to maximise profit). Universities across the sector have reported smaller surpluses over time. Surpluses may be shown as accounting standards require grants to be counted when they are received, and expenditure to be counted when it is expended, meaning that annual balances carry forward, in the form of surpluses, even though they are committed to fund particular and often non-discretionary items. In short, the “the bit of room” identified by the Treasurer for cuts, is not demonstrated by reported surpluses.

Furthermore, where true surpluses exist, these funds are required to support the student experience, fund the indirect costs of research and pay for infrastructure, which is not funded from any other regular source. There is no taking of dividends or profits, but rather a reinvestment in the business of the universities.

#### Efficiency Dividend and Performance Funding

##### 1. Institutional Differentiation in the Higher Education Sector

The Government has expressed aspirations for a differentiated university sector that provides a range of fit-for-purpose offerings. An efficiency dividend of 2.5 per cent in 2018 and 2019 plus the potential loss of an additional 7.5 per cent of funding, that being tied to common performance metrics across the sector will drive similarity rather than differentiation across the sector.

James Cook University fills a unique place in the sector. Delivering on our mission across a huge geographic footprint requires investment and resources, with costs of operation being significantly greater than many other universities. While JCU has prudently managed sustainable operations and enacted long-term plans to provide assurances to Government, communities and students alike of the quality and sustainability of our endeavours, policy instability, and particularly funding cuts, undermines the University in significant ways.

James Cook University’s mission is to be a ‘University for the Tropics’, as enshrined in the establishing Act of Parliament. The geographical spread of our operations – serving communities local to the University, from Torres Strait, out west to Mt Isa, south to Mackay covers a land area

that is larger than many countries, and certainly much larger than the vast majority of universities in the sector. This differentiates us. Distances are defining - the operating costs of our type of operation, with over 31 facilities, are very different to a metro university where operations are largely undertaken within close proximity of each other.

In addition to providing access to comprehensive tertiary education in northern Queensland, James Cook University specialises in niche areas where our education and research offering is unique within Australia, indeed the world. This differentiation is frequently grounded in our geographical location – for example world-class research in marine science from our Orpheus Island Research Station <https://www.jcu.edu.au/orpheus-island-research-station>, and environmental sciences undertaken from the Daintree Rainforest Observatory with its canopy crane. <https://www.jcu.edu.au/daintree>). Students and researchers, both local and those who come from around the world, benefit from access to these highly specialised area of disciplinary study. This is a hallmark of our learning/teaching and research programs.

Reduced base funding risks the capacity of institutions like ours to deliver what it is we know we can and to express difference in the Australian system of Higher Education. The unintended consequence of reducing resources is that particular universities will find it much harder, I fear impossible, to sustain those aspects of their operations that make them unique. To underline the point: there are costs involved in servicing vast geographical areas and research excellence in specialised world-class areas – cuts translate to institutions being required to forego first those areas that differentiate them, resulting in increased institutional sameness across the sector – one size fits all – rather than diversity. Furthermore, these proposed reductions will impact some universities more than others, notably regional universities, who depend on government funding as a key income source.

## 2. Enhancing quality in the student experience

The Government has introduced mechanisms that incentivise universities to focus on improvement in student access and success. TEQSA provides important quality assurance, and the QILT website, in addition to changes to Admissions Transparency, provide important demand-side information and regulation. These mechanisms, if given time to be implemented and work, will see institutions that achieve improvements rewarded by those the improvement seeks to serve.

In contrast, the Government's plan to allocate 7.5 per cent of CGS in a particular year based on the performance results of the previous year risks doing the exact opposite. It increases uncertainty and puts at risk the willingness and capacity of institutions to innovate by trying initiatives that seek to improve student success.

Noting the Minister's intention that while performance targets would be set in light of universities' particular circumstances, the threat of this further reduction will have unintended consequences, including on the capacity of institutions to prepare and manage budgets and to fund on-going initiatives. The risk of receiving reduced funding of up to 7.5 per cent puts pressure on the institutions to contemplate possible responses to any reduction, noting that staff costs are the major costs of any university. This lends a most unwelcome, and unworkable, volatility in managing university staffing and finances in the interests of our students and our missions.

Performance funding, used in this way, risks working against the very quality improvement that the Government is seeking. It would be a retrograde measure that punishes students both indirectly and directly through reduced resources. This spiral of hardship is self-perpetuating. With less funding, it will likely be harder to meet requirements, which means less funding and so on.