

Submission to the Higher Education and Research Reform Bill 2014

February 2014

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The University of Western Sydney (UWS) welcomes the opportunity to make a submission to the Senate Education and Employment Legislation Committee's inquiry into the *Higher Education and Research Reform Bill 2014* (the Bill hereafter).

UWS serves a region of increasing national importance where access to higher education is vital to the region's development and the nation's prosperity. Greater Western Sydney (GWS) is increasingly important nationally given its population and economic output - with over \$3.5 billion in government infrastructure commitments, a population set to reach three million by 2036, and the region being the third largest contributor to national GDP.

Addressing the educational and social disadvantage of the region's past is vital for the region's transformation and a productive Australia. The supply of a highly skilled, productive and diverse labour force will be critical to the region's economic contribution. Increasing access to higher education is an essential part of meeting that challenge.

Summary

The Bill includes a number of amendments to the previous *Higher Education Research and Reform Amendment Bill 2014*, which seek to address the concerns of the higher education sector and key stakeholders. We recognise these changes reflect the Government's willingness to negotiate to address concerns.

UWS welcomes and supports a number of amendments which we believe help to serve the interests of our students, region and economy. However, we recognise that further amendments will need to be made to achieve improved outcomes and to ensure the long-term sustainability of high quality accessible university education in Australia.

The 2014-15 Budget announced some of the most significant reforms to Australian higher education, with major implications for future students, universities, and Australia's economic future. Nine months later, discussions about the proposed reforms and possible amendments have still not resulted in a stable and credible way forward.

Universities and students are left in the untenable position where the 2016 framework is uncertain – leaving enrolment decisions and university advice and planning unstable. Universities are fundamental to Australia's economic growth and a major contributor as the fourth highest export earner, yet the Australian university brand and future are undermined by this uncertainty.

The University of Western Sydney would like to make a number of comments and recommendations for the Committee's consideration. A summary of our recommendations, as detailed in our submission, are:

- **Stability and timing:** Long term stability for the sector is essential, noting the importance of higher education to the economy, meeting skills requirements and as the fourth largest export earner. An expert, independent panel should develop a way forward for higher education funding mechanisms necessary to achieve the long term financial sustainability and quality of the sector, with findings to be developed in a timely manner. Changes should occur from 1 January 2017 (not 2016) to ensure sufficient time for higher education providers to change or introduce new systems and processes that may be required under the reforms and to provide future students with ample notice of new fee structures.
- **Cuts to the Commonwealth Grants Scheme:** The 20 per cent cuts to government funding for universities through the Commonwealth Grants Scheme should not proceed.
- **Fee deregulation:** While fee deregulation is one policy response to the government's agenda, the debate has shifted towards asking what moderated forms of deregulation are possible to better support the competitiveness and quality of Australian higher education. We recognise there are many options to regulate and moderate price. These should be considered and developed through a process of proper exploration and consultation, by an expert, independent panel with its findings developed in a timely manner.
- **Indexation:** The current higher education indexation formula (combined CPI and professional wages index) should be retained for CGS funding rates rather than the lower CPI indexation rate, as the current formula already includes an efficiency discount, while CPI indexation would expose the sector to steady income erosion.
- **The demand driven system:** we support the Bill's retention of the demand-driven Commonwealth funded places scheme. Uncapped student places are essential for economic development, innovation and to address the development needs of regions such as Greater Western Sydney.
- **HELP loans:** The HELP scheme is a fundamental part of the success of our higher education sector. We strongly support: (i) the retention of the CPI for HELP loan indexation; and (ii) HELP indexation pause for the primary carer of children under five.
- **Reducing doubtful HELP debt:** The Government explore options to improve the recovery of student loans that would otherwise be unlikely to be repaid. An appropriate measure would be to make HELP repayments compulsory for Australian students and graduates living overseas.
- **Funding levels for non-university higher education providers (NUHEPs):** UWS proposes that NUHEP access to CGS funding, at the rate proposed in the Bill, be deferred

for three years, given the cost and to address concerns about the quality of providers as currently being experienced in the VET sector.

- **Commonwealth Scholarship Scheme:** Ideally we propose that funds from this scheme be shared in a national pool to enable a more effective program of distribution to disadvantaged (potential) students and for effective widening participation programs. Alternatively, we propose that the scheme's guidelines include clear requirements about its use to ensure maximum benefit.
- **Research Training Scheme (RTS):** We propose the government maintain the current funding scheme for higher research degrees rather than the proposed fees and loan scheme. This will help ensure a continued pipeline of higher degree researchers necessary to improve innovation and economic outcomes.
- **Structural Adjustment Fund:** In the event of any fee deregulation, the proposed fund should be amended to provide increased funding and to modify the eligibility criteria. An assistance package should include eligibility for universities with main campuses located in areas that have lower than average participation rates in higher education (such as degree attainment of 30 per cent or less for 25 to 34 year olds). It should not focus solely on rural/regional areas but must embrace outer metropolitan growth corridor universities which service areas of key population, skills and economic growth and which are essential for future national prosperity and to address educational and economic gaps. UWS, with its strong commitment to the area, views itself as a strongly regional university.
- **Higher Education Participation (Access and Participation) Programme (HEPAPP):**
 - the HEPAPP funding should not be divided into two schemes – general and scholarship scheme – but be left as a single funding scheme using transparent formula for the allocation of funding (as occurs for the current HEPP scheme). The provision of scholarships for equity groups will not have any significant impact on their own. A range of programs across academic, student and financial support are required
 - the issue of success rates should not be used when allocating funding as it will penalise universities working with students who have high education needs due to historic advantage
 - the guidelines must ensure the funding is used effectively by targeting its use to those people who are in an equity group and who also have demonstrated financial or other needs, rather than enabling it to be used on high ATAR students in an equity group. The funding criteria should reflect research which shows that programs that begin from late primary school and progress to early high school and later years, are most effective for improving participation.

Overview

Stability and Timing

Recommendation:

- An expert, independent panel to develop and propose new funding mechanisms in a timely manner
- All new changes introduced into the sector should commence 1 January 2017
- An interim increase to the CGS or student fees should be recommended by the panel.

In the face of the current parliamentary impasse, there is a significant risk of the Bill having a series of piecemeal changes incorporated in order to proceed through the Senate but which lead to unintended negative consequences.

A more preferable approach to resolving the funding options would be to have a timely review by a panel of experts that provides strong, evidence-based recommendations that are in the interests of institutions, students and the taxpayer to ensure universities can best contribute to the nation's economic and social development. A long term sustainable model of funding is crucial to the higher education sector to enable universities to plan for future growth and needs.

A start date of 2016 is simply not realistic. The scale and complexity of the proposed changes to the sector mean that universities will require sufficient time to make strategic decisions, to introduce and implement the necessary systems and processes required under a new operating environment, and to provide potential students with information and time to understand the changes.

Cuts to the Commonwealth Grants Scheme (CGS)

Recommendation: The 20 per cent cuts to government funding for universities through the Commonwealth Grants Scheme should not proceed.

While UWS recognises the financial constraints faced by the Commonwealth government, cuts to higher education funding are counter-productive to the national aim of boosting the economy through innovation and a skilled workforce. Government investment in higher education funding has increased and broadened participation in higher education nationally and within our region. These improvements at risk if funding cuts are introduced.

Numerous research and reviews have recognised the impact and return of government funding for higher education and that even the current level of Australian government funding, relative to GDP, has continued to drop compared to the OECD average and the government to student share of funding is already worse in Australia than the OECD average. The government should be increasing its investment in higher education, not reducing it.

Fee deregulation

Recommendation: There are many options to regulate and moderate price. These should be considered and developed through a process of proper exploration and consultation, by an expert, independent panel with its findings developed in a timely manner.

While fee deregulation is one policy response to the government's agenda, the debate has shifted towards what moderated form of deregulation better support the competitiveness and quality of Australian higher education. We recognise there are many options to regulate and moderate price.

UWS believes the range of options should be considered and developed through a process of proper exploration and consultation, by an expert, independent panel with its findings developed in a timely manner.

Indexation

Recommendation: The current higher education indexation formula (combined CPI and professional wages index) should be retained for CGS funding rates rather than the lower CPI indexation rate, as the current formula already includes an efficiency discount.

The current indexation formula was Recommendation 27 of the Bradley Review:

That the Australian Government maintain the future value of increased base funding for higher education by an indexation formula that is based on 90 per cent of the Labour Price Index (Professional) plus the Consumer Price Index with weightings of 75 per cent and 25 per cent respectively (Bradley, Noonan, Nugent and Scales, 2008: xxii).

The Bradley Review formula was introduced as a means to help fill the funding gap for Commonwealth Supported Places that had previously occurred due to the steady erosion in funding value under a CPI indexation system. CPI indexation will leave universities with a short-fall in funding needed to deliver quality teaching and learning.

The Demand Driven System

Comment: We support the Bill's retention of the demand-driven Commonwealth funded places scheme. Uncapped student places are particularly important for economic development, innovation and to address the development needs of regions such as Greater Western Sydney.

Maintaining the demand driven system is vital for ensuring an adequate supply of skilled labour necessary for economic growth and international competitiveness and for equitable access to higher education.

We refer the Committee to findings from the Review of the Demand Driven System which recommended that caps on the number of undergraduate bachelor level places not be re-imposed. The review also found that the demand driven system:

- encouraged technology-based innovation in higher education
- responded effectively to recent skill shortages
- is responsible for increased enrolments in higher education by low socio-economic status student
- increased higher education opportunities for people from regional and remote areas and Indigenous Australians
- allowed online education to expand (Kemp & Norton, 2014: xiv).

The introduction of the demand driven system has seen student numbers at UWS increase from around 33,500 in 2008 when the system was first proposed in the Bradley Review to over 40,000 in 2014. UWS projects steady enrolment growth of 2-3 per cent p.a. over the next five years.

HELP Loans

Comment: UWS strongly supports the amended Bill's: (i) retention of the CPI for HELP loan indexation; and (ii) HELP indexation pause for the primary carer of children under five.

The HELP scheme is a fundamental part of the success of our higher education sector. We support the Government's decision to abandon indexing student debt against the long term bond rate. UWS had a number of concerns with the application of the long-term bond rate, including:

- very capable potential students from disadvantaged backgrounds would have been discouraged from entering higher education, which would have undermined efforts to meet shortages in the skilled workforce. UWS's large concentration of students from areas of disadvantage would have led to more adverse impacts for UWS and GWS than other universities and locations
- graduates who (i) work in low-paid but essential professions like nursing, teaching and social work; or (ii) have extended periods out of the workforce due to child-rearing, looking after elderly parents, illness or unemployment being faced with unmanageable debts due to the impact of the high compounding interest
- graduates would have been encouraged to leave Australia to avoid their debt, resulting in a 'brain drain'.

UWS also supports moves to provide a pause on CPI indexation for primary carers. We believe that this move will encourage students, particularly females, to continue to pursue a university education and to be able to financially manage both a family and career.

Reducing doubtful HELP debt

Recommendation: The Government explore options to improve the recovery of student loans that would otherwise be unlikely to be repaid. An appropriate measure would be to make HELP repayments compulsory for Australian students and graduates living overseas.

According to the 2014-15 Budget, the proportion of new HELP debt that is not expected to be repaid will reach 23 per cent in 2017-18, up from 17 per cent in 2013-14 and 20 per cent in 2014-15. While this expected growth in debt reflects the impacts of the Government's proposal to expand the demand driven system to non-university higher education providers and to sub-bachelor qualifications, doubtful debt has regardless been increasing over the years and continues to place significant pressure on the Commonwealth budget.

In 2014, Andrew Norton of the Grattan Institute, proposed a number of options to help reduce doubtful debt - loans that are not expected to ever be fully repaid. The three main options proposed were:

- requiring Australians who leave the country to still repay their debt
- linking the salary threshold for loan repayments to inflation rather than average wage increases to maintain its real value
- requiring loan repayment from estates of deceased graduates where the estate is worth more than \$100,000¹.

UWS supports the option of requiring re-payment of loans by Australian students and graduates living overseas. We also support calls to introduce a HECS debt collection model similar to New Zealand's which would require students leaving the country to pay a fixed annual sum. We note Professor Bruce Chapman's recommendation that graduates who leave Australia for more than six months be required to repay at least \$2,000 a year of their debt, as a sensible policy measure that will help address budgetary pressures.

Pursing debt from students who leave Australia has merits in preventing a 'brain drain' scenario as well as increasing the likelihood that skilled Australians with overseas experience will re-enter the country.

Funding levels for non-university higher education providers

Recommendation: Access to CGS funding at the rate proposed in the Bill, be deferred for three years, given the cost and to address concerns about the quality of providers as currently being experienced in the VET sector.

The Bill includes provisions to extend Commonwealth funding to bachelor and sub-bachelor student places at non-university higher education providers (NUHEPs) at a rate of 70 per cent of university funding. We recommend that the expansion of Commonwealth Supported Places to non-university higher education providers should be deferred for three years given the costs associated with this expansion and to enable effective systems and requirements

¹ Norton, A. (2014) *Doubtful Debt – The Rising Cost of Student Loans*, Grattan Institute, April 2014

for NUHEPs to be established to address the concerns relating to the quality of providers and the recent lessons and reviews related to the VET sector.

Poor practices and poor quality courses amongst private providers, particularly in the VET sector, have recently been brought to the forefront, prompting the sector's peak body, the Australian Council of Private Education and Training, to introduce a new code of conduct and a standards framework to help monitor the quality of providers. Time is needed to develop effective standards framework, systems and monitoring to assure students and public that quality will not be undermined to the detriment of the whole sector and the student experience.

Commonwealth Scholarship Scheme

Recommendation: Share the Scholarship's fund in a national pool to enable a more effective program of distribution to disadvantaged (potential) students, or alternatively impose clear requirements in the guidelines about its use to ensure maximum benefit.

To promote equity in access to higher education, the Bill requires education providers with 500 or more Commonwealth supported places to direct 20 per cent of additional revenue to a Commonwealth Scholarship Scheme. The intention of the scheme is that each university will use its own accrued additional fee income to provide opportunities for disadvantaged students (scholarship or other widening participation program). The outcome of this requirement will be an uneven spread of funding. Universities which are able to charge higher fees will have large funds under this scheme while other universities, particularly regional universities, will have little or no funding despite their greater requirement for support for equity programs and scholarships.

UWS proposes two alternative strategies to manage and use the Budget proposal for Commonwealth scholarship equity funds generated from higher student fees.

The preferred alternative is to require the funds (or at least 50 per cent of the funds) be allocated to a central pool. This could be used for a national equity scholarships and program fund accessible to all potential students and universities for programs nationally rather than being controlled and allocated by one university. It could also be reallocated nationally to those universities which most cater for disadvantaged, low SES or regional students. The advantages of a central scheme are that it:

- ensures that access to scholarships, pathways and other support programs for disadvantaged students is more widely spread across the country
- enables potential students from regional communities to access the scheme to attend any university on the basis of quality, course offerings and surrounding support, rather than forcing students to go to a particular university and to leave support structures such as family and community
- avoids confusion among students as they will be able to go to one website to find information on a consistent scheme
- avoids money being wasted on marketing separate schemes by each university or being used just to promote enrolments at individual universities

- ensures the funds will be used for new scholarships or programs rather than universities being able to allocate expenditure against programs which already exist with no new support for students in real terms.

Alternatively, UWS proposes that if funds are retained at a university level, then guidelines should stipulate that those funds be used on:

- equity scholarships which are on the basis of financial or other need and which allow students to use at any university rather than just the funding university
- widening participation programs run in collaboration with other universities or appropriate partners with a focus on primary schools and years 7,8 and 9 or parents
- new or extended programs rather than existing programs.

These alternatives avoid the risk that:

- a few universities, being those able to charge the highest fees, will control large funds
- funds will be used to attract high ATAR students who happen to come from a disadvantaged student category but who would probably have gone to university anyway
- will not entice students to leave their region to travel to a metropolitan university with the likelihood that they do not return as a graduate to help in their region
- the funds will not be used as effectively as a pool of funding would allow; and a range of different schemes at each university, instead of a central scheme, will add to the confusion of parents and potential students.

RTS Funding

Recommendation: Maintain the current funding scheme for higher research degrees, rather than the proposed fees and loan scheme, to ensure a continued pipeline of higher degree researchers necessary to improve innovation and economic outcomes.

UWS opposes reductions to RTS funding and a shift from the current grant scheme to a fees and loan scheme which shifts costs on to the student. Imposing costs for higher research degrees will discourage already heavily indebted students from engaging in further study and will be particularly detrimental to universities such as UWS who service low SES communities.

Consideration also needs to be given to: (i) the foregone earnings of students who choose to undertake further study; and (ii) their inability to service repayment on existing debt. The incentive for students to undertake higher research degrees is likely to be diminished based on the level of debt that students will be saddled with at the undergraduate level.

Any decline in higher degree research students will have detrimental effects on Australia's research capacity.

Structural Adjustment Fund

Recommendation: In the event of any fee deregulation, the proposed fund should be amended to provide increased funding and to modify the eligibility criteria. An assistance package should include eligibility for universities with main campuses located in areas that have lower than average participation rates in higher education (such as degree attainment of 30 per cent or less for 25 to 34 year olds). It should not focus solely on rural/regional areas but must embrace outer metropolitan growth corridor universities which service areas of key population, skills and economic growth and which are essential for future national prosperity and to address educational and economic gaps. UWS, with its strong commitment to the area, views itself as a strongly regional university.

UWS recommends that the Structural Adjustment Fund apply to not only regional/rural universities (which is the effect of the criteria proposed in the Bill), but also universities servicing high growth corridors serving communities with low higher education participation rates.

Growth corridor universities² play pivotal roles in meeting the education, innovation and skill needs of the nation. However, they face challenges of providing programs and infrastructure to meet the needs of those regions.

Attachment A provides further analysis and justification to support the needs of growth corridor outer metropolitan universities under any new assistance package.

Higher Education Participation (Access and Participation) Programme (HEPAPP)

Recommendation:

- The HEPAPP funding should not be divided into two schemes – general and scholarship scheme – but be left as a single funding scheme using transparent formula for the allocation of funding (as occurs for the current HEPP scheme). The provision of scholarships for equity groups will not have any significant impact on their own. A range of programs across academic, student and financial support are required
- The issue of success rates should not be used when allocating funding as it will penalise universities working with students who have high education needs due to historic advantage
- The guidelines must ensure the funding is used effectively by targeting its use to those people who are in an equity group and who also have demonstrated financial or other needs, rather than enabling it to be used on high ATAR students in an equity group. The funding criteria should reflect research which shows that programs that begin from late primary school and progress to early high school and later years are most effective for improving participation.

² Growth corridor universities refer to universities that have substantial operations in and/or draw a significant number of students from growth corridors

UWS supports the continuation of the HEPP scheme (renamed HEPAPP) and the proposed application of a minimum proportion of low SES students as a threshold for funding. This will ensure that universities that are more active in widening participation are funded to support their programs and higher associated costs.

However, UWS proposes that HEPAPP funding not be divided into two schemes – general and scholarship scheme – but be left as a single funding scheme using transparent formula for the allocation of the funding (as occurs for the current HEPP scheme):

- There is conflicting research about the impact of institutional scholarships on improving access or retention
- A single scheme will allow each institution to determine how best to meet the objectives of the scheme for their region and demographics, taking into account other programs (scholarships or other) they currently fund
- Certain universities already have significant scholarship funding due to generous donations or reserves. A more effective use of HEPAPP funding for those institutions would be other programs related to access, targeted academic support or retention programs.

The HEPAPP guidelines should ensure that the funds are effectively targeted and used for those students in the disadvantaged categories, who may not otherwise access, be retained or succeed without that intervention. The funds should not be targeted at high ATAR students who happen to be in one of the equity groups. The point of the funding is to make a difference.

Clause 1.50.1 of the Bill should be amended so that it makes no reference to consideration of success rates. The Bill states:

“In determining (under paragraph 41-30 (b) of the Act) the amount of a grant under the HEPAPP, the Minister may take account of factors such as a provider’s proportion of students from a low socio-economic background and their success in completing units. It is expected that these factors will be published on the Department’s website.”

While UWS is unreservedly committed to improving success rates for disadvantaged students, the HEPAPP funding scheme should not include success rates as a factor in its funding formula as it will unfairly penalise universities who work with students who have high educational needs due to historic disadvantage, and reward universities who take on high ATAR students who happen to be from one of the equity groups.

UWS proposes ‘success rates’ to not be included in the criteria for the following reasons:

- The current HEPP formula already recognises success - the funding formula is driven by the number of low SES students and this number reflects successful progress and retention of low SES students into second and third year study
- Universities which take on low ATAR students where there are many challenges (financial, cultural and educational) and that lead to lower success rates should not be penalised for taking on ‘harder students’

- An alternative factor, if required, should be retention of a student within the sector.

A UWS analysis of the impact of a 'success rate' factor being added to the proposed Department formula in 2014 revealed UWS would have funding reduced while universities to gain funding would be those with more high ATAR equity students - Sydney, Queensland, Wollongong, South Australia, Monash and UNSW.

The guidelines should include criteria which encourages or requires the use of the HEPAPP funds on areas that are shown to make a difference such as collaboration, programs aimed at late primary school or early high school, and programs which are evidence based.

Attachment A

HIGHER EDUCATION - INVESTING IN AUSTRALIA'S HIGH GROWTH CORRIDORS

Executive Summary

Overview

A competitive business environment comprised of a skilled workforce, innovation and entrepreneurship and improved economic infrastructure are fundamental to the Federal Government's goal of continued economic and social development for Australia. These ambitions are reflected in the Government's key policies *Real Plan for Action* and most recently the *Industry Innovation and Competitiveness Agenda*.

High growth corridors of Australia are significant contributors to the Government's agenda for economic growth – they are home to large, growing populations and expanding business numbers and the employment opportunities they bring. Good planning for physical and social infrastructure in high growth corridors is vital to the Government's economic growth strategy.

Growth corridor universities* play pivotal roles in meeting the education, innovation and skill needs of high growth corridors across Australia. These universities service the higher education needs of regions with dramatic population growth, gaps in educational attainment, and where new and emerging industries and skills will be required. While growth corridor universities have achieved much success and are recognised for their excellence, they are faced with a greater requirement to invest in major infrastructure and new programs to meet the higher education and economic development needs of the growing communities that they serve.

Government investment is needed to ensure that growth corridor universities are able to remain responsive to the growing and changing needs of some of Australia's strategically important regions. This investment could reasonably be anticipated to be in the order of \$500 million over the forward estimates and will provide a guarantee for long term success. It will help to strengthen the ability of institutions to continue to serve their regions and efficiently and competently meet the needs of their local communities in the long term. This paper makes the case for a targeted funding scheme with some options for how to create that fund.

The University of Western Sydney is referred to throughout the paper as an example of a growth corridor university.

*Growth corridor universities refer to universities that have substantial operations in and/or draw a significant number of students from growth corridors

High growth corridor universities and their role in economic growth

The Federal Government's *Industry Innovation and Competitiveness Agenda* reaffirms the role of higher education institutions in providing a more skilled labour force and fostering innovation and research through collaborative efforts with industry and business. Universities will be pivotal to educating Australia's future labour force, meeting skills gaps, and sharing ideas and expertise collaboratively with business.

Growth corridor universities are strategically placed to help achieve these goals as:

- they service high growth population areas that are home to a large proportion of the current and future labour market
- they will service areas where employment growth is being specifically targeted by governments, for example the Western Sydney Employment Area situated in the Greater Western Sydney (GWS) region
- they will service growing business activity through the establishment of business parks and business hubs – for example, the Horsley Drive and Eastern Creek Business Hubs in GWS; and the Werrington Park Corporate Centre, linking industry and University of Western Sydney (UWS) in the Penrith region
- they have research strengths that will benefit new collaborative efforts. For example, in 2012 UWS achieved an ERA rating of 5 (world class research) in three research fields
- they are internationally recognised – in 2014 UWS (651-700) ranked in the top 800 universities internationally (QS World University Rankings), placing it firmly in the top 5% of world universities. UWS was ranked within the top 400 universities in the world by the Times Higher Education World University Ranking, placing UWS firmly in the top 2 per cent of world universities, as well as being ranked in the top 100 young universities in the world established within the last 50 years.

While growth corridor universities are geographically well positioned within regions of opportunity and economic significance, their capacity to continue to adequately meet the needs of these areas is constrained. Universities in high population growth corridors face a number of challenges in part due to their history and in part due to the characteristics of high population growth corridors. Universities that are based in high population growth corridors around Australia have some variation in characteristics because of the differing demographics of each of the states, but in general have one or more of the following characteristics:

1. Multiple campuses - in order to serve the needs of their regions
2. Infrastructure expansion and upgrades needed - to meet the needs of rapidly growing communities
3. Complex and vibrant communities - requiring additional programs to encourage access to higher education and support to succeed while studying. The community and the university student profile have higher proportions of people who:
 - are from low SES areas
 - have lower levels of educational attainment
 - are first in family in higher education
 - are culturally and linguistically diverse.

High growth corridor universities therefore tend to support communities with high needs for infrastructure and services and face a challenge to raise aspirations for study in higher education.

Compared to older established universities those characteristics mean growth corridor universities face:

1. Higher teaching costs to provide additional support (literacy, numeracy, smaller class sizes, greater tutorial support requirements)
2. Higher support services cost (financial, mentoring, and other support)
3. Higher school, community engagement program costs and pathway program costs (which often benefit other higher education providers)

4. More limited opportunities for generating revenues from non-government sources
5. Greater responsibility for supporting local economic growth and meeting community obligations.

Recommendations

It is recommended that a structural adjustment fund be established, as a targeted funding package, to support universities in high population outer metropolitan growth corridors.

Such funding would recognise the importance of higher education being accessible and the economically important role that these institutions play in areas experiencing major growth, and the need for them to be supported in building and reconfiguring business models as they make the transition to the new operating environment.

The funding would be available to provide assistance for:

- The vital role growth corridor universities play in **meeting the growing and changing skills and innovation needs** in growth corridors
- the critically important **outreach role** and resulting higher costs to growth corridor universities in attracting new cohorts to higher education from their communities, regardless of the institution in which students eventually enrol
- the higher costs involved in **teaching and retaining students from low SES and first-in-family** cohorts who make up a large proportion of growth corridor universities and campuses and/ or
- critical university **infrastructure development and strategic initiatives** for addressing population growth, higher education and skill needs.

Funding Sources

The fund would be established through one or more of the following sources:

1. a new structural adjustment funding package
2. by re-focusing funding from the Higher Education Participation Program (HEPP)
3. by diverting a proportion of the Commonwealth Scholarship Funds for redistribution through HEPP
4. by diverting all Commonwealth Scholarships Funds to be pooled nationally
5. from an existing program such as the National Stronger Regions Fund
6. from an existing program such as the Asset Recycling Fund (for a capital program)
7. access to low-interest government loans

Mechanisms for Funding Allocation

The funds would be distributed to outer metropolitan universities through one of the following mechanisms:

1. Using the **Regional Loading funding scheme** as a model (recognising the similarity in challenges facing both growth corridor and regional universities):
 - in a separate scheme which would apply to growth corridor campuses only, or
 - as an expanded scheme applying to both regional and outer metropolitan university campuses.
2. Amending the eligibility requirements of the **Higher Education Participation Program** so that funds for participation are apportioned among those institutions with the highest percentage of enrolments from low SES and other disadvantaged cohorts, perhaps determined via a threshold at, say, 14 per cent of domestic

undergraduates (Attachment A provides data on the number and proportion of students from low-SES backgrounds by their institution of study).

A levy on the Commonwealth Scholarship Scheme fund could be introduced with funding from the levy diverted to the HEPP funding pool. Funds raised through the levy would be apportioned using the above-mentioned criteria for HEPP.

3. Amend **the Commonwealth Scholarship Fund** to allow funding to be pooled nationally for use across Australia, rather than the current proposal for the funds to be collected and used at the institutional level, which would only advantage those universities that are able to charge the highest fees.

Alternatively, the criteria in the Commonwealth Scholarship Scheme Guidelines could be tailored to require that funds for outreach and partnership activities provide for: (i) equity scholarships for students to use at any university, rather than just the university generating additional fee income; and (ii) universities in areas designated as high growth/ or disadvantaged regions.

4. A **specific capital funding program**, drawing on the Asset Recycling Fund, should be targeted to growth corridor universities to assist with funding critical university infrastructure. Where funding through the Asset Recycling Fund is not sufficient, there is the option of provide low-rate government loans to growth corridor universities to assist with economically significant projects.

The Case for Support for Higher Growth Corridor Universities

The Nature of Growth Corridor Universities and their Regions

Growth corridor universities serve among the fastest growing areas of Australia. Multi-campus universities such as the University of Western Sydney (UWS) are located in local government areas that are forecast to have some of the strongest population growth in Australia according to current planning horizons out to c.2025-30. Strong population growth means that these growth corridors will be home to a large proportion of Australia's future workforce. Guaranteeing the availability of quality higher education experiences in these areas is fundamental to ensuring that Australia has a highly qualified pool of labour necessary for economic growth, innovation and the development of sustainable communities.

Communities in high growth corridors tend to have less access to public infrastructure and services, have higher proportions of families from lower SES backgrounds and lower levels of educational attainment. The world class quality of the academic experience of students attending these universities is not in question, but many factors can negatively impact attraction, retention and success rates for higher education and these are critical to sustained economic growth and social resilience in peri-urban areas.

In particular, universities that service high growth areas are faced with the challenges of:

- (i) **Developing infrastructure to accommodate growing and changing student numbers and transitioning industry and employment skill demand:** as populations grow, the existing facilities of some growth corridor universities will come under stress, both in terms of capacity and the need to provide appropriate

and flexible higher education services. Reductions in Government funding and variable opportunity to raise student fee income will be a restraint on the ability of growth corridor universities to fund new educational facilities and services necessary for the social and economic vitality of growth corridors. For example, high growth in these areas leads to less land available for campus expansion and escalating development costs.

- (ii) **Providing additional services and assistance to improve participation amongst disadvantaged communities:** universities in high-growth areas generally have strong outreach programs to improve the participation rates of under-represented/disadvantaged cohorts of their communities. With adequate support, educationally disadvantaged students can thrive at university and achieve equivalent success to other students. However, these positive outcomes require funding for the costs associated with school engagement programs, pathways, literacy and numeracy support, and retention programs. Many of these activities benefit other universities that also recruit from the same regions or that attract transfer students from high growth area universities.

Under current funding arrangements the high growth corridor universities already face challenges. Cuts of 20 per cent to per-student funding would negatively impact the capacity and ability of growth corridor universities to adequately address demand for higher education provision and outcomes for communities in high growth areas. Given the pace of growth and their demographic complexities, growth corridor universities will not have the same flexibility as older institutions to increase fees to levels needed to pay for new infrastructure development to accommodate the growing pipeline of students, or to absorb the higher costs associated with educating students from disadvantaged backgrounds. These universities are relatively young compared with established universities and therefore lack the financial assets, accumulated wealth and access to wealthy patrons and alumni that others have been able to amass and draw on for infrastructure development and research purposes.

The Government aspires for a competitive higher education system in Australia that continues to offer innovative educational experiences and research equal to the world's best. However for these goals to be achieved, universities in growth corridors will need a funding scheme that enables them to meet the needs of their communities and to compete equally in the market. Universities should not be disadvantaged because of historical legacies, or the demographics of the current or potential student populations.

This paper argues that in a more differentiated higher education sector Government funding should be better targeted to areas where growth and potential demand for education is the greatest. The Government should focus on supporting institutions in high growth areas that bear the burden of population growth and extending education opportunity. This will also help to support improved participation in growth corridors with historically poor attainment rates and lower levels of workforce participation. Support should be directed to universities that are best positioned, geographically and by mission, to effect change. Possible funding options for an investment package are presented in this paper. These universities provide not only the critical teaching and learning environments for their local students; they are also major contributors to the highly significant international education market. Their diverse research portfolios contribute both to local innovation and productivity and through these lift national productivity.

The University of Western Sydney is referred to throughout the paper as an example of a growth corridor university.

Supporting high population growth areas that are economically important

Growth corridor universities such as UWS serve the local government areas (LGAs) that form regions such as Greater Western Sydney (NSW) (Attachment A). These regions will experience rapid population growth over the next 15 or so years, making them significant to economic and social development in Australia. It is estimated that by 2025-30, population in these areas will grow significantly, well above national/state averages (Attachment B).

In addition to strong population growth, the abovementioned regions contribute significantly to Australia's economy. The economic strength of these regions is supported through the direct and indirect contribution of growth corridor universities. For example, in 2009-10, the Gross Regional Product (GRP) of Greater Western Sydney was estimated to be \$83.4 billion, the third largest economy behind Sydney and Melbourne. In the same period, it is estimated that UWS contributed around \$845.3 million to the GWS economy (Deloitte Access Economics, 2012: 2).

Large population growth also provides opportunity for employment growth and growth corridor universities will be fundamental in providing the skilled labour necessary to meeting skills needs and therefore improving innovation and productivity. Employment growth in high growth areas is being facilitated by State and Territory governments with the introduction of 'place-based' strategies designed to encourage people to seek employment in the areas where they reside. The Western Sydney Employment Area is an example of a key initiative of the NSW State Government which recognises the fast population growth of Western Sydney and the growth in demand for jobs in the region that population growth will bring. The NSW Government anticipates an additional 57,000 jobs in the Western Sydney Employment Area over the next 30 years and 212,000 jobs in the longer term.

Employment growth and future employment needs will also be shaped by industry structural adjustment. In the last decade there has been a strong shift away from traditional blue-collar industries such as manufacturing, towards professional, service based industries. The Department of Employment forecasts that by November 2018, health care and social assistance, education and training and professional scientific and technical services will have the strongest rates of employment growth in Australia (Table 1). Similarly, the Department also forecasts that employment requiring a bachelor degree or higher qualification (Skill Level 1) will grow by 10 per cent in the five years to 2018; the highest of any group (Table 2). The transition to predominantly high skilled industries and occupations strengthens the imperative for increased participation and investment in higher education to ensure that demand for future employment is met.

Table 1

ANZSIC 06 Code	Industry	Employment level - November 2013 ('000)	Department of Employment Projections		
			Projected employment level - November 2018 ('000)	Projected five year employment growth to November 2018	
				('000)	(%)
A	Agriculture, Forestry and Fishing	319.1	316.3	-2.8	-0.9
B	Mining	274.5	262.2	-12.3	-4.5
C	Manufacturing	934.1	893.8	-40.3	-4.3
D	Electricity, Gas, Water and Waste Services	157.1	166.9	9.8	6.2
E	Construction	1038.1	1121.6	83.5	8.0
F	Wholesale Trade	403.3	423.3	19.9	4.9
G	Retail Trade	1251.0	1349.2	98.2	7.8
H	Accommodation and Food Services	780.1	835.3	55.2	7.1
I	Transport, Postal and Warehousing	588.3	620.4	32.1	5.5
J	Information Media and Telecommunications	193.7	193.9	0.2	0.1
K	Financial and Insurance Services	420.1	440.6	20.5	4.9
L	Rental, Hiring and Real Estate Services	195.9	211.0	15.1	7.7
M	Professional, Scientific and Technical Services	896.3	985.0	88.7	9.9
N	Administrative and Support Services	390.6	427.9	37.3	9.6
O	Public Administration and Safety	774.2	822.8	48.5	6.3
P	Education and Training	895.8	1014.7	118.8	13.3
Q	Health Care and Social Assistance	1405.3	1634.7	229.4	16.3
R	Arts and Recreation Services	212.1	227.7	15.6	7.4
S	Other Services	474.8	495.6	20.7	4.4
-	ALL INDUSTRIES	11,604.5	12,442.7	838.1	7.2

Source: Department of Employment, 2014**Table 2**

Skill Level	Employment level - November 2013 ('000)	Projected employment level - November 2018 ('000)	Department of Employment Projections	
			Projected five year employment growth to November 2018	
			('000)	(%)
Skill Level 1	3464.6	3821.5	356.9	10.3
Skill Level 2	1366.0	1483.5	117.5	8.6
Skill Level 3	1746.3	1813.2	67.0	3.8
Skill Level 4	3052.7	3278.0	225.3	7.4
Skill Level 5	2015.9	2087.4	71.5	3.5
Total Employment	11,645.5	12,483.6	838.1	7.2

Skill Level 1 is commensurate with a Bachelor degree or higher qualification

Skill Level 2 is commensurate with an Advanced Diploma or Diploma

Skill Level 3 is commensurate with a Certificate IV or III (including at least 2 years on-the-job training)

Skill Level 4 is commensurate with a Certificate II or III

Skill Level 5 is commensurate with a Certificate I or secondary education

Source: Department of Employment, 2014

High levels of disadvantage in high growth areas

While these are complex, multi-faceted communities, many high growth areas are also recognised as having high levels of disadvantage. They tend to have below average levels of educational attainment, lower year 12 completion rates, and higher proportions of low SES students, students who are predominantly first in family to attend university, more non-recent school leavers, and more students studying part-time. Attachment C shows that in 2013, over 24 per cent of domestic undergraduate students were from a low SES area. Many LGAs across GWS have low higher education participation rates and are significant areas of disadvantage. Similarly, Attachment D shows that higher education attainment rates amongst 25-34 year olds is below the 30 per cent national average for more than half of these LGAs. These data on educational attainment and low SES students serves to illustrate the challenges faced by growth corridor universities in catering to areas of disadvantage.

Furthermore, growth corridor universities predominantly service the educational needs of the regions they serve and in most cases this is the most effective solution as it eases the burden on transport infrastructure for students traveling long distances to attend city-based institutions. For example, more than two-thirds (70 per cent) of UWS students reside in GWS. Population growth will place growth corridor universities under increasing pressure to accommodate growing numbers of local students while also increasing stress on intra-regional transport infrastructure unless those students can attend their local university.

A key recommendation of the Bradley Review Report was for the Commonwealth and the states to assess needs in areas of significant population growth. However, this recommendation was not taken up by the previous government leaving institutions serving these communities to do the 'heavy lifting' by themselves as they continue to pursue their distinctive missions by meeting community expectations.

University infrastructure gaps

Many growth corridor universities were formed through institutional rationalisation across the higher education sector in the 1980s. They have faced significant challenges because of legacy campuses and infrastructure while developing as multi-disciplinary institutions to meet the growing and diverse needs of the communities and industries they serve.

Growth corridor universities have had to compete with established institutions that have benefited from decades of planned infrastructure provision, course funding and research facilities largely in a non-competitive environment, providing these institutions with significant positional and reputational advantage. These institutions have also been the major beneficiaries of new infrastructure funding under the Education Infrastructure Fund program funded by the previous government.

Some growth corridor university campuses are already severely constrained and do not have the physical capacity to carry the expected increase in undergraduate numbers. For example In order to cope with increased student numbers, the University of Western Sydney has embarked on the development of a new multi-storey campus in the Parramatta CBD district which will accommodate 10,000 additional students with teaching expected to commence by 2017. The ability of UWS to continue to expand and develop similar infrastructure needed to service other locations across Greater Western Sydney will be curtailed under an environment of constrained government investment.

High operating costs, a reliance on Government funding, and inability to charge higher fees

Growth corridor universities such as UWS are multi-campus institutions and thus faced with high operating costs such as:

- maintaining courses, or setting up new courses, in disciplines that are important for future economic growth yet have low enrolments
- operating small campuses, leading to lower economies of scale
- multi-campus costs, which include necessary duplication of services on different campuses such as libraries, student services, IT facilities, laboratories, Indigenous support centres, security and grounds services, and staff travel costs
- transport costs – a lack of public transport facilities around many of these campuses requires the university to bear the cost of providing shuttle bus services to students requiring access to public transport
- additional engagement efforts and costs required to reach disadvantaged students
- tailored support programs to ensure retention and success of disadvantaged students
- being newer universities without the benefit of historically accrued assets or reserves to assist their investment income, or long standing alumni to provide bequests or donations

Some of the growth corridor universities have a high reliance on government funding for their total income, and for some there is limited capacity to increase revenue streams from international student enrolments. The proposed 20 per cent reduction in per-student funding will be a significant hit on their income compared to the older metropolitan and city-based universities.

Fee deregulation does provide the basis for institutions to develop pricing strategies relevant to the cohorts they serve. The extension of CGS funding to sub-degree programs is a welcome initiative. However neither public subsidies through CGS funding, nor the design of the HEPP program adequately recognise the challenges faced by universities serving growth corridors: growing demand from population growth, cultural and linguistic diversity, low SES and low levels of parental tertiary attainment and poor civic infrastructure.

Rather, older established institutions will be able to exploit their positional advantage to generate substantial additional fee revenue while continuing to receive the same subsidy rates as the newer institutions, while also not having to grow their presence and provision in newly developing communities.

Funding Options

It is recommended that a structural adjustment fund be established, as a targeted funding package, to support universities in high population outer metropolitan growth corridors.

Such funding would recognise the importance of higher education being accessible to areas that are experiencing major growth and will require support as they make a successful transition to the new operating environment.

The funding would be available to provide assistance for:

- The vital role growth corridor universities play in **meeting the growing and changing skills and innovation needs** in growth corridors

- the critically important **outreach role** and resulting higher costs to growth corridor universities in attracting new cohorts to higher education from their communities, regardless of the institution in which students eventually enrol
- the higher costs involved in **teaching and retaining students from low SES and first-in-family** cohorts who make up a large proportion of growth corridor universities and campuses and/ or
- critical university **infrastructure development and strategic initiatives** for addressing population growth, higher education and skill needs.

Funding Sources

The fund would be established through one or more of the following sources:

1. a new structural adjustment funding package
2. by re-focusing funding from the Higher Education Participation Program (HEPP)
3. by diverting a proportion of the Commonwealth Scholarship Funds for redistribution through HEPP
4. by diverting all Commonwealth Scholarships Funds to be pooled nationally
5. from an existing program such as the National Stronger Regions Fund
6. from an existing program such as the Asset Recycling Fund (for a capital program)
7. access to low-interest government loans.

Mechanisms for Funding Allocation

The funds would be distributed to outer metropolitan universities through one of the following mechanisms:

1. Using the **Regional Loading funding scheme** as a model (recognising the similarity in challenges facing both growth corridor and regional universities):
 - in a separate scheme which would apply to growth corridor campuses only, or
 - as an expanded scheme applying to both regional and outer metropolitan university campuses.
2. Amending the eligibility requirements of the **Higher Education Participation Program** so that funds for participation are apportioned among those institutions with the highest percentage of enrolments from low SES and other disadvantaged cohorts, perhaps determined via a threshold at, say, 14 per cent of domestic undergraduates (Attachment A provides data on the number and proportion of students from low-SES backgrounds by their institution of study).

A levy on the Commonwealth Scholarship Scheme fund could be introduced with funding from the levy diverted to the HEPP funding pool. Funds raised through the levy would be apportioned using the above-mentioned criteria for HEPP.

3. Amend **the Commonwealth Scholarship Fund** to allow funding to be pooled nationally for use across Australia, rather than the current proposal for the funds to be collected and used at the institutional level, which would only advantage those universities that are able to charge the highest fees.

Alternatively, the criteria in the Commonwealth Scholarship Scheme Guidelines could be tailored to require that funds for outreach and partnership activities provide for: (i) equity scholarships for students to use at any university, rather than

just the university generating additional fee income; and (ii) universities in areas designated as high growth/ or disadvantaged regions.

4. A **specific capital funding program**, drawing on the Asset Recycling Fund, should be targeted to growth corridor universities to assist with funding critical university infrastructure. Where funding through the Asset Recycling Fund is not sufficient, there is the option of provide low-rate government loans to growth corridor universities to assist with economically significant projects.

Conclusion

Growth corridor universities are central to the Government's goals for improved economic and social growth. They service Australia's fastest population growth areas which will be home to Australia's future labour force, infrastructure developments, business activity and output. Growth corridor universities are central to meeting the education, innovation and research needs of growth corridor communities. The strategic importance of growth corridor universities heightens the need to ensure that they are able to remain responsive to the economic needs of their region and Australia.

Growth corridor universities are committed to meeting the demands of economic growth and improving participation, particularly amongst disadvantaged communities. However, reductions in Government funding, coupled with the increased costs of servicing high growth corridors, will place these universities under considerable strain.

Government investment in higher education across high growth corridors will be required to ensure that these areas keep pace with the rest of Australia on overall educational attainment, employment opportunities in sophisticated, high skill sectors and contribute appropriately to the social and economic of the nation as a whole.

The goal of increasing educational attainment in high growth areas needs to be recognised and supported with additional Government investment. Currently there is no specific Commonwealth funding source that takes into account the scale of population growth that will be experienced in growth corridors and the requirement to service the educational needs of these population groups. This paper has argued that funding should be available to institutions that bear the burden of population growth and extending educational opportunity.

Attachment A: Local Government Areas

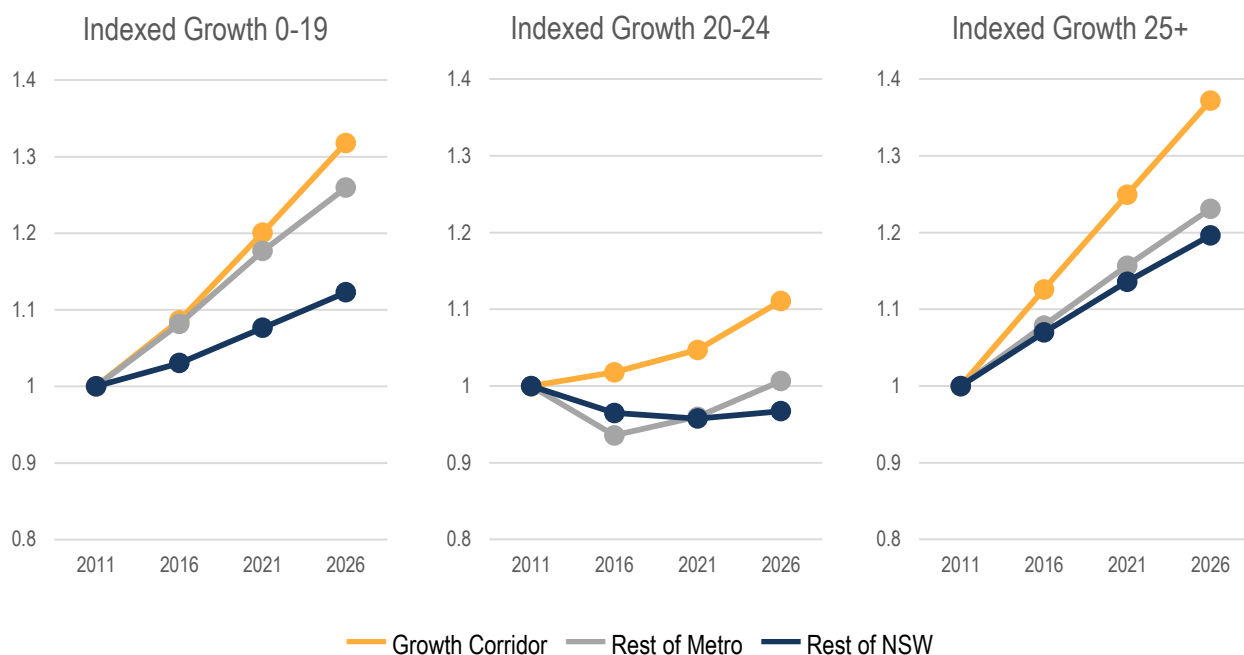
University of Western Sydney/Greater Western Sydney

Auburn	Holroyd
Bankstown	Liverpool
Blacktown	Parramatta
Blue Mountains	Penrith
Camden	The Hills Shire
Campbelltown	Wollondilly
Fairfield	Lithgow
Hawkesbury	

Attachment B: Population Projections

University of Western Sydney - NSW

UWS – NSW Indexed Population Projections by Year and Age Group



Source: ACIL Allen Consulting and New South Wales Department of Planning and Environment, 2014

UWS – NSW CAGR by Age and Area

	2011 - 2016			2016 - 2021			2021 - 2026			2011- 2026		
	0-19	20-24	25+	0-19	20-24	25+	0-19	20-24	25+	0-19	20-24	25+
Growth Corridor	1.7%	0.4%	2.4%	2.0%	0.6^	2.1%	1.9%	1.2%	1.9%	1.9%	0.7%	2.1%
Rest of Metro	1.6%	-1.3%	1.5%	1.7%	0.5%	1.4%	1.4%	0.9%	1.2%	1.5%	0.0%	1.4%
Rest of NSW	0.6%	-0.7%	1.4%	0.9%	-0.2%	1.2%	0.8%	0.2%	1.0%	0.8%	-0.2%	1.2%

Source: ACIL Allen Consulting and New South Wales Department of Planning and Environment, 2014

Attachment C: Low SES Students

Low SES as a % of all Domestic Undergraduates			
Institution	Low SES (SA1 measure)	All Domestic Undergraduate Students	Low SES as a % of all domestic undergrads
Central Queensland University	3,715	10,470	35.5%
University of Southern Queensland	4,456	14,734	30.2%
Southern Cross University	2,510	9,490	26.4%
James Cook University	3,044	11,978	25.4%
University of Tasmania	4,266	16,914	25.2%
University of New England	3,201	12,961	24.7%
University of Newcastle	5,058	20,844	24.3%
University of Western Sydney	7,815	32,207	24.3%
Charles Sturt University	5,633	23,380	24.1%
Federation University Australia	1,196	4,994	23.9%
University of South Australia	4,376	19,214	22.8%
Victoria University	3,335	15,028	22.2%
MCD University of Divinity	105	541	19.4%
Flinders University of South Australia	2,390	12,518	19.1%
University of the Sunshine Coast	1,365	7,539	18.1%
Charles Darwin University	1,077	5,958	18.1%
University of Wollongong	2,538	14,092	18.0%
Murdoch University	1,965	11,058	17.8%
La Trobe University	3,690	21,284	17.3%
Griffith University	4,162	26,982	15.4%
Swinburne University of Technology	2,788	18,693	14.9%
Edith Cowan University	2,430	16,340	14.9%
RMIT University	3,162	23,042	13.7%
The University of Adelaide	1,974	14,873	13.3%
Curtin University of Technology	3,166	24,458	12.9%
Deakin University	3,574	28,177	12.7%
Australian Catholic University	2,166	17,550	12.3%
Queensland University of Technology	3,390	29,872	11.3%
University of Technology, Sydney	2,097	19,126	11.0%
Monash University	3,222	30,429	10.6%
The University of Queensland	3,000	29,011	10.3%
University of New South Wales	2,404	25,483	9.4%
Bond University	216	2,573	8.4%
The University of Melbourne	1,460	17,747	8.2%
Macquarie University	1,737	21,270	8.2%
The University of Sydney	2,037	26,999	7.5%
University of Canberra	713	9,810	7.3%
The University of Notre Dame Australia	621	8,596	7.2%
The University of Western Australia	990	16,308	6.1%
The Australian National University	273	7,832	3.5%
Batchelor Institute of Indigenous Tertiary Education	0	0	-
TOTAL	113,105	717,683	15.8%

Source: Department of Education, *Higher Education Statistics, 2013*

Attachment D: Educational Attainment

25-34 yr olds with a bachelor degree or higher		
	No.	% of total 25-34 yr old population
UWS-GWS		
Auburn	5,636	37.3%
Bankstown	6,311	25.6%
Blacktown	12,813	27.5%
Blue Mountains	2,002	28.6%
Camden	1,601	21.4%
Campbelltown	3,844	18.6%
Fairfield	4,841	19.3%
Hawkesbury	1,163	15.8%
Holroyd	6,343	36.0%
Liverpool	5,576	21.1%
Parramatta	15,051	45.4%
Penrith	4,463	17.0%
Wollondilly	752	16.1%
The Hills Shire	7,843	43.8%
Lithgow	196	9.9%

Source: ABS, 2011 Census of Population and Housing