



23 October 2020

Mr Alan Raine
Secretary, Senate Education and Employment Committees
PO Box 6100
Parliament House
Canberra ACT 2600
Email: eec.sen@aph.gov.au

Dear Mr Raine,

Re: Higher Education Legislation Amendment (Provider Category Standards and Other Measures) Bill 2020

The University of Melbourne welcomes the opportunity to contribute to the Education and Employment Legislation Committee's Inquiry into the *Higher Education Legislation Amendment (Provider Category Standards and Other Measures) Bill 2020*. The Bill seeks to implement the changes recommended in the Review of the Higher Education Provider Category Standards (PCS Review). Given the significance of the changes, and the important role that the Provider Category Standards have in signalling the configuration of Australia's higher education sector, it is appropriate that the Senate carefully consider the proposed amendments.

The University of Melbourne broadly supports the changes recommended in the PCS Review. The proposals to reduce the number of categories from six to four and to introduce a new category for larger non-university higher education providers are sensible reforms. These changes will make the Provider Category Standards easier to understand for students, industry and the public, and ensure that the categories better reflect the make-up of Australia's higher education sector.

The PCS Review also recommended maintaining the requirement that an institution be active in both teaching and research in order to use the title 'university', and that benchmarks for research quality should be introduced. The University of Melbourne supports these recommendations. Removing or relaxing the requirement that an institution be research-active in order to brand itself as a university would pose a risk to the reputation of Australia's university sector. The proposed introduction of benchmarks for research quality and quantity reflects the aim of ensuring that institutions that are branded as universities have a level of research intensity that justifies their use of that title. While the detail of the new benchmarks is not included in the Bill itself, the basic principle of setting benchmarks for research quality is sound.

Support for university research

The proposed changes to the Provider Category Standards are an acknowledgement of the value of university research, and of the important connection between teaching and scholarship in Australia's university system. The importance of university research has become even clearer in the context of the COVID-19 crisis. University researchers have already had a key role in Australia's response to the crisis. For example, the Doherty Institute's expertise in viral infectious diseases, disease modelling and molecular epidemiology has contributed to understanding the virus transmission and has informed advice to Governments and policy makers. Moreover, we know that our economic recovery from the pandemic will

depend upon Australia's innovation ecosystem of which universities are a crucial part. This highlights the need to ensure that the financing arrangements for university research in Australia are sufficient to maintain a research system that delivers the outcomes expected of it.

Commonwealth Government investment in higher education as a whole has suffered an ongoing decline as a share of total Government spending. In 2006/07, 'Higher education' expenditure – largely consisting of Commonwealth Grant Scheme funding and research block grants – made up 2.66 per cent of all Commonwealth Government expenditure. In 2019/20 this figure was just 1.67 per cent (See Attachment, Chart 1). Within the context of this overall decline in higher education funding, publicly funded research has been placed under further pressure by the impact that the pandemic has had on international enrolments and by the six per cent reduction in per student funding that was part of the Job Ready Graduates reform package. Since there has been an understanding that a proportion of Commonwealth Grant Scheme funding is appropriately used for university research, the reduction in funding for Commonwealth Supported Places is effectively a cut to support for research.

The 2020/21 Commonwealth Budget included a welcome commitment of an additional \$1 Billion in investment in 2021 through the Research Support Program. This is a major one-off funding intervention that will help safeguard Australia's research system from the impact of the pandemic in the short term. The Government is to be commended for this.

This is, however, a one-off increase in funding. There is a need address the structural funding settings to position Australia's research system for the coming decade. The University of Melbourne identifies two key areas of reform. Firstly, the Government indicated that it would address research funding reform following the Job Ready Graduates changes being legislated. Now that these changes have been enacted into law, the Government should make clear how it plans to offset the impact of reduction in per student funding contained in the Job Ready Graduates reforms.

Secondly, there is an opportunity to sharpen the incentives for industry to engage with the research sector through changes to the R&D tax incentive. The Review of the R&D tax incentive in 2016 recommended the introduction of a "collaboration premium" of up to 20 per cent for businesses that engage universities or other research institutions to carry out R&D, noting that this would help to break down cultural barriers between industry and research and drive innovation in Australia's economy. The Government should act on this recommendation given the benefits a collaboration premium would generate.

Recommendations

The University of Melbourne recommends that:

- the Senate support the *Higher Education Legislation Amendment (Provider Category Standards and Other Measures) Bill 2020*.
- the Australian Government deliver research funding reforms that will offset the impact of the six per cent reduction in per student funding contained in the Job Ready Graduates reforms.
- the Australian Government should introduce a collaboration premium of up to 20 per cent for the non-refundable tax offset for the R&D tax incentive, as was recommended in the 2016 Review of the R&D Tax Incentive.

For further information or to discuss this submission Professor Richard James, Deputy Vice-Chancellor (Academic) can be contacted on [REDACTED] or [REDACTED].

Kind regards,

Professor Richard James
Deputy Vice-Chancellor (Academic)



Attachment: Chart 1: 'Higher Education' expenditure as a proportion of all Commonwealth Government expenditure: 2001/02 – 2023/24

'Higher Education' expenditure as a proportion of all Commonwealth Government expenditure: 2001/02 - 2023/24

Note: Includes CGS funding and research block grants. Does not include HELP expenses.

