



## VICE-CHANCELLOR

Professor Rufus Black

Dear colleagues,

You would no doubt have seen that the University has, with qualifications, supported the Australian Government's higher education reform package announced in June and now before the Senate in the *Higher Education Support Amendment (Job-Ready Graduates and Supporting Regional and Remote Students) Bill 2020*. We have made this decision because of the important benefits that the package brings for Tasmania and the long-term economic sustainability of the University.

Central to our strategy is to grow higher education participation in Tasmania. We know how important that has been to the lives of so many Tasmanians and the positive impact it will make on the island's long-term social equity issues. We are also committed to increasing the proportion of our domestic students, so we are not dependent on a large number of international students to sustain the breadth of our offerings and our presence in Hobart, Launceston and the Cradle Coast.

Under the current funding scheme, we have reached the cap on the number of Commonwealth-supported places we can access next year. While this remains the case, we can neither increase the number of Tasmanian students nor the number of domestic students overall.

The proposed reforms will increase the number of Commonwealth-supported places for regional universities such as ours by 3.5% a year. We will particularly benefit because central metropolitan universities will see only a 1% increase a year.

We also recognise that if we are to increase participation in higher education in Tasmania, students need upfront financial support for their living and transport costs. This was one of the key findings of the Regional, Rural and Remote Tertiary Education Strategy, also known as the Napthine Review. The current proposal will provide significant funding to our university for scholarships to low-SES regional Tasmanian students. For regionally-located universities, it also completely removes any cap on funding for Indigenous students, which is important given our objectives.

While the funding we receive per student will decline if the legislation is passed, this is because funding will be more closely aligned with the actual cost of delivery. This is a complex piece of the reform which looks problematic on the face of it, but in fact starts the process of addressing an issue that seriously disadvantages smaller, high-quality, research-intensive universities like ours.

The total amount we will receive per student in future under this package is

calculated on the basis of actual data on the national average cost of delivering each type of course. Our costs of delivering largely line up with those national averages so we will receive enough to teach our students as well as we do today. This is important to note because students have feared it would lead to cuts in the quality of their courses. It will not. Equally, from our perspective, this does not break the teaching/research nexus, which we value greatly, because it still funds those teaching to have jobs that are based on the broad 40/40/20 allocation of time.

What effectively is cut is some of the margin above what is needed to teach students that universities have historically used to cross-subsidise research or other costs. That means it is important that we see an increase in research funding to complement these reforms. The Government has a group of vice-chancellors, of whom I am one, working with the Commonwealth Education Department to address the question of the future of research funding.

We are currently disadvantaged by the cross-subsidy model. With the current model, the more students a university has, the more total funding it has to cross-subsidise research. That favours large metropolitan universities over universities in regional settings where they serve a smaller population. It also creates an incentive in the higher education system to chase growth perpetually, which is not a healthy or realistic dynamic for the sector nationally.

Given the importance of our research to Tasmania's future, the globally important contributions we make from here and the University itself would be advantaged by a system where more of the research funding flowed on the basis of research excellence and impact rather than the size of the student population.

Before we leave the funding questions, it is also important to note that the amount per student we receive is going to be indexed. Currently, we do not receive indexation, which means that effectively in real terms, there is a cut each year.

While there are significant changes in these reforms, the package provides funding for a transition period to enable us to adapt. That is really important because it helps us to meet our objectives of retaining jobs and creating more employment certainty for people.

That brings me to what we disagree with in the package, which is the way the Government has approached the student contribution versus the one from government. Our view is that the fair and economically sound way to set these contributions should be based on the public and private benefit that comes from higher education.

All higher education creates both public and private benefit. For instance, think of nursing and all the public benefit that comes from the provision of quality nursing care. Equally, nurses gain a private benefit in that the income that they receive is higher than they would receive without higher education. Of course, this split looks quite different for other professions or qualifications. Fairness and providing the incentive to generate the right amount of public good means the government should pay for the public benefit and the individual for the private benefit. With our HECS scheme, if the individual doesn't realise the private benefit, they won't have to pay for their higher education, making the system particularly fair.

Clearly the current package does not operate this way and seeks instead to encourage students through price signals to study particular subject areas. Those price signals aren't likely to be effective and, even if they were going to work, they would be the wrong ones to be sending in Tasmania because of the nature of the Tasmanian workforce and economy. In Tasmania, there is a high demand for humanities graduates who in turn have higher graduate employment rates and incomes than science graduates.

Equally, we don't anticipate a collapse in student numbers in those areas where the student contribution will go up. The applications we have received this year since the package was announced have not shown any evidence that students are changing their preferences. Interest in areas such as the humanities, social science and law remain at least as strong as in previous years and in some areas are stronger. We also have carefully analysed the courses where we have offered fee discounts over time and in only one area (which was in health and

medicine) was there a significant relationship between price and the number of students.

Naturally, we will be closely monitoring the long-term impact on student numbers of the areas with higher fees because of the importance of all these areas for Tasmania, not just in terms of jobs but the contribution that people make with those educational backgrounds to the quality of society here. We certainly greatly value all of these HASS disciplines and the need for a distinctive Tasmanian specific business and economics offering.

In terms of impact on students, we have also analysed the potential impact of the policy regarding students failing and not being permitted to continue to accrue HECS debts. For us at least, it will not have an impact of any significance, and it is an issue we can and should be managing proactively so that students aren't failing at that rate. If applied to our 2019 cohort of core commencing bachelor students, the policy would have meant that of the 2,200 commencing students, only 83 or 4% would have been affected by the policy. Of those 83, more than half chose of their own accord not to continue their studies and a further 22 continued to have serious performance issues. That leaves 16 students or 1% who subsequently performed well and would be disadvantaged by this new policy – students who we should have been able to identify and provide support to much earlier. Supporting our students to succeed is an issue we are committed to continually improving regardless of any policy changes.

The challenge with any reform is that it comes to us as a package, and we have to make a choice between the proposal that is on offer and the alternative. The history of failed higher education reform in Australia in the last decade tells us that the hard reality is that the alternative is maintaining the current model for an indefinite period. This would mean a cap that prevents us growing higher education participation in Tasmania with no indexation and continues our dependence on international students. This will see real year-on-year declines in funding and probably little opportunity for an improved model for research funding.

If the package doesn't pass this year, we will face the cap and no indexation next year while the pressures on government continue to grow to fund other national priorities including aged care, disability services, and reforming vocational education as it deals with the massive costs of COVID19.

Recognising our concerns about the pricing split, our aim is to see more Tasmanians in higher education, economic sustainability built around a domestic student population and the hope of research funding based on excellence and impact, not scale. On balance, we consider this package will support us to do this better than the current model or any other higher education reforms proposed over the past decade.

Kind regards,

Rufus



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