

CHARLES STURT UNIVERSITY

Submission

Senate Education and Employment
Legislation Committee Inquiry

**Higher Education Support Legislation
Amendment (A More Sustainable,
Responsive and Transparent Higher
Education System) Bill 2017**

8 June 2017

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8 June 2017

Mr Stephen Palethorp
Committee Secretary
Senate Education and Employment Committees
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Mr Palethorp

Senate Education and Employment Legislation Committee Inquiry - Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017

On behalf of Charles Sturt University I am pleased to provide this submission to the Senate Education and Employment Legislation Committee.

The proposed Bill in its current form would destabilise the foundation of Australia's world class university system.

Charles Sturt University is gravely concerned about the impacts of the proposed legislation.

As one of Australia's largest rural and regional universities, the proposed Bill puts at risk the quality of our work and the global reputation of our higher education sector.

Given the need for Australia to remain internationally competitive and to deliver economic growth and employment for our cities and regions, it is vital that the proposed Bill be amended to reflect the immediate and future needs of the sector.

Australia cannot afford to risk our economic future and jeopardise the potential of our students by undermining the capability of our higher education sector.

The Bill must be amended to reflect the need for the nation to have strong, sustainable and effective universities that deliver quality teaching and learning outcomes for students that make them industry ready as well as institutions that continue to drive excellence in research and innovation.

Our submission provides a range of recommendations relating to the Schedules contained in the explanatory memoranda that details the intent of the proposed Bill to allow for better outcomes for students and our communities across New South Wales and Victoria.

I would be delighted to provide further information to the Committee and would be available to provide evidence at any proposed hearings that that Committee may undertake in relation to considering the merits of the legislation.

Yours sincerely

Professor Andrew Vann
Vice-Chancellor

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1. Recommendations

Charles Sturt University recommends the following amendments to the Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017:

1.1 Recalibration of the Costs of Higher Education

Efficiency Dividend on the Commonwealth Grant Scheme

That the proposed Bill in its current form be amended to remove the proposed efficiency dividend on the Commonwealth Grant scheme.

Increased Student Share of Higher Education Funding

That the Bill in its current format be amended to delete all sections relating to increasing student share of higher education funding.

In amending the Bill or determining findings relating to proposed Bill, the Committee examine any modelling of the combined impacts of these measures particularly upon women and equity groups.

Medical, Dental and Veterinary Science Loading

That the proposed amendment to the Act detailed in the Bill proceed.

1.2 Reforms to the Commonwealth Grants Scheme

New Arrangements for Sub-Bachelor Courses

That the proposed change to new arrangements for Sub-Bachelor courses set out in the Bill proceed, with amendments to establish criteria for approved courses.

New Arrangements for Enabling Courses

That the proposed Bill be amended to remove the new arrangements for Enabling Courses.

Scholarship System for Postgraduate Coursework Places

That the proposed Bill in its current form not proceed in relation to the scholarship system for postgraduate coursework places.

Expansion of Support for Work Experience in Industry Units

That the proposed Bill in its current form proceed in relation to the arrangements for work experience in industry units.

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Performance Contingent Funding for Universities

That the proposed Bill not proceed in its current form in relation to performance contingent funding.

That a national consultation process be undertaken before performance contingent funding is implemented.

1.3 Changes to HELP Eligibility and Repayment Arrangements

That the proposed Bill not proceed in its current form in relation to reducing the repayment threshold for HELP Repayment.

1.4 HEPPP Reforms

That the Bill be amended to allow for a five year improvement cycle in progress, instead of a three year improvement cycle. This amendment would allow for smoother and more accurate representation of trends in progress. This will allow for the overall impact of HEPPP post uncapping of places in 2012 to be taken into account.

That the Bill allow for performance funding weighted by the number of students who improve in addition to the percentage points improvement methodology contemplated.

1.5 Definition of Higher Education Award

That this Schedule of the Bill proceed.

2. Introduction

The purpose of the Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017 is to introduce reforms to the funding, provision and administration of higher education in Australia.

The Bill contains measures that will rebalance the costs of higher education between taxpayers and students, expand student choice and opportunity, increase quality and transparency, and improve the sustainability of the Higher Education Loan Program.

2.1 Proposed Legislative Amendment

In its proposed form, the Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017 will amend the *Higher Education Support Act 2003* to:

- Increase the maximum student contributions by 1.8 per cent for four years from 2018.
- Adjust the Commonwealth contribution amounts from 2018 to 2021 to reflect the increased student contribution amounts.
- Apply an efficiency dividend of 2.5 per cent per annum to grants under the Commonwealth Grant Scheme (CGS) in 2018 and 2019.
- Extend the medical student loading to include veterinary science and dentistry units of study from 2018.
- Expand the demand driven funding system to include approved sub-bachelor courses at public universities from 2018.
- Require enabling course students to pay a student contribution amount for any units of study with census dates on or after 1 January 2018.
- Allocate enabling courses on a cyclical basis through a three-year tender process from 2019.
- Introduce performance-contingent funding under the CGS.
- Reduce the Higher Education Loan Program minimum repayment income to \$41,999 and replace the current repayment thresholds with new ones, including additional repayment thresholds and rates.
- Index repayment thresholds to the consumer price index rather than average weekly earnings.
- Restructure the Higher Education Participation and Partnerships Program to include new student loading for students from low socioeconomic

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backgrounds, annual performance funding and grants for a National Priorities Pool.

The proposed Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017 will require consequential amendments to the *Income Tax Assessment Act 1997* to make consequential amendments to the *Higher Education Support Act 2003* and *VET Student Loans Act 2016* that will extend access to student loans to most Australian permanent residents and most New Zealand citizens while removing their entitlement to a Commonwealth supported place from 1 January 2018 and preserve current eligibility arrangements for several cohorts.

2.2 Senate Education and Employment Legislation Committee Inquiry

On 11 May 2017 the Senate referred an inquiry into the Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017 to the Senate Education and Employment Legislation Committee for inquiry and report by 9 August 2017.

2.3 The Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017

The proposed Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017 contains five schedules:

- i. Recalibration of the costs of higher education between taxpayers, higher education providers and students;
- ii. Reforms to the CGS that will expand opportunities for students, increase student choice and introduce a performance component to CGS funding;
- iii. Changes to HELP eligibility and repayment arrangements, replacing the current repayment threshold and repayment rates with new ones, including a new minimum repayment threshold and repayment rate plus additional repayment thresholds and rates;
- iv. Changes to how other grants in the *Higher Education Support Act 2003* operate to give effect to the Higher Education Participation and Partnerships Program (HEPPP) reforms; and,
- v. Minor amendment to the definition of higher education award to more precisely reflect the intention of the legislation by clarifying that vocational awards are not higher education awards.

(1) Schedule 1 Recalibration of the Costs of Higher Education

Schedule 1 of the Bill recalibrates the costs of higher education between taxpayers, higher education providers and students.

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Maximum student contributions will rise by 1.8 per cent for four years from 2018, resulting in a total 7.5 per cent increase from 2021. The first increase will take effect from 1 January 2018 and will apply to all students including those who are currently enrolled.

To achieve the recalibration, Commonwealth contribution amounts will be similarly reduced in each of 2018, 2019, 2020 and 2021 to reflect the increased student contribution amounts in those years.

An efficiency dividend of 2.5 per cent per annum will apply to grants made under the Commonwealth Grant Scheme (CGS) in 2018 and 2019. The efficiency dividend is a contribution from the revenue benefits of the demand driven funding system.

Medical student loading will be extended to include veterinary science and dentistry units of study from 2018 to improve the funding arrangements for these courses.

(2) **Schedule 2 Reforms to the Commonwealth Grants Scheme**

Schedule 2 of the Bill contains reforms to the CGS that will expand opportunities for students, increase student choice and introduce a performance component to CGS funding.

Enabling courses will now be allocated to providers on a cyclical basis through a three-year competitive tender process to ensure their distribution reflects student need and provider quality. Enabling loading will be removed and higher education providers will be able to levy a fixed, low maximum student contribution amount. Eligible students will be able to borrow the full amount of their contribution under the Higher Education Loan Program (HELP).

The demand driven funding system will be expanded to include Commonwealth supported places (CSPs) in approved sub-bachelor courses (diplomas, advanced diplomas and associate degrees).

Non-research non-medical postgraduate CSPs will now be allocated directly to students, with the associated taxpayer funding and eligibility for a fee-free student loan. Students may use their awarded scholarship place at their chosen higher education provider. Student contribution amounts will be the same as for other Commonwealth supported students.

The Bill introduces performance-contingent funding under the CGS. From January 2018, a maximum of 7.5 per cent of a provider's CGS funding will be contingent on that provider meeting certain performance requirements. In the first year this will include participation in data collection and reporting. In subsequent years measures of student attrition, completion and satisfaction will be added to performance metrics.

There will be a Commonwealth contribution amount payable for work experience in industry units, provided that the units meet specified criteria related to course relevance and provider involvement in the unit.

(3) **Schedule 3 Changes to HELP Eligibility and Repayment Arrangements**

Schedule 3 of the Bill makes changes to HELP eligibility and repayment arrangements. It replaces the current repayment threshold and repayment rates with new ones, including a new minimum repayment threshold and repayment rate plus additional repayment thresholds and rates. From 1 July 2019, repayment thresholds including the minimum repayment income will be indexed using the Consumer Price Index rather than Average Weekly Earnings.

Eligibility for student loans will be extended to most Australian permanent residents and most New Zealand citizens, while these students will no longer have access to Commonwealth subsidies. It preserves eligibility for the special cohort of New Zealand special category visa holders who arrived in Australia as children and have been long-term residents. It also enables Australian permanent residents and New Zealand citizens to remain in a CSP for the remainder of their course if they have already commenced a course of study on that basis. It retains eligibility for a CSP and a HELP loan for Australian permanent humanitarian visa holders on an ongoing basis. It preserves eligibility for the remainder of their course for Australian permanent humanitarian visa holders and for the cohort of long-term New Zealand Special Category Visa holders who become non-humanitarian permanent visa holders if they have already commenced a course of study.

(4) **Schedule 4 HEPPP Reforms**

Schedule 4 of the Bill makes changes to how other grants in the *Higher Education Support Act 2003* operate to give effect to the Higher Education Participation and Partnerships Program (HEPPP) reforms.

The HEPPP will be restructured and its funding secured in legislation. Annual funding amounts and a new student loading for students from low socioeconomic backgrounds will be guaranteed into the future and there will be increased flexibility for providers to work with.

(5) **Schedule 5 Definition of Higher Education Award**

Schedule 5 of the Bill makes a minor amendment to the definition of higher education award to more precisely reflect the intention of the legislation by clarifying that vocational awards are not higher education awards.

It also updates the names of two higher education providers (University of Technology Sydney and University of Divinity) so that the Act reflects their correct names.

3. Charles Sturt University

Charles Sturt University is Australia's largest regional university, with more than 39,000 students and approximately 2,100 FTE staff. Established in 1989, the University traces its origins to the formation of the Bathurst Experimental Farm and Wagga Wagga Experimental Farm in the 1890s. In one form or another, research, innovation and education has been integral to the University's character and mission for more than a century.

Charles Sturt University is a unique multi-campus institution with campuses at Albury-Wodonga, Bathurst, Canberra, Dubbo, Goulburn, Manly, Orange, Parramatta, Port Macquarie and Wagga Wagga, as well as various study centres located throughout regional and rural south-eastern Australia.

The University's commitment to the development and sustainability of rural and regional Australia is informed by the unique research focus undertaken, and the partnerships it has formed with each of its campus' local communities, local industry, and with the broader regions it serves.

Charles Sturt University offers a comprehensive suite of research and academic training programs that focus on addressing rural and regional labour market needs, growing regional economies, and preparing students for the jobs of the new economy through rural and regional Australia.

Particularly in health and medical related disciplines, Charles Sturt University seeks to address key training and equality of access issues across our rural and regional footprint, ensuring the critical supply of health professionals into local markets.

As one of Australia's largest online and distance education providers Charles Sturt University has been able to leverage its course profile and specialist expertise in education provision for the delivery of nationally available study programs. These programs support labour market skills development regardless of student location.

Our rural and regional focuses, as well as strength in online and distance education, positions Charles Sturt University as a leading institution in providing higher education opportunities to first-in-family applicants, mature-aged students, as well as those from disadvantaged backgrounds.

Increasing participation of Indigenous Australians in higher education has been a key focus area of the University's mission and ethos. Charles Sturt University consistently works in collaboration with Indigenous communities across our footprint to ensure access and develop links into the University. Our position as one of the top Australian universities for Indigenous participation is proof of our strong background in this regard. We graduate almost 40% more Indigenous students than any other Australian university.

The success of the University is demonstrated by its sector-leading performance in work-integrated learning, graduate employment and graduate incomes. Underpinning this success is the close links that the University has forged with industry, both regionally and nationally.

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For example, the University is internationally recognised as a leader in work-integrated learning with students spending extended periods in employment with our industry partners as part of their degree learning and applying their knowledge in practice.

Research excellence, with a strong commitment to addressing the complex regional needs through innovation, has long been at the centre of Charles Sturt University's mission.

As evidenced by the recent Excellence in Research for Australia results (ERA 2015), Charles Sturt University is recognised internationally for competitive research strengths in agricultural science, horticultural production, food and wine sciences, crop and pasture production, veterinary science, animal production, education, curriculum and pedagogy, environmental science, applied ethics, philosophy, religious studies, criminology, nursing and marketing.

Charles Sturt University has a proud tradition of delivering high-quality research that creates new knowledge, benefits people's lives, enhances the profitability of regional industries and helps communities grow and flourish. Through its Higher Degree by Research programs, Charles Sturt University is training the next generation of researchers and professionals who use critical thinking and seek to influence the world for the better.

The recently announced AgriSciences Research and Business Park, to be located on the Wagga Wagga campus exemplifies our industry focus. The AgriSciences Research and Business Park will facilitate industry engagement and collaboration, economic growth, wealth creation, employment and skills development. Success will be evidenced by the recognition of Wagga Wagga as a world-standard centre for agricultural innovation, research and development, extension, education and training.

Today, Charles Sturt University continues a 100-year tradition of engagement and leadership with our local communities, of research and innovation in collaboration with industry, expansion in the educational opportunities offered to our diverse student body, and preparing students for employment markets emerging with the evolution of regional and the national economy.

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4. Submission to Inquiry

Charles Sturt University is pleased to provide a submission to the Senate Education and Employment Legislation Committee on the Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017. We have prepared a comprehensive and detailed submission containing commentary of our view and position of the proposed legislative amendments to the Higher Education Support Act 2003.

Building on our commentary, view and position, Charles Sturt University also proposes a range of recommendations, that we believe would strengthen the Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017. Adopting our recommendations would strengthen the proposed legislative amendments and enhance delivery of the Government's higher education policy outcomes:

- Rebalancing the costs of higher education between taxpayers and students;
- Expanding student choice and opportunity;
- Increasing quality and transparency; and,
- Improving the sustainability of the Higher Education Loan Program.

Charles Sturt University's submission has been prepared based on the explanatory memoranda for the Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017 which was obtained from the Australian Parliament website at www.aph.gov.au/Parliamentary_Business/Committees/Senate/Education_and_Employment/HigherEducation2017.

4.1 Schedule 1 - Rebalancing the Costs of Higher Education

(1) Section 33-10 - Changes to Commonwealth Contribution Amounts

We refer to the commentary on pp13-17 in the Explanatory Memorandum in relation to Schedule 1 of the Bill.

Charles Sturt University is opposed to the proposed Bill in its current form to legislate an efficiency dividend on the Commonwealth Grants Scheme for Commonwealth supported places as set out the section 33-10 of the Act.

In the Explanatory Memorandum, the Government refers to the Deloitte Access Economics report and says:

Independent analysis by Deloitte Access Economics shows that the average costs per equivalent full-time student have increased by 9.5 per cent between 2010 and 2015. Over the same period, funding has increased by around 15 per cent. (p13).

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However, it should also be noted that previous studies had found higher education to be significantly underfunded and the increases in per-student funding to the sector were specifically to address this. It should also be noted that the Deloitte Access Economic report relied upon by the Government makes this specific caution:

While this represents prima facie evidence of scale efficiencies in the system resulting in proportionally lower rates of per EFTSL cost growth, it is not clear the extent to which these scale economies can continue to be realised post the implementation of the demand driven system, or the impact that changes to staff to student ratios has on the quality of teaching and scholarship, and ultimately student outcomes. These observations should be considered carefully when making general assessments of cost growth from survey data over the period 2010 to 2015. (pp17-18)

The proposed Bill makes provision for several different and interlocking changes to funding of Commonwealth-supported university places (CSPs). There are changes to both of the base funding components, namely the Commonwealth and student contributions.

The headline figure in the Government's package is a 2.5 per cent 'efficiency dividend' on Government support for university places in 2018 and 2019. The increase in the student contribution would not offset this reduction.

The intent of the proposed Bill is to impose bigger cuts to university funding by re-setting the baseline, which is a permanent arrangement.

The combined impact of 'efficiency dividends' contained in the proposed Bill over two successive years represents a cut of nearly five per cent in real terms to the Commonwealth Grant Scheme (CGS), compared to current funding levels.

The Bill proposes the cuts will initially be applied in 2018 and 2019 but, because they apply to the funding base to which indexation applies, the effect is permanent.

The proposed Bill delivers efficiency dividends, which are net cuts: their application reduces total resourcing per place. As proposed in the Bill, the cuts are not offset by proposed increases in student fees.

Charles Sturt University is a not-for-profit institution. For best practice not-for-profits, organisations seek to maintain a three to five percent accounts margin.

The Bill does not take into consideration that this level of margin is necessary for the following reasons:

- The best practice not-for-profit margin provides for the upkeep of an institution's balance sheet net assets in keeping with general indexation and inflation indices.
- Accounting surpluses are calculated using the "historical cost principle" and do not take into account the latest (replacement) costs of materials and non-current assets.

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- The financial position of a university would be further diminished by the proposed Bill if account of backlog liabilities were taken into account. This applies to the cost to bring physical facilities to a current and reasonable contemporary position. It should be noted that for Charles Sturt University, the backlog maintenance is approximately \$82 million, this being ten times the value of the proposed efficiency dividend.

The Bill is also silent on the needs of universities that service rural and regional communities. Charles Sturt is heavily reliant on Commonwealth Supported Places (CSPs) student load due to its core mission and the principles outlined for the University within establishing legislation, which is set out in the *Charles Sturt University Act 1989*.

Whilst the dividend proposed in the Bill is proportionate to Commonwealth supported load, it is a higher proportion of total revenue for Charles Sturt University than most other universities given the higher proportion of Commonwealth students at CSU.

In the case of Charles Sturt University, the value of the dividend is approximately \$4.2 million in 2018 and thereafter, approximately \$8.5 million. Given that Charles Sturt University financially operates at its benchmark surplus of three to five percent of revenue this can only be maintained by a cut in revenue expenditure.

The University incurs a high proportion of fixed costs in maintaining campuses and therefore the proposed Bill allows cuts to student services, the majority of which will be employee costs.

Charles Sturt University estimates the proposed Bill will result in the loss of up to 90 employees, which are based in rural and regional Australia. The will have significant economic impact on the regional economies in which the University operates and would result in the loss of 270 jobs lost in the University's footprint.

Western Research Institute Limited (WRI) was commissioned by Charles Sturt University to undertake an economic impact analysis. WRI estimates that the Gross Domestic Product (GDP) multiplier for Charles Sturt University is \$4.75 for every \$1.00 spent. Therefore, taking this economic analysis, the impact of the proposed Bill in its current form will have a negative impact on regional Australia of up to \$40 million per annum.

Charles Sturt University's Recommendations

- i. That the proposed Bill in its current form be amended to remove the proposed efficiency dividend on the Commonwealth Grant scheme.*

- (2) **Subsection 93-10(1) - Increased Student Share of Higher Education Funding**

We refer to the commentary on pp17-19 in the Explanatory Memorandum in relation to Schedule 1 of the Bill.

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Charles Sturt University is opposed to the proposed Bill in its current form to lift the maximum student contributions that universities can charge by 1.8 percent per year for four years from 2018.

The cumulative effect of the changes proposed in the Bill will increase the burden of fees and loans on students due to the higher proportion students will pay for their course of study.

The Bill in its current form will also increase financial pressures on new graduates who will be required to repay these loans earlier which will have significant impacts on intergenerational equity, such as the ability to enter the housing market.

The Bill in its current form constitutes a double hit on students, increasing the fees they pay - already high by international standards - and decreasing the funding for the courses, student learning and student support that are critical to the quality of their education.

The Commonwealth Government's policy document titled "A stronger, sustainable and student-focussed higher education system for all Australians" issued on 1 May 2017 quotes unpublished research from Deloitte Access Economics showing that the public returns from higher education are already higher than the private returns. It is hard to see the justification for shifting more of the burden to students.

It should also be noted that there are some highly inequitable outcomes for students as a result of the proposed changes. If the reforms were implemented, a student in Cluster 1 (Law, Accounting, Administration, Economics, Commerce) would receive only \$975 per year in support from the Government, whilst they would pay \$10,951 or 92% of the cost of their studies. This is double the 46 percent average contribution figure quoted by the Minister for Education and Training and is close to a completely privatised system. Charles Sturt University sees this is a dangerous precedent for public higher education in Australia.

We are particularly concerned about the impact these changes would have on working mothers, regional and disadvantaged students.

Charles Sturt University's Recommendations

- i. That the Bill in its current format be amended to delete all sections relating to increasing student share of higher education funding.***
- ii. In amending the Bill or determining findings relating to proposed Bill, the Committee examine any modelling of the combined impacts of these measures particularly upon women and equity groups.***

(3) Paragraph 30-25(3)(c) - Medical, Dental and Veterinary Science Loading

We refer to the commentary on pp13-14 in the Explanatory Memorandum in relation to Schedule 1 of the Bill.

Charles Sturt University supports the medical, dental and veterinary science loading proposed in the Bill.

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Charles Sturt University operates both dental and veterinary science, offering a range of undergraduate and postgraduate courses including those in:

- Dentistry;
- Oral Health (Therapy/Hygiene);
- The Medical Radiation Sciences (medical imaging, nuclear medicine and radiation therapy); and,
- Nutrition and Dietetics.

Dentistry operates out of facilities in several regional towns across New South Wales with the main School facilities residing in Orange (dentistry) and Wagga Wagga (oral health therapy, medical radiation sciences, nutrition and dietetics). Additional dental clinical facilities exist in Dubbo, Bathurst and Albury.

The Veterinary Science Course commenced in 2005 and has already achieved the University's vision of providing veterinarians for rural Australia. Charles Sturt University is very active in veterinary research and in supervising postgraduate research students.

The University has a wide range of active research programs including physiology and pharmacology, farm animal production and reproduction, animal health and disease, public health and many other areas of animal and veterinary science.

The changes set out in the Bill in relation to the medical loading will also support the University's initiative to establish the Murray Darling Medical School (MDMS) which will be dedicated increasing the number of doctors for rural and regional Australia.

Charles Sturt University's Recommendations

- i. That the proposed amendment to the Act detailed in the Bill proceed.*

4.2 Schedule 2 - Reforms to the Commonwealth Grants Scheme

(1) New Arrangements for Sub-Bachelor Courses

We refer to the commentary on p23 in the Explanatory Memorandum in relation to Schedule 2 of the Bill.

Charles Sturt University supports the Bill's intent to expand the demand driven funding system to approved sub-bachelor courses from 1 January 2018.

Charles Sturt University notes that this inclusion in the Bill will produce positive outcomes as it acknowledges the changing nature of higher and tertiary education in Australia.

By including this change within the Bill, it recognises the shift towards different skill sets and the timing of educational participation across lifespans.

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Charles Sturt University notes that the Bill does not set out, outline or codify the criteria of 'approved courses'.

This is of concern to the University as the Bill does not contain an appropriate level of information within the Schedule to allow for appropriate planning and implementation by universities.

Charles Sturt University's Recommendations

- i. That the proposed change to new arrangements for Sub-Bachelor courses set out in the Bill proceed, with amendments to establish criteria for approved courses.***

(2) New Arrangements for Enabling Courses

We refer to the commentary on pp23-24 in the Explanatory Memorandum in relation to Schedule 2 of the Bill.

Charles Sturt University is opposed to the Bill's proposed changes regarding enabling courses.

In its current form the Bill proposes changes which will significantly disadvantage Charles Sturt University and its students. The University has a large cohort of students which originate from a range of diverse backgrounds, including but not limited to regional, remote, Indigenous, low-SES and first in family.

It should be noted that these cohorts are typically less well prepared and least able to afford fees for enabling courses as proposed in the Government's Bill.

Charles Sturt University contends that the proposed Bill will act as a major disincentive and have a potential flow through effect on student attrition rates and does not take into consideration that various enabling modes currently provided by the University. For example; Charles Sturt University's enabling students are concurrently enrolled in their degrees.

The Bill is unclear on whether enabling places will be open to providers other than universities. Charles Sturt University contends that if the intent of the Bill is to allow other non-university providers to offer enabling courses, this will have a detrimental impact on the provision of large, established programs by the university sector.

It will effectively dilute the scale of programs, thereby, challenging the financial viability and sustainability of enabling courses. Further, like previous reforms to the Vocational Education and Training (VET) sector the Bill establishes a high risk framework that could severely compromise quality teaching and learning outcomes.

The Bill proposes a three year competitive tender basis for enabling places. Charles Sturt University contends that the intent of the Bill will affect the ability of the University to offer a seamless service to students wishing to participate in an enabling course.

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The proposed program cycle set out in the Bill is inadequate to allow for appropriate development, marketing, completion, evaluation and review of courses.

Charles Sturt University asserts that the outcome that would arise from the cyclical approach outlined in the Bill will lead to a similar result as experienced in the HEPPP evaluation process.

Charles Sturt University also argues the proposed changes contained in the Bill would create a significant administrative and financial burden for the University, thereby adding to the cost base of delivery whilst producing little improvement for students undertaking enabling courses.

Charles Sturt University also deems the proposed methodologies set out in the Bill for measuring success is based on a flawed model of completion rates. The University considers that it is positive outcome for students to attempt undertaking an enabling course at university and realise that they are unready rather than commencing a degree with unrealistic expectations and subsequently withdrawing.

Charles Sturt University believes that the proposed approach outlined in the Bill in relation to measuring completion rates will have a negative outcome for students and the broader community which the University serves and supports.

It should also be noted that student completion is often not a direct outcome of the quality of programs, but rather related to matters concerning the personal life and circumstances of each individual student.

Finally, Charles Sturt University notes that the proposed Bill introduces a user pays system for enabling courses. In doing so, the University questions the intent of the Bill to introduce caps and tendered enabling places for students wishing to undertake such a course.

Charles Sturt University's Recommendations

- i. That the proposed Bill be amended to remove the new arrangements for Enabling Courses.***

(3) Scholarship System for Postgraduate Coursework Places

We refer to the commentary on p23 in the Explanatory Memorandum in relation to Schedule 2 of the Bill.

Charles Sturt University does not support the scholarship system for post-graduate coursework places as set out in the Bill. This proposal effectively introduces a voucher system into the higher education landscape. It appears it would require the Commonwealth to develop an additional infrastructure and process at the Federal level for assessing educational merit which would be an unnecessary duplication of structures already in place at the State level and in individual universities.

The provision of CGS places is customary in some areas of post-graduate study – this includes the areas of allied health, education and social work.

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Charles Sturt University argues that were CGS places no longer available, prospective students may choose to delay further study or they may not undertake further study at all. This is especially true for courses that have high costs for clinical placement.

For rural and regional Australia, which incorporates the University's footprint, the impact of the Bill has the potential to lead to skill shortages in specific industries – such as clinical exercise physiology, midwifery, and paramedicine.

Most prospective postgraduate students at the University are working adults who undertake study part-time and online. As many of these students work in professions that are not highly paid (education, allied health, social work) and there is often little personal benefit for undertaking this study.

Charles Sturt University appreciates there will be scholarships available as set out in the Bill; however, the proposed legislation is unclear on the detail of the merit based allocation system. As such the University is concerned that sufficient numbers of scholarships will not be allocated to prospective students who live and study in rural and regional locations.

Charles Sturt University does not believe this is an appropriate mechanism for allocating postgraduate places. Further, the Bill does not allow for appropriate timetable of consultation and engagement with the sector prior to implementation.

Charles Sturt University's Recommendations

- i. That the proposed Bill in its current form not proceed in relation to the scholarship system for postgraduate coursework places.***

(4) Expansion of Support for Work Experience in Industry Units

We refer to the commentary on pp24-25 in the Explanatory Memorandum in relation to Schedule 2 of the Bill.

As one of the leaders in work integrated and practice-based learning, Charles Sturt University supports this change to provide Commonwealth support for work experience in industry units. There are significant costs and overheads to arranging and supporting students in industry placements and this will provide greater flexibility to structure courses to achieve this.

Charles Sturt University's Recommendations

- i. That the proposed Bill in its current form proceed in relation to the arrangements for work experience in industry units.***

(5) Performance Contingent Funding for Universities

We refer to the commentary on p25 in the Explanatory Memorandum in relation to Schedule 2 of the Bill.

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Charles Sturt University is opposed to performance contingent funding for universities as outlined in the Bill. We believe that based on previous experience, such as the Learning and Teaching Performance Fund, it will be impossible to derive metrics which both recognise the diversity of the various universities in the sector and are accepted as being equitable, because of this diversity.

The Learning and Teaching Performance Fund was widely seen as a lottery, which delivered sizable windfalls to some institutions based on marginal differences in performance. This at least was additional funding to the sector. The proposal to redistribute *existing* money between universities based on similar metrics is likely to be regarded as intolerable. At the best, it is likely to create perverse incentives for universities in their choices about student recruitment and retention.

Charles Sturt University is one of Australia's oldest and largest distance higher education providers and directly serves disadvantaged communities across New South Wales and Victoria through its network of campuses. Charles Sturt University has outstanding outcomes in graduate employment, having the best graduate employment rates of any university and the second best graduate starting salaries. This is based on decades of work in industry-linked teaching and relationship building.

If graduate employment outcomes were to be prioritised as an indicator, universities would need to be rewarded either for success or for improvement. If rewarded for success, it is likely that universities who perform less well would complain that Charles Sturt University's outcomes were due to structural factors such as our demographics. If improvement were rewarded, the University would be concerned that it would be very difficult to improve on what are already impressive outcomes.

Charles Sturt University's students studying in distance mode originate from rural and regional Australia and incorporate the following:

- Part-time;
- Mature age;
- First in family; and/or,
- low-SES students.

Students often record lower satisfaction scores consistent with the complexity of the educational and social context in which they are operate. Despite this challenge of serving disparate communities, the University scores are often compared with institutions delivering education in very different contexts, which makes the University appear uncompetitive when in fact Charles Sturt University has a proven track record of success in servicing the student market.

If metrics such as attrition are used, there are further issues. As noted above, the University through it mission, seeks to provide higher education participation for disadvantaged students. This is a high expenditure sector to serve, and there are already powerful financial incentives to improve attrition performance – that is, keeping the student revenue for a further year. The University has worked extremely hard on progress and attrition statistics and expects any further gains to

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be marginal at best. Penalising the University by removing funding because of this would create a perverse incentive to take fewer disadvantaged students.

The University is committed to working to improve performance requirements and outcomes, however, there is currently inequity in the system in measuring outcomes achieved by Charles Sturt University versus other universities that service different market segments and locations.

The Bill in its current form proposes that universities boost performance requirements and transparency. Charles Sturt University already engages intensively with national teaching and learning metrics as a result there is no need for financial contingent funding to be tied to increasing the University's engagement or accountability.

The University's key performance indicators (KPIs) are aligned with national indicators at every level from institutional to faculty to school to individual with the explicit aim of increasing the University performance, scores and rankings.

Charles Sturt University does not believe that any performance contingent funding should be progressed until there are clear proposals that have been widely discussed with the sector.

Charles Sturt University's Recommendations

- i. That the proposed Bill not proceed in its current form in relation to performance contingent funding.***
- ii. That a national consultation process be undertaken before performance contingent funding is implemented.***

4.3 Schedule 3 - Changes to HELP Eligibility and Repayment Arrangements

We refer to the commentary on p45 in the Explanatory Memorandum in relation to Schedule 3 of the Bill.

Charles Sturt University contends that the proposed changes to the repayment threshold will have a unique impact on students from non-traditional backgrounds, thereby negatively impacting access, equity and participation.

The proposed Bill removes the buffer that provides new graduates with some level of financial security before repaying what can be a significant amount.

For example:

A case study of a female non-recent school leaver wishing to obtain a higher quality tertiary education at the same time as her children start school, may be significantly disadvantaged by the interdependent impacts of university costs as well as income loss due to studying.

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The Bill in its current form would act as a clear disincentive to further study and upskilling for the female student.

In addition, the financial impacts of the proposed Bill upon students need to be considered in the context of 2017/18 Budget changes to the Medicare levy increases and to Family Tax Benefit Part A.

This concern is evidenced by the National Foundation for Australian Women (NFAW) which states that “graduates caught between these policies will experience considerable financial stress, graduates earning \$51,000, most of whom are likely to be women, will have less disposable income than someone earning \$32,000.”

Charles Sturt University’s Recommendations

- i. That the proposed Bill not proceed in its current form in relation to reducing the repayment threshold for HELP Repayment.***

4.4 Schedule 4 - HEPPP Reforms

We refer to the commentary on p62 in the Explanatory Memorandum in relation to Schedule 4 of the Bill.

Charles Sturt University supports the Bill in embedding the funding arrangements for the Higher Education Partnerships Program (HEPPP) into the Act.

Charles Sturt University has a long and proud history of extending higher education to less privileged student groups traditionally excluded from its benefits.

The University has a significant proportion of students that fit in one or more of the equity groups included in the Higher Education Participation and Partnerships Program (HEPPP), including:

- 70 per cent First in Family;
- 23 per cent low SES;
- Indigenous students (1,000 students approximately); and,
- significant cohort of regional and rural students drawn from across New South Wales and Victoria.

HEPPP funding has been vital to the University’s ability to increase access and raise successful participation rates.

The Bill in its current form will reduce complexities associated with maintaining business continuity and supporting long-term relationships. Under current arrangements, which required annual acquittals, universities were unable to undertake effective planning and implementation.

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Charles Sturt University also supports moving from the current reporting framework to one guided by an evaluation framework, with the caveat that the evaluation framework is built through comprehensive consultation with the sector, including existing practitioners in the space.

The current reporting framework does not adequately reflect the overall impact of HEPPP work in universities

Charles Sturt University does not support the proposed Bill's new demand driven based loading rate of \$985 per student, per year. This constitutes a significant cut in HEPPP funding to Charles Sturt University.

Charles Sturt University supports the Bill's establishment of a National Priorities Pool of funding. However, the Bill appears to be silent on the approach to commissioning to assist universities to plan for potential impacts and the capacity to build on previous findings and outcomes.

Charles Sturt University is also concerned about the Bill's lack of detail surrounding HEPPP performance funding, in particular, the \$13.3 million quarantined in a performance pool. The Bill is unclear in relation to the allocation of funds based solely on percentage point improvements in progress over three years. This has the potential to advantage universities with low numbers of disadvantaged SES equity groups and Indigenous students, and consequently places Charles Sturt University at a competitive disadvantage to its institutional peers. For example:

Universities with small numbers of low SES and Indigenous students could receive the majority of funding from the performance component. With the absence of clarity contained in the Bill, it is possible that a single university with very low numbers of SES could strategically expend significant funds to facilitate their progress rates, thus placing them in a stronger position to access a significant proportion of the allocation of the performance funds.

Such a practice would be less possible for those universities with high numbers of low SES students, such as Charles Sturt University.

Further, the lack of clarity contained in the Bill could act as a disincentive to universities with higher proportions of low SES and Indigenous students from working on progress, who could choose to focus solely on building low SES load to access greater levels of base loading funding.

(a) **Charles Sturt University's Recommendations**

- i. That the Bill be amended to allow for a five year improvement cycle in progress, instead of a three year improvement cycle. This amendment would allow for smoother and more accurate representation of trends in progress. This will allow for the overall impact of HEPPP post uncapping of places in 2012 to be taken into account.***
- ii. That the Bill allow for performance funding weighted by the number of students who improve in addition to the percentage points improvement methodology contemplated.***

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4.5 Schedule 5 - Definition of Higher Education Award

We refer to the commentary on p70 in the Explanatory Memorandum in relation to Schedule 5 of the Bill.

Charles Sturt University supports the amendments proposed in the Bill.

(a) Charles Sturt University's Recommendations

i. That this Schedule to the Bill proceed.

5. Conclusion

Charles Sturt University welcomes the opportunity to provide to the Committee its recommendations in relation to the proposed amendments to the *Higher Education Support Act 2003* as set out in the Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017.

Charles Sturt University acknowledges the pressures on the Federal Budget. However, the Government's own study commissioned from Deloitte Access Economics showed that the public returns from higher education are already higher than the private returns.

Universities are a key driver of the economic growth that will be required to address Australia's vertical fiscal imbalance into the future.

Therefore, Charles Sturt University submits there is no case for inflicting cuts on Australian higher education while, on the other hand the Government substantially increases its funding commitment to Australia's schooling system.

In particular, we are deeply concerned about the potential impacts on regional Australia and on inter-generational equity arising from the proposed amendments to the *Higher Education Support Act 2003* as set out in the Bill.

Charles Sturt University urges the Committee to find and recommend to the Senate amendment of the Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017 this to ensure a fair, equitable and sustainable approach to investing in the future of Australia.