22 September 2014

Submission to Senate Standing Committees on Education and Employment Inquiry into the Higher Education and Research Reform Amendment Bill 2014

Thank you for the opportunity to contribute, and provide Charles Sturt University’s response, to the inquiry into the Higher Education and Research Reform Amendment Bill 2014.

This inquiry, its outcomes, and the Higher Education and Research Reform Amendment Bill 2014, are extremely important to the debate over future directions for Australia’s higher education sector, and the shape of Australia’s institutions in an increasingly internationalised market.

Both I, and Charles Sturt University, look forward to reading the final report of this inquiry, and its conclusions on vital questions facing the higher education sector.

Yours sincerely
Professor Andrew Vann
Vice-Chancellor
SUMMARY

Charles Sturt University (CSU) welcomes the focus by the Federal Government on the higher education sector, including its long-term quality and sustainability. Australia’s higher education system has undergone significant growth over recent years, and the sector as a whole continues to enjoy a strong reputation for quality teaching, excellence in research, and as a destination of choice for foreign students seeking a wide variety of degrees and qualifications. Similarly, regional universities, including CSU, continue to grow in terms of student populations, the breadth of options offered to regional and rural students in their local communities, and in research output in critical subject areas. They are also significant employers and economic drivers in their communities. As the largest regional university in Australia, CSU has extensive first-hand experience in the fruits and challenges of this growth.

Australia’s higher education system, particularly regional universities such as CSU, faces significant economic and related challenges. While broadly supporting the position of Universities Australia, it is important the regional context of the debate be considered. CSU believes that in addressing such challenges and providing meaningful reform for the sector as a whole, government must commit to a sustainable and growing regional higher education system. It is critical that we support increased participation for rural and Indigenous students and address regional labour market needs in areas of critical importance to the Australian economy. It is also vital that any reform supports the delivery of excellence in relevant research, enhances rural industry productivity and continues to make a substantial and growing economic contribution to regional development, population attraction and jobs, and economic growth in rural and regional communities.

Of the proposed measures contained in the Higher Education and Research Reform Amendment Bill 2014, CSU is cautiously supportive of deregulation of student contribution levels, though is wary of the potential effect on regional and disadvantaged students. However, CSU is opposed to the proposed scholarship scheme, as well as the decrease in Commonwealth contribution levels and the reorganisation of funding clusters. CSU also holds a number of reservations regarding changes to HELP debts, and the speed of implementation for providing Commonwealth funding to private providers. In relation to proposed changes to research funding and costs for higher degrees by research, CSU is concerned that these too are likely to negatively affect the number of students interested in pursuing research and innovation careers.

Finally, CSU is concerned that a deregulated market may have unintended consequences and that there needs to be a structured package which addresses market imperfections as advocated by Universities Australia. We believe any such package must focus on strategic investments in the long term development of skills and infrastructure linked to identifiable rural and regional development outcomes.
BACKGROUND TO CHARLES STURT UNIVERSITY

Charles Sturt University (CSU) is Australia’s largest regional university, with more than 35,000 students and approximately 2100 staff. Established in 1989, the University traces its roots to the formation of the Bathurst Experimental Farm and Wagga Wagga Experimental Farm in the 1890s. In one form or another, education and research has been integral to the University’s character and mission for more than a century.

CSU is a unique multi-campus institution with Australian campuses at Albury-Wodonga, Bathurst, Canberra, Dubbo, Goulburn, Orange, Port Macquarie and Wagga Wagga, and an international campus in Ontario, Canada. The University’s commitment to the development and sustainability of rural and regional Australia is informed by the partnerships it has formed with each of its campus local communities, local industry, and with the broader regions it serves.

CSU offers a comprehensive suite of academic programs that focus on addressing rural and regional labour market needs. As Australia’s largest online and distance education provider, it has been able to leverage its course profile and special expertise in professional education to deliver nationally available study programs supporting labour market skills development regardless of location.

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. 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 the degree learning and applying their knowledge in practice. The University also operates two nationally regarded research centres in agriculture and wine science as collaborative ventures with government and industry – the Graham Centre for Agricultural Innovation and the National Wine and Grape Industry Centre.

From its earliest incarnation as agricultural education and research farms in the 1890s, Charles Sturt University has built its reputation around responding to industry needs. We have ensured that our programs of study are relevant to what industry and regions want and that our research is guided by the challenges and opportunities that industry and regions face. This in turn ensures that our students receive a practical, relevant and industry-informed education, and that they are able to achieve high rates of employment after graduating.

Aside from a focus on work-integrated learning in rural and regional centres, CSU has also grown to establish educational and research excellence in areas such as early childhood education, teacher education, national security, policing and customs. These opportunities have been forged through extensive collaboration with government, universities, professional bodies and international partners, providing world-class education, training and development to students and professionals drawn from across Australia and internationally.
CSU is also proud of its educational and research role in fields such as religion, ethics and philosophy. Across a number of campuses CSU partners to provide ecumenical education for a variety of Christian traditions. Similarly, in partnership with the University of Melbourne, and with the largest concentration of applied philosophers, CSU is a sector leader in research across philosophical and ethical areas, further expanding the educational opportunities available to our students.

Today, CSU continues a 100-year tradition of engagement and leadership with our local communities, and expansion in the educational opportunities offered to our diverse student body.
BACKGROUND TO THIS INQUIRY FROM CSU PERSPECTIVE

With the introduction of the Higher Education and Research Reform Amendment Bill 2014, Minister Pyne has sought to embark on what he has described as the most significant reform of Australia’s higher education sector since the Dawkins Reforms more than two decades ago. These proposed reforms seek to substantially alter the composition and operation of Australia’s higher education sector, while addressing a number of issues regarding competition, Commonwealth funding, economic viability, and continued international strength in the face of increasing competition.

Since the announcement and introduction of the reforms, there has been a significant divide in political opinion over the merit of the proposals. The Opposition and various minor parties have steadfastly opposed the majority of measures, which has left the political fate of the legislative package uncertain. However, despite various concerns over the design and implementation of the proposed measures and shock over the level of proposed cuts, the higher education sector has been broadly supportive of the central reforms such as deregulation of course fees.

These reforms come at a time when higher education funding has not kept pace with the cost of delivering a quality higher education experience to students, particularly in rural and regional areas. Successive governments have appeared disinclined to increase the level of public investment in universities or to invest in the social and economic development impact of regional higher education provision. This is compounded by the fact that CSU, and regional and rural universities broadly, experience higher costs to deliver the same programs compared to metropolitan universities because of more distributed populations. This often results in sub-optimal student cohorts at a discipline level, a greater reliance on multiple campuses and forms of delivery, and higher levels of cost to support program growth in areas of rural and regional labour market need. Prime examples are operating dental clinics, veterinary clinics, health clinics, an advertising business, a winery, a radio station and analytical laboratories in order to grow local training capacity and subsequent business and community service availability and delivery. While in theory the existing Regional Loading covers this additional cost, in practice it provides only a partial offset.

Regional universities remain a critical component of regional economic development and population growth strategies. For example, CSU generates almost $1 billion in economic output and more than 5,000 jobs annually when the economic flow on effects of its operations are considered. However, this role is not specifically supported or acknowledged by government in its higher education funding models.
DEREGULATION OF COURSE FEES AND STUDENT CONTRIBUTIONS

We believe based on international benchmarks that Australia is underinvesting in both education and research. However, given neither of the major parties have been willing to commit adequate government funding, CSU reluctantly accepts the necessity for some form of increase in student contributions to course costs. As proposed in these reforms, this is to be achieved through deregulation of student fees and course pricing. However, CSU is greatly concerned about the potential impact on rural, regional, Indigenous and low SES students. These groups, who make up an overwhelming majority of CSU’s student population, have limited means to provide for significant increases in course costs. CSU is therefore concerned that significant cost increases could act as a major disincentive to regional participation in higher education. This risk would subsequently have drastic flow-on effects for regional communities, where CSU graduates provide a wide variety of necessary services, and are a key solution to regional workforce shortages in a number of critical industries.

There are no comparable case studies of such reforms being undertaken in other countries. The closest example are the reforms carried out by the Cameron Government in the United Kingdom, though this represented a substantial increase in the cap on course costs and students fees, not a complete deregulation as has been proposed here. While the UK reforms are recent, and long-term data is not available, there appears to have been a significant impact on mature aged and part-time students. Both groups are a major part of CSU’s profile, and we are concerned that fee deregulation may have a similar impact in Australia.

As an alternative to outright fee deregulation, and seeking to address the concerns raised here, one option is to examine a variation in the funding contribution amount. Such a change would provide the necessary support for the maintenance and growth of quality education in regional areas, while avoiding the possible negative impact to participation rates amongst regional, rural, Indigenous, mature aged, part-time and low SES students.
CHANGES TO COMMONWEALTH FUNDING AND FUNDING CLUSTERS

CSU is opposed to the proposed 20 per cent overall reduction in Commonwealth funding for undergraduate university courses, the changes to indexation, as well as the proposed changes to the existing cluster arrangement for course funding.

CSU agrees with Universities Australia that the proposed 20 per cent cut to Commonwealth funding would represent a significant blow to the higher education sector, and comes at a time when many comparable OECD countries are in fact lifting the rate of public investment in universities and higher education. Such a reduction, combined with the proposal to provide Commonwealth funding to private providers, equates to a smaller pool of funds spread increasingly thinly.

Moreover, moves to cut Commonwealth contributions will result in sharp increases to student fees, simply to meet current funding levels. This increased cost risks turning students away from higher education, resulting in falling participation rates amongst rural and regional students, as well as disadvantaged students from low SES backgrounds, who already have participation rates far lower than metropolitan students. In line with the arguments made by Universities Australia, CSU urges the Federal Government to reconsider its proposed 20 per cent cut in funding.

As proposed, the changes to the current funding cluster arrangement do not take account of regional labour market demand, or graduate earnings, or the impact of the resultant increase in course fees on student enrolments in professional disciplines. For example, as a result of the proposed changes to the funding clusters, CSU student contributions in agricultural science would have to increase by approximately 48 per cent and by approximately 41 per cent in veterinary science to maintain current funding levels. Such figures do not take into account other fee increases that will be required due to other portions of the reform plans.

Proposed changes to funding clusters are also likely to have a significant impact in a number of CSU’s primary areas which serve regional need and skills shortages. In agriculture, an area of chronic labour market shortage in rural and regional areas, with students already hesitant to enrol in this discipline, increasing student contribution rates significantly risks undermining recent efforts to present agriculture as a desirable career option.

A second example is veterinary science, particularly for those who are preparing for regional practice with large animals and herds, and for whom graduate earnings are relatively low. Increases in fees may result in students choosing more lucrative careers, or choosing metropolitan domestic animal practice, risking the capacity of Australia to sustain a veterinary workforce as a front line of defence against animal diseases in a key export market, an issue the CSU program was designed specifically to address. Australia has also seen increasing concern about diseases crossing species, which have a significant impact on human health. Hendra virus in Australia would be the most relevant example, though the current Ebola epidemic in West Africa, as well as previous SARS outbreaks, all hosted in bats, are global examples.
Accordingly, CSU is of the view that the funding clusters review should give specific consideration to identifying courses in areas of demand in regional areas, and regional graduate earnings, in determining an appropriate contribution level for students to ensure fee increases are reasonable and manageable for graduates and do not have unintended downstream impacts on labour market supply. Alternatively, the Government may consider a differential funding cluster arrangement for regional universities, based on the propensity of graduates of regional universities to remain in rural areas for professional practice, to encourage rural students to remain in rural areas for study in areas of regional labour market needs.

Changes to indexation of university funding will also have a significant impact on the financial stability of CSU, and many regional universities. As originally intended, the purpose for indexing Commonwealth contributions above CPI was to reflect the fact that more than 60% of the costs of universities are in salaries and wages, which rise above CPI. The cumulative effect of indexing funding to CPI will be a year-on-year reduction in real higher education funding. Such a reduction will force universities to annually increase student tuition fees above the proposed increases, as outlined previously, just to offset the reduction in funding.
NEW COMMONWEALTH SCHOLARSHIP SCHEME

The Government has proposed that each university be required to put aside 20 per cent of additional earnings from increases in tuition fees to fund merit scholarships for equity group students. This will result in a significant distortion to the normal operation of the higher education and employment market - contrary to the stated intention of the Government to create a normalised market environment. This distortion will result in an uneven playing field for rurally based regional institutions.

Under the proposal as contained in the legislation, institutions with the greatest capacity to raise fees will be those with the wealthiest students in major cities, while rurally based regional institutions (which serve a predominantly lower income base) will be constrained to minimise fee rises. The consequence is that wealthy and other metropolitan universities will be better able to build significant bursaries to entice rural students away from rurally based regional universities, which they would naturally attend in a normal market environment, while rurally based regional universities will be unable to compete due to significantly lower levels of endowments. This is a fundamental distortion of the proposed market system. CSU believes that it is not the role of government to distort markets, but rather to intervene where markets fail to deliver optimal outcomes.

We propose that the Government apply a levy on higher education tuition fees, with funding distributed to address needs that will not be addressed in a competitive market system. An example is funding rural skills shortage initiatives using evidence-based programs that can demonstrate effectiveness and efficiency in delivery. A further alternative would be to make the level of scholarship funds proportional to the numbers of equity students that a university currently has. This would avoid metropolitan universities being encouraged to chase students they would otherwise not recruit.
CHANGES TO HELP DEBTS AND REPAYMENT SCHEDULE

CSU is opposed to the proposed changes to indexation of HELP debts, as well as the lowering of the minimum repayment threshold to $50,637, from the current $56,263. As noted by Universities Australia, the existing proposal will lead to higher debt levels, longer payback periods and will particularly impact both lower income earners and those wishing to take time out of the workforce for parenting duties, both predominantly female groups. Because of its regressive impact, those on lower incomes (but just above the income repayment threshold) will accrue higher debts and take longer to repay the debt than those on higher incomes. This is inconsistent with the original intention of HELP.

These changes can be expected to have a particular impact in rural and regional areas. Rural and regional salaries across a range of professions are generally lower than the equivalent metropolitan salaries, leading to higher debts and an increased payment timeframe. As one example, many agricultural enterprises rely on off-farm income to maintain cash flow. To the extent that off-farm income is impacted by higher debt accumulation during periods out of the workforce, this will have a flow-on effect for cash flow in agricultural enterprises.

An alternative is to maintain the CPI rate of interest on HELP loans when graduates are not in the workforce (such as when women have left the workforce for child rearing). This would ensure debts do not accumulate when graduates are not in paid employment.

It has been suggested that a surcharge be applied to the debt to provide the equivalent of a real interest rate on the debt. CSU is of the opinion this is a less equitable solution as, on this basis, everyone would be subject to the extra charge, not just those on higher incomes.
EXPANSION OF COMMONWEALTH FUNDING TO SUB-DEGREE AND PRIVATE PROVIDERS

The proposed amendments would see Commonwealth funding extended to higher education providers from the private and not-for-profit sectors. Whilst there is nothing wrong with this in principle, it is noted that this is an additional budget impost which will increase the level of cuts applied to public universities. This proposal will coincide with significant changes taking place in vocational education funding in various States, which will impact on the regional TAFE and vocational education sector.

It is also important to note that this proposal coincides with significant changes taking place in vocational education funding in various States, which is impacting on the viability and scope of rural TAFE and vocational education providers. Rural TAFEs are critical to educational opportunity and access in smaller rural and remote areas, and operate often extensive campus networks across these communities. CSU works very closely with a variety of rural TAFEs to expand course accessibility and subsequent attainment in rural areas by offering structured pathways, dual qualifications and credit packages to allow students to commence tertiary education locally, with the aim of supporting students to remain in smaller rural and remote communities to address professional labour market needs (around 30 per cent of CSU’s enrolments are students who have a TAFE and vocational background). There has been no assessment of the interplay of the reforms across both sectors, and the possible knock-on effects of the reforms for the long term viability of tertiary education pathways and skills development in smaller rural and remote communities.

It should be noted new higher education providers have already indicated interest in competing in rural markets, and are likely to focus (as they have done to date in metropolitan areas) on what are viewed as high volume/lower cost programs because of the generally thin markets for higher cost courses. This has significant implications for CSU and many other regional institutions. In order to maintain a comprehensive suite of programs to service the workforce needs of rural communities, rurally based regional universities such as CSU cross-subsidise low volume/higher cost disciplines such as veterinary science, agricultural science, physiotherapy and rural dentistry to maintain rural student enrolments and therefore ensure graduates are available in areas of rural labour market need. If new providers target high volume/lower cost areas of operation, this will progressively impact the overall level of subsidy institutions such as CSU can apply to meet the shortfall in other areas. This would increase pressure for price rises for courses such as veterinary science, rural dentistry, and physiotherapy.

CSU is concerned that this will significantly increase the fee disincentive for rural students, whom numerous reports have shown face greater cost pressures compared to metropolitan students and who are more likely to defer, or abandon, higher education as a result. Yet these are students who are significantly more likely (around 80 per cent of CSU rural graduates) to work in rural areas after graduation in disciplines that are often in chronic shortage in rural and regional areas. Most universities have exited agricultural science already because it imposed too great a subsidy cost on their institutions. Similarly, established metropolitan dental schools did not volunteer to offer...
dentistry in a rural area, despite chronic labour market shortages, because of the high cost. In medicine, universities only participate in rural clinical programs due to the provision of significant subsidies to deliver clinical training.

Internal cross-subsidisation will simply not be possible as an efficient market mechanism to ensure continued delivery of low volume/higher cost courses at regional universities under the new system. Rather, course pricing will have to be based on the true cost of delivery of programs (which they have not been to date). This could lead to a misalignment of price signals and rural labour market demand.

It has been argued universities do not have to charge the true cost of a degree because they have the choice to internally cross-subsidise programs. Under the proposed changes this will become progressively more difficult. The effect will be further compounded by the reality that rurally based regional universities already operate at a comparatively high degree of efficiency and incur greater costs because of their geographic distribution and generally lower cohort sizes.

CSU therefore proposes that there is a delay for the forward estimate period in the extension of the new system to non-university higher education providers in rural areas. CSU requests that the Government initiate a review of the impact of increased competition in rural markets to determine how the Government will maintain course provision in areas of chronic shortage and labour market need in rural and regional communities. This would also allow markets to evolve, fee structures to emerge, universities to adapt, policy settings to be adjusted and to properly work through issues associated with the creation of a new market.
CHANGES TO RESEARCH FUNDING AND COSTS FOR HIGHER-RESEARCH DEGREES

CSU is concerned about the impact that reducing support for Research Training Scheme places and requiring students to take a share of the fee burden may have. RTS students already carry debt for an additional 3-4 years before earning and would see their debt increase in real terms under the Government’s proposals. We are still not recruiting sufficient numbers of students to research careers in industries such as agriculture. At a time when Australia needs to be innovating to reinvent its industry base and ensure its long-term prosperity, we see this part of the proposal as very unhelpful.
ASSISTANCE FOR RURALLY BASED REGIONAL UNIVERSITIES

Although it is not part of the reform package as introduced to Parliament by Minister Pyne, the prospect of an “assistance package” for rurally based regional universities has been widely flagged in the media, and has been actively lobbied for by a wide variety of stakeholders including the Regional Universities Network and the Group of 8. CSU would note that the Regional Universities Network scheme appears too small to address these effects. Given that concrete proposals do not yet exist, all comments below are of a general nature, however CSU feels it is important to address the issue in this submission.

We start by noting that our comments specifically relate to rurally based regional universities. “Regional” is often assumed to refer to “rural and non-metropolitan” areas, however it is in fact a general term that refers to any region including major cities, metropolitan and rural. Similarly, it is arguable (and in the past has been argued when new funding opportunities are presented) that all universities are “regional universities”. CSU is of the view that greater clarity is required in the definition of terms, as rural communities feel that they have at times been misled by announcements of specific programs for “regions” which ultimately result in significant investments in non-rural areas.

In making this distinction, CSU does not intend to suggest that the circumstances of, for example, outer metropolitan regions should not be given particular consideration. We do argue, however, as a University of and for its rurally based communities that any new program that might be developed should have a clear and specific focus on rural regions. To the extent that the Government may entertain the possibility of separate programs that address the circumstances of, for example, other regions this should reflect their distinct circumstances and should not be conflated with those of rural regions.

With this context, CSU supports the development of an appropriate policy response and investment package for rurally based regional universities to accommodate a number of the implications of the reforms.

However, CSU believes any such package needs to focus on investment in rural development, while also addressing the long-term structural market imperfections in rural areas. CSU and its rural communities would be concerned by, and would not support, an “assistance package” that merely compensates for the immediate impact of the reform proposals.

CSU is of the view that a long-term approach is required to ensure comprehensive higher education provision remains viable in rural and regional areas, that rurally based regional universities can continue to expand to offer a comprehensive range of programs and relevant research, that rural, Indigenous and lower socioeconomic participation in higher education continues to grow in such areas, and to ensure that existing regional labour market shortages are not exacerbated, risking productivity gains already made in key rural industries.
CSU is of the view that any future approach should be integrated with, and support the achievement of, identifiable and measurable long term rural development goals through investment in the needed skills and infrastructure required to sustain and grow each rural region. Such an approach might indeed underpin a more logical approach to the development of policy that is nuanced to the needs of each region, including where appropriate outer metropolitan and major city.