Senator Bridget McKenzie  
Chair  
Senate Education and Employment Legislation Committee  

By email: eec.sen@aph.gov.au  

22 September 2014  

Dear Senator  

Thank you for the invitation to make a submission to the Review into the *Higher Education and Research Reform Amendment Bill 2014*.  

Attached is a submission from Deakin University.  

Deakin University supports the detail of the Universities Australia submission which the Committee will have received.  

As a regionally headquartered University we do have some particular concerns in relation to the future of higher education in regional Victoria using Deakin as a useful example.  

I wish your Committee well with this review. Many students, current and prospective will be relying on your collective wisdom to make the right choices for Australia.  

I will be pleased to provide additional information as required.  

Yours sincerely  

Vice-Chancellor
Review of the Higher Education and Research Reform Amendment Bill 2014
Submission by Deakin University
September 2014

BACKGROUND

Deakin University is Australia’s ninth largest university. In Trimester Two of 2014 our total student enrolment was above 49,500 students with an EFTSL count of 34,250.

Deakin University supports the detail of the Universities Australia submission which the Committee will have received. As a regionally headquartered University we do have some particular concerns in relation to the future of higher education in regional Victoria using Deakin as a useful example.

Deakin students are located at four campuses: Burwood in Melbourne, Waterfront and Waurn Ponds in Geelong and Warrnambool on Victoria’s South West Coast. Deakin also has a network of learning centres to increase access for students in regional and peri-urban communities throughout Victoria. More than 35% of students are from regional locations across Australia and 20% of students study through a sophisticated cloud campus environment and our DeakinSync portal.

Deakin is 40 years old and has been very successful by any benchmark. We are ranked in the top 3% of the three major global ranking schemes, most recently being included in the Academic Ranking of World Universities (AWRU) top 500 for the first time. Our research reputation has continued to grow: we achieved maximum scores in engineering and health in the last Excellence in Research for Australia (ERA) initiative and hope to do even better in the next round in 2015. Alongside this we record very high levels of student satisfaction – being ranked one in Victoria for the past four years for learning satisfaction (AGS). Our financial sustainability is excellent, with campuses that contribute a total of $1.06 billion to their local communities.¹

The evidence would indicate that, like a number of Australian Universities, Deakin has progressed well under recent Government policy. We hope to continue but we are concerned for some aspects of what we are required to do under the proposed Bill.

Public and private benefit of education

In providing this submission the University recognises that investment in higher education returns both private benefit and public good. To that end we accept our obligations to continue to use funding wisely and to ensure the University delivers a significant return on the investment provided to it. We believe we do this and have evidence to that effect.

We do not oppose an increase in the student contribution to their education, but we believe that the current balance between government and student contributions is broadly equitable. We would look to the Commonwealth to maintain the value of its contribution just as we believe there are means by which a student fee increase can be achieved. This could be done either by a modest increase in tuition fees or by indexing these fees on an annual basis, or both. Either way, we need to address both the reality and the perception that growth in university funding has stalled, and failure to do so will inevitably compromise the quality of higher education services in the future.

The three key issues on which we would wish to comment follow:

¹ Deloitte Access Economics’ report on Deakin University’s economic contribution, August 2014
1 INCREASED STUDENT DEBT

The most significant concern to Deakin University is the impact of the proposed changes to the way student HECS debts are repaid. The impact of compounding interest tagged to the ten year bond rate on student choice and future health and well-being is problematic.

The interest rate as proposed will adversely affect specific disadvantaged segments of the student population, including:

- Women may be disadvantaged as a result of taking time out of the workforce or working part time to allow them to have children and fulfill parental responsibilities.
- Mature-aged students, who may be retraining and who delayed university study due to financial demands and who are traditionally price sensitive and less able to take on additional debt, will also be impacted.
- Regional students typically have fewer available opportunities for work and are more likely to be debt averse will face additional disadvantage.
- The proposed changes may also impact on the high proportion of students with a disability at Deakin given the uncertainties around support for study and debt repayment.

It is Deakin’s view that the proposed revision of the original intent and purpose of the HECS repayment scheme is unfair and will result in it no longer providing a fair chance for all to aspire to higher education. We reject any compromise on this issue and urge the Senate to ensure that fairness and equity are upheld so Australians can access education and repay their debts within a reasonable period.

Repayment of student debt
We also urge consideration of mechanisms to enable graduates who leave the country a means to continue to repay their debts. Most would do so but the legislation and administrative arrangements currently do not provide for ease of repayment for offshore residents. In a digital financial world, this can surely be easily corrected. Likewise it is our view that processes can be put in place to recover debt on deceased estates with the usual safety mechanisms to protect dependants.

The recovery of debt from Australians overseas and from deceased estates above a sensible threshold, will satisfy some of the investment shortfall consuming the government’s attention.

2 PROPOSED CUTS, IMPACT ON FEES AND SUSTAINABILITY

The accumulated cuts from the Gillard Government and the impact of the measures contained within the Abbott Government’s proposed Bill on Deakin University’s annual revenue can be approximately estimated as follows per annum:

<table>
<thead>
<tr>
<th>Budget Measure</th>
<th>$M p.a.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Estimated impact of research cuts including the 10% RTS cut</td>
<td>5</td>
</tr>
<tr>
<td>2. Efficiency dividend (indexation cut)</td>
<td>10</td>
</tr>
<tr>
<td>3. Proposed 20% cut to CGS funding</td>
<td>43</td>
</tr>
<tr>
<td>4. Proposed Indexation set at CPI</td>
<td>8</td>
</tr>
<tr>
<td>5. SSAF funding cut consistent with deregulation</td>
<td>6</td>
</tr>
<tr>
<td>6. ITAS cuts</td>
<td>0.75</td>
</tr>
<tr>
<td><strong>Total Impact</strong></td>
<td><strong>72.75</strong></td>
</tr>
</tbody>
</table>
The University is currently absorbing the impact of the Gillard Government’s efficiency dividend. The eventual total impact of both governments’ funding decisions, assuming passage of this Bill in its current form, will be the loss of > $70m in annual revenue from the commencement of 2016.

Deakin’s preferred position is that the cuts are delayed and any shortfall of funding is offset by some delay to the introduction of funding to the non-university higher education providers. This would enable universities, communities and prospective students to consider how best to prepare for a reduced funding model. These are now matters for this Inquiry. Universities are unsure if these reductions will proceed, if and how they may be altered and the implementation timeframe. Within this context, the following impacts are worthy of consideration by Senators:

**Timing**
The first challenge is working to ensure that Deakin’s 50,000 students, our staff and the communities we serve have some understanding of what they might expect from their University in January 2016 and beyond. Our international students are better served with 18 months’ notice of an alteration in fees or conditions. In contrast, we do not afford our Australian citizens the same courtesy.

**Fee increases**
The natural consequence for Deakin of the magnitude of these funding cuts is that fees will need to rise quite substantially if we are to continue to serve the communities in which we have campuses that have benefited from substantial public and private funding. If the UK and NZ situations are taken into account then we should additionally prepare for a 20% drop in enrolments for at least a couple of years, most particularly in the significant mature aged student population that chooses to study at Deakin. We therefore predict substantial fee increases to simply break even and maintain our current standards of education, research and contribution to community.

**Impact in Geelong and Warrnambool**
The Deakin University Act states that the University has a duty to serve Geelong and regional Victoria. This is a mission that Deakin communities and staff hold dear and have delivered on for the entirety of the existence of the institution. Additionally, our Act requires the University to provide education for those who would not normally have access to higher education. This includes mature aged students, regional students, those with social or financial disadvantage and those with disability. We are known to service these students well. Our reputation for distance education is also well known and our recent migration to a wholly cloud environment while still providing personalised education has been a differentiator for Deakin in recent years.

Regional campuses by definition operate on a smaller scale than metropolitan campuses. This means Deakin has had to become ruthlessly efficient to ensure the best use of our resources. This is easily demonstrated in the contrast between our Geelong and Burwood operations.

As the following table demonstrates, it is much easier to attract students to Burwood than Geelong or Warrnambool.

<table>
<thead>
<tr>
<th>Course</th>
<th>Geelong EFTSL</th>
<th>Burwood EFTSL</th>
<th>Warrnambool EFTSL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bachelor of Commerce</td>
<td>470.75</td>
<td>2,455.48</td>
<td>90.40</td>
</tr>
<tr>
<td>Bachelor of Nursing</td>
<td>550.13</td>
<td>801.50</td>
<td>133.63</td>
</tr>
<tr>
<td>Bachelor of Education (Primary)</td>
<td>575.00</td>
<td>1,167.44</td>
<td>168.19</td>
</tr>
<tr>
<td>Bachelor of Information Technology</td>
<td>97.00</td>
<td>274.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>
One strategy at Deakin, as a means to grow its regional operations, was to locate certain disciplines only at our regional campuses. For example, engineering, medicine, optometry, architecture and construction management are only offered in Geelong and marine science is only offered in Warrnambool. It is acknowledged that offering these disciplines in Melbourne would be more sensible if profit was the University’s only driver. Our architecture class has one of the highest entry standards in Australia. It is a small course in Geelong and would double in size if it were also located at Burwood. By simply responding to growing student demand that it be made available at Burwood would make architecture unavailable in Geelong. To date, the option has not been pursued. The same logic applies to the other disciplines.

The combined impact of a significant increase in fees and the thin populations of regional areas means the declines in Geelong and Warrnambool may compromise the University’s current financial sustainability. To limit the impact one option is to relocate or duplicate disciplines from Geelong to Melbourne. This is not in the best interests of the taxpayers of regional Victoria and it contravenes the spirit of the legislation under which the University was founded. In other words, the magnitude of the proposed cuts to university funding may mean that Deakin’s Council will have to consider financial stability and the dictates of the market at the expense of locating courses such as those described above at our regional campuses.

**Impact on indigenous students**

The Australian Government has demonstrated its strong support to *Closing the Gap* targets, particularly with respect to indigenous and non-indigenous school attendance. At Deakin, the Institute of Koorie Education (IKE) was established in Geelong in 1991 to deliver higher education within the community. The Institute’s approach to course delivery promotes access and equity for Indigenous Australian students. Students from all areas; rural, remote and metropolitan, and across all age ranges, particularly mature age, are able to undertake studies without compromising their family and community obligations. In Australia, only a very small number of universities offer degree courses through a community-based deliver mode and among these, it is Deakin University that has developed a comprehensive and sustained range of course offerings.

The proposed higher education changes will lead to a direct loss of income of about $750,000 per annum for the Indigenous Tutorial Assistance Scheme (ITAS) at Deakin. This will impact on the University’s ability to drive opportunities for indigenous employment; increase participation and acceptance of Indigenous Australians in the economic and social life of the nation; and, address disproportionate disadvantage in remote Australia.

Deakin strongly welcomes the Indigenous Advancement Strategy and Government’s strong financial commitment behind this. However, we are concerned that the loss of ITAS funding reduces support for those indigenous university students who struggle to succeed in their higher education studies while maintaining their community base. Deakin finds the minimal savings to the government accruing from this measure out of all proportion to the consequential impact on higher educational opportunities for indigenous students.

3 SUPPORTING INNOVATION

**Universities as engines of innovation**

Universities support research infrastructure, maintain research expertise through technical staff and facilities and provide a wide range of internal, and costly, support for research students, early career researchers and industry engagement. The proposed changes will make planning for research funding precarious for most institutions. Existing national research programs, including Linkage, Infrastructure, Equipment and Facilities (LIEF) scheme, Cooperative Research Centres
(CRCs), prestigious Fellowships and Centres of Excellence, require various forms of cash and in-kind contributions from universities – these often make up 50% or more of the total funds allocated. Typically so-called 'in-kind' contributions consist of fractional dedicated staff, access to facilities and research expertise. These contributions to the research fabric of the country are seriously under threat with the abrupt financial disruption that the higher education changes are likely to impose. Even if the impacts only affect university bottom lines for two-three years, a great deal of progress can be rapidly lost in a short period of time if the significant human resources are eroded rapidly.

In addition to the considerable university cash and in-kind contributions expected to win Australian Competitive Grants Scheme (ACGS) Fellowships, universities also must provide Fellowship salary shortfalls. Deakin contributes approximately $1.3m per annum to make up the salary and oncost difference between ARC and National Health and Medical Research Council (NHMRC) Fellowship salaries and university salary levels and negotiated in enterprise agreements. This shortfall amount is many times greater for research intensive Group of Eight universities that are awarded many more fellowships than Deakin. It is just one of the many hidden costs of winning and maintaining ACGS funding. A parallel problem is that recently identified by a number of leading researchers including Professor Alan Trounson, namely, the continuing decline in research funding for early and mid-career researchers. For a 'young' university with an emerging, highly-motivated research cohort, this problem is particularly severe. In a wider perspective the absence of dedicated support for early and mid-career researchers is demonstrably serving to stultify research innovation and achievement in Australia.

**An Australian Harvard: one for all, or all for one?**

In terms of the argument that Australia needs at least one Princeton, Harvard or MIT, Deakin considers that this pursuit of excellence is a narrow perspective that will lead to further distortion to investment in higher education and a skewing of opportunity for Australian students. Instead, Australia could advance a broader vision of 15 to 20 Australian universities in the world’s Top 300 – a broadly based, diverse national network of excellence in teaching and research designed to address national economic need and focussing on delivering the necessary number of graduates with the skills required to sustain Australia’s economic growth and regional economies. This would result in a program for growth in higher education focussed on national requirements, rather than one or two outstanding places on what are ultimately subjective international ranking tables.

**CONCLUDING REMARKS**

The Committee is urged to recommend the adoption of an equitable, sector-wide solution, not one driven by special interests.

Deakin University believes there should be further investigation of the unintended consequences of these policy changes for future students, for all universities including for regionally-focussed universities.

Deakin notes the recommendation for the creation of a structural adjustment fund for assistance for those who need it. This is an interesting idea and worthy of consideration. Preferably, the Bill will be amended to ensure that Australia’s universities are self-sustainable and competitive in the global environment, students are encouraged to get the best education and communities have access to the ideas and services of their local university.