Senator Bridget McKenzie
Senate Education and Employment Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Senator

Re: Higher Education and Research Reform Amendment Bill 2014

I welcome the opportunity to provide a submission on the Government’s proposed Higher Education and Research Reform Amendment Bill 2014. As Vice-Chancellor of Charles Darwin University (CDU), a relatively small, regional dual sector university, and the only university based in the Northern Territory, I am concerned that some of the amendments proposed will have adverse consequences for CDU due to its size, location and student demographic.

CDU plays an important role in providing the human capital that underpins the public good and future prosperity of northern Australia. Through our education and training programs and research we support the personal and professional aspirations of our community and provide the knowledge to address complex problems facing the region. My aim is to maintain this contribution of CDU to the NT community and to the broader national agenda for development of northern Australia.

The attached submission outlines our particular areas of concern with the proposed reforms. I would welcome the opportunity to discuss any of these points with you further.

Yours sincerely

Vice-Chancellor
22 September 2014
Submission to Senate Education and Employment Legislation Committee

Higher Education and Research Reform Amendment Bill 2014

Office of the Vice-Chancellor
September 2014
CHARLES DARWIN UNIVERSITY (CDU)

SUMMARY OF COMMENTS

- CDU is concerned by the possibility that both the real and the perceived costs of Higher Education as a result of the Government’s proposed Reform Package will deter students in the demographics of particular importance to CDU (mature and low SES) from tertiary study.

- CDU supports changes to the Higher Education Participation Program (HEPP) to address equity and access challenges for low SES students by introducing a HEPP eligibility threshold that would restrict HEPP support to those universities with 15% or more of students from low SES backgrounds.

- CDU argues for a lower than 20% reduction in CGS funding due to anticipated impacts on its student demographic and urges reconsideration of the per-place funding model altogether.

- CDU does not support indexing HELP loans to the 10 year government bond rate as this would potentially differentially disadvantage CDU’s main student demographics (mature, low SES) by increasing their level of overall debt, and acting as a disincentive to tertiary and further study.

- CDU strongly supports creation of a national scholarship pool from funds accruing from fee deregulation that would distribute funds to universities based on enrolment of, and performance with, student target equity groups. CDU is concerned that allocating such funds only to the individual university that accrues them will disproportionately advantage larger universities, who will have a larger fund and the potential to use this surplus to target high TER students away from regional areas.

- CDU supports the creation of an Adjustment Fund to support small and regional universities like CDU to cope with adverse changes as a result of the Higher Education reforms and to ensure that opportunities for students in the Northern Territory are maintained and developed.

- CDU urges Government to delay or indefinitely postpone access to Commonwealth funding by currently non-funded providers in order for the impacts of other Reform Package changes to be assimilated and assessed by universities. CDU would also expect that if private providers are to be eligible for Commonwealth funding that they will also be subject to the same quality control and reporting requirements that universities are required to meet.

- CDU does not support the proposal to reduce Higher Degree by Research student funding by 10% on the basis that this funding is already insufficient to support research training costs. CDU does not support charging fees for HDR domestic students who are critical contributors to the nation’s research enterprise.
INTRODUCTION

This year, 2014, marks 25 years since the Northern Territory established its own university. Charles Darwin University (CDU) was conceived in 2003 to support the economic, environmental, cultural and social development of the Northern Territory. As such the University has a mandate to provide the human capital that underpins the public good and future prosperity of northern Australia - providing a community resource to support the professional and personal aspirations of the population; supporting endeavours to address complex problems facing the region; being part of the foundation underpinning the development of this part of Australia and an increasingly important resource for the region, including partnerships with East Timor, Indonesia and other northern neighbours.

The University is continuing to establish itself as a sustainable regional tertiary education provider that is strengthened by mutually beneficial partnerships, particularly its partnership with the Northern Territory Government. It is a dual sector university, providing both Higher Education (HE) and Vocational Education and Training (VET) programs, that is recognised nationally and internationally for its quality, flexible local and distance education, world class research and focus on Indigenous achievement. CDU has been one of the fastest growing universities in Australia over the last seven years and during this time has significantly expanded its reach outside the Northern Territory through national online education delivery, establishment of learning centres in Sydney and Melbourne and consistent growth in international students. It has done this in order to remain sustainable, since the Northern Territory population is well below the size needed to sustain a university in its own right.

The University is in the process of assessing the likely implications and impacts of proposed Australian Government reforms to the Higher Education and research sectors on its future. This submission outlines CDU’s perspective on, and responses to, these reforms and in particular the proposed Higher Education and Research Reform Amendment Bill 2014 for consideration by the Senate Education and Employment Legislation Committee.

GENERAL COMMENTS AND IMPLICATIONS OF THE REFORM PACKAGE FOR CDU

The proposed reforms to Higher Education have potentially far-reaching implications for Australia’s universities in general, for regional universities and for Charles Darwin University and its prospective students in particular. CDU acknowledges the many benefits that can flow to students and universities from further micro-economic reform in Australian Higher Education, however in the context in which CDU operates in northern Australia, there is a need to reduce the risk and uncertainty that jeopardise the contribution CDU is making and will continue to make to the development of the north.

Equity and Access

In relation to the proposed changes to FEE-HELP, CDU is concerned by the possibility that both the real and the perceived cost of Higher Education under the Reform package will deter students in the demographic of particular interest and importance to CDU.

The Commonwealth Reform Package appears to be predicated on a university intake that is largely school leavers. It is important to note that the student body at CDU comprises a high proportion of mature age students. In 2013, for example, 75% of CDU HE students and 62% of
VET students were over 25 years of age. The success of CDU's online delivery nationally indicates that CDU is also servicing a significant national need in up-skilling mid-career working Australians and supporting women returning from family responsibilities to re-enter the workforce. This is a national good.

This student profile is expected to be disproportionately disadvantaged and affected by potential increases in university fees and changes to student debt compared with a predominantly school leaver profile, as mature age students are more likely to be mid-career, have families and mortgages and be studying part time due to work commitments. These factors may mean their debt levels are disproportionately higher based on the reforms proposed (see specific comment below) and this is likely to be a disincentive for them to incur further debt and commence or undertake further study.

CDU also has relatively high proportions of target equity student groups such as Aboriginal and Torres Strait Islander (ATSI) (6.4% of HE: 27.8% of VET in 2013) and low Socio Economic Status (LSES) (19%) who are already debt averse and who are expected to view increased fees and loan charges as disincentives to study and a deterrent to students who commence training under CDU's VET system from accessing CDU's pathways to Higher Education programs.

For these reasons CDU would support changes to the Higher Education Participation Program (HEPP) to address equity and access challenges for LSES students by introducing a HEPP eligibility threshold that would restrict HEPP support to those universities with 15% or more of students from low SES backgrounds.

**Commonwealth Government Support for Higher Education**

While CDU acknowledges that university graduates will have greater earning capacity than those without degrees and it is therefore reasonable for a student to make a contribution towards the cost of their study, it also notes that these higher earning graduates contribute significantly more tax throughout their working lives. The advantages of Higher Education do not just accrue to the individual. There is clear international evidence demonstrating the public good that stems from a more highly educated workforce. Investment in education leads to greater productivity and higher GDP and it is in the public interest to support and invest in education.

The Reform Package proposes a 20% reduction to CGS funding and consequent increases in student contributions to be set by individual institutions. This will see a minimum increase of 30% in current costs to students to access Higher Education programs. As outlined above, these increases are expected to significantly impact CDU students and CDU would therefore argue for a lower than 20% reduction in CGS funding and reconsideration of the per-place funding model altogether.

The existing per-place funding model means that smaller institutions must expend a larger proportion of Commonwealth support on fixed costs. As a result, small universities struggle to provide the same student experiences and research performance as large universities and under the current model there is an imperative for each institution to grow the quantity of education and research services that are delivered as opposed to the quality. Whether proposed reforms will lead to an optimal Higher Education system for Australia is the question. An alternative model whereby the Commonwealth funds the full fixed costs of Higher Education as well as a residual applied on a per place basis would create a more level playing field in respect of institutional size. Regional universities are critical to the development of rural and regional
Australia. Because they tend to be small they would be less disadvantaged by this kind of funding arrangement. Such an investment is in the national interest and should be considered nation building.

**Higher Education as a Commodity**

CDU considers that the overall intent of the Government’s proposed HE reforms overlooks the “experience good” character of education and research, where quality or price are difficult for the consumer to assess in advance and base their choices on, and lower prices may be equated with unobservable problems or quality issues. The budget measures propose to build a new HE market on the assumption that it is exchanging a well-characterised commodity, ignoring the way that the market is actually exchanging an experience good and is thus driven by status and signals.

In practice, “experience good” markets are shaped by signals and status. The consequences of this are evident in the US and UK university systems, as well as the Australian university system. Research and high fee levels are both major drivers of status and signals in these university systems. Many studies have attempted to find a positive relationship between research intensity (or tuition fee levels) and a positive coursework education experience, with little evidence that it exists. Nevertheless, research and higher fees are pursued relentlessly owing to their status/signalling value.

It is particularly important to recognise that the status/signal dimensions play out in relation to international perceptions of Australia’s universities. If the national university system is not kept up in terms of status/signals across the board, even the high status/signal players will suffer in terms of international positioning.

The new market thus needs to ensure that all universities are able to build status/signals appropriate for their positioning. Australia needs and should retain a high quality HE system more than it needs one or two universities in the highest global rankings. International rankings increasingly influence the decision-making of international students. Credible ranking is critical to student attraction. Regional universities rely on such rankings to attract international students to underpin their sustainability.

One of the most effective means of ensuring the highest quality system would be to levy a proportion of CGS + HELP + international student fees into a development fund that would be realigned to ensure that all universities in Australia are driving towards excellence, rather than being cut off at the knees because the market is not appropriately structured. Another approach would be differential CGS designed to support more intensively those universities that cannot charge the highest fees. Another measure would be to provide CGS on a fixed-and-variable basis, with around $25M each of CGS being provided to each university as a fixed element to meet their fixed costs.

**Impact on CDU**

As outlined above, CDU anticipates that the impacts of changes to student fees and student loan repayments as proposed in the Reform Package could result in an overall drop in enrolments at CDU. This would have serious financial implications for CDU’s sustainability and viability as a regional and remote tertiary education provider in the longer term, as well as implications for the Northern Territory as a whole. Not only is CDU a significant employer, it also
contributes significantly to the economic (>$420M to NT GSP in 2013), social and cultural wellbeing of the NT, factors which will be important in the Government’s push for northern development. A drop in enrolments at CDU will therefore have a much greater impact on this jurisdiction than will changes in the other Australian states.

Any tightening of resources at CDU based on lower student enrolments would restrict its ability to improve and/or expand offerings that serve the region or that offer the pathways necessary for Territorians to be successful in Higher Education. Maintaining quality and international competitiveness will become increasingly difficult in these circumstances, particularly given the rising strength of the Asian tertiary sector. A contraction in continual improvement will result in a decline in international rankings of CDU in the medium term.

Adjusting to a changing Higher Education environment in Australia will therefore present considerable challenges to CDU. CDU would support the creation of some type of Adjustment Fund to support small and regional universities like CDU to cope with adverse changes as a result of the reforms and ensure that opportunities for students in the Northern Territory are maintained and developed.

RESPONSES TO SPECIFIC BILL AMENDMENTS

Provide demand-driven funding to diploma, advanced diploma and associate degree courses and extend government subsidies to bachelor and sub-bachelor courses at private universities and non-university higher education providers.

As a university operating in a small jurisdiction with a relatively finite pool of local NT based students, CDU has some concern with open demand driven funding to private and non-university HE providers who may operate in the NT. Under the proposed model, universities like CDU would have only 30 – 40% of students in the deregulated market in 2016 compared with 100% of students at the currently non-funded providers. This would significantly disadvantage CDU within its small local market as well as more broadly.

CDU would prefer that funding to currently non-funded providers be delayed, or indefinitely postponed, in order for the impacts of other Reform Package changes to be assimilated and assessed. A uniform approach to funding current non-funded providers may have more serious implications for the Northern Territory where, as a dual sector university and the only university based in the NT, CDU effectively cross subsidizes its high cost delivery to regional and remote communities through relatively high value (relatively lower cost) offerings at its urban centres. If CDU were to lose a significant share of this relatively high value market to private providers, its ability to continue remote delivery would be compromised and its service to the NT community overall potentially affected.

CDU would expect that if private providers are to be eligible for Commonwealth funding that they will also be subject to the same quality control and reporting requirements that universities are required to meet.

Establish a Commonwealth Scholarship Scheme to support disadvantaged students.

CDU works hard to provide tertiary education to Territory students and particularly to those from target equity groups including Aboriginal and Torres Strait Islander (ATSI), Non English Speaking Background (NESB) and low socioeconomic status (LSES) students. While CDU is supportive of reforms to increase the level of scholarship support to disadvantaged students
within the sector, it is concerned that if scholarships are tied to individual university fee deregulation ‘profits’, this will significantly disadvantage students from regional universities like CDU, that may not substantially increase current fees and will therefore have fewer equity scholarships to offer.

Many equity group students such as ATSI prefer to study within the context of their ‘home’ environment, where they have connections to culture, ‘country’ and networks important to their well-being, rather than move interstate to a strange environment. CDU understands this context and has over many years invested time and resources into embedding the support these students need into its programs. Establishment of the Australian Centre for Indigenous Knowledges and Education through a partnership with the Batchelor Institute for Indigenous Tertiary Education has seen further strengthening of CDU’s capability in Indigenous education. As the only university based in the NT, CDU needs to be able to offer an appropriate level of support to equity students who wish to remain in their ‘home’ environments and for whom CDU is their university of choice.

Access to a quality education for all Australians is a key component to the nation’s future prosperity. However it is disingenuous to suggest that such students are receiving anything other than a quality education at regional universities like CDU and therefore should have the right to access a Go8 university. The Go8 have risen to prominence with more than 100 years of public investment to get them to where they now are. The NT has only had access to twenty five years of university courses and CDU has only been in existence for ten years.

CDU would therefore strongly support creation of a national scholarship pool from funds accruing from fee deregulation that would distribute funds to universities based on enrolment of, and performance with, student target equity groups.

Replace the CPI indexation of HELP loans with the 10 year government bond rate.

This proposal will potentially disadvantage CDU students to a greater extent than students at other universities given CDU’s predominantly mature age student profile (ie 75% HE students and 62% VET students at CDU over 25 years of age in 2013), with their associated preference for part time study. If interest is to be charged at loan commencement as proposed, students studying part time will potentially incur greater debt over time and given other life and lifestyle factors differentially affecting mature age compared with younger students, this may make these students more averse to ongoing and further study.

Low SES students are also expected to be differentially impacted by changes to HELP loans that would, in combination with increased university fees resulting from proposed fee deregulation and 20% cuts to CGS, result in higher levels of debt associated with tertiary study. Underlying assumptions about the effect of HELP levels on market behaviour are based on the belief that incurring a HELP debt is seen by the consumer (student) in the same way as making a cash payment and that students from different socioeconomic backgrounds view debt in the same way.

Any changes that will increase the overall debt that students will have to repay may well be an untested threshold issue and may act as a disincentive to tertiary study for mature age students, as well as to low SES student groups, who are more likely to be debt averse than other student cohorts.
Enable providers to charge Research Training Scheme students capped tuition fees.

CDU does not support the proposal to reduce Higher Degree by Research (HDR) student funding by 10% on the basis that this funding is already insufficient to support research training costs. Nor does CDU support charging of any fees for HDR domestic students, who are critical contributors to the nation’s research enterprise. Moreover, evidence suggests that there is little or no additional individual financial benefit in completing a PhD over a Masters degree. It is PhD students who constitute our future academic and research workforce and we are currently witnessing a significant decline in domestic student interest in the PhD. This has particular relevance for northern Australia where there is a deficit of highly qualified professionals and a need for significant human capacity development. We cannot afford to take measures that may accelerate this decline.

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1 Based on IRU analysis of 20% CGS reduction + 10% existing shortfall in base funding, derived from the Bradley Report, before any additional fees charged under deregulation

2 Based on IRU analysis Sept 2014