CQUniversity Australia

Submission to the Senate Education and Employment Legislation Committee on the Higher Education and Research Reform Amendment Bill

September 2014

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About CQUniversity

CQUniversity seeks to be the most diverse, entrepreneurial and engaged Universities in Australia. It is Australia's only truly national University, with 23 campus locations, research institutes or Study Centres in the communities of Cairns, Townsville, Charters Towers, Cannonvale, Mackay, Emerald, Rockhampton, Gladstone, Bundaberg, Noosa, Brisbane, Sydney, Melbourne, Adelaide, Geraldton, with Study Centres opening in Perth and Karatha in October 2014.

CQUniversity is also the largest University based in Regional Australia, with over 35,000 students. Our student cohort is particularly unique compared to the sector norm; CQUniversity has the single highest proportion of students from a low-SES background of any Australian university of approximately 35% (national average is 15%). CQUniversity also has the second highest proportion of students from a regional/remote background at 63%, (national average is just 19%). There is a higher proportion of 'First-in-family" students studying at CQUniversity (67%) than at any other Australian institution bar SCU, and CQUniversity has one of the highest mature-age student cohorts in the sector. Also, and quite proudly, CQUniversity attracts double the national average of students from Indigenous backgrounds. According to Australian Graduate Survey data, CQUniversity graduates are more highly paid, and have far greater employability outcomes than the sector average.

CQUniversity is today Queensland's only comprehensive University, following its merger with CQ TAFE in July 2014. The University today operates across the entire post-schooling education spectrum, from Certificate 1 through to PhD.

CQUniversity is also one of the most dynamic and entrepreneurial universities in the sector; according to *The Australian*, CQUniversity recorded the second fastest rate of growth in domestic undergraduate students of any university between 2009 – 2012, and the continued expansion of course offerings and delivery sites underpinning this growth continues today. CQUniversity has traditionally been one of the leading players in the international student market, driven by large, vibrant metropolitan campuses based in the heart of Brisbane, Sydney and Melbourne. CQUniversity did experience a downturn in international students in 2012/13 following the deliberate shift in market focus. As a result of this market refocus, CQUniversity has today one of the lowest VISA Risk Rating assessments of any Australian University, and is now seeing a strong recovery in international student numbers and forecast continued growth.

CQUniversity is not a large, research intensive institution like the traditional metropolitan sandstone universities, but what we lack in sheer quantity we make up for in pure quality. CQUniversity has world-leading, niche research strengths in several areas critical to the communities we serve, including Medical and Health Sciences, Engineering, Nursing, Agriculture & Environmental Management, Applied Mathematics and Human Factors research. In the most recent Commonwealth Government research rankings, Excellence in Research Australia 2012, CQU catapulted from 28th position (out of 39 Universities) to 21st position – the second highest jump of any university since the

previous 2010 rankings. CQUniversity is today investing more and more into key areas where leading expertise is being developed.

Summary

Overall, CQUniversity is supportive of the Commonwealth's proposed Higher Education reforms.

The uncapping of the student places in 2012 will likely be remembered as a significant nation-building move, and CQUniversity has witnessed firsthand the tremendous growth in student numbers following the uncapping of places, and the life-changing opportunities that has been afforded to a new generation of Australian graduates who would have otherwise not had the opportunity to attend University. However, this expansion in student places was matched by an expansion of Government investment into the system, and it was inevitable that reform would be required to guarantee the sustainability of our growing, world class university system. While a 20% reduction in Commonwealth cluster funding was unwelcomed, it was almost certainly unavoidable as well. In light of the current budget environment and the decision to reduce the Commonwealth's funding, CQUniversity supports the deregulation of student fees. It must also be said that given the choice between the caps on student places being reimposed or funding reductions to achieve spending sustainability, the decision to retain the uncapped student system is to be commended.

Broadly speaking the reforms offer tremendous opportunity for those Universities willing to embrace the change and adjust their established business practices, and will ultimately give students greater choice and continued access under the uncapped system.

CQUniversity's views on the more technical aspects of fine-tuning the proposed reforms are generally in-line with those views expressed by the Regional Universities Network (RUN), who have also made a submission to this Committee's Inquiry. CQUniversity supports the suggestions and comments put forward by RUN which seek to retain a level of equity and sustainability under the proposed reforms, especially as they apply to Universities servicing predominantly low-SES cohorts in thin regional markets. CQUniversity's views echoing RUN's position are briefly detailed in the submission provided below.

Deregulation of student fees

The deregulation of student fees are absolutely essential to offset the Commonwealth's 20% reduction in cluster funding. To have the funding cuts not followed by fee deregulation would be a terminal blow to many University institutions, including perhaps CQUniversity.

But that dynamic aside, the deregulation of student fees removes the last remaining impediment to a completely free and competitive higher education market. CQUniversity is particularly enthusiastic about the opportunities that could flow to the more agile and responsive universities like ours under

an uncapped, deregulated fee environment. The introduction of true price competition in the sector will drive a level of entrepreneurialism and innovation which hasn't yet been truly cultivated in Australia, and whose absence has perhaps held many Universities back from reaching their full potential. In CQUniversity's experience, being able to compete on affordable price with our suite of products of comparable or superior quality to our competitors will not only benefit our own student load, but it will force the rest of the market to enhance its offerings and affordability to match us. The institutions willing to embrace these reforms, such as CQUniversity, will gain the most through this new environment, but ultimately it will be students who stand to win the most.

An example to demonstrate this point; **CQUniversity's plans to open a Cairns CBD campus**. Cairns is one of the last remaining cities of its size in Australia to host only one University provider. Students living in every other comparable, or larger city in Australia are serviced by two or more University providers. The Government's signal to deregulate student fees has given CQUniversity the unambiguous market signal to expand and compete in the Cairns market – just as the Government's signal to uncap student places in 2012 gave CQUniversity the confidence to invest in dozens of new courses, which ultimately saw CQUniversity become the second fastest growing Australian University. CQUniversity will soon open a large, Cairns CBD campus which will not only serve our large cohort of existing Distance Education students in the city, but will seek to attract sub-degree, undergraduate and post-graduate on-campus students, and tap into the massive potential for International Students in the city with an incredibly powerful overseas brand. CQUniversity will seek to position itself in the market as an affordable provider of quality education, offering courses not currently available in Cairns alongside courses directly competing with the established Higher Education provider already in Cairns. This will achieve a number of benefits for the students of Cairns and the community itself; a) Faced with competition, the established Higher Education provider already in Cairns will inevitably seek to better the quality and/or price of its offerings to compete with CQUniversity; b) the established Higher Education provider will inevitably seek to expand its range of offerings to compete with the new courses CQUniversity will be offering; and, c) The city of Cairns will become a two-University city, which is a significant social and economic milestone for any vibrant, growing, aspirational community like Cairns. The city will also have more to offer International students, which adds to the diversity and durability of the cyclical local tourist economy. CQUniversity's reaction to the deregulation of student fees - to open a large campus in the CBD of Cairns - is an ideal example of what the reforms can achieve; greater choice for students, greater competition for quality/price/offerings between providers, and enhanced social/economic drivers for communities.

Interest rate on student HELP loan scheme

CQUniversity is strongly opposed to the linking of Student HELP loan interest to the full Treasury bond rate. With CQUniversity's student cohort being predominantly mature age, female, from indigenous or low-SES backgrounds and studying for professions that are not particularly highly paid (nursing, teaching, social work etc…), our students will be disproportionately affected by the application of real interest on their loan facility. Female graduates who take career breaks to raise

young children will see their debt accrue whilst out of the workforce and will ultimately pay more for their degree than their male classmates. Mature-age students may find themselves unable to repay their full loan amount before retirement age. And our experience with our many students from disadvantaged backgrounds shows us that this cohort is exceptionally sensitive to debt. It is CQUniversity's fear that this proposal will act as a genuine disincentive to study amongst our more exposed and disadvantaged student cohort. Instead, CQUniversity and the RUN group propose that the interest rate on HECS/HELP loans be set at 50% of the Long Term Bond Rate, with the students' interest rate on the loan capped at a maximum of 4%.

Competitive Regions Fund

There is a clear need to recognise that not all universities are positioned equally to absorb the potential government funding cuts, increase student fees, and compete in a more open higher education environment due to the markets in which they operate. It is incorrect to assume that Universities operating in thin regional markets predominantly servicing students from disadvantaged backgrounds will be able to offset the 20% Government funding reduction, and generate additional revenue, by charging higher fees to domestic students. This may not be an issue in metropolitan Australia but it is certainly an issue for regional Australia.

It is also important to recognise that similarly, not all students are equally placed to gain from the choice and competition afforded under the deregulated market. The financial capacity of many CQUniversity students (particularly mature-age students with employment/family ties) to study outside their region remains limited, and for many students their local University remains the only option available to them for pursuing tertiary study. The possible emergence of a multi-tier higher education system that disenfranchises those students from "prestige" metropolitan educational opportunities (including research opportunities) or lowers the perceived value of their educational experience is a risk to regional Australia that needs to be considered seriously. Ensuring that all students throughout Australia have continued access to consistently high quality university education experience needs to be a priority for any program of higher education reform in Australia.

A competitive regions fund, specifically targeted to those providers whose total proportion of domestic undergraduate students from regional and remote areas is higher than the mean for all providers, would help address this issue. The focus of the Competitive Regions Fund is on the provider's relative level of exposure to regional and remote markets, rather than relying on complex definitions of what is or isn't a 'regional' university (as is the current, unbalanced situation with the distribution of Regional Loading for Universities).

RUN proposes a Competitive Regions Fund of $100 million per annum, reviewed after three years, to achieve the policy objective. To be effective it must be a recurrent allocation as the issues associated with thin markets are not one off or temporary, but rather an ongoing source of disadvantage to

regional universities. CQUniversity supports this measure entirely and sees it as essential to prevent regional Australia falling even further behind metropolitan Australia in terms of University participation and attainment.

Commonwealth Scholarships Scheme

The current proposal to require Universities to commit one dollar in every five of any additional revenue arising from deregulated student fees to a university-run Commonwealth Scholarship scheme will benefit the most elite urban Universities at the expense of regional Universities.

While admirable in its intentions to support student access, participation and success in a deregulated fee environment, the design of the system will perversely reward the Universities that make themselves the most unaffordable to low-SES students. The higher they set their fees, the more scholarship funding they will collect. At the same time, Universities like CQUniversity which hosts the highest proportion of low-SES students in the nation and operates in thin regional markets, is least able to raise its fees and collect scholarship revenue, lest we price ourselves beyond the reach of our main student demographic.

This will ultimately accelerate the 'brain drain' of the brightest school leavers from regional Australia, being recruited to the elite metropolitan Universities through their large scholarship war chests. It can be demonstrated that only 25% of regional students who study in metropolitan areas will ever return to regional Australia.

CQUniversity supports the RUN initiate to establish a Regional Scholarships Program, which more equitably allocates funding to Universities under similar criteria proposed for the Competitive Regions Fund. Options to fund this program include the Commonwealth centrally pooling some/all funds collected by Universities under the Scholarship Scheme and redistributing it based on a University's proportion of disadvantaged (low SES) students. CQUniversity sees addressing the imbalance of Scholarship Scheme fund collection via the mechanisms proposed by the RUN group as a necessity.

The current lack of structure around the proposed Commonwealth Scholarship Scheme also creates issues in ensuring whether the Scheme will improve equity of access for all disadvantaged students. The Scheme allows institutions to set their own priorities concerning eligibility and access – effectively seeing the Commonwealth delegating responsibility for implementing its priorities around equity and access into the hands of individual institutions, many of whom have had very little experience (or previous interest) in equity and access for disadvantaged groups. Ensuring that the access and equity priorities of individual institutions align with those of the Commonwealth, and that institutions create comparable and equitable opportunities for all access and equity stakeholder groups, will require careful monitoring under the proposed Scheme.

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Provide demand-driven funding to sub-degree courses

As Queensland's only comprehensive University following its merger with CQ TAFE in July 2014, CQUniversity is fully poised to help aspiring students take maximum advantage of the Government's intention to provide demand-driven funding to diploma, advanced diploma and associate degree courses. This initiative has been the desire of most employers, students and Vocational Education and Training providers in the booming Central Queensland region for some time. The proposal recognises the tremendous economic contribution made by students at this particular segment of the educational spectrum, their necessity in the workforce, and their potential to articulate into more advanced levels of qualifications if given the appropriate support. The Commonwealth should be commended for this initiative.

However the initiative needs to be extended further to cover enabling programs. Extending the demand driven system to enabling load would allow institutions to offer a broader range of enabling and access opportunities to marginalised students without detracting from the quality of such students' tertiary preparation. This would also deter criticism that institutions may be lowering entry standards purely to boost student numbers, and would also improve the quality of educational outcomes amongst students from marginalised backgrounds. This is particularly important for the three Universities based in Northern Australia. The indigenous communities of Northern Australia are on a keen population rise and are expected to comprise 50% of the population of Northern Australia by 2050, with the majority of indigenous Northern Australians expected to be under the age of 40. The development of Northern Australia cannot afford to foster such a large proportion of the population with (as is the case today) poorer outcomes in terms of health, education, participation and employment. Extending demand-driven funding to Enabling programs is absolutely essential in closing the gap in University participation between regional and metropolitan Australia, but also in tackling current and forecast disadvantage.

Extending government subsidies to bachelor and sub-bachelor courses at private universities and non-university higher education providers (NUHEPs)

CQUniversity is relatively comfortable with this proposal. Ultimately it will give students some level of insurance from University providers seeking to over-exploit the deregulated fee market, and the NUHEPs will have a role to play in providing more choice to consumers. However there must be strict monitoring and controls placed on the NUHEPs to ensure Australia's reputation as a high quality provider of tertiary education is maintained. Australia should not seek to nurture a race to the bottom on price (and with it, potentially quality) within the sector; our future firmly lies at the quality end of the market. Furthermore, the need to fund NUHEPs at a lower rate to reflect the

responsibilities not placed upon them (research, community engagement – as is the expectation of Universities) is absolutely essential.

Lowering the minimum repayment threshold for HELP debts

CQUniversity sees the likely student/graduate impact of this aspect of the reforms to be marginal. While any retreat from the current repayment threshold is undesirable, CQUniversity does views the financial sustainability of the HELP loan system as more important. The proposed new minimum repayment threshold is certainly far more palatable than reducing the threshold down to the minimum wage, which was the focus of speculation at one point.

Cluster rates Vs Flat rate funding

There had been recent agitation from some quarters of the sector to simplify the proposed 20% Commonwealth funding reduction, which was unevenly applied at varying rates across five course discipline funding cluster rates, by applying a flat 20% funding rate cut evenly across the board of clusters. That is, the application of a "flat rate" model of funding reduction. Based on 2013 actual figures and cluster distributions, with no grandfathering of existing fees or change of program exceptions, CQUniversity would worse off by about 1.6%, or approximately $2.3 million annually under such a flat rate model.

This difference is no small amount for a regionally-based university servicing multiple communities in thin, predominantly low-SES markets. The disadvantage that will flow to CQUniversity if the 'flat-rate' 20% funding reduction is adopted will need to be passed on to our students, many of whom are exceptionally price-sensitive and debt-adverse. Under the proposed deregulated system CQUniversity will seek to remain a university of access and opportunity by establishing ourselves as a price-competitive provider of quality tertiary education to our equity groups. However our attempts to do this will be pressured additionally, and unnecessary, should the proposed 'flat-rate' funding reduction model be adopted. Furthermore the Universities who are pushing for this 'flat-rate' funding reduction model are typically the institutions who are expected to raise their fees the highest and benefit the most from a deregulated market, who are servicing students from more affluent backgrounds in any case.

On grounds of equity, participation and access CQUniversity is opposed to any modification of the Commonwealth's funding reduction across the discipline clusters to adopt the 20% 'flat rate' funding model.

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Higher Education Participation Program

The Higher Education Participation Program (HEPP) is designed to increase and support the participation in higher education of students from low SES backgrounds at University and is due to be implemented on 1 January 2015 under the current Higher Education Support Act 2003 (it doesn't require the passage of the HERRA Bill).

Although the program is not part of the Bill, changes to the eligibility will assist those universities, including regional universities, that enrol a high percentage of low SES students (including CQUniversity which has the highest percentage of low-SES students at 35.5%).

CQUniversity supports the RUN proposal for a threshold to be applied to the program to ensure that funding is allocated to those universities with relatively high proportions and significant catchments of low SES students. This would ensure that regional and other universities, particularly when faced with the challenges of a deregulated environment, would still have adequate funding to assist low SES students aspire to and be supported at university.

Conclusion

CQUniversity is supportive of the proposed Higher Education reforms as a response to the Commonwealth's current and forecast budgetary pressures of our growing Higher Education sector, and recognises the opportunities that can be afforded to the more dynamic and entrepreneurial Universities from the reforms. CQUniversity also commends the Commonwealth for retaining its commitment to the uncapped student system and the student loan facility – these initiatives alone will ensure Australia continues to prosper.

However there are a number of critical 'fine-tuning' aspects of the reforms that are essential to ensuring Universities who service thin regional markets, and/or cohorts of students from disadvantaged backgrounds, are not left stranded or unfairly compromised in a deregulated market; primarily the need for a Competitive Regions Fund for institutions with higher than average regional/rural student bases, changes to the equity and effectiveness of the Commonwealth Scholarships Scheme, and an adjustment of the interest rate applied to HELP/HECS to be set at 50% of the Long Term Bond Rate, with the students' interest rate on the loan capped at a maximum of 4%.

CQUniversity would also welcome the opportunity to provide evidence to the Committee if invited.