



University of the Sunshine Coast

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

Executive summary

Introduction

The University of the Sunshine Coast (USC) has most of the attributes required to thrive in a more competitive environment. The threats to the University's success in a more competitive environment are its short history and consequent relative lack of infrastructure, its small scale, and the almost complete absence of major industries and professional groups in the local economy.

Impact of the proposed changes on USC

The proposed changes will have a greater impact on USC than any other university. USC needs to continue to grow at a rapid rate in order to achieve the critical mass that would allow it to invest in itself and ensure long term sustainability. While aspects of the proposed changes may strengthen USC's hand, others threaten to dampen student demand, inflict a disproportionate reduction in income and increase USC's reliance on an under-developed local economy.

Positive elements of the proposals

On balance, USC supports the proposal to deregulate student fees. USC is also supportive of the removal of caps at sub-bachelor degree level. USC welcomes support for the National Critical Research Infrastructure Scheme and the funding of Future Fellows.

Negative effects of the proposals

USC is strongly opposed to the reduction in Commonwealth Grant Scheme funding. USC also contests the proposed real interest rate on Higher Education Loan Program (HELP) loans and is very concerned about the impact on USC of the proposed new fee cluster structure.

The Regional Universities Network (RUN) submission to the Committee outlines how the proposed Commonwealth Scholarships Scheme is likely to produce distorted outcomes for regional students and suggests a range of remedies. USC fully supports the RUN submission on the Commonwealth Scholarships Scheme. USC is also fully supportive of the RUN submission proposals in relation to the Higher Education Participation Program

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Delivering the desired outcomes of the proposals

Unless there are major modifications to the Bill, USC's future may be compromised by implementation of the proposals. In addition to adjustments to the income reductions proposed, in order for USC to compete successfully in the new environment the package of changes needs to include transitional support.

USC is embedded in an economy that provides it with very few opportunities for productive partnerships with the private sector or the professions. To diversify its income base is a singular challenge for USC. USC therefore proposes that a transition fund be established and that it operate as flexibly as possible.

Conclusion

Under the circumstances USC supports the deregulation of student fees and has made this position public. USC is compelled to seek the modifications to the Bill described in this submission. Chief among these is a substantial and flexible transition fund that will allow USC to make a cogent case for strategic assistance.

Recommendations

USC recommends that:

1. a substantial transition fund is established to support universities that are heavily reliant on the Commonwealth Grants Scheme and are embedded in under-developed or depleted local economies;
2. the transition fund is designed so universities can develop applications for funds intended to address the underlying conditions that impair their ability to compete effectively in a deregulated sector;
3. the transition fund is designed so it can support significant structural changes, such as the development of infrastructure for new study locations or the consolidation of existing sites; and
4. 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%.

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Introduction

The University of the Sunshine Coast (USC) has most of the attributes required to thrive in a more competitive environment. It is entrepreneurial in its orientation, flexible and agile, aspirational, possesses an on-campus student population and is located in one of the fastest growing regions in Australia. It is developing flagship educational programs and is steadily building its research profile and gaining credibility for its research in selected areas. Staff and students consistently indicate their satisfaction with their experience of the University and the extent to which the regional community embraces the University is exceptional. In turn, the University is very serious about its role in regional capacity building. This augurs well for the University in the context of a deregulated higher education sector.

The threats to the University's success in a more competitive environment are its short history and consequent relative lack of infrastructure, its small scale, and the almost complete absence of major industries and professional groups in the local economy. The USC brand is still emerging, local co-investment in University initiatives is not possible on any scale and the University is not yet big enough to generate the discretionary income required to invest sufficiently in its own development. To get to critical mass (15,000 plus EFTSL) and be on the road to a more typical level of dependence on the Commonwealth Grants Scheme, USC needs assistance from the Commonwealth for a few more years yet. In the current context, one of those areas of assistance needs to be in the form of significant modifications to the proposals contained in the HERRA Bill

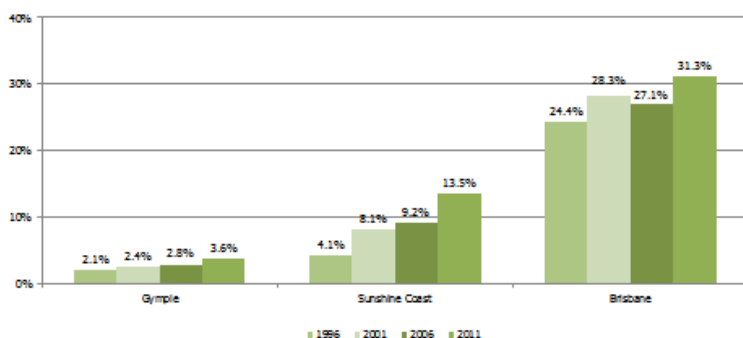
Impact of the proposed changes on USC

The proposed changes will have a greater impact on USC than any other university. USC will have existed for 20 years in 2016, having had no predecessor institution and no proper establishment grant from the Commonwealth. As a consequence of its youth and the necessary concentration of effort and resources on the development of its educational programs and campus fabric, USC is the university most dependent on the Commonwealth Grants Scheme. Modelling by the NTEU based on 2012 Financial Performance data suggests that the percentage cut to USC's income would be the highest in the sector. Our own analysis suggests that, under the proposals, in 2016 USC is expected to lose \$12.5m from its annual income, an 8.25% reduction.

Like other universities, USC's ability to absorb the proposed cut in income is constrained by the impacts of the previous government's reduction of indexation and imposition of the efficiency dividend. Unlike most other regional universities, however, USC was disadvantaged under the previous government by being removed from the list of universities that receive funding under the regional loading scheme; this despite the fact that more than one third of USC's students live in areas designated regional.

USC is committed to servicing our community, and our impact on our region has been profound. As shown in the following slide, the proportion of 15-24 year olds on the Sunshine Coast attending a university or tertiary institution increased by a factor of three between 1996 and 2011 – the period of development of USC (the data also highlights the continuing disparity in participation between the Sunshine Coast and Brisbane).

% OF POPULATION (15-24 YEAR OLDS) ATTENDING A UNIVERSITY OR TERTIARY INSTITUTION BY REGION



Source: (POP 1) Australian Bureau of Statistics, Census of Population and Housing



However, USC needs to continue to grow at a rapid rate in order to achieve the critical mass that would allow it to further invest in itself and ensure long-term sustainability. USC has demonstrated its willingness and ability to make the most of advancement opportunities, but cannot continue to improve its self-sufficiency if its growth is allowed to stall. While aspects of the proposed changes may strengthen USC's hand, others threaten to dampen student demand, inflict a disproportionate reduction in income, and increase USC's reliance on an under-developed local economy.

Positive elements of the proposals

USC supports the proposal to deregulate student fees in a context where neither side of politics seems likely to restore public funding of universities to previous levels. It is critical that universities are able to increase their incomes in order to deliver quality educational and research outcomes, and deregulation is apparently the only option available. USC is confident, all other things being equal, that it could structure its pricing, including charging a premium for flagship programs, in a way that would help to improve its financial position.

USC is also supportive of the removal of caps at sub-bachelor degree level. Provision at this level is important in enabling USC to meet its regional mission and lift participation in higher education, particularly from under-represented groups. This in turn helps to fuel the growth that is vital for USC's future contribution to the region.

The Vice-Chancellor and the University Council have made clear their commitment to developing USC's capacity and capability for undertaking high quality and high impact research. This is central to the development of the USC brand, which will become more important in a deregulated environment. For these reasons USC welcomes support for the National Critical Research Infrastructure Scheme and the funding of Future Fellows.

Negative effects of the proposals

USC is strongly opposed to the reduction in Commonwealth Grant Scheme funding. Public funding of universities should be seen as an investment in nation-building, and not as a drain on the public purse. The success of our university system, nationally and internationally, is a testament to the efficacy of strong public investment in the university sector.

For USC in particular, the proposed reduction would be a significant blow to the institution because it would represent such a high proportion of total income. Taking this much money out of USC's operations at this stage of its development would potentially compromise every one of its strategic objectives. Certainly it would be exceptionally difficult for USC to make its contribution to a more diverse sector and it may not be able to compete effectively if the proposals were to be adopted without modification.

The proposed new fee cluster structure is problematic for USC. Because of its program mix the impact of this change on USC is magnified, resulting in an effective cut in CGS revenue greater than the average 20% described in the Bill (we calculate it to be 24.6%).

USC also contests the proposed real interest rate on Higher Education Loan Program (HELP) loans. This seems to be bad policy from every perspective, and USC supports a modification of this aspect of the Bill along the lines outlined in the Regional Universities Network (RUN) submission (see Recommendation 4 below).

The RUN submission to the Committee also outlines how the proposed Commonwealth Scholarships Scheme is likely to produce distorted outcomes for regional students and suggests a range of remedies. USC fully supports the RUN submission on the Commonwealth Scholarships Scheme. USC is also fully supportive of the RUN submission proposals in relation to the Higher Education Participation Program.

Delivering the desired outcomes of the proposals

The Government's stated objective in proposing these changes is to create a stronger and more diverse higher education sector. Such a sector should embrace a rapidly expanding aspirational university like USC that is situated in a growth corridor and fills a vast gap in higher education provision between Brisbane and Hervey Bay. If USC weren't here, somebody would have to create it. However, for the reasons explained above, unless there are major modifications to the Bill, USC's future may be compromised by implementation of the proposals. In addition to adjustments to the income reductions proposed, including changes to the funding clusters and reconsideration of the interest rate for HELP loans, in order for USC to compete successfully in the new environment the package of changes needs to include transitional support.

The RUN submission to the Committee explains why regional universities are a required component of a successful higher education sector and makes a compelling case that these institutions are not as well placed to compete in the new environment as their metropolitan counterparts.

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USC endorses the RUN submission and makes the additional point that USC is embedded in an economy that provides it with very few opportunities for productive partnerships with the private sector or the professions. To diversify its income base is a singular challenge for USC.

As noted, the RUN submission makes a strong case that regional universities as a group are at a disadvantage in adjusting to a more deregulated higher education market and proposes an ongoing Competitive Regions Fund, which USC supports. However, recognising that there are specific risks for certain institutions associated with moving into a fully market-oriented environment, USC goes further and suggests that, in addition, a flexible transition fund is required. Such a fund would go some way to ameliorating the potential risks to individual institutions during the first few years of the new funding environment, while the various market pressures resolve themselves.

USC therefore proposes that a transition fund be established and that it operate as flexibly as possible. In particular, the scheme should fund initiatives that are designed to address the specific needs of the institution seeking support. Such proposals should embody innovations that are intended to bring about increased capacity to compete in the new environment. In addition, the sums available to eligible institutions through the scheme should be commensurate with the level of financial difficulty imposed by the proposals in the Bill.

Conclusions

Under the circumstances, USC supports the deregulation of student fees and has made this position public. In a more deregulated market USC will not have to change its basic behaviour very much because it is well used to scrapping for its future. It will have to revisit the costs of doing business and redouble its efforts to increase net income. It is incredibly disappointing, at this point in the University's history, for the granting of the freedom to have more control over its own destiny to be accompanied by a further reduction in Commonwealth funding. Precisely because the timing of this reduction in income is so unfortunate for this institution – coming as it does just a few years too early – USC is compelled to seek the modifications to the Bill described in this submission. Chief among these, assuming the Government's fiscal strategy is not likely to change at this stage, is a substantial and flexible transition fund that will allow USC (and other universities) to make a cogent case for strategic assistance. In recent years USC has expanded its footprint, deepened its collaboration with TAFE and shifted its business model more towards blended learning in order to operate more effectively in the demand-driven system. USC is well-poised to take advantage of greater deregulation, but will potentially need some assistance in the early stages of the new higher education world order.

Recommendations

USC recommends that:

1. a substantial transition fund is established to support universities that are heavily reliant on the Commonwealth Grants Scheme and are embedded in under-developed or depleted local economies;

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2. the transition fund is designed so universities can develop applications for funds intended to address the underlying conditions that impair their ability to compete effectively in a deregulated sector;
3. the transition fund is designed so it can support significant structural changes, such as the development of infrastructure for new study locations or the consolidation of existing sites; and
4. 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%.

Professor Birgit Lohmann
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