

# SUBMISSION TO THE SENATE SELECT COMMITTEE ON THE SCRUTINY OF NEW TAXES

INQUIRY INTO PROPOSED STUDENT FEES



AUSTRALIAN LIBERAL STUDENTS' FEDERATION

29 OCTOBER 2010

Friday 29 October, 2010

**Senate Select Committee on the Scrutiny of New Taxes  
Parliament House  
Canberra**



**RE: Inquiry into Proposed Student Services Fees**

Dear Senators,

The Australian Liberal Students' Federation is the peak body for approximately thirty campus Liberal Clubs across Australia. The ALSF is an organisation independent of the Liberal Party, which pursues its own policy agenda. The Federation works to promote Liberal beliefs on campus and engages in a number of issue based campaigns.

The ALSF has fought for over 30 years for the introduction of voluntary student unionism and opposes any changes that would compromise the principles of the *Higher Education Support Amendment (Abolition of Compulsory Up Front Student Union Fees) Act 2005*, and the right of students to decide what organisations they belong to or support financially. As such, the ALSF recommends the rejection of the *Higher Education Legislation Amendment (Student Services and Amenities) Bill 2010* in its entirety.

This legislation represents a \$250 million tax on Australian university students. It is a poll tax which will be levied regardless of the ability of students to pay, or their willingness to use the services provided. All students will be required to pay this tax, even if they study part-time or by correspondence and therefore never set foot on campus.

This tax will hit poorest students hardest. Those from low socio-economic backgrounds will have to pay the same amount as students from wealthy backgrounds. These students also have little capacity to utilise the services provided as they are forced to work long hours to support themselves and therefore do not have time to utilise student union-run activities such as clubs and societies programs.

This legislation will also create inefficiency and the associated degradation of service standards as student unions will receive a guaranteed revenue stream regardless of the quality of the services they provide. Under VSU, student unions are forced to take into account actual student demand, provide services that students see as beneficial and hence are willing to voluntarily join and support financially.

Thank you for the opportunity to make a submission on this extremely important issue. I would welcome the chance to appear before any hearing that may take place to further outline the position of the ALSF.

**SASHA UHER**  
**President**  
**Australian Liberal Students' Federation**

## INTRODUCTION

1. The Australian Liberal Students' Federation (ALSF) welcomes the opportunity to make a submission to the Senate Select Committee on the Scrutiny of New Taxes regarding the Government's proposed student services fee.
2. The ALSF believes that *the Higher Education Legislation Amendment (Student Services and Amenities) Bill 2010* represents a tax on Australian university students.
3. This tax is inequitable and will have the most serious impact upon students from low socio-economic backgrounds.
4. The ALSF believes that voluntary student unionism (VSU) has been of great benefit to Australian university students, which granted them the freedom to choose how they spend their hard earned dollars and which organisations they associate with.
5. The ALSF opposes any changes that would compromise the principles of the *Higher Education Support Amendment (Abolition of Compulsory Up-Front Student Union Fees) Act 2005* and undermine VSU.

## WHY THIS LEGISLATION IS A TAX

6. A tax is a financial impost placed on an individual or body by the state through legislative authority. Unlike a price or charge, it is a mandatory transfer of money from private to public hands on the basis of set criteria without reference to specific services rendered or benefits received.
7. Most tertiary institutions relevant to this inquiry are public institutions created by legislation. They are given legal powers by said legislation in the same manner as a subordinate authority of Government, and are in receipt of large amounts of public money. Therefore universities are in effect an arm of the state.
8. Any fee levied by universities without reference to services rendered or specific benefits must therefore be considered a tax.
9. Thus, the proposed amenities and services fee is a tax on students.
10. Multiplied by the approximately one million Australian university students, this legislation amounts to a \$250 million per year tax.

## A POLL TAX

11. Students will be compelled to pay this tax regardless of their income, meaning the fee is analogous to a poll tax.
12. The option to have this fee deferred to a student's HELP debt does not change the fact that it is still an inequitable tax that must be eventually paid. Over the average life of a university student (approximately 4 years) this will increase their HECS debt by at least \$1000, plus any

increases due to indexing (see indexing). With students already struggling to meet the cost of living, imposing an additional \$1000 onto their HELP debt will serve to further the already considerable financial burdens faced by students.

13. Despite the ability to defer payment of the proposed fees to HELP, the reintroduction of compulsory amenities fees will deter low socio-economic students at the margins from seeking university qualifications, effectively pricing thousands of poor students out of a degree, in much the same way as an equivalent rise in tuition fees would.
14. Ironically, union office bearers who regularly campaign against fee increases and to raise awareness of student poverty also campaign to see the reintroduction of compulsory union fees, which will serve to increase students' HELP debts and financial hardship.

### WHY THIS POLL TAX IS INEQUITABLE

#### NOT ALL STUDENTS BENEFIT FROM UNION SERVICES

15. The ALSF believes that it is incorrect to suggest that all students benefit from the services provided by student unions and by extension this fee.
16. There are many students who study part-time or by correspondence and therefore rarely, if ever, set foot on campus. These students have no capacity to use or benefit from the services provided by their student union but will still be forced to pay this fee.
17. There are also those students who are not involved in extra-curricular activities at university and simply attend classes to get their degree. These students receive absolutely no benefit from their student union and should not be forced to prop up support services they do not use.

#### HITS POOR STUDENTS HARDEST

18. It is those students from low socio-economic backgrounds who will be hit hardest by this fee. A student who works multiple jobs to fund their university education or a single mother studying part-time does not have the time to take advantage of subsidised beer, sports or clubs and societies programs.
19. This tax will be levied at a flat across-the-board rate, meaning that students from poorer backgrounds will have to pay the same amount as those with greater financial stability.
20. This legislation will rip away \$250 from students deprive students of \$250 annually, which they may otherwise have used to fund items or services of their choosing such as textbooks.
21. Proponents of this fee have argued that students from low-socio economic backgrounds could benefit from the services unions provide. However, under a voluntary system, those students who believe they can benefit from student union membership still have the option to become student union members without having to pay an additional \$250.

22. Working students already pay taxes to both State and Federal Governments, which funds the provision of services to the community. Some services provided by Government may be replicated on campus.
23. The result is that many working students pay for services twice - once in the form of direct Government taxation, which is then spent on the provision of services to the community, and again to their university, who may allocate funding to services the Government already provides.

## INDEXATION

24. The compulsory fee will be indexed to CPI each year, which will result in the fee continually increasing.
25. If a student decides to defer the fee to their HELP debt, the money they owe from the amenities fee will be indexed each year until the debt is repaid. Students can spend over a decade paying off a HELP debt, resulting in the amount having to be repaid equalling a substantial amount more than what they were initially charged.<sup>1</sup>

## FALSE CLAIMS MADE BY PROPONENTS OF THIS TAX

26. The Government and various left-wing student organisations have argued that essential services have collapsed as a result of VSU. The ALSF rejects this claim as self-serving and false.
27. The ALSF believes that in most cases where specific services or student unions have collapsed, this has been the result of student union mismanagement or incompetence, not VSU. In these cases, student unions have not remodelled themselves into organisations that students would be willing to voluntarily join and support financially.
28. It is extremely unfair to make individual students pay to compensate for the incompetence of some student union office bearers.
29. The idea that you need compulsory fees for a union to provide services is a fallacy. Local sporting clubs and child care centres are able to operate and survive without a compulsory fee – so why shouldn't union-operated services?<sup>2</sup>

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## PURPOSELY RUNNING UP BUDGET DEFICITS TO CRY POOR

30. Following the removal of compulsory student unionism (CSU) some student unions have deliberately attempted to run budget deficits to exaggerate the impact of VSU and 'cry poor'.

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<sup>1</sup> ALSF Submission to Senate Committee on Employment, Workplace Relations and Education inquiry into the provisions of the *Higher Education Legislation Amendment (Student Services and Amenities, and other Measures) Bill 2009*

<sup>2</sup> ALSF Submission to Senate Committee on Employment, Workplace Relations and Education inquiry into the provisions of the *Higher Education Legislation Amendment (Student Services and Amenities, and other Measures) Bill 2009*

31. Allegations of this sort of misconduct were made in *Honi Soit*, the newspaper of the University of Sydney Union in 2008.<sup>3</sup>
32. In this case, the then-Sydney University SRC General Secretary Noah White reportedly stated at an SRC meeting that they would be purposely running a budget deficit to try and gain more funding from the university. After this statement was made, the Sydney University SRC was said to have voted to increase the presidential allowance by \$5,000.<sup>4</sup>

#### UNION FEES ARE NOT COUNCIL RATES

33. It has been argued that student unions provide essential services in the way that local councils do, and therefore paying a compulsory fee to your student union is like paying your local council rates. The ALSF believes that this is not an accurate comparison.
34. Firstly, local councils are responsible to the Minister for Local Government and therefore are accountable to the Parliament. This is not the case for student unions, many of which do not have even the most basic forms of transparency such as the disclosure of financial statements.<sup>5</sup>
35. Secondly, whereas all residents take advantage of local council services, such as garbage removal, the services that student unions provide are not utilised by all students (see points 5-7). Therefore the argument that students should contribute to the services that they all take advantage of is based on a false assumption.

#### UNIVERSITY SPORT

36. Funding university sport has often been raised as a reason for the necessity for a compulsory student services fee. It has been argued that a compulsory fee is necessary to keep university sport alive and train our future professional athletes.
37. The ALSF believes that a user-pays system is the best way to fund university sport. It is unfair to expect students who do not take part in university sport to fund the sporting activities of a few.
38. Many of the utilisers of university sporting services such as pools, gyms and even sporting competitions are not current university students. As such, students should not be forced to subsidise the recreational activity of non-students.
39. The idea that a compulsory amenities fee is necessary to ensure Australia's future Olympic success is a ridiculous notion. It is grossly unreasonable to expect university students who

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<sup>3</sup> ALSF Submission to Senate Committee on Employment, Workplace Relations and Education inquiry into the provisions of the *Higher Education Legislation Amendment (Student Services and Amenities, and other Measures) Bill 2009*

<sup>4</sup> *Honi Soit*, edn 16, 20 August 2008, <http://www.src.usyd.edu.au/Honisoit/pdfs/817.pdf>

<sup>5</sup> ALSF Submission to Senate Committee on Employment, Workplace Relations and Education inquiry into the provisions of the *Higher Education Legislation Amendment (Student Services and Amenities, and other Measures) Bill 2009*

are already suffering financially to subsidise athletes who often are already receiving Government grants.

40. On top of this, many of Australia's top athletes are not university students, and instead attend Government-funded elite sporting institutions such as the Australian Institute of Sport.

## COMPULSORY STUDENT UNIONISM

41. Proponents of this fee have argued that it does not represent CSU as it does not compel students to become members of their respective student organisations.
42. The ALSF believes that although this Bill doesn't explicitly force students to become student union members, it forces them to support their student union financially, which amounts to the same thing.
43. Therefore, students will be paying an annual fee of \$250 without receiving any of the benefits of membership.
44. Any student who feels they would benefit from union membership will have to pay the existing joining fee as well as the compulsory \$250 fee if they want to use union services. At Melbourne University, for example, the annual union membership fee is \$99, meaning that students who feel they would benefit from union services would have to pay approximately \$350 per year, rather than the \$99 in a VSU environment.

## FREEDOM OF ASSOCIATION

45. Freedom of association is a fundamental right in Australian society. It would be considered completely unacceptable to force individuals in the workforce to pay a compulsory fee to their respective unions – so why should students be exempt from this fundamental right?
46. The ALSF does not dispute the right of student unions to exist and promote political causes, provided that membership and financial support of that union is voluntary.
47. It is completely abhorrent to force students who are apathetic or completely opposed to some of the causes promoted by their student union to fund those activities.

## THIS FEE WILL BE SPENT ON POLITICAL ACTIVITIES

## POLITICAL NATURE OF STUDENT UNIONS

48. It is a fact that student unions are, by nature, highly political.
49. Office-bearer positions on student unions are almost without exception won by student politicians who are able to mobilise their activist support bases. However, the vast majority of students are apathetic to political causes and do not participate in university elections.

50. It is extremely rare for more than 10% of students to vote in student elections, even at the most politically active universities. At Melbourne and Sydney Universities, two of the most politically-oriented in Australia, voter turnout can be 5% or less.<sup>6</sup>
51. The resulting consequence is student unions being run by student politicians, elected by a small proportion of students, who spend the wider student body's money promoting partisan political causes (see Union Waste, Mismanagement and Corruption for examples).
52. Many student unions are out of touch with the general student population, and only represent the interests of a small few. For example, former President of the National Union of Students (NUS) David Barrow once stated that 'Universities get the fee, students get the services, but student unions get screwed.'<sup>7</sup>
53. This statement highlights the culture within many student unions, which seeks to promote the political interests of union office-bearers rather than the average student population. The aim of the Australian national student body should be obtaining services for students. If the NUS does not feel this is a priority, their agenda must be questioned.<sup>8</sup>

#### HOW THE FEE CAN BE SPENT ON POLITICAL ACTIVITIES

54. This legislation does not prevent the money collected from compulsory fees being spent on political causes.
55. Section 19-38, paragraph (1) of the Bill explicitly prevents a higher education provider from spending any collected student services and amenities fees to support:
- a) a political party; or
  - b) the election of a person as a member of:
    - i. the legislature of the Commonwealth, a State or a Territory; or
    - ii. a local government body.
56. All other types of political organisations such as trade unions, GetUp! and student political groups are not covered by these definitions, and are therefore able to receive student money.
57. Subsection 19-38 (3) of the Bill does, however, provide a list of services which are the only allowable items for higher education providers to use a student services and amenities fee for. This places restrictions upon higher education providers, but appears not to control the spending of student services and amenities fees by student unions. The implication of this is that once this money is handed over to student unions by the university, it becomes unregulated and can therefore be spent on political causes.

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<sup>6</sup> ALSF Submission to Senate Committee on Employment, Workplace Relations and Education inquiry into the provisions of the *Higher Education Legislation Amendment (Student Services and Amenities, and other Measures) Bill 2009*

<sup>7</sup> Harrison, D., 'Students angry over fee proposal', *The Age*, 20 February 2009, <http://www.theage.com.au/national/students-angry-over-fee-proposal-20090220-8cqe.html>

<sup>8</sup> ALSF Submission to Senate Committee on Employment, Workplace Relations and Education inquiry into the provisions of the *Higher Education Legislation Amendment (Student Services and Amenities, and other Measures) Bill 2009*



58. Even if the list of items the fee can be spent on applied to student unions themselves there are still a number of ways this can be circumvented so that it can be used to support political causes.
59. Student unions can direct the funds they were previously spending on the services listed in subsection 19-38 (3) of the Bill to political activities. They can then use the newly acquired compulsory fees to fund those existing services which are allowable in the Bill. Therefore, there would be no increase in spending on vital services, but an increase in spending on political activities, facilitated by these compulsory fees.

## CROSS SUBSIDISATION

60. Student unions could also direct profits made as a result of a compulsory fee-supported income to fund political activities, as the spending of profits is not regulated by the Bill.
61. For example, a student union may make an additional \$10,000 profit as a result of an increase in spending on the clubs and societies program, facilitated by compulsory fees. This \$10,000 profit then becomes unregulated, and can be spent on whatever political purposes student union office bearers see fit.

## STUDENT UNION WASTE, MISMANAGEMENT AND CORRUPTION

62. There is a long history and many examples of student unions exercising gross incompetence and waste of student money.
63. In 2004, before voluntary student unionism was introduced, Monash University students were forced to pay an amenities fee worth \$428 per annum. This amount was used to fund various items as follows:<sup>9</sup>
- ✚ \$238 worth of 'administrative costs'
  - ✚ \$30 worth of 'building services'
  - ✚ \$22 for sport
  - ✚ \$13.28 for clubs and societies
  - ✚ \$5.40 for childcare
  - ✚ \$5.40 worth of child care subsidies
  - ✚ 59c for unspecified student services
  - ✚ 49c for student theatre
  - ✚ 28c for food services and subsidies
64. The proportion of funding directed to student services was extremely low, with a large percentage of that fee covering 'administrative costs'.
65. In 2006, the Monash Student Association funded the legal defence of G20 rioter Akin Sari, who was later convicted and imprisoned.<sup>10</sup>
66. In 2009, the University of Sydney Students' Representative Council (SRC) paid an affiliation fee to the National Union of Students' (NUS) of \$94,000.<sup>11</sup>

<sup>9</sup> Monash University Annual Report 2004

<sup>10</sup> ALSF Submission to Senate Committee on Employment, Workplace Relations and Education inquiry into the provisions of the *Higher Education Legislation Amendment (Student Services and Amenities, and other Measures) Bill 2009*

67. In 2009, the University of Sydney SRC paid for delegates to attend the NUS annual conference, totalling \$11,500<sup>12</sup>. At that conference, internal bickering by the various factions within the NUS saw the conference unable to reach quorum, policy debate for only one hour and the election of office bearers unable to take place. Therefore, \$11,500 of student money was wasted on a conference which achieved absolutely nothing.
68. In 2010, the NUS ran a campaign during the Federal election called 'Abbott's Heaven Your Hell'.<sup>13</sup> This was a blatant political campaign against Tony Abbott and the Liberal Party, run during an election period, designed to manipulate the voting decisions of students. Incidentally, the President of the NUS is Carla Drakeford, a long-time Labor student and Australian Labor Party supporter. This is a clear example of how the political ideology of student union office bearers influences the causes which they fund with student money.
69. Student unions also have a history of corruption and financial impropriety. For example, in February 2009 Darren Ray, a former president of the Melbourne University Student Union, was jailed for 20 months in relation to defrauding the Commonwealth of \$180,000 through refunds from false GST claims. Ray also presided over a \$46 million property deal that sent the union bankrupt.<sup>14</sup>

## VSU IS PROVIDING THE BEST OUTCOMES FOR STUDENTS

70. The ALSF believes that voluntary student unionism is working and providing the best outcomes for students.

## UNDER A VOLUNTARY SYSTEM STUDENT UNIONS MUST ADAPT TO STUDENT DEMAND

71. Under CSU, student unions were guaranteed an enormous sum of money every year, regardless of whether or not they provided decent services or services that students used or wanted. This meant that no matter how substandard or unwanted the services student unions provided were, they would continue to survive due to compulsorily acquired funds.
72. As such, student unions had no incentive to improve the services they were providing so students were receiving poor value for money.
73. On top of this, student union office bearers were able to ignore the opinions of students and promote (with student money) partisan political causes. Without the threat of insolvency, there was nothing to stop this practice.

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<sup>11</sup> Sydney University SRC 81<sup>st</sup> Budget 2009/10

<sup>12</sup> Sydney University SRC 81<sup>st</sup> Budget 2009/10

<sup>13</sup> National Union of Students – Women Students

[http://unistudent.com.au/site/index.php?option=com\\_content&view=category&layout=blog&id=34&Itemid=56](http://unistudent.com.au/site/index.php?option=com_content&view=category&layout=blog&id=34&Itemid=56)

<sup>14</sup> ALSF Submission to Senate Committee on Employment, Workplace Relations and Education inquiry into the provisions of the *Higher Education Legislation Amendment (Student Services and Amenities, and other Measures) Bill 2009*

74. Since VSU was introduced, student unions have had to rely on voluntary membership fees. This has meant that they have had to remodel themselves to they meet the needs and wants of students in order to survive.
75. In many cases this has occurred successfully, and services provided by student unions have greatly improved. For example, the University of Western Australia has student union membership rates of about 60%. This is most likely due to the fact that they operate efficiently, as VSU has been in place in Western Australia for many years. As such, they have had to adapt to student demand for a number of years and have learnt how to do this effectively.
76. However, at some universities, membership has fallen to around five per cent (such as at the University of Canberra) because of the poor quality of services offered.
77. The ALSF argues that student unions or union provided services which have collapsed since the introduction of VSU resulted from student union office-bearers failing to provide services that students want. Therefore, students did not see any benefit in joining their student union, and they have struggled to survive financially.
78. The ALSF believes that if the services provided by a student union are beneficial to students and present value for money, it stands to reason that students would be pleased to fund them voluntarily.
79. Student unions should be focusing on improving their services and making them more relevant to the average student, rather than asking the Government to compulsorily extract funds from students to prop up their unpopular services.

## SAVING STUDENTS MONEY

80. The introduction of VSU has proven to be a great cost-saver for students. Based on figures from 2008, VSU has saved students an average of \$246.20 per annum if they voluntarily joined their student union or \$318.60 if they chose not to become union members (see appendix 1).<sup>15</sup>
81. This is money that can now be spent on specific goods or services that students feel necessary such as textbooks.

## STUDENT SERVICES HAVE NOT COLLAPSED

82. Despite what the Government and some student union officials have stated, student services have not collapsed since the introduction of VSU.
83. The campus life at Australian universities is still vibrant. At Sydney University, the union provides a large-scale clubs and societies program as well as hosting regular university parties and other activities.

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<sup>15</sup> ALSF Submission to Senate Committee on Employment, Workplace Relations and Education inquiry into the provisions of the *Higher Education Legislation Amendment (Student Services and Amenities, and other Measures) Bill 2009*

84. At almost all Australian universities, students have access to medical and counselling services, often provided by the university or the private sector. Out of those medical services, almost all of them offer bulk billing, whilst counselling services are typically free.<sup>16</sup>
85. In the cases where services have collapsed, if they were deemed essential or beneficial to students, the university or private sector providers have generally stepped in and provided those services.

## CONCLUSION

86. The ALSF recommends that the *Higher Education Legislation Amendment (Student Services and Amenities) Bill 2010* is rejected in its entirety.
87. This legislation represents a poll tax on Australian university students, which will financially disadvantage those from low socio-economic backgrounds most.
88. It is unfair to charge students a tax for services they may not have the capacity or want to use.
89. The ALSF believes that this tax represents compulsory student unionism, as it compels students to become financial supporters of student unions, whether they want to or not.
90. Student services have not collapsed since the introduction of VSU; instead, student unions have had to improve the services they offer in order to entice students to voluntarily join.
91. The ALSF believes that a voluntary system is best for funding student services, and is opposed to any legislation that would force students to become union members or financial supporters.

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<sup>16</sup> ALSF Submission to Senate Committee on Employment, Workplace Relations and Education inquiry into the provisions of the *Higher Education Legislation Amendment (Student Services and Amenities, and other Measures) Bill 2009*

**APPENDIX 1**

<b>University</b>	<b>Fees 2005</b>	<b>Fees 2008</b>	<b>Minimum saving</b>
Macquarie University	\$356.00	Nil	\$356.00
University of Sydney	\$590.00	\$99.00	\$491.00
University of New South Wales	\$502.00	\$149.00	\$353.00
University of Technology, Sydney	\$420.00	\$89.00	\$331.00
University of Wollongong	\$351.00	\$1.00	\$350.00
University of Melbourne	\$392.00	\$198.00	\$194.00
RMIT University	\$500.00	\$80.00	\$420.00
Deakin University	\$261.00	\$150.00	\$111.00
La Trobe University	\$360.00	\$100.00	\$260.00
Swinburne University	\$304.00	\$60.00	\$244.00
Monash University	\$441.20	\$55.00	\$386.20
Victoria University	\$295.00	\$15.00	\$280.00
James Cook University	\$275.00	\$40.00	\$235.00
University of the Sunshine Coast	\$210.00	\$50.00	\$160.00
Curtin University of Technology	\$110.00	\$120.00	-\$10.00
Edith Cowan University	\$100.00	\$50.00	\$50.00
Murdoch University	\$140.00	\$100.00	\$40.00
University of Western Australia	\$120.00	\$120.00	Nil
Flinders University	\$362.80	Nil	\$362.80
University of Adelaide	\$326.70	\$20.00	\$306.70
University of South Australia	\$273.50	\$20.00	\$253.20

*Table 1: Union membership fees 2005, 2008*