

31 July 2017

Ms Julia Agostino
Committee Secretary
Senate Standing Committee on Education and Employment
Parliament of Australia
Canberra ACT 2600

Dear Ms Agostino

The University of Melbourne appeared before the Committee on Monday 24 July to provide testimony concerning the *Higher Education Support Legislation Amendment Bill 2017*.

At that hearing, the University's representative, Professor Margaret Sheil, took several questions on notice and has subsequently received further written questions on notice from Committee members.

The information below addresses those questions to the best of our ability given the very tight timeframe provided for responses. Some of the information sought is already available on the public record and/or through Department of Education and Training statistics.

Consolidated questions addressed in this response:

Senator Bridget McKenzie

1. Can you please break down your annual reports to a granular level so I can understand your teaching costs per student, including associated teaching expenses and marketing?
2. Please provide a detailed summary of the remuneration structure for the Vice-Chancellor of your institutions.

Senator the Hon Jacinta Collins

1. Can the University of Melbourne expand of why it thinks a postgraduate voucher scheme would be costly?
2. What other criticisms does the University have of the bill?

For further information please contact Dr Julie Wells, Vice-Principal Policy and Projects

Funding

The Bill will have a substantially negative financial impact on all universities.

The package would impose a cut of \$2.8 billion dollars to the sector over the next four years and would continue a decade long pattern of federal disinvestment from the nation's higher education system.

For the University of Melbourne, the Commonwealth will retain around \$110M over the forward estimates that would otherwise have been spent on teaching and learning at the University. A further \$88M is subject to "performance contingent funding" over the forward estimates.

Budget cut impact on the University of Melbourne

2017-18 Budget impact on UoM	2018	2019	2020	2021	Accumulated total (2018-21)
VET/Dental loading (\$'000's)	\$397	\$405	\$414	\$422	\$1,638
Reduction in CGS cluster changes to accommodate 2.5% ED (\$'000's)	-\$7,449	-\$15,041	-\$15,318	-\$15,605	-\$53,413
CGS reduction (offset) (\$'000's)	-\$3,563	-\$5,878	-\$14,263	-\$14,554	-\$38,258
Removal of some sub-bachelor places from CGS	-5,011	-5,000	-5,001	-4,995	-\$20,007
Total change in Commonwealth subsidy (\$'000's)	-\$15,626	-\$25,514	-\$34,168	-\$34,732	-\$110,040
Performance contingent funding (\$'000's)	\$21,790	\$21,722	\$22,119	\$22,534	\$88,165

This follows the shelving of the Education Infrastructure Fund (EIF) – a further \$3.9bn removed from the sector that would have funded the necessary teaching and learning infrastructure to support the high quality teaching and learning expected by our students and that underpins the success in building the international student market. Indeed, the sector has created a \$22bn international education market that adds to Australia's GDP and that cross-subsidises Australian student education and the nation's research effort. This seems to have been overlooked by the Government in scoping its budget cut package.

Impact of budget cuts on Victorian universities

Questions on notice have been asked by Senators from Victoria. To assist with a review of the impact of the budget measures on Victorian universities, the following information is provided:

For Victorian (VIC) universities, the University estimates the 2.5% Efficiency Dividend cut plus the 7.5% of CGS funds potentially held back through the performance measures to total over **\$365.2m** for 2018 and 2019.

The problematic use of the Cost of Delivery report to justify cuts

The Government cites the 2016 *Deloitte Access Economics: Cost of Delivery of Higher Education* report to justify the proposed “efficiency dividend” cut to Universities (a cut equal to around \$53m for the University of Melbourne over the forward estimates).

As the University’s submission to the Committee outlined, there are several problems with the use of the report in this way. The claimed difference in costs between 2010 and 2015 is derived from comparing the 2016 study with a similar study completed in 2011. However, the studies used different sized samples and methodologies, and the findings cannot be generalised for comparison with aggregate revenue data. The Deloitte report makes this clear, specifically stating on page 39 that:

“these figures cannot be compared as direct growth or decline in costs relative to funding over the five years to 2015, given the differences in the sample, and differences in cost collection approaches. Similarly, caution should be taken in drawing inferences about the sufficiency of CGS funding directly from these ratios.”

The Deloitte Report data collection was for a snapshot at a point in time (2015) but costs can fluctuate greatly year-to-year. Course development costs, staff teaching mix, capital expenditure, structural changes and student load changes may have a material impact on costs each year.

Overall, the 2016 report does not give a complete picture of university costs due to the exclusion of research and many other activities, including capital renewal that are included in the CGS. Research is a required activity in Australian universities. A higher education provider must be research active in at least three disciplines to be classified as a ‘university’. Nor does the Deloitte report benchmark appropriately with universities and courses internationally. The costing exercise, therefore, cannot be used as a credible basis for any adjustment in funding such as through an efficiency dividend.

Notwithstanding the limitations of the Deloitte report, the University has endeavoured to provide the data requested by a Committee member around university costs. In addition to the data reported below, we would refer the Senator to data held by the Department of Education and Training.

University of Melbourne Teaching and Teaching and Research staff 2009 to 2016

The number of Teaching Only or Teaching and Research (as classified by the Department of Education and Training) at the University of Melbourne between 2009 and 2016 were as follows.

Year	Teaching Staff Count
2009	1,813
2010	1,735
2011	1,720
2012	1,854
2013	1,971
2014	1,998
2015	1,890
2016	2,009

University of Melbourne Ratio of Teaching Only or Teaching and Research staff to Coursework Students as classified by the Department of Education and Training

The following table shows the ratio of coursework students (including those enrolled in Sub-Bachelor, Bachelor and Postgraduate degrees) to Teaching Only or Teaching and Research at the University of Melbourne from 2009 to 2015.

Year	Coursework EFTSL (Sub-Bachelor, Bachelor, and Masters)	Teaching Only or Teaching and Research Staff	Ratio
2009	32,154	1,813	17.7
2010	32,676	1,735	18.8
2011	33,084	1,720	19.2
2012	34,274	1,854	18.5
2013	36,377	1,971	18.5
2014	38,327	1,998	19.2
2015	40,948	1,890	21.7

University of Melbourne Commonwealth Grant Scheme (CGS) and Other Grants amounts since the introduction of the demand driven system

The University of Melbourne received an amount per student in Government contributions towards the cost of teaching Commonwealth supported students through the CGS which varied between \$11,099 per student on 2008 and \$11,529 in 2015.

The figures below include CGS funds and other education related grants (adjusted for inflation), such as the Indigenous Support Program.

	Commonwealth Supported EFTSL	Commonwealth Grant Scheme	Inflation (CPI) Adjusted Per Student Amount (2008 dollars)
2008	19,180	\$212,885,000	\$11,099
2009	19,873	\$219,331,000	\$10,778
2010	20,384	\$221,961,000	\$10,153
2011	20,743	\$238,665,000	\$11,002
2012	21,397	\$260,739,000	\$12,151
2013	21,742	\$264,161,000	\$11,779
2014	21,853	\$266,842,000	\$11,590
2015	22,436	\$275,453,000	\$11,529

The per student amount can be expected to vary depending on the mix of students in all courses each year, as CGS clusters are funded at different rates.

The University of Melbourne is excluded from the demand driven system – the trade-off for transferring undergraduate CSPs to postgraduate CSPs when establishing the postgraduate model of education. Consequently, the University has had only around 0.1% undergraduate growth compared to the sector's approximately 10% annual average growth.

Marketing

The University of Melbourne operates in a highly competitive, global education market. Marketing communications plays an important role in informing students and staff, peers, partners and collaborators who are considering their choice of university. Activities include the development of communications materials such as websites and brochures, outreach programs such as school visits and open days, international positioning to support recruitment and academic partnerships, research and innovation translation for industry engagement, and promotional activities such as branding and advertising. In an educational sector in which the Government is seeking to generate competition, choice and contestability, marketing will increasingly be an important communications tool through which to differentiate the education provided at various institutions in order to assist students make an informed choice. The data on marketing expenditure reported to and published by the Department of Education is as follows: <https://www.education.gov.au/finance-publication>

Item ('\$000) in nominal dollars	2008	2009	2010	2011	2012	2013	2014	2015
Advertising, Marketing and Promotional Expenses	\$7,674	\$6,880	\$6,341	\$7,124	\$6,657	\$7,060	\$7,615	\$7,826

Vice Chancellor's remuneration

The University of Melbourne is Victoria's third largest employer and one of Australia's biggest research institutions. The Vice Chancellor is the Chief Executive of a university ranked in the world's top 40. The organisation has an operating budget of over \$2 billion, 8,000 staff and more than 48,000 students. The Vice-Chancellor's salary is decided through an Executive Remuneration Committee, which is chaired by the Chancellor and University Council (a body set up under Victorian statute) members of which are external to the sector. The package includes salary, super and other normal salary packaging items plus a significant attribution regarding occupation of the residence which is also used for official University functions.

The University discloses key management personnel remuneration in its annual financial statements in accordance with the requirements of the *Higher Education Support Act 2003, Financial Management Act 1994* and *Australian Charities and Not for profits Commission Act 2012*. This requires remuneration to be disclosed in bands. The University's reporting of senior executive remuneration can be found at: http://about.unimelb.edu.au/_data/assets/pdf_file/0006/2341725/2016-annual-report.pdf (pp113-114)

Proposed postgraduate scholarship scheme – a risk of unintended consequences with sector-wide ramifications

While the sector broadly agrees that the allocation of government-subsidised postgraduate places can be improved, shifting to a voucher scheme will not improve transparency or coherence. For all universities, under the budget measure there will be around 8% fewer places (approximately 38,000 graduate CSPs, set to drop to at most 35,000, with the final figure depending on course costs). However of greater immediate concern is the impact that poor policy design will have on the sector, resulting in serious, but perhaps unintended, consequences.

Much of the current allocation of government subsidised postgraduate places is to professional entry Masters programs where the place supports students who choose graduate level studies and professional fields where, for example, a Masters degree is required for professional accreditation (e.g. teaching, nursing, engineering, architecture, law).

The high allocation of places to the University of Melbourne and the University of Western Australia represents a decision to support postgraduate professional education, which required giving up undergraduate places to take up more postgraduate places, and being denied access to the demand driven system.

To compromise this postgraduate pathway, announced without any consultation with the University, would nullify the previous funding arrangements made with the Howard Government and the then Education Minister, The Hon Julie Bishop. It will put at risk the future of the Melbourne Model.

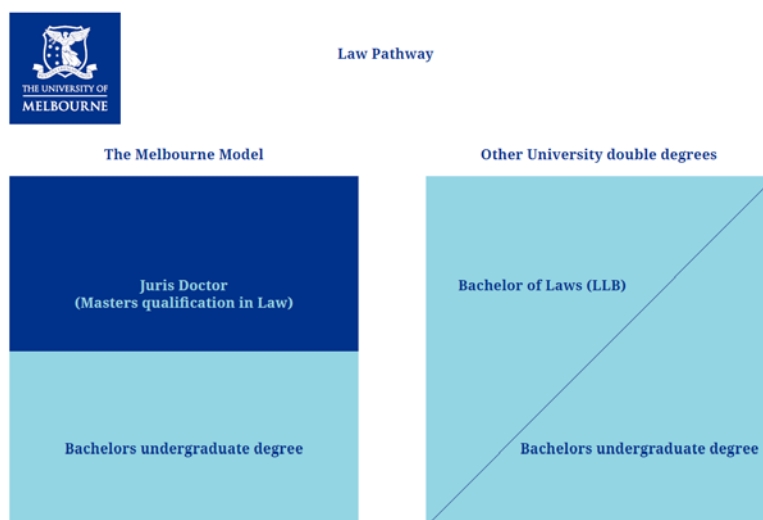
In 2015, for the sector 66% of postgraduate subsidised enrolments were in Education (38%, 14,378) and Nursing, Allied Health or Medicine (28%, 10,751). Society and Culture, which includes law, is the next biggest (16%, 6,146). The concentration of places in two disciplines (nursing and initial teacher education) reflects historical policy priority to subsidise these graduate level degrees.

Broad field of education (note NOT clusters)	Sector total	Proportion of overall places
Natural and Physical Sciences	1,223	3%
Information Technology	370	1%
Engineering and Related Technologies	1,686	4%
Architecture and Building	1,975	5%
Agriculture Environmental	345	1%
Health (incl. med places)	10,751	28%
Education	14,378	38%
Management and Commerce	626	2%
Society and Culture (incl. law)	6,146	16%
Creative Arts	624	2%
Total	38,124	100%

Universities typically offer professional entry education through either an undergraduate 'double degree' arrangement or through an undergraduate generalist degree followed by the professional Masters. It is important to note that undergraduate professional entry is entirely uncapped – students can undertake taxpayer subsidised double degrees or multiple sequential degrees without any restriction or limitation. When the professional degree is undertaken at Masters level, however, only 40 per cent of places are subsidised.

The current system gives a strong preference to undergraduate-focused universities and places graduate-focused universities, such as Melbourne, at a disadvantage. To only change the graduate aspect of the system and to focus such change solely on determining who obtains CSPs, will cause further disadvantage to graduate-focused universities without serious whole of sector reform.

Comparison of professional entry pathways – postgraduate vs double degree model



The Government’s scholarship scheme will give preference to double bachelor degrees over bachelor-graduate degree combinations for students who are seeking professional entry qualifications. It does this by preferencing uncapped, guaranteed funding to all undergraduate professional entry study while creating uncertainty for students whose first choice is to undertake an undergraduate pathway + postgraduate model when there is no certainty as to which postgraduate pathways will receive government subsidy.

The University is already seeing early evidence of students exercising their second choice towards universities offering guaranteed taxpayer-subsidised funding of the double degree option. The Government’s plan will not be competitively neutral and intervenes in the functioning of the market for higher education and will reduce student choice. The postgraduate scholarship proposal would create serious challenges to Melbourne’s ability to offer a complete professional entry pathway on its present curriculum model. In a worst case scenario, it could terminate the Melbourne Model and reduce diversity and student choice in the sector.

To illustrate the impact of the University’s arrangement with the Commonwealth for CSP funding, the following table compares CSP load across undergraduate and postgraduate coursework for Victorian universities for 2015.

Victorian Load Statistics

	Postgraduate coursework	Bachelor	Total
Deakin University	966	25,771	26,737
Federation University Australia	401	4,783	5,184
La Trobe University	932	18,987	19,919
Monash University	1,720	27,087	28,807
RMIT University	838	19,811	20,649
Swinburne University of Technology	169	14,168	14,337
The University of Melbourne	6,211	15,853	22,064
Victoria University	661	10,809	11,470
Total	11,898	137,269	149,167

Costs and sector impacts of the proposed postgraduate voucher scheme

The Government's scholarship plan would threaten not just Melbourne's current system, but introduce year-to-year volatility that would undermine the viability of courses at many other universities. It would require a whole new bureaucracy to test students and hand out scholarships, via a personal letter from the Minister. And far from supporting student choice, the Minister would decide which disciplines to fund, in which region and which special considerations might favour some students over others. Of course students would pay for all of this in application fees.

It might also lead to Melbourne and UWA participating in the demand driven system at undergraduate level and being forced to substantially increase their numbers of students. This could result in significantly more government subsidised undergraduate places in the system, and draw demand from other institutions.

Designing a scheme to work for the sector will be challenging. From what we know (and details are scant), the following issues will need to be resolved:

Administrative expense and red tape

- The costs to the Commonwealth will include the agency commissioned to administer a high volume, administratively complex scholarship selection process.
- There is no national (or state) system or testing regime for determination of merit at the graduate level moderated in such a way that students from different institutions can be meaningfully compared for the scheme. The lead time to develop a credible postgraduate equivalent of ATARs (or similar) would be at least three years and possibly longer, even with the Tertiary Admissions Centres (if they are the chosen bodies) working in close cooperation with each other and the universities. The Department of Education has advised through its submission to the Committee that the cost of testing would be passed on to students.
- Any assessment of merit that is fair, transparent and based on multiple relevant criteria will be expensive. Students are likely to be paying for a standardised scholarship assessment.
- The Minister is required to write to every applicant (estimates are around 60,000) advising the outcome. It is possible that the new system will see a substantial increase in applications, which would add further to the time and complexity involved.
- These types of decisions will inevitably require a properly resourced appeals mechanism for students who disagree with the Minister's determination on their scholarship application. Given the role of the Minister in making decisions, judicial review of determinations will also be an issue.
- Students will have to apply twice: once to the Commonwealth, and once to the university. Universities' own systems for admission will need to accommodate an added layer of complexity.

Uncertainty for students and planning and viability challenges for Universities

- The Department has indicated that it cannot predict in which fields scholarships will be available. It also notes that should the Minister decide to offer more places in high cost courses, the number of places will be cut.
- In an unprecedented development, this would be the only cohort of students for which the Minister and Commonwealth Government administer outcomes for individuals, raising issues around timeliness and appropriate appeals mechanisms. Student choice and diversity will come a poor second to substantial Ministerial discretion over the scheme. It is unclear what measures, other than merit, will be adopted to determine the allocation of places and how this will impact on the needs of the professions and the choice of students.
- Universities will face highly uncertain planning environments, with fluctuating supply and demand year-to-year, especially for small but important programs, that may become unviable.
- If student choice determines where government subsidised places are offered, popular courses at popular metropolitan universities may well draw places away from other universities that currently hold postgraduate places, reducing the number of places available in some cities and regions.
- The programs that currently offer linked pathway from bachelors degrees to professional masters degrees will be hard hit as the pathway is less secure than under the current arrangements. Diversity and choice for students will be reduced, not expanded, as the incentive is to offer undergraduate double degree study at the expense of graduate-postgraduate arrangements that provide the comparable professional entry pathway.
- To ensure postgraduate courses remain viable, universities need to combine government subsidised students with full-fee paying students. The scholarship scheme currently requires universities to take all scholarship students before considering other (fee-paying) students. If all places are taken by scholarship students the viability of even flagship courses will be undermined due to universities being unable to retain a viable mix of revenue streams. The scheme as currently proposed does not allow for universities to exercise any control over the number of scholarship students even if too substantial a number might threaten the viability of a course.

Narrower range of fields being eligible for support

- With postgraduate subsidised places being cut by 3000 and Ministerial intervention in the allocation, there is likely to be a narrower range of fields eligible for support and a consequent dwindling range of graduate offerings. Student choice will thus be further limited.

Sector submissions

The sector broadly agrees that the plan is not well considered and requires significant consultation with the sector if it is to be adequately scoped and properly implemented. Therefore, the provision should be removed from the legislation and be subject to sector consultation in 2018 ahead of any change.