



Jade Monaghan
Education and Employment Committee
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Australian Parliament House
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Dear Ms Monaghan

I write on behalf of Western Sydney University in response to your request – 27 July 2017 – for answers to questions on notice from Senator Bridget McKenzie and Senator the Hon Jacinta Collins of the Senate Education and Employment Committee, specifically regarding the Higher Education Support Legislation Bill 2017.

Please find the University's responses to the quoted questions below from the respective Senators.

Questions from 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?

This information is publically available in the University's annual report: https://www.westernsydney.edu.au/finance_office/finance/b_relatedlinks3
The report includes audited and comprehensive financial statements detailing income, expenses, student numbers and 'advertising, marketing and promotional expenses'.

2) Please provide a detailed summary of the remuneration structure for the Vice-Chancellor of your institution.

This information is included in the annual report (Appendix 6, p. 77):
https://www.westernsydney.edu.au/finance_office/finance/b_relatedlinks3

Questions from Senator the Hon Jacinta Collins:

1) What is your assessment of the impact of the cuts in this bill to your university over the next four years?

The proposed efficiency dividend of 2.5 per cent applied in 2018 and 2019, combined with the rebalancing of Commonwealth and student contributions by 1.8 per cent pa to 2021, will take \$51.3m from Western Sydney University’s budget between 2018-2021.

The proposed 7.5 per cent performance contingency on CGS funding will mean that, in 2018, \$21m of the University’s budget will be at risk in return for performance against as yet undisclosed ministerially-defined criteria.

Western Sydney University was created with statutory obligations to support its community. These obligations are not limited to providing a general education to residents of Western Sydney, but include general economic development and community well-being. An impost of \$51.3m on the University will significantly undermine its ability to fulfill its statutorily mandated mission.

2) How will the cuts in the package impact WSU’s ability to meet labour market demands in western Sydney?

Western Sydney’s labour market requires significant skills uplift to meet the challenges associated with digital disruption, existing skills deficits, and industry transition towards knowledge-based industries and employment.

The objectives of the Commonwealth’s own infrastructure program, which includes, for example, large scale projects like the Western Sydney Airport constitute additional multi-sector demand for improved labour market capacity. Equally, the Commonwealth’s plans for defence and technology industry clusters require additional investment in new skill sets, research and educational capacity. The proposed bill will directly undermine these and similar objectives by diminishing or ruling-out the Western Sydney University’s capacity to support this demand.

The cuts would, for instance, mean the University would no longer have the resources to initiate, test and invest in courses that support changing labour market paradigms across its region. These courses have a high transactional cost for universities but deliver a low or negative margin in the short-term, rendering them impossible in a constrained funding environment.

For example, the University’s relatively recent development of courses in fields such as ‘Digital Cultures’, ‘Data Visualisation’, ‘Innovation and Change’, ‘Enterprise Innovation and Markets’, ‘Leadership and Entrepreneurship’, ‘Social Web Analytics’ ‘Robotics’ and ‘Automated Manufacturing’ would not have been possible under the contracted funding settings the government is proposing.

Similarly, WSU’s support of innovation and labour market uplift in Western Sydney, through the establishment (at its own cost) of the ‘Launch Pad’ startup incubator network

would not have been possible under the proposed funding framework. ‘Launch Pad’, which now has sites in Penrith, Liverpool and Parramatta has directly supported over 150 regional startups and tech-SMEs (and associated direct/in-direct employment gains) through the provision of research collaboration, office space, technology access, marketing, advocacy, business mentoring and student internships. It is Western Sydney’s only startup incubator and SME accelerator and its viability is now at risk due to potentially revised funding projections.

3) How will the increases in fees impact your students, who are traditionally low SES?

Just over 25 per cent of Western Sydney University’s total students are of low SES status; and nearly 62 per cent are the first in their family to go to university. The measures the government is proposing would undermine the university’s ability sustain a range of demonstrably successful programs that directly and indirectly support the retention and progress of these students.

Structurally too, the proposed bill, actively limits the University’s broader strategies to increase participation by the very nature of its funding structure and legislated regional role. WSU is more exposed to CGS funding changes than many in the sector. Nearly 85 per cent of Western’s student load revenue comes from CGS load. For UNSW, UTS and Macquarie, this figure is between 50-60 per cent. Western is exposed to CGS load because of its role in labour force development in a region with comparatively low tertiary qualification rates, and because of its commitment to improving educational outcomes for those from lower SES backgrounds.

4) Can WSU elaborate on your alternative proposal for HELP re-payment arrangements?

Western Sydney University has in the past considered alternative models, yet not within the framework of the current legislative arrangements nor the proposed legislative amendments and budgetary measures. The University would, however, welcome the opportunity to consider alternatives with Government and the sector based on an appropriately evidence-based, measured and collaborative process of higher education policy development.

Of more immediate concern is the lack of a considered approach to the “rebalancing” of CGS/HELP payments. There is no guiding principle behind the differential payment system. The three tiers of student contributions (HELP) reflect – with varying degrees of intention – potential graduate earnings, policy priorities, the balance of public and private benefit attached to particular degree programs and, as one commentator put it, ‘the accumulated result of ad hoc decisions going back 25 years’ (Norton: <http://andrewnorton.net.au/2015/04/08/years-to-repay-student-debt-as-a-way-of-setting-student-contributions/>).

The 2011 Lomax review of base funding similarly concluded ‘across disciplines there is significant variation, with students contributing as little as 19 per cent of total resourcing

for their discipline and as much as 84 per cent. There is no rational basis for these wide variations' (Lomax: 113).

It is important to note that the government's cost recovery compounds this circumstance without clarifying the principles on which differential funding is based. The HELP/CGS arrangements should be balanced in light of clear, and clearly stated, principles.

Beyond an unjust and unjustified outcome for students pursuing different disciplines according to their ability, the proposed "rebalancing" fails to reflect the reality of current labour market returns. Government intervention in the level of fees students will pay or repay will alter demand patterns across the sector. It seems odd, with the government's push for greater transparency and detail in graduate outcomes, that little consideration has been paid to the labour force effects of changing the contribution mix of various degree programs. Cluster 1 – with a mix of law and business disciplines – is particularly affected. The publicly available graduate outcomes data (QILT) shows that an engineering graduate can expect a median salary of \$62,000 a year. A business and commerce graduate can expect \$52,000 a year despite paying more as a student contribution for their degree. There may be policy imperatives behind driving a change in the labour force. If there are, these should be articulated. Absent such imperatives, the seemingly benign 'rebalancing' of the cost burden of education will see either a shift in demand patterns or students choosing not to pursue tertiary education. Given that the government is relying on the supposed dividends of the demand-driven system granted through economies of scale to pursue cost recovery, it is counter-intuitive to pursue measures that will lower demand and destabilise the sector.

5) What is your assessment on the regulatory impact of this bill?

Universities are highly accountable institutions upon which the government regularly imposes new forms of accountability, new metrics and new requests for performance data. Of course, while the proposed 7.5 per cent performance contingency remains undefined it is impossible to understand the cost of compliance.

In general terms, a 2012 review of university reporting requirements undertaken by the LH Martin Institute found that "the 'typical' Australian university estimates that in 2011 it applied something over 2,000 days of staff time and spent between \$800,000 and \$900,000 in meeting the 18 identified sets of DIISRTE reporting requirements" (*Review of Reporting Requirements for Universities*, p 52). Given the amount of funding at risk through the proposed performance contingency, it is likely that universities will over-resource compliance activities to mitigate risk. Depending on the extent of reporting and compliance activities required through the contingency measures, universities may face a further impost of some hundreds of thousands per year.

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Thank you again for the opportunity to contribute to the Committee's work with regard to the proposed bill. I am of course available to discuss any detail of this submission or provide further written detail if required.

Sincerely

Dr Andy Marks
Assistant Vice-Chancellor, Strategy and Projects