

Senate Standing Committee on Education and Employment's Inquiry

Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017

Responses to Questions on Notice

Questions from Senator the Hon. 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?**

The University's Annual Report include separate statements for James Cook University (JCU) as the parent entity and the consolidated entity consisting of JCU and its controlled entities (the Group). Most of the teaching activity is captured within the parent entity, however the parent entity also includes other activities, such as research, consultancy, philanthropy, business activities and major capital and operating projects. Some of the controlled entities also address the clinical training requirements necessary for student qualifications: e.g. JCU UniVet Pty Ltd, JCU Health Pty Ltd and Tropical Queensland Centre for Oral Health Pty Ltd.

In October 2016 JCU, as one of a sample of Australian Universities, provided a report to inform the Federal Government Department of Education and Training 'Cost of Delivering Higher Education in Australia' 2016 costing review ('the Review') conducted by Deloitte's Access Economics. This data is publically available but should be used with caution as the scope of the Review had defined views, which resulted in some costs incurred within the financial Statements being excluded.

The Review included costs associated with teaching activities utilised to fund direct and indirect costs of teaching, research and engagement across the following categories:

- Front line academic staff to provide highest quality learning and teaching services;
- Front line non-academic support staff to provide student, academic & administrative support services;
- Teaching materials, utilities, equipment, lab and field work services;
- Services from health and other sectors to provide place and supervision for students in clinical and similar environments;
- Learning and teaching environments including physical space, virtual/digital space and technologies;
- Student success services to support students to transition through their University experience, complete their course of study and continue their journey into the economy;
- Governance, operational and University administrative services;
- Investments that achieve world class outcomes across our chosen fields of research; and
- Investments in projects that engage our regional and remote communities on their priority issues and fulfil our social contract as a citizen in our communities.

The study excluded costs within the following categories of JCU business:

- Research;
- Research Training/Higher Degrees by Research (both Australian and International Students);
- Commercial activities; and
- Offshore teaching activities.

All University funds are fully expended on University business only.

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

The Vice Chancellor's remuneration package comprises salary, superannuation, packaged benefits (vehicle) and leave related entitlements.

The value of that package is included in the University's published annual accounts.

Questions from Senator the Hon. Jacinta Collins

1. What is JCU's assessment of this impact of cuts in this bill, to the university, over the next four years?

Please see Table at Appendix A.

2. Can you elaborate on your view of the performance funding measure in the Bill?

The proposal to make 7.5 per cent of Government funding for university places contingent on as yet unspecified performance metrics is highly problematic. JCU is demonstrably committed to continuous improvement in meeting the needs of its students and a convincing case has not been made that making funding contingent on an as yet unspecified set of measures is in the best interests of students.

Together with the other funding cuts, this measure has the potential to condemn the sector to a downward spiral that would hit hardest the institutions that serve the most disadvantaged students and communities in the country, including JCU which, when compared to the sector, has a higher percentage of low SES (23 per cent, compared to 18.9 per cent) and indigenous (5.5 per cent, compared to 1.7 per cent) students. The idea that a university performing poorly against some unknown set of measures would be financially penalised and, therefore, have less funding to dedicate to improving its performance in the future, seems quite perverse.

For a fuller analysis of the potential impact of placing such a large percentage of a university's Commonwealth funding "at risk" the Committee may wish to consider the submissions made to the Inquiry by Universities Australia and Innovative Research Universities, both of which are strongly supported by JCU.

3. Can you elaborate on the cuts in this bill will put at jeopardy some of your world-class research?

JCU's submission noted that any funding cuts would put pressure on us to contemplate how we can respond - and noted that staffing costs are the major costs of any university. Funding cuts would mean that we are less able to recruit and retain world-class researchers and, inevitably, there would be increased pressure on the operational budgets of our

colleges, pushing reductions in expenses related to data collection, international collaborations with colleagues and PhD supervision. At a time when other countries are significantly increasing their investment in research and education, the task of retaining research teams who are being courted internationally by institutions, who are well able to fully meet the needs of any particular program, is a significant challenge.

It should also be noted that both attracting, and optimising the outcomes provided by, those world-class researchers requires access to world-class infrastructure and resources. The recent National Research Infrastructure Roadmap recognised the importance of research infrastructure at the institutional level, but considered them out of scope for that review. These resources are strongly impacted by funding constraints at the university level.

There are two quite clear examples of how constraints, even without further contraction of funds, impact world-class research at JCU regarding research vessels and aquaculture/marine controlled environment facilities. JCU recently had to make the decision to retire its research vessel, RV Kirby, because it had reached its lifespan. Replacing the vessel would require a capital injection of approximately \$2 million, but this is not currently under consideration due to constrained funding. The important work that was carried out on the RV Kirby, for example reef research and assessment of the 2016/17 bleaching events, will still occur but it will now be more expensive and logistically complex. This is particularly the case for reef geoscience research that requires heavy equipment and potentially vessel modification to allow that equipment's use.

With respect to aquaculture and marine controlled environment facilities, there is significant demand for us to maintain and grow aquaculture facilities in order that collaborations with industry partners can continue to deliver research innovation and commercialisation. Attracting industry partners requires JCU to not only provide expertise, but also world-class (costly) technical platforms that support that expertise and ensure that the research is at the cutting edge. JCU has significant relationships with Industry partners in aquaculture, MBD Energy being a prime example, and funding cuts undermine our capability to do the world-class science that collaborations are built on.

4. What is your assessment on the regulatory impact of this Bill?

It is not possible to accurately assess the regulatory impact given that aspects of how the Bill will operate - particularly with respect to performance funding and postgraduate scholarships, are undecided. It is not a good idea to put into legislation aspects where there is significant room for unintended consequences - on the face of it what is being proposed will mean an expansion of administration by the department, and expanded costs by universities for implementation and administration. In addition, there needs to be careful consideration of how Ministerial discretion within legislation can work effectively, there are lessons to learn from the past - part of the legacy issues relating to postgraduate places are a result of inconsistencies from policy implementation.

James Cook University
 Indicative Impact of Higher Education Reform Package

May 2017

Based on 2016 data for annualised Commonwealth

Supported Places

\$M

| | \$ Benefit / (Impact) of policy change | | | | | CGS Funding at risk, contingent on performance | | | | |
|---|--|----------|----------|----------|--|--|--------|--------|--------|--------------------|
| | 2018 | 2019 | 2020 | 2021 | 2018-2021 Subtotal | 2018 | 2019 | 2020 | 2021 | 2018-2021 Subtotal |
| Cluster funding changes: 1.8% increases to student contributions to 2021, offset by reductions to Government contributions. 2.5% efficiency dividend 2018-19. | (\$3.3M) | (\$6.7M) | (\$6.8M) | (\$6.9M) | (\$23.7M) | | | | | |
| Investment required to build capacity to achieve performance hurdles - audits, project scoping/delivery, systems and process upgrades, monitoring and management services etc | Not yet determined - significant \$ | | | | | | | | | |
| Performance-based element to 7.5 per cent of total CGS cluster funding | | | | | Assume Performance hurdles met, therefore no impact to funding | \$9.7M | \$9.5M | \$9.6M | \$9.7M | \$38.6M |