

**LA TROBE UNIVERSITY'S SUBMISSION TO THE
SENATE ECONOMICS LEGISLATION COMMITTEE**

September 2017

**Senate Inquiry into Medicare
Levy Amendment (National
Disability Insurance Scheme
Funding) Bill 2017 and 10
related bills [provisions]**

ENQUIRIES

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INTRODUCTION

La Trobe University welcomes the opportunity to provide a submission to this Senate Inquiry into the Medicare Levy Amendment (NDIS Funding) Bill 2017 and 10 related bills [provisions]. La Trobe's comments refer to Schedule 1 of the Nation-building Funds Repeal (National Disability Insurance Scheme Funding) Bill 2017 that proposes to repeal the Nation-building Funds Act 2008, which established the Education Investment Fund (EIF).

La Trobe University endorses the submissions of Universities Australia and of the Innovative Research Universities.

La Trobe University strongly objects to the closure of the Education Investment Fund (EIF) for the following reasons:

- The EIF is the only source of government funding for new infrastructure for universities across Australia. There is no other source of external capital funding for universities.
- Without the EIF, all capital spending for maintenance, renewal and new infrastructure must be met from modest university surpluses.
- These modest surpluses are inadequate to provide the level of capital investment required for essential capital programs, including maintenance, renewal and new facilities, which are a prerequisite to maintaining our international competitiveness and driving the innovation and skills development the Australian economy needs.
- Moreover, these modest surpluses are increasingly under threat from proposed budget cuts. The proposed cuts are justified by reference to these surpluses, notwithstanding that these surpluses must now be used to substitute for EIF funds.
- The opportunity cost of these modest surpluses being diverted to substitute for EIF funding is foregone investment in strategic and innovative initiatives to improve the student experience, improve higher education participation and drive the innovation and skills development the Australian economy needs.
- La Trobe University stands to lose as much as \$126 million over four years from current higher education reform proposals. This will significantly curtail the university's capital program.
- Regional campuses will be particularly hard hit as higher costs for regionally delivered higher education make the combined impacts of the withdrawal of EIF and the imposition of proposed budget cuts disproportionately punitive.

- Investments in game-changing new infrastructure like [La Trobe University's Rural Health School](#)¹ (LRHS) and [La Trobe's Institute for Molecular Sciences](#)² (LIMS) would not have been possible without EIF grants.
- These two new buildings are stand-out examples of the wider community and economic impacts that new EIF-funded infrastructure projects can provide for our students, researchers and the communities in which we work.

RECOMMENDATIONS

While La Trobe University understands the need to properly fund the National Disability Insurance Scheme (NDIS), La Trobe submits that the NDIS should be funded through other means and that the EIF should be used for its original purpose.

La Trobe recommends that Government:

- Reject the passage of the Nation-building Funds Repeal (National Disability Insurance Scheme Funding) Bill 2017; and
- Commit to on-going investment in the EIF, including ensuring the \$3.7 billion currently in the EIF is targeted for the original purpose of building world-class teaching and research facilities in Australian universities.

EIF BENEFITS

La Trobe University has had two major infrastructure projects supported by the EIF, each of which demonstrates the importance of the fund in supporting cutting edge teaching and research facilities that make profoundly important contributions to delivering the objective of the EIF:

“to build a modern, productive, internationally competitive Australian economy by supporting world-leading, strategically-focused infrastructure investments that would transform Australian tertiary education and research.”

The **La Trobe Institute of Molecular Science (LIMS)** was launched in 2009 as a state-of-the-art research hub dedicated to the study of molecular structures and processes fundamental to life. LIMS brings together the University's leading scientists to create new levels of collaboration, and a multi-disciplinary approach to drive innovation and produce translatable research outcomes.

The LIMS complex has 56 research and support laboratories, advanced research equipment, a 200-seat auditorium, and over 3,000 square metres of teaching facilities. Around 400 La Trobe academics, research fellows, postgraduate students and support staff are based at the Institute.

¹ <http://www.latrobe.edu.au/school-rural-health/about>

² <http://www.latrobe.edu.au/lims/about>

LIMS also has an important regional node with many of its scientists working at La Trobe's Bendigo campus.

The Institute's vision is achieved through excellence in six areas of research strength: cancer, infection and immunity, neurobiology, molecular design, molecular imaging and molecular sensing. Key research relationships include the Australian Synchrotron and the Olivia Newton-John Cancer Research Institute.

The La Trobe Rural Health School (LRHS) was established to provide better opportunities and choices in tertiary education for students in rural and regional communities in Central and Northern Victoria. LRHS is active across all La Trobe regional campuses (Albury-Wodonga, Bendigo, Shepparton and Mildura), working with local communities to improve the health, social care and wellbeing of people in rural and regional areas.

The LRHS makes a substantive difference in meeting the health workforce needs of regional and rural Victoria. La Trobe's proposal for EIF funding in 2009 was to increase student load by 70% to 1889 EFSTL. This target has been achieved and surpassed, with the current LRHS student load at 2547 EFSTL.

In 2016, close to 3,500 clinical placements were undertaken by La Trobe students in over 300 rural and regional health agencies across rural and regional Victoria. The LRHS has enabled the delivery of undergraduate and postgraduate course offerings through three Departments: Community and Allied Health; Dentistry and Oral Health (including the first rural dental course in Australia); and Rural Nursing and Midwifery.

In addition to the clinical programs, the school is involved in a range of research projects on rural and regional wellbeing, including through the enrolment 61 Higher Degree by Research (HDR) students.

PROPOSED HIGHER EDUCATION REFORMS

The Government's move to permanently close the Education Investment Fund is taking place in parallel to the Government's attempt to pass the Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017 (HESLA Bill).

Should the HESLA Bill pass, La Trobe University, which is one of the largest providers of regional education in Victoria, could face a reduction of up to **\$126 million** to its budget over the next four years (see Table 1 below). This would have a dramatic impact on every aspect of the University, including the quality of the student experience, the financial viability of the course portfolio, the quality and quantum of research and the university's ability to invest in teaching and research infrastructure, particularly in its regional campuses.

La Trobe would not be able to maintain facilities or current levels of staff employment across the University's metro and regional campuses. An estimated **60-70 jobs** and **backlog maintenance of \$95 million** (of which at least **\$14 million is at regional campuses**) could be at risk as a result of these cuts.

Table 1. Potential Financial impact of the HESLA Bill on La Trobe University

Measures in HESLA Bill	Amount at risk (2018-2021)
2.5 % Efficiency Dividend in 2018 and 2019	\$40 million
7.5% of CGS subject to Performance Funding	\$67 million
Potential impact of other measures in the HESLA Bill (e.g. increase in student contributions and lower HELP repayment thresholds)	\$19 million
Total	\$126 million

REGIONAL IMPACT

Of particular concern is the structural challenge associated with generating the required surpluses at regional universities. The recent Deloitte report used to justify proposed higher education budget cuts clearly identifies “teaching and scholarship costs are 17% higher for regional students”³.

This lends compelling evidential support to the 2015 Higher Education and Infrastructure Working Group’s description of some suburban and regional universities, “which are significant drivers of local economies and play a vital role in the fabric of local communities” as having “no realistic prospect of amassing significant surpluses or developing balance sheets that allow them, acting alone, to effectively access capital markets.”⁴

Moreover, the impact of the proposed efficiency dividend will be greater on regional campuses given that they tend to be more teaching focused than metropolitan campuses.

The net effect is that while the government’s own research shows that regionally delivered higher education costs more, the impact of the proposed cuts will be disproportionately punitive. This is of grave concern given that long term prospects for economic prosperity and social cohesion in Australia will require a more distributed population and the development of a highly skilled workforce.

Without significant improvements in regional education outcomes, there is a high risk that the ‘brain drain’ of talent from the regions to metropolitan universities⁵ will strip our regional and rural communities of the talent they need to actively participate in the transformation to a knowledge economy.

³ Deloitte Access Economics (2017), ‘The Cost of Delivery of Higher Education’, p.61

⁴ Higher Education Infrastructure Working Group Final Report (2015)

⁵ Since the introduction of the demand-driven system, the number of regional students across Australia moving to a city location to study has increased by more than 76 per cent between 2008 and 2014. Cardak, Brett et. al., ‘Regional Student Participation and Migration: Analysis of factors influencing student participation and migration Australian higher education’, (2017) La Trobe University

Additionally, the fact that the Government's recently launched Research Infrastructure Roadmap has no funding attached to it provides no comfort to the sector that the critical role of universities in driving innovation and economic opportunities is being appropriately recognised and supported.

CONCLUSION

The proposed closure of the EIF, particularly in tandem with proposed budget cuts from the current higher education reform package, will significantly limit the capacity of Australian universities to invest in capital programs for maintenance, renewal and new infrastructure. This will damage the sustainability and competitiveness of Australian universities and curtail their ability to invest in strategic and innovative initiatives to improve the student experience, improve higher education participation and drive the innovation and skills development the Australian economy needs.

Accordingly, La Trobe University recommends that Government:

- Reject the passage of the Nation-building Funds Repeal (National Disability Insurance Scheme Funding) Bill 2017; and
- Commit to on-going investment in the EIF, including ensuring the \$3.7 billion currently in the EIF is targeted for the original purpose of building world-class teaching and research facilities in Australian universities.