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**ACUMA Submission  
to  
Senate Employment, Workplace Relations and Education  
Legislation Committee Inquiry into the Higher Education  
Support Amendment  
(Abolition of Compulsory Up-front Union Fees) Bill 2005**

**Submission no:**  
**Received:**  
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24 June 2005

Mr John Carter, The Secretary  
Senate Employment, Workplace Relations  
and Education Legislation Committee  
Suite SG.52, Parliament House  
CANBERRA, ACT 2600  
By Email: John.Carter@aph.gov.au

Dear Mr Carter

Re: Inquiry into the Higher Education Support Amendment (Abolition of Compulsory  
Up-front Union Fees) Bill 2005

ACUMA, the national association of campus service providers, welcomes the opportunity to make a submission in relation to the provisions of the *Higher Education Support Amendment (Abolition of Compulsory Up-front Union Fees) Bill 2005*.

ACUMA is the professional association representing managers and staff of campus service providers across Australia.

We understand the Inquiry will be conducting Hearings on the following dates in 2005:

July 4 – Melbourne;  
July 5 – Armidale;  
July 6 – Perth;  
July 7 – Canberra.

ACUMA would welcome the opportunity to appear before the Inquiry to give evidence on these matters in any or all of the above locations.

Please find our submission attached.

Please contact me (08 8201 2582, email [valda.jukums@flinders.edu.au](mailto:valda.jukums@flinders.edu.au)) or Tom O'Sullivan, ACUMA VSU spokesperson (0411 742 301), if you have any questions concerning this submission.

Yours sincerely



Valda Jukums  
Acting President, ACUMA

## 1. Introduction

To put our submission in context, we outline who we are and what our role is within the higher education sector.

ACUMA is the professional association representing managers and staff of campus service providers across Australia. Our member organisations provide a wide range of services and facilities including social activities, clubs, catering and retail outlets, bars, bookshops, sporting facilities and programs, formal and informal recreation and meeting spaces. Our members also provide a range of more general student support services including counselling, student leadership and development, assistance with orientation to campus life, services to support and assist international students to adapt to studying in Australia, financial services, employment services, health services, childcare and accommodation placement services.

ACUMA membership is largely drawn from the university sector but we also have members from a number of the campus service organisations within TAFE colleges and other post-secondary educational institutions. In the university sector ACUMA's membership covers more than 90% of campuses nationally.

ACUMA's mission is to foster excellence in the management and practices of our member organisations. At the association level we conduct conferences, workshops, and professional development courses as well as facilitating special interest groups under a range of headings such as food & beverage, liquor, retail buying, and student programmes and development.

## 2. Executive Summary

ACUMA considers that the Higher Education Support Amendment (Abolition of Compulsory Up-front Union Fees) Bill 2005 in its current form will have significant unintended consequences and a deleterious impact on the capacity of universities to provide a range of services vital to student success. ACUMA therefore asserts that the Bill should not proceed in its current form.

Our submission argues that University service organisations:

- a) are primarily university community service organisations and cannot be validly compared with trade unions;
- b) make a vital contribution to student success and to university community life;
- c) rely on predictable and substantial capital and recurrent funding derived from all student community members to adequately perform their role;
- d) had their provision of services and viability significantly impaired by the previous Western Australian VSU legislation;
- e) must ensure that the expenditure of student funds is on an approved range of services;
- f) must be governed in a way which ensures the highest standards of service provision and financial accountability.

Notwithstanding the above, ACUMA notes that the Government has failed to consult this industry about the possible structural impact of such a massive change if the current Bill were to become legislation.

ACUMA notes that in other industries where similar substantial legislative impacts (e.g. the Textile, Clothing and Footwear industry and the Sugar industry) have been proposed, considerable government support was given via extended transitional periods and/or

industry assistance following detailed impact studies. Such approaches would appear to be equally warranted for Australia's universities if this Bill is passed.

The final section of this submission contains some proposed amendments to the Bill which are intended to address the Government's expressed concerns with the sector. In two attached appendices, we have provided the following:

#### **Appendix One**

A report on the Western Australian experiences of VSU legislation provided by Tertiary Balance Pty Ltd and titled "The VSU Experience in WA".

#### **Appendix Two**

An overview of the role of campus service organisations.

### **3. International Comparisons**

The benefits of student services, similar to those provided in Australia are acknowledged around the world and much of the professional development of our industry is based on the work done in the USA, Canada and the UK. The payment of a compulsory services fee is widely accepted as the most efficient and effective way of providing important educational support services such as those provided on Australian campuses.

Our professional colleagues from around the world have confirmed the following:

- A vast array of student services, facilities and student development activities are provided by College Unions in the United States. A significant part of these programs is funded by the collection of a compulsory service fee paid by all students. In the case of private institutions the funding of the College Union program is included as a part of the overall tuition fee. US students are automatically members of the University Student Organisation.
- In the UK, Student Unions negotiate separately with their University for a block grant. Student Union per-capita funding amounts are approximately the same in the UK as in Australia. Students can opt out of membership on the grounds of conscience but funding is not changed as a result.
- Canadian students pay a compulsory fee that is used by the various student organisations to provide a broad range of student services, facilities and student development activities. The operation of the student unions in Canada is probably more like Australia than any other.

### **4. Profile of the Campus Services Sector Nationally**

#### **a) Outline of Current Services**

In most universities nationally, there are amenities and services provided for students such as student support, advocacy and childcare services, supplies of food, books, sporting facilities, and so on, that are needed to create a fully functional and effective academic community. The universities recognize these types of support services and amenities as being essential to achievement of their constituent academic/teaching objectives<sup>1</sup>.

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<sup>1</sup> Australian Vice Chancellors' Committee (2003): Excellence and Equity: Foundations for the Future of Australia's Universities – The AVCC Response to the Higher Education Reforms in the 2003 Budget, June 2003, Canberra, Australia, see page 20.

The campus services sector within Australia provides the above amenities and services needed to support the academic/teaching objectives of our universities and on a broad brush basis comprises five main groups or types of services providers. The following list is not exhaustive and there are overlaps in the functions of the groups:

- Student unions/guilds (major peak body nationally – ACUMA<sup>2</sup>);
- Student sporting associations (major peak – AUS<sup>3</sup>);
- Student representative bodies (major peaks – NUS<sup>4</sup> & CAPA<sup>5</sup>);
- Universities as services providers in their own right (peak – AVCC<sup>6</sup>); &
- Commercial operators with licenses/permits to operate on campuses.

## **b) Financial Overview**

Total gross receivables within the Australian campus services sector, covering the above major groupings of service providers, are estimated by ACUMA to be around \$1 billion per annum.

Of the \$1 billion or more in gross receivables per annum received by the campus services sector nationally, roughly some \$170 million is derived from compulsory amenities and services fees charged to students by universities as a condition of enrolment. The balance largely comprises receipts from sales in commercial operations whether over the counter or otherwise.

For ACUMA member organisations, comprising largely the student unions/guilds, total gross receivables are estimated by ACUMA to be of the order of \$600 million per annum of which some \$170 million per annum is derived from compulsory amenities and services fees charged to students by universities as a condition of enrolment.

## **5. Impact of Proposed VSU Legislation**

### **a) Financial Ramifications of Non-Compulsory Student Services and Amenities Fees**

If payment of the student services and amenities fees became optional, the revenue base derived from these fees would contract dramatically and swiftly.

Based upon the experiences at the universities in Western Australia in the several years leading up to but not including academic year 2003, where voluntary student unionism (“VSU”) had been introduced by way of state legislation<sup>7</sup>, it is estimated there would be a large reduction in the amount of these fees going to campus services organisations nationally if the fees were made optional. ACUMA estimates that sector wide receivables

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<sup>2</sup> ACUMA. See, <http://www.acuma.org.au> .

<sup>3</sup> Australian University Sport (“AUS”). See, [http://www.unisport.com.au/aboutus\\_au.html](http://www.unisport.com.au/aboutus_au.html)

<sup>4</sup> National Union of Students (“NUS”). See, <http://www.unistudent.com.au>.

<sup>5</sup> Council of Australian Postgraduate Associations (“CAPA”). See, <http://www.capa.edu.au> .

<sup>6</sup> Australian Vice Chancellors’ Committee (“AVCC”). See, <http://www.avcc.edu.au> . A number of universities provide in their own right campus services such as student counselling, career advisory, sports, accommodation placement, and medical services, to name but a few.

<sup>7</sup> VSU in Western Australia has since been repealed by way of the Acts Amendment (Student Guilds and Associations) Act 2002 (WA), which received royal assent on 3 January 2003.

from these fees would drop to at best some 25% of present levels nationally on a revenue (as distinct from membership) basis.

### **i) Consequences of Large Reduction in Income**

The immediate consequence of having the student services and amenities fees receivables contract to some 25% of present levels nationally is that receivables, under this heading for the campus services organisations, would contract from roughly \$170 million per annum to approximately \$45 million per annum.

A reduction in the receivables derived from the student services and amenities fees of some \$170 million per annum nationally would almost certainly create a flow-on effect on the other classes of receivables (which total some \$800 - \$850 million per annum) for the campus services sector.

ACUMA believes it is highly unlikely that Australian universities have the cash reserves to support the continuation of the majority of services which will lose substantial funding. The estimated total value of outstanding loans by campus service organisations is greater than \$50 million. These loans are for major building projects and without the guaranteed income that service fees provide, they will be very difficult to service.

Many campus service organisations may become technically insolvent the day the Bill is passed. Those organisations that do not have outstanding debts may have insufficient funds to meet the high costs of redundancy and downsizing. These organisations would be required to cease trading immediately and take the appropriate action as required by law.

In the medium term, campus service organisations' capacity to fund capital improvements will be destroyed.

### **ii) Flow-on and Multiplier Effects**

What actually occurred in the aftermath of the introduction of VSU in the Western Australian universities in the years leading up to 2003, was that there was a contraction in total gross receivables by the campus services organisations which was significantly higher than could be accounted for merely due to the absence of the amenities and services fees. In other words, there appeared to be a flow on or multiplier effect on the other classes of campus services receivables following the introduction of VSU in Western Australia.

In the cases of Edith Cowan and Murdoch Universities in particular in Western Australia in the VSU years, there was an implosion of campus services and amenities in the years following the introduction of VSU.

ACUMA considers it likely that gross sector wide receivables nationally for the campus services sector will be cut in half (from about \$1 billion per annum to less than \$500 million per annum) in the years following any national move to make the student services and amenities fees an optional payment by the students.

A relatively sudden structural change of this magnitude in the economics of the campus services sector nationally would clearly have major adverse consequences for campus services delivery.

## **b) Services Ramifications of Non-Compulsory Student Services and Amenities Fees**

Any significant reduction in the student services and amenities fees would likely fall harder on the services that have nil or reduced commercial viability, such as student employment, arts, sport, student support, childcare and advocacy services.

ACUMA has recently surveyed its member organisations nationally to determine what services would be the most likely to be discontinued in the event that the student services and amenities fee receivables were not available. Responses included:

- Student employment services
- Childcare
- Student support services
- Student leadership
- Student development & activities
- Orientation/transition to university
- Cultural development
- Entertainment
- Information services
- Safety/shuttle buses
- Health services
- Resource centres
- Visual & performing arts
- Theatres & galleries
- Student lounges
- Meeting rooms
- Diary/publications
- Student insurance
- Student loans
- Sport & recreation
- Commercial services
- Accommodation referral services
- Legal services
- Postgraduate support
- Mature age student support
- International student support
- Distance education support
- New buildings

With the exception of some catering, retail and sporting services, experience shows that the private sector would be unable or reluctant to provide the level of student services operating now on Australian campuses. Many campus service organisations have developed relationships with the private sector to maximise service efficiency.

A major challenge for the delivery of campus services is that commercial trading levels only occur for 26 to 32 weeks per year.

## **c) Significant Redundancies in the Sector**

The ACUMA membership was also surveyed to determine estimates of job losses in the sector. From services data and our understandings of the Western Australian experience, ACUMA believes that:

- i) National redundancies would be about 30% of the workforce which is equivalent to over 4,200 people, although not all of these will occur in the first year of VSU;
- ii) There would be about 1,600 full-time jobs and 2,800 part-time jobs lost, with the impact being more significant in newer and regionally-based universities.

## **d) Impact on Campus Building Projects & Building Maintenance**

Without a secure annual base of income that assists in servicing loans required for these major projects, future building projects will be highly unlikely.

ACUMA member organisations contribute significantly to annual running costs of buildings and facilities. These costs will be passed on to the universities or facilities will close.

## **e) Impact on Student Transition & Retention**

Research in this area indicates that students who are involved in extra curricular and co-curricular activities are more likely to be academically successful.

We are aware of compelling research evidence<sup>8</sup> which links the quality orientation with the levels of student engagement, retention and hence successful student completion. In a 1998 exit survey at Curtin University it was reported that:

"Students leaving Curtin prematurely reported a low level of interaction in activities such as joining the guild and social or cultural clubs, spending time at the tavern and playing sports or attending social functions. The only activity these students were likely to engage in was studying in the University libraries or spending time on campus."

Campus service organisations almost exclusively provide the opportunities for involvement in University life. A reduction in funding of these programs will reduce the capacity to provide services such as induction, welcome, peer support and clubs and societies programmes hard as they generate little income and are time consuming to run.

A reduction of the support services considered essential for 'student survival' will result in a greater drop-out rate and reduce the academic potential for students. Students will find the transitions more difficult.

## **f) Impact on Regional & Suburban Campuses & their Local Communities**

Many regional and suburban campuses depend on the services provided by the campus service organisation because there are no local services available.

The ACUMA investigation found that the campus service organisations based in regional areas were closely integrated with their local regional community and facilities such as meeting rooms, catering, recreation programs and sporting venues were frequently utilised by members of the local communities. They also create employment opportunities for local people.

In 2005, regional universities and campuses collected nearly \$40.2 million in student service fees and employ 598.6 staff nationally. Regional service organisations are heavily reliant on service fee income with fees often comprising 70% or more of their revenues – in such circumstances their survival is in peril.

For example, four of the regional ACUMA members have more than 85 per cent of their income solely from the ASF fees. These cases are facing extinction if the legislation gets up. A further two regional cases have more than 70 per cent of their income solely from ASF fees. These 70 per cent or more cases will find it very difficult if not impossible to handle VSU.

We submit that the introduction of VSU will create an imbalance between the presence of services and facilities on the large established metropolitan campuses and smaller newer suburb and regional campuses. This will result in an amplification of the 'haves' and the 'have nots' dichotomy. Regional campuses across Australia and the local communities they serve can least afford these losses.

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<sup>8</sup> McInnes C et al, Trends in the First Year Experience In Australian Universities, CSHE 1998, and McInnes C New Realities of the Student Experience - How Should Universities Respond? CSHE 2003.

Recent state conferences of the National Party in Victoria and New South Wales have recognised these heightened impacts in regional areas and have put forward changes to the proposed legislation to allow for a student services and amenities fee.

Often students from regional areas must leave home to attend university and as a result they rely on the services provided by the university to assist with their relocation and transition.

### **g) Impact on International Students' Services & Enrolments**

Over the last decade, campus service organisations have kept pace with the massive growth of international student enrolments by improving and expanding the range of campus social and support services to international students such as orientation, intercultural support services, recreational and culturally specific clubs.

These services have greatly enhanced Australia's reputation as a high quality destination for university study and have become a major component of international marketing and recruitment campaigns.

It is ACUMA's view that, in the light of the previous W.A. experience, without the range of comprehensive student services currently available, Australia's ability to attract overseas students will suffer. Important export income for our country will be affected, and with it those priceless opportunities for Australian and International students to form friendships and lifelong contacts.

International students often rely on university services to assist with the relocation to Australia. The services provided by campus service organisations do not just help recruit International students, they help them to study successfully.

### **h) Impact on Student Leadership & Development Opportunities**

Campus service organisations are the largest providers of student development activities in Australia. Some of the programmes provided include sports and recreation, clubs and societies, debating, leadership development programmes, entertainment and community services.

Many leading Australians in a broad range of fields including business and industry, the arts, sports and community services have benefited by developing their skills through University extra-curricular activities.

The leadership skills and expertise that students gain through involvement in these activities are precisely the attributes demanded by Australian employers. Teamwork, co-operation, communication skills, initiative and reliability are some of the characteristics required of new graduates that are often better learned through extra-curricular activities than in the more formal academic programs.

### **i) Impact on Arts & Live Music Programs**

Student organisations have invested heavily in supporting arts programs for generations. Recently, more than 800 hundred people associated with the arts in Australia joined together in the national newspapers to register their concerns about the proposed Bill, via the "Dagger in The Arts" advertisements and event.

Student Organisations have nurtured Australian artistic talent by providing opportunities for performance and exhibition. Musicians, comedians, acting ensembles, painters, film

makers, designers, writers and poets have all enjoyed the support and patronage that student organisations have invested in them, and given thousands more accessible education and exposure to these artistic talents.

## **j) Impact on Sports & Recreation Programs**

Australian student organisations promote health, fitness and well being through sports and recreation services and programs many of which are shared by local communities. Campus sports and recreation programs provide opportunities and encouragement for many people to become involved in activities - for the first time and the impact of these programs on the long-term health of the nation should not be underestimated and should be encouraged by government.

Campus sports groups in NSW played an integral role to the build up of the Sydney 2000 Olympics.

The Australian Universities Games attracts approximately 6000 student competitors to a week-long sporting carnival, whilst offering hundreds of volunteers the chance to learn event management skills.

The Games and lead-up competitions provide tremendous economic benefit to host cities. In regional and suburban areas, often the only sports and recreation facilities are those provided by the campus or by combined campus and local government initiatives.

## **6. The Western Australian Experience**

VSU operated in Western Australia. from 1995 through to 2002 although for the first two years the guilds received direct Commonwealth "top up" funding.

Clearly the W.A experience of similar VSU legislation to that proposed by this Bill demonstrates that it will have a disastrous impact on the quality of education at Australian Universities.

Some of the key aspects include:

- A significant reduction in both the range and standard of services provided. For example student employment services existed in name only;
- Significantly lower level of growth in numbers of international students compared with other states for a similar period;
- Funds were no longer available for building development and major maintenance unless provided by University operating grants;
- Well-established campuses with large numbers of students and significant commercial earnings suffered a major reduction in operations;
- Small, developing and regional campuses with few facilities and little or no commercial income had no chance of delivering long term quality service for the campus unless funded from the University operating grant;
- In many cases it was not practically feasible to prevent non-members using Guild services which placed extra pressure on the organisation's resources;
- Working conditions for students and staff who worked for the guilds were very difficult.

It is claimed in the discussion paper prepared by the Western Australian Union of Liberal Students (WAULS) in July 2002 that VSU resulted in an increased range of guild services at the University of W.A.

However, the facts show that although the number of advertised services appeared to increase, many represented little more than service headings and were virtually non-existent as genuine student services because of the massive funding reduction.

The UWA guild survived only with financial assistance from the University. Other guilds at Murdoch and ECU were close to or in receivership in 2002.

The ECU and Murdoch experiences are likely to be repeated in similar circumstances outside W.A. especially in the financially vulnerable situations found particularly in regional universities.

Curtin guild massively reduced non-commercial services.

Please see **Appendix One** for the detailed analysis of the W.A. VSU experience.

## **7. The Victorian Model**

The Victorian model of VSU is different to W.A. as many approved student services can be funded.

The legislation stipulates tight criteria for what can and cannot be funded and the university is accountable for the spending of the student fees. There is a high level of accountability and audit.

ACUMA recognises the Government's dissatisfaction with the Victorian version of the legislation and consequently proposes the alternative model below.

## **8. An Alternative Model**

ACUMA proposes the following changes to the Federal Government's Higher Education Support Amendment (Abolition of Compulsory Up-Front Student Union Fees) Bill 2005. These have been prepared in recognition of the Bill's primary intention to:

- a. Promote the ideal of freedom of association;
- b. Give students the choice as to which organisations they wish to join as members;
- c. End the potential for compulsorily-levied fees to be directed to political actions that may not be in accord with a student's own political views;
- d. End the situation where higher education providers are responsible for the collection of such fees without being held directly accountable for their application.

ACUMA believes the following changes to the Bill (numbered from 1 to 6 below) address these issues at the same time as allowing for the continuation of vital campus services and facilities.

The proposed amendments also ensure that the higher education provider has responsibility and accountability for all monies raised by a student services and amenities fee.

## ACUMA Proposal

The proposed changes are as follows:

1. A higher education provider may charge a Student Services and Amenities Fee (SSAF) payable by all students for cultural, arts, student support, health, sporting and fitness purposes. Proceeds from the SSAF can be used for the capital and recurrent costs of providing these services;
2. The higher education provider shall be accountable for the distribution and use of all monies collected through the SSAF and shall establish a controlled entity or entities to undertake this responsibility;
3. No SSAF-derived funds, or surpluses generated from these, are to be spent on political activity. Clubs and societies or other organisations which are deemed to be primarily involved in political activity are ineligible to receive grants from this fund;
4. All clubs and societies which are eligible to receive grants from the entity must have voluntary membership;
5. The tertiary higher education provider is required to certify annually that the proceeds of the facilities SSAF have been applied in compliance with the legislation;
6. The higher education provider and their controlled entities responsible for the distribution of funds collected from the SSAF, are required to comply with governance and financial codes of best practice which include, inter alia, rigorous annual auditing.

## **Appendix 1: The VSU Experience in W.A.**

**TERTIARY BALANCE Pty Ltd**

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22 June 2005

**THE VSU EXPERIENCE IN WA**

Mr Tom O'Sullivan  
ACUMA, Inc.  
Locked Bag 1333  
Newnham TAS 7248

Dear Tom,

You have asked me to provide written advice on the impact of voluntary student unionism ("**VSU**") over the period when it was operational under state legislation over the years 1994 through 2002 inclusive in Western Australia ("**WA**"). You have also asked me to provide written advice on the likely impact nationally of the federal government's proposed VSU legislation<sup>1</sup> presently being debated in parliament.

I am well placed to examine the impact of VSU in Western Australia because I have at various times been retained by each of the public universities in WA to prepare GST private ruling requests in relation to the treatment of amenities and services fees charged to students in the immediate aftermath of the repeal of the WA VSU legislation at the end of 2002. In the course of preparing these ruling requests, and on other engagements, I reviewed the finances of the student guilds and sports infrastructure at all of the WA universities.

**1. Summary**

In summary the introduction of VSU in Western Australia over the years 1994 through 2002 had a generally adverse impact on campus services infrastructure across the four WA public universities although the impact in some cases was less severe than in other cases.

The University of Western Australia student Guild and the Curtin University student Guild each fared considerably better under WA VSU than the student Guilds at Edith Cowan University and at Murdoch University.

The Student Guild at Edith Cowan University went into receivership during the period of WA VSU. Murdoch University Student Guild came within a month or two of going into receivership at the end of academic year 2002 and was only saved by a combination of an emergency loan from Murdoch University coupled with the repeal of the WA VSU legislation.

In the cases of both the University of Western Australia Student Guild and the Curtin

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<sup>1</sup> Higher Education Support Amendment (Abolition of Compulsory Up-front Student Union Fees) Bill 2005.

University Student Guild there was contraction in the level of funding for the various services provided over the period of operation of WA VSU but it is fair to say that by the end of the VSU period each of these organizations had demonstrated a sustainable business model for on-going operation under a VSU setting.

None of the student guilds under WA VSU escaped the need to undertake major staff redundancies and organizational restructuring. Although access to complete information on the redundancies under WA VSU is not now readily available<sup>2</sup> I would nevertheless estimate staff redundancies within the WA student guilds were on average in excess of 30 per cent of total staff on payroll. This number will probably apply if VSU is implemented nationally.

The fact that two of the four student guilds in WA in effect failed and that major staff redundancies occurred under WA VSU suggests to me there will be organisational failures and major redundancies nationally within the campus services sector if the proposed federal VSU model is implemented.

Based upon the WA VSU experience the impact of VSU if implemented nationally in the form proposed by the federal government is in my view likely to be more severe in general in the cases of the regional<sup>3</sup> and 'new generation'<sup>4</sup> universities than in the cases of the 'sandstones'<sup>5</sup>.

An unintended consequence of introduction of VSU nationally in the longer term in my view is likely to be growth in the existing prestige gap between sandstones on the one side and regional and new generation universities on the other side. Campus services infrastructure is an element in the consumer assessment of institutional 'prestige'.

Finally, there has been argument recently over whether or not the proposed federal VSU will affect international student numbers. In my view the experience of WA VSU does not support the conclusion that full VSU will not affect international student numbers. Over the time WA VSU was in force WA had a materially lower rate of growth in international student enrolments than applied nationally.

## **2. Background Information on VSU in WA**

VSU in WA operated<sup>6</sup> from 1995 through 2002 inclusive although for the first two years of that period (1995 and 1996) the student guilds in WA received certain funding directly from the Commonwealth<sup>7</sup>.

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<sup>2</sup> Many of these staff redundancies occurred more than seven or eight years ago, there has been poor retention of management records in some cases and there have been changes in senior management over the intervening years in most cases in the WA student guilds.

<sup>3</sup> For a list of the regional universities in Australia see the AVCC regionals sub-list at:

<http://www.avcc.edu.au/database/report.asp?a=show&committee=415&sort=committee>

<sup>4</sup> For a list of the 'new generation' universities ("NGUs") in Australia refer to the AVCC NGU sub-list at:

<http://www.avcc.edu.au/database/report.asp?a=show&committee=416&sort=committee>

<sup>5</sup> The term 'sandstones' refers to the Group of Eight universities ("Go8"). See <http://www.go8.edu.au/>.

<sup>6</sup> WA VSU was enacted by the Voluntary Membership of Student Guilds and Associations Act 1994 (WA).

<sup>7</sup> The legislative history of VSU in WA is summarised in the November 2004 background note SP006 entitled Voluntary Student Unionism produced by the federal Parliamentary Library (contact officer – Kim Jackson on phone (02) 6277 2416).

The period over which WA student guilds were exposed to the full operation of VSU as originally intended by the Court state coalition government was from 1997 through 2002 inclusive (six years in total).

The VSU legislation in WA was subsequently repealed by the Gallop state labour government with effect from January 2003.

Unlike the Victorian VSU model introduced by the Kennett state coalition government in 1993 (subsequently repealed by the Bracks state labour government in 2000), the WA VSU model did not place any obligation upon students to pay a services fee should they decide not to join the student organisation.

### **3. Background Information on the Structure of Student Organisations in WA**

Student organisations in the four WA public universities operate as guilds with separate legal entity status from the parent university in each case. Historically, and prior to introduction of WA VSU, the guilds each covered under a single umbrella organisation the total spread of student services inclusive of student representation, catering, bar, social events, clubs, sporting services and so on that are typically a feature of university life.

Following the introduction of VSU in WA two of the WA universities, namely University of Western Australia ("**UWA**") and Edith Cowan University ("**ECU**"), with agreement from their respective guilds separated the sports and recreation services out from under the control of the guilds.

In the case of ECU the sports infrastructure and operations were transferred across to be operated directly by ECU. Sports related staff who were previously on the ECU Guild payroll were transferred across to the ECU payroll and came under ECU management control.

In the case of UWA a new legal entity called 'UWA Sport and Recreation Association Inc' was incorporated under the provisions of the WA state associations incorporation legislation.

Sports related staff who were previously on the UWA Guild payroll were transferred across to the UWA Sports and Recreation payroll.

Certain UWA sports related buildings and/or capital infrastructure over which the UWA Guild had a legal interest were subsequent to introduction of WA VSU sold by the Guild to UWA (as distinct from being sold to UWA Sports and Recreation) for a sum amounting to several million dollars<sup>8</sup>.

In the cases of Murdoch and Curtin Universities there were no major structural changes to the spread of student services under the control of the student guilds following the introduction of WA VSU.

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<sup>8</sup> In addition, UWA Guild had substantial investments and other sources of non-operating income prior to introduction of WA VSU.

#### 4. Financial Outcomes for the Student Guilds under WA VSU

The July 2002 Western Australian Union of Liberal Students (“**WAULS**”) discussion paper entitled *Voluntary Student Unionism – Protecting the Interests of Students* notes that the UWA Guild President reported in 2000 that the “... *past four years have seen the Guild's financial situation move from strength to strength*”.

The implication by WAULS discussion paper was that WA VSU ultimately contributed to the financial strength of the UWA Guild.

To test this assertion or implication the financial outcomes for each of the Student Guilds under WA VSU are examined below, based in each case upon audited financial reports over the relevant period.

##### 4.1 UWA Guild

The UWA Guild's revenue from Guild fees and other audited financial figures for selected years over the period 1996 through 2002 inclusive (the last year of operation of WA VSU) is shown below<sup>9</sup>:

The table below indicates UWA Guild did a commendable enough job dealing with the WA VSU period – the organisation survived but not without considerable financial and other assistance and grants for capital works from UWA over the period.

It would be difficult to conclude, from the below audited figures as distinct from the reported statement by the Guild President in 2000, that WA VSU made the UWA Guild financially stronger in any way.

To put the financial performance of the UWA Guild into context for the same period of 1996 through 2002 it is worth noting that most of the student organisations at the other ‘sandstone’ universities (outside of WA and not subject to WA style VSU) materially outperformed the above figures in terms of net asset growth rate and via other measures.

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<sup>9</sup> Source: Audited profit and loss accounts for the UWA Guild of Undergraduates over years 1996 – 2002.

## UWA Guild Revenue from Guild Fees & Other Figures 1996 - 2002

Year	1996	1997	---	2002
Revenue from Guild fees (\$ 000's) <sup>10</sup>	1,892	132	-	281
% relative to 1996 Guild fees	100.0	7.0	-	14.9
Sales revenue (\$ 000's)	3,679	3,891	-	4,396
Non-operating Revenue (\$ 000's)	835	697	-	635
Total Income (\$ 000's)	6,406	4,720	-	5,313
Less Expenses	6,040	4,944	-	6,331
Operating Profit/(Loss) (\$ 000's)	366	(224)	-	(1,018)
Net Assets (\$ 000's)	7,314	7,089	-	7,765
Cash on hand or in bank (\$ 000's)	1,505	362	-	434

### 4.2 Curtin Guild

The Curtin Guild's revenue from Guild fees and other audited financial figures for selected years over the period 1996 through 2002 inclusive is shown below<sup>11</sup>:

Curtin Guild finished the WA VSU period with a relatively healthy cash position of \$3.225 million and it is acknowledged that as at the end of the period the Guild appeared to be operating under a sustainable business model.

The reduction in operating profit of Curtin Guild over the period of WA VSU appears attributable to the large fall in revenue from Guild fees once the substitute funding from the federal government ceased (at the end of 1996).

Were it not for the introduction of WA VSU the net worth of the Curtin Guild by 2002 would likely have been greater than what was actually achieved (all other things being equal).

It is difficult to avoid the conclusion that WA VSU (in the case of Curtin Guild) represented a lost opportunity for strong investment in campus services infrastructure. All of those retained earnings which were building pre-VSU had to go somewhere and hopefully it would have been into new capital investment to benefit future generations of students at Curtin.

<sup>10</sup> Note that federal government grants received in 1996 are counted as Guild fees.

<sup>11</sup> Source: Audited profit and loss accounts for Curtin Student Guild over years 1996 – 2002.

### Curtin Guild Revenue from Guild Fees & Other Figures 1996 - 2002

Year	1996	1997	---	2002
Revenue from Guild fees (\$ 000's) <sup>1213</sup>	2,261	490	-	420
% relative to 1996 Guild fees	100.0	21.7	-	18.6
Sales revenue (\$ 000's)	4,502	5,464	-	7,016
Non-operating Revenue (\$ 000's)	261	144	-	157
Total Income (\$ 000's)	7,023	6,097	-	7,173
Less Expenses	5,104	5,679	-	7,335
Operating Profit/(Loss) (\$ 000's) <sup>14</sup>	1,919	418	-	(162)
Net Assets (\$ 000's)	6,172	6,591	-	5,702
Cash on hand or in bank (\$ 000's)	2,035	2,314	-	3,225

#### 4.3 Murdoch Guild

Murdoch Guild's revenue from Guild fees and other audited financial figures for selected years over the period 1996 through 2002 inclusive is shown below<sup>15</sup>:

Murdoch Guild's net asset position as at the end of 2002 was negative \$120,000 with an audited loss for that year of \$293,000. This from an operation which had produced a profit of \$437,000 in 1996 – the year before the onset of full WA VSU.

The parlous cash position of the Murdoch Guild as at the end of 2002 had been propped up by an emergency loan from the University (granted only after State Parliament had passed the VSU repeal legislation). Were it not for the repeal of WA VSU effective 4 January 2003 it is safe to say that WA VSU would have claimed two, and not one, of the four student guilds in Western Australia.

<sup>12</sup> Note that federal government grants received in 1996 are counted as Guild fees.

<sup>13</sup> Curtin Guild fees for 2002 are shown as the GST-exclusive amount. The Guild absorbed the cost of GST on Guild membership fees in 2002. The GST-inclusive amount of Guild fees in the 2002 year was \$462,000.

<sup>14</sup> There was an abnormal expense item (amortization of Guild House) in the Curtin Guild accounts for the 2002 year for some \$250,000 which, for purposes of comparison with the 1996 and 1997 accounts ought to be disregarded. On this basis it is considered that from an operating perspective the Curtin Guild was marginally profitable in 2002 - the final year of WA VSU.

<sup>15</sup> Source: Audited profit and loss accounts for the Murdoch Student Guild over years 1996 – 2002.

## Murdoch Guild Revenue from Guild Fees & Other Figures 1996 - 2002

Year	1996	1997	---	2002
Revenue from Guild fees (\$ 000's) <sup>16</sup>	841	167	-	174
% relative to 1996 Guild fees	100.0	19.9	-	20.7
Sales revenue (\$ 000's)	952	1,050	-	1,386
Non-operating Revenue (\$ 000's)	40	25	-	3
Total Income (\$ 000's)	1,833	1,242	-	1,563
Less Expenses	1,396	1,384	-	1,855
Operating Profit/(Loss) (\$ 000's)	437	(142)	-	(293)
Net Assets (\$ 000's)	822	680	-	(120)
Cash on hand or in bank (\$ 000's)	456	421	-	63

### 4.4 ECU Guild

ECU Guild went into receivership during the period of WA VSU. The abovementioned WAULS paper notes that in 1989 the ECU Guild lost \$757,000 in an ill fated investment with the Western Women Group ("**Western Women**") and suggests or implies that WA VSU has been blamed unfairly by many for the demise of the ECU Guild.

There are two things worth clarifying about the circumstances of the ECU Guild's 1989 investment with the Western Women Group.

The first is that there appears to be a gap of several years between when the ECU Guild lost its money with Western Women and when the Guild went into receivership. That gap stretches the causality argument somewhat (that Western Women were the reason the Guild went under).

The second is that, reportedly, the money the ECU Guild lost with Western Women was invested from a special reserves account set aside for capital development only. That is the money lost with Western Women, had it not been lost, would not necessarily have been available to the Guild for operational purposes. This would suggest the ECU Guild encountered financial difficulties during the WA VSU period - of a nature that were not in the first instance the result of the ill fated investment several years earlier with Western Women.

The financial outcomes that occurred for ECU and Murdoch Guilds under WA VSU, suggest similar fates will likely befall some of the more financially vulnerable student organisations outside of WA, should the proposed federal VSU legislation be implemented in its current form. Some of the more financially vulnerable student organisations are within regional universities.

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<sup>16</sup> Note that federal government grants received in 1996 are counted as Guild fees.

## 5. Student Services Outcomes under WA VSU

The abovementioned July 2002 WAULS discussion paper noted that at UWA students benefited under WA VSU because the Guild offered an increased range of services compared to what was on offer under compulsory student unions.

Student services outcomes under WA VSU for each of the Student Guilds in WA are discussed below.

Before going into individual cases it is worth noting that in WA when VSU was introduced there were in many cases multi-year lags before various services collapsed. It took several years for the full impact of VSU to wash through the system.

When redundancies were made by the WA Guilds following onset of WA VSU, these redundancies were not all made in the first quarter of 1997 (the first full year of WA VSU).

The redundancies were made over a number of years as the Guilds struggled to balance their books and restore profitability under VSU.

### 5.1 UWA Guild

From my own interviews with the UWA Guild it is apparent the Guild took a policy approach after WA VSU was implemented of maintaining the full range of services headings that were provided under compulsory student unionism.

In the first full year of WA VSU, being the 1997 year, the UWA Guild's operating revenue from Guild fees fell to less than ten per cent of what it was in the previous year<sup>17</sup>.

The UWA Guild policy of maintaining or even increasing the range of services headings under VSU was in fact implemented by reducing funding to each of the services headings broadly in the same ratio as operating revenue from Guild fees fell. So to take a hypothetical example for purposes of illustration only, if a particular service was funded to \$100,000 pre-VSU then it was funded to \$12,500 during VSU. So although the same range of services headings were maintained or even increased the level of funding for each service heading was reduced in massive amount. The facts as indicated by the abovementioned WAULS discussion paper on number of services offered by the UWA Guild are not disputed, but do not lead to the conclusion that service quality to students at UWA Guild improved under WA VSU.

### 5.2 Curtin Guild

Curtin Guild dealt with the introduction of WA VSU by massively reducing the funding provided for non-commercial services to students. If a particular service to students could not be operated on a 'user pays' basis then funding was cut – and cut in large measure.

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<sup>17</sup> Source: UWA Guild audited profit and loss accounts for 1997.

Curtin Guild proved to be relatively adept at re-focusing more of their business around the commercial services to students. During the period of WA VSU the Guild grew its sales revenue on average at more than double the CPI rate.

### 5.3 Murdoch Guild

In the case of Murdoch Student Guild three of the on-campus retail outlets which were either owned by or were tenants of the Guild ceased operations during the WA VSU years. The Murdoch Guild Tavern and the coffee shop survived the WA VSU years but the Guild Shop (owned by the Guild) closed its doors in 1998, followed by the computer shop (tenant) and the record and CD shop (tenant).

Murdoch Student Guild responded to WA VSU by reducing the range of services headings.

'Festival Day' during orientation week was scrapped. Free film nights were discontinued, as were lunch time musicians/buskers. Major entertainment events for students at Murdoch were curtailed in order to reduce the financial 'event risk' to a level consistent with the Guild's reduced financial circumstances. The student diary was maintained but cut-back and the student newspaper went from being a colour publication to being a black-and-white publication - fewer editions were published each year.

### 5.4 ECU Guild

Having the services provision organisation (ECU Guild in this case) go into receivership cannot be helpful for maintenance of service levels to students. The Vice Chancellor at ECU has previously made public comment upon the difficulties imposed upon ECU by the WA VSU period.

The fact that there was an implosion in much of the campus services infrastructure at ECU over the WA VSU period does not appear to be in dispute and accordingly there is not much coverage of the matter here.

It is worth noting that ECU sporting services and infrastructure performed relatively well under WA VSU – these services were not under the control of the ECU Guild at the time.

I have prepared a separate report to Australian University Sport ("**AUS**") which provides more detail on the reasons for the relatively favourable sports outcomes at ECU over the WA VSU period.

## **6. International Student Numbers over the WA VSU Period**

The July 2002 Western Australian Union of Liberal Students ("**WAULS**") paper entitled *Voluntary Student Unionism – Protecting the Interests of Students* made the statement:

*" .. In the four years since the introduction of VSU there has been a 56% increase in the numbers of international students enrolled at universities in Western Australia, with this being a stronger rate of growth than that experienced in NSW, which retains compulsory student unionism, over the same time period."*

Note that the WAULS paper above referred to the increase in international students in Western Australia between 1994 and 1998 – not to the increase up to 2002. Footnote 19 of the WAULS paper referred to the Senate Employment, Workplace Relations, Small Business and Education Committee *Higher Education Legislation Amendment Bill (1999) Report* at paragraph 2.29 as the source of the 56 per cent statistic. Paragraph 2.29 of the relevant Senate Committee report stated:

*2.29 The Committee sees no cause for alarm at gloomy prognostications about the adverse effects of voluntary student unionism on the enrolment of international students. While it is probably too early to make any firm assumptions based on data available from DETYA about enrolments in Western Australian universities, the first indications offer no comfort for opponents of the legislation. In 1994, before the introduction of voluntary student unionism, Western Australian universities enrolled 6,242 international students. The 1998 figure was 9,764 student enrolments<sup>18</sup>, representing an increase of 56 per cent. This exceeds the increase for universities in New South Wales over the same period. In the Committee's view this comparison probably reflects the closer proximity of Perth to south-east Asia, and the lower costs overall. To the extent that voluntary unionism is an issue, it probably contributes to lower costs. [footnote added]*

The problem with the above 56 per cent statistic quoted above by WAULS is that full WA VSU did not come into effect until 1997. It is considered meaningless to compare 1998 WA international student enrolment figures to 1994 figures for these purposes. When one compares the WA international student enrolment figures at the end of the period of WA VSU (in 2002)<sup>19</sup> to those that applied in the first full year of WA VSU (in 1997)<sup>20</sup>, an entirely different picture emerges.

Over the five years of 1997 through 2002 international student enrolment numbers in the higher education sector nationally grew at a compound average annual growth rate of some 19.2 per cent. Over the same period the equivalent numbers in WA grew at a compound average annual growth rate of some 11.8 per cent – substantially lower than the growth rate experienced nationally<sup>21</sup>.

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<sup>18</sup> The 1998 figure above of 9,764 international student enrolments in Western Australia as quoted by the Senate Employment, Workplace Relations, Small Business and Education Committee appears to have been derived from Table 91 at page 154 of the December 1998 DETYA publication *Selected Higher Education Student Statistics, 1998*. The statistics provided in Table 91 are headcount, rather than EFTSU, based.

<sup>19</sup> See DEST (2003): *Students 2002 – Selected Higher Education Statistics*, ISSN 1443-6639, DEST No. 7043.HERC 03A, refer to Table 39 at pages 84 & 85. Note that these statistics are EFTSU based.

<sup>20</sup> See DEETYA (November, 1997): *Selected Higher Education Student Statistics, 1997*, refer to Table 63 at pages 114 & 115. Note that these statistics are EFTSU based.

<sup>21</sup> Note there will be some distortions apparent when comparing national figures to the figures applying to the four WA universities listed, due to the number of reporting entities nationally being higher in 2002 than in 1997. These distortions are not considered material to the conclusion reached – namely that over the period 1997 through 2002 the international student enrolment numbers grew at a substantially faster rate nationally than they did over the same period in WA.

## International Student Enrolments (EFTSU) over WA VSU Period 1997 - 2002

	1997	2002	% Increase
Curtin University	3,713	7,368	98.4
Edith Cowan University	1,333	2,379	78.5
Murdoch University	1,180	1,785	51.3
University of Western Australia	1,541	2,011	30.5
Total for all Public Universities in WA	7,768	13,542	74.3
Total for Higher Education Nationally	53,381	128,445	140.6

### 7. Conclusion

If you have any questions concerning the above please do not hesitate to call me at one of the numbers given at the head of this letter.

Yours sincerely



Peter McDonald  
Director, Tertiary Balance Pty Ltd

## **Appendix 2: The Campus Community and the Role of the Student Union**

Clearly a student union is not a trade union. In his definitive work "The College Union Idea", Porter Butts observes:

"Union' states directly the goal of unity among diverse groups of people which the building fosters, much as "university," of which union is a part, signifies unity in diversity in academic endeavors. The word "university" derives from the Latin "universitas" meaning "the whole;" union from "union," meaning "oneness," a whole made up of united parts . In the educational world the two concepts support and complement each other." (*The College Union Idea* 1971, ACUI, p127)

The central focus of campus service professionals around the world is the development of campus community and the personal development of students. The international benchmark for the campus services industry is best described in the following statement that is internationally accepted as the mission statement for our industry.

*The union is the community centre of the college, serving students, faculty, staff, alumni, and guests. By whatever form or name, a college union is an organization offering a variety of programs, activities, services, and facilities that, when taken together, represent a well-considered plan for the community life of the college. The union is an integral part of the educational mission of the college.*

*As the centre of the college community life, the union complements the academic experience through an extensive variety of cultural, educational, social, and recreational programs. These programs provide the opportunity to balance course work and free time as cooperative factors in education.*

*The union is a student-centred organization that values participatory decision-making. Through volunteerism, its boards, committees, and student employment, the union offers first hand experience in citizenship and educates students in leadership, social responsibility and values.*

*In all its processes, the union encourages self-directed activity, giving maximum opportunity for self-realization and for growth in individual social competency and group effectiveness.*

*The union's goal is the development of persons as well as intellects.*

*Traditionally considered the "hearthstone" or "living room" of the campus, today's union is the gathering place of the college. The union provides services and conveniences that members of the college community need in their daily lives and creates an environment for getting to know and understand others through formal and informal associations. The union serves as a unifying force that honors each individual and values diversity. The union fosters a sense of community that cultivates enduring loyalty to the college.*

Adopted by the Association of College Union International's (ACUI) general membership in 1996, this statement is based on the Role of the College Union statement, 1956.

**END OF ACUMA SUBMISSION**