Dear David,

The University of Sydney is pleased to make a brief submission in response to the Allocation and Funding of Commonwealth Supported Postgraduate Places Consultation Paper released by DEEWR in November 2011. We look forward to discussing our plans for postgraduate CSPs in 2013 and the broader questions of policy early in the New Year.

As the Department is aware from our annual funding agreement and compact discussions, the University is committed to pursuing a strategy of gradually increasing the proportion of its students studying at the postgraduate level in coursework and research degrees. This steady change in the emphasis of our provision has been occurring over many years and for a variety of reasons, which taken together have made increasing our postgraduate profile a compelling and largely natural path to follow.

We are very keen therefore to ensure that any reforms to the policy framework governing the allocation of postgraduate CSPs enable us to pursue the strategic objectives for our future size and shape with certainty and maximum flexibility. We recognise, however, that the introduction of the demand-driven funding reforms for bachelor degrees has created a significant policy dilemma in relation to the future of postgraduate CSP allocations, effectively rendering recent approaches to the transfer of places between undergraduate and postgraduate programs unmanageable.

In considering the four options for reform described in the Consultation Paper we have consulted widely within the University. We have assessed each option for its capacity to enable us to pursue our strategic goals with certainty and sufficient flexibility to allow us to respond effectively to changes in market conditions. We have also considered the importance, for the good of the sector as a whole, of ensuring that a policy solution is found that can be applied consistently, transparently and fairly to all providers. Ensuring that any reforms enable the Government to achieve its social inclusion and broader policy objectives, while managing the allocation of public funds efficiently under a framework that is administratively workable, is a third important factor that we have taken into account.

Due to the disciplinary breadth of our course offerings and the diverse strategies that are being pursued by different faculties and schools, identifying a preferred option for the future allocation of postgraduate CSPs, or blend of options, is arguably more difficult for a university such as Sydney than it is for other institutions. For example, some of our faculties and disciplines remain focused largely on undergraduate coursework provision and are keen to operate in the demand-driven system. Others offer a strong mix of undergraduate and postgraduate courses to Commonwealth Supported and full fee paying students, providing alternative pathways to the same or similar professions. Some offer
only postgraduate coursework programs through CSPs or a mixture of CSPs and full fees. Others are focused on growing domestic and international enrolments in postgraduate full fee courses in fields where there is strong demand and see little need for CSPs.

Some of our faculties or schools, particularly those operating in fields where the private rate of returns to students may be lower, find that there is little demand for postgraduate full fee places, but very strong demand if they can offer CSPs. Others are pursuing strategies to shift CSPs from undergraduate to postgraduate courses in response to domestic and international trends, the requirements of the new Australian Qualifications Framework, demand from professions and students, proposed changes in student income support and to improve their financial viability. Some operate in areas of identified skills shortage and national interest as determined by governments from time to time, while others view their fields as equally important to society, but as vulnerable under a model that restricts the allocation of postgraduate CSPs entirely to the Government.

Given this diversity, it is not surprising that our internal discussions about the four options for reform described in the Consultation Paper have failed to identify a single model as clearly preferred. We have, however, been able to find broad support for a hybrid model, based on the Consultation Paper’s Option 3, but drawing on elements from other options, which we believe has the potential to meet the needs of the Government and all providers for policy and funding certainty, consistency, transparency, accountability and flexibility. We think such a model could be acceptable to the sector as a whole because the complexity and diversity we face internally is not dissimilar to that which exists sector-wide.

Our proposed hybrid model would have the following features:

1. Each university would nominate those fields where it wishes to stay fully within the demand-driven system and those where it wishes to ‘cap and trade’ places between bachelor and postgraduate coursework level courses (Option 3 element).
2. In recognition that many, but not all, universities have existing allocations of discretionary postgraduate CSPs, each university would receive a fixed allocation of postgraduate CSP to be used completely at its discretion (Option 2 element).
3. Each university would negotiate a three year funding agreement for its allocation of ‘cap and trade’ CSPs through a process similar to that which was in place from 2008 to 2011. The current funding agreement and compact negotiations would be brought together into a single integrated process (Option 3 element).
4. Each university’s total CSP funding would then be the sum of its funding ‘envelope’ from its ‘cap and trade’ fields and payments derived from its student load in fields where it chooses to remain in the demand-driven system (Option 3 element).
5. In those fields where a university elects to ‘cap and trade’, an over-enrolment buffer of 5 to 7 per cent would be allowed for both bachelor and postgraduate coursework load (new element).
6. The Government would continue to allocate additional postgraduate places to providers based on an assessment of skills shortages or national significance, with new places allocated transparently through competitive processes or as part of the mission-based compact agreement negotiation process (Option 1 element).

We propose this preferred hybrid model for discussion for reasons including the following. First, such a model can be applied to all universities consistently. Models based on the Consultation Paper’s Options 1 and 2 cannot, in our view, be applied equally to all providers as arrangements have already been made to allow some universities to be funded in line with the Consultation Paper’s Option 3. Moreover, historical allocations and institutional responses to the demand-driven reforms mean that drawing a line in the sand must inevitably leave some institutions disadvantaged compared to others.

Second, our proposed hybrid model would provide all institutions with considerable strategic and operational flexibility by: allowing them to stay in the demand-driven system in those fields where doing so is consistent with their strategic goals; ensuring that they have access to a dedicated number of discretionary postgraduate CSP places; allowing CSP load to be shifted freely between undergraduate and postgraduate courses in those fields where the institution elects to withdraw from
the demand-driven funding system; and providing a reasonable over-enrolment buffer in these fields in recognition of the difficulties that providers face in hitting their targets precisely.

Third, a hybrid model such as proposed would give providers the capacity to respond quickly to changes in capacity and demand between undergraduate and postgraduate fields. It would encourage diversity in the sector. Some providers would choose to focus primarily on undergraduate provisions, operating fully or largely in the demand-driven system. Others would choose to sacrifice some funding flexibility in return for greater funding certainty and flexibility in those areas where they are seeking to shift the focus of their provision to postgraduate coursework. In our own case, we might choose to stay in the demand-driven system for our broad, large intake, bachelor programs, but to ‘cap and trade’ in many of our degrees where the qualifications satisfy requirements for entry to a profession.

Fourth, while Option 3 needs to be the starting point in the interests of consistency, by itself it is unlikely to be acceptable to all providers because it would require them to exit the demand-driven system. Such an outcome might assist the Government by controlling the cost of the demand-driven reforms, but it would be at odds with the achievement of the national undergraduate participation targets that it has set. It is therefore unlikely to be politically acceptable. A hybrid model such as proposed would serve to stabilise the overall cost of the CSP program for the Commonwealth, but leave the demand-driven funding system operating, albeit on a smaller and more affordable scale.

Fifth, while such a hybrid model should reduce the need for the Government to allocate additional places to address skills shortages and national significance, it nevertheless recognises that the Government should always retain the capacity to intervene – ideally through a transparent competitive process.

Finally, we reiterate that such a model would provide a policy and funding framework that is clear, workable and capable of achieving the Government’s participation and broader goals for the sector. It also has the potential to receive broad support from providers due to the certainty and flexibility it would provide.

There are of course many matters of detail that would need to be worked through if the Government and the sector saw merit in a hybrid approach such as we have proposed. For example, one key issue that will need to be resolved is the baseline load on which a university’s maximum ‘cap and trade’ funding envelope will be determined for those chosen fields. Institutions have responded differently to the demand-driven funding reforms. In our view it would be unfair if those providers that have dramatically increased their undergraduate enrolments from 2010 to 2012 were effectively granted a higher allocation of postgraduate CSPs in chosen fields as a result. In setting such funding agreements, the underlying principle should be that no institutions should be disadvantaged, relative to competitors, as a result of the strategies they have pursued in response to the flexibility provided by the demand-driven reforms since 2010.

Another issue that would need to be addressed is the question of what happens when an institution decides in the future to ‘cap and trade’ in a field where it has previously elected to remain in the demand-driven system? If this occurs, we suggest that the starting point for negotiations about the university’s CSP cap for that field should be its 2010 to 2012 load figures, not its load in subsequent years, as this may have increased substantially as a result of access to the demand-driven funding system.

We trust that this input is helpful to DEEWR as it considers the issues. We acknowledge the complexity of the policy and administration issues that need to be addressed for 2013, and are keen to work with the Department to find a solution that is acceptable to the Government and the sector as whole.

Yours sincerely

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Derrick Armstrong