THE UNIVERSITY OF
SYDNEY

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Senator Sue Lines
Senator for Western Australia
Chair, Senate Standing Committee on Education and Employment, References
PO Box 6100
Parliament House
Canberra ACT 2600

By email: eec.sen@aph.gov.au

Dear Senator Lines

Higher Education and Research Reform Bill 2014 (Cth)

The University of Sydney welcomes the opportunity to comment on the principles of the *Higher Education Research and Reform Bill 2014* **("the New Bill")** and related matters. Our submission is intended to complement and support the submission made by Universities Australia and the Group of Eight Universities.

The University of Sydney supports the principles of the New Bill, and is encouraged to see that some of our major concerns with the previous Bill have now been addressed. We set out our position on New Bill in our 19 February 2015 submission to the Legislation Committee's review.

In particular, the New Bill continues to ensure that domestic undergraduate students pay no upfront tuition fees and that the real value of their debt capital will not increase over time.

The New Bill also introduces a market-based cap on the fees that providers may charge, with the ACCC to monitor charging practices. These changes should give comfort to those in the community who are concerned about the potential for unfettered price increases. We firmly believe that the system created by the Bill will drive competition between providers, increasing diversification and innovation, ultimately offering students better quality and more choice.

In addition, providers will be in a better position to provide financial assistance to those students for whom the prohibitive barrier to study is not fees, which can be deferred under HECS, but the cost of living while studying. This has the potential to greatly increase equity of access to higher education. In our case, we predict that under the proposed reforms we would be able to provide tailored financial aid packages to up to a third of our undergraduate students.

The case for reform has been made many times: in our previous submissions on these reform proposals; in those from Universities Australia and the Group of Eight; and in the many recent reviews of the higher education sector.

Uncapping undergraduate places in all courses except Medicine, has widened participation rates, and increased access to higher education for many students who would not have otherwise had the chance to study at this level. During a period when the Federal Budget has been under under considerable pressure, however, the demand-driven funding reforms have dramatically increased the cost of the Commonwealth Grant Scheme and student income support programs. This has resulted in a tendency to impose offsetting savings in scholarships and through blunt measures like efficiency dividends and a return to indexation rates that fall well short of actual increases in costs over time.

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There has been no clear process for allocating commonwealth supported places for postgraduate coursework programs since demand-driven funding commenced in 2012. In that year, the University of Sydney provided a submission to the then Government's review of Commonwealth Support Places Allocation (available here) in which we argued that a hybrid model between 'fixed envelope' and demand-driven funding would strike the right balance between flexibility and stability for both providers and Government.

Unfortunately, neither the former or current government has been able to solve this important policy question, which continues to affect the day-to-day operations of providers. As a result, providers cannot plan their mix of courses with any certainty. If the proposed reforms are not passed in some form, and the current funding arrangements are to continue indefinitely, the process for making postgraduate CSP allocations will need to be resolved as a priority.

Other unforeseen consequences of the demand driven system include the impact the growth in enrolments across the sector in teacher education programs, the health disciplines and other professional fields where students must complete supervised work-based placements in order to graduate and meet registration standards. The growth in students in these disciplines (20-30 percent nationally) has resulted in significantly increased pressure on the availability, quality and cost of compulsory work-based placements. The University completed a scoping study on these issues in the health disciplines in 2013 to better understand the dimensions of the problem (available here). Such pressure is resulting in an increasing expectation that universities will provide financial support to health and education systems placing students, further increasing the demands on available funding for higher education.

As the cost of supporting domestic students through the Commonwealth Grants Scheme and HECS has risen, successive governments have also sought to offset such costs with cuts to research and infrastructure programs. Indeed, the survival of some of the funding programs (Future Fellowships and the National Collaborative Research Infrastructure Strategy or NCRIS) critical to the national research and innovation system has been tied to the fate of the Bill currently before Parliament. This risks our research capacity, our international rankings, and potentially the future sustainability of the multi-billion dollar higher educational export market.

The reduction in support for research and research infrastructure is also adding to the financial burden on research-intensive universities, the majority of which are dealing with ageing infrastructure and significant backlog maintenance liabilities.

In short, the funding challenges the higher education sector faces can only be addressed by: increasing the burden to the taxpayer; asking students to increase the contribution they make towards their education through HECS; further cutting public funding per student; or reducing the numbers of Commonwealth supported students in the system. Doing nothing is not an acceptable alternative. The New Bill before the Parliament represents a once in a decade opportunity to improve the funding framework under which higher education providers operate.

Without action, a flawed demand-driven system in which funding bears no relation to actual costs, combined with impending demographic and industrial changes, will see the cost of the system to the government grow uncontrollably over the next 15 years. Under a continuation of the current system, the quality and international competitiveness of our higher education institutions is likely to continue a slow but inexorable decline.

Yours sincerely,

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Dr Michael Spence