

## **IRU: 2017-18 pre-budget submission**

The Innovative Research Universities (IRU), comprising La Trobe University, James Cook University (JCU), Charles Darwin University (CDU), Flinders University, Griffith University and Murdoch University, is an active participant in higher education and research debate, seeking a sustainable system to support its member universities provide excellent education and research outcomes for their students, local and global economies.

For too long, the Australian higher education sector has faced uncertainty about future government funding. After various consultations and reviews including the *Driving Innovation, Fairness and Excellence in Australian Higher Education*' discussion paper released with last year's budget, it is now time to provide clarity about the balance of Government and student investment.

IRU has spoken repeatedly about a [trilemma](#) in higher education funding that remains to be resolved. The Australian higher education system should:

- be affordable to students;
- be affordable to the taxpayer; and
- provide universities with the resources they need to deliver high quality teaching and excellent research including the translation of research.

The challenge is to find a way ahead that balances those three, allowing Australia to maintain its higher education system with the potential of taking it to the next level. Fixing the trilemma requires constructive discussion aimed at resolving the resourcing challenge sensibly, with cross parliament support. The first step is to resolve the high level outcomes needed, followed by exploration of options, based on analysis, with a willingness of all parties to be constructive.

This 2017-18 pre-budget submission sets out the IRU's recommendations for reworking the Government's higher education reform package and the next stages needed to ensure effective research outcomes across Australia.

Without adequate funding however, universities will struggle to continue delivering the excellence in teaching and learning and research. This excellence is underpinned by adequate and world-class research infrastructure. As various reports and reviews have shown, it pays for governments to invest in higher education and research.

The points summarised below are detailed in the IRU's response to the Government's discussion paper outlined *Driving Innovation, Fairness and Excellence in Australian Higher Education*' and the IRU input to the development of the National Research Infrastructure Roadmap.

### **The IRU's central objectives for the medium term**

- a. Retain demand driven funding as the core mechanism for supporting Australians gain the higher education they need, expanding it to include sub-degree enrolments.**
- b. Ensure base university revenue is at a level which is sufficient to sustain universities' core capabilities to deliver student learning outcomes and research to meet future needs**
- c. Allow universities to opt in to changes with long term significance, testing out changes and encouraging incremental take up.**

## Key Recommendations

### 1. A commitment to support each Australian achieve their potential with an initial expansion of sub-degree places, targeting regions of under attainment

The IRU's position has consistently been that the demand-driven system should be retained as the core funding mechanism for supporting all aspirants gain the higher education that they need including the cases where they opt for 'sub-bachelor'. With the built up demand for places now met, the system is growing more slowly, consistent with demographic growth and the steady rise in need for higher education qualifications.

The long-term benefits of the demand driven system in ensuring the future capability of the workforce outweigh the modest, additional annual expenditure from growth in places. The challenge lies in ensuring the competition for students does not drive some institutions to failure.

The major issues to be addressed are to link demand driven funding for bachelor places with similar arrangements for sub-bachelor programs and to resolve a fair mechanism for allocating funded postgraduate coursework qualifications.

Until restoration of demand driven funding to sub-bachelor places is feasible, the Government should expand allocations to target the outer metropolitan and regional areas of low higher education participation particularly those universities in the region with a successful record of transition from sub-bachelor to bachelor.

### 2. Incorporating an effective Higher Education Participation and Partnerships (HEPPP) program into the Commonwealth Grant Scheme (CGS) with sufficient funding that it encourages universities to focus on enrolling students from all backgrounds and rewards those who do so best

The HEPPP program is an important part of the suite of funding to encourage universities to educate Australians from all backgrounds. This flagship equity programme has never been allowed to become what it was meant to be. Since its inception, HEPPP has been the go-to program when governments of both sides wanted savings.

Rather than reducing HEPPP to insignificance, the government should allow it to reach its potential. IRU has long argued that the main element of HEPPP, funding driven by enrolment of low SES students, should be considered as part of the Commonwealth Grant Scheme (CGS) on the basis that the focus should be to improve the incentive for enrolment rather than targeting a set of particular projects within universities. See: [Successful HEPP faces death by a thousand cuts](#).

### 3. Targeted support for universities with outer metropolitan and regional bases to support the effective Australia-wide access to university education and research.

As the 2015 report of the *Higher Education Infrastructure Working Group* highlights, regional and outer suburban universities "are significant drivers of local economies and play a vital role in the fabric of local communities."

Although more students from outer-metro, regional and remote Australia are going to university (usually students are the first in their families to go to university), the completions rate for regional and remote students is significantly lower than for metropolitan students.<sup>1</sup> Around 19% of regional and remote undergraduate students study in IRU universities. Specific, targeted government support focusing on completions would ensure that the success rates are higher.

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<sup>1</sup> Completion Rates of Higher Education Students – Cohort Analysis, 2005-2014

One way of doing this is through the opening up of the demand-driven system for sub-bachelor places transitioning into bachelor places thus increasing the chances of students' successful transition to university study (see recommendation 1).

#### **4. Reworking of the Commonwealth Grant Scheme (CGS) and student payments**

Ultimately, the decision on how much money to invest in a country's higher education and research system rests with the Government. From the perspective of universities, the underlying objective is to have enough revenue (irrespective of origin) to fulfil their missions.

IRU continues to oppose the remnant 20% funding cut from the 2014-15 budget as counterproductive to effective higher education outcomes. There are ways ahead that could increase revenue for universities within the agreed parameters of set maximum charges for students. IRU supports reform to the Commonwealth Grant Scheme through:

- fewer, clearly distinct, government funding bands. Currently there are eight discipline funding clusters. These could be reworked into a simpler, streamlined set that more clearly reflects the resourcing universities require to deliver courses in certain disciplines;
- simplified student charges through a single maximum contribution set no higher than the highest current maximum. Student payments should reflect the value of acquiring a degree. Currently there are three maximum student contribution amounts so that students pay more for a unit of accounting than for a unit of engineering than for a unit of psychology. Different government contributions per discipline should reflect the likely difference in cost by discipline;
- a factor addressing student background, to reward enrolment of a diverse student population (see recommendation 2); and
- a factor addressing student outcomes with bespoke university targets, tied to accessing higher levels of revenue from Government and students combined. This would act as an incentive for universities to focus on student outcomes.

In the formulation of different options, IRU remains open to explore the viability of mechanisms that encourage universities to develop some areas of high achievement. This should not however entail entering into complex interventionist approval processes. If the Government wishes to support some highly renowned programs with an international profile, then this should be more in the spirit of the original 2011 proposal which envisaged a stronger government investment rather than simply a higher student charge.

#### **5. Adjust HELP repayment arrangements in ways that speed up repayment but which do not affect the core elements of HECS-HELP.**

HECS-HELP has proved itself to be one of the most successful systems in the world to support students' contribution to the cost of education. It allows every Australian, irrespective of background to access tertiary education, to pay a contribution when s/he is in a financial position to do so.

Public debate is losing track that the fundamental driver of the schemes is to encourage all eligible Australians to pursue higher education opportunities without seeing costs as a barrier. Intentionally that means that the study does not pay off for all but that it does for most with benefits for all Australians. Government must keep this in mind when balancing the year to year cost of HELP and other higher education programs against the positive outcomes created. These outcomes among other things underpin Government revenue, completing a positive loop.

HELP should not be subject to hyperbolic estimates built on assumed Government borrowings. As the IRU has argued<sup>2</sup>, the PBO assumption that a Government loan scheme is a secondary call on Government revenue after standard Government expenditure programs is not sensible in an analysis of HELP. HELP exists to reduce the Higher Education expenditure program. The annual cost of HELP should assume that it is paid for by the same mix of Government revenue and borrowings as the funded Higher Education programs.

Public support for HELP is built on its essential elements of funding to cover the student charge, repayments set at reasonable rates against income, and indexation of the balance each year by CPI. There is scope to adjust the points for repayment and rate of repayment to increase the amount repaid each year as long as they continue to meet a test of reasonableness. On the PBO assumption it could be less costly for Government to increase direct funding for Higher Education than allow an equivalent amount of additional student use of HELP.

Hence IRU would support changes along those lines as outlined in the Minister's discussion paper.

IRU is sceptical of the concept of a HELP loan fee for all programs. This will increase the cost for HECS-HELP without any improvement to universities' capacity to education students. A fee would contradict the important premise of HECS that there is no extra cost for being unable to pay a fee upfront. Changing this would risk public support for a major user contribution scheme.

## Research and Innovation

### 6. Committing to long-term funding for research infrastructure across Australia through the establishment of a national research infrastructure fund.

IRU supports the Government's 2015 National Innovation and Science Agenda (NISA) with a key challenge being the extent to which it has managed to generate innovation across Australia, harnessing Australia's full innovation potential.

Despite the signature NISA investment, it essentially only covers the National Collaborative Research Infrastructure Strategy (NCRIS) facilities. The long-term funding challenge for Australia's research infrastructure remains.

As the *Research Infrastructure Review* report recommends, the Government should establish a national research infrastructure fund for the sole purpose of investing in national Research Infrastructure. The latter report further recommends that there should be a \$3.7 billion up-front capital injection into this fund. IRU agrees that the remnant \$3.7 billion in the Education Investment Fund (EIF), should continue to be earmarked for enhancing Australia's Research Infrastructure.

The government should also adopt **an intentionally national approach to the distribution of research infrastructure** thus helping to create regional research systems across Australia fulfilling the potential of the breadth of the country.

### 7. Continue to strengthen incentives for industry driven research

The IRU strongly supports the Government's National Innovation and Science Agenda with its suite of initiatives to encourage business and other end users of research to support greater translation of Australia's research outputs.

Further initiatives are needed to develop the NISA momentum, with the recommendations of the review of the Research & Development Tax Incentive a high priority.

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<sup>2</sup> [Four questions for the Parliamentary Budget Office on the true cost of HECS-HELP](#)  
[Three problems with the Supplementary Report on HELP from the Parliamentary Budget Office](#)

The Review is an opportunity to tie together the major elements of Government support for research and development, the essential underpinning for innovation. The IRU fully supports the Panel's Recommendation to introduce a "collaboration premium of up to 20% for the non-refundable tax offset to provide additional support for the collaborative element of R&D expenditures undertaken with publicly-funded research organisations".

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