



---

## NSW Vice-Chancellors' Committee submission in response to the Australian Universities Accord Panel Discussion Paper released 22 February 2023

---

### Introduction

The Accord process comes at a pivotal time for Australia and NSW. There is only one way out of our current economic situation and that is growth and diversification of our economy. These can only be achieved if universities are equipped to deliver the skills and innovation to transform Australia's economy from one that ranks 82nd on the Economic Complexity index to one that is productive, diversified, where businesses can grow and innovate, startups can flourish, and R&D has the sustained investment required to truly capitalise on the depth of research talent we have.

There are major shifts that must take place and include:

- Opportunities for widening access and participation to cohorts of students that remain underrepresented in higher education, and addressing barriers to participation, must be identified and supported
- Our nation's investment in research and development must lift and the system must change to make sure universities are incentivised to come together to solve the grand challenges Australia faces
- Universities need to be unleashed to contribute to diversified approaches to serving their communities and driving social and economic transformation
- International education must be treated and supported as one of the most significant factors supporting the quality of higher education and Australia's skills and innovation agendas
- Shorter forms of learning must become as fundamental to people's education and careers as degrees and diplomas.

Our nation's prosperity strategy must have at its heart a fit for purpose tertiary education sector, of which universities are a crucial component. This is particularly urgent given the many challenges Australia faces – first and foremost the need to transform to a carbon neutral, sustainable economy. The NSW Vice Chancellors' Committee is hopeful that the Accord process will deliver, once and for all, bipartisan support for the university sector as vital to Australia's future prosperity.

### About the NSW Vice-Chancellors' Committee

Established circa 1993, the New South Wales Vice-Chancellors' Committee (NSWVCC) comprises the Vice-Chancellors of the fifteen universities (37% of the sector) based in NSW and the ACT. It is a cooperative forum for these universities to share information and engage with Ministers, government departments and agencies, and the community.

#### NSWVCC MEMBERS:

Australian Catholic University • Australian National University • Charles Sturt University • Macquarie University • Southern Cross University  
University of Canberra • University of Newcastle • University of New England • University of New South Wales • University of Notre Dame  
The University of Sydney • University of Technology Sydney • University of Wollongong • Western Sydney University • Avondale University

The NSWVCC meets regularly to engage in issues affecting the sector, particularly at the NSW level, and works with the Government and its departments to ensure mutually beneficial outcomes through the application of research to drive innovation, as well as providing excellent graduates for the State's professional workforce.

In 2021, the member universities of the NSWVCC had over 507,574 enrolled students (including 184,297 international students on and offshore) and employed approximately 35,599 staff (Full-time / Fractional Full-time). Pre-COVID19, total expenditure on staff and services was more than \$9.6 billion annually and in 2021 international education was the second largest export in NSW (behind coal) and the largest services export. NSW contains a microcosm of the sector in Australia in that it includes metropolitan, regional, remote, research intensive, technology focussed, young and established universities.

### **Scope of Submission**

NSW and ACT Vice-Chancellors have a range of views about the areas covered within this submission, but agree the various options are worthy of the Accord Panel's consideration. The recommendations themselves have been proposed by a working group comprised of Vice-Chancellors and Chancellors listed at Appendix A. Collectively, the recommendations cover key areas where, from a NSW perspective, short-term change is possible.

This submission provides options for short-to-medium-term solutions on priority Accord issues from a NSW perspective. The aim is to allow the sector and government to make progress in those areas, in advance of any longer term structural or funding model changes that might arise. Where possible the submission uses NSW/ACT (or in some cases national) data.

Additional work is underway to identify the impacts of possible longer-term solutions to funding under both demand-driven and non-demand driven scenarios. This work can be made available to the Accord Panel to help it evaluate the impacts on university expenditures associated with longer term changes.

Tangible and realistic proposals to address key Accord questions are provided under a definition of short term that includes:

- suitability for consideration in the 2024 budget cycle
- three-year horizon for impact/implementation
- alignment with possible longer term structural/policy agenda
- may involve additional funding (quantified if possible for NSW/ACT).

#### **NSWVCC MEMBERS:**

## Areas for Consideration

# 1. Student support to encourage wider participation

*Barriers to student participation in higher education increasingly include issues of affordability, not just in terms of the cost of education but also rising living costs and the immediate pressure of foregone income if near full-time study is chosen. These pressures are acute for student equity groups currently underrepresented at university.*

Targeting an increase in participation by under-represented cohorts, including increasing participation of low SES students to the Bradley Review target of 20% and beyond, will require tackling cost of living constraints that impede the capacity of students to commit to study patterns that enable success. Student support covering the cost of living, travel and the cost of resources and technology is not within the funding remit of universities. While the majority of students have access to a university campus or are able to study online (if appropriate), for some students accommodation costs are also a consideration if relocation is required for study.

Given the universal availability of income contingent loans, fee relief through HECS-HELP loan subsidies has not overcome the barrier to study caused by cost-of-living pressures for many students. HELP reduces the pressure from the charge for the education, it does not assist with the costs of living while studying. HECS-HELP exemptions may be of value for some categories of students for whom the sense of future debt remains a major deterrent. The main need is relief for living costs and contingent requirements (including the funding of clinical placements for health-related professions and teacher practicum requirements for education students for example). A barrier for students in these areas is that the placements are often unpaid and hence add to the unaffordability of study for low-SES student groups.

The establishment of living scholarships available at scale is one approach to providing for the necessary living costs and stimulating both participation and success. The Government should consider extensions or changes to the Youth Allowance, Austudy and Abstudy in support of increasing participation, however, other funding sources should also be pursued.

### **Increase access and availability of living scholarships**

In Australia, philanthropic giving for student support is not yet mature and not yet comprehensively distributed across the university sector. Approaches to encourage and stimulate giving to support students may enable more students from low-SES backgrounds (and other underrepresented groups such as Indigenous students and regional/remote students) to successfully navigate university.

In order to ensure the longevity of a proposal to establish scholarships for low-SES student groups, it is suggested endowment funds be started at as many universities as possible – the earnings of such funds only to be used for the purposes of these scholarships. Endowment funds

#### **NSWVCC MEMBERS:**

undoubtedly enshrine the ability to grant scholarships in perpetuity thereby ensuring their longevity.

As a benchmark for the level of scholarships that would make a meaningful difference, international students are currently required to demonstrate the capacity for \$21,400 per annum in living and accommodation costs. Assuming a reasonable scholarship level (non-accommodation) would be around \$12,000, this submission makes the following recommendations:

**Recommendation 1:** Allow students to receive scholarships under this proposal (or similarly focussed scholarships) by raising the exemption threshold to \$12,000 (currently \$9,174).

**Recommendation 2:** Commonwealth and State Governments to match philanthropic giving for a limited period (and/or up to a specified maximum target) to incentivise investment in trust to support ongoing scholarship provision.

Given that each university has a different level of philanthropic fundraising capacity and track-record, consideration should be given to increasing the proportion of available government funding to support regional and other mission-based universities aligned with strategic priorities (e.g., STEM) in achieving useful trusts for this purpose.

By way of scale, \$20 million in philanthropic funding leveraging \$20 million of Commonwealth and \$20 million of State funding would provide for 250 scholarships per year at a prudent distribution rate of 5%. If 14 universities in NSW/ACT were to achieve this, then 3,500 currently unavailable living scholarships would be provided at a cost to the Commonwealth of \$280 million approximately. This amount as it is being placed into an endowment fund at the relevant universities could be paid for over three years, which would mean the annual cash cost to the Commonwealth for 3 years would be approximately \$95 million.

At present, except for Abstudy payments for master and doctorate students, scholarships up to \$9,174 are exempt from the income test if they are defined as equity or merit-based scholarships. Raising the exemption to \$12,000 means preserving the student payments at level which otherwise would see a disincentivising reduction (albeit at a modest cost to government).

### **Examine and lift student support funding**

As foreshadowed above, an examination of how to support more students from equity cohorts succeeding at university could also look at the current levels of student allowance. There is growing consensus that the current allowances are not adequate to support many students through a quality educational experience, especially if additional scholarship support is not available.

Youth Allowance is paid to students or apprentices on the basis of being 18 to 24 and studying full time. It is means tested, based on parents' income so that if parents earn above \$58,108 per annum, the amount a student receives is reduced by 20 cents for every dollar over this amount. Current payment rates are in Table A.

#### **NSWVCC MEMBERS:**

Table A: Current Youth Allowance payments

Situation	Maximum fortnightly payment	Annual Payment
Single, no children, younger than 18, and live at your parent's home	\$332.90	\$8,655.40
Single, no children, younger than 18, living away from your parent's home to study, train or look for work	\$562.80	\$14,632.80
Single, no children, 18 or older and live at your parent's home	\$389.40	\$10,124.40
Single, no children, 18 or older and need to live away from your parent's home	\$562.80	\$14,632.80
Single, with children	\$720.40	\$18,730.40
A couple, with no children	\$562.80	\$14,632.80
A couple, with children	\$612.60	\$15,927.60

Students over 25 are eligible for Austudy. The current basic Austudy payment rates are shown in Table B. These are the rates that apply to most people.

Table B: Austudy Payments

Situation	Maximum fortnightly payment	Annual Payment
Single, no children	\$562.80	\$14,632.80
Single, with children	\$720.40	\$18,730.40
A couple, no children	\$562.80	\$14,632.80
A couple, with children	\$612.60	\$15,927.60

Austudy and Youth Allowance are only available for undergraduate students.

A student getting Youth Allowance, Austudy or ABSTUDY Living Allowance might be able to get a Student Start-up Loan. The loan is a set amount of \$1,201 per loan period.

In December 2022, 58,965 young people aged 16-24 received student payments in NSW and the ACT out of an Australia-wide number of 177,715.

Table C: Numbers receiving student payments, December 2022

State	ABSTUDY (Living allowance)	ABSTUDY (Non-living allowance)	Austudy	Youth Allowance (student and apprentice)	Total
Australian Capital Territory	100	110	330	2,410	2,950
New South Wales	2,580	6,265	6,925	40,245	56,015
	2,680	6,375	7,255	42,655	58,965
Total Australia	8,125	18,860	25,940	124,790	177,715

**NSWVCC MEMBERS:**

Source: Department of Social Security. <https://data.gov.au/data/dataset/dss-payment-demographic-data>

The estimated cost of transferring the 42,655 NSW/ACT Youth Allowance students to the more generous Austudy would be in the region of \$255m. Other options could be considered which harmonise payments for university students, allow for an increase in potential scholarship payments not to impact allowances and incentivise both school leaver and non-school leaver students in the targeted equity groups.

**Recommendation 3:** Review and harmonise the balance of payments under the Youth Allowance, Austudy and Abstudy schemes to university students across relevant age groups and ensure that appropriate levels of support are available to equity groups targeted for increased participation.

This section responds to the **Australian Universities Accord - Discussion Paper** questions: Q28, Q30 to Q31.

## 2. Equity funding and support framework

*The cost of providing quality education must reflect the challenge of supporting students from diverse backgrounds for success. How universities are funded to support student success will be a critical determinant of the success of any widening participation policies.*

It has long been accepted that there is a significant positive social and economic impact derived from supporting students from diverse and often under-represented backgrounds to succeed in higher education.

Whilst lifting participation for students from these cohorts is an issue for all Australian universities, it is of even more direct and particular significance to those universities based and operating outside of major metropolitan centres. Whilst at a national level, it is pleasing that the targets for attainment of bachelor's level qualifications and above specified in the Bradley Review have been surpassed, this has not been accomplished in regional Australia, where attainment rates are stubbornly set at levels in the vicinity of half of those in metropolitan centres.

### HEPPP funding

In recognition of the additional challenges in students from under-represented cohorts face, alongside the original demand driven system (the Commonwealth Grant Scheme), the Higher Education Participation and Partnerships Program (HEPPP) was implemented to assist in meeting the real costs incurred by universities of recruiting and supporting students from various equity groups (most notably low-SES). The funding target for HEPPP was set at 3% of CGS but this target

has never been met.

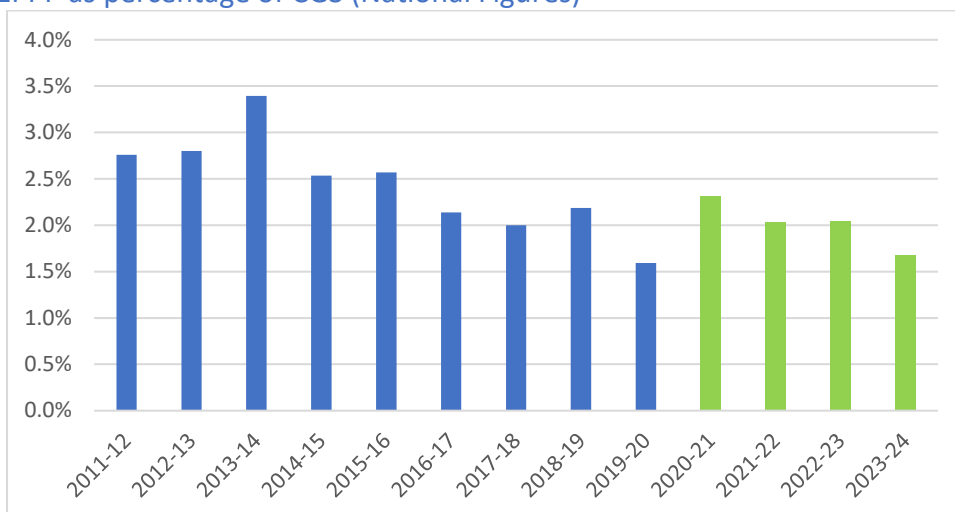
It is not enough for students to be enrolled in university to realise the full benefits of higher education. The policy and funding settings must be in place to have the desired level of participation and success across Australian society. The HEPPP has funded thousands of programs to support student participation and success at university. It has empowered equity practitioners across the sector to deliver innovative programs to help students from their specific communities succeed and to respond to their specific needs, without being reliant on central funding. Examples of past NSW programs include:

- Western Sydney University’s ‘Fast Forward’ partnership with local secondary schools to encourage students and their families to see tertiary study as a genuine post-school option.
- Macquarie University’s LEAP UP mentoring program to support high school students from refugee backgrounds in their transition into higher education by matching them with student mentors.
- Southern Cross University’s Uni-Bound program works with regional schools to improve access, participation, and success of students in in the Mid North Coast, Northern Rivers, southern Gold Coast and Tweed regions where there are high concentrations of low SES communities and high Aboriginal and Torres Strait Islander enrolments.

Programs that support students to succeed in higher education, such as HEPPP, should be tied to real measures of educational attainment, identifying where there is significant need in communities compared to average attainment levels.

Cuts and changes to HEPPP (in 2015 and then again as part of the JRG changes) were prompted by a review of HEPPP in 2011 when it was predicted to reach, and did exceed, its funding target by 2012 (refer to Figure 1, green columns show indicative HEPPP using 2020 budget forecast).

Figure 1: HEPPP as percentage of CGS (National Figures)



**NSWVCC MEMBERS:**

Australian Catholic University • Australian National University • Charles Sturt University • Macquarie University • Southern Cross University  
University of Canberra • University of Newcastle • University of New England • University of New South Wales • University of Notre Dame  
The University of Sydney • University of Technology Sydney • University of Wollongong • Western Sydney University • Avondale University

HEPPP funding was reduced (and the partnerships component aimed at school engagement and pathway support significantly downgraded) and rolled into the Indigenous, Regional and Low SES Attainment Fund (IRLSAF) alongside regional and enabling loading. These changes have narrowed the definition of equity students.

Changes were also made to the funding of enabling programs, including as part of a reassignment of postgraduate and enabling places, but the uneven distribution and arbitrary allocation of enabling places does not yet provide a systematic platform for preparing students (especially non-school leaver students). As a result, a reduction in the amount of funding provided per student, and the number of enabling places available, now requires universities with significant cohorts of enabling students to subsidise their pathway education.

The current profile of equity students in ACT/NSW is in Table D.

**Table D: Profile of NSW/ACT Equity Students**

	<b>Indigenous</b>	<b>Low SES by postcode</b>	<b>Remote</b>
Metropolitan Universities	3,159	28,686	380
Regional Universities	5,001	27,848	1,042
<b>Total NSW/ACT</b>	<b>8,160</b>	<b>56,534</b>	<b>1,422</b>

The numbers in Table D identify students according to enrolment in metropolitan (Sydney) and regional (outside Sydney) locations by separating universities into two groups according to geography. Not reflected in the Table D is that overall participation rates in areas that regional universities operate are also half that of metropolitan areas, further reinforcing the need to address equity group participation.

The total HEPPP payments in NSW/ACT in 2023 totalled \$47.1m. This funding is clearly not adequate to provide the degree of support required for sustainable participation growth, student success and retention and to develop appropriate aspirations and pathways for success.

HEPPP is essentially a cost offset program that emphasises projects and special activities over an integrated whole of university responsibility. Whether this is the right approach in the long term will determine the level of funding applied to support success. Given that HEPPP is currently configured as an Other Grant with consequent funding rules, rather than as a loading in determining the CGS allocation, we recommend reconsidering the amount of funding applied in the short and medium term in order to achieve the required level of support.

**Recommendation 4:** Raise and stabilise the level of HEPPP funding to a more appropriate level of support via one of three options:

- being 3% of the CGS; or
- a per low SES student rate of \$1400, using the 2012 intended figure; or
- a per low SES student rate of \$1736, using the 2012 intended figure, adjusted for CPI (March 2012 to March 2022)

**NSWVCC MEMBERS:**



The per head figures assume 140,000 low SES students based on the 139,038 low SES students in 2021. A growth factor is needed. Further if the target group is a broader set of underrepresented students this could drive up the funding – or require a reset of the per student rate.

**Table E: Estimates of a renewed equity enabling program at a national level**

Budget year	2023-24	2024-25	2025-26
	\$,000		
<b>CGS</b>	\$ 7,172,847	\$ 7,362,284	\$ 7,678,388
<b>IRLSAF</b>	\$ 272,725	\$ 278,928	\$ 286,018
<b>A 3% loading</b>	\$ 215,185	\$ 220,869	\$ 230,352
<b>\$1400 per low SES</b>	\$ 196,000	\$ 196,000	\$ 196,000
<b>\$1736 per low SES</b>	\$ 243,040	\$ 243,040	\$ 243,040

**Expand enabling programs**

Even with appropriate support provided by HEPPP and other university resources, there is a need for addressing the adequacy of preparation for university study especially among non-current school leavers in the 24-to-35-year age group, where success is predicated on academic skills that may not be demonstrated to the required level. Traditionally, enabling programs have been successful in overcoming the challenges of academic preparation, but in the review of non-undergraduate CSP allocations, enabling funding for programs was not given prominence in the JRG review and could only be ceded but not grown.

There is a strong evidence base in relation to the efficacy of enabling programs. A recent study (Syme et al, 2022) provides a robust basis for supporting the contention that students from less traditional academic backgrounds who successfully complete a purpose designed enabling program prior to enrolling in a bachelor's program perform to a higher level than the mean observed academic success levels for undergraduate cohorts taken as a whole. There is also evidence of improved retention and completion compared to undergraduate students who did not complete an enabling program prior to the commencement of their studies and who were admitted to their degree on some other basis.

In regional Australia, both a lower level of initial commencements in bachelors level programs and a higher than national average level of attrition contributes to the poor regional attainment outcomes noted above. Participation in quality enabling programs addresses both issues, through creating accessible, very low-cost vectors into higher education and through the enhanced success and retention promoted through enhanced preparation prior to undergraduate degree commencement.

It makes sense to formulate policy that incentivises universities to carefully consider streaming prospective undergraduate students into enabling programs rather than directly into undergraduate programs and to provide the funding necessary to deliver quality learning and

**NSWVCC MEMBERS:**

learning support to appropriately streamed students. The evidence suggests that this should lessen barriers to entry to underrepresented groups but at the same time support strong levels of academic attainment and retention in subsequent bachelor's level programs.

**Recommendation 5:** Review and reconsider the investment in enabling program funding, including the level of CGS and student contribution. Consider the prospective allocation of additional enabling places either within or above existing CGS funding envelopes for appropriate programs targeting academic preparation for non-current school leavers.

This section responds to the **Australian Universities Accord - Discussion Paper** questions: Q4, Q5, Q30 to Q33.

### 3. Proposed short-term/transitional changes to the Job Ready Graduates package

*The JRG package was introduced with little consultation and without adequate consideration of the bases for the changes made and the ensuing consequences. While there were some pre-existing issues with the cluster funding levels, JRG changes have exacerbated the problems in relation to the funding of key disciplines including STEM and the agriculture/veterinary sciences/medicine areas. The notion that the student contribution drives student choices has been definitively disproven (as might be expected since the course fee is sourced through an income contingent loan).*

*The following proposals are transitional arrangements that could be put in place quickly, ahead of longer term and more fundamental changes to the funding system.*

#### **Indigenous Student Participation**

Indigenous student participation is growing at the fastest rate of all the relevant equity groups (4% year on year in 2022). Current arrangements allow for Indigenous students who are regionally located to be funded with a designated/additional CSP. Given the relatively low Indigenous population, and the historic underrepresentation, funded places should be made available for all Indigenous students, regardless of their location. This can be done by treating all Indigenous student enrolments as a distinct cohort, with demand driven funding allocated in full to this cohort.

**Recommendation 6:** Create a demand driven funding arrangement for the entire Indigenous student cohort that better reflects the aspiration for Indigenous participation in higher education.

## **Low completion rate**

Introduced as part of the JRG Package in January 2022, the low completion rate means that if a student fails more than 50% of their units of study attempted (after eight or more units of study), thereafter that student will not be eligible for Commonwealth assistance (in the form of a Commonwealth Supported Place and HELP Loan). If a student chooses to continue their studies, then they pay upfront to the institution.

This measure disproportionately impacts students from identified equity groups:

- Students from identified equity groups are often juggling significant additional responsibilities outside of their higher education studies, such as work and caring responsibilities.
- Retention and subject pass rates are typically close to parity with those for the wider cohort. However, the completion or attainment rates for students from equity backgrounds are often much lower, at 80–90% of the institutional average.
- When equity students are able to complete their degrees, they typically do so at slower rates.
- Reduced study loads result in significant disadvantages for students from identified equity groups, including scholarship eligibility and access to Youth Allowance. As Youth Allowance rules limit the amount of time students can stay on benefits, in ways that limit scope for failing and repeating large numbers of subjects.

In addition, the existing life-time cap which now sits at \$109,206 has made it impossible for students to accrue large debt, which the introduction of this measure is supposedly trying to address.

As the sector looks to provide for an increasing cohort of low-SES, Indigenous and Rural/Remote students to achieve the targeted participation rates (a cohort of around 25,000 additional students in NSW/ACT) some degree of risk has to be borne in terms of the impact on progression and success.

**Recommendation 7:** Abolish the ‘low completion rate’ rule and replace it with consideration of the extent to which HEPPP or other enabling loadings support the objective of enhancing student success.

## **National Partnerships and Industry Linkages Fund**

The NPILF is designed to:

- Increase the number of internships, practicums, and other innovative approaches to work-integrated learning
- Increase the number of STEM-skilled graduates and improve their employment outcomes
- Support universities to develop and strengthen partnerships with industry.

While these are sound objectives, when held up against competing priorities such as adequately funding courses and delivering enhanced participation, they do not necessitate a separate funding stream. Universities should be able to support important common objectives for industry

### **NSWVCC MEMBERS:**

engagement and work integrated learning from within a simplified funding base. Moreover, the long-term impact of the reduction in the Commonwealth contribution to STEM disciplines more than outweighs the benefits of the NPILF. The distinctive benefits associated with the NPILF are unclear and the overheads are high. It is recommended that the NPILF be consolidated within an elevated funding envelope, to support the restoration of STEM discipline funding and/or used to fund the scope of HEPPP funding.

For NSW/ACT this would mean that approximately \$81.5 million is available for redeployment.

**Recommendation 8:** Redeploy NPILF funding to support the restoration of STEM cluster funding (outlined below) and/or support the proposed increase to the HEPPP.

### **Cluster Funding Rates**

Much more complex issues surround the student funding model, and include:

- the distortion of the funding rates for different disciplines caused by attempts to use price signals for student choice
- the reduction in total funding for some discipline areas including STEM disciplines
- the application of a Maximum Basic Grant Amount (MBGA) to the sector student profile without consideration of strategic priorities, costs to deliver, institutional diversity or long-term growth requirements to support national economic activity.

These issues are difficult to resolve without full consideration of the funding model and the principles on which it is based, including whether or not the sector is intended to return to a demand-driven approach in full or in part. It is hoped the Accord Panel will consider these matters for the longer term, and the NSWVCC offers to contribute to this work by sharing (in an aggregated form) appropriate revenue and expenditure data that would allow analysis of subsidisations arising from the current funding structure and the impact of alternative proposals.

**Recommendation 9:** The Accord Panel consider commissioning a targeted piece of work by the sector to explore future configurations of the funding model to deliver priority policy objectives.

In the shorter term (up to three years), some solutions are required to ensure that a transition to any sustainable future funding model is supported by changes that provide a runway towards key policy initiatives.

Assuming those policy initiatives include, inter alia, increasing participation by low-SES and other underrepresented student groups, the most effective way to achieve this without using complex and untested approaches to the assignment of places would be to recognise the efforts of universities to enrol additional students by increasing the MBGA, over which the Minister has discretion, where the MBGA is exceeded by a university.

For NSW, a participation target of 20% low SES requires around 25,000 additional student enrolments. The average government payment per EFTSL in NSW is around \$10,100, meaning that if all the increased participation was above the MBGA the cost to achieve the target would

#### **NSWVCC MEMBERS:**

be around \$252m (in current \$) at steady state. Clearly this would be staged over time and could be managed on an annual basis, subject to performance, until the introduction of a new model and its additional transitional arrangements.

**Recommendation 10:** To initiate progress towards an increased participation target in the immediate term, apply an annual review of the MBGA to reflect growth in enrolments of low-SES and other underrepresented target student groups where that growth is above each university's MBGA.

Another issue caused by the changes to the JRG was the defunding of STEM-related disciplines, on top of known underfunding of key areas of low demand but high importance (such as veterinary and agricultural science).

The impact of these funding changes is particularly acute for two fields of study - 'Engineering and Related Technologies' and 'Natural and Physical Sciences' which had their funding reduced by around 16 per cent or \$4,800 per student place based on 2021 rates. These fields received among the largest funding reductions under JRG.

The precise nature of the link between the funding model and the cost of delivery is the subject of the Transparency in Higher Education Costing exercise, however the assumptions remain contested and the evidence for any link between the current (JRG imposed) funding rates and the delivery of courses in related areas is unclear, particularly given the lack of recognition of any link to research costs and infrastructure.

Long term demand shifts and relativities for NSW universities (shown in Appendix B) reveal marginal (and sometimes counterintuitive) movements in both metropolitan and regional enrolments.

Rather than addressing the complex interactions between Commonwealth and student contributions which would need to be revisited for any future model, it is proposed that a short-term adjustment be applied.

The options here are to 1) restore the student contribution (at around \$1750 per student), which would require legislative change, or 2) apply a short-term loading of an equivalent amount to the Commonwealth contribution would prevent the erosion of investment into these important areas. The total (national) cost is around \$200m but would reduce to less than \$20m if the NPILF fund was directed to this purpose.

**Recommendation 11:** The Accord Panel should consider short to medium term interventions in discipline funding required to maintain the level of national capacity in priority areas, including STEM, in advance of a more complete funding model that properly reflects the cost of delivery, student demand, and industry priorities for graduates in key areas.

## Postgraduate Coursework Student Funding

With an emphasis on skills to empower economic growth, it is remarkable that Australian students' enrolment in postgraduate coursework degrees has not grown significantly for over a decade. Among the reasons for this include the cost (and return on investment) of postgraduate study, lack of employer support and reward for further study and the more recent availability of shorter-duration options for upskilling and reskilling.

Under current arrangements for the assignment of CSP, the designation of postgraduate places has been removed and the related CSP included largely within the MBGA (except for some places that remain designated, such as for medical degrees). The current student contribution is the same as for undergraduate students, and while this may be appropriate for some disciplines it is an impediment to growth in others. It is proposed that provision be made for a postgraduate specific student contribution that may be set higher than the current student contribution level in such a way as to close the gap between the fee-paying postgraduate course fee and the combined CSP and student contribution. This would incentivise the use of CSP in postgraduate coursework by universities at no additional cost to the Commonwealth, whereas at present the combined CSP and student contribution is significantly lower than the full fee (and the cost of delivery). The net effect in many cases would be that students would pay (or borrow from FEE-HELP) a lower fee overall.

As a starting point, the Accord Panel may contemplate proposing a separate postgraduate student contribution schedule, perhaps double the undergraduate student contribution, to incentivise postgraduate study and stimulate growth in key priority areas of demand.

An example highlighting the price differentials is as follows in Table F:

Table F: Example of price differentials for a Master of Information Technology

Master of Information Technology – Annual Price			
	Commonwealth Contribution	Student Contribution	Total Price
Current Fee Paying	0	\$35,000	\$35,000
Current CSP	\$13,836	\$8,301	\$22,137
Proposed CSP	\$13,836	\$16,602	\$30,438

In this example the cost to the student would reduce from \$35,000 to \$16,000.

**Recommendation 12:** That universities be provided with the option to increase the use of CSP for relevant postgraduate coursework, with the maximum student contribution doubled to minimise the difference between current fee-paying prices and the cost of a CSP.

This section responds to the **Australian Universities Accord - Discussion Paper** questions: Q4, Q5, Q12, Q33, Q45-Q48 to Q49.

#### NSWVCC MEMBERS:

## 4. International student market support

*International students are a vital and integral part of the Australian university landscape for many reasons, including our capacity to maintain strong global linkages and relationships that support economic, social, environmental, and other prosperity for Australia. Revenue from Australia's strong position in international education also provides significant degrees of freedom for supporting nationally significant priorities such as talent acquisition, research capacity and global collaborations and maintaining Australia as an attractive destination for migration and partnerships. There are several ways this important sector could be better supported.*

International students have for many years been a feature of the modern university. The revenue from these students has become an important part of the funding of universities throughout Australia. Indeed, without this funding, Australian universities would not be in a position to fund their present levels of knowledge acquisition and research functions, nor provide the level of amenity and facilities enjoyed by all students.

International students, however, do much more than just help fund universities:

- They build lasting relationships with Australia and an appreciation of our people and culture. These soft diplomatic benefits are enormous.
- They create potential connections with industry both here and overseas now and in the future.
- They provide opportunities for Australia to address skill shortages and retain talented and capable people from those who graduate from our universities. Proof of this can be seen on the shortages that occurred in 2019/2020 when international students were unable to come to Australia.
- They provide very large benefits to Australia through their spending. In NSW alone, it is estimated that such spending contributes approximately \$30 million per day to the economy through the jobs and economic activity created by them. Indeed 38% of the total tourism spend in Australia comes from international students and with one in four of those students having family visit them whilst in Australia, another 300,000 visitors spend over \$1 billion a year in Australia.
- They provide the opportunity for longer term skilled migration pathways leveraging the quality of the education received through Australian universities.

There is an opportunity for the Accord Panel to urge the Federal Government to deliver policy initiatives which enable universities to work towards:

- Providing initiatives which encourage multiple generations of international students to undertake study with Australian universities
- Allowing universities in Australia to plan for the long term strategically, structurally, and financially, rather than be compelled to take short-term decisions by creating certainty
- Achieving a more diverse international student base over the long term

**NSWVCC MEMBERS:**

- Delivering programs relevant to Australia’s skills shortages and regional demands, together with programs to upskill the communities of Australia and overseas as the technology around us accelerates and
- Contributing to increased offshore learning opportunities to meet regional skill shortages and demands – e.g.: those in India and other emerging economies of strategic importance to Australia.

Despite the importance of the international student market, Australia and its universities suffer from several vulnerabilities. Of these vulnerabilities, four are of significant concern – namely:

- Geo-political effects which are outside the hands of the universities, and which can stop international students choosing to study in Australia. A potential example of this is recent regional tensions leading to economic and geopolitical influences on student decision-making.
- As has been seen particularly in 2020 and 2021, a pandemic can have the effect of stopping students coming to Australia based on health and travel advice at home, in Australia, or in both.
- Government procedures, (including the grant of visas etc), can reduce the numbers of international students, either through process complexity or in line with policy and other priorities. Policies related to the ability of international students to stay within the country for the period that they wish; the grant of the right to work within Australia and other relevant conditions also impact student demand.
- Competition from other countries can also affect the stream of international students, not least of which is pricing. As the Australian dollar increases, particularly versus the US and UK, correspondingly, Australia’s pricing gets higher and the competitors’ pricing lower. We have also seen evidence of national priority setting and timing affecting student choices as countries compete for high quality talent in their universities.

This section contains short-term suggestions (financial and non-financial) to stabilise and improve Australia’s position in relation to international students.

### **Federal Government insurance/underwriting**

The Federal Government should consider providing insurance/underwriting to the universities within Australia to deliver the benefits identified, providing them with cover which is triggered by events such as those set out in above.

Such insurance/underwriting would be like that which the Federal Government presently provides to large property owners in relation to the damage caused by some events of terrorism. The insurance/underwriting could be to the effect that the universities will be covered to a designated percentage of the revenue that they may lose from either a geo-political and/or pandemic related cessation of international students either from a region or more broadly or provide for transitional funding to address structural issues arising from a significant and enduring impact.

#### **NSWVCC MEMBERS:**



The cover could include protections for government against the diminution in revenue not truly related to the above-mentioned events, the intent being that the cover is for an event of the nature of geo-political concern and/or pandemic and to cover some part of the damage that the university may without culpability, experience because of that event.

The conditions could include some recoupment of the monies outlaid by government under the policy in future years if the revenues of the relevant university making the claim increase beyond an expected amount from international students in the years to come.

The cost of this measure to the government is hard to estimate, but it is noted:

- It is the Federal Government that is more than likely to be involved in making the decisions which could restrict the influx of international students into Australia in the relevant circumstances referred to above and as a result, the Federal Government will have the ability to consider any liability it may have under the insurance/underwriting arrangements and to bare those and their cost in mind in making the relevant decisions.
- It may be possible for the Federal Government to seek reinsurance of all or part of their liability under this arrangement from large reinsurance companies based outside of Australia.

The benefit of such insurance/underwriting to universities is that they will be able to make long-term decisions and commitments without fear that their entire revenues from international students may reduce/evaporate because of large and significant events outside of their control. This will have a flow on benefit – including longer term employment opportunities, improved long-term planning, and removing potentially necessary short-term reactions by universities (e.g., layoffs etc) in these situations. It would also provide confidence in investment in the universities by others as their future becomes more assured and in turn allow universities to focus on increased benefits and better experience for international students, enabled through long term certainty and improved planning opportunities.

**Recommendation 13:** In considering the management of the risk of significant future downturn in international student revenue, the Accord Panel examine the design of a sector wide insurance or underwriting scheme in relation to international student revenue. The scheme would include options for revenue replacement, transition funding, repayment and the structure and nature of appropriate premiums relative to risk.

### **Increased Federal Government support for the international student market**

The vulnerability referred to above which relates to competition from other countries, particularly in relation to price, can also be the subject of assistance from the Federal Government. Currently most of the international student branding and positioning takes place through variously funded State agencies and organisations. Given the important contributions identified above, increased Commonwealth support for international student market positioning should be contemplated.

Econometric analysis has found that almost one third of the change in international student enrolments into Australia from year to year is driven by currency fluctuations. This is because

universities charge fees in Australian dollars (as most of their expenses are incurred in Australian dollars), and therefore the student carries the risk of adverse movements which increase the cost to them if the Australian dollar appreciates. Given that university courses taken by international students, generally last for more than one year, this problem is exacerbated. Hence, managing this risk is very important in relation to attracting international students going forward.

Universities themselves are not able to set their fees in currencies other than those in which their expenses are delineated. This means that universities would be seriously exposed if they tried to attract students at fees based on foreign currencies.

It is suggested that the Federal Government, given that it deals in currencies more widely than the Australian dollar, and given the size of its balance sheet, is able to provide each university with tailor-made hedging contracts which facilitate in turn that university quoting fees for entire courses to international students in pounds sterling, US dollars or Australian dollars.

The essence of this idea is that the university concerned could, prior to quoting relevant fees, gain through Treasury or otherwise, a hedge or an equivalent permitting the university to know exactly what the equivalence is for the period of the course in the relevant foreign currency. The university could then quote the fees for a period in the foreign currency. It is accepted that there may be some fee charged by the Commonwealth for this and the university will take that into account when quoting its fee, either wearing it itself, or adding it to the cost to be borne by the international student.

It is not possible for universities to achieve this through financial markets. The reason for this is twofold. First the fee must be for an entire course, but there is no certainty the student will stay through that period. Early termination by the student could result in a big loss for the university. The Government would have to take on this risk, but given it is providing the swap on a bigger balance sheet to many more universities than just one, it is suggested that the risk would be small and certainly much smaller than for a university itself. Second, universities do not have the size of balance sheet and mixture of assets in different currencies to allow them the expertise, nor the natural hedges which government has.

As to cost, it is suggested if properly charged for and operated, the cost would be small.

**Recommendation 14:** The Accord Panel consider options for addressing currency related demand issues in the international student market, with the Commonwealth best placed to oversee appropriate arrangements to address the necessary scale and risk.

Other considerations include:

#### **A more transparent visa process**

There should be support for a more transparent visa process to encourage more high-quality students to consider Australia as their first choice of an international study destination. Within this, it is proposed that the Government reconsider continuing with the current process of FSBF (simplified visa student framework). FSBF and its associated risk assessment of universities sends

a very strong message of a complicated visa process for international students. The sector continuously witnesses inconsistent visa outcome rates. This impacts a student's experience as well as potentially hindering a sustainable planning process for universities.

### **Priority for skilled migration opportunities**

The Federal Government could provide highly skilled and qualified international student graduates of Australian universities priority to skilled migration opportunities. International student graduates would thereby form a strategic component of Australia's skilled migration program rebuild post Covid-19. Moreover, priority should be given to students who are seeking a post study work rights visa and at least 50% of permanent residence places should be allocated annually to international students who study on shore.

Further work addressing the employment market settings that currently result in a mismatch between the skills category in which international graduates work versus which category they are qualified to work in, needs to be undertaken to match supply and demand and maximise the uptake international graduate skills.

### **Extension of post-study work rights visas**

The Federal Government could extend post study work rights visas to students studying:

- offshore at an overseas campus fully owned and operated by an Australian university and who address the need of skilled labour shortages or
- offshore using online (or hybrid) education provided by an Australian Higher Education Institution and provide discounts to visa applicants who have studied in that way.

### **Position Australia as a global knowledge economy**

The Federal Government could promote opportunities to position Australia as a global knowledge economy. This could include welcoming letters and potentially advertising from important governmental officials including Prime Minister and Cabinet members. Such promotion has been and is being done by many competing jurisdictions who have found it assists in getting students interested in studying in their jurisdiction. In addition, the Federal Government also has a major role to play in supporting the development of stronger, more harmonious, international qualifications frameworks to allow students to transfer their study more easily across teaching locations and for gaining greater recognition of their qualifications here in Australia.

The International Student market is an extremely important one for Australia. It is a market in which Australia already has a very high standing, but one which is very competitive. The two financially focussed solutions, together with some or all of the other considerations identified above, are designed to be able to be implemented in the short-term and are likely to assist in securing Australia's position as a leader in the global knowledge economy. They are suggested to the Accord for that purpose.

The NSWVCC is also undertaking work on assembling learnings from the COVID related short- and long-term impacts of 2020/21 and identifying sector wide approaches that might be helpful

#### **NSWVCC MEMBERS:**

to accelerate solutions in a future crisis management scenario. The NSWVCC will make this work available to the Accord Panel when it is available around June 2023.

This section responds to the **Australian Universities Accord - Discussion Paper** questions: Q43, Q44 to Q47.

## 5. TAFE/University collaborative models

*As competitiveness for skills becomes acute, Australia must leverage both our university and VET sectors in creative approaches to accelerating our capacity to support emerging industries and opportunities. Improving how universities and TAFE can present joint opportunities to students will enable an agile approach to addressing key industry skills needs.*

Currently funding for such models face barriers given the split funding responsibility between the states (which fund VET) and the Commonwealth (which funds universities). The structural resolution to this will be complicated in the short term. In NSW, collaboration at a degree and course level is stymied by funding tied to student enrolment, TAFE requirements for competitive neutrality across the vocational sector, and the impetus for cost recovery for any dual courses.

The interaction between TAFE and university education occurs in two areas – credit recognition for study and funding arrangements (both institutional and student funding). The funding arrangements in particular reflect the different roles of the TAFE and university sector and, in part, their cost base.

From a student perspective, study in joint TAFE/university programs should require a student to access only one funding source, and a simple enrolment process. This is crucial in improving the student experience in a world where there is greater demand for a hybrid education.

In the longer-term, student funding for joint TAFE/university programs could be a separate stream of Commonwealth CSP funding, at a rate to be decided, with the disbursement agreed between TAFE and relevant universities. A funding stream could then adapt to and support models being explored by state governments in line with their industry and skills agendas.

A training model worth exploring in the longer term is a Cooperative Training Centre model – based on the successful Cooperative Research Centre/CRC-P model. This would create a multilateral, thematic partnership, with minimum membership required of TAFE, a university, and an industry partner, focusing on a sector or theme (examples include energy, infrastructure, the care economy, IT) and offering seamless enrolment between two institutions and industry partnership. With funding and agreement from states, such an entity could create a vehicle for more collaborative partnerships between universities and TAFE, and a better student experience.

### NSWVCC MEMBERS:

A model being explored in NSW is the Institute of Applied Technology (IAT) (two pilots are established, one in the digital area and the other in construction). These were proposed through the March 2021 David Gonski AC and Peter Shergold AC review: “In the Same Sentence: Bringing Higher and Vocational Together” and are currently funded by the NSW Government. Ad hoc funding arrangements are not desirable in the longer term and will prevent the extension of the model to other areas.

In the interim it is proposed that for formally agreed university/TAFE partnerships (of the nature of the IATs) students are provided access to the HECS-HELP funding scheme at the relevant rate for up to one year course duration. Given that the average student contribution rate for universities is around \$7,700 and the National Skills Commission identified an average price point of a comparable level (also \$7,700) for VET courses it is reasonable to expect that this approach will be sufficient to cover the cost of delivery. The sharing of funds between the university and TAFE partner should be documented in the formal agreement.

**Recommendation 15:** The Accord Panel consider the allocation of CSP to cover a defined number of national joint TAFE/University places for formally agreed joint courses and allow students to access HECS-HELP for this purpose. The administration of the place would be through the University partner under formal agreement with TAFE for the sharing of course revenue.

This section responds to the **Australian Universities Accord - Discussion Paper** questions: Q12, Q17, Q19 to Q21.

## 6. A skills agenda for the future

*Universities currently focus on and deliver formal award courses that are internationally recognised and competitive. Across a comprehensive range of professional disciplines, the capacity to respond to rapidly changing education needs through shorter forms of learning, often leading to recognised outcomes, should be better supported.*

It is assumed and accepted that the core and fundamental role of universities is to educate students up to and including doctoral level. In addition, universities operate within an ecosystem of public and private partnerships, and with other educational sectors including the school system and the vocational education and training (VET) sector, to advance their mission and purpose. Interfaces between the various parts of the ecosystem are critical enablers of success for lifelong learners. In this context, the role and capacity of universities in delivering short forms of learning, including micro-credentials, is an important consideration.

The challenge is that the current funding model entrenches a complex interaction of constraints between a university's operating environment and capacity to access and grow certain funding sources and opportunities. This means that mechanisms to facilitate micro-credentials, and other short forms of learning, must be explored and options should include access to student loans. This is another important change that must occur to enhance the student experience.

For the purposes of this analysis, micro-credentials cover the provision of short courses that in themselves do not lead to a qualification prescribed in the Australian Qualifications Framework. They are usually offered on a fee-paying basis. Micro-credentials are intentionally low on precise definition and rules, allowing adaption based on experience and student needs. The intent is to provide small sets of learning – knowledge and skills – that have immediate value to the student. These would usually be additional to the person's formal qualifications, whether VET or Higher Education. They are a means to add more skills and knowledge as work (and life) demand, without needing to be a whole new qualification.

For some learners, micro-credentials will form the basis to then enrol in a formal qualification, potentially with recognition of prior learning for the micro-credentials, making the need to build a structured and nationally relevant form of recognition for micro-credentials a pressing issue for resolution.

Options explored in this section include a pilot currently underway by the Federal Government for full perspective.

### **Expansion of the Higher Education Micro-Credentials Pilot**

Introduced in December 2021, the Government will provide \$18.5 million to establish a pilot for developing and delivering micro-credentials for the domestic market, aimed at exploring a systemic approach to supporting micro-credentials in the higher education sector.

Under the pilot:

- higher education providers can apply for a share of \$2 million in funding to develop micro-credentials in partnership with industry, with funding of up to \$100,000 for each micro-credential.
- \$16.5 million from 2022-23 to 2025-26 to support the delivery of micro-credentials to up to 4,000 students.
- Piloted micro-credentials will be in areas of national priority. The department will work with Jobs and Skills Australia to determine the skills needs and fields of study to be included ahead of the funding rounds.

Micro-credentials funded under the pilot will need to meet several criteria including:

- being between 0.25 and 0.49 Equivalent Full Time Student Load
- credit pathways to formal qualifications
- robust assessment
- demonstrated industry engagement
- credit recognition arrangements.

In the above pilot, micro-credentials will be eligible for FEE-HELP assistance if it:

- Consists of one or more units of study, AND
- Meets the requirements specified in the FEE-HELP Guidelines.

The FEE-HELP Guidelines have not yet been updated for the micro-credentials' requirements. The current pilot provides FEE-HELP for 4,000 students between 0.25 and 0.49 Equivalent Full-Time Student Load, with an estimated cost of up to \$16.5m – between \$2,062 and \$4,125 per student. The basis on which students are selected is not clear.

There is also the question of potential Government contributions to the cost of delivering the credentials as the program unfolds. It cannot be assumed that the benefits are entirely private (see following sections).

It is recognised, however, that a micro-credential of 0.25 FTE is comparatively long duration in relation to many other micro-credential platforms, including those delivered through the New Education and Training Model being trialled to support industry skills for Western Sydney. Alternative approaches to funding for shorter forms of learning may be warranted where the cost exceeds the likely capacity of individuals to pay.

### **Specific targeting of FEE-HELP for micro-credentials for casuals and gig economy workers**

An income-contingent loan approach to the delivery of micro-credentials (particularly short duration micro-credentials) across the higher education sector has merit, as demonstrated by the current pilot, and the government's target may not be people employed in permanent jobs in large or even small and medium size companies.

From a policy perspective, the target market for micro-credentials should be self-employed, casual, and under-employed workers, including those engaged in the 'contract' or gig economy. This group may be unaware of the opportunities provided by micro-credentials, how to access them, and how to pay for them.

#### **NSWVCC MEMBERS:**

Gig economy workers are excluded from other workers' rights like the minimum wage and workers' compensation. They certainly do not receive training from their platform 'employers'. It is estimated that approximately 250,000 Australians are part of the gig economy.

More broadly, in 2021, it was estimated that just over 2.4 million casual employees were working in Australia, accounting for 22.5% of all employees. The proportion is increasing. Most workers, but particularly casual workers, are usually responsible for "managing themselves" as they change jobs. The national average tenure in a job is 3.3 years, based on a turnover of around 15% per annum. For many, turnover may not be voluntary due to corporate restructuring, redundancies, and mergers.

Career self-management means workers taking responsibility for their own professional development and training. Access to micro-credentials is an important aspect of this responsibility. Casual workers are not always well off and are very often financially stressed. Arguably, casual workers should be a high priority in securing access to micro-credentials to further their career and professional development opportunities. This extends back to issues concerning equity and access to higher education. Micro-credentials can provide a 'stepped' pathway to participation in bachelor and other undergraduate programs. Access to FEE-HELP would certainly benefit this cohort.

### **A back-to-basics approach through HELP**

It is difficult to estimate the ongoing FEE-HELP costs without a clear understanding of potential and future uptake, having regard to the range of micro-credential delivery options that might be available and the business models in place.

Another option is to return to the original concept of HELP, rather than instil even more fragmentation into the current system with a 'Micro-HELP' stream. In this case that there be a single income contingent loan system called HELP. This scheme would allow any individual to take up to a lifetime cap (currently \$109,206) to use as they prefer across a set of accepted purposes.

### **Implementation**

A common feature of the above models is the use of income-contingent loans, i.e., "Micro-HELP", to cover the student's full-fee paying cost. It is most similar to FEE-HELP as shown in Table F below in comparison to all the schemes under HELP. In addition, it requires government to accept (as it does with all university courses) that HESA-approved HE providers are able to determine them properly and will not exploit people who enrol.

Micro-HELP would:

- be open to those who can access HECS and FEE-HELP
- require an enrolment and a date of commitment – micro-credentials are by intent short in duration and the rules around census dates would need to be carefully structured.
- be part of the lifetime HELP balance, hence using it reduces opportunity to use HELP for AQF courses but not affect Student Learning Entitlement as it is not a funded course
- not be subject to completion tests

#### **NSWVCC MEMBERS:**



- not require a unique student identifier should the student not have one from other study. A tax file number is sufficient to establish identity and link to payment mechanism.

It is important to note that VET FEE-HELP became problematic due to numerous providers signing people up to courses they did not take or want to take. There are two crucial differences in the current scenario:

- the relatively small number of HESA-approved HE providers (within the small set of all HE providers). Being limited to the set of HESA-approved providers (around 150) ensures capacity for control.
- requirements to begin a course and not commit until part way through it. The point of the census date is to prevent students committing to a unit of study until they have had a chance to confirm it suits their needs.

**Table G: HELP schemes – proposed micro-credential use of HELP**

	Citizen, NZ or humanitarian	Enrolled?	Census date	HELP limit	SLE	Completion rate	Unique student identifier
HECS	Yes	CSP	Yes per unit	Yes	Yes	Yes	Yes
FEE	Yes plus permanent resident for bridging	'a fee-paying place' in eligible course	Yes for course	Yes	No	Yes	Yes
OS	Yes but excludes humanitarian visa	CSP		No	No (enrolment would count)	No	Yes
SA	Yes	In a course offering HELP	Yes	No	No	No	No?
Micro-HELP	Yes	Yes – does a fee-paying place' in eligible course' work?	How define commitment to be later than day 1?	Yes	No – it is not supported place	No	No – no need to track person

**Recommendation 16:** Given the important consideration of recognition of learning, the Accord Panel should ensure that any government funding (or extension of access to loans for students) is contingent on the recognition of micro-credentials being agreed by all university participants in any funding arrangements. This approach should eventually extend to how micro-credentials are recognised in the AQF, but in the interim identification of course credits for funded micro-credentials should be agreed by providers prior to receiving access to any student funding programs.

**Recommendation 17:** For appropriate recognised micro-credentials, approaches for students to access student loans via HECS-HELP or other mechanisms should be identified for short term implementation and piloted to ensure that students can participate in skills development through university providers as a component of lifetime learning.

This section responds to the **Australian Universities Accord - Discussion Paper** questions: Q5, Q12, Q16, Q17, Q20, Q21, Q31, Q33, Q47 to Q48.

**NSWVCC MEMBERS:**

## 7. Early wins for research support

*Universities in NSW contribute significantly to Australia's research capacity and capabilities. Ensuring that support for research is embedded in the university system and adequately incentivised and funding must remain a focus. While in the longer-term policy reform may address some of the direct and indirect funding issues associated with sustainably supporting Australia's national research capacity, some shorter-term options (described below) would be beneficial.*

Given that 40% of Australia's university research capacity is in NSW/ACT the continual burden of research overhead cost and support for both infrastructure and research resources is significant. It is recognised that some of this is covered through student funding, research block grants and other mechanisms. However, a very significant contributor to research capacity and impact is through the resources secured from international student fee revenue. The risks and opportunities associated with this are identified above, and in this section.

Australia's R&D investment has regrettably gone backwards, shrinking over 14 years to reach 1.78% of GDP – the lowest since 2004 and considerably below the OECD average which has grown 0.43% since 2010 to reach 2.67%.

Acknowledging this inadequacy, the Government has set an aspirational target to increase the nation's R&D to 3% of GDP to ensure proper research resourcing to reach the new government's innovation goals. Within this anaemic figure, the bulk of the investment is through government as opposed to industry sources, and further, a significant portion of government investment comes from universities institutional investment through cross subsidies. Australia's industry structure is unlike the US and UK, in that the SME dominance of the Australian economy mitigates against R&D investment at a scale or timeframe conducive to world leading innovation. Even large business does not get involved in university research to the extent that happens elsewhere (particularly in the US). There also challenges in connecting SMEs with the capability in universities to solve their pressing strategic or innovation needs.

Another perennial issue in Australia's research landscape is the substantial gap between external R&D funding and the full economic cost of research. It has been estimated that for every \$1 in external research income received, an extra \$1.19 is needed to cover the indirect costs of research (ICR). Universities thus must re-direct funding from other sources to cover this difference. For context, UNSW's 2021 HERDC income was \$534.8M, which required an additional \$636.4M in indirect costs to be covered by UNSW.

Australian universities fund research through a combination of funding sources. Research income received through nationally competitive grant programs or industry contracts cover only a portion of the *direct costs of research*, such as salaries and project costs (equipment, consumables etc.). On top of this, in 2022, the average return rate on requested funding for successful UNSW ARC grants was only 86%. The *indirect costs of research* are funded by a combination of Research Block Grant, some grants and contracts where ICR can be included into

### NSWVCC MEMBERS:

the budget, and cross-subsidisation from internal sources such as international student fees, philanthropy income, and investment reserves.

Finally, most granting schemes not only fail to fund the full cost of research, they also deliberately require matched funding from the universities. This increases the burden on universities to find additional institutional investment, working against smaller universities or those with less international students, preventing them from full participation in the major national research schemes.

The current research funding system is in dire need of an overhaul to close the growing gap between research funding provided by the Government and the true end-to-end cost of research. For any solution to have lasting impact, it must be driven by a whole-of-government approach and underpinned by an ongoing and reliable financial commitment.

The Australian Universities Accord process presents a timely opportunity to explore alternative funding models that are more holistic, agile, and sustainable, with scalable and enduring investment not only to correct current deficits but address future demands and so ensure the long-term success of Australian research.

In looking for short term opportunities to address the issue outlined above, three potential approaches emerge.

- Providing refined incentives for industry research, particularly connected with universities, and targeted for SMEs.
- Encouraging States to match or better coordinate Federal supported university research including increased government funding for basic research.
- Partial full economic cost of research starting with the national research councils.

### **Refined industry incentives**

One of the simplest methods would be to improve the application of the R&D tax concession. This could be done a few ways including:

- The re-establishment of an R&D tax incentive program linked to university research. The advantage of linking with a university provides some security that the research will be done by an organisation that is both registered, recognised, and sustainable.
- Modify the R&D tax incentive program to better target the needs and challenge of SMEs. This could include concepts such as immediate tax benefit for; the salaries of secondees from SMEs to universities and vice versa, the cost of research translation projects, or the salary differential between employing a PhD graduate over a normal graduate (to build research absorptive capacity within SMEs).
- Implement recommendation two of the Review of the R&D Tax Incentive (the Ferris, Finkel and Fraser Review, 2016) to introduce a collaboration premium of up to 20 percent for the non-refundable tax offset to provide additional support for the collaborative element of R&D expenditures undertaken with publicly funded research organisations. The premium would also apply to the cost of employing new STEM PhD or equivalent graduates in their first three years of employment.

#### **NSWVCC MEMBERS:**

- Introduce longer, more stable forms of grant funding for research collaborations between industry and universities to provide certainty and help to align the differing timeframes of businesses and universities when considering joint research projects.

### **Encouraging States to contribute**

Improving coordination and quantum of investment in research across State and Federal government is another relatively simple and quick means to long term research support.

Approaches could include:

- To match, on an agreed basis, a certain amount of payments by the States for research at their universities for a period of time. This will allow the States good value, ensure research is focused on the key needs for the state and provide support over time horizons commensurate with world class research.
- Most States charge state universities payroll tax. In the case of NSW universities, this is more than \$200 million per annum. A proportion of that amount should be used by the States for research at State universities. Federal Government matching would provide a clear incentive for States.
- ABS data show a disappointing decline in funding for pure basic research in recent years. It should be a priority for governments to arrest this. Governments have an outsized role to play here, given the incentives for industry collaboration remain strongest in applied research. But we need a continuous pipeline of basic research, particularly given the size and importance of the AUKUS deal and surrounding activity, as well as other major challenges and opportunities facing Australia.

### **Partial Full Economic Costing (FEC) approach**

To better meet the true costs of research, government support could be provided to the national research councils (i.e., the ARC and NHMRC, and also MRFF based on size of funding) to adopt an evidence-based Full Economic Cost (FEC) approach to grant funding. Under FEC, all direct and indirect research costs would be precisely and transparently determined and included in research applications. This is vital in ensuring critical research efforts of the nation are not reliant on uncertain funding sources such as the cross subsidy by international fee income. It would also ensure the best research could be supported regardless of the size or financial resources of the host university.

In the UK, national funders finance 80% of the full economic costs of projects via this method. In the Australian context and based on 2022 figures, preliminary modelling suggests that \$3.01B of additional government funding would be needed for the research councils to cover the full \$1.19 of ICR, \$1.37B p.a. of additional support to provide \$0.63 relief per dollar (based on the AAMRI estimate of ICR), or \$762M p.a. if research councils contributed \$0.35 in the dollar towards covering the ICR.

The current settings for government research funding in Australia distort, rather than support, a sustainable research funding model. There is substantial cross-subsidisation of research across the sector. Given the dominance of universities in the research landscape in Australia, this exposes the entire future national innovation system to the fortunes of the international student

#### **NSWVCC MEMBERS:**

market. In addition, due to the past decades declining support for higher education on a per student basis (which is now below the average cost of teaching) coupled the removal of the EIF for the funding of teaching and research facilities, a substantial infrastructure deficit has grown across Australian universities. In utilising discretionary revenue to meet the full cost of research, investment in teaching, education and research infrastructure has necessarily been unable to meet asset replacement needs for almost a decade. The need to fund research appropriately is not a new phenomenon but one that should no longer be put on the backburner as the gap between research costs and income grows.

**Recommendation 18:** That the Accord Panel, in consideration of the importance of preserving Australia’s research capability particularly in strategically critical areas, consider some short-term approaches to resolving the sustainable funding of research costs withing universities.

This section responds to the **Australian Universities Accord - Discussion Paper** questions: Q23-Q27, Q41 to Q45.

## Foreshadowing longer-term work

The NSW VCC is committed to providing further input and analysis to the Accord Panel on the basis that collectively we have insight into university operations (and financial underpinnings) that is unlikely to be available to the Department in the timeframe. We offer our services to the Panel, through the Accord Working Group, to test proposed funding and structural changes which presumably need to be undertaken over coming months.

**NSWVCC MEMBERS:**

## Appendix A

This paper has been drafted by the members of the NSW VCC Australian Universities Accord Working Group:

- Mr David Gonski AC, Chancellor, University of New South Wales, Co-Chair
- Prof Andrew Parfitt, Vice-Chancellor, University of Technology Sydney, Co-Chair
- Prof Tyrone Carlin, Vice-Chancellor, Southern Cross University
- Ms Belinda Hutchinson AC, Chancellor, University of Sydney
- Ms Christine McLoughlin AM, Chancellor, University of Wollongong
- Prof Paddy Nixon, Vice-Chancellor, University of Canberra
- Prof Jennifer Westacott AO, Chancellor, Western Sydney University
- Prof Alex Zelinsky, AO, Vice-Chancellor, University of Newcastle

The Working Group would like to acknowledge Dr John Howard and Mr Conor King who have contributed to these proposals.

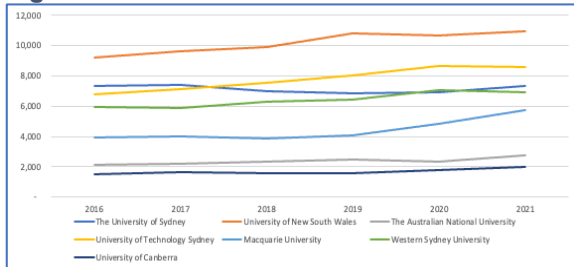
The NSW Vice Chancellors' Committee appreciates the opportunity to contribute to this important debate. Please do not hesitate to contact the Co-Chairs (Mr David Gonski and Prof Andrew Parfitt) c/o Catriona Reid, Executive Officer [executive\\_officer@nswvcc.edu.au](mailto:executive_officer@nswvcc.edu.au) should you wish to discuss this submission further.

**NSWVCC MEMBERS:**

## Appendix B

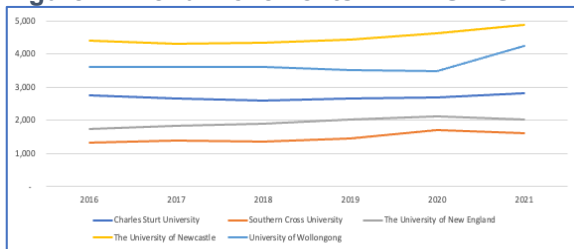
The following charts show trend movements in EFTSL for the period 2016-2021 for major discipline areas and differences between Metropolitan and Regional universities.

**Figure 1: Trend movements in EFTSL: STEM Disciplines — Metropolitan Universities 2016-2021**



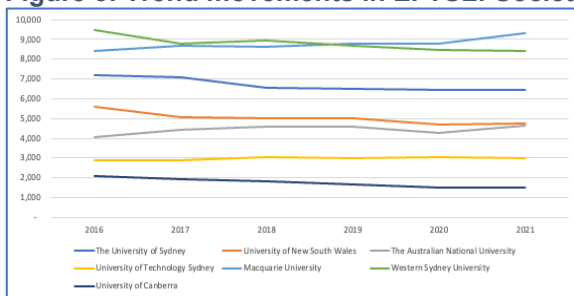
The strong advocacy for STEM from the science community has likely had a greater impact on EFTSL movement, in addition to students' professional career aspirations. Only the University of Sydney saw a trend decline from 2016, but with an increase in 2021. The trends in Regional Universities are similar, although Wollongong saw a profound lift in 2021.

**Figure 2: Trend movements in EFTSL: STEM Disciplines — Regional Universities 2016-2021**



The trends in Society and culture have generally been downward for many years, with no sharp change in 2021. Macquarie saw a significant *increase* in 2021, as did ANU.

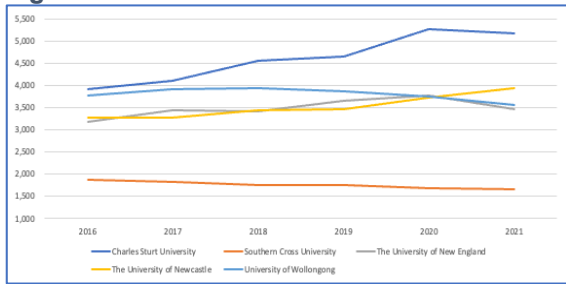
**Figure 3: Trend movements in EFTSL: Society and Culture — Metropolitan Universities 2016-2021**



However, in regional universities, JRG price signals may have had some impact, particularly at CSU and UNE.

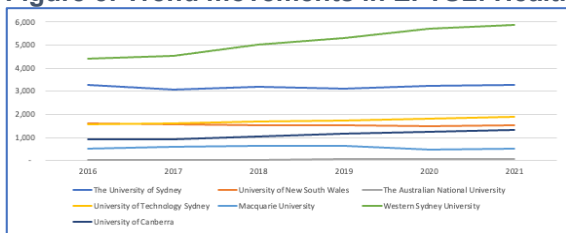
**NSWVCC MEMBERS:**

**Figure 4: Trend movements in EFTSL: Society and Culture — Regional Universities 2016-2021**



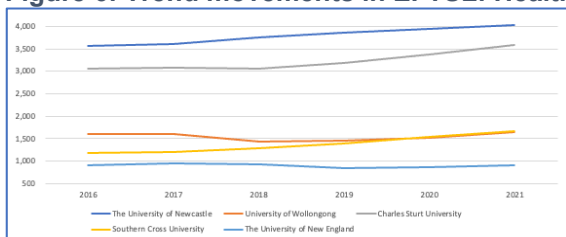
EFTSL demand for Health has been relatively stable since 2016, with little apparent impact of JRG. Only WSU has recorded a substantial *trend* increase since 2016. Health has been growing strongly at Canberra.

**Figure 5: Trend movements in EFTSL: Health — Metropolitan Universities 2016-2021**



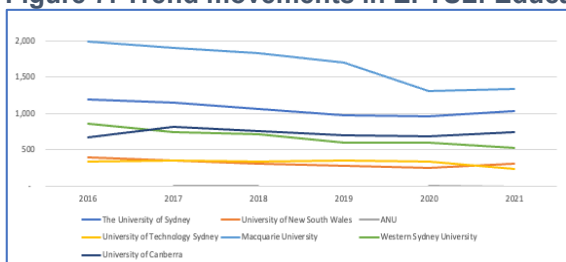
Most regional universities have had a distinct upward trend in Health disciplines since 2016, but with no apparent major uplift in 2021. Growth has been particularly strong at Newcastle and CSU.

**Figure 6: Trend movements in EFTSL: Health — Regional Universities 2016-2021**



Growth in Education EFTSL has been weak, with little evidence that JRG has stemmed the tide. The downward trend at Sydney is particularly apparent; perhaps JRG stabilised it in 2021.

**Figure 7: Trend movements in EFTSL: Education — Metropolitan Universities 2016-2021**



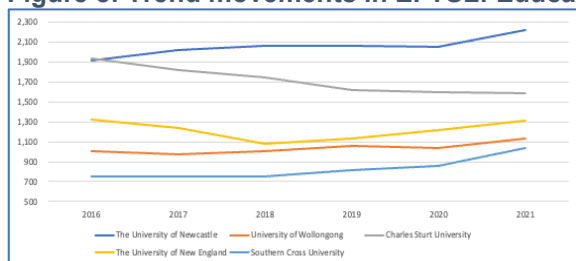
The JRG impact may have been stronger in regional universities, but there has been a long-term decline at CSU.

**NSWVCC MEMBERS:**

Australian Catholic University • Australian National University • Charles Sturt University • Macquarie University • Southern Cross University  
 University of Canberra • University of Newcastle • University of New England • University of New South Wales • University of Notre Dame  
 The University of Sydney • University of Technology Sydney • University of Wollongong • Western Sydney University • Avondale University

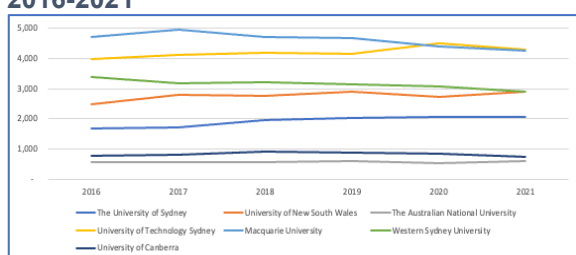


**Figure 8: Trend movements in EFTSL: Education — Regional Universities 2016-2021**



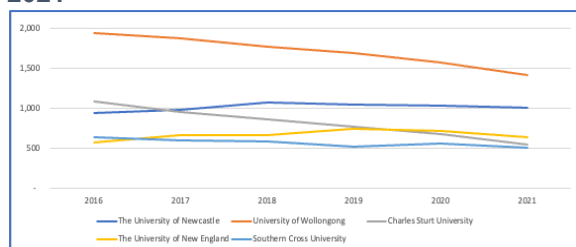
There is also no apparent evidence of JRG impact on Management and Commerce. The downward trend at Sydney has been at work for several years, and there was some recovery at UNSW in 2021.

**Figure 9: Trend movements in EFTSL: Management and Commerce — Metropolitan Universities 2016-2021**



Finally, in regional universities, trends in Management and commerce have been down for quite some time also.

**Figure 10: Trend movements in EFTSL: Management and Commerce — Regional Universities 2016-2021**



The changes in EFTSL across courses and disciplines revealed in the preceding charts are more likely to have been impacted by a very wide range of motivations for students to start and continue university undergraduate study, of which price would be only one factor.

In public commentary, the concept and measurement of price elasticity is rarely addressed. In many instances, it could be close to zero: that is, a price change has little or no impact on demand.

It is understood that a pilot program was not undertaken to test assumptions underpinning JRG.

**NSWVCC MEMBERS:**

Australian Catholic University • Australian National University • Charles Sturt University • Macquarie University • Southern Cross University  
 University of Canberra • University of Newcastle • University of New England • University of New South Wales • University of Notre Dame  
 The University of Sydney • University of Technology Sydney • University of Wollongong • Western Sydney University • Avondale University