

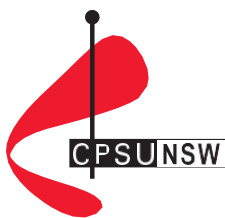
INQUIRY INTO FUTURE DEVELOPMENT OF THE NSW TERTIARY EDUCATION SECTOR

Organisation: Community and Public Sector Union, NSW Branch
Date Received: 7 August 2020



SUBMISSION

Submission to the Inquiry into the future development of the NSW tertiary education sector



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WHO IS THE CPSU NSW?

The Community and Public Sector Union (State Public Sector Federation) NSW Branch (CPSU NSW) has just under 40000 members. We cover professional staff in the Higher Education sector including all non-academic staff which includes library staff, administrative and corporate services staff, property and facilities, technical and laboratory staff, and research staff. We also cover staff in many of the University owned enterprises and also the student unions (service delivery) on campuses. The CPSU NSW also covers Support staff in TAFE NSW, and the disability sector as well as through our sister state registered union the Public Service Association of NSW staff across the public sector.

We have focussed our submission on the following terms of reference:

- (a) Tertiary education's economic development role, especially university campuses and Country University Centres (CUCs) in regional NSW;**
- (b) The mission of NSW universities with a particular focus on the role of universities to serve specific geographic communities;**
- (c) The post-pandemic return of foreign student numbers and the financial sustainability and risk management strategies of NSW tertiary education institutions;**
- (h) The current levels of coordination and/or support provided to NSW universities by the NSW Government;**

RECOMMENDATIONS

Recommendation:

The NSW Regional Growth Fund is increased to have a new funding stream to assist Universities build critical regional infrastructure.

Recommendation:

That additional applied research grants are applied to regional Universities to assist the Universities develop evidence based approaches for regional industries and regional specialisation of those Universities.

Recommendation:

That the Regional Growth Fund be extended to include provisions for Universities to assist students of low socio-economic background by supporting University infrastructure that assists students of low socio-economic background attend University including public housing supply.

Recommendation:

Uncap domestic student numbers (restore demand model) and rather than capping international student numbers, place restrictions on the amount universities are allowed to

charge on international student fees so that they are no more or less “valuable” to a university than a domestic student.

Recommendation:

Diversity of international students – limit the overreliance on any one country and implement measures to minimise over reliance on any one country to ensure stability and sustainability of the University sector.

Recommendation:

The NSW Government utilise its position of influence at National Cabinet to prioritise delivery of a “secure corridor” to support future international student intake.

Recommendation:

The NSW Government could utilise its position of influence at National Cabinet to push for the establishment of a national Research and development budget as a percentage of GDP and to have this budget achieved over ten years.

Recommendation:

The NSW Government utilise its position of influence at National Cabinet to push for an increase in Commonwealth funding for an expansion of domestic University training to prepare our workforce for the future.

Recommendation:

The NSW Government utilise its position of influence at National Cabinet to remove the cap on demand driven enrolment funding.

Recommendation:

The NSW Government utilises its influence at National Cabinet to advocate for the federal government to extend the Job Keeper subsidy to the University Sector.

INTRODUCTION

Universities exist to “expand knowledge and create a civil society.”¹ They play a crucial role in modern democracies, in informing citizens and expanding “their sense of social responsibility at both national and international levels.”² They meet the skills demands of an emergent economy and “champion progress in terms of technology, culture and society.”³ Through community engagement initiatives, universities affect the “broader social fabric” of

¹ Fischetti, J. and Coleborne, C. (2020). ‘The government’s funding changes are meddling with the purpose of universities’, *The Conversation*, 23 June, <https://theconversation.com/the-governments-funding-changes-are-meddling-with-the-purpose-of-universities-141133>, accessed 15 July.

² Horne, J. (2015). ‘Who do universities serve? Everyone, or just the elite few?’, *The Conversation*, 1 June, <https://theconversation.com/who-do-universities-serve-everyone-or-just-the-elite-few-40148>, accessed 7 July 2020.

³ Deloitte Access Economics, (2015). *The importance of universities to Australia’s prosperity*, October, pxi

their local areas⁴ and act as “anchor” industries⁵ in regional areas. Economically, universities contributed \$41 billion to the Australian economy and supported a total of 259,100 full-time jobs in 2018⁶ and represent Australia’s largest services export and the third largest export overall.⁷

The following submission will argue that while the Coronavirus COVID-19 global health pandemic has no doubt presented Australia’s university sector with an immense challenge, the virus cannot be entirely blamed for the troubles now faced by the sector. It is the position of CPSU NSW and our members that the pandemic has merely accelerated Australian university sector into an epidemic of it and the government’s own making: as Forsyth (2020) has written, “steered by government policy, an expensive managerialist epidemic infected the universities.”

Forsyth expands that as successive governments have allowed the erosion of public funding, university leaders have then “encouraged one another to game the government’s funding system to achieve their KPIs,”⁸ competing with one another and focussing on short-term profit margins ahead of longer term strategic and liquidity planning. Continuing cuts in government grants and other forms of public funding have resulted in a “protracted squeeze” on university finances. Consequently, universities have become “obsessed” with money-raising⁹ resulting in what can only be described as “a failure to invest in good universities that are sustainable in the long term.”¹⁰

As Heffernan (2017) has written, “the examination of funding as an issue impacting on all universities in national and global contexts has frequently been dominated by the consequences of higher education becoming an area organised by neoliberal ideologies over the last four decades.”¹¹ These reforms have allowed for the “unending backdoor privatisation” of Australia’s universities as well as a “folly of the smaller-government brigade” to “push university funding off the federal budget.”¹² In 1989 – around when these reforms first began – universities derived more than 80 per cent of their operating costs

⁴ Deloitte Access Economics, (2015). *The importance of universities to Australia’s prosperity*, October, p16

⁵ Regional Universities Network (RUN) (2017). ‘Submission to the Senate Economics References Committee Inquiry into the indicators of, and impact of, regional inequality in

Australia’, <http://www.run.edu.au/resources/Submission%20on%20indicators%20and%20impact%20of%20regional%20inequality.pdf>

⁶ Doughney, J. (2020). ‘Without international students, Australia’s universities will downsize – and some might collapse altogether’, *The Conversation*, 8 April, <https://theconversation.com/without-international-students-australias-universities-will-downsize-and-some-might-collapse-together-132869>, accessed 15 July 2020.

⁷ Deloitte Access Economics, (2015). *The importance of universities to Australia’s prosperity*, October, p12

⁸ Forsyth, H. (2020). Universities and government need to rethink their relationship with each other before it’s too late’, *The Conversation*, 15 June, <https://theconversation.com/universities-and-government-need-to-rethink-their-relationship-with-each-other-before-its-too-late-139963>, accessed 14 July 2020.

⁹ Gittins, R. (2017). ‘We’ve turned our unis into aimless, money-grubbing exploiters of students’, *The Sydney Morning Herald*, 17 September, <https://www.smh.com.au/business/weve-turned-our-unis-into-aimless-moneygrubbing-exploiters-of-students-20170916-gvivo0e.html>, accessed 14 July 2020.

¹⁰ Forsyth, H. (2020). Universities and government need to rethink their relationship with each other before it’s too late’, *The Conversation*, 15 June, <https://theconversation.com/universities-and-government-need-to-rethink-their-relationship-with-each-other-before-its-too-late-139963>, accessed 14 July 2020.

¹¹ Heffernan, T. A. (2017). ‘A fair slice of the pie? Problematising the dispersal of government funds to Australian universities’, *Journal of Higher Education Policy and Management*, 39(6), p658

¹² Gittins, R. (2017). ‘We’ve turned our unis into aimless, money-grubbing exploiters of students’, *The Sydney Morning Herald*, 17 September, <https://www.smh.com.au/business/weve-turned-our-unis-into-aimless-moneygrubbing-exploiters-of-students-20170916-gvivo0e.html>, accessed 14 July 2020.

from public funds. In 2020, public funding for universities is estimated to be less than 40 per cent – a figure well below the OECD average for public investment in tertiary education.¹³

The COVID-19 pandemic has undoubtedly hurt Australian universities. The sector was one of the first economically hit by the virus, in January 2020 when the Commonwealth restricted the movement of Chinese students.¹⁴ An even greater blow came in March 2020, when the Commonwealth imposed significant lockdown measures across the nation, and locked the travel borders.¹⁵ Not only did these measures further limit the flow of international students, they also demanded an overhaul of how universities conducted their daily business, forcing all teaching and student services online.

The sector has reported that student enrolments for the first half of 2020 were 5.8 per cent beneath projections. International student enrolments were 13.8 per cent beneath expectations and domestic student enrolments were 2.4 per cent beneath expectations.¹⁶ Experts are estimating that university revenue will fall by somewhere between \$3 [billion] to \$4 billion a year over the next two or three years,¹⁷ with NSW universities having collectively forecast losses of more than A\$1.5 billion this year alone.¹⁸

The sudden loss of the overly-relied upon international student revenue combined with the continuing erosion of the notion of public universities being publically funded and the failure the sector's managerialist leaders to adequately plan for the future, has allowed the impact of the COVID-19 virus to throw the Australia's university sector into dire straits.

To make matters worse for the sector, despite being revered for "throwing ideology out the window"¹⁹ to pull the nation through the COVID-19 crisis, the Federal Government has stubbornly dug in its ideological heels in the university sector. It has forcefully denied the sector access to the JobKeeper and JobSeeker welfare payments and has taken very specific measures to deny the sector any meaningful financial assistance in terms of extra funding to cover the shortfall in international student revenue, upon which it has effectively forced the sector to rely. There is seemingly no logic to explain cutting the university sector out of COVID-19 support and welfare payments, other than to keep universities "in their place."²⁰ Without government intervention, it is estimated that 16 per cent of all jobs at Australian

¹³ Horne, J. (2020). 'How universities came to rely on international students', *The Conversation*, 22 May, <https://theconversation.com/how-universities-came-to-rely-on-international-students-138796>, accessed 20 July 2020.

¹⁴ Clarke, M. (2020). 'Coronavirus travel ban sees Chinese students miss start of university, Australian tertiary education sector scrambling', *ABC News*, 4 February.

¹⁵ Maasdorp, J., Bilton, D. and Jeffrey, Y. (2020). 'Scott Morrison announces new measures aimed at slowing spread of COVID-19: As it happened', *ABC News*, 24 March.

¹⁶ Audit Office of NSW (2020). *New South Wales Auditor-General's Report: University 2019 audits*, 4 June, <https://www.audit.nsw.gov.au/sites/default/files/documents/Final%20report%20-%20Universities%202019%20audits%20tabled%204%20June%202020.PDF>, accessed 4 June 2020, p1

¹⁷ Vincent, M. and Robb, K. (2020). 'University fee changes to funnel students into specific courses won't help us, vice-chancellors say', *ABC News*, 22 June, <https://www.abc.net.au/news/2020-06-22/university-fee-changes-wont-help-budgets-vice-chancellors-say/12380196>, accessed 14 July 2020.

¹⁸ Ross, J. (2020). 'Australian state to guarantee universities' loans', *Times Higher Education*, 6 June, <https://www.timeshighereducation.com/news/australian-state-guarantee-universities-loans>, accessed 17 June 2020.

¹⁹ Tingle, L. (2020). 'PM Paints ideological lines on the road out from the COVID-19 crisis', *Australian Financial Review*, 17 April.

²⁰ Moodie, G. (2020). 'Why is the Australian government letting universities suffer?', *The Conversation*, 19 May, <https://theconversation.com/why-is-the-australian-government-letting-universities-suffer-138514>, accessed 15 July 2020.

universities – some 21,000 positions – will vanish within the next six months.²¹ Experts are warning that not all universities will emerge from the pandemic in their current form.²²

While the CPSU NSW urges the Australian Government to provide immediate financial support to the struggling university sector, and urges the sector's leaders to do everything possible to prevent job losses, the following submission is not about quick fixes. This submission contains recommendations for long-term, that, if followed, will aid in preventing another crisis.

THE NSW UNIVERSITY SECTOR

New South Wales has ten public universities established by state legislation to provide tertiary education and research functions (eleven with Australian Catholic University which is a multistate University). The ten universities have established 76 controlled entities, of which 25 are based overseas.²³

CPSU NSW looks after members in Wollongong University, Charles Sturt University, University of New England, University of Newcastle, University of Southern Cross, Western Sydney University, Australian Catholic University, University of Technology Sydney, Macquarie University, University of Sydney and University of NSW. The CPSU NSW also covers workers in TAFE NSW and School Support Staff, and other public servants in the NSW Department of Education including those that administer Higher Education for NSW government.

Our coverage in Universities is of professional staff in Universities includes all non-academic staff which includes library staff, technical staff, administrative, corporate services, facilities and research staff.

The CPSU NSW also covers members at University Student Unions and at the University Admissions Centre.

²¹ Ross, J. (2020). 'Australian HE relief package takes domestic focus', *Times Higher Education*, 12 April, <https://www.timeshighereducation.com/news/australian-he-relief-package-takes-domestic-focus>, accessed 14 July 2020.

²² Marshman, I. and Larkins, F. (2020). 'COVID-19: what Australian universities can do to recover from the loss of international student fees', *The Conversation*, 3 June, <https://theconversation.com/covid-19-what-australian-universities-can-do-to-recover-from-the-loss-of-international-student-fees-139759>, accessed 15 July 2020.

²³ Audit Office of NSW (2020). *New South Wales Auditor-General's Report: University 2019 audits*, 4 June, <https://www.audit.nsw.gov.au/sites/default/files/documents/Final%20report%20%20-%20Universities%202019%20audits%20tabled%204%20June%202020.PDF>, accessed 4 June 2020, p3

BACKGROUND ON FUNDING

The modern funding scheme for universities can be traced back to the 1980s. According to Forsyth (2020), within the university sector in the 1980s “the managerial class” sought freedom from traditional moral constraints, which they believed also constrained growth and that “innovation was often key to profitability, and the changing global economy required ever more white-collar workers: university graduates.”²⁴ This agenda therefore played a part in the 1980s Dawkins reforms in Australia, which sought to send more Australians to university so that they could become part of “a highly-skilled and educated national workforce”²⁵ While these reforms were about giving more Australians access to higher education they were a significant departure from the program of free university education enacted by Gough Whitlam less than two decades prior.

As part of these reforms, the Hawke Labor Government introduced the HECS²⁶ payment system.

Since the Dawkins reforms, successive Australian governments have used university funding as an ideological and political play thing, eroding government funding and thereby allowing the sector to become increasingly reliant on income from international student fees.²⁷

Many of those in governments have a view that a university education should be “targeted, transactional, fee-for-service and preferably privatised.”²⁸

Fischetti (2020) wrote of the Morrison Government’s most recent announcements about changes to fees for certain degrees that, “in stating its plan expands job preparation and promotes economic growth, the government is overstepping its charge, undermining the notion of choice and opportunity for all.”²⁹

The current Coalition government has spent most of its reign dealing with the fallout from their ambitious policy agenda conceived under Tony Abbott, as laid out in the 2014 Higher Education Reform Bill. The chief aims of this policy were to:

- cut higher education funding by 20%
- increase subsidies to private providers
- deregulate tuition fees.³⁰

²⁴ Forsyth, H. (2020). ‘Universities and government need to rethink their relationship with each other before it’s too late’, *The Conversation*, 15 June, <https://theconversation.com/universities-and-government-need-to-rethink-their-relationship-with-each-other-before-its-too-late-139963>, accessed 14 July 2020.

²⁵ Horne, J. (2020). ‘How universities came to rely on international students’, *The Conversation*, 22 May, <https://theconversation.com/how-universities-came-to-rely-on-international-students-138796>, accessed 20 July 2020.

²⁶ Horne, J. (2020). ‘How universities came to rely on international students’, *The Conversation*, 22 May, <https://theconversation.com/how-universities-came-to-rely-on-international-students-138796>, accessed 20 July 2020.

²⁷ Horne, J. (2020). ‘How universities came to rely on international students’, *The Conversation*, 22 May, <https://theconversation.com/how-universities-came-to-rely-on-international-students-138796>, accessed 20 July 2020.

²⁸ Moodie, G. (2020). ‘Why is the Australian government letting universities suffer?’, *The Conversation*, 19 May, <https://theconversation.com/why-is-the-australian-government-letting-universities-suffer-138514>, accessed 15 July 2020.

²⁹ Fischetti, J. and Coleborne, C. (2020). ‘The government’s funding changes are meddling with the purpose of universities’, *The Conversation*, 23 June, <https://theconversation.com/the-governments-funding-changes-are-meddling-with-the-purpose-of-universities-141133>, accessed 15 July.

³⁰ Savage, G. C., Irvine, S. and Pitman, T. (2019). ‘How has education policy changed under the Coalition government?’, *The Conversation*, 8 April, <https://theconversation.com/how-has-education-policy-changed-under-the-coalition-government-113921>, accessed 23 July 2020.

After its higher education reforms package (including \$2.8 billion in funding cuts) got voted down by the Senate in October 2017³¹, the Coalition Government under Malcolm Turnbull announced a university funding freeze in the 2017 Mid-Year Economic Fiscal Outlook (MYEFO). This freeze effectively scrapped the demand-driven funding system introduced by the Rudd/Gillard governments, which will be discussed in the next section. The majority of savings were to come from capping Commonwealth Grant Scheme (CGS) funding for domestic bachelor level courses for 2018 and 2019 at the 2017 funding level³² with population-linked adjustments from 2020 for universities that met certain performance criteria.³³ The freeze element did not need to be legislated and therefore did not require Senate approval.³⁴ The only restriction placed on the government is that the amount cannot go down from the previous year. So, in 2018, a university's maximum funding for bachelor degree courses cannot be less than it was for 2017.³⁵ This announcement also removed \$130 million out of research funding across the sector³⁶ and introduced a system of funding based on performance measures, to begin from 2020.

When the funding freeze was announced, fears were expressed that it would encourage universities to have fewer students in courses with above-average subsidy levels, such as health sciences, nursing, engineering and agriculture. Universities Australia Chair Margaret Gardner noted that economists and experts were already warning about skills shortages in these critical areas³⁷ and that the funding freeze will "cost our economy up to \$12 billion as fewer graduates join the workforce."³⁸

The Mitchell Institute has said that tertiary education participation is a major policy issue in terms of combatting an ageing Australian population. If participation rates in higher education fall as the population increases, there will be fewer people of prime working age who can effectively participate in the labour market in the future.³⁹ According to the Mitchell Institute, as many as 235,000 fewer Australians will be at university by 2031 if the funding freeze continues.⁴⁰

DEMAND-DRIVEN FUNDING

³¹ <https://www.smh.com.au/politics/federal/turnbull-governments-28-billion-university-funding-cuts-shot-down-by-the-senate-20171019-gz47yf.html>

³² Audit Office of NSW (2020). *New South Wales Auditor-General's Report: University 2019 audits*, 4 June, <https://www.audit.nsw.gov.au/sites/default/files/documents/Final%20report%20%20-%20Universities%202019%20audits%20tabled%204%20June%202020.PDF>, accessed 4 June 2020, p10

³³ Norton, A. (2019). 'Demand-driven funding for universities is frozen. What does this mean and should the policy be restored?', *The Conversation*, 2 May, <https://theconversation.com/demand-driven-funding-for-universities-is-frozen-what-does-this-mean-and-should-the-policy-be-restored-116060>, accessed 7 July 2020.

³⁴ Tanya Plibersek transcript ABC News 19 December 2017 (Julie Doyle)

³⁵ <https://theconversation.com/universities-get-an-unsustainable-policy-for-christmas-89307>

³⁶ Savage, G. C., Irvine, S. and Pitman, T. (2019). 'How has education policy changed under the Coalition government?', *The Conversation*, 8 April, <https://theconversation.com/how-has-education-policy-changed-under-the-coalition-government-113921>, accessed 23 July 2020.

³⁷ <https://www.universitiesaustralia.edu.au/Media-and-Events/media-releases/Latest-cuts-would-leave-Australia-s-uni-funding--frozen-in-time--as-costs-rise#.XAcZXdszZaQ>

³⁸ <https://www.universitiesaustralia.edu.au/Media-and-Events/media-releases/Universities-welcome-pledge-on-uncapped-uni-places#.XAdiU9szZaQ>

³⁹ <http://www.mitchellinstitute.org.au/wp-content/uploads/2018/04/Participation-in-tertiary-education-in-Australia.pdf>

⁴⁰ <http://www.mitchellinstitute.org.au/reports/participation-in-tertiary-education/>

In 2012, the Gillard Government introduced demand-driven funding to the university sector, effectively uncapping university places. When the Rudd/Gillard Government came into government in 2007, university spending was \$8 billion per year and by 2013 it was \$14 billion per year.⁴¹ Uncapping university places meant that by 2016 an extra 220,000 students were given the opportunity of a university education, many of whom were the first in their family to attend university.⁴² According to academics, Australia's spending on tertiary education as a share of GDP by 2017 was lower than it was before the demand-driven system was introduced.⁴³

The demand-driven system was recommended to government by the 2008 Review of Australian Higher Education, known also as the Bradley Review, for its chair, Professor Denise Bradley. The Review sought to address a number of existing concerns within the sector, including "the stalling or faltering rates of domestic participation", a "failure to achieve diversity in higher education providers and programmes", "little improvement in equity of access" as well as an "over-reliance on international student fee revenue."⁴⁴ Overall, the Bradley Review "provided a blueprint for major reforms" to the higher education sector and called for a major national push towards a universal participation higher education system.⁴⁵

One of the main aims of demand-driven funding was to increase domestic higher education participation and attainment rates, given the predictions that many world economies are reaching a point where some "post-secondary qualification was needed for an effective working life" and that within Australia, employment is higher amongst those with some form of higher education.⁴⁶

The figures clearly show that the demand-driven system was successful in its aim of increasing participation. The government set a target of 40% of all 25-34-year-olds to have a bachelor degree by 2025, up from 32% at the time. Domestic student bachelor-degree enrolments in 2017 were up by 45% from 2008, reaching nearly one-quarter of a million. In 2017, nearly 42% of 19-year-olds were enrolled in higher education, up more than 10 percentage points from 2008.⁴⁷ The funding policy particularly sought to provide higher education opportunities for domestic students from disadvantaged backgrounds.⁴⁸

Demand-driven funding led to Australia's universities educating:

⁴¹ Tanya Plibersek transcript Sky News 19 December 2017

⁴² http://www.tanyaplibersek.com/media_release_slashing_research_funding_to_lift_cap_on_regional_uni_places_a_recipe_for_disaster_monday_12_november_2018

⁴³ <https://theconversation.com/universities-get-an-unsustainable-policy-for-christmas-89307>

⁴⁴ King, C. and James, R. (2014). 'Increasing participation and attainment in higher education in Australia: The early effects of a "demand-driven" system', *Higher Education Management and Policy*, 24(3), p148

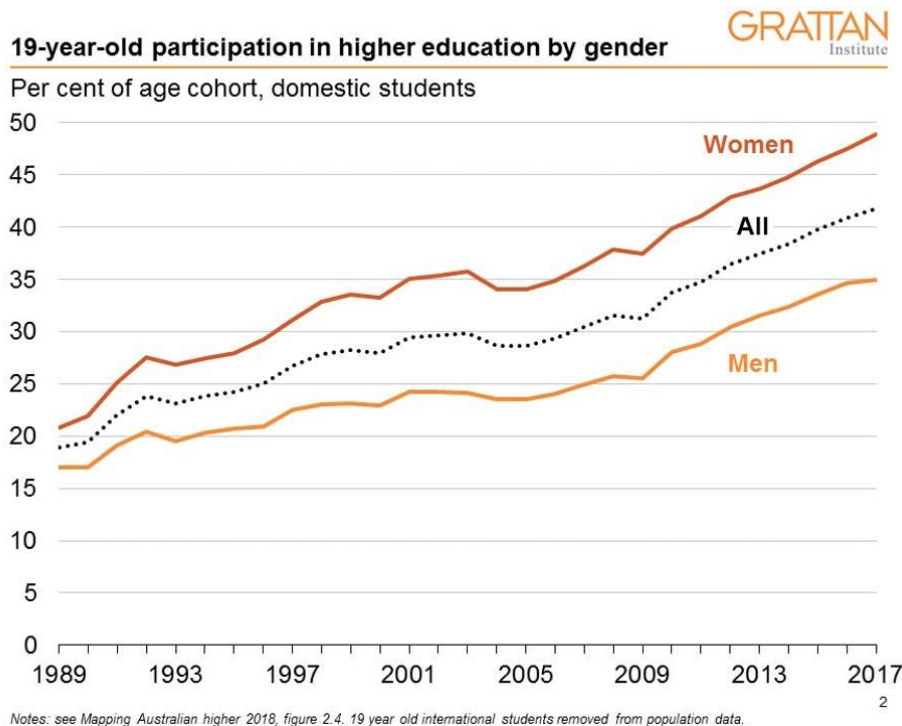
⁴⁵ King, C. and James, R. (2014). 'Increasing participation and attainment in higher education in Australia: The early effects of a "demand-driven" system', *Higher Education Management and Policy*, 24(3), p147

⁴⁶ King, C. and James, R. (2014). 'Increasing participation and attainment in higher education in Australia: The early effects of a "demand-driven" system', *Higher Education Management and Policy*, 24(3), p156-157

⁴⁷ Norton, A. (2019). 'Demand-driven funding for universities is frozen. What does this mean and should the policy be restored?', *The Conversation*, 2 May, <https://theconversation.com/demand-driven-funding-for-universities-is-frozen-what-does-this-mean-and-should-the-policy-be-restored-116060>, accessed 7 July 2020.

⁴⁸ Norton, A. (2019). 'Demand-driven funding for universities is frozen. What does this mean and should the policy be restored?', *The Conversation*, 2 May, <https://theconversation.com/demand-driven-funding-for-universities-is-frozen-what-does-this-mean-and-should-the-policy-be-restored-116060>, accessed 7 July 2020.

- **55 per cent** more Australians from the poorest one-fifth of households;
- **48 per cent** more students from regional and remote communities;
- **89 per cent** more Aboriginal and Torres Strait Islander students; and
- **106 per cent** more students with a disability.⁴⁹



Source: Andrew Norton 2019, *The Conversation*

Even before the COVID-19 pandemic, the Grattan Institute was warning that demand-driven funding for universities is the only answer to how the industry will survive in an ever-evolving society and economy.⁵⁰ Before the 2019 federal election, Professor Andrew Norton made the claim that a return to demand-driven funding “would help universities adapt to and plan for future needs.”⁵¹

The CPSU submits below that to restore balance to the system, that the NSW Government should use its influence at the National Cabinet to urge the Commonwealth Government to restore demand driven funding and to significantly increase Commonwealth grant subsidies to course fees that will allow our future labour force to transform and recover from the pandemic, with future low employment.

⁴⁹ <https://www.universitiesaustralia.edu.au/Media-and-Events/media-releases/We-must-keep-open-the-doors-of-opportunity#.XA7-KlUzZaQ>

⁵⁰ <https://grattan.edu.au/news/demand-for-cuts-deals-death-blow-to-australias-demand-driven-system/>

⁵¹ Norton, A. (2019). ‘Demand-driven funding for universities is frozen. What does this mean and should the policy be restored?’, *The Conversation*, 2 May, <https://theconversation.com/demand-driven-funding-for-universities-is-frozen-what-does-this-mean-and-should-the-policy-be-restored-116060>, accessed 7 July 2020.

Term of Reference

a)Tertiary education's economic development role, especially university campuses and Country University Centres (CUCs) in regional NSW;

SERVING GEOGRAPHIC COMMUNITIES: LOCAL ECONOMIES

Regional Universities play a significant role in the communities of regional NSW. They significantly increase the regional economy with increased jobs, migration to the campus centres, and study tourism such as for conferences and face to face residential studies, as well as the significant purchase of goods and services to facilitate the campuses that often will have many thousand people attend on a daily basis.

Regional Universities also contribute to the local industry through collaborative research with local businesses and communities such as alignments with NSW agricultural industry and also support for natural emergency mitigation. One of the most important aspects is that regional universities increase the educational standard for regional areas thereby allowing regional areas to have improved social justice, health and economic outcomes.

The Regional University Network (RUN) is a network of 7 regional universities with headquarters in regional Australia that are committed to playing a transformative role in their communities.⁵² In NSW this includes University of New England, Southern Cross University and Charles Sturt University. Universities such as University of Wollongong and University of Newcastle would have similar economic effects but on a slightly different scale.

RUN states that regional universities “enshrine a fundamental commitment to regional Australia.”⁵³ They have strong engagement with regional stakeholders, they keep people working in the regions, stimulate the local economies, provide regional leadership, deliver higher education to communities where university attainment is commonly below the national average, are relatively affordable for students, and offer the only option for university study for many, increase local secondary economy through increased regional travel and business interactions, and are major employers and attractors of talent in regional communities.⁵⁴

Economically the Australia Institute has described regional universities role to serve as an “anchor industry” in regional NSW. An anchor industry is “one which helps to support an entire community or regional community: by providing an initial supply of quality jobs, by supplying critical society-building human capital and by generating inflows of revenue from outside of the immediate region (through sales of goods or services to other markets,

⁵² Regional Universities Network, run.edu.au

⁵³ Regional Universities Network (RUN) (2017). 'Submission to the House Select Committee on Regional Development and Decentralisation - Inquiry on Regional Development and Decentralisation', <http://www.run.edu.au/resources/Regional%20Dev%20and%20Decentralisation.pdf>

⁵⁴ Regional Universities Network (RUN) (2017). 'Submission to the Senate Economics References Committee Inquiry into the indicators of, and impact of, regional inequality in Australia', <http://www.run.edu.au/resources/Submission%20on%20indicators%20and%20impact%20of%20regional%20inequality.pdf>

and/or inward fiscal transfers to pay for public sector activity) that in turn allow the community to purchase necessary goods and services from those other regions.”⁵⁵

The Regional University Network (RUN) states that the universities within their network contribute over \$2.1 billion in gross domestic product, \$1.2 billion in household income and more than 14,000 full-time equivalent jobs to the Australian economy annually.⁵⁶ RUN universities contribute an additional \$1.7bn to their regional communities through increased productivity, jobs growth and retention and expenditure.⁵⁷ RUN universities teach around 112,000 students or around 9 per cent of enrolments at Australian public universities. They educate 23 per cent of Australia’s domestic, regional and remote students at the undergraduate level, 16 per cent of its low socio-economic status (SES) students and 17 per cent of its Indigenous students. They also enrol 28 per cent of external students and 33 per cent of domestic students in enabling courses. Many students are first in family to attend university.⁵⁸

Table 2
The three effects RUN universities have on their regions




Effect		Activity	Explanation
SUPPLY		Jobs in regional areas Increase productivity of trained graduates	RUN universities grow Australia's regional workforce and increase its productivity. This is measured by the proportion of RUN graduates employed in regional areas and the subsequent impact on real wages.
DEMAND		Student spending in the regions University expenditure in the regions	RUN universities grow Australia's economy directly by driving demand in its regions. This is measured through increases in: private consumption; government consumption; international and interstate exports.
KNOWLEDGE CAPITAL		Innovations produced through research New techniques for industry	RUN universities contribute to industry through research and knowledge capital. Increases to knowledge capital are measured by the value of research income and time spent on research.

Table Source: The economic impact of the Regional Universities Network⁵⁹

The higher education sector is of immense value to regional communities in NSW through investment in regional infrastructure, jobs creation, and provision of cultural and learning opportunities. NSW regional universities are often the largest employer in their region, with wages and conditions generally substantially higher than the regional average often due to

⁵⁵ Henderson, T. (2018). 'The Economic Importance of Public Services in Regional Communities in NSW', The Centre for Future Work at the Australia Institute, Canberra.

⁵⁶ Regional Universities Network (RUN) (2017). 'Submission to the House Select Committee on Regional Development and Decentralisation - Inquiry on Regional Development and Decentralisation', <http://www.run.edu.au/resources/Regional%20Dev%20and%20Decentralisation.pdf>

⁵⁷ Nous. (2018). *The Economic Impact of the Regional Universities Network*. Retrieved from <http://www.run.edu.au/resources/RUN%20Economic%20impact%20report%20final.pdf>

⁵⁸ Regional Universities Network (RUN) (2017). 'Submission to the House Select Committee on Regional Development and Decentralisation - Inquiry on Regional Development and Decentralisation', <http://www.run.edu.au/resources/Regional%20Dev%20and%20Decentralisation.pdf>

⁵⁹ Nous and Centre of Policy Studies, **The economic impact of the Regional Universities Network**

the higher level of education and specialisation. Universities attract skilled and talented employees to the regions and almost three quarters of students who graduate from a regional university will stay in the region, again contributing to economic growth and development.

The NSW Regional Socio-Economic Dashboard

Healthy regional Universities are essential for NSW because:

- The Education Gap- In 2017, 45 per cent of 25-34 year olds in major cities held a bachelors degree, but in the regions it was 20-25 per cent.⁶⁰
- Job Creation: Job-creation has been much slower. Over 80 percent of new jobs in NSW in the last five years have been created in the Greater Sydney area, exacerbating the labour market inequality that already existed between the city and the regions.⁶¹
- Unemployment: In 2017 the unemployment rate in Regional NSW communities was 5.3 percent, compared to 4.6 percent in Greater Sydney.
- Underemployment: The participation rate masks unemployment regionally with 59 percent of the working age population in regional communities, on average, participated in the labour market in 2017 (a full percentage point lower than in 2008 when the Global Financial Crisis hit). Greater Sydney had a 66.3 percent participation rate.⁶²
- Youth: Youth unemployment in Regional NSW is around 12 percent, two points higher than Greater Sydney for the same cohort.⁶³ Job availability is thought to be a major reason for youth to migrate to Sydney.
- Public Sector Employment: Total public sector employment (including national, state, and local services) has also declined: from 17.10% of regional employment in 2011 to 16.50% in 2016.⁶⁴
- Regional Retention: 7 out of 10 RUN graduates will go on to work in the regions compared to 2 out of 10 of other Australian graduates (Fig. 5). This demonstrates the significant role regional universities play in supplying skilled employees to regional Australia, hence boosting the economic, social and cultural capital of the regions.⁶⁵

2017 MYEFO CUTS

The Australian Government's freezing of university funding in 2017 was a significant blow to regional universities. The Chair of the Regional Universities Network (RUN), Professor Greg

⁶⁰ http://www.run.edu.au/cb_pages/news/MYEFO.php

⁶¹ Henderson, T. (2018). 'The Economic Importance of Public Services in Regional Communities in NSW', The Centre for Future Work at the Australia Institute, Canberra.

⁶² Henderson, T. (2018). 'The Economic Importance of Public Services in Regional Communities in NSW', The Centre for Future Work at the Australia Institute, Canberra.

⁶³ Henderson, T. (2018). 'The Economic Importance of Public Services in Regional Communities in NSW', The Centre for Future Work at the Australia Institute, Canberra.

⁶⁴ Henderson, T. (2018). 'The Economic Importance of Public Services in Regional Communities in NSW', The Centre for Future Work at the Australia Institute, Canberra.

⁶⁵ Regional Universities Network (RUN) (2017). 'Submission to the Senate Economics References Committee Inquiry into the indicators of, and impact of, regional inequality in Australia', <http://www.run.edu.au/resources/Submission%20on%20indicators%20and%20impact%20of%20regional%20inequality.pdf>

Hill, said at the time of the 2017 MYEFO that the cuts would disproportionately affect regional universities as the institutions are more dependent on government funding than larger, metropolitan universities.⁶⁶

Adam Shoemaker, vice-chancellor of Southern Cross University in Lismore NSW, said regional universities have cut their costs so finely there's not much more to give: "trimesters, online, foreign students, we've all scaled up as much as we can."⁶⁷ Universities Australia Chief Executive Catriona Jackson said, "Strong regional universities are the beating heart of many regional communities and economies... Yet, with each passing day, the university funding freeze will cut off more of that vital blood supply."⁶⁸

Ratings agency Moody's released a report in January 2018⁶⁹ which predicted that regional and growing universities would be hit particularly hard by the freeze. An ABC investigation reported that Group of Eight universities will be worse off by about 3.5 per cent on average versus business as usual while members of the Regional Universities Network face an average hit of 7 per cent.⁷⁰

Impact of funding freeze by university Source: ABC⁷¹

University	Decline	Impact of freeze (\$)
Australian Catholic University	8.2 per cent	150 million
Macquarie University	7.1 per cent	118 million
Southern Cross University	5.7 per cent	33 million
The University of Wollongong	5.1 per cent	60 million
The University of New England	3.2 per cent	25 million
University of Sydney	2.8 per cent	62 million
The University of New South Wales	2.3 per cent	48 million
The University of Newcastle	2.2 per cent	33 million
University of Technology Sydney	1.9 per cent	31 million
Western Sydney University	1.6 per cent	32 million
Charles Sturt University	1.1 per cent	12 million

⁶⁶ http://www.run.edu.au/cb_pages/news/funding_freeze_call_for_commissioner.php

⁶⁷ Bolton, R., 'Tertiary education belt tightening will squeeze regional unis the most', *Australian Financial Review*, 19 December 2017

⁶⁸ <https://www.universitiesaustralia.edu.au/Media-and-Events/media-releases/Regional-development-is-powered-by-unis--another-reason-to-end-the-freeze#.XAdnudzZaQ>

⁶⁹ <https://www.universitiesaustralia.edu.au/Media-and-Events/media-releases/Funding-freeze-will-damage-uni-sector--Moody-s-rating-agency#.XAcbw9szZaQ>

⁷⁰ <https://www.abc.net.au/news/2018-06-14/university-funding-freeze-regional-campuses-worst-hit/9857532#table>

⁷¹ <https://www.abc.net.au/news/2018-06-14/university-funding-freeze-regional-campuses-worst-hit/9857532#table>

These cuts have already been felt via University job cuts, course cuts and restructures to accommodate the reduced real funding for regional Universities and the courses they operate. These were prior to the COVID-19 pandemic.

“Job losses risk losing professionals from the regions and also the ability to educate future generations in the regions.”⁷²

What can the State Government do for Regional Universities?

Investing in regional Universities as demonstrated above is an investment into regional communities and economies now and in the future. Regional Universities budgets had already been suffering from federal cuts and with the COVID-19 pandemic, these budgetary problems have seen further rounds of redundancies proposed.

The following are several of the short term and long term proposals for NSW Regional Universities.

Regional Growth Fund

The Regional Growth Fund is a \$1.7 billion group of 6 funds that invest in regional infrastructure.

Universities do not have access to these funds despite doing significant heavy lifting to grow local economies. The CPSU-NSW proposes that a new stream of the Regional Growth Fund be established to accommodate the contribution that regional universities make to the regional economies.

Regional Industry Research

Many of the Regional Universities have taken a practical approach to the application of their research to local demands. This includes examples such as:

- Charles Sturt University Graham Centre for research into grain production and red meat and Viticulture research
- University of Wollongong ARC Research Hub into Australian Steel Manufacturing
- Southern Cross University National Centre for Flood Research

The NSW Government could assist Regional Universities and regional industry and jobs by making additional grants of funding available for applied research grants in various areas for regional universities. This approach has been a key part of the Victorian University recovery package.

⁷² http://www.run.edu.au/cb_pages/news/regional_loading.php

Unfortunately, due to the funding model of domestic students, many Universities have generated similar course profiles for each University. By applying applied research grants to Universities for different purposes will allow Universities to establish a range of different specialisations in each regional university.

Recommendation

The NSW Regional Growth Fund is increased to have a new funding stream to assist Universities build critical regional infrastructure.

Recommendation

That additional applied research grants are applied to regional Universities to assist the Universities develop evidence based approaches for regional industries and regional specialisation of those Universities.

Term of Reference

b) The mission of NSW universities with. a particular focus on the role of universities to serve the specific geographic communities;

Serving geographic communities: community engagement

NSW universities express a formal commitment to service their local community or community engagement through their missions, policies and practices.⁷³

Examples of this commitment

-Western Sydney University's mission seeks to achieve excellence through 'service to local and international communities, beginning with the people of Greater Western Sydney' (UWS 2015).⁷⁴

Charles Sturt University has as an object in its enabling legislation for the provision of facilities for education and research of university standard, having particular regard to the needs and aspirations of the residents of western and south-western New South Wales.

Southern Cross has as an object the provision of facilities for education and research of university standard, having particular regard to the needs of the north coast region of the State,

Other universities have specific KPIs; for example, Western Sydney University monitors the recruitment of students from specific regional areas (WSU 2015).⁷⁵

The benefits of this local engagement may not always be easily identifiable, but often is attributed to contributing to enhanced civic engagement and community networks. The engagement comes in many forms, including educational outreach, voluntary work and consulting, public lectures and information dissemination, and access to performances and sport and recreation, art and leisure facilities.⁷⁶

As well as being economic "anchors" of their communities, regional universities are also social anchors. RUN (2013) has described regional universities as "co-existing" with their local community, in "closer physical and social proximity than their city counterparts."⁷⁷ According to Deloitte Access Economics, this then "creates additional opportunities for community service activities and the creation of networks and partnerships, generating localised benefits for the community."⁷⁸

The benefits of university community engagement include:

⁷³ Deloitte Access Economics, (2015). *The importance of universities to Australia's prosperity*, October, p37

⁷⁴ Deloitte Access Economics, (2015). *The importance of universities to Australia's prosperity*, October, p37

⁷⁵ Deloitte Access Economics, (2015). *The importance of universities to Australia's prosperity*, October, p37

⁷⁶ Deloitte Access Economics, (2015). *The importance of universities to Australia's prosperity*, October, p16

⁷⁷ Regional Universities Network (2013). *Regional Universities Network: Engaging with regions, building a stronger nation*, p8

⁷⁸ Deloitte Access Economics, (2015). *The importance of universities to Australia's prosperity*, October, p37

- enhanced liveability of the region, through the provision of publically accessible infrastructure and creative arts and cultural facilities, performances and events;
- providing a catalyst for innovation and positive change, as brokers and facilitators of regional partnerships and alliances, and as major contributors to regional governance; and
- promotion of reconciliation between Aboriginal and Torres Strait Islander people and the broader regional community.⁷⁹
- enhanced human and social capital development and encouraging more active citizenry that can improve social cohesion and quality of life.
- health and wellbeing, particularly for disadvantaged groups who otherwise may rarely interact directly with universities.⁸⁰

CASE STUDY: SOUTHERN CROSS UNIVERSITY

Southern Cross University plays a critical role in the Northern Rivers region. SCU with its facilities is utilised for many community engagements from art and culture to emergency briefings for people in town. In floods the University campus is a staging and evacuation point for State Emergency Service but also serves as an alternate location for many essential government services. For example, the NSW TAFE college in Lismore was temporarily located to the Lismore Southern Cross University campus when the TAFE campus was flooded in 2017.

SCU has a Deputy Vice Chancellor who is also head of community engagement that sees SCU have an active engagement with local Aboriginal elders, and community.

Despite the cap of student funding, SCU's commitment to the local community has seen additional students enrolled over the cap which is a negative impact on the budget but a long term commitment to the community.

Serving geographic communities: equity

Regional Universities serve the greatest proportion of low socio-economic students, highest Aboriginal student intake, have highest HEPP funding proportion. Regionals units already have the lion's share of disadvantaged students which is indicative of the community the Universities are based in.

The recent environmental disasters of the drought and the bushfires have placed a significant strain on regional NSW, and the regional NSW University student population. Affordability of education has been made more difficult considering many regional areas are in an elongated recession from before COVID-19 pandemic.

Performance based funding models promoted by the federal government, depending on the student can make education of more disadvantaged students more difficult without

⁷⁹ Regional Universities Network (2013). *Regional Universities Network: Engaging with regions, building a stronger nation*, p46

⁸⁰ Deloitte Access Economics, (2015). *The importance of universities to Australia's prosperity*, October, p38

additional funding. Despite these problems a regional university is best placed to teach regional students due to the likely retention of the students in the region and their connection with family and peer support networks.

Stopping the Brain Drain

Despite the significant contribution economically of NSW Regional Universities, the biggest impact for communities and the local economies is the ability of the regional universities to stop the migration of young and skilled people to the major cities and the job creation that occurs as a result in the regions.

<p>Students who go to university in regional areas tend to remain in regional areas after graduation, providing a ready supply of professionals to fill critical regional skill needs. Between 2013 and 2016, 69 per cent of employed undergraduate and 55 per cent of employed postgraduate level graduates from RUN member universities ended up working in regional areas upon graduation.</p> <p>By comparison, only 23 per cent of employed graduates – either undergraduate or postgraduate level – from non-RUN universities worked in regional Australia. This demonstrates the significant role RUN universities play in supplying skilled employees to regional Australia.</p>	<p>Nous (2018) <i>Jobs and productivity effects of the Regional Universities Network</i>, page 3 Published on RUN website.</p>
<p>Students who leave regional areas to study in an urban institution are unlikely to return</p> <ul style="list-style-type: none"> 74% of regional students remain in cities after graduation 	<p>Hillman and Rothman (2007) referenced in ACER (2011)</p>
<p>Many regional universities are major providers of distance education, enabling regional students to access higher education while remaining in their communities.</p> <p>In 2016, RUN universities enrolled almost 55,500 students on an external basis, and almost more than 14,200 on a multi-modal basis.</p>	<p>DET (2017) <i>Selected Higher Education Student Statistics 2016</i></p>

Table: Citations of Regional University Student Retention in Regions

The Bradley Review of Higher Education⁸¹ found that students from remote areas, closely followed by Indigenous students (with some cross-over), were substantially under-

⁸¹ Bradley Denise, Review of Australian Higher Education, Australian Government, December 2008.

represented at universities. Students from low socio-economic backgrounds attended universities at a rate of 15% whereas they comprised 25% of the comparable general population. The percentage of those from regional backgrounds was not much better. Current figures show rates of participation for these groups have barely changed.⁸² The Bradley Review also called for government to spend on regional infrastructure. This is an area where the state government could assist Regional Universities in assisting regional students attend regional Universities.

Statistics showed that post-1958 universities had much higher rates of disadvantaged students than the older, city-based universities. These rates either matched or exceeded comparable proportions in the general population.⁸³

In the past state governments helped establish university campus infrastructure, and could do so again through support for infrastructure that supports students of low socio-economic background such as University housing, or through the provision of funding for accessible community facilities such as meeting facilities, sports and cultural facilities.

Recommendation

That the Regional Growth Fund be extended to include provisions for Universities to assist students of low socio-economic background by supporting University infrastructure that assists students of low socio-economic background attend University including public housing supply.

⁸² Horne, J. (2015). 'Who do universities serve? Everyone, or just the elite few?', *The Conversation*, 1 June, <https://theconversation.com/who-do-universities-serve-everyone-or-just-the-elite-few-40148>, accessed 7 July 2020.

⁸³ Horne, J. (2015). 'Who do universities serve? Everyone, or just the elite few?', *The Conversation*, 1 June, <https://theconversation.com/who-do-universities-serve-everyone-or-just-the-elite-few-40148>, accessed 7 July 2020.

c)The post-pandemic return of foreign student numbers and the financial sustainability and risk management strategies of NSW tertiary education institutions;

The Auditor General of NSW warned in 2018 that Australian universities had a “market concentration risk” because of their increasing reliance on overseas students.⁸⁴ The COVID-19 pandemic has proven this warning right and has produced a serious wake up call for the sector.

Analysis by the Grattan Institute and the ANU show foreign students make up 26 per cent of all public university funding in Australia.⁸⁵ According to the Audit Office of NSW, in 2019, overseas students contributed \$3.7 billion in course fees to the NSW university sector.⁸⁶ COVID-19 restrictions have meant that at least one in five foreign students have not been able to return to Australia this year and the forecast for the next two years is far from optimistic.⁸⁷

It is predicted that the loss of international students due to COVID-19 restrictions, and predicted second semester declines, will see universities lose between \$3 and \$4.5 billion this year alone, according to Universities Australia.⁸⁸ The devastation of these losses will stretch far beyond the university sector: ABS data show for every \$1 lost in university tuition fees, there is another \$1.15 lost in the broader economy due to international student spending.⁸⁹ According to Hurley (2020), this means the Australian economy could lose more than \$40 billion by 2023 because of reduced numbers of higher education international students.⁹⁰ This issue must be addressed and rectified.

How did we get here?

The history of the university sector’s reliance on international student fees can be traced back to 1985, which is when the Hawke Government allowed Australian universities and colleges to charge full rather than subsidised fees.⁹¹ Education exports as we know them today had grown from near zero in the 1970s to about A\$37 billion last financial year (2018-

⁸⁴ Audit Office of NSW (2018). *New South Wales Auditor-General's Report: University 2017 audits*, 8 June, <https://www.audit.nsw.gov.au/our-work/reports/universities-2017>, accessed 4 June 2020.

⁸⁵ Vincent, M. and Robb, K. (2020). ‘University fee changes to funnel students into specific courses won’t help us, vice-chancellors say’, *ABC News*, 22 June, <https://www.abc.net.au/news/2020-06-22/university-fee-changes-wont-help-budgets-vice-chancellors-say/12380196>, accessed 14 July 2020.

⁸⁶ Audit Office of NSW (2020). *New South Wales Auditor-General's Report: University 2019 audits*, 4 June, <https://www.audit.nsw.gov.au/sites/default/files/documents/Final%20report%20%20-%20Universities%202019%20audits%20tabled%204%20June%202020.PDF>, accessed 4 June 2020, p15

⁸⁷ Vincent, M. and Robb, K. (2020). ‘University fee changes to funnel students into specific courses won’t help us, vice-chancellors say’, *ABC News*, 22 June, <https://www.abc.net.au/news/2020-06-22/university-fee-changes-wont-help-budgets-vice-chancellors-say/12380196>, accessed 14 July 2020.

⁸⁸ Doughney, J. (2020). ‘Without international students, Australia’s universities will downsize – and some might collapse altogether’, *The Conversation*, 8 April, <https://theconversation.com/without-international-students-australias-universities-will-downsize-and-some-might-collapse-together-132869>, accessed 15 July 2020.

⁸⁹ Hurley, P. (2020). ‘Australian universities could lose \$19 billion in the next 3 years. Our economy will suffer with them’, *The Conversation*, 17 April, <https://theconversation.com/australian-universities-could-lose-19-billion-in-the-next-3-years-our-economy-will-suffer-with-them-136251>, 15 July 2020.

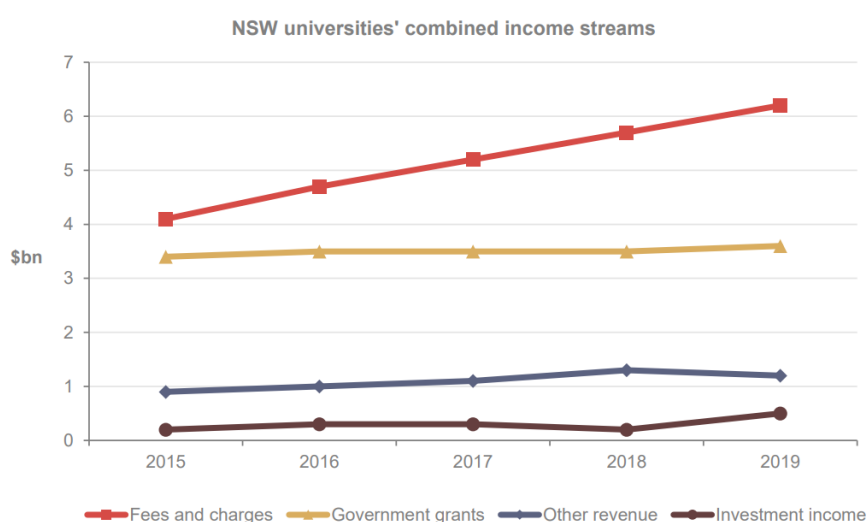
⁹⁰ Hurley, P. (2020). ‘Australian universities could lose \$19 billion in the next 3 years. Our economy will suffer with them’, *The Conversation*, 17 April, <https://theconversation.com/australian-universities-could-lose-19-billion-in-the-next-3-years-our-economy-will-suffer-with-them-136251>, 15 July 2020.

⁹¹ Doughney, J. (2020). ‘Without international students, Australia’s universities will downsize – and some might collapse altogether’, *The Conversation*, 8 April, <https://theconversation.com/without-international-students-australias-universities-will-downsize-and-some-might-collapse-together-132869>, accessed 15 July 2020.

19). In 2018-19, they comprised almost 40% of Australia's exports of services and 9% of exports of all goods and services.⁹² The decade from 2009 to 2018 saw Australian universities enjoy an unprecedented boom in international student enrolments. The revenue from this activity increased by 260% – from A\$3.4 billion to A\$8.8 billion.⁹³

According to the Audit Office of NSW, government funding as a proportion of total revenue decreased by 6.4% between 2012-2017,⁹⁴ and as the Auditor General wrote in 2018, Universities were forced to expand their other revenue streams – in particular, international student intake – in order to “decrease their reliance on grant funding.”⁹⁵ The Federal Government scrapping of demand-driven funding, exacerbated the situation even further.⁹⁶

As can be seen in the tables below, government funding has stagnated, while fees from international students have skyrocketed.



Note 1: The figures used relate to the consolidated financial statements of each university, which includes their controlled entities.

Note 2: Government grants do not include Higher Education Loan Programs, such as the Higher Education Contribution Scheme (HECS), which are included in fees and charges.

Source: University financial statements (audited).

Source: Audit Office of NSW 2020

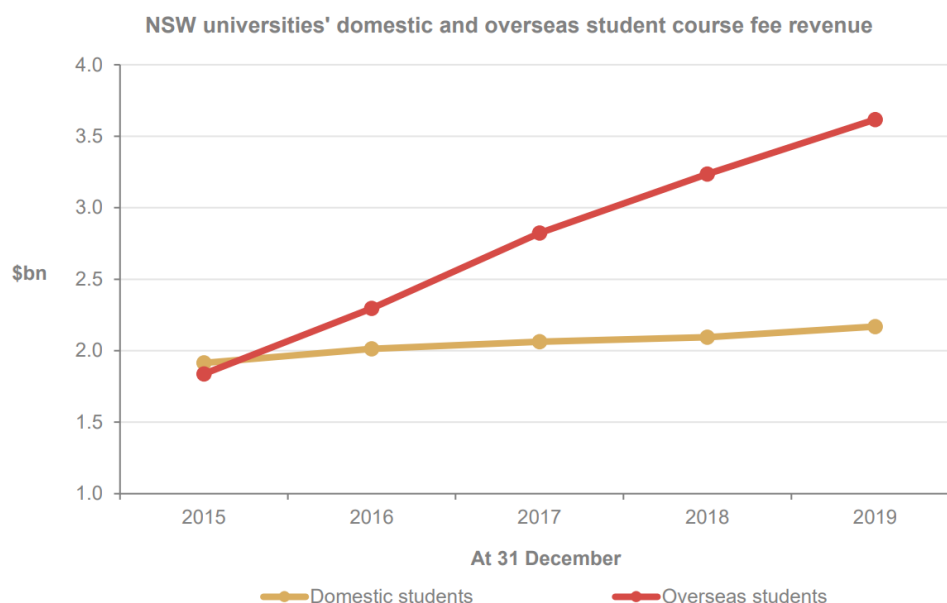
⁹² Doughney, J. (2020). 'Without international students, Australia's universities will downsize – and some might collapse altogether', *The Conversation*, 8 April, <https://theconversation.com/without-international-students-australias-universities-will-downsize-and-some-might-collapse-altogether-132869>, accessed 15 July 2020.

⁹³ Marshman, I. and Larkins, F. (2020). 'COVID-19: what Australian universities can do to recover from the loss of international student fees', *The Conversation*, 3 June, <https://theconversation.com/covid-19-what-australian-universities-can-do-to-recover-from-the-loss-of-international-student-fees-139759>, accessed 15 July 2020.

⁹⁴ Audit Office of NSW (2018). *New South Wales Auditor-General's Report: University 2017 audits*, 8 June, <https://www.audit.nsw.gov.au/our-work/reports/universities-2017>, accessed 4 June 2020.

⁹⁵ Audit Office of NSW (2018). *New South Wales Auditor-General's Report: University 2017 audits*, 8 June, <https://www.audit.nsw.gov.au/our-work/reports/universities-2017>, accessed 4 June 2020.

⁹⁶ Audit Office of NSW (2020). *New South Wales Auditor-General's Report: University 2019 audits*, 4 June, <https://www.audit.nsw.gov.au/sites/default/files/documents/Final%20report%20-%20Universities%202019%20audits%20tabled%204%20June%202020.PDF>, accessed 4 June 2020, p12



Note 1: The figures used relate to the consolidated financial statements of each university, which includes their controlled entities.

Note 2: Revenue from domestic students includes amounts from Higher Education Loan Programs, such as HECS and excludes non-course fees and charges.

Source: University financial statements (audited).

Source: Audit Office of NSW 2020

In 2017, university revenue from fees paid by international students increased by 23% across NSW.⁹⁷ In 2019, international student fees increased for all but one NSW university, and represented 31.6 per cent of the combined total revenue (30.3 per cent in 2018).⁹⁸

What can be done?

Need to Diversify

We have seen fluctuations previously with foreign students for a range of reasons including visa rules, currency fluctuations, perceptions of racism and violence, and now potential for geo-political mechanisms influence. The current reliance on three countries for two thirds of our foreign student income was noted pre COVID as a significant risk for the industry.

*“Students from the **top three countries** of origin contributed \$2.4 billion in fees, which closely approximates the NSW universities' total revenue from domestic students for 2019. Revenue from students from these three countries comprised 40.9 per cent of total student revenues for all NSW universities and 65.4 per cent of total overseas student revenues in 2019. As we have reported previously, the universities that are most dependent on revenue from students from these three countries are at risk from unexpected shifts in demand. Demand for education can change rapidly due to changes in the geo-political or geo-economic landscape, or restrictions over visas or travel. The consequence of the reliance on*

⁹⁷ Audit Office of NSW (2018). *New South Wales Auditor-General's Report: University 2017 audits*, 8 June, <https://www.audit.nsw.gov.au/our-work/reports/universities-2017>, accessed 4 June 2020.

⁹⁸ Audit Office of NSW (2020). *New South Wales Auditor-General's Report: University 2019 audits*, 4 June, <https://www.audit.nsw.gov.au/sites/default/files/documents/Final%20report%20%20-%20Universities%202019%20audits%20tabled%204%20June%202020.PDF>, accessed 4 June 2020, p14

students from particular countries emerged as travel restrictions were implemented following the outbreak of COVID-19 in early 2020.”⁹⁹

Source: NSW Audit Office, 2020

Currently market forces create the demand with the successful growing highly populated economies creating the largest purchasing power and demand for Australian university courses. This may potentially be pricing smaller less wealthy countries out of the market leading to the saturation and over-reliance on a few countries. Several market interventions could be explored to remedy this including introducing price caps or placing a maximum percentages of foreign students from one country. These decisions have broader foreign policy, migration and public policy implications.

The expansion of foreign students has also led to an expansion of courses offered domestically with similar expansion in University expenditure and employment. Without adequate government support, universities will be forced to shrink, with job losses likely occurring in proportion to the decline in revenue. Universities’ expenses have grown broadly in proportion to their total revenue.¹⁰⁰

Overall student revenue also grew, both as a share of, and by a larger proportion than, total revenue. Neither the Commonwealth’s funding share nor spending by universities on teaching have kept up. Expenditure on teaching has fallen as a share of student revenue from 37% in 2003 to 30% in 2018. Restoring the demand-driven funding policy is especially important in the light of an inevitable increase in domestic students that will follow this pandemic, and rising unemployment.¹⁰¹

Recommendation:

Uncap domestic student numbers and rather than capping international student numbers, place restrictions on the amount universities are allowed to charge on international student fees so that they are no more or less “valuable” to a university than a domestic student.

Recommendation:

Diversity of international students – limit the overreliance on any one country and implement measures to minimise over reliance on any one country to ensure stability and sustainability of the University sector.

⁹⁹ Audit Office of NSW (2020). *New South Wales Auditor-General’s Report: University 2019 audits*, 4 June, <https://www.audit.nsw.gov.au/sites/default/files/documents/Final%20report%20%20-%20Universities%202019%20audits%20tabled%204%20June%202020.PDF>, accessed 4 June 2020, p15

¹⁰⁰ Doughney, J. (2020). ‘Without international students, Australia’s universities will downsize – and some might collapse altogether’, *The Conversation*, 8 April, <https://theconversation.com/without-international-students-australias-universities-will-downsize-and-some-might-collapse-together-132869>, accessed 15 July 2020.

¹⁰¹ Doughney, J. (2020). ‘Without international students, Australia’s universities will downsize – and some might collapse altogether’, *The Conversation*, 8 April, <https://theconversation.com/without-international-students-australias-universities-will-downsize-and-some-might-collapse-together-132869>, accessed 15 July 2020.

Recommendation:

That the NSW Government utilises its influence at National Cabinet to prioritise delivery of a “secure corridor” to support future international student intake.

(h) The current levels of coordination and/or support provided to NSW universities by the NSW Government;

The NSW Government has traditionally played a supporting role to the Commonwealth for the University Sector. Whilst legislating for the formation of the NSW Universities, including formation of Universities from Colleges of Advanced Education and Technology in the late 1980s and early 1990s, the state government has continued to support the University Sector through:

- Support for capital works, applied research and research partnerships, including collaborative research in science and technology such as the agriculture research and viticulture.
- through the assistance and collaboration in learning through targeted graduate-ships and subsidisation and training placements in areas such as the teaching profession, and health professions, as well as scholarships and academic prizes into particular convergent discipline areas and research.

The NSW Government has a unique part to play in supporting our NSW University sector. Despite the rhetoric from different governments NSW Government has been aware of the significant contributions that Universities make to the educational, social, cultural and economic fields to NSW during the COVID-19 pandemic. NSW tertiary education minister Geoff Lee said universities were vital to the state's economic strength and productivity, and needed to be in a healthy state to help drive recovery from the pandemic.¹⁰²

The CPSU NSW would like to acknowledge the commitment the NSW government has made so far to NSW Universities putting into shadow the federal government response during the COVID-19 pandemic by:

- The New South Wales (NSW) government says it will guarantee up to A\$750 million in commercial loans to help the state's 10 public universities recover from the impacts of Covid-19.¹⁰³
- On 3 June NSW Government earmarked \$6 million to help charities provide essentials like food and medicines for migrants and temporary visa holders, including international students, supplementing the A\$20 million announced in May to bankroll temporary crisis accommodation for stranded international students.¹⁰⁴
- The NSW government also says it has deferred A\$100 million of university payroll tax.¹⁰⁵

However, in contrast to other states the virtue signalling is that the NSW Government sees job cuts as a potential cure for the sector. NSW Treasurer Dominic Perrottet said universities

¹⁰² Ross, J. (2020). 'Australian state to guarantee universities' loans', *Times Higher Education*, 6 June, <https://www.timeshighereducation.com/news/australian-state-guarantee-universities-loans>, accessed 17 June 2020.

¹⁰³ Ross, J. (2020). 'Australian state to guarantee universities' loans', *Times Higher Education*, 6 June, <https://www.timeshighereducation.com/news/australian-state-guarantee-universities-loans>, accessed 17 June 2020.

¹⁰⁴ Ross, J. (2020). 'Australian state to guarantee universities' loans', *Times Higher Education*, 6 June, <https://www.timeshighereducation.com/news/australian-state-guarantee-universities-loans>, accessed 17 June 2020.

¹⁰⁵ Ross, J. (2020). 'Australian state to guarantee universities' loans', *Times Higher Education*, 6 June, <https://www.timeshighereducation.com/news/australian-state-guarantee-universities-loans>, accessed 17 June 2020.

applying for loan guarantees would be asked to show how they intended to restructure their operations to make themselves more sustainable.¹⁰⁶

“This is about...helping future proof these vital institutions, making them more resilient and enabling them to come out the other side of this pandemic stronger than ever.”¹⁰⁷

Whilst the existing offered support from the NSW Government is welcome there appears to be only a fraction of the support required to prevent large scale job losses and reductions in course offerings. Ratings agencies and economists have warned that the cost of debt has increased for universities compared to banks and governments, according to The Australian newspaper, so these loans are welcome.¹⁰⁸

However, these steps should be viewed as a first step in what is a long period of survival for our world class institutions, with predictions of significant downturns in coming semesters. To identify what additional support is possible we have compared the positions of different jurisdictions in supporting their University sector.

What Other Jurisdictions have done to assist the University sector?

The Australian Government

The Australian Government has made several changes that are positive for the sector, as well as several changes that will have a potentially negative effect on the sector. The positive elements include:

- There have been two main announcements on Easter Sunday with relief package and June 19 for the Job-ready Graduates Package.
- The Job-ready Graduates Package was released on June 19 2020 and is perhaps the longer term redesigning of the University course offering. The package was designed to help drive the economic recovery after COVID-19 and “put more funding into the system in a way that encourages people to study in areas of expected employment growth”. The federal Education Minister said the package would deliver an additional 39,000 university places by 2023 and 100,000 places by 2030.¹⁰⁹ The package re calibrates subsidies and fees for different streams of courses to reward choices where the government states there will be demand.
- Under the relief package arrangements, the government will guarantee to maintain both streams of funding for domestic students – the Commonwealth Grants Scheme, which covers student subsidies, and the HELP scheme underpinning student

¹⁰⁶ Ross, J. (2020). ‘Australian state to guarantee universities’ loans’, *Times Higher Education*, 6 June, <https://www.timeshighereducation.com/news/australian-state-guarantee-universities-loans>, accessed 17 June 2020.

¹⁰⁷ Ross, J. (2020). ‘Australian state to guarantee universities’ loans’, *Times Higher Education*, 6 June, <https://www.timeshighereducation.com/news/australian-state-guarantee-universities-loans>, accessed 17 June 2020.

¹⁰⁸ Ross, J. (2020). ‘Australian state to guarantee universities’ loans’, *Times Higher Education*, 6 June, <https://www.timeshighereducation.com/news/australian-state-guarantee-universities-loans>, accessed 17 June 2020.

¹⁰⁹ Warburton, M. (2020). “The government would save \$1 billion a year with proposed university reforms – but that’s not what it’s telling us”, *The Conversation*, 10 July, <https://theconversation.com/the-government-would-save-1-billion-a-year-with-proposed-university-reforms-but-thats-not-what-its-telling-us-142256>, accessed 15 July 2020.

contributions – at the levels that had been estimated for this year, rather than reducing allocations because of enrolment shortfalls.¹¹⁰

- The University of Sydney says the coronavirus has absorbed about 5 per cent of its domestic enrolments. If that shortfall is replicated across the sector, the funding guarantee will collectively spare universities from being forced to repay some A\$630 million.¹¹¹
- Loan fees will be waived and fees charged by the higher education regulator, the Tertiary Education Quality and Standards Agency, will be refunded or waived.¹¹²
- The Commonwealth government will fund short online microcredentials in nursing, teaching, health, information technology and science. The government package also includes a suite of short, online “higher education certificates” at discounted fees of A\$1,250 or A\$2,500 each. Education minister Dan Tehan said universities were gearing up to provide some 20,000 of these certificates, which boost skills in “priority” areas like nursing, teaching and counselling.¹¹³ These short courses are to encourage people to use their coronavirus downtime productively.¹¹⁴
- Federal Government said they would also “provide greater flexibility in the use of these funds than ever before”, in an apparent reference to universities would be allowed to allocate unused undergraduate teaching grants to postgraduate programmes, and vice versa.¹¹⁵

Negative Aspects

- Australia’s relief package by only focusing on existing domestic demand for universities will replace perhaps one-seventh of the earnings consumed by the coronavirus.¹¹⁶
- The government repeatedly changed the rules of the massive JobKeeper employment scheme to deny universities eligibility for subsidy payments that could have prevented thousands of job losses. The federal Government has refused to offer more, insisting that universities must refocus on domestic students and wean themselves off their reliance on fee-paying overseas students. This argument appears confused when consideration to the success of international students for Universities and the economy and the precipitating gradual cuts to the University sector over the last decade.¹¹⁷

¹¹⁰ Ross, J. (2020). ‘Australian HE relief package takes domestic focus’, *Times Higher Education*, 12 April, <https://www.timeshighereducation.com/news/australian-he-relief-package-takes-domestic-focus>, accessed 14 July 2020.

¹¹¹ Ross, J. (2020). ‘Little relief in Australian bailout’, *Times Higher Education*, 14 April, <https://www.timeshighereducation.com/news/little-relief-australian-bailout>, accessed 14 July 2020.

¹¹² Ross, J. (2020). ‘Australian HE relief package takes domestic focus’, *Times Higher Education*, 12 April, <https://www.timeshighereducation.com/news/australian-he-relief-package-takes-domestic-focus>, accessed 14 July 2020.

¹¹³ Ross, J. (2020). ‘Little relief in Australian bailout’, *Times Higher Education*, 14 April, <https://www.timeshighereducation.com/news/little-relief-australian-bailout>, accessed 14 July 2020.

¹¹⁴ Ross, J. (2020). ‘Australian HE relief package takes domestic focus’, *Times Higher Education*, 12 April, <https://www.timeshighereducation.com/news/australian-he-relief-package-takes-domestic-focus>, accessed 14 July 2020.

¹¹⁵ Ross, J. (2020). ‘Australian HE relief package takes domestic focus’, *Times Higher Education*, 12 April, <https://www.timeshighereducation.com/news/australian-he-relief-package-takes-domestic-focus>, accessed 14 July 2020.

¹¹⁶ Ross, J. (2020). ‘Little relief in Australian bailout’, *Times Higher Education*, 14 April, <https://www.timeshighereducation.com/news/little-relief-australian-bailout>, accessed 14 July 2020.

¹¹⁷ Ross, J. (2020). ‘Australian state to guarantee universities’ loans’, *Times Higher Education*, 6 June, <https://www.timeshighereducation.com/news/australian-state-guarantee-universities-loans>, accessed 17 June 2020.

- The federal Government Jobs-Ready Graduates package would encourage universities to “pivot” their teaching to subject areas more closely aligned with “domestic industry and student demands”.¹¹⁸ However, the package offers no additional funding and in fact may reduce funding by up to 1 billion per year when compared to the uncapped arrangements prior to 2017.¹¹⁹
- The relief package, announced on Easter Sunday, included no measures to support overseas students or compensate universities for their losses from international tuition fees.¹²⁰
- Public universities with enrolment shortfalls will be allowed to cross-subsidise the short courses from their unexpended undergraduate or postgraduate funding. But as the government has already guaranteed to maintain their domestic grants, the universities would have little financial incentive to do so.¹²¹ It is not clear that they will attract any extra government funding apart from an additional A\$7 million for 1,000 places at independent colleges.

What is clear is that whilst focussing on domestic demand, there is little in stimulatory increased funding nor does the federal government intend to make up for the shortfall from the loss of international students which in part has come to be relied upon due to the decreasing reliability of federal government funding. This vicious cycle of decline could be addressed through the implementation of nation building stimulus to the sector, the likes of which have been utilised past recessions which have predominately focussed on vocational training. This would require both an increased federal government University funding allocation and also potentially the revisiting of the cap on demand that since the 2017 MYEFO has seen a stagnation of domestic demand for University places. The NSW Government could contribute to this funding through direct funding of courses in chosen areas vital to the public sector but could also utilise its position of influence in the national cabinet to push for this nation building stimulus to the sector.

Victorian Government

In May the Victorian Government announced \$350 million fund to support capital works, applied research and research partnerships.

Victorian Government offered payroll deferrals worth an estimated \$110 million.

The aim of the funding was to ensure that Universities can maintain staff so that the Universities can drive the recovery.

Queensland Government

¹¹⁸ Ross, J. (2020). ‘Australian HE relief package takes domestic focus’, *Times Higher Education*, 12 April, <https://www.timeshighereducation.com/news/australian-he-relief-package-takes-domestic-focus>, accessed 14 July 2020.

¹¹⁹ Warburton, M. (2020). ‘The government would save \$1 billion a year with proposed university reforms – but that’s not what it’s telling us’, *The Conversation*, 10 July, <https://theconversation.com/the-government-would-save-1-billion-a-year-with-proposed-university-reforms-but-thats-not-what-its-telling-us-142256>, accessed 15 July 2020.

¹²⁰ Ross, J. (2020). ‘Australian HE relief package takes domestic focus’, *Times Higher Education*, 12 April, <https://www.timeshighereducation.com/news/australian-he-relief-package-takes-domestic-focus>, accessed 14 July 2020.

¹²¹ Ross, J. (2020). ‘Little relief in Australian bailout’, *Times Higher Education*, 14 April, <https://www.timeshighereducation.com/news/little-relief-australian-bailout>, accessed 14 July 2020.

On the 2 August, the Queensland Government announced \$150 million loan facility to support cash flow and protect jobs.

An \$15million international education assistance package that supports international students, and international training providers.

United Kingdom

Have intervened to assist Universities and issued a Research and Development Roadmap that will:

- increase public funding in R&D to \$22 billion (\$39.6 billion) a year,
- will raise total R&D spending to 2.4 per cent of GDP by 2027.¹²²
- will investigate whether the government should increase the funding levels to ensure sustainability of the research funded¹²³
- have intervened to ensure the stability of research and development which is heavily reliant on third parties.

Australia is in a position whereby we can plan what type of recover we wish to have, one of high technology research and development implementing labour intensive transformed goods and specialist services or be reliant on industries that will simply serve low cost labour manufacturing overseas or high technology automated industries. We are recommending that the NSW Government influences the federal government through the National Cabinet to establish a national Research and Development Plan including a funding ratio.

Past Governments- Business Subsidisation and Direct Employment

During the Global Financial Crisis NSW Government supported education via mechanisms that included payroll and worker's compensation discounts for the businesses that took on apprentices and trainees. A similar scheme by the NSW Government to encourage business to take on University students whilst they study (job placement, graduands, and graduates), could support the industry, reduce workforce under-utilisation, and create a more productive business sector in the long run whilst promoting recovery in the intermediate period.

This could be utilised by the NSW Government through one off grants, tuition fees subsidies, as well as traditional subsidies workers compensation and payroll discounts.

Payment of Tuition fees, as well as through direct employment in the NSW Government Sector which employs approximately 1 in 10 people in the labour force in NSW, is another mechanism that has been utilised in the past. By doing this the NSW Government has seen our best and brightest retained in the sector and making significant contributions through their careers. There are several programs at present but could be expanded in the sector in

¹²² Bolton, R. (2020). 'UK in research funding commitment to unis', *The Australian Financial Review*, 20 July.

¹²³ Bolton, R. (2020). 'UK in research funding commitment to unis', *The Australian Financial Review*, 20 July.

areas where there are significant shortfalls such as qualifying degrees for child protection work, infrastructure and transport, and health.

Applied research, and research partnerships provides an important opportunity to work with researchers, attracting researchers to parts of regional NSW for outcomes that improve industry.

National Cabinet

Past Economic Recoveries

The NSW Government has a prime position as the largest state (population and economy) to influence the National Cabinet. During our last economic downturns Australia used various economic stabilizers to re-calibrate a more productive economy.

The Keating Government's One Nation Program¹²⁴ heralded increased expenditure in public infrastructure driving economic efficiency and creating jobs and also saw the unemployed tasked with education through the provision of increased vocational training, which was also designed to drive efficiency. The training component had seen significant reduction in youth and regional unemployment, as well as preparing industry for a generation of growth.

The Global Financial Crisis saw less significant job losses but did see significant government investment in community and educational infrastructure and also vocational training such as apprenticeships and support for business undertaking these apprentices.

Similarly, today there are a number of industries, that prior to the COVID-19 pandemic were short of skilled workers. A number of these industries require vocational training, but also a number also require University training levels of competency.

These previous national expansions in training after recession or downturns saw the national economy benefit in two ways. Unemployed workers whilst they are undertaking the education, are taken from the unemployment queues reducing the unemployment rate, have higher rates of employment for the rest of their careers reducing dependency on social security, and also are more productive workers thus enabling a more sustainable economic recovery.

The NSW Government should utilise its position of influence in the National Cabinet to push for an increase in Commonwealth funding for an expansion of domestic University training to prepare our workforce for the future. A combination of an expansion of government funding or subsidies and the removal of enrolment caps (demand driven funding) could be used to stimulate the University sector and also dramatically increase Australia's performance during the COVID recovery and beyond.

Job Keeper

University Sector has not qualified for Job Keeper funding, making the cash flow of this sector significantly threatened. The NSW Government could faithfully demonstrate its commitment to the sector relative to the Commonwealth government by its commitments

¹²⁴ Federal government (PJ Keating PM), One Nation Policy Document, 26 February 1992

for loans and relief measures and ask the Commonwealth to extend the Job Keeper eligibility to the Higher Education sector in good faith as the traditional funders of the University sector in Australia.

Recommendation

The NSW Government utilise its position of influence on the National Cabinet to push for the establishment of a national Research and development budget as a percentage of GDP and to have this budget achieved over ten years.

Recommendation

The NSW Government utilise its position of influence on the National Cabinet to push for an increase in Commonwealth funding for an expansion of domestic University training to prepare our workforce for the future.

Recommendation

The NSW Government utilise its position of influence on the National Cabinet to remove the cap on demand driven enrolment funding.

Recommendation

The NSW Government utilises its influence at National Cabinet to advocate for the federal government to extend the Job Keeper subsidy to the University Sector.

CONCLUSION

- the sector is also seen as one of the key drivers of the 'next wave' of prosperity in Australia, on the back of a broader dependence on service industries and the winding back of the long mining boom.¹²⁵

2020 has presented Australia's university sector with historic challenges. As the Grattan Institute has said, universities are in trouble.¹²⁶

The university sector has been one of the hardest hit by the pandemic. It felt the blow of the pandemic earlier than most other Australian industries, and will likely be one of the industries to feel it the longest, given that the lifting of international border restrictions expected to be one the last restrictions lifted on the other side of the pandemic.

More generally, the lack of a rescue package from the Federal Government will diminish the quality of the university experience. With both students and staff being affected by this adverse impact on quality, generally speaking, the bottom line of the university sector is hurt as well. One reaps what one sows.

¹²⁵ Deloitte Access Economics, (2015). *The importance of universities to Australia's prosperity*, October, p12

¹²⁶ Vincent, M. and Robb, K. (2020). 'University fee changes to funnel students into specific courses won't help us, vice-chancellors say', ABC News, 22 June, <https://www.abc.net.au/news/2020-06-22/university-fee-changes-wont-help-budgets-vice-chancellors-say/12380196>, accessed 14 July 2020.

(Ivan- CPSU delegate)

The 2017 MYEFO cap on places has caused significant resourcing strains for NSW Universities, stresses felt more acutely in regional Universities.

The CPSU has welcomed the NSW Government's initial support for this industry but calls on the NSW Government to continue this support to support regional universities and students of low socio-economic background through the Regional Growth Fund and collaboration on applied research to enable work with government agencies, and regional industries and encourage University specialisation. We are also as well as using its influence at National Cabinet to seek to implement a restart a national skills program by restoring demand driven enrolments, and boosting federal fees subsidies to ensure an efficient transition and recovery post pandemic with our world class Universities at the centre.