Higher Education Changes Mean

**More Losses for Midland**

**Press Release – January 2004**

**Friends of Midland City University Inc**

**Peter Vintila**

Just a few weeks before Christmas, many of Brendan Nelson’s proposed reforms of Australia’s higher education system were agreed to by the Senate and passed into law as the *Higher Education Support Act 2003.* Billed as the biggest higher education shake up for 20 years, many of the Act’s implications have already been analysed and its essential thrust is clear enough. Substantial amounts of additional Commonwealth funding will go to the nation’s universities in the medium term – as much as $3 billion over the next 5 years. More crucially, however, new, longer term arrangements will make students shoulder a larger part of the funding burden. Henceforward, universities can increase HECS fees - initially creating the possibility of additional annual funding amounting to some $380 million. They can also create more full fee paying places for Australian students. It is not yet clear how full fee-paying places for overseas students are to be regulated. But whatever the future holds for this market, recent trends and forecasts suggest massive new opportunities for Australia’s existing universities here too.

***Friends of Midland City University* asks how the above changes now overtaking the nation’s system of higher education will impact on the Midland region.**

Changes and impacts at a glance

* **Over the next 5 or 6 years, the Nelson reforms could cost Midland’s regional economy an additional $140 million - some $60 million in direct higher education investment (tuition fees) and $80 million in indirect investment (student living expenses).**
* **By 2010, Midland’s total annual losses could rise to $240 million.**
* **By 2025, annual losses in the domestic student market could reach $525 million.**
* **By 2025 annual losses could reach some $1 billion if plausible growth projections of the overseas student market are also considered.**
* **If a Midland campus captured only half of these projected levels of activity, losses would still amount to $0.5 billion dollars pa and 10,000 jobs - many of them highly desirable knowledge economy jobs.**

**Introduction**

On December 4th last year, Brendan Nelson’s reform of Australia’s higher education system was agreed to by the Senate. Passage of the *Higher Education Support Act 2003* followed some 6 months of intense discussion and acrimonious debate and, not surprisingly, opinion remains deeply divided. At least three fundamental questions remain at issue:

* Will the country be better served by a system of higher education which shifts the overall funding burden towards students - and a system which continues to remake itself as a business sector in the long term?
* Will some institutions gain more from these changes than others – resulting in a divided system of rich and poor universities?
* Will poorer Australians studying or seeking to become university students be penalised by these changes and will access to higher education become more inequitable as subsidised students pay more and as more places are made available to full fee paying students?

These are, of course, important issues for the whole of Australia but they are likely to be more important still for poorer regions like Midland and Perth’s north eastern metropolitan quarter more generally[[1]](#footnote-1). Of course, not all commentators share the view that increased fees and more full fee paying places will make life harder for poorer students – and it is only fair to say that relevant evidence does not all point in the same direction. At this stage, it remains uncertain how poorer university students, whether in Midland or other socio-economically disadvantaged regions, will be affected by increasing university fees. What is much more certain, however, is the impact which Nelson’s reforms will have on the Midland regional community as whole: **the community as a whole is certain to suffer substantial losses.** It will lose if poor students are discouraged and deterred and it will lose if they are not.

Three key changes

*The Higher Education Act* introduces at least three changes which will impact on Midland. These include:

1. a Commonwealth commitment to the pay additional university grant moneys up to $600 million pa over the next 5 years (or $3 billion over 5 years).
2. permission for universities to charge increased HECS fees. These could generate additional income to the value of $380 million pa in medium term;[[2]](#footnote-2)
3. the creation of an equity scholarship scheme comprising some 33,000 awards likely to be worth some $100 million pa nationally when the scheme is fully implemented.

**Direct higher education investment**

The first two of these increases will effectively add between $10 and $11 million pa to the value, which Midland’s current university students represent to WA’s universities in terms of **direct higher educational expenditure**.[[3]](#footnote-3) Over the next 5 years this will add up to some **$60 million** pa. Some of this money will (better) finance existing Western Australian students and some will finance increased student numbers. Either way, Perth’s existing universities will benefit at Midland’s expense.

Of course, if Midland had its own university, or at least a substantial campus, it would be able to capture some (perhaps even its fair share) of this benefit for the region. But it has neither its own university nor a substantial branch operation and this means that students must leave the region to study. In so doing they take their education investment with them – adding to the economic life of WA’s current universities and the regional economies in which they take their place. The gains which Midland’s students bring to WA’s university system in this way continue to be Midland’s loss. Students who live (or have permanent homes) in the Midland region already take $100 million pa out of the region in direct higher education expenditure. The Nelson reforms will add a further $10-$11 million pa (10%) to this loss in the medium term.[[4]](#footnote-4)

Indirect higher education expenditure

This not all. Students spend money not just on fees but on **indirect higher** educational expenditures: on the many accessories which study requires and on living (eg computers, calculators, books, bags, stationary, rent, furniture, food, transport, telephones, clothes, entertainment recreation and so on). Brendan Nelson’s own department (DEST) suggests an average per capita expenditure of $16,000 pa. It is, of course unclear whether the Nelson reforms will increase university student numbers in the Midland region. They may discourage more than they encourage. On the other hand, they may boost enrolment. Taking new grant moneys and equity scholarships[[5]](#footnote-5) into account, an additional 1,000 students over the next 5 years is quite possible.

Whatever else may be said of these projections, they are in line with official optimism on this question. In any event, growth on this scale would generate additional indirect expenditures worth some $16 million pa. This would take the region’s losses caused by the “out migration” of indirect education expenditures from $120 to $136 million.

Strictly speaking, losses deriving from both direct and indirect higher educational expenditures should be revised upwards to take multiplier effects into account. But the sums which emerge even in the absence of this refinement are enough: by 2010 Midland could be losing around $240 million annually because it lacks university facilities.

**Long term growth**

These losses become even more staggering when longer term growth is considered. By 2025, the north-eastern metropolitan region will accommodate some 500,000 people - twice as many as today. The Midland region will then provide a home to some 15,000 - 20,000 university students.[[6]](#footnote-6) Assuming 17,500 (mean), today’s losses will more than double – rising to annual levels of $525 million. That’s a loss of more than 10,000 jobs! And how much sense does it make for 17,500 students to be travelling across town when three-quarters of them could probably do what they want within the region on a campus well able to achieve necessary economies of scale in many undergraduate programs of study? There is an urban planning argument to be made here too…

The overseas student market

Another important development: growth in the higher education sector will come not just from growing numbers at home. WA’s overseas student market could grow from a current 10,000 to some 70,000 students by 2025.[[7]](#footnote-7) This will call for new capacity. Why shouldn’t Midland – as the regional centre for the city’s north east – be allowed to prepare itself to take one fifth of this business (22% of Perth’s population is likely to living in the north-east by 2025). If Midland does not get it, then this will become yet more money (almost another $500 million) and more jobs (another 10,000) which the city’s west will take at the expense of its much more disadvantaged east.

# Conclusion

WA’s existing universities may currently be able to argue that they should cater for the whole of city – and the whole of the overseas student market - because only they can offer viable instruction and a rich campus experience. But this argument is only conditionally true. It is only true while Midland lacks higher education infrastructure or plans for its development on a sufficient scale. Put decent facilities or even just a decent plan in place and the self-serving conservative argument collapses. The ugliest side of this argument, however, is its self-fulfilling character. Its truth can actually be “maintained” by obstructing community initiatives in Midland, by variously talking the town down as a prospective higher education centre. There is, of course, no conspiracy here. But privilege has many, many other ways of perpetuating itself.

Let’s, for the sake of the conservative argument, grant that the projections developed in this argument are too optimistic. Let’s assume that only half of those students living in the Midland region would ever attend a university campus located in Midland. Let’s further assume that only 10% (not 20%) of overseas students would choose Midland as a study location if it had a decent campus. We’re still left with some 15,000 students – enough for a campus as big Perth’s current biggest. We are also left with economic activity of a strategically important nature which generates wealth to the tune of $0.5 billion dollars annually and supports 10,000 diverse jobs.

Finally, it is worth another stock take. What does Midland have and what does it still need to begin developing a new campus or university?

**1. Midland has the most important (and most expensive) ingredient – students and their contributions to university operating costs.** Over the next twenty years, the pool of operating funds available to a Midland University could grow to some $420 million. Funds which actually become available will depend on its relative appeal when compared with its rivals. A Midland University’s only natural advantage for Midland students will be location. On every other front, it will have to compete – efficiency, excellence and diversity in its teaching; relevance and quality of its research; attractiveness and liveliness of its campus; and so on.

**2. Midland also has abundant well-positioned land** – enough to provide for a substantial campus and for future land banking purposes. The Friends of Midland University believes that, at this stage, enough of the Midland Railway Workshops site to serve both of these ends remains available. We also believe, however, that this may not be the case for very long. The Midland Redevelopment Authority (MRA) is currently committing land to suboptimal uses that will soon rule out serious higher education and associated cultural development. The Friends of Midland University also believe that the State Government is providing insufficient support, oversight and direction to the MRA in this regard. In short, Midland’s irreplaceable inner city land resource needs to be reserved now so that it can ultimately be used for its proper purpose. *This calls for a new Midland Redevelopment Act and a new Redevelopment Authority involving not just the City of Swan, but relevant higher education, cultural planning and community development players as well.*

**3. Capital – to refurbish old or construct new buildings.** This is what Midland lacks and where it needs help. But no large sums of money are necessary here in the short term – say five years – and no government vaguely committed to equality of opportunity or social equity can justifiably take fright or appeal to considerations of fiscal prudence here. A long time must to be devoted to planning before there will be any need for spending. As well, development must take place slowly and in stages. These circumstances mean, amongst other things, that a long time is available to make provision for spending and that a variety of financing strategies can be explored, debated and developed before they are ultimately employed. In this context (say a 20-year development plan), a staged development will quite manageable from a fiscal point of view. *The real issues are commitment to social equity, planning wisdom and political will. And these may well now be harder to come by than money.*

One possibility for defraying capital costs lies in the hypothecated sale of land surplus to (higher education) requirements currently owned by the MRA. The revenue generated by such sales could form the basis of a *University Capital Development Fund.* To be sure, the MRA’s public position on this question is not hopeful: their expectation, after 15 years of developing and selling land, is to break even. In other words, the land they hold will not yield any significant profit. The Friends of Midland University has sought to independently check this proposition but the MRA has refused our organization access to the modelling and accounting assumptions on which these “realistic” financial projections are based – just as they have refused the our small community organization any material support. *We are nominating them for the* ***Best Friend*** *of the Friends of Midland University Award!*

1. Recent ABS research has revealed that 9 of Perth’s 10 most disadvantaged suburbs are located in the north-eastern metropolitan region (West Australian, Nov 6th 2003). [↑](#footnote-ref-1)
2. The Nelson reforms permit universities to increase HECS charges by up to 25% in all but a few courses. It has been estimated that a fee increase of this magnitude would generate $380 million pa in additional revenue. [↑](#footnote-ref-2)
3. The Midland region is home to about 7,500 or 1.2% of Australia’s university students. [↑](#footnote-ref-3)
4. Based on the average annual cost of undergraduate university study - $14,000. The point made here is not a criticism of the Nelson reforms. They may be open to criticism on some counts – but not on this matter. Here Midland’s problems are the fault of successive Commonwealth and State governments. They are jointly responsible for Midland’s long term neglect. [↑](#footnote-ref-4)
5. The Midland region should, all things considered be in line for 400-500 of the 33,000 scholarships to be awarded nationally. [↑](#footnote-ref-5)
6. The lower figure would apply if currently low regional university participation rates (2.8%) continue and the higher if the region catches up with average participation rates in the rest of Perth today (just under 4%). [↑](#footnote-ref-6)
7. Denis Meares, “Global Student Mobility 2025” paper presented to 17th IDP AIEC Conference, Melbourne, 2003. [↑](#footnote-ref-7)