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Charles Darwin, Victoria, Southern Cross, Murdoch unis in the red



Students at the North Terrace campus of the University of Adelaide.

JULIE HARE THE AUSTRALIAN 12:00AM January 18, 2017

Four universities found themselves in the red in 2015, the highest number since 2008, in an otherwise financially robust sector. But slowing student enrolments and previous government funding cuts have begun to bite, with overall government grants increasing by just 0.3 per cent in the year to 2015, according to the latest government data.

The 2015 financial report, released at the end of December, shows that despite stalling government funding, most universities were riding high on a lucrative wave of international students, with revenues increasing by 12 per cent. Other fees and charges increased by 5 per cent.

Mark Warburton, an independent policy expert, said the 2015 data reveals a dampening in demand under the demand-driven system and the impact of already implemented government cuts.

“There is no basis for believing that the demand-driven system is unsustainable or that government grants are growing excessively. They grew by less than inflation in 2015,” Mr Warburton said.

While most universities continue to ride the wave of increased student demand, three of the four with deficits suffered negative application trends, the Grattan Institute’s Andrew Norton said.

The four universities that posted deficits in 2015, were Charles Darwin (minus \$22.1 million), Victoria University (-\$12.1m), Southern Cross (-\$4.8m) and Murdoch (-\$771,000).

Victoria University was also in the red in 2014 and 2012, while SCU posted a deficit in 2013.

Mr Norton said VU’s struggle to find quality students in the competitive Melbourne market was being compounded by a drop in international student enrolments as well as a chaotic policy and funding environment in the vocational education sector.

“There are concerning issues around VU in particular,” he said, noting the Victorian auditor-general’s report had put the university’s 2014 deficit down to redundancy payouts and was optimistic about a return to surplus.

Both Mr Norton and Mr Warburton agreed that constrained revenues were being more than offset by international student fees in destination universities, but warned of lean years ahead for those that struggled to attract healthy onshore numbers.

Murdoch University, for example, attracted just \$55.4m in international student fee revenue in 2015 — the lowest for a public university in Western Australia even though it had the second highest enrolment numbers, due to lower value offshore enrolments in Singapore and Dubai.

CDU suffered a \$22m loss in government financial assistance, probably the result of a one-off infrastructure grant in 2014 that remains unexplained in its annual report, said John Howard, an adjunct professor with the University of Technology Sydney’s business school. It also saw an increase in employee-related expenses of \$6.6m, he said, amounting to a negative impact of almost \$30m in its financial position.

“I suspect that because universities like CDU and SCU are very small, the results are influenced by the impact of one-off or lumpy payments such as from the Education Investment Fund. But their annual reports are very upbeat and do not mention these aberrations,” he said.

SCU had an income of almost \$200m in 2015 and CDU received \$268m. The average for all 39 universities was \$734m.

Mr Warburton’s claim that the 2015 financial data confirms the demand-driven system is not out of control stands in stark contrast to the government’s options paper last year on higher education reform, which says that “taxpayer funding for student places had “increased by 59 per cent as compared to 29 per cent growth in nominal (gross domestic product) over the same period”.

“Funding of university students has grown at twice the rate of the economy,” the paper says.

Mr Warburton said previous government cuts were having an effect on overall government expenditure.

“The already implemented savings measures have ensured that the demand-driven system has remained affordable, with students paying a considerable share of the cost of expansion entailed by that policy,” Mr Warburton said.

“Domestic tuition fees increased by 4 per cent from 2014-15, higher than growth in total revenue, which was only 3.6 per cent”.

However he said there were three legislated savings measures yet to take effect, including the 20 per cent funding cut contained in the 2014 budget and changes to indexation.

Mr Howard said the overall 2015 figures confirmed that higher education was “big business”.

“Irrespective of the multipliers and big numbers produced by the economic consulting firms, an industry with an asset base of \$50 billion and an annual income of \$28.61bn — with 58 per cent concentrated in 13 institutions (Group of Eight and the Australian Technology Network) — the contribution to the economy in the creation, application, and dissemination of knowledge provides a secure foundation for our innovation future,” he said.



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