



Queensland Treasury Response to Commonwealth Grants Commission Draft Report Attachment 10

Post-Secondary Education

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SUMMARY OF QUEENSLAND'S POSITION

Queensland generally supports the proposed Post-Secondary Education assessment, but has some concerns about whether a low English fluency (LEF) cost weight is necessary; the absence of a course mix cost weight; and the consistency of materiality testing.

The Commission deemed state-provided data on LEF costs not comparable or reliable enough to calculate a cost weight and used judgement to determine the LEF cost weight, on the basis that it was a broadly applied disability. Queensland questions the basis for including a LEF cost weight disability, as it is only applied in one other category; Schools Education.

Steps that may have been taken to remove the likely double counting of costs attributable to Indigenous students with LEF have not been identified clearly in the Draft Report. Queensland suggests the LEF cost weight, if applied, should be reduced or discounted to account for double counting.

Queensland considers there is a conceptual case for the inclusion of a course mix cost weight to adjust for costs associated with providing different qualification levels. Some courses are more costly to provide because they are practically based or have greater health and safety issues. The data provided by states led the Commission to doubt the relationship between course cost and qualification level. A clearer relationship is likely to be apparent if comparable state data are used. However, in the absence of comparable data and a reliable assessment method, Queensland recognises it will not be possible for the Commission to address this issue in the 2010 Review.

Queensland is concerned the additive approach to testing materiality in the Post-Secondary Education assessment category is inconsistent with materiality testing in other assessment categories. The Commission's test for materiality of disabilities should be transparent and consistent. Disabilities should only be included that are individually material, or whose materiality is assessed on a global basis.

Queensland's Positions on Key Issues

The Post-Secondary Education assessment should be finalised as outlined in the Draft Report, with the exception of:

- The LEF cost weight to be excluded, reduced or discounted; and
- Include only disabilities that are individually material, whose materiality is assessed on global basis.

PROPOSED METHODOLOGY

The Commission proposes using population aged 15 to 64 years as the broad indicator to assess Post-Secondary Education. Post-Secondary Education has four disabilities:

- Socio-Demographic Composition (SDC) factor;
- Cross-border factor;
- Location factor; and,
- Administrative scale.

Socio-Demographic factor

The Commission will use an SDC factor to adjust the broad indicator to reflect the higher intensity of use and cost of post-secondary education services by some student groups - Indigenous students, remote students, and students with LEF. National average service use rates are determined using 2006 National Centre for Vocational Educational Research (NCVER) data and 2006 Census data.

State provided data on the additional cost of services provided to Indigenous students, remote students, and students with LEF was used to determine cost weights. The Commission deemed state-provided data for LEF students to be incomparable and unreliable. However, the Commission proposes using the LEF cost weight from the Schools Education assessment, rounded from 8 per cent to five per cent, in the Post-Secondary Education assessment, because LEF is material across all state services.

Location factor

The Commission proposes including interstate differences in wage levels and interstate freight costs in the Post-Secondary Education assessment. The regional costs associated with providing services in remote areas and with differences in the need to provide services in small communities are attributed to the remoteness cost weight.

ASSESSMENT APPROACH

Service delivery expenses

Queensland supports the Commission's decision to use population aged 15 to 64 years as the broad indicator for the Post-Secondary Education assessment. Population is the most appropriate broad indicator to use because it provides a policy neutral measure of assessing service use. The use of a 15 to 64 year age band will more accurately capture the users of post-secondary education services and better aligns with the NCVER data the Commission proposes using for this assessment and will result in a better equalisation outcome.

Socio-demographic composition (SDC) factor

Low English Fluency cost weight

The Commission deemed state-provided data on LEF costs not comparable or reliable enough to calculate an adjustment. Judgement was used to include an LEF cost weight on the basis that 'LEF is, however, material as a disability across all state services'¹. Queensland questions whether this statement is accurate, as the post-secondary education LEF data was considered not comparable, and LEF is not a disability in any other assessment category except for schools education.

The Commission also used its judgment to arrive at a cost weight of 5 per cent, which the Draft Report identifies as rounded down from the 8 per cent used in the schools education assessment category. The basis for this judgement is not clear. Analysis of the data presented in Table 10-7 in the Draft Report indicates the Australian average cost weight (based on those states that provided data) should be 4 per cent

Another issue the Commission should address is the potential double-counting of costs attributable to Indigenous students. Queensland believes that the LEF cost weight should be adjusted, or discounted, to account for double-counting transparently.

¹ Commonwealth Grants Commission, *Report on State Revenue Sharing Relativities, 2010 Review Draft Report*, Attachment 10, Post Secondary Education, p 221, paragraph 31.

Course mix cost weight

Queensland based its conceptual case for a course mix cost weight on evidence that some programs are more costly to provide because they are practically based or have greater health and safety issues, often in trade or engineering related fields. Queensland's Department of Education and Training produced data showing that the average cost per annual contact hour for Certificate III level courses is 23 per cent higher than diploma or higher level courses.

The data provided by states led the Commission to conclude there is not a strong relationship between course cost and qualification level. Without access to state-provided data on this issue, it is hard to be definitive, but through the course of this review, some states have presented data on post secondary course costs that are contaminated with demand for courses.

Broadly, higher demand for higher qualifications is unlikely to increase the unit cost of delivering the course. Industry structure is also expected to influence demand for particular courses rather than alter the unit cost per se. That is, a state that requires a higher than Australian average number of, say, boilermakers will have a higher number of students which would generally lead to economies of scale and a lower unit cost for the course. It could be argued that delivery of expensive courses, where there is no conceptual basis for a higher unit cost, may reflect policy choices of states. A clearer relationship is likely to be apparent if comparable state data are used.

Queensland contends that the Commission should assess a course mix disability, but recognises that it is not possible in the 2010 Review due to the absence of comparable data and a reliable assessment method.

Materiality of use and cost weight disabilities

In Position Paper 2008/17, *Post-Secondary Education*, the materiality of use weights for age, LEF, Indigeneity, and location were assessed individually. Indigeneity was the only individual disability that met the \$10 per capita threshold. Materiality of use weights were tested by adding them to Indigeneity. When location and English fluency were added to Indigeneity they became material, however age did not and was therefore removed. The materiality of cost weights for these disabilities was not included in Position Paper 2008/17, *Post-Secondary Education*, as the Commission was waiting for data from states.

The Draft Report did not address the materiality of use weights, but did identify the outcomes of materiality testing for cost weights. Materiality testing for cost weights was done for individual disabilities. Combining the weights for the two material disabilities of Indigeneity and Remoteness is presentational only and does not alter their materiality as occurred in the earlier materiality testing of use weights.

Queensland is concerned the additive approach to testing materiality of use characteristics in the post-secondary education assessment category is inconsistent with materiality testing of cost weights and also materiality testing in other assessment categories. The Commission's usual approach to testing materiality, individually testing disabilities, identified that some of the disabilities in the post-secondary assessment category were not material. By adopting an inconsistent approach and including some individually immaterial disabilities the Commission's post-secondary assessment category is less likely to deliver equalisation.

Queensland seeks materiality testing of disabilities be conducted in a transparent and consistent manner. Further, only disabilities that are individually material, or whose materiality is based on its inclusion in a majority of assessments, are included in assessment categories.

Location factor

Service Delivery Scale

The Commission indicated in its Draft Report that it considered Service Delivery Scale was captured in the 'additional' costs associated with remote students provided by states². Queensland notes that the service delivery scale disability is not restricted to remote locations, and as such, a remoteness cost weight cannot address any service delivery scale costs faced in non-remote locations.

Queensland acknowledges an element of service delivery costs may be included in state provided data on additional costs due to remoteness. The state-provided data would not capture post-secondary education institutions in small population centres in non-remote areas. However, without evidence of the location of post secondary education institutions in small non-remote population centres, the Commission cannot adjust the location factors used in this assessment category.

² Draft Report, Attachment 10, Post-secondary education, paragraphs 43 and 44.