

# Post-secondary education

## Review outcomes

- The following changes were made to the assessment.
  - The cross-border adjustment for post-secondary education services between the ACT and New South Wales will be adapted to reflect the bilateral agreement between these jurisdictions.
  - The First Nations and regional cost weights in the socio-demographic assessment were re-estimated using more recent data collected from the states.
- The Commission considered but did not change the following.
  - A course mix driver will not be introduced because a state's course mix is primarily driven by factors not related to its industrial profile, including student preferences as well as state and Commonwealth policy choices.
  - The variables in the socio-demographic composition assessment and the approach for calculating the regional costs adjustment will be retained.

## Introduction

- 1 On 6 July 2024, the Commission published the [Draft Report](#) for the 2025 Methodology Review.
- 2 The Draft Report included a detailed analysis and response to issues raised by states and territories (states) in their [submissions](#) on the Commission's [consultation paper](#).
- 3 State submissions on the Draft Report can be viewed [here](#).
- 4 This chapter includes:
  - an overview of the issues considered throughout the review
  - the Commission's response and decision on each issue
  - GST impacts of method changes.
- 5 A description of the assessment method, incorporating the changes made in the 2025 Review, can be found in the post-secondary education chapter of the *Commission's Assessment Methodology*.

## Issues considered

### Course mix driver

- 6 Differences in the industry structure of states may lead to students enrolling in different courses in different states. Some courses are more expensive to provide

than others. However, the Commission proposed not to include a course mix driver because it was unlikely to be material, and states' course offerings are policy influenced.

### **State views**

- 7 Most states agreed that course mix was unlikely to be material and should not be introduced as a driver.
- 8 Western Australia said that course mix could be considered the same driver as the 'industry mix' driver in the services to industry and mining revenue assessments, and that materiality would not need to be separately tested.

### **Commission response**

- 9 The Commission considered that a state's course mix is primarily driven by factors not related to its industrial profile including student preferences, as well as state and Commonwealth policy choices. Untangling these different influences would be challenging.
- 10 A further consideration was the differing employment intensity of different industries. While the drivers in the services to industry and mining revenue assessments focus on the value-add of an industry, any driver in post-secondary education would need to incorporate a state's industrial employment profile.

### **Commission decision**

- 11 The Commission will not introduce a course mix driver.

### **Socio-demographic assessment**

- 12 The Commission sought state views on whether the variables in the socio-demographic composition assessment remained fit for purpose and re-estimated the associated cost weights.

### **State views**

- 13 All states agreed that the socio-demographic assessment be retained.
- 14 Western Australia said that the 2020 Review regional cost gradient does not adequately assess the service delivery scale needs associated with its remote post-secondary education training.
- 15 New South Wales queried the reliability of Western Australian data on remote and very remote cost weights, given the rapid growth in these cost weights between reviews.
- 16 Victoria was concerned that the socio-demographic assessment involves measuring the interrelated drivers of First Nations, low socio-economic status, and remote populations. The Commission should ensure it avoided double counting of costs.

## Commission response

- 17 The regional costs adjustment in the assessment is based on state funding formulas, which include allowances for higher costs in more remote areas. Because states do not have a separate additional allowance for small institutions, the Commission will not adjust for this effect. The regional cost adjustment was re-estimated using updated data provided by the states, with the aim of capturing any relevant data improvements.
- 18 Western Australian data in the 2020 Review reflected the additional costs that Western Australia provided to private training providers but did not reflect the additional costs of public training in remote areas. Its public sector subsidies are much greater.
- 19 The Western Australian cost gradient is much steeper than for other states. This pattern is evident in other assessments as well. It may reflect a combination of 2 issues.
- In response to the greater economic activity in its remote areas, Western Australia may have a policy of higher levels of service in remote areas than other states.
  - Due to the prevalence of mining activity in the state, remote areas of Western Australia have higher private sector wages. To entice staff to work in such areas, Western Australia may need to offer higher allowances than other states to compete with the private sector. This means that Western Australia's regional cost gradient is generally steeper than other states. Applying the national gradient to Western Australia remains appropriate, as the wage costs assessment captures the impact of higher private sector wages in Western Australia.
- 20 The Commission agrees it is important to avoid double-counting. Regional costs and First Nations cost weights are each calculated in a way designed to reflect the isolated effect of that driver. Thus, it is appropriate that the cost of educating a First Nations student in a remote area would reflect both the remote cost weight and the First Nations cost weight.

## Commission decision

- 21 The Commission will retain the drivers used in the socio-demographic assessment and re-estimate the First Nations and regional cost weights using updated data collected from states.

## Cross-border adjustment

### State views

- 22 New South Wales noted that it is negotiating to reimburse the Canberra Institute of Technology for cross-border services in the ACT directly, and that this could require a change to the cross-border adjustment.

## Commission response

- 23 For its post-secondary education assessment, the Commission uses data from the National Centre for Vocational Education Research on the hours of training provided by ACT institutes for New South Wales residents and vice versa. The Commission will use state data to ensure its cross-border adjustment reflects the provision of training that is not covered by the agreement.

## Commission decision

- 24 In each assessment year, the Commission will adapt its cross-border adjustment, so that any training hours covered by the bilateral agreement can be removed to estimate the residual net cross-border service use.

## GST impacts of method changes

- 25 The impact on the GST distribution from the method changes is shown in Table 1.

**Table 1** Impact on GST distribution of method changes, post-secondary education, 2024–25 to 2025–26

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total effect
\$m	-19	-5	3	8	4	3	-2	8	26
\$pc	-2	-1	1	2	2	6	-3	32	1

Note: Changes to the wage costs assessment are not included. They are shown in the wage costs chapter of *Review Outcomes*.

- 26 The change in the GST distribution is due to the re-estimation of the First Nations and regional cost weights used in the socio-demographic assessment. Re-estimating the cost weights reduced the assessed GST needs of New South Wales, Victoria and the ACT. The changed approach to cross border only affected the 2023–24 assessment year, and so is not reflected in Table 1.