Submission to the Legislation Committee regarding the *Higher Education and Research Reform Bill 2014*

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As an education policy analyst and member of the Base Funding Review (2011), I have several concerns about the content of this Bill. While some of the proposed measures are commendable, taken together, the changes in the Bill, if passed in its current form, threaten the sustainability of Australia's higher education system.

To be sustainable means that something is able to be maintained at a certain rate or level. This Bill poses a threat to the sustainability of higher education because its budgetary impact is unpredictable. By removing the price cap on student places and allowing providers to determine the level of student contributions to be repaid via income-contingent loans, the government is retaining responsibility for the costs of the system while relinquishing control over what those costs might be.

Comments on specific elements of the Bill are below.

Extend demand-driven funding to diploma, advanced diploma and associate degree courses and extend government subsidies to bachelor and sub-bachelor courses at private universities and non-university higher education providers

The extension of Commonwealth supported places to sub-degree programs and to private providers is consistent with the policy direction foreshadowed in the Bradley Review of Higher Education (2008). However implementing these changes through the current bill poses two clear threats to the costs and quality of higher education provision.

First, implementing this change in an uncapped (demand-driven) system carries the risk of an unpredictable and uncontrollable blow-out in costs to the government and taxpayer through income-contingent loans debt. It would be more prudent to phase in these measures in a staged way, to monitor their impact.

Second, the Bradley Review recommended the establishment of the Tertiary Education Quality and Standards Agency (TEQSA) as a precursor to expanding the number of HE providers, as the effectiveness of the expansion depends on a rigorous system of HE quality assurance. The May 2014 budget decision to cut $31.1 million from TEQSA's funding may compromise TEQSA's capacity to perform its quality assurance role as the number of HE providers grows, thus threatening the quality of the expanded HE system. The long-term viability of TEQSA should be assured before implementing any measures to extend Commonwealth Supported Places to new courses and new providers.

Remove the maximum student contribution amounts that providers can charge students in Commonwealth Supported Places

[1] The content of this submission represents the opinion of the author, not the University of Canberra.

Evidence suggests that university fees will rise if this measure is implemented. In 2005, when the Howard government allowed Australian universities to vary student fees by up to 25 per cent, within two years, every university charged the top rate. A similar measure in England recently led to fee increases of 300 per cent. In New Zealand, the government reintroduced price caps in higher education in 2003 after a decade of ballooning fee increases under its income-contingent loans scheme.

While a sudden increase in course fees is clearly unfair to students, it is Australian taxpayers who will bear the brunt of the cost, because the government underwrites the full cost of every place to the provider when a student enrols. While student contribution may be recouped later, via HECS repayments, the taxpayer foots the bill if HECS debts are not fully repaid.

The government frequently cites the support of universities and HE providers for this measure, as a justification for it, while never mentioning that these stakeholders are the major beneficiaries of the policy change. It is unprecedented in public policy to suggest that the recipients of government subsidies (ie. universities) are the best placed to decide how much public money they will receive. Schools and early childhood facilities, for example, do not dictate the level of public subsidy they receive. Hospitals and doctors do not have the luxury of telling the government how much they want to be paid. Inviting universities – and other education providers – to specify what they want to charge, knowing that this amount is underwritten by the public purse, is tantamount to writing a blank cheque with public money.

Thanks to income-contingent loans, the real cost to the taxpayer of deregulating HE student fees is disguised in the short term. But ultimately the cost of unpaid HECS-HELP debt will be sheeted home to the federal budget and public purse.

The restriction that Australian students' fees must not exceed international students' fees is open to manipulation. For example, universities may decide to trade-off international student enrolments for domestic student enrolments, by raising their international fees to uncompetitive levels in order to justify a higher domestic student fee. Using international student fees as a 'price restraint' could thus have the unintended effect of compromising our competitiveness in the international student market.

There is no justification for the government to take these risks on either quality or financial grounds. The Base Funding Review concluded that Australian higher education is internationally competitive in its teaching in learning based on available indicators. While the Review panel found evidence of funding deficiencies in some fields of study, these can be addressed through minor funding adjustments. No sound policy argument has been provided to justify exposing the HE system, the government and the taxpayer to the risks of removing price caps on Commonwealth funded places, as proposed in this bill.

Merge the FEE-HELP and HECS-HELP loan schemes, including the removal of the FEE-HELP loan fee and lifetime limits, HECS-HELP upfront discount and HELP voluntary repayment bonus

These measures are justifiable on equity grounds.

Establish a Commonwealth Scholarship Scheme to support disadvantaged students

There is no evidence that scholarships make any difference to the participation of under-represented groups in higher education. This measure is a waste of money.

Maintain the CPI indexation rate as the HELP indexation rate

This measure is consistent with the original design of the income-contingent loans scheme.

Provide for HECS indexation relief for primary carers of children up to five years of age

This measure ignores the fact that the income-contingent loans scheme, by definition, has the most effective protections in place for all individuals, regardless of their life circumstances. ie. you only pay back the debt if and when you can afford to so. There is no justification for further subsidies for particular groups, such as parents who are primary carers.

Lower the minimum repayment threshold for HELP debts

This measure is consistent with the design principles of the income-contingent loans scheme.

Replace the Higher Education Grants Index with the CPI

Applying indexation measures that do not reflect real increases in university costs threaten the sustainability of the higher education sector in the long term.