

**Australian Catholic University (ACU)**  
**Submission to the Senate Inquiry into the**  
***Higher Education and Research Reform***  
***Bill 2014***

**February 2015**



**AUSTRALIAN CATHOLIC UNIVERSITY (ACU) SUBMISSION TO THE SENATE  
INQUIRY INTO THE *HIGHER EDUCATION AND RESEARCH REFORM BILL 2014***

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## Executive Summary

Australian Catholic University (ACU) welcomes the opportunity to make a submission to the Senate Inquiry into the *Higher Education and Research Reform Bill 2014* (Bill).

ACU maintains its position on the Government's proposed reforms to Higher Education as submitted to the Senate Inquiry into the previous *Higher Education and Research Reform Amendment Bill 2014* (previous Bill). This submission reiterates ACU's position on key aspects of the proposed reforms, with the following additional comments concerning new provisions contained in the present Bill:

- ***No minimum low SES quotas or arbitrary threshold requirements for eligibility to access Higher Education Participation Programme funding***

The eligibility criteria for the proposed Higher Education Participation (Access and Participation) Programme (HEPAPP) and the Higher Education Participation (Scholarships Fund) Programme require clarification. ACU particularly:

- Opposes any minimum quotas or arbitrary threshold requirements being set with respect to low SES student enrolments as a condition of eligibility for the HEPAPP and Scholarships Fund programmes, as this would have an impact that is counter to the Government's objectives to increase access and participation in higher education by students from disadvantaged backgrounds.
  - Calls for clarification and greater funding certainty for providers with respect to the administration of the HEPAPP and the Scholarships Fund Programmes.
- ***ACU supports the provisions in the Bill to retain the Consumer Price Index (CPI) as the indexation rate of HELP debts.***

ACU supports most of the reforms contained in the Bill.

ACU particularly endorses the proposals to:

- Maintain the demand driven funding system for undergraduate university places.
- Extend the demand driven funding system to sub-bachelor places.
- Deregulate university fees.
- Retain the Consumer Price Index (CPI) as the indexation rate of HELP debts.
- Repeal the requirement for a mission based compact for universities.

ACU supports these elements as they provide a secure basis for maintaining the Australian higher education system with greater access for students who are first in family to attend university. They allow universities to plan and have a degree of fiscal independence and autonomy with reductions in reporting requirements. Greater financial autonomy will allow institutions to invest in research and ensure that the Australian higher education system is not left behind due to inadequate investment.

### ***Keep the new funding tiers as proposed by the Government***

ACU strongly supports the position of Universities Australia that funding cuts are undesirable, for all the reasons advanced by Universities Australia.

In the event, however, that funding cuts do occur, ACU strongly supports the differential level funding of courses as proposed by the Government.

The Government's figures take into account the cost of delivering the course and the capacity for the student to repay based on the difference in salaries earned in different disciplines.

Some may seek a flat 20 per cent reduction to the Commonwealth contribution to student fees in all tiers. ACU strongly opposes a flat 20 percent funding cut to all courses.

- Such an arrangement would be a major disadvantage to any student undertaking teaching and nursing.
- It would directly disadvantage universities, such as ACU, that have specialised in specific disciplines and do not have the capacity to cross-subsidise their courses in the way that other universities do.

## ACU seeks amendments to the Bill

### *Oppose the extension of funding to NUHEPs*

ACU opposes extending public funding to non-university higher education providers.

- In a strained fiscal environment the government should not be making already successful profit making ventures dependent on government funding.
  - NUHEPs have distinctly different objectives: they operate primarily to make profit. Public universities are fundamentally concerned with teaching and learning, quality education, and scholarship.
  - It will have an adverse impact on regional universities and flow-on effects on workforce capacity in critical areas of need across the nation.
  - There is potential adverse impact on the quality and international reputation of Australia's higher education system. TEQSA<sup>1</sup>, the sector's quality and standards regulator, has already had resources reduced and will be overburdened (if not so already) in assuring the sustained quality and timely regulation of an expanding list of providers.
  - The substantial costs and important obligations that universities must meet as public institutions require that universities receive a larger share of funding.
- Any Commonwealth funding extended to NUHEPs should be 60 per cent lower than the funding provided to universities, to account for the different nature of the work universities do and the additional responsibilities incurred by universities in their ordinary operations. One broad justification for this figure is on the basis that university academics, if not individually then on an aggregate institutional basis, have workload allocated and remuneration attributed on a 40-40-20 division: that is, 40 per cent teaching, 40 per cent research, 20 per cent administration and community service obligations. As NUHEPs: do not research; do not have particular community service obligations; and have notably fewer regulatory and governance burdens to meet, a 60 per cent differential is reasonable [i.e. Less 40 per cent (research) + 20 per cent (community service and administration/regulation) = 60 per cent differential].
  - If Commonwealth funding is extended to NUHEPs, then they should be required to participate in the Commonwealth Scholarships Scheme. The provisions in the Bill should be amended to remove the minimum institutional student load requirement<sup>2</sup> for participation in the Scheme, and to provide that all providers in receipt of Commonwealth funding through the extension of the demand driven funding system be required to invest a proportion of their additional revenue, or 'profits' in the case of private providers, in initiatives that support equity and access objectives.

In the event that the Senate proceeds to provide funding to NUHEPs, ACU proposes the following amendment<sup>3</sup> be made to clause 45 of the Bill so that the new s 33-10(b) of the *Higher Education and Support Act 2003* reads:

“(b) Otherwise – the amount specified in the table for the cluster the place is in, multiplied by **0.40** and rounded down to the nearest dollar.”

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<sup>1</sup> Tertiary Education Quality and Standards Agency (TEQSA).

<sup>2</sup> The Bill proposes that only providers with an equivalent student load of at least 500 or more full-time domestic students will be required to participate in the Scheme, which would exclude many private providers but effectively require that all universities participate.

<sup>3</sup> The amendment is shown in bold.

## **Support the Maintenance of the Demand Driven Funding System, and its Extension to Sub-bachelor Places**

### **Equity and Opportunity Context of the Bill**

The Bill and the package of reforms of which it forms part needs to be considered and assessed in its wider context, particularly as it relates to equity and opportunity for students. The equity of the scheme effected by the Bill cannot be assessed in isolation.

Three major considerations strongly reinforce the equity and opportunity credentials of the Bill as a part of the Australian higher education landscape.

The first is the Commonwealth Scholarships Scheme, contained in the Bill and addressed later in this submission.

The second is the maintenance of the entire structure of income contingent student loans, a major contribution of Australia to higher education policy, which strongly moderates the excesses of student debt associated with systems like that of the United States. The continuance of this fundamental feature within the policy framework envisaged by the Bill is noted here as framing the totality of the current debate.

The third equity and opportunity context within which the Bill must be considered is the maintenance by the Abbott Government of the Demand Driven Funding System (DDS)<sup>4</sup> which has seen the extension of the opportunity for university study to many thousands of students. The continuation of the DDS has not always been beyond doubt, and indeed has come under threat from a number of quarters. Its subsistence within the context of the Bill under consideration is a major factor weighing in its favour in terms of equity and opportunity. In short, a major policy asset of the Bill is its further maintenance of the DDS, and this point is considered immediately below.

### **Maintaining the Demand Driven System**

ACU is a strong supporter of the DDS. It is universally regarded as a major reform of the Rudd/Gillard Government.<sup>5</sup> Equally, its continuation represents an equally striking achievement of the Abbott Government. ACU endorses the Government's commitment to maintain the DDS for undergraduate university student places.

There are five major economic reasons for maintaining the DDS:

1. The DDS is driving allocative efficiencies among universities.
2. By creating a more competitive market, the DDS drives universities to focus on students as customers. It also gives students a greater choice of higher education provider.
3. The DDS helps Australia meet its graduate shortage, and to meet the skills needs in the economy by producing graduates in response to workforce demand.

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<sup>4</sup> Universities are currently operating under a demand driven funding system (DDS), where they are able to offer a Commonwealth Supported Place to as many domestic undergraduate students as they have the capacity to teach. The DDS commenced in 2012 with a phase in period for the three preceding years. Prior to this, the Federal Government dictated the number of university places a university could offer in a particular course. The DDS is designed to meet growing workforce demand for university graduates by funding universities on the basis of student demand rather than central allocation by the Commonwealth.

<sup>5</sup> See for instance Chris Bowen, *Hearts and Minds: A Blueprint for Modern Labor* (2013) 77-78: "On coming to office, Labor engaged Denise Bradley to review the university funding model with a goal of enhancing the equity of access. What followed was a major reform of which Labor can be proud and must protect and defend. The old system of governments setting the number of students each university is allowed to take has been abolished and funding has been uncapped. As a result 200,000 more university places have been created. This increase in the number of university places has been accompanied by a large increase in the number of 'first in family' attendees at university." See also Christopher Pyne, "Spreading Opportunity and Staying Competitive", Address to the National Press Club 6 August 2014. Pyne described it as a "landmark reform".

4. Any potential economic downturn means that the higher education system needs to be more flexible to respond to increasing demand.
5. The system does not adversely affect quality.

The DDS has already enabled over 190,000 additional students to receive a university education.<sup>6</sup> Under a capped system, these students would have been denied this opportunity, and Australia would be further behind in its efforts to meet workforce shortages and boost national productivity.

The early evidence demonstrates that the DDS is:

- Increasing participation in higher education, with the number of domestic bachelor Commonwealth-supported places (CSP) (EFTSL<sup>7</sup>) increasing by approximately 23 per cent from 2009<sup>8</sup> to 2013 (from 469,000 to 577,000) – an increase of approximately 108,000 CSP (EFTSL).<sup>9</sup>
- Improving access to higher education and serving to remove some of the barriers to entry for individuals from the lower socioeconomic (SES) and regional quartiles, assisted by supportive initiatives across the sector. To illustrate, from 2008 to 2012, there was a 41 per cent increase in commencing regional students. Similarly, from 2008 to 2012, there was a 31 per cent increase in commencing students from low SES backgrounds.
- Driving competition, diversity, innovation and efficiency in the sector,<sup>10</sup> forcing universities to make the students the focus of their offering as institutions compete to attract and retain students. This leads to greater diversity and a better allocation of resources as students choose universities on the basis of their strengths, and universities are driven to invest in their strengths and adjust or jettison weaker offerings. Maintaining the system is key to further driving efficiencies, and propelling universities to design and deliver courses that are locally responsive and tailored to both student and market needs.
- Increasing institutions' focus on learning and teaching performance, in order to enhance the quality of education provided and build their respective reputations in the sector in order to remain competitive.

### *ACU's experience under the DDS*

Prior to the introduction of the DDS, ACU was a relatively small institution in the higher education sector, with a cohort of just over 17,000 students. As a result of the DDS, ACU has grown to over 30,000 students and is now the largest Catholic University in the English Speaking world. ACU's major growth has been in its areas of traditional strength: Health and Education. This suggests a student market that is responsive to relative institutional strengths, and workforce needs given ongoing demand for workers in the health and education sectors. This experience is born out across the university sector where institutions have experienced growth in their areas of strength.

With respect to the expected enrolment growth trajectory, ACU's experience indicates that enrolment growth under the DDS across the sector is slowing and will not be infinite; particularly as there is a limited pool of students who both wish to pursue, and are suited to, undertake higher education.<sup>11</sup>

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<sup>6</sup> Australian Government Department of Education figures.

<sup>7</sup> Equivalent full-time student load (EFTSL).

<sup>8</sup> The demand driven funding system for Commonwealth supported undergraduate places commenced in 2012, with a phase in period for the three preceding years.

<sup>9</sup> Data sourced by Australian Catholic University (ACU) from the Australian Government Department of Industry, 'uCube' – Higher Education Statistics.

<sup>10</sup> See ACU submission to the Review of the Demand Driven Funding System for some illustrative examples of universities which have adopted strategies to operate more competitively, efficiently and innovatively under the demand driven system - see pages 19-21 at <https://submissions.deewr.gov.au/Forms/demand-driven-funding-system/pages/item?SubmissionID=DFS1400080>

<sup>11</sup> Schwartz, S., 'Higher Education' in Markwell, D., Thompson, R., and Leeser, J. (ed), *State of the Nation: Aspects of Australian Public Policy* (2013), at 222.

The continuation of the DDS, with all its manifest benefits, is not something that simply can be taken for granted within the Australian Higher Education system. Its maintenance in the context of the policy environment proposed by the Bill therefore is a major point in that Bill's favour from the aspect of equity and opportunity.

### **Extension of the Demand Driven Funding System to Sub-bachelor Places**

ACU supports the proposal outlined in the Bill to extend the DDS to sub-bachelor places.

There is great benefit in having a diverse range of pathways for students to access higher education, and this reform will assist a greater number of students to access higher education through sub-bachelor courses. Extension of the DDS to sub-bachelor courses will enhance pathways for students from low socioeconomic backgrounds, indigenous students, and students with a language other than English.

As the Explanatory Memorandum notes, the additional support provided to students through this reform will "not only improve access, but also expand opportunity and choice for students in the higher education sector."<sup>12</sup> It will increase student choice and student mobility, better enabling students to study the courses at institutions that are the 'best fit' for them, and which provide the necessary environment and support for them to excel. Appropriately, the proposed policy reform:

- Recognises that sub-bachelor courses are "targeted at students who wish to enrol in shorter courses or who do not possess the prerequisite skills required for direct-entry to a bachelor degree";
- Will provide an effective mechanism for students to train quickly in areas that are linked to vocational outcomes;
- Will provide a supportive pathway into higher education for less-prepared students.<sup>13</sup>

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<sup>12</sup> *Higher Education and Research Reform Bill 2014 – Explanatory Memorandum* [House of Representatives - The Parliament of the Commonwealth of Australia] (2013-2014), at 11.

<sup>13</sup> *Higher Education and Research Reform Bill 2014 – Explanatory Memorandum* [House of Representatives - The Parliament of the Commonwealth of Australia] (2013-2014), at 19.

## Fee Deregulation

### *Principle*

As a university whose mission, course profile and student population are such that it is unlikely itself to derive significant direct benefit from fee deregulation, nevertheless ACU strongly supports fee deregulation in the higher education sector.

Fee deregulation allows each institution to determine the price they charge students for their courses, provided it is below the fee they charge international students.

Deregulation of university fees would provide the funding security and financial stability necessary for universities to maintain their operations and provide quality education.

There has been no funding security for universities. Both sides of politics have made cuts to universities. The Abbott Government is proposing to cut university funding as part of this package, a measure to which ACU, along with the other members of Universities Australia, is strongly opposed. The previous Rudd-Gillard governments made at least \$4.3 billion of cuts to higher education. The Howard, Hawke and Keating Governments all reduced per student funding to universities. As the Expert Panel of the Base Funding Review (reporting in 2011) identified, the level of base funding provided to universities per student has “fluctuated over time.”<sup>14</sup> For instance, the Review identified that over a ten year period from 1994 to 2003, average base funding per student in real terms declined; in particular: after the mid-1990s, the real value of the Commonwealth contribution per student fell sharply and “while it...[had] increased since 2003, it...[remained] well below the 1994 level.”

Fee deregulation will afford universities the financial security required to deliver the quality higher education courses needed to support Australia’s future workforce, which fuels economic development. Similarly, it will allow universities to pursue a vital national research and knowledge agenda without which Australia will be increasingly vulnerable, technologically, economically and socially.

When Australian Governments are confronted with strained fiscal circumstances, universities like other publicly funded institutions often bear the brunt of government cuts. This makes university fiscal planning extremely difficult. Universities need to be allowed to set their own fees to meet the shortfalls in funding that occur from time to time. This is particularly imperative given the proposal in the Bill to cut the Commonwealth contributions to subsidise student fees across all disciplines by an average of 20 per cent.

Fee deregulation also has macroeconomic benefits. Fee deregulation will drive competition and provide universities with greater autonomy and incentive to compete on price, serving to lift overall diversity and quality across the sector as universities work to their strengths.

In a deregulated environment, universities will be compelled to innovate and operate more efficiently in order to compete on price in the market and to attract students. This will further serve to lift overall diversity and quality across the sector as universities work to their strengths.

### *Fee deregulation, equity and the Demand Driven System*

It sometimes is naively asserted that fee deregulation is paradigmatically opposed to equity in the context of higher education. ACU understands some of the challenges and alleviations in this context, one of the latter - of which the Commonwealth Scholarships Scheme – is addressed immediately below.

However, it is appropriate to note at this point that without the independent revenue represented by fee deregulation, major threats are posed to student equity and opportunity in university education. In a context where no government is likely to fund universities to a sufficient level and universities themselves are incapable of making up the shortfall, Government policy-makers typically regard themselves as forced to make hard,

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<sup>14</sup> Lomax-Smith, J., et al, *Higher Education Base Funding Review – Final Report October 2011* (2011), at 3.



binary funding choices. Very typically, these are between such systemic goods as research, and student opportunity and equity as represented by student places.

In this way, the key measure of equity and opportunity represented by the DDS was long under threat from those who argued that Australia could not afford both world class research and world class student opportunity, and that the latter would have to give way in the form of the capping or winding back of the DDS. The only way in which to avoid such deeply regressive social proposals is to ensure that adequate funds are available to the system, and in the absence of permanent government financial commitment, fee deregulation is the only obvious option.

### ***Safeguards***

The provisions in the Bill contain safeguards to support access and equity. The Bill provides for the establishment of a Commonwealth Scholarships Scheme which will ensure that providers<sup>15</sup> annually direct a minimum level of fee revenue to support access and equity initiatives. Providers would be required to direct 20 per cent (or as prescribed by the Commonwealth Grant Scheme Guidelines) of their additional total revenue raised through deregulated student fees and Commonwealth contributions (compared to what would have been payable under the previous arrangements), into a Commonwealth Scholarships scheme. This provision is an important safeguard and essentially compels institutions to continue to support access and equity in higher education by redirecting revenue to invest in student places and activities that support the participation in higher education of students from low socioeconomic or other disadvantaged backgrounds.

In terms of likely fee increases, ACU does not anticipate a general and massive rise in University impositions on students. In the event that there is a fear of undue price expansion, it is of the view that there are relatively simple, light touch measures which could be included in the Bill that would greatly alleviate any such risk, without compromising the objectives of fee deregulation itself.

### **Policy Proposal: Tuition Fees Pricing Oversight**

As outlined, ACU strongly supports fee deregulation in the Higher Education sector. Fee deregulation will drive competition and provide universities with greater autonomy and incentive to compete on price, serving to lift overall diversity and quality across the sector as universities work to their strengths. Vitally, it will afford universities the financial security required to deliver the quality higher education courses needed to support Australia's future workforce, and fuel economic development.

To address any public concern that some institutions may charge excessive fees in a deregulated environment, ACU offers the following proposal.

ACU proposes that an existing body be given authority to have general oversight of tuition fees set by institutions in a deregulated Higher Education market.

Options for such a body include the Tertiary Education Quality Standards Agency (TEQSA) or the Australian Competition and Consumer Commission (ACCC) as the designated national competition regulator and consumer law champion, to promote competition and fair trading in the Higher Education market.

The primary benefits of using such a body are that it would serve to maintain public confidence in the affordability of Higher Education and support a sustained consideration of equity and access to Higher Education into the future.

The body would serve as a 'prices watchdog' operating as a safeguard with a light touch monitoring presence to ensure that institutions do not charge unreasonable or unduly excessive tuition fees. The body could conduct 'spot checks' or random audits of fees, or introduce other measures to support its functions which could moderate institutional fee levels. It is not uncommon for deregulated market environments to have a prices watchdog in operation, nor is it counter to the concept of 'deregulation' as has been suggested by some critics.

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<sup>15</sup> The Bill proposes that providers with an equivalent student load of at least 500 or more full-time domestic students will be required to participate in the Commonwealth Scholarships Scheme.

For instance, the Australian Energy Regulator, an arm of the Australian Competition and Consumer Commission, operates as a watchdog of the Australian energy sector.<sup>16</sup>

International experience suggests that it may be prudent to equip a body with powers of oversight, albeit merely as a safeguard or ‘deterrent presence’, to keep a general watch on prices in the market and deter any institutions that may be tempted to charge excessive tuition fees. It would serve to counteract and avoid the potential pitfalls of deregulation experienced by the New Zealand Government in the 1990s, when it moved to allow higher education institutions to set their own fees. New Zealand’s experience saw tuition fees at some institutions jump sharply and to excess in some courses, before the government stepped in to introduce price caps having regard to affordability and future price certainty considerations. Equipping a body with oversight of institutional course prices would avoid a similar occurrence in Australia and, even if only serving as a general watchdog, would provide a notional equity safeguard.

Matters could be brought to the attention of the body, parents, students and other consumers of Higher Education, if they had any particular concerns they have around course prices at particular institutions.

While universities would not have to justify every price rise, they would need to make a defensible justification for the price charged in the event that the institution was audited.

The body could be given the power to disallow or overrule an increase - or possibly recommend such action to the Minister - on the grounds that the increases were manifestly unreasonable having regard to a set of relevant criteria.

A body having oversight of Higher Education tuition fees would serve to alleviate any concerns around equity and access to Higher Education more broadly across all universities.

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<sup>16</sup> For instance see Australian Energy Regulator at <http://www.aer.gov.au/about-us>; Serviceworks Management, ‘Energy markets – Australia’, at <http://www.serviceworksmanagement.com/au/markets/energy/>

## Funding of Non-University Higher Education Providers (NUHEPs)

ACU strongly opposes the proposal to extend public funding to NUHEPs. The Bill proposes to:

- Extend the demand driven funding system and Commonwealth funding to non-university higher education providers (NUHEPs), which includes private providers that operate on a for-profit basis.
- Fund NUHEPs at a rate that is 30 per cent less than what universities receive (i.e. NUHEPs would receive 70 per cent of the funding rate that universities receive).
- Establish a Commonwealth Scholarships Scheme where only providers with an equivalent student load of at least 500 or more full-time domestic students will be required to participate in the Scheme.

ACU strongly opposes extending funding to NUHEPs.

- In a strained fiscal environment the government should not be making already successful profit making ventures dependent on government funding.
- NUHEPs have distinctly different objectives: they operate primarily to make profit. Public universities are fundamentally concerned with teaching and learning, quality education, and scholarship.
- It will have an adverse impact on regional universities and flow-on effects on workforce capacity in critical areas of need across the nation.
- There is potential adverse impact on the quality and international reputation of Australia's higher education system. TEQSA<sup>17</sup>, the sector's quality and standards regulator, has already had resources cut and will be overburdened (if not so already) in assuring the sustained quality and timely regulation of an expanding list of providers.
- The substantial costs and important obligations that universities must meet as public institutions require that universities receive a larger share of funding.

In the event that the Senate decides to provide funding to NUHEPs, any Commonwealth funding provided to NUHEPs should be at least 60 per cent lower than university funding, to account for the significant financial costs to universities in their ordinary operations (see below).

If Commonwealth funding is extended to NUHEPs, then they should be required to participate in the Commonwealth Scholarships Scheme. The provisions in the Bill should be amended to remove the minimum institutional student load requirement<sup>18</sup> for participation in the Scheme, and to provide that all providers in receipt of Commonwealth funding through the extension of the DDS be required to invest a proportion of their additional revenue, or 'profits' in the case of private providers, in initiatives that support equity and access objectives.

It should also be noted that further savings could be made by delaying the extension of the DDS to NUHEPs.

### Rationale for ACU's Public Policy Position

#### *Extending funding to profitable institutions in a constrained fiscal environment*

ACU strongly opposes the proposal to extend public funding to private providers. In a strained fiscal environment it may not be the use of public money to fund institutions which are already operating profitably and efficiently in the market.

Many NUHEPs have distinctly different mandates to public universities. They operate on different drivers with a primary underpinning objective to make profit. Public universities operate on a not-for-profit basis. They are fundamentally concerned with teaching and learning, scholarship and quality education.

#### *Impact on Regional Universities and Critical Areas of Workforce Need*

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<sup>17</sup> Tertiary Education Quality and Standards Agency (TEQSA).

<sup>18</sup> The Bill proposes that only providers with an equivalent student load of at least 500 or more full-time domestic students will be required to participate in the Scheme, which would exclude many private providers but effectively require that all universities participate.

Affording NUHEPs access to public funding could decimate regional universities – and indeed many non-regional Universities closely engaged with lower-opportunity students - by affecting their ability to cross subsidise courses in areas of local and national importance.

Experience shows that NUHEPs typically take on the high demand low cost courses. This would be in direct competition with regional and other universities, who often utilise income from high demand low cost courses to cross-subsidise low demand and/or high cost courses in critical areas of need in the community. Many NUHEPs are not required or similarly compelled to deliver course offerings to meet community need, especially where they are unprofitable. Where regional universities are unable to compete on price, particularly where private providers use business tactics such as temporary undercutting to drive them out of the market, it will adversely affect their ability to cross-subsidise critical courses. This will have flow on implications for workforce capacity in vital areas of need across the nation.

Moreover, in the face of such realities, Universities will be forced to abandon non-paying or expensive activities in an attempt to meet NUHEPs on price. Narrow competition theorists doubtless will applaud this. But the activities so abandoned most typically will be in the expensive area of research and the non-remunerative area of community service. In this way, major universities providing critical public goods quickly will decline as research engines, and will withdraw from vital activities contributing to their own region and community. As they increasingly abandon research, they effectively will cease to operate as true universities, and as they withdraw from their communities, those communities will suffer. This effect will be particularly problematic in the case of universities located in regions or in areas of significant disadvantage.

#### *Quality, Standards and the International Reputation of Australia's Higher Education System*

Extending public money to private providers could have an adverse impact on the quality and, in the medium to long-term, the international standing of Australia's higher education system.

Experience suggests that private providers will cut corners where they can. While there are a select number of established private providers in the market that have built good reputations, there are also many that have not. TEQSA, the sector's quality and standards regulator, has already had its resources cut and under current provisions will be overburdened (if it is not so already) in assuring the sustained quality and timely regulation of an expanded list of providers. In reality, without substantial additional funding it will be very difficult for TEQSA with its limited resources to regularly assess quality and monitor standards across an expanded range and number of providers; particularly as private providers do not have the same level of rigorous internal quality assurance mechanisms in place as at universities. The situation will be acute if there is a proliferation of NUHEPs that seek to enter the market to access the public funding on offer.

The extension of public funding to private providers will significantly blur the distinction between private and public providers in the student market. The relative levels of accountability to government and quality assurance standards would be less clear to students and for external quality assessment purposes.

#### *Differential Funding*

In the event that the DDS is extended to make public money available to NUHEPs, ACU strongly advocates for differential funding of university and non-university providers at a rate greater than the 30 per cent differential proposed in the Bill. Any Commonwealth funding provided to NUHEPs should be 60 per cent lower than university funding to account for the significantly different functions and costs to universities bear in their ordinary operations. Differential funding is necessary to account for the fact that universities:

- Must subsidise research which includes substantial indirect costs.
- Have a special mandate and are expected to provide a more extensive suite of services than private providers. This includes full student support and advocacy services, and provision of equal access to all students. A requirement for the 'Australian University' category under the Higher Education Standards Framework (Threshold Standards) 2011 and TEQSA is that a university must "offer an extensive range of student services, including student academic and learning support, and extensive resources for student learning in all disciplines offered" and "demonstrate engagement with its local and regional communities and demonstrates a commitment to social responsibility in its activities."

- Often deliver programs and training which are considered to be nationally or locally important even where they might be highly expensive or unpopular to deliver.
- Must meet community service and community engagement obligations as public institutions.
- Are required to incur significant administrative burden and costs to meet numerous governance and regulatory requirements, and high quality assurance standards, in order to maintain their ordinary operations and university status.

These factors identify the strong justification for NUHEPs to be funded at a rate that is 60 per cent less than universities, rather than the 30 per cent funding differential proposed under the Government's Bill.

A 60 per cent funding differential can be justified on the basis alone that, historically, university academics have been allocated workloads and remuneration on a 40-40-20 basis: that is, 40 per cent teaching, 40 per cent research, 20 per cent administration and community service obligations. While a significant number of universities now are able to allocate resources and workload more flexibly, and not every academic has such a "standard" workload, it would remain broadly fair to say that the 40-40-20 split in terms of a University's aggregate institutional activities remains a reasonable proxy for resource allocation. As NUHEPs: overwhelmingly do not research; do not have particular community service obligations; and have relatively minimal governance and regulatory burdens to meet, a 60 per cent differential is reasonable [i.e. Less 40 per cent (research) + 20 per cent (community service and administration/regulation) = 60 per cent differential].

ACU considers that any Government savings required could be made by delaying the extension of the demand driven funding system to NUHEPs.

#### *Participation in Commonwealth Scholarships Scheme*

The Bill proposes to establish a Commonwealth Scholarships Scheme, designed to provide opportunities for disadvantaged students and supports access and equity initiatives in higher education. Under the provisions in the Bill, only certain providers would be required to direct a percentage of their additional total revenue into the Scheme. Specifically, only providers with an equivalent student load of at least 500 or more full-time domestic students would be required to participate, which would exclude many private providers but effectively require that all universities participate. If NUHEPs are in receipt of public money, then they should also be required to annually direct a minimum level of additional revenue, or 'profits' in the case of private providers, to support access and equity initiatives including the Commonwealth Scholarship Scheme.

## Commonwealth Funding of Disciplines

ACU supports the position of Universities Australia that funding cuts are undesirable and place further and significant cost burdens on universities in seeking to deliver quality higher education.

In the event that funding cuts must occur, ACU strongly supports the differential level funding of courses (or quantification of cuts) by discipline as proposed by the Government (Figure 1). Differential funding takes into account the cost of delivering the course and the capacity for the student to repay based on the difference in salaries earned in different disciplines.

The Bill proposes an overall 20 per cent reduction to the Commonwealth contribution to subsidise student fees across all discipline funding tiers, under the Commonwealth Grants Scheme, from 1 January 2016.

**Figure 1. Funding rates for bachelor and higher level degrees at universities from 1 January 2016 compared with selective 2014 contributions relevant to ACU**

Discipline(s) within funding tier	2016 Proposed C'th contribution	2014 Current C'th Contribution	% change
Law, Accounting, Administration, Economics, Commerce	\$1,805	\$1,990	
Humanities, Social Studies, Communications (excluding Audio-Visual)	\$6,021	\$5,530	
Computing, Behavioural Science, Welfare Studies, Education, Visual And Performing Arts, Built Environment, Other Health	\$9,033	Education only \$10,178	Education -12%
Mathematics, Clinical Psychology, Allied Health, Nursing, Engineering, Science, Surveying, Environmental Studies, Foreign Languages	\$12,045	Nursing \$13,432 Allied Health \$12,031	Nursing -11%
Dentistry, Medicine, Veterinary Science, Agriculture	\$18,067	\$21,707	

### ACU Public Policy Position

Some institutions may seek a flat 20 per cent reduction to the Commonwealth contribution to student fees in all tiers. ACU strongly opposes a flat 20 percent funding cut to all courses. Such an arrangement would be a major disadvantage to any student undertaking teaching and nursing, where the cost of course provision is relatively low and – critically – future earnings in professions of immense social value are relatively modest. It would in addition directly disadvantage universities, such as ACU, that have in accordance with the policies of successive governments specialised in specific disciplines and do not have the capacity to cross-subsidise their courses in the way that less specialised universities do.

ACU naturally would strongly oppose any move to cut Commonwealth funding of disciplines without a concurrent commitment to allow universities to set their own fees (fee deregulation), as universities would otherwise be unable to meet the funding shortfall. This would be to the detriment of higher education in Australia, and more broadly, it would adversely affect the production of graduates to meet the skills needs of the Australian workforce and economy.

ACU is one of the largest producers of nursing and teaching graduates in Australia, and this would have more far reaching impact on the national workforce in these significant priority areas. For instance, it would more than double the impact of the Government's funding cuts to ACU and leave ACU with no ability to cross-subsidise and little ability to recoup the cuts through fees. Finally, ACU notes that in the event that NUHEPs did not immediately receive Commonwealth funding this could result in a smaller cut to university funding reducing the overall funding cut but the order of six percent.

## Higher Education Participation Programmes

The Bill makes provision to streamline the Higher Education Participation Programme (HEPP) requirements, and establish three funding programmes to support the Government's objectives to increase access and participation in higher education by students from disadvantaged backgrounds. The eligibility criteria for institutions to access funding under two of these programmes, however, is highly ambiguous.

ACU believes that the eligibility criteria for the proposed Higher Education Participation (Access and Participation) Programme (HEPAPP) and the Higher Education Participation (Scholarships Fund) Programme (Scholarships Fund), as provided for in the Bill, require clarification. ACU particularly:

- Opposes any minimum quotas or arbitrary threshold requirements being set with respect to low SES student enrolments as a condition of eligibility for the HEPAPP and Scholarships Fund programmes, as this would have an impact that is contrary to the Government's objectives to increase access and participation in higher education by students from disadvantaged backgrounds.
- Calls for clarification and greater funding certainty for providers with respect to the administration of the HEPAPP and the Scholarships Fund programmes.

Provisions relating to the proposed HEPAPP and Scholarships Fund programmes provide that it is an "extra condition of eligibility" for these grants that a provider "have a proportion of students from a low socio-economic background."<sup>19</sup>

Further provisions stipulate that in approving a grant, and also in determining the amount of a grant, under these two programmes "the Minister may take account of factors such as a provider's proportion of students from a low socio-economic background." In determining the amount of a grant, the Minister may also take into account these students' "success in completing units."

It is unclear how these criteria will be evaluated.

ACU is opposed to any minimum quotas or arbitrary threshold requirements being set with respect to low SES student enrolments as a condition of eligibility for these grants.

As a matter of principle, the funding should follow the student. Higher education institutions that support low SES students should be eligible to access funding under the proposed streamlined HEPP scheme to support their students, without needing to meet minimum low SES enrolment quotas.

ACU particularly notes its concern about the proposal put forward by the Regional Universities Network (RUN) in this vein which seeks to impose arbitrary minimum threshold requirements for funding eligibility (see Figure 2).<sup>20</sup> This would adversely impact on low SES students as institutions that fall outside the threshold would not have access to funding to provide vital student support. Further, the real impact of requiring minimum low SES proportions for funding eligibility is that proportions do not necessarily correlate with actual low SES student numbers. Under the RUN's proposal, as extracted at Figure 2, a number of institutions that fall below the proposed 15 per cent minimum low SES threshold actually have a larger number of low SES students than some of the institutions that meet the proposed threshold; yet these institutions would not be eligible for vital HEPP funding under the RUN's minimum threshold proposal. For example, based on the RUN's 2013 figures, The University of Queensland University of Technology with 3,390 low SES students (11.3 per cent low SES share) would be ineligible for HEPP funding under the proposals, whereas Charles Darwin University with 1,077 low SES students (18.1 per cent share) would be eligible for funding.

Setting minimum threshold requirements for funding eligibility would have an impact contrary to the Government's objectives to increase access and participation in higher education by students from disadvantaged backgrounds, as institutions that fall outside the set minimum threshold would have little incentive to continue to enrol these students. Meanwhile, those that continue to do so would likely be under-resourced to provide the necessary support to these students. It would effectively penalise (already

<sup>19</sup> *Higher Education and Research Reform Bill 2014*, Schedule 9A.

<sup>20</sup> See Regional Universities Network (RUN) submission to the previous Senate Inquiry into the *Higher Education and Research Reform Amendment Bill 2014*, at 10-11.

disadvantaged) low SES students who choose to study at institutions that do not meet the requisite low SES proportions, and are therefore unable to secure HEPP funding. This would have far reaching and concerning implications for student equity and outcomes across the sector.

**Figure 2. Excerpt from Regional Universities Network (RUN) submission to the Senate Inquiry into the Higher Education and Research Reform Amendment Bill 2014 which proposes introducing a minimum threshold for eligibility for HEPP funding, whereby only universities with 15 per cent or more share of low SES students could access funding. Only 19 universities would be eligible for funding under this proposal, to the detriment of low SES students at other universities.**

Provider	Low SES (SA1 measure)	All Domestic Undergraduate Students	Share low SES SA1 measure
Central Queensland University	3,715	10,470	35.5%
University of Southern Queensland	4,456	14,734	30.2%
Southern Cross University	2,510	9,490	26.4%
James Cook University	3,044	11,978	25.4%
University of Tasmania	4,266	16,914	25.2%
University of New England	3,201	12,961	24.7%
University of Newcastle	5,058	20,844	24.3%
University of Western Sydney	7,815	32,207	24.3%
Charles Sturt University	5,633	23,380	24.1%
University of Ballarat	1,196	4,994	23.9%
University of South Australia	4,376	19,214	22.8%
Victoria University	3,335	15,028	22.2%
Flinders University of South Australia	2,390	12,518	19.1%
University of the Sunshine Coast	1,365	7,539	18.1%
Charles Darwin University(i)	1,077	5,958	18.1%
University of Wollongong	2,538	14,092	18.0%
Murdoch University	1,965	11,058	17.8%
La Trobe University	3,690	21,284	17.3%
Griffith University	4,162	26,982	15.4%
Swinburne University of Technology	2,788	18,693	14.9%
Edith Cowan University	2,430	16,340	14.9%
RMIT University	3,162	23,042	13.7%
The University of Adelaide	1,974	14,873	13.3%
Curtin University of Technology	3,166	24,458	12.9%
Deakin University	3,574	28,177	12.7%
Australian Catholic University	2,166	17,550	12.3%
Queensland University of Technology	3,390	29,872	11.3%
University of Technology, Sydney	2,097	19,126	11.0%
Monash University	3,222	30,429	10.6%
The University of Queensland	3,000	29,011	10.3%
University of New South Wales	2,404	25,483	9.4%
Bond University	216	2,573	8.4%
The University of Melbourne	1,460	17,747	8.2%
Macquarie University	1,737	21,270	8.2%
The University of Sydney	2,037	26,999	7.5%
University of Canberra	713	9,810	7.3%
The University of Notre Dame Australia	621	8,596	7.2%
The University of Western Australia	990	16,308	6.1%
The Australian National University	273	7,832	3.5%
	113,105	717,683	15.8%

Table 2 Low SES student data (2013)

The Bill further contains vague provisions such as “It is expected that these factors [i.e. eligibility criteria] will be published on the Department’s website”. Such provisions leave institutions facing significant funding uncertainty and unable to effectively forward plan for 2016 and beyond without confirmation of vital funding amounts needed to support the continuing and new cohort of students.



## **Indexation of Student HELP Debts**

ACU supports the provisions in the Bill to retain the Consumer Price Index (CPI) as the indexation rate of HELP debts. ACU also supports the Bill's proposal to introduce indexation relief arrangements for primary carers of children under five years of age, whereby the HELP debts of these primary carers will not be indexed under existing arrangements while they are earning under the minimum repayment threshold.

The Government's previous proposal to change the indexation rate of HELP debts from the CPI to the Treasury 10 year bond rate, up to a maximum of six per cent per annum, posed regressive outcomes by causing students' debt burden to grow significantly faster and higher than incomes, particularly for lower income earners. It also risked producing unintended consequences, namely of deterring students, particularly those from low socio-economic backgrounds or those interested in lower income careers such as nursing and teaching, from undertaking higher education. As a university with one of the highest female to male student ratios, and one of the largest producers of nursing and teaching graduates in the country, this would have been particularly disadvantageous for ACU students; with wider implications for workforce replenishment in these critical areas.

ACU strongly endorses the proposal to retain the Consumer Price Index (CPI) as the indexation rate of HELP debts, as proposed in the Bill.

## **Support the Repeal of the Requirement for a Mission-based Compact for Universities**

ACU supports the Government's proposal to repeal the requirement for a mission based compact for universities.

The Bill proposes to repeal the requirement that Table A providers and Table B providers must enter into mission based compacts with the Commonwealth, in which providers must provide specific information (e.g. a statement of the provider's mission and strategies for undertaking research) in order to receive a grant, as it is unnecessary regulation.

ACU agrees with the Government's view that the requirement for universities to enter into mission based compacts with the Commonwealth is unnecessary regulation.

ACU's experience with the requirements around mission based compacts would not support their continuation. In past compacts, the targets set did not take into consideration the University's context (for instance, low SES student participation rates in a period of sector expansion). Furthermore, there has been a lack of follow-up with respect to achievement or non-achievement of targets. Overall, ACU considers that the requirement for a mission based compact has been a very time consuming exercise, with little value to the sector.

## Appendix A - Australian Catholic University (ACU) Profile

Australian Catholic University (ACU) is a publicly funded Catholic university, open to people of all faiths and of none. ACU operates as a multi-jurisdictional university with seven campuses across four states and one territory. ACU campuses are located in North Sydney (NSW), Strathfield (NSW), Canberra (ACT), Melbourne (Victoria), Ballarat (Victoria), Brisbane (QLD) and Adelaide (SA).

ACU is the largest Catholic university in the English speaking world.

Today, ACU has more than 30,000 students and over 1,800 staff.

While teaching, learning, and research at ACU is inspired by 2000 years of Catholic intellectual tradition, ACU is a diverse institution, attracting students and staff from a diverse range of faiths and backgrounds.

ACU graduates demonstrate high standards of professional excellence and are also socially responsible, highly employable and committed to active and responsive learning. ACU graduates are highly sought after by employers, with ACU graduates securing a 95 per cent employment rate which is higher than the national average.<sup>21</sup>

ACU has built its reputation in the areas of health and education and is a major producer of nursing and teaching graduates in Australia.

ACU educates the largest number of undergraduate nursing and teaching students in Australia,<sup>22</sup> serving to meet significant workforce needs in these areas. Under the demand driven system, ACU has sought to focus and build on these strengths.

On 1 January 2014, ACU consolidated its previous six faculties into four:

- Faculty of Health Sciences;
- Faculty of Education and Arts;
- Faculty of Law and Business; and
- Faculty of Theology and Philosophy.

These new arrangements create a more efficient and competitive structure focused on the needs of industry and employment partners. ACU is also moving towards the adoption of a shared services model where suitable, to improve efficiencies, internal processes and better allocate resources.

ACU is committed to targeted and quality research. ACU's strategic plan focuses on areas that align with ACU's mission and reflect most of its learning and teaching: Education; Health and Wellbeing; Theology and Philosophy; and Social Justice and the Common Good. To underpin its plan for research intensification, in 2013 ACU abolished its existing research centres and groups and set about establishing new research institutes, to align with the mission of the university. The strategy has involved the appointment of high profile leaders to assume the directorships of these institutes, and to work with high calibre Institute members and Centre/Program leaders.<sup>23</sup>

- The Mary MacKillop Institute for Health Research (Faculty of Health Sciences)
- Institute for Positive Psychology and Education (IPPE) (Faculty of Health Sciences)
- The Institute for Health and Ageing (Faculty of Health Sciences)
- Learning Sciences Institute of Australia (LSIA) (Faculty of Education and Arts)
- Institute for Social Justice (Faculty of Education and Arts)
- Institute for Religion and Critical Inquiry (Faculty of Theology and Philosophy)
- Institute for Religion, Politics and Society (IRPS) (Faculty of Theology and Philosophy)

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<sup>21</sup> *Graduate Destination Survey (GDS) 2012.*

<sup>22</sup> Hobsons, *The Good Universities Guide 2015 to Universities, TAFEs and Higher Education Providers* (2014).

<sup>23</sup> See Australian Catholic University, 'Research Institutes', at [http://www.acu.edu.au/research/research\\_institutes\\_and\\_programs](http://www.acu.edu.au/research/research_institutes_and_programs)