

CHAPTER 1

Background

Reference

1.1 On 28 August 2014 the Hon. Christopher Pyne, MP, introduced the Higher Education and Research Reform Amendment Bill 2014 (the bill) in the House of Representatives.¹ On 4 September 2014 the Senate referred the provisions of the bill to the Senate Education and Employment Legislation Committee (the committee) for inquiry and report by 28 October 2014.²

Conduct of the inquiry

1.2 Details of the inquiry were made available on the committee's website. The committee also contacted a number of organisations inviting submissions to the inquiry. Submissions were received from 164 individuals and organisations, as detailed in Appendix 1.

1.3 Public hearings were held in Canberra on 23 September and 8–9 October, Brisbane on 7 October and Melbourne on 10 October. Witness lists for the hearings are available in Appendix 2.

Purpose and overview of the bill

1.4 The bill seeks to reform higher education in Australia by deregulating fees and extending funding to higher education qualifications below the bachelor degree level, as well as to private universities and non-university higher education providers. It is a reform package which aims to empower people through choice, and drive creativity and innovation in our higher education system by removing the stifling effects of excessive government control.

1.5 It is the government's view that, if enacted, the proposed legislation would:³
...spread opportunity to more students, including disadvantaged and rural and regional students, equip Australian universities to face the challenges for the 21st century and ensure Australia is not left behind by intensifying global competition and new technologies.⁴

1.6 The bill is divided into ten schedules. Their objectives are set out below.

1 *Votes and Proceedings*, 28 August 2014, p. 765.

2 *Journals of the Senate*, 4 September 2014, p. 1421.

3 Explanatory Memorandum, Higher Education and Research Reform Amendment Bill 2014, p. 1.

4 Higher Education and Research Reform Amendment Bill 2014 second reading speech, *Senate Hansard*, 4 September 2014, p. 90.

Schedule 1: Deregulation, expansion of demand driven system and other measures

1.7 Schedule 1 of the bill would remove provisions for maximum student contribution amounts from 1 January 2016.

1.8 Currently, under section 93-10 of the *Higher Education Support Act 2003* (HESA), the government specifies the maximum student contribution that a higher education provider can charge Commonwealth supported students for a unit of study in a particular funding cluster.⁵ Schedule 1 of the bill would instead allow higher education providers to set fee levels as appropriate. The intent of this deregulation measure is to facilitate the development of price competition in the higher education market.⁶

1.9 Schedule 1 also extends the demand driven funding system to diploma, advanced diploma and associate degree courses. It further extends the demand driven system to accredited bachelor and sub-bachelor courses at private universities and non-university higher education providers. This is intended to ensure students are treated equitably irrespective of the institution with which they choose to enrol.⁷

1.10 Other key measures contained in this schedule include those seeking to streamline student eligibility requirements for Commonwealth assistance. Currently, eligible students can either access HECS-HELP or FEE-HELP depending on whether or not they are a Commonwealth supported student or a fee-paying student. The bill would remove the differences in the treatment of students by rationalising the HELP scheme into one, single loan scheme to be known as 'HECS-HELP'.⁸

Schedule 2: New Commonwealth Scholarship Scheme

1.11 Schedule 2 of the bill would require all providers with an equivalent student load of 500 full-time Commonwealth supported students annually to establish a new Commonwealth Scholarship Scheme. Providers would be obliged to direct up to 20 per cent of additional revenue that they receive from the deregulation of student contributions to the scheme.⁹ The funds would be used to provide tailored, individualised support to disadvantaged students through scholarships.¹⁰

5 Explanatory Memorandum, Higher Education and Research Reform Amendment Bill 2014, p. 15.

6 Explanatory Memorandum, Higher Education and Research Reform Amendment Bill 2014, p. 15.

7 Explanatory Memorandum, Higher Education and Research Reform Amendment Bill 2014, p. 15.

8 Explanatory Memorandum, Higher Education and Research Reform Amendment Bill 2014, p. 15.

9 Explanatory Memorandum, Higher Education and Research Reform Amendment Bill 2014, p. 2.

10 Explanatory Memorandum, Higher Education and Research Reform Amendment Bill 2014, p. 61.

Schedule 3: Indexation of HELP debts

1.12 Schedule 3 would change the HELP indexation rate from the current Consumer Price Index (CPI) to the Treasury 10 year bond rate from 1 January 2016, up to a maximum of six per cent per annum, better reflecting the government's borrowing costs to fund these loans.¹¹ The change to the indexation would apply to both existing and new loans.¹²

Schedule 4: Minimum repayment income for HELP debts

1.13 Schedule 4 would establish a new minimum HELP repayment threshold of \$50 637 from the 2016–17 income year.¹³ A person will only be required to make repayments of their HELP debt when their income exceeds this amount. A two per cent repayment rate will apply to those with incomes above this new threshold and up to the current base threshold, \$56 264 in 2016–17.¹⁴

Schedule 5: Research funding and research students

1.14 Schedule 5 provides for increased funding of \$139.5 million over four years to support research under the Future Fellowship scheme. It would allow universities to introduce a commensurate student contribution for Research Training Scheme (RTS) students from 2016, which could be deferred through HELP.¹⁵ There would be two categorisations of RTS courses:

- High cost courses, including science, engineering, medical studies, pharmacy, dentistry, veterinary studies, human movement and psychology.
- Low cost courses, consisting of all other fields of study.

1.15 Whether a course is categorised as 'high' or 'low' cost would be determined by legislative instrument.¹⁶

1.16 Schedule 5 also amends the Australian Research Council Act 2001 (ARC) to allow additional investment in research through the Future Fellowships scheme, apply indexation and add an additional forward estimate amount.¹⁷

11 Explanatory Memorandum, Higher Education and Research Reform Amendment Bill 2014, p. 64.

12 Explanatory Memorandum, Higher Education and Research Reform Amendment Bill 2014, p. 64.

13 Explanatory Memorandum, Higher Education and Research Reform Amendment Bill 2014, p. 66.

14 Explanatory Memorandum, Higher Education and Research Reform Amendment Bill 2014, p. 66.

15 Explanatory Memorandum, Higher Education and Research Reform Amendment Bill 2014, p. 68.

16 Explanatory Memorandum, Higher Education and Research Reform Amendment Bill 2014, p. 68.

17 Explanatory Memorandum, Higher Education and Research Reform Amendment Bill 2014, p. 2.

Schedule 6: VET FEE-HELP loan fees and limits

1.17 Schedule 6 would remove lifetime limits on VET FEE-HELP loans students can currently access, as well as the 20 per cent loan fee in place for all full fee paying students receiving VET FEE-HELP. The measures are intended to enhance access to approved courses, as well as to improve affordability.¹⁸

Schedule 7: HECS-HELP benefit

1.18 Schedule 7 seeks to discontinue the HECS-HELP benefit from 1 July 2015. The benefit was introduced as part of the 2008–09 Budget and sought to encourage graduates to seek employment in early childhood education in regional areas, as well as science, mathematics, teaching and nursing-related occupations. The bill's explanatory memorandum explains that HECS-HELP take-up has remained low, and that the benefit has not been effective in achieving its aims.¹⁹

Schedule 8: Indexation of amounts

1.19 Schedule 8 would change how grants and regulated student contribution amounts are indexed, with the Higher Education Grants Index (HEGI) being replaced with the Consumer Price Index (CPI) from 1 January 2016.²⁰

Schedule 9: University name change

1.20 Schedule 9 provides for the name of the University of Ballarat to be changed to 'Federation University Australia'.²¹

Schedule 10: New Zealand citizens

1.21 Schedule 10 seeks to extend eligibility for HELP assistance by amending citizenship or residency requirements for certain New Zealand citizens who are Special Category Visa holders. The measures would take effect from 1 January 2015.²²

18 Explanatory Memorandum, Higher Education and Research Reform Amendment Bill 2014, p. 75.

19 Explanatory Memorandum, Higher Education and Research Reform Amendment Bill 2014, p. 82.

20 Explanatory Memorandum, Higher Education and Research Reform Amendment Bill 2014, p. 85.

21 Explanatory Memorandum, Higher Education and Research Reform Amendment Bill 2014, p. 87.

22 Explanatory Memorandum, Higher Education and Research Reform Amendment Bill 2014, p. 88.

Human rights implications

1.22 The bill engages the following human rights, including the right to education, the right to social security and an adequate standard of living, the right to privacy and rights to equality and non-discrimination.²³

1.23 The bill's explanatory memorandum states that the proposed legislation is compatible with human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.²⁴

Financial Impact Statement

1.24 The government estimates the proposed reforms would contribute savings estimated at \$3.9 billion in fiscal balance terms over the forward estimates, that is, from 2014–15 to 2016–17. Since most of the measures contained in the bill would not take effect until 1 January 2016, they would not have a financial impact until that financial year.²⁵

Acknowledgment

1.25 The committee thanks those individuals and organisations who contributed to this inquiry by preparing written submissions and giving evidence at hearings.

Notes on References

1.26 References in this report to the *Hansard* for the public hearings are to the *Proof Hansard*. Please note that page numbers may vary between the proof and official transcripts.

23 Explanatory Memorandum, Higher Education and Research Reform Amendment Bill 2014, pp 5–12.

24 Explanatory Memorandum, Higher Education and Research Reform Amendment Bill 2014, pp 5–12.

25 Explanatory Memorandum, Higher Education and Research Reform Amendment Bill 2014, p. 3.