

The Senate

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Education and Employment  
Legislation Committee

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Higher Education and Research Reform  
Amendment Bill 2014 [Provisions]

October 2014

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# TABLE OF CONTENTS

<b>MEMBERSHIP OF THE COMMITTEE .....</b>	<b>iii</b>
<b>ACRONYMS AND ABBREVIATIONS.....</b>	<b>ix</b>
<b>RECOMMENDATIONS.....</b>	<b>xi</b>
<b>CHAPTER 1 .....</b>	<b>1</b>
<b>Background .....</b>	<b>1</b>
Reference .....	1
Conduct of the inquiry.....	1
Purpose and overview of the bill .....	1
Human rights implications .....	5
Financial Impact Statement .....	5
Acknowledgment.....	5
Notes on References .....	5
<b>CHAPTER 2 .....</b>	<b>7</b>
<b>A brief history of education reform .....</b>	<b>7</b>
Context.....	7
Deregulation is not new .....	7
Challenges today .....	13
The reform package .....	18
<b>CHAPTER 3 .....</b>	<b>19</b>
<b>Enhancing choice, innovation and access.....</b>	<b>19</b>
Deregulation of fees: striking the right balance .....	19
Addressing barriers to education .....	29
Addressing 'thin markets' in regional areas .....	39
Simplifying the Commonwealth contribution funding clusters .....	42
<b>CHAPTER 4 .....</b>	<b>47</b>

<b>The future of HECS.....</b>	<b>47</b>
Ensuring financial stability and accessibility of HECS.....	47
<b>CHAPTER 5 .....</b>	<b>59</b>
<b>Research excellence .....</b>	<b>59</b>
Building on our strengths .....	59
Investing for the future .....	59
<b>CONCLUSION.....</b>	<b>65</b>
<b>LABOR SENATORS’ DISSENTING REPORT .....</b>	<b>67</b>
Introduction .....	67
A breach of trust and good policy process .....	69
Is there a university funding crisis?.....	74
The Australian university system – world class .....	78
The real challenge: participation and diversity – Australia could do better.....	79
Repeating mistakes of the past: Australian and international experience with fee deregulation .....	80
\$100,000 degrees will become a reality for Australian students.....	83
The impact of fee deregulation on students and the labour market .....	85
Let it rip - equity under unrestrained student fees.....	89
Regional adjustment package an admission of failure .....	90
A debt sentence for students and taxpayers.....	91
Alternative proposals for HELP indexation .....	94
Cuts to research training and fees for PhDs .....	95
Threats to research funding .....	96
Privatising Australian higher education risks large scale roting and exploitation .....	97
Funding for sub bachelor degrees.....	98
Institutional autonomy.....	99
Failing the national interest test.....	99

<b>AUSTRALIAN GREENS' DISSENTING REPORT .....</b>	<b>103</b>
Introduction .....	103
Substantive elements of the bill.....	103
Conclusion.....	108
<b>APPENDIX 1 .....</b>	<b>111</b>
Submissions Received.....	111
Response to Questions on Notice.....	119
Additional Information .....	121
Tabled Documents .....	121
<b>APPENDIX 2 .....</b>	<b>123</b>
Public Hearings.....	123





# ACRONYMS AND ABBREVIATIONS

ACTU	Australian Council of Trade Unions
ARC	Australian Research Council
ATAR	Australian Tertiary Admission Rank
BFR	Base Funding Review
CHC	Christian Heritage College
COPHE	Council of Private Higher Education
CPI	Consumer Price Index
FEE-HELP	Australian Government loan program to help eligible fee paying students pay their tuition fees
HECS	Higher Education Contribution Scheme
HECS-HELP	Higher Education Contribution Scheme-Higher Education Loan Program
HEGI	Higher Education Grants Index
HELP	Higher Education Loan Program
HESA	<i>Higher Education Support Act 2003</i>
NATSEM	National Centre for Social and Economic Modelling
NCOA	National Commission of Audit
NCRIS	National Collaborative Research Infrastructure Strategy
NTEU	National Tertiary Education Union
OECD	Organisation for Economic Co-operation and Development
QILT	Quality Indicators for Learning and Teaching
RTS	Research Training Scheme
RUN	Regional Universities Network
SES	Socioeconomic status
TAFE	Technical and Further Education
TEQSA	Tertiary Education Quality Standards Agency
UWA	University of Western Australia
VET	Vocational Education and Training
VET FEE-HELP	Australian Government loan program to help eligible students enrolled in higher-level VET courses pay their tuition fees



# **RECOMMENDATIONS**

## **Recommendation 1**

**The committee recommends that guidelines for the Commonwealth Scholarship Scheme seek to address some of the financial barriers faced by students from low SES backgrounds and regional communities in accessing higher education.**

## **Recommendation 2**

**The committee recommends that the government explore the provision of a structural adjustment package to assist certain sections of the higher education sector transition to a fully deregulated system.**

## **Recommendation 3**

**The committee recommends that the government examine HELP indexation measures in light of evidence presented to the committee, recognising unforeseen impacts of the proposed reforms on students.**

## **Recommendation 4**

**The committee recommends that the government explore avenues to recover HELP debts of Australians residing overseas.**

## **Recommendation 5**

**The committee recommends that the bill be passed.**



# 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.<sup>1</sup> 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.<sup>2</sup>

### 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:<sup>3</sup>  
...spread opportunity to more students, including disadvantaged and rural and regional students, equip Australian universities to face the challenges for the 21<sup>st</sup> century and ensure Australia is not left behind by intensifying global competition and new technologies.<sup>4</sup>

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

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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.

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***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.<sup>5</sup> 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.<sup>6</sup>

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.<sup>7</sup>

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'.<sup>8</sup>

***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.<sup>9</sup> The funds would be used to provide tailored, individualised support to disadvantaged students through scholarships.<sup>10</sup>

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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.<sup>11</sup> The change to the indexation would apply to both existing and new loans.<sup>12</sup>

### ***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.<sup>13</sup> 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.<sup>14</sup>

### ***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.<sup>15</sup> 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.<sup>16</sup>

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.<sup>17</sup>

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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.<sup>18</sup>

***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.<sup>19</sup>

***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.<sup>20</sup>

***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'.<sup>21</sup>

***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.<sup>22</sup>

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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.



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## 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.<sup>23</sup>

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*.<sup>24</sup>

## 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.<sup>25</sup>

## 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.

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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.



# CHAPTER 2

## A brief history of education reform

### Context

2.1 The government is committed to excellence in higher education and supports innovative, world-class learning environments which compete for student interest. Reforms heralded by the Higher Education and Research Reform Amendment Bill 2014 (the bill) aim to widen the range of options available to students and improve the quality of information available to them when they choose where, what and how to study. The government is of the view that, ultimately, it is students who stand to benefit the most if the bill is passed.<sup>1</sup>

2.2 Although the bill represents an historic transformation of Australia's higher education sector—perhaps the most significant policy advancement since the 'Dawkins Reforms' introduced by the Hawke Government in the late 1980s to early 1990s—deregulation of the sector has been underway for some time.

2.3 It is therefore useful to view the bill in the context of the trajectory and evolution of higher education policy reform over recent decades.

### Deregulation is not new

2.4 Students have been 'progressively making increased contributions to the costs of their higher education'<sup>2</sup> under successive governments since the 1980s. Successive governments have sought ways to maintain higher education funding without increasing—or necessarily maintaining—the Commonwealth's contribution. As a result, providers have increasingly struggled to maintain sustainable business models.

The last government half deregulated the system, and now I think we need to do the rest of the work and fully deregulate.<sup>3</sup>

2.5 The following chart, supplied by Group of Eight Australia,<sup>4</sup> illustrates how sources of higher education funding have evolved over the past century:

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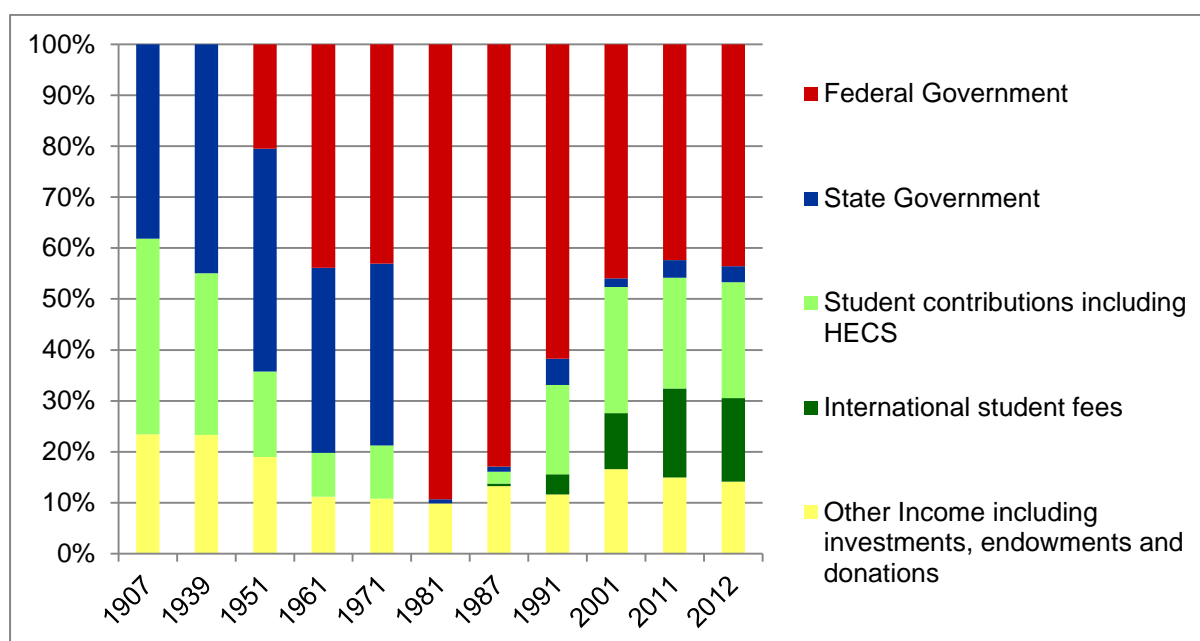
1 The Hon. Mr Christopher Pyne, MP, Leader of the House and Minister for Education, Higher Education and Research Reform Amendment Bill 2014, second reading speech, *House of Representatives Hansard*, 28 August 2014, p. 2.

2 Group of Eight Australia, *Submission 46*, p. 1.

3 Professor Scott Bowman, vice chancellor and President, Central Queensland University, *Proof Committee Hansard*, 9 October 2014, p. 3.

4 Group of Eight Australia, *Submission 46*, p. 12.

Figure 1: Higher education revenue by source, 1907-2012



### *The Hawke-Keating Government*

2.6 In the mid-1970s, the Whitlam Labor Government abolished university tuition charges in an ambitious effort to spread the benefits of tertiary education to all parts of Australian society. As put by Professor Glyn Davis, Vice-Chancellor of the University of Melbourne, in 2008, 'full Commonwealth financial responsibility for higher education and free tuition for students made sense in the politics of the time.'<sup>5</sup>

2.7 A decade on however, the Commonwealth was feeling the financial strain of free education, yet faced even greater pressure to expand education opportunity as rates of school retention to Year 12 had doubled in a single decade, creating 'a very large pool of potential university applicants'.<sup>6</sup> Free education had very quickly become unsustainable, and the Hon. John Dawkins MP, then-Minister for Employment, Education and Training, needed a new means of financing more university places than could be afforded:

Dawkins needed to create an education system that could produce a dramatically higher number of skilled graduates to power the Australian economy in a competitive, globalised world, while at the same time curbing the spiralling costs of the sector in a tightening fiscal environment.<sup>7</sup>

5 Professor Glyn Davis, Vice-Chancellor, University of Melbourne, address to the AFR Higher Education Conference, 13 March 2008.

6 Professor Glyn Davis, Vice-Chancellor, University of Melbourne, address to the AFR Higher Education Conference, 13 March 2008.

7 Tim Watts MP, *World's envy: Australia's higher education system*, Chifley Research Centre, available at: <http://www.chifley.org.au/worlds-envy-australias-higher-education-system/> (accessed 2014).

### *The Higher Education Contribution Scheme*

2.8 An alternative means of funding higher education was flagged by the Committee on Higher Education Funding (the Wran Committee), established by the Hawke Labor Government in 1987 and charged with making recommendations for possible funding schemes which could include contributions from the direct beneficiaries of higher education.<sup>8</sup> The Wran Committee recommended an innovative solution to the problem of demand outstripping the supply and affordability of university places: the Higher Education Contribution Scheme (HECS). HECS represented a way of transferring a considerable proportion of the cost of education from the Commonwealth to students, by offering loans students would later pay back.<sup>9</sup>

Cabinet considered charging students 15 per cent of course costs on the grounds that Labor's commitment to free university study, introduced by the Whitlam Government a decade earlier, had failed to increase access<sup>10</sup>

2.9 HECS was championed by Minister Dawkins, who flagged reforms to the higher education sector in December 1987 and later announced them in July 1988.<sup>11</sup> Shortly thereafter, HECS was implemented under the *Higher Education Funding Act 1988*.<sup>12</sup>

2.10 These reforms, which introduced deferred payment for higher education for the first time, underpin the Australian higher education system to this day. It has been said that the reforms:

...turned colleges into universities, free education into HECS, elite education into mass education, local focuses into international outlooks, vice-chancellors into corporate leaders, teachers into teachers and

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- 8 The Higher Education Contribution Scheme, Parliamentary Library E-Brief, available at: [http://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/Publications\\_Archive/archive/hecs](http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/Publications_Archive/archive/hecs) (accessed 13 October 2014). See also The Hon. John Dawkins MP, Minister for Employment, Education and Training, *Higher Education: a policy statement*, available at: <http://www.voced.edu.au/content/ngv9695> (accessed 13 October 2014).
  - 9 The Higher Education Contribution Scheme, Parliamentary Library E-Brief, available at: [http://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/Publications\\_Archive/archive/hecs](http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/Publications_Archive/archive/hecs) (accessed 13 October 2014).
  - 10 Fees planned years before Dawkins reforms: cabinet papers, *The Australian*, 1 January 2013, available at: <http://www.theaustralian.com.au/higher-education/fees-planned-years-before-dawkins-reforms-cabinet-papers/story-e6frgcjx-1226545756724> (accessed 13 October 2014).
  - 11 The green paper, available at: <http://www.voced.edu.au/content/ngv9695> (accessed 13 October 2014). For the white paper see National Library of Australia catalogue, available at <http://catalogue.nla.gov.au/Record/455837> (accessed 13 October 2014).
  - 12 The Higher Education Contribution Scheme, Parliamentary Library E-Brief, available at: [http://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/Publications\\_Archive/archive/hecs](http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/Publications_Archive/archive/hecs) (accessed 13 October 2014).

researchers...He remodelled higher education and how it was funded in only a few years.<sup>13</sup>

## 2.11 As put by Universities Australia:

The distinction between universities and colleges of advanced education was abolished. Through campus mergers, 63 institutions became 36... By the early 2000s the contribution by students to their tuition was greater than before the mid-1970s when the Commonwealth commenced subsidising students directly.<sup>14</sup>

2.12 The reforms meant that the funds available to the higher education sector could be dramatically increased and more people, from a broader range of backgrounds, could pursue higher education without placing an undue burden on the public purse.

2.13 However, 'the switch to a user-pays system for students at Australian universities...was planned years earlier.'<sup>15</sup> *The Australian* reported:

Cabinet papers reveal that although Labor opposed university fees, cabinet considered reversing the policy just months after ruling them out during the lead-up to the December 1984 election...And the Government laid the foundation for today's \$15 billion education export industry with a February 1985 decision to allow universities to charge overseas students full fees, with a 10 per cent cap on international enrolments at Australian universities...Cabinet considered charging students 15 per cent of course costs on the grounds that Labor's commitment to free university study, introduced by the Whitlam Government a decade earlier, had failed to increase access.<sup>16</sup>

2.14 In effect, the Labor Government of which the Hon. John Dawkins MP was a minister had been advised that 'the abolition of fees in 1974 [had] apparently had little impact on the composition of the student intake,' and that 'the over-representation of students from higher socio-economic backgrounds [had] remained constant.'<sup>17</sup> The development of policy in the higher education sector had been contemplated years before its introduction.

13 *The Conversation* book review: *The Dawkins Revolution, 25 Years On*, <http://theconversation.com/book-review-the-dawkins-revolution-25-years-on-19291> (accessed 13 October 2014).

14 Universities Australia, *Submission 60*, p. 6.

15 Fees planned years before Dawkins reforms: cabinet papers, *The Australian*, 1 January 2013, available at: <http://www.theaustralian.com.au/higher-education/fees-planned-years-before-dawkins-reforms-cabinet-papers/story-e6frgcjx-1226545756724> (accessed 13 October 2014).

16 Fees planned years before Dawkins reforms: cabinet papers, *The Australian*, 1 January 2013, available at: <http://www.theaustralian.com.au/higher-education/fees-planned-years-before-dawkins-reforms-cabinet-papers/story-e6frgcjx-1226545756724> (accessed 13 October 2014).

17 Fees planned years before Dawkins reforms: cabinet papers, *The Australian*, 1 January 2013, available at: <http://www.theaustralian.com.au/higher-education/fees-planned-years-before-dawkins-reforms-cabinet-papers/story-e6frgcjx-1226545756724> (accessed 13 October 2014).

### ***The Howard Government***

2.15 Deregulation of the higher education sector continued when the Coalition won office in the mid-1990s, increasing flexibility for students:

The debate continued after differential student contributions and a lowered income repayment threshold were introduced in 1998... Particular emphasis has been on the effects on low socio-economic status (SES) students.<sup>18</sup>

2.16 In 2005 the Howard Government introduced a partial deregulation of student fees, such that universities could increase fees by up to 25 per cent. This measure, however, was not comparable to the current reforms, as fees remained capped 'and the system did not allow for demand-driven enrolments, so that the access of institutions to Commonwealth Grant Scheme subsidies was limited.'<sup>19</sup>

2.17 Domestic full-fee paying undergraduate places were also introduced, allowing universities to enrol additional students, that is, above their government-mandated load.<sup>20</sup>

### ***The Rudd-Gillard Government***

2.18 The Australian Labor Party's successful 2007 election platform promised Australia an 'education revolution'. One of the first higher education policies introduced by the Rudd-Gillard Government was the abolition of domestic full-fee paying undergraduate places established by the previous government.<sup>21</sup> Key universities opposed the abolition when it was announced,<sup>22</sup> and argued that government compensation for the resultant loss of funding was inadequate.<sup>23</sup>

### ***The Bradley Review 2008***

2.19 In 2008 then-education minister the Hon. Julia Gillard MP announced a major review examining the direction of the higher education sector, led by Emeritus Professor Denise Bradley AC.<sup>24</sup> The final report of the Bradley Review made a series

18 Reform of the higher education demand driven system, Budget review 2014–15 index, available at: [http://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/pubs/rp/BudgetReview201415/HigherEdu](http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/BudgetReview201415/HigherEdu) (accessed 14 October 2014).

19 Department of Education, *answer to question on notice*, 10 October 2014, p. 16.

20 Universities Australia, *Submission 60*, p. 6.

21 Universities Australia, *Submission 60*, p. 6.

22 Unis slam abolition of full fees, *The Age*, 28 February 2014, available at: <http://www.theage.com.au/news/education-news/unis-slam-abolition-of-full-fees/2008/02/27/1203788442781.html> (accessed 21 October 2014).

23 'Gillard can't deny her part in perfect storm', the Hon Christopher Pyne MP, *media release*, 5 August 2009, available at: <http://www.pyneonline.com.au/media/media-releases/gillard-cant-deny-her-part-in-perfect-storm> (accessed 21 October 2014).

24 See <http://www.industry.gov.au/highereducation/ResourcesAndPublications/ReviewOfAustralianHigherEducation/Pages/default.aspx> (accessed 13 October 2014).

of recommendations, and concluded that 'the established mechanisms for assuring quality nationally need updating.'<sup>25</sup>

2.20 Labor implemented many of the review's recommendations, such as:

- establishing a national regulator;
- setting participation and equity targets; and
- introducing a demand-driven system.<sup>26</sup>

2.21 However, Labor decided against following the review's recommendation for a 10 per cent increase in base funding for teaching and learning and, in April 2013, cut more than \$2 billion from university funding.<sup>27</sup> The Gillard Government obfuscated the reality of the funding cuts by pointing to previous spending decisions, maintaining that funding for university places was 10 per cent higher in 2013 than previously.<sup>28</sup> Real, *per student* funding, however, remained below 1996 levels.<sup>29</sup> As put by Universities Australia:

In response to concern over the increasing cost to public revenue associated with the demand driven system, the Government announced, over an 18 month period, a number of reductions to planned higher education spending. The Senate has since opposed some of these proposed changes but if implemented, these cuts would result in per student funding being reduced to 2007 levels and 15 per cent below the levels recommended by the Bradley Review in 2015.<sup>30</sup>

2.22 In 2010 the Labor Government announced it had commissioned the Higher Education Base Funding Review, tasked with making recommendations on the principles underpinning public investment and inquiring into what appropriate levels of funding might be.<sup>31</sup> The Review made a total of 29 recommendations, one of which urged the government to lift the average level of base funding per student place. The

25 Review of Higher Education in 2008 (the Bradley Review), final report, p. xii.

26 See Universities Australia, *Submission 60*, p. 6.

27 Parliamentary Library, *Higher Education Support Amendment (Savings and Other Measures) Bill 2013*, p. 2, available at: [http://parlinfo.aph.gov.au/parlInfo/download/legislation/billsdgs/2880470/upload\\_binary/2880470.pdf;fileType%3Dapplication%2Fpdf](http://parlinfo.aph.gov.au/parlInfo/download/legislation/billsdgs/2880470/upload_binary/2880470.pdf;fileType%3Dapplication%2Fpdf)

28 Daniel Hurst, 'Government rejects university fee hike', *Sydney Morning Herald*, 28 January 2013, available at: <http://www.smh.com.au/federal-politics/political-news/government-rejects-university-fee-hike-20130128-2dgku.html> (accessed 14 October 2014).

29 Universities Australia, *Submission 60*, p. 7.

30 Universities Australia, *Submission 60*, p. 7.

31 See Base Funding Review, available at: <http://www.industry.gov.au/highereducation/Policy/BaseFundingReview/Pages/default.aspx> (accessed 15 October 2014).



government accepted and implemented 13 recommendations, but did not accept the recommendation pertaining to a general increase in funding.<sup>32</sup>

2.23 Although the government did not increase its funding contribution, in 2012 limits on domestic bachelor-degree student numbers at public universities were nonetheless lifted:

This new system was called ‘demand driven’ because it allowed universities to respond to student demand and allowed more students to benefit from higher education. It replaced a ‘supply driven’ system, in which the government allocated student places to public universities.<sup>33</sup>

### **Challenges today**

2.24 Productivity growth was strong in Australia—particularly through the 1990s—until the last decade, when a noticeable decline occurred. An aging population and declining commodity prices now suggest sluggish growth in living standards should the current trend in productivity continue.<sup>34</sup>

2.25 A healthy education sector is crucial for economic growth and community wellbeing. There is, as put by the authors of the Bradley Review final report:

...an international consensus that the reach, quality and performance of a nation's higher education system will be key determinants of its economic and social progress.<sup>35</sup>

2.26 But, although important, productivity and economic growth are only part of the motivation underpinning this reform package. The government is committed to ensuring individuals are given the opportunity to fulfil their aspirations in every avenue of life, to building thriving communities and a strong, prosperous nation.

2.27 The committee strongly supports boosting productivity, recognising the paramount importance of education:

A well educated workforce is the key to enhanced productivity performance, particularly in today's knowledge-driven economy. Research excellence and innovation plays an increasingly important role in the advancement of knowledge and technology, enhancing prosperity through the development, adoption and diffusion of more productive technologies and processes.<sup>36</sup>

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32 See government response to Higher Education Base Funding Review Final Report, available at: <http://www.industry.gov.au/highereducation/Policy/BaseFundingReview/Pages/ResponseToBaseFundingReview.aspx> (accessed 21 October 2014).

33 The Hon. Dr David Kemp and Andrew Norton, *Review of the Demand Driven Funding System*, report, April 2014, p. x, available at: <http://docs.education.gov.au/node/35537> (accessed 14 October 2014).

34 Department of Education, *Submission 98*, p. 3.

35 The Bradley Review, final report, p. xi.

36 Department of Education, *Submission 98*, p. 3.

2.28 Access to education is crucial. As put by the Minister for Education, the Hon Christopher Pyne:

To support equity and access for Australian students, the reform bill also introduces a new Commonwealth scholarship scheme to support students from disadvantaged backgrounds, including from regional Australia. This is one of the most important and valuable elements of the reform package in the legislation...The passage of the reform bill will spread access and opportunity to higher education to more Australians...<sup>37</sup>

2.29 As well as benefiting individuals, investment in higher education also benefits the entire community and wider economy. Universities Australia submitted that graduates are worth \$188 billion to the economy annually. 'Although they comprise only 15 per cent of the population, they contribute approximately one third of the income tax collected.'<sup>38</sup> As institutions, universities:

- teach 1.3 million students – over 985,000 domestic and 328,000 international students;
- employ 115,000 staff;
- spend more than \$23 billion per year;
- pay \$10.3 billion in wages;
- pay around \$2.96 billion in income and payroll tax;
- underpin the nation's research capability; and
- account for most of the \$15 billion annual income generated from Australia's education export industry – our third largest export and largest non-resources export earner.<sup>39</sup>

### ***We are at a tipping point***

2.30 While Australia performs well in terms of research quality and output, we rank 'last of OECD [Organisation for Economic Co-operation and Development] countries in terms of collaboration between businesses and the research community (higher education or public research institutions).'<sup>40</sup>

2.31 Furthermore, as public funding for higher education has stagnated or fallen through successive governments, international rankings of Australia's top universities have remained static or fallen, especially relative to regional competitors:

...several places over this period. The 2014 Academic Ranking of World Universities includes only four Australian universities in the top 100, down from five in 2013. The number of Australian universities in the top 500 of

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37 The Hon. Mr Christopher Pyne, MP, Leader of the House and Minister for Education, Higher Education and Research Reform Amendment Bill 2014, second reading speech, *House of Representatives Hansard*, 28 August 2014, p. 2.

38 Universities Australia, *Submission 60*, p. 4.

39 Universities Australia, *Submission 60*, p. 4.

40 Department of Education, *Submission 98*, p. 4.

the Academic Ranking of World Universities has remained at 19 for the past four years.<sup>41</sup>

...it is clear that over recent years federal governments from both sides of the political fence are only willing to continue funding our public universities up to a certain level. In the modern age, artificially compromising the ability of our universities to find their own funding sources in order to implement their missions could seriously affect their international standing and, in turn, damage Australia's third largest export industry... the Chinese centralised economy has been able to shift funding to certain universities which they want to ensure lift their rankings against international benchmarks.<sup>42</sup>

We are being financially crucified between two thieves. No matter which way we look, there is no salvation. So I have not come to this position lightly, but I know as a matter of fact as someone who runs a university, as Father Uren never has, that, unless we get fee deregulation, we will not have a good university system.<sup>43</sup>

2.32 The budget challenges the government faces today prohibit increases in Commonwealth investment. This bill is therefore the culmination of the government's commitment to maintaining a healthy higher education sector despite harsh economic realities which stand in the way of continued and sustained Commonwealth investment.

2.33 Budget constraints and the need for change in funding arrangements were acknowledged by submitters.<sup>44</sup> Regional Universities Australia (RUN) explained that:

Given the tight public funding environment, RUN accepts that the deregulation of student fees is the only feasible way that the sector can maintain quality and remain internationally competitive.<sup>45</sup>

### *Demand will continue to grow*

2.34 Today over 80 per cent of school students complete secondary education, up from only 30 per cent in 1980.<sup>46</sup> Many of these secondary school graduates would contemplate higher education as a means of securing their chosen career. Certainly, in terms of career earnings, the benefits of higher education are indisputable:

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41 Department of Education, *Submission 98*, p. 4.

42 The Hon. Phillip Neville Honeywood, National Executive Director, International Education Association of Australia, *Proof Committee Hansard*, 8 October 2014, p. 2

43 Professor Gregory Craven, Vice-Chancellor, Australian Catholic University, *Proof Committee Hansard*, 23 September 2014, p. 7

44 Group of Eight Australia, *Submission 46*, p. 18; Regional Universities Network, *Submission 56*, p. 2, Universities Australia, *Submission 60*, p. 2.

45 Regional Universities Network, *Submission 56*, p. 2.

46 Professor Peter Dawkins, Vice-Chancellor and President, Victoria University, Mitchell Institute Policy Lecture, 22 May 2014, p. 2. Available at: <http://www.vu.edu.au/sites/default/files/mitchell-institute/pdfs/reconceptualising-tertiary-education.pdf> (accessed 13 October 2014).

- Graduates earn on average \$1.2 million more over their lifetimes than non-graduates.
- According to the 2011 Census, the typical graduate commences on a salary of around \$50,000, however this will vary depending on their field of study.
- Graduates enjoy above average income growth over the course of their careers. Average graduate incomes grew in real terms at a rate of 5.7% per annum over the first five years of employment and 2.0% thereafter. Economy wide, real wages grow by around 1.0% per annum.
- In 2011, the top 20% of full time workers were earning at least \$93,739. Graduates were over represented in this category, with more than 28% earning above this amount. After 20 years, 42% of graduates are in the top 20% of earners. Less than 12% of workers without any post-secondary qualifications earn this amount.
- In terms of weekly income, the average full-time employed graduate is \$500 a week ahead of the average full-time employee without post-school qualifications by the age 35.<sup>47</sup>

2.35 Furthermore, the Department of Education (the department) cites reports from the OECD which indicate that 'the amount of education a person has received correlates with their propensity to be civically engaged and to have better health outcomes.'<sup>48</sup>

2.36 Given all the benefits of higher education, it is unsurprising that demand is rising. The department supplied the following figures:

Bachelor degree or higher attainment for 25-34 year olds has nearly tripled from 12.5 per cent in 1991 to 36.8 per cent in 2012. The number of higher education students in Australia (including international students) has also tripled from around 400 000 in 1989 to over 1.3 million in 2013. This is a substantial achievement for a modernising economy. In Australia, as elsewhere, this raises challenges, such as how to accommodate growing numbers of students without compromising the quality of education and without increasing funding pressures.<sup>49</sup>

2.37 There is little evidence to suggest that deregulation will act as a disincentive for people contemplating higher education. In fact, a 2011 report by Deloitte Access Economics, commissioned by the then-Department of Education, Employment and Workplace Relations, looked at the impact of changes to student contribution levels on the demand for higher education and found that:

The focus of the literature on HECS has been on equity and the participation of students from lower socioeconomic backgrounds as HECS

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47 Group of Eight Australia, *Submission 46*, p. 4.

48 Department of Education, *Submission 98*, p. 3.

49 Department of Education, *Submission 98*, p. 3.

could potentially increase socioeconomic inequality. For example, people from lower socioeconomic backgrounds may be more debt averse and so be less likely to take on a loan to participate in higher education...there is little evidence in the literature to suggest that HECS has deterred participation in higher education among people from a lower socioeconomic background.<sup>50</sup>

2.38 It is clear from the Deloitte report, commissioned by the former government, that the HECS system has had a very positive effect on accessibility. The system does, however, need a more sustainable funding model.

Chapman and Ryan found that the socioeconomic composition of university students changed somewhat between 1988 and 1993. The main change was the relative increase of individuals from the middle of the wealth distribution, and the growth in participation generally was largely driven by the increased participation of females... Chapman and Ryan found that HECS did not discourage university participation in general or among individuals from low wealth groups.<sup>51</sup>

2.39 Ensuring that adequate and sustainable funding is available for the higher education sector—including non-university providers, discussed later in this chapter—is clearly more important than ever. Yet submissions to this inquiry almost unanimously concur that public funding has been inadequate over a long period of time, and has, in *per student* terms, actually followed a downward trajectory:

Despite strong public support for universities and research, and the recommendation by the Bradley Review of the need to increase per student (or ‘base’) funding by 10 per cent, successive governments have reduced recurrent funding to the point where Australia sits close to the bottom of the OECD ladder for public investment in tertiary education as a percentage of GDP5. While university enrolments have tripled over the past 30 years in response to policies aimed at increasing participation, public funding per student declined in real terms by 16.7 per cent between 1994 and 2012...This is not sustainable.<sup>52</sup>

2.40 Universities Australia aptly concluded in its submission that:

...the experience of recent years represents a series of missed opportunities to establish a coherent, appropriate and above all, stable higher education funding regime.<sup>53</sup>

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50 Deloitte Access Economics, *The impact of changes to student contribution levels and repayment thresholds on the demand for higher education*, p. 13, available at: <http://www.industry.gov.au/highereducation/Policy/BaseFundingReview/Documents/HEstudentdemandreport.pdf> (accessed 14 October 2014).

51 Deloitte Access Economics, *The impact of changes to student contribution levels and repayment thresholds on the demand for higher education*, p. 16, available at: <http://www.industry.gov.au/highereducation/Policy/BaseFundingReview/Documents/HEstudentdemandreport.pdf> (accessed 14 October 2014).

52 Universities Australia, *Submission 60*, p. 4.

53 Universities Australia, *Submission 60*, p. 7.

2.41 It is important to make the necessary decisions to ensure the future stability of Australia's higher education sector:

To maintain the status quo would leave the sector partially reformed, but not more fully opened to competition on the supply of places as envisaged by the 2008 Bradley Review of Australian Higher Education. It would also see universities continuing in a system where diversity and innovation are effectively discouraged through over-regulation. As participation increases, the sector would remain vulnerable to future cuts, due to continuing funding pressures, with limited chance to address either costs or revenue.<sup>54</sup>

### **The reform package**

2.42 The committee considered a range of views and consulted widely during its deliberations, seeking to establish whether passage of the bill would indeed achieve the government's objectives.

2.43 The bill enjoys overwhelming support from the higher education sector, with the majority of university and non-university higher education providers and their students supporting the bulk of the proposed reforms.<sup>55</sup> Most of these providers are nonetheless of the view that the bill could be improved, and the committee considered their suggestions carefully. They are outlined in the following chapters.

2.44 At the same time, the committee recognises that there is considerable concern about parts of the bill in some sections of the community, such as many students and a number of academics.<sup>56</sup> They are predominantly, although not exclusively, concerned about the impact they believe the bill could have on student fees. Their concerns are also examined in this report.

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54 Department of Education, *Submission 98*, p. 2.

55 See for example Navitas, *Submission 54*; University of Notre Dame Australia, *Submission 22*; University of Western Australia, *Submission 45*; Australian Catholic Universities, *Submission 25*; Council of Private Higher Education *Submission 48*; CQ University, *Submission 53*; Avondale College of Higher Education, *Submission 34*, Group of Eight Australia, *Submission 46*; Holmesglen Institute, *Submission 29*; Universities Australia, *Submission 60*.

56 See for example University of South Australia Student Association, *Submission 23*; Politics, Philosophy and Economics Society of La Trobe University, *Submission 49*; National Tertiary Education Union, *Submission 111*; Mr Chris Jervis, *Submission 2*; Mr John McLaren, *Submission 21*; Australian Council of Deans of Arts, Social Sciences and Humanities, *Submission 58*.

## CHAPTER 3

### Enhancing choice, innovation and access

3.1 This chapter begins by examining the proposed deregulation of student fees, analysing the key concerns expressed by submitters and witnesses. It draws on lessons learned from higher education systems abroad, and describes why the proposed reforms are unique in the world of higher education.

3.2 The chapter also identifies barriers to education still faced by some students, and outlines measures within the Higher Education and Research Reform Amendment Bill 2014 (the bill) which will help address those barriers.

3.3 Finally, the chapter looks at the proposed changes to Commonwealth contribution funding clusters, describing how these will be simplified and streamlined.

#### **Deregulation of fees: striking the right balance**

3.4 Fee deregulation and reductions in government spending are individual measures within a comprehensive package of reforms which are designed, through consultation, to improve the quality of the sector in the interest of students and the nation. Measures such as deregulation must be seen as part of a whole reform package, which is why all providers support the initiative. It is a fact that postgraduate and international student fees were deregulated over 20 years ago, and many providers see deregulation as the next logical step needed to keep Australia at the forefront of the competitive global market.<sup>1</sup>

3.5 The table below, taken from the bill's Regulation Impact Statement, illustrates the overall effect of the estimated change in government contribution that will occur as a result of the proposed reforms. The figures show both the potential decreases, but also increases, likely to be experienced by students, the weighted average being 20 per cent.

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1 See for example Universities Australia, *Submission 60*, p. 4.

Figure 2: Approximate change in government contribution<sup>2</sup>

Discipline(s)	Old funding clusters	Estimated Government contribution (grandfathered students)*	New funding tiers	Government contribution (new students)	Change
Law, accounting, administration, economics, commerce	1	\$2,004	1	\$1,805	-10%
Humanities	2	\$5,566	2	\$6,021	+8%
Social studies	3	\$9,849			-39%
Communications (excluding audio visual)	5	\$12,112			-50%
Computing, behavioural science, welfare studies, sport, built environment, other health	3	\$9,849	3	\$9,033	-8%
Education	4	\$10,246			-12%
Visual and performing arts	5	\$12,112			-25%
Mathematics	3	\$9,849	4	\$12,045	+22%
Clinical psychology, allied health, foreign languages	5	\$12,112			-1%
Nursing	6	\$13,523			-11%
Engineering, science, surveying	7	\$17,220			-30%
Environmental studies	8	\$21,855			-45%
Dentistry, medicine, veterinary science, agriculture	8	\$21,855	5	\$18,067	-17%
<i>Weighted average</i>					-20%

3.6 The reforms are intended to give higher education providers freedom to operate within a dynamic economic environment. Institutions would be able to make independent choices about fees, teaching methods, courses to be offered, scholarships and other services.<sup>3</sup> The department explained that deregulation would:

...enable institutions to access the resources they need to deliver world class education, ensuring Australia is not left behind at a time of rising performance by universities around the world.<sup>4</sup>

3.7 However, the proposal to end regulatory control over the amount providers can charge students for tuition is also arguably the most controversial aspect of this

2 Regulation Impact Statement, Higher Education and Research Reform Amendment Bill 2014, p. 70. See also Explanatory Memorandum, Higher Education and Research Reform Amendment Bill 2014. See also Higher Education and Research Reform Amendment Bill 2014, Bills Digest No. 33. 2014–15, 8 October 2014, available at: [http://parlinfo.aph.gov.au/parlInfo/download/legislation/billsdgs/3436314/upload\\_binary/3436314.pdf;fileType=application/pdf](http://parlinfo.aph.gov.au/parlInfo/download/legislation/billsdgs/3436314/upload_binary/3436314.pdf;fileType=application/pdf) (accessed 15 October 2014).

3 Australian Department of Education, *Submission 98*, p. 2.

4 Australian Department of Education, *Submission 98*, p. 2.



bill, with a large number of submitters concerned about fee deregulation paving the way to exorbitantly expensive degrees.<sup>5</sup>

3.8 As discussed below, the committee heard evidence refuting this view.

### ***Skyrocketing fees – fact or fiction?***

3.9 The committee is aware that scare campaigns about the cost of degrees skyrocketing to \$100 000 and beyond have been rife since these reforms were announced:

Since the May budget there has been extensive commentary and speculation about the budget measures, including claims they will herald the arrival of hefty university fees that will impose significant debt on students. Such speculation is alarmist and unhelpful.<sup>6</sup>

I think there is a lot of scaremongering around what is going to happen, but Australia has a completely different system to the United States, for example. One of the bedrocks of that is our income contingent loan scheme and the fact that students are not paying upfront and they do not need to repay until they reach an income threshold level.<sup>7</sup>

3.10 Warnings about hefty degree costs came from submitters such as the National Tertiary Education Union:

Analysis undertaken by the NTEU found that the cost of attaining a university degree in Australia will rise substantially as a result of these changes and there will be cases where the cost of a degree at some Australian universities will exceed \$100,000. The NTEU's latest analysis shows that the cost of attaining a five year medical degree, for example, would rise from about \$50,000 at present, to well over \$90,000 as a direct result of government cuts to funding per student and the imposition of interest rates on student debt. The analysis shows that universities would only need to increase fees by as little as 10% above that necessary to compensate for cuts to funding for there to be \$100,000 degrees.<sup>8</sup>

3.11 And were echoed by the Australian Council of Trade Unions:

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5 See for example Australian Education Union, *Submission 68*; Professor Jacqueline Phillips, *Submission 1*; National Tertiary Education Union, *Submission 111*; University of Melbourne Graduate Student Association, *Submission 64*, p. 2. See also Michelle See-Tho, 'Melbourne University students could face fee rises of more than 60 per cent, Vice-Chancellor Glyn Davis warns', *The Age*, 31 May 2014, available at: <http://www.theage.com.au/victoria/melbourne-university-students-could-face-fee-rises-of-more-than-60-per-cent-vicechancellor-glyn-davis-warns-20140531-39ap1.html> (accessed 15 October 2014).

6 University of Western Australia, *Submission 45*, p. 3.

7 Ms Helen Zimmerman, Group General Manager, Government and Stakeholder Relations, Navitas Limited, *Proof Committee Hansard*, 7 October 2014, p. 52.

8 National Tertiary Education Union, *Submission 111*, p. 9.

Based on fees currently being paid by international students and even some domestic students attending private universities, the cost of some university degrees is estimated to exceed \$100 000.<sup>9</sup>

3.12 Other submitters presented these views even more strongly:

Deregulating [student fees]...allows universities to price gouge domestic students rather than the international students they have used so far as 'cash cows'. As the Government is taking funding out of the higher education sector in an 'efficiency dividend', student fees may rapidly approach the world market prices that international students pay.<sup>10</sup>

3.13 The fear appears to be that higher education providers, without modelling and no longer restrained by regulation, will increase fees in the knowledge that there will always be those who can afford them and in complete disregard of those who cannot. Such projections of fees spiralling out of control, rendering higher education unattainable for many, appear to be unwarranted however.

We have absolutely no intention to gouge students. We would certainly be taking into account future earnings in setting the fees because we would not want to set fees that were too high for particular professions.<sup>11</sup>

3.14 The committee also heard evidence that:

[Y]ou could have a system where you gave the power to a body, whether that body was TEQSA or the Australian [C]ompetition [&Consumer] [C]ommission, to disallow a price increase on a set of statutory grounds. The types of statutory grounds that I would be thinking of would be the relationship of the cost of the degree in delivery, to future earnings, to any effects on national need in areas of industry or otherwise and to any reasonable degree of cross-subsidisation within a university.<sup>12</sup>

3.15 The University of Western Australia (UWA) informed the committee of its decision to be among the first to signal its pricing intentions in order 'to counter much uninformed speculation about possible fee levels.'<sup>13</sup>

Based on the current legislation, UWA proposes to set an annual fee (student contribution) of \$16,000 commencing in 2016 for domestic (Commonwealth-supported) students per annual fulltime enrolment (48 points of credit) in any of our five undergraduate degrees (BSc, BA, BCom, BDesign, BPhil(Hons)). The price will be subject to annual indexation.<sup>14</sup>

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9 Australian Council of Trade Unions, *Submission 69*, p. 1.

10 Politics, Philosophy and Economics Society of La Trobe University, *Submission 49*, p. 3.

11 Professor Gregory Craven, Vice-Chancellor, Australian Catholic University, *Proof Committee Hansard*, 23 September 2014, p. 8.

12 Profssor Gregory CVraven, Vice-Chancellor of the Australian Catholic University, *Proof Committee Hansard*, 23 September 2014, p. 9.

13 University of Western Australia, *Submission 45*, p. 4.

14 University of Western Australia, *Submission 45*, p. 4.

3.16 The National Centre for Social and Economic Modelling, based at the University of Canberra, the only Australian university which does not support fee deregulation,<sup>15</sup> looked at the cost implications of UWA's decision to set an annual fee of \$16 000:

The main findings of the results are not at all surprising—that is, roughly speaking, we have got a doubling of fees. So \$16,000 for the basic courses at the University of WA would be roughly a doubling of the up-front costs....and at least a doubling of the repayment costs... This is over the entire repayment period. This is in nominal terms. It might be preferable to look at this in terms of constant price version, but in terms of the actual dollar repayments, they increased from around \$31,000 up to \$143,000.<sup>16</sup>

3.17 Questions were raised, however, concerning the methodology applied to the National Centre for Social and Economic Modelling (NATSEM) modelling, and therefore its reliability.<sup>17</sup>

3.18 Other submitters understood that the benefits of deregulation extend beyond the economic argument, and reminded the committee that exaggerated estimates of future course costs should not obfuscate the benefits of the reform package, such as its capacity to boost equity in the interest of students. Ms Vicki Thompson, director of the Group of Eight, said:

...the reality that some medicine, and psychology degrees already cost taxpayers \$100,000..."That's a bit of a scare campaign. There are degrees now that cost \$100,000 — it's just that the student is not paying it. The taxpayer is."<sup>18</sup>

3.19 The Australian Liberal Students Association also submitted that:

The reality is that the HECS-HELP system will still be in place and you will not have to pay up-front fees. But because that is not in the public debate as much as the other points have been, we can get the very dangerous outcome that the scaremongering, rather than the reality, is having an impact on access to higher education and the choices high-school students make.<sup>19</sup>

3.20 The Council of Private Higher Education (COPHE), a peak body representing private higher education institutions across Australia, which enrol almost 10 per cent of the nation's higher education students and offer degrees from undergraduate to

15 University of Canberra, *Submission 79*.

16 Mr Ben Phillips, Principal Research Fellow, National Centre for Social and Economic Modelling, University of Canberra, *Proof Committee Hansard*, 8 October 2014, p. 33.

17 See discussion, *Proof Committee Hansard*, 8 October 2014, pp 37–38.

18 The Daily Telegraph, 19 October 2014, <http://www.dailytelegraph.com.au/news/nsw/university-debt-backflip-federal-government-to-dump-university-student-loan-hikes/story-fni0cx12-1227094918337> (accessed 23 October 2014).

19 Mr Matthew Simon, Secretary, Australian Liberal Students Federation, *Proof Committee Hansard*, 10 October 2014, p. 21.

doctorate level, argued that cost estimates support the view that 'the total cost of these degrees, at \$30–70,000, and paid when they are earning, need not panic students.'<sup>20</sup> COPHE added that its members 'have indicated that whatever they receive in Commonwealth support for students will be passed on to students through reduced tuition.'<sup>21</sup>

3.21 Furthermore, while it is true that providers would have unfettered ability to determine fee levels, it is possible that fees will only need to rise enough to compensate for the decrease in Commonwealth funding. In some instances fees will in fact go down. COPHE submitted that all students, except for those currently enrolled in teaching courses, will benefit from lower fees as a result of the reform package.<sup>22</sup>

#### *The impact of competition on price*

3.22 There is strong evidence supporting the view that fee deregulation will boost equity and innovation. For one, while it is true that deregulation would allow providers to determine—in the context of their particular circumstances—the price they charge for courses, it will at the same time require providers to compete on price in order to attract students.<sup>23</sup> Higher education providers will therefore focus on offering students the best possible product, rather than packing lecture theatres with students in order to meet funding shortfalls.

3.23 In fact, proof that deregulation will encourage competition on price already exists:

In a sense, we do not need to speculate too much, because we already have a fully deregulated system with an income contingent loan in place. We call it postgraduate education in Australia. The system that we are proposing for undergraduates already exists there. So let's look at what happens in that particular sector—no speculation required. The first thing you notice is that there is price competition. When you look at the prices across Australia's universities, there is a factor of three between the lowest and highest in terms of the fee charged by institutions.<sup>24</sup>

#### *What about high cost degrees?*

3.24 The committee also examined degrees known for being expensive, and considered how the reforms would impact on these.

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20 Council of Private Higher Education, *Submission 48*, p. 3.

21 Council of Private Higher Education, *Submission 48*, p. 3.

22 Dr Donald Owers, AM, Chair, Council of Private Higher Education, *Proof Committee Hansard*, 7 October 2014, p. 66.

23 See for example Australian Catholic University, *Submission 25*, p. 8; Australian National University, *Submission 103*, p. 1; University of Wollongong, *Submission 139*, p. 7; Group of Eight Australia, *Submission 46*, p. 41.

24 Professor Ian Young AO, Vice-Chancellor and President, Australian National University, Chair, Group of Eight Australia, *Proof Committee Hansard*, 9 October 2014, p. 69.

3.25 For example, the committee heard evidence that the graduate starting salary for students who complete a degree in medicine is \$60 000, and that income progression over five years is around 5.5 per cent per annum. While there is a wide variance in earnings between different medical specialisations, a self-employed general practitioner (GP) earns approximately 1.7 times the average wage. Self-employed specialists earn around 4.3 times the average wage, and, after 20 years' employment, 42 per cent of students who graduate with a medical degree are in the top earning quintile.<sup>25</sup>

3.26 These figures support the view that medical graduates' career earnings are more than sufficient to service the student debt accrued. Since the HELP student loan system guarantees that debts only have to be paid when earnings are adequately high, the committee is confident that graduates of high cost degrees are insured against unserviceable debts.

*Lessons from overseas – why our system is better*

3.27 Some submitters were concerned that the proposed reforms would see Australia emulating overseas higher education systems—such as those in the United States (US) and United Kingdom (UK)—where deregulation brought undesirable consequences.<sup>26</sup>

3.28 In the US, some student debt burdens are disproportionate to graduate income.<sup>27</sup> The US system also stands out in other unenviable ways, some of which were brought to the committee's attention:

Among developed economies, the United States stands out for its failure to adapt its higher education system to the needs of a modern knowledge economy...undergraduate education is in a state of crisis, failing to meet either the needs of the economy for educated workers or its historic role as an engine of social mobility. The proportion of US males with university education is actually falling. Although substantial progress has been made in promoting gender and ethnic balance at leading universities, the reverse is true with respect to social class.<sup>28</sup>

3.29 Professor John Quiggin explained to the committee that, in the US, even for those who manage to graduate, degrees from lower-tier institutions do not, in general, provide a route into the upper end of the income distribution. The wage premium for an associates degree over a high school education is only about 20 per cent.

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25 Australian Medical Association, *answer to questions on notice 3*, 9 October 2014, p. 2.

26 See for example Dr Matthew Fitzpatrick, *Submission 8*, Professor John Quiggin, *Submission 20*; Mr Trent Bell, *Submission 44*; Dr Stephen Lake, *Submission 43*. See also Ms Jessica Dean, President, Australian Medical Students Association, *Proof Committee Hansard*, 10 October 2014, pp 14, 17.

27 Group of Eight Australia, *Submission 46*, p. 46.

28 Professor John Quiggin *Submission 20*, p. 4.

Community college pays off only for the minority who are able and tenacious enough to manage the transfer to a bachelor's degree, and then to complete that degree.<sup>29</sup>

3.30 Professor John Dewar, Chair of the Legislation and Financing Working Group, was not convinced of the validity of any comparison with the US. He explained the US system was not one national system as would be the case here:

[The US higher education system]...is a very complicated system. It is not a single system, it is multiple systems. I know that there is significant debate about the level of student indebtedness there and the impact of unconstrained fee charging environments on student fees.<sup>30</sup>

3.31 Similarly, a submission from the Group of Eight explained that debt burdens like those in the US are not possible in Australia:

...the HELP system of student loans means that graduates only repay when they earn enough to be able to do so. Repayments are a specified proportion of a graduate's income (which cannot exceed 8%).<sup>31</sup>

3.32 By contrast, in the US crippling debts are incurred by graduates:

...of the for-profit institutions, not because of the level of the tuition fee, which is actually lower than the not-for-profits, but because there is no provision of loan support for the students. The students then graduate and they have to repay very quickly against Credit Foncier loans, mortgage-style loans, from banks, and if they have not got employment—and a few of them haven't had in the last few years after the 2008 recession—they get caught in traps. In Australia that cannot happen.<sup>32</sup>

3.33 The committee put questions to multiple witnesses on this, and formed a strong impression that the higher education system the government is looking to implement is unlike any other system in the world. Professor John Dewar, Chair of the Legislation and Financing Working Group—established to advise the government on components of the higher education reform package—confirmed this view.<sup>33</sup>

3.34 In the United Kingdom (UK), for example, student fees are capped, which may instinctively be an attractive measure if the goal is to prevent very high fees, but was found to in fact be detrimental:

One of the lessons we learn from that sort of system is that, if you cap fees, institutions will move very quickly towards the cap. This takes us into a whole different debate...That is why I am opposed to capping, in either a

29 Professor John Quiggin *Submission 20*, p. 5.

30 Professor John Dewar, Chair, Legislation and Financing Working Group, *Proof Committee Hansard*, 8 October 2014, p. 16.

31 Group of Eight Australia, *Submission 46*, p. 38.

32 Mr Michael Gallagher, Executive Director, Group of Eight Australia, *Proof Committee Hansard*, 9 October 2014, p. 71.

33 Professor John Dewar, Chair, Legislation and Financing Working Group, *Proof Committee Hansard*, 8 October 2014, p. 15.

hard form or a soft form, the amount of fees universities can charge. The UK evidence is very clear on that point—as is the Australian evidence from previous occasions on which the student contribution cap has been lifted. When it was lifted in the early 2000s under Minister Nelson, universities very quickly raced to the cap. There was no real price differentiation. So I think there are lessons to be learnt from overseas.<sup>34</sup>

3.35 Professor Dewar explained that the effect of increasing student fees varies between cohorts of students. He explained that, in the UK, students from disadvantaged backgrounds had continued to enrol in healthy numbers, but that enrolments from other cohorts had dropped following fee increases:

The cohort we think is of most concern are the mature-age and part-time students, who in the UK have declined quite significantly in number since those fees were introduced. Correspondingly, and perhaps counter-intuitively, there has been almost no impact on the propensity of disadvantaged students to enrol in universities in the UK.<sup>35</sup>

3.36 However, the Australian loan scheme differs from that of the UK. In a Higher Education Policy Institute (HEPI) report by Ms Libby Hackett, Chief Executive of University Alliance (UK) and a visiting Senior Research Fellow in higher education policy at the University of the West of England, it was noted:

the major difference is that in Australia, virtually every student will be able to access a Government fee loan (either subsidised or not) that is repaid on an income-contingent basis. The only students that could not access a loan would be those that had reached their FEE-HELP lifetime maximum loan allowance of \$96,000. In England, however, Government fee loans are limited to particular groups of students. This is because there is only one type of Government fee loan in England and it carries a significant subsidy and therefore has to be rationed. England has prioritised first-time undergraduate students at this time. The consequence has been growing pressure on postgraduates, some part-time and mature entrants and those seeking to re-train (known as ELQ students) who cannot access a public loan.<sup>36</sup>

#### *Committee view*

3.37 The committee is of the view that comparisons with other higher education systems are unhelpful as a directly comparable system does not exist. The committee

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34 Professor John Dewar, Chair, Legislation and Financing Working Group, *Proof Committee Hansard*, 8 October 2014, p. 15.

35 Professor John Dewar, Chair, Legislation and Financing Working Group, *Proof Committee Hansard*, 8 October 2014, p. 15.

36 Libby Hackett, Chief Executive of University Alliance (UK), *A comparison of higher education funding in England and Australia: what can we learn?*, April 2014, p. 12.

is confident that the HELP system of student loans, discussed in further detail later in this chapter, provides adequate insurance against debt outpacing income growth, and is for this reason of the view that students who take on higher-cost courses will be in a position to service their loans once they are established in their chosen careers.

3.38 The committee for this reason concluded that the safeguards in place in Australia, such as the income contingent loan scheme, will see our system improve with deregulation without experiencing the negative consequences seen abroad.

3.39 The committee is sensitive to community concern about fee increases. However, ascertaining whether this bill would indeed have the effect of driving up prices is not served by scaremongering. Concerted campaigns against these reforms have skewed the public debate and done the community a great disservice.

I think the uncertainty that there currently is around the fee environment and the level of fees will undoubtedly have affected their decision-making for this round of applications.<sup>37</sup>

3.40 The committee sees no compelling evidence supporting assertions that fees will rise so dramatically that large swathes of the population will opt out of higher education. The career advantages gained through higher education will continue to motivate people to pursue degrees, much as they have done since deregulation began three decades ago. Furthermore, the continued ability to 'learn now, pay later' through student loans, which ensure that loan repayment is contingent on income will ensure that students only have to repay a proportion of the total cost of their degrees once they begin benefitting from them.

3.41 In addition, competition for student enrolments will ensure that providers keep costs in check. It is not logical or in providers' interests to make education prohibitively expensive.

3.42 Deregulation means that providers will no longer be beholden to government and subject to the budgetary whims of the day. They will have the freedom to develop innovative and sustainable business models which equip them for 21<sup>st</sup> century challenges, and give our higher education institutions an edge in the competitive global market.

3.43 Fee deregulation will widen choices for students and improve the higher education sector's ability to respond to varying levels of student demand, student ability, interests and backgrounds. The committee is satisfied that the reforms will ensure Australian students can enjoy the best higher education options in the world.

3.44 Ultimately, deregulation is not just about the bottom line. Removing government intervention and red tape is about allowing the sector the space to foster creativity and innovation. Fee deregulation will lead to greater competition, and with greater competition comes greater choice. In combination with this reform package as a whole, deregulation will benefit individuals and entire communities.

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37 Professor John Dewar, Chair, Legislation and Financing Working Group, *Proof Committee Hansard*, 8 October 2014, p. 17.



3.45 However, the committee considers it necessary to address the organised scare campaigns about impending fee increases. For this reason, the committee urges the government to consider communicating the benefits of deregulation through a public education campaign.

### **Addressing barriers to education**

3.46 One of the principal aims of this bill is to ensure that potential students have a clear pathway to higher education regardless of their circumstances or background, support through their education and choice as to where they will study.

3.47 Currently, a number of student cohorts are at risk of significant impediments in terms of access to higher education. These include students from lower socioeconomic backgrounds, regional students, Indigenous students, mature-age students and those with low Australian Tertiary Admission Rank (ATAR) scores.

3.48 The proposed reforms seek to improve access for these groups by encouraging student mobility, expanding the scope of the demand driven funding system for higher education and introducing a safety net in the form of the new Commonwealth Scholarship Scheme. The committee examined whether the relevant measures of the bill do enough to expand access to higher education and ensure that at-risk cohorts are not disadvantaged in relation to other students.

### ***Extending funding to non-traditional higher education providers***

3.49 The government proposes to expand the demand driven system, continuing the work of the previous government, such that private universities and non-university higher education providers registered by TEQSA will have access to demand driven bachelor places.<sup>38</sup> In supporting students who choose to study at these institutions the government is promoting equity and enhancing opportunity. Currently only seven non-university higher education providers receive a small allocation for government subsidised student places each year,<sup>39</sup> leaving the vast majority of students at these non-university higher education providers to pay full tuition fees.

### ***Innovation and competition***

3.50 These reforms will provide private universities and non-university higher education providers with the flexibility they require to effectively specialise and differentiate from one another.

The expansion of the demand-driven system to include more non-university higher education providers... will further influence the sector by sharpening competition, which will drive innovation and diversity, thereby offering new and alternative pathways of access. Their alternative business models

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38 Explanatory Memorandum, p. 16.

39 Explanatory Memorandum, p. 16. Specifically, in 2014 non- university higher education providers received subsidies for approximately 7 300 places. See: Explanatory Memorandum, p. 16.

will encourage cost-effective practices serving as a floor to moderate fee rises.<sup>40</sup>

3.51 Addressing the inequity which currently exists, generally speaking, the benefits of the demand driven system that was first introduced under the Labor government in 2012, do not flow to those students who elect to undertake studies at institutions other than public universities.

Government invests in higher education because there is clear evidence that there is a public benefit from having an educated population. All universities in Australia, public or private, are not for profit organisations, which meet the same quality standards, engage in the same functions (teaching, scholarship, research, community engagement) and contribute the same level of public benefit to the wider community. As such, the justification for providing government subsidies is equally applicable to all universities.<sup>41</sup>

3.52 The committee heard evidence from various stakeholders that non-university higher education providers often operate in niche areas that may be under served by the public system. Specifically, Study Group International, a non-university higher education provider, explained that as non-university private higher education providers often endeavour to meet a need in an industry they do not believe is being adequately met by the system, the proposed changes would result in 'an environment that creates a higher level of competition within non-university private providers but also between public providers and non-university private providers [that] can only promote more of that innovation.'<sup>42</sup>

3.53 The committee also notes that the TEQSA Advisory Council is currently considering how vigorous competition can drive innovation...

It can allow choice to students; it can empower them not just to select between different universities, different institutions and different courses but also to choose between different modes of delivery, different structures of degree and different fees.<sup>43</sup>

### ***Recognition of sub-bachelor qualifications***

3.54 Commonwealth subsidies will also be provided on a demand driven basis for eligible students enrolling in TEQSA accredited higher education diplomas, advanced diplomas and associate degrees, in line with the recommendations of the *Bradley Review*.<sup>44</sup> Currently the government is subsidising 19 243 sub-bachelor student

40 Professor Timothy John Brailsford, Vice Chancellor, Bond University, *Proof Committee Hansard*, 9 October 2014, p. 62.

41 The University of Notre Dame Australia, *Submission 22*, p. 1.

42 Mr Warren Jacobson, Managing Director, Stud Group Australia P/L (Incorporating ACPE Limited), *Proof Committee Hansard*, 7 October 2014, p. 58.

43 Professor Peter Roger Shergold, Chair, Tertiary Education Quality and Standards Agency Advisory Council, *Proof Committee Hansard*, 7 October 2014, p. 75.

44 Explanatory Memorandum, p. 16.

places.<sup>45</sup> However, under the proposed changes, the department expects to see this number 'increase by more than 80 000 a year by 2018 (35 000 at bachelor level, 48 000 at diploma, advanced diploma and associate degree level), an increase of around 9 per cent.'<sup>46</sup>

### *Improving the efficiency of the system*

3.55 The Kemp-Norton *Review of the Demand Driven Funding System* found that expanding access to sub-bachelor pathway courses would lead to the improved efficiency of the higher education system by better matching students with appropriate courses.

It would address student quality concerns about lower ATAR entrants, by increasing their academic preparation before they enter a bachelor-degree course. It would provide a lower risk entry point for low SES students. In combination with the inclusion of non-university higher education providers in the demand driven system, it would remove the unfairness inherent in diploma students in private colleges paying much higher annual tuition charges than bachelor-degree students in public universities.<sup>47</sup>

3.56 The focus of these reforms is on increasing access to quality higher education. The government recognises that the non-traditional higher education system has a strong vocational focus and clear linkages to pathways into higher education from VET programs. Northern Melbourne Institute of TAFE provided evidence before the committee that this approach is particularly applicable for their students with low-socioeconomic and disadvantaged backgrounds, as well as their high proportion of first-in-family students and mature age students.<sup>48</sup>

### *Equity, access and opportunity*

3.57 The government's proposed expansion of the demand driven funding system for higher education received support from both private universities and non-university higher education providers and their respective students. Submitters examined the ability of the reforms to address funding inequities in the current system and emphasised the increasingly important role of supported pathways to bachelor and post graduate studies.

Many TAFE students are first in family to undertake higher education, and are often from lower SES and disadvantaged backgrounds. TAFE offers an accessible alternative to university. Domestic and international research demonstrates that the prospect of university education can be intimidating and a 'step too far' for many of these students. Greater choice in higher

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45 Explanatory Memorandum, p. 16.

46 Department of Education, *Submission 98*, p. 6.

47 The Hon. Dr David Kemp and Andrew Norton, *Review of the Demand Driven Funding System*, report, April 2014, p. 58, available at: <http://docs.education.gov.au/node/35537> (accessed 14 October 2014).

48 Dr Charlotte Brack, Acting Deputy Director Programs – Higher Education, Northern Melbourne Institute of TAFE, *Proof Committee Hansard*, 9 October 2014, p. 43.

education provider, along with more equitable funding arrangements, may ease barriers to participation and will be welcomed by many students and parents as a result.<sup>49</sup>

3.58 The proposed expansion of the demand driven funding system will facilitate increased and more equitable access to higher education.

This may include students completing diploma and advanced diploma programs at TAFE, who did not consider undertaking further study due to a lack of aspiration and confidence to complete higher education in a university setting.<sup>50</sup>

3.59 Further, the amendments will allow non-university higher education providers to better fill any voids that may present in specific regions for local provision of education, to better service the needs of communities. In this light, Chisholm Institute explained to the committee how they had built their degrees on industry strength.

With Monash being the only university in our region, there were very few opportunities locally because of the required ATAR. Many students in our region only enrolled in a higher education offering after completing a VET qualification. Many students in our region are 'first in family' for tertiary study and come from a low-socioeconomic background. They are predominantly mature aged and also have significant work and family commitments. The opportunity to offer higher education programs has been critical, but our degrees currently cost about \$37,000.<sup>51</sup>

3.60 Nearly 12 per cent of domestic undergraduate students at Bond University come from rural or regional areas. The university informed the committee that a sub-bachelor diploma program in 2015 would cost a student \$22 800, and an undergraduate diploma in university English studies in 2015 would cost \$32 528.<sup>52</sup>

#### *The student voice*

3.61 With respect to the bill's proposed extension of Commonwealth subsidies on a demand driven basis to eligible students enrolling in TEQSA accredited higher education diplomas, advanced diplomas and associate degrees, the committee heard substantial evidence about the ability of these sub-bachelor courses to provide effective mechanisms for students to undergo expeditious training in areas linked to vocational outcomes as well as the value of such studies to provide pathways into higher education. The cost of such higher education was also discussed.

3.62 Ms Katrine Arch a mature-age student who is currently studying a Bachelor of Complementary Medicine at Endeavour College of Natural Health provided evidence to the committee.

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49 TAFE Directors Australia, *Submission 100*, p. 3.

50 Holmesglen Institute, *Submission 29*, p. 4.

51 Ms Maria Peters, Chief Executive Officer, Chisholm Institute, *Proof Committee Hansard*, 9 October 2014, p. 42.

52 Professor Brailsford, response to questions on notice, 9 October 2014, p. 1.

I am excited about the potential for being on an equal footing with a student studying at a university. I choose to love natural health and holistic healing. Unfortunately, there is no university offering for what I want to do. The current system penalises those who choose to look for alternative ways to learn or, in my case, in fields that are not yet accepted in mainstream Australia.<sup>53</sup>

3.63 Miss Sara Moad, a second year Bachelor of Dance student at Wesley Institute, emphasised the current inequity and financial disadvantage students experience simply because they choose a career in a profession that is not well represented at public universities.

If and when the bill is implemented, I will have already graduated, with a debt of \$56,000, of which \$11,000 is an administration fee of 25 per cent—more than I need to save for a house deposit. Compare this with my brother, who will have completed a three-year degree in design at a public university, with a HECS debt of around \$15,000. I will pay more than three times the amount... How is that equitable? Professionals in the performing arts have the ability to share so much with their communities and build culture, and often do so despite earning a lower income compared to other professions.

3.64 Mr Anthony Donald a student who is currently studying business at Christian Heritage College (CHC) also provided evidence before the committee. Mr Donald stated that he was 'one of those stereotypical people who did not do well in high school' and had very little of idea of what he wanted to do once he had finished year 12. Mr Donald explained that through CHC he was able to enrol and complete a diploma in ministry and thereafter pursue a business course.<sup>54</sup>

3.65 In obtaining evidence from students studying at higher education institutions outside Australia's public university system, the committee focused its attention on the current costing per annum of courses and how much the reform package would save students. In this context, it is important to consider the benefits students will experience from the provision of Commonwealth Grant Scheme funding to non-traditional higher education providers, who may elect to lower their student fee as a result of Commonwealth support. COPHE explained that:

Member institutions of the Council of Private Higher Education have indicated that whatever they receive in Commonwealth support for students will be passed on to students through reduced tuition and some have already indicated they will hold their 2014 tuition fees through 2016 if reforms are in place.<sup>55</sup>

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53 Ms Katrina Arch, Student, Endeavour College of Natural Health, *Proof Committee Hansard*, 7 October 2014, p. 63.

54 Mr Anthony Donald, Student, Christian Heritage College, *Proof Committee Hansard*, 7 October 2014, p. 62.

55 COPHE, *Submission 48*, p. 3.

3.66 Of equal import is the removal of the HELP student loan fee of 25 per cent for FEE-HELP and 20 per cent for VET-FEE HELP, and the removal of the FEE-HELP lifetime limit.

The proposed removal of FEE-HELP and VET FEE-HELP fees will reduce the cost of education for students in full-fee paying courses. This will remove a deterrent to students considering study in these courses, and reduce their total cost of education.<sup>56</sup>

3.67 The government is tightly focused on improving admission strategies to higher education, including providing alternative mechanisms to admission to universities. As such, these proposed changes to the funding and regulatory framework will bring the government in line with the evolution of non-traditional higher education providers as integrated tertiary providers. Non-traditional higher education providers, including TAFE Directors Australia endorsed this reform.

Commonwealth funding is required to support the increasingly important role TAFE plays in broadening student choice and access, strengthening the capacity and reach of the system, particularly in regional areas and addressing critical skills in the Australian economy.<sup>57</sup>

### *Ensuring quality*

3.68 Questions were raised at the hearing about the ability of Australia's higher education framework to provide adequate assessments of private universities and non-university higher education providers, in line with community expectations regarding quality and reputation. However, the process for becoming a higher education provider is the same for all higher education providers: public universities, private universities, as well as all other non-university higher education providers, such as TAFE, all have to meet the same high standards.

3.69 Notably, Navitas Limited, a private education company, approximated that there are currently only 150 non-university providers of higher education providers operating in Australia.<sup>58</sup>

3.70 With respect to accreditation of higher education programs through TEQSA, various Institutes of TAFE made it clear that as a regulator in the higher education sector TEQSA 'regulates very rigorously, and as... non-university provider[s] we certainly apply the same rigour to ourselves and to the curriculum.'<sup>59</sup>

This means that our graduates achieve the same learning outcomes and at the same levels as their university counterparts... there is an expectation that academic staff have a thorough knowledge of their disciplined field and its latest research findings and their applications, in addition to an

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56 Regulation Impact Statement, p. 60.

57 TAFE Directors Australia, Submission 100, p. 7.

58 Ms Helen Zimmerman, Group General Manager, Government and Stakeholder Relations, Navitas Limited, *Proof Committee Hansard*, 7 October 2014, p. 52.

59 Ms Mary Faraone, Chief Executive, Holmsglen Institute, *Proof Committee Hansard*, p. 42.

understanding of contemporary scholarship and of learning and teaching. This is required both by TEQSA and by professional accreditation bodies. Without that accreditation, our students would be considerably disadvantaged in the degrees that they graduate with. With regard to the qualifications of our staff, we believe they are equivalent to the increasing number of teaching-intensive or teaching-focused staff at universities<sup>60</sup>

3.71 Study Group International explained that the accreditation process through TEQSA was rigorous and 'can take up to 12 to 18 months and maintaining registration requires continuous investment in quality assurance and improvement.'<sup>61</sup> The committee also heard evidence about the Quality Indicators for Learning and Teaching (QILT), and the vastly improved MyUniversity website that will serve informed and active consumers.<sup>62</sup>

3.72 The proposed QILT indicators are a performance measure instrument that was announced as part of the 2014–15 Budget:

The QILT provides a coherent suite of Government endorsed surveys for higher education, that cover the student life cycle from commencement to employment. Higher education providers will receive data from the surveys relating to their students and graduates, supporting their continual improvement efforts in key areas such as teaching practices, learner engagement and student support... Importantly, students and families will have better information about higher education institutions on which to base their decisions. This, in itself, reduces the system's reliance on regulation to support quality.<sup>63</sup>

3.73 Professor Peter Shergold, Chair of TEQSA Advisory Council, highlighted the necessity and value of the QILT indicators to Australia's 'immature' higher education market. Professor Shergold emphasised the role of the proposed QILT indicators in ensuring all higher education providers report in the same way so that Australia has an informed and transparent market in which students can make informed decisions.<sup>64</sup>

You need to know that you can look on there and see for every provider of higher education what the student satisfaction is at that institution, what the student outcomes are, what the employer satisfaction is. That helps you to

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60 Dr Charlotte Brack, Acting Deputy Director Programs – Higher Education, Northern Melbourne Institute of TAFE, *Proof Committee Hansard*, 9 October 2014, p. 43.

61 Mr Warren Jacobson, Managing Director, Study Group Australia P/L (Incorporating ACPE Limited), *Proof Committee Hansard*, 7 October 2014, p. 52.

62 Mr Warren Jacobson, Managing Director, Study Group Australia P/L (Incorporating ACPE Limited), *Proof Committee Hansard*, 7 October 2014, p. 52.

63 Regulation Impact Statement, pp. 26–27.

64 Professor Peter Roger Shergold, Chair, Tertiary Education Quality and Standards Agency Advisory Council, *Proof Committee Hansard*, 7 October 2014, p. 80.

judge whether you want to pay more or less between one institution and another.<sup>65</sup>

3.74 The department also acknowledged the importance of transparency and outlined information about higher education providers that would be available to Australians through QILT:

Accountability for quality will be enhanced through more transparent information to inform choice of study options for students and their families. New information provided through the Quality Indicators for Learning and Teaching (QILT) will compare how successful previous graduates have been at finding jobs and what other students and employers think of a course.<sup>66</sup>

#### *Committee view*

3.75 The committee is convinced the expansion of the demand driven funding system to private universities, non-university higher education providers and sub-bachelor qualifications will ensure equitable access for all students, irrespective of their choice of study or provider.

3.76 The committee is satisfied that the proposed measures will improve the efficiency of the higher education system by providing appropriate and effective pathways for all students. Specifically, the committee considers that these measures are necessary to facilitate pathways to higher education for those students from lower socioeconomic backgrounds, regional students, Indigenous students, mature-age students and those with low ATAR scores.

3.77 The committee is persuaded by evidence that the proposed changes will create an environment of healthy competition between non-university providers and also between public and non-university private providers such that innovation will flourish.

3.78 The committee notes stakeholder concerns about the professional accreditation process of private universities and non-university higher education providers. However, the committee is satisfied that TEQSA is an appropriate and satisfactory quality agency, and that the QILT indicators will ensure Australia has an informed and transparent higher education market.

3.79 It is the committee's view that an awareness campaign to communicate to students, particularly those from target cohorts, the impact of the changes to their future studies could allay concern and ensure students are fully informed.

#### ***Commonwealth Scholarship Scheme***

3.80 A key component of the government's higher education reforms is the establishment of a new Commonwealth Scholarship Scheme. Under the proposal, institutions with more than 500 students enrolled would be required to put 20 per cent of the additional revenue raised through fee increases towards 'activities to improve

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65 Professor Peter Roger Shergold, Chair, Tertiary Education Quality and Standards Agency Advisory Council, *Proof Committee Hansard*, 7 October 2014, p. 80.

66 Department of Education, *Submission 98*, p. 2.



access and participation.<sup>67</sup> The committee understands that this measure is intended to ensure disadvantaged students are given every opportunity to access higher education.

The Government's reforms to higher education will provide opportunities for regional universities and the regional communities they serve. By uncapping sub-bachelor places, the Government will allow an additional 80,000 students to access Commonwealth subsidies by 2018. This includes more people from disadvantaged backgrounds, from rural and regional communities and those who need extra assistance to complete their studies. The new Commonwealth Scholarships scheme will allow universities to offer scholarships to students from regional and remote areas.<sup>68</sup>

### *Students from low SES backgrounds*

3.81 The submission received from the Australian Department of Education explained that the introduction of demand driven funding has expanded enrolments and improved access for students from disadvantaged backgrounds:

Between 2012 and 2013, domestic undergraduate low socio-economic status (SES) student enrolments increased by 7.2 per cent to 124 193, with an improvement in the participation rate of low SES domestic undergraduate students from 17.1 per cent in 2012 to 17.3 per cent in 2013.<sup>69</sup>

3.82 Ms Jenny Lambert, Director of Employment, Education and Training at the Australian Chamber of Commerce and Industry, explained that by increasing access to education overall, the uncapped, demand-driven system has also helped disadvantaged students:

Only four per cent of working-age Australians were at university in the late 1980s, just prior to the fees being reintroduced. Now there are close to double that. The uncapped demand-driven system in place now has allowed more students than ever to access universities, including those from lower socioeconomic backgrounds. This has happened despite fees, as the opportunity for economic rewards drives behaviour and, when access is freed up, people respond.<sup>70</sup>

3.83 This echoes the findings of the Kemp-Norton review, commissioned to look at and make recommendations in relation to the demand driven funding system. The reviewers concluded that the system increased opportunities for students from lower socioeconomic backgrounds:

Universities offered thousands of new student places in anticipation of the demand driven system. In 2013, the equivalent of 577,000 full-time

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

68 Department of Education, *answers to questions on notice*, 20 October 2014, p. 11.

69 Australian Department of Education, *Submission 98*, p. 8.

70 Ms Jenny Lambert, Director of Employment, Education and Training, Australian Chamber of Commerce and Industry, *Proof Committee Hansard*, 8 October 2014, p. 18.

students received Commonwealth support in paying their tuition costs, an increase of more than 100,000 on 2009....These new places have been widely distributed. There are more students from the major cities and from regional and remote areas, more students from all socio-economic backgrounds, and more Indigenous students. There are more undergraduate students in all major fields of education. Every public university increased its number of Commonwealth supported students between 2009 and 2012.<sup>71</sup>

3.84 However, the committee recognises that disadvantage continues to act as a barrier to higher education for some, and that it is imperative that this bill ensures that money is available to address this. In the committee's view, the package ensures that higher education will be cost free at the point of delivery for all students, and that under the HELP scheme students will continue to have no obligation to repay their debt until they have sufficient income to do so.

*Students from regional communities*

3.85 Domestic enrolment at regional universities has grown at a higher rate than the average for all public universities since the introduction of demand driven funding for bachelor degrees in 2012. This is indicative of regional universities' capacity for innovation and ability to take advantage of new policy settings.<sup>72</sup>

Regional universities are well placed to capitalise on the unlimited availability of sub-bachelor places, both by enrolling more students in their own right and forming partnerships with other local providers such as TAFE [technical and further education] institutes. A number of universities have already forged partnerships with regional TAFEs to develop new courses or expand operations into previously underserved locations where there are poor higher education attainment rates, but good VET [vocational education and training] preparation to diploma level. Regional TAFEs that are approved to operate as higher education providers will also be able to provide additional opportunities for regional students and support the economic development of their communities.<sup>73</sup>

3.86 However, students from regional communities face more than just the costs incurred through course fees. Professor Sandra Harding, Vice-Chancellor and President of James Cook University, explained that it is a fallacy assume that it is any cheaper to study or conduct research in regional areas:

[I]t is no cheaper to be in regional areas than it is to be in metropolitan areas. Indeed, depending on where you are there are increased pressures sometimes, particularly when you are in smaller communities where there is low rental availability and high cost attached to rents. That really can be

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71 Review of the Demand Driven Funding System, Final report, p. x, available at: <http://docs.education.gov.au/node/35537> (accessed 15 October 2014).

72 Department of Education, *Submission 98*, p. 9.

73 Department of Education, *Submission 98*, p. 10.

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very expensive. Similarly, the cost of food, amenities and utilities can all be higher in some areas.<sup>74</sup>

### *Committee view*

3.87 The committee notes that the costs to study or conduct research vary greatly depending on geographical location.

3.88 The committee understands that regional universities can potentially benefit greatly from the reform package, as discussed in the following section. At the same time, the committee is of the view that steps must be taken to ensure that the financial barriers students face are recognised and that students from regional communities have access to metropolitan higher education institutions, should they choose to study there.

3.89 Given that guidelines for eligibility for the scholarship scheme are yet to be released, the committee is of the view that scope exists for them to be weighted towards assisting students living away from home.

3.90 Furthermore, the committee is persuaded by evidence that the uncapped, demand driven system has increased overall access to higher education. In principle this applies equally to areas of study which are known for being more expensive, such as medicine. For this reason, the committee is inclined to support complete deregulation of the undergraduate higher education sector, recognising that this entails uncapping undergraduate medical degree places.

## **Recommendation 1**

**3.91 The committee recommends that guidelines for the Commonwealth Scholarship Scheme seek to address some of the financial barriers faced by students from low SES backgrounds and regional communities in accessing higher education.**

### **Addressing 'thin markets' in regional areas**

3.92 One aspect of the package that received substantial commentary from submitters was the effect of the reform package on 'thin markets' in regional areas. While a number of submitters acknowledged the benefits of the reform package for regional universities in the extension of sub-bachelor places, they emphasised the disproportionate effect of the package as a whole on regional universities and called for the government to provide a structural assistance package to assist rural and regional higher education provider to adapt to the new system.

3.93 Charles Sturt University, who have the second highest number of low-SES students in Australia highlighted the concerns of regional universities.

... if we are essentially relying on the ability of students to pay fees to fund research aspirations, that is going to have a disproportionate effect on

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74 Professor Sandra Harding, Vice-Chancellor and President, James Cook University, *Proof Committee Hansard*, 7 October 2014, p. 6.

regional universities. So we therefore think there needs to be some sort of package which actually assists with that, with the details to be determined.<sup>75</sup>

3.94 Regional Universities Network (RUN) highlighted the significant gap that exists between higher education attainment in Australian capital cities compared with regional Australia.

The further away from capitals, the lower the post-school education attainment. In 2011, 31 per cent of people aged 25-64 who lived in major cities held a bachelor degree or above, compared to about half that in regional Australia; 18 per cent of Australians living in inner regional areas had a degree, declining to 15 per cent for outer regional areas and down to only 12 per cent for very remote areas... It is critical to grow the proportion of educated professionals working in the regions, if regional Australia is to have sufficient, educated professions to fully participate in the world economy.<sup>76</sup>

3.95 With respect to regional Victoria, Federation University of Australia explained:

... if the legislation remains demographically neutral, higher education participation rates in regional communities will continue to decline and the net migration flow of that 18-to-35 age group out of regional Victoria will continue to decline.<sup>77</sup>

3.96 Federation University of Australia also submitted that without a regional adjustment package the University would have to significantly cross-subsidise their students to survive.<sup>78</sup>

3.97 Flinders University highlighted the importance of regional higher education providers for regional economies and regional social cohesion.

... our experience, both in the Riverland and in regional South Australia, and now in the Northern Territory, is that if we recruit people from the territory and train them in their territory, they are likely to stay in the territory as doctors. That part of the story is something that needs to be recognised.<sup>79</sup>

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75 Professor Andre Vann, Vice Chancellor, Charles Sturt University, *Proof Committee Hansard*, 8 October 2014, p. 68.

76 Regional Universities Network, *Submission 56*, p. 3.

77 Professor David Battersy, Vice Chancellor, Federation University of Australia, *Proof Committee Hansard*, 10 October 2014, p. 1. The 32 per cent increase in student fees is the Federation University of Australia's modelling in light of the proposed changes in the reform package. See Professor David Battersy, Vice Chancellor, Federation University of Australia, *Proof Committee Hansard*, 10 October 2014, p. 6.

78 Professor David Battersy, Vice Chancellor, Federation University of Australia, *Proof Committee Hansard*, 8 October 2014, pp 5-6.

79 Professor Michael Barber, Vice Chancellor, Flinders University, *Proof Committee Hansard*, 10 October 2014, p. 8.

3.98 The National Union of Students emphasised the tendency of rural and regional students who are studying at rural and regional universities to remain in their communities.

They have every intention of studying and going back into their communities and practising social work or being teachers, of going back into their communities and practising in their local areas. I think there also needs to be an acknowledgement of that.<sup>80</sup>

3.99 Professor Henry Ergas, acknowledged the legitimacy of the concerns raised by the rural and regional higher education community, however, submitted that with the correct assistance, rural and regional higher education providers could prosper within the proposed new reform package.

I see that Wollongong, which is a regional university, in a sense—it is in an area that is certainly not a terribly high-income area and that attracts many students from low-socioeconomic-status families—is adjusting quite successfully to those changes. I think regional universities will be able to position themselves in such a way as to attract students and funding over time. But that will take time. It will require changes. And ensuring that they are able to do so is important, not merely for those regional communities but also for enhancing competition in the system as a whole.<sup>81</sup>

3.100 The department also provided evidence to the committee demonstrating the proven abilities of regional universities to successfully adapt to structural change.

Regional universities have always shown strong capacity to innovate and take advantage of new policy settings. The introduction of demand driven funding for bachelor degrees in 2012 has seen domestic enrolments at regionally headquartered universities grow at a higher rate than the average for all public universities... In a deregulated fee environment, regional universities will have scope to set tuition fees at levels that will both cover their cost of delivery and make their offerings competitive with other providers in the market.<sup>82</sup>

#### *Committee view*

3.101 The committee recognises that rural and regional higher education providers deliver high quality and essential educational and research services that are vital for Australia's remote communities, our regional economies and regional social cohesion.

3.102 The committee acknowledges that it is not in the national interest to lessen the participation rate of regional Australians in higher education and acknowledges the difficulties that rural and regional higher education providers will experience as a result of the reform package.

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80 Ms Deanna Taylor, President, National Union of Students, *Proof Committee Hansard*, 10 October 2014, p. 12.

81 Professor Henry Ergas, *Proof Committee Hansard*, 9 October 2014, p. 82.

82 Department of Education, *Submission 98*, pp 9–10.

3.103 The committee believes that tackling the cultural and social issues of access to higher education for those students from lower socioeconomic backgrounds, 'first in family' for tertiary education and regional areas, is paramount to ensuring the evolution of career pathways envisaged by this reform package.

### **Simplifying the Commonwealth contribution funding clusters**

3.104 In order to simplify Commonwealth subsidies, Schedule 1 of the bill proposes to change the current cluster funding arrangement.<sup>83</sup> Specifically, it proposes to streamline the eight funding clusters into five funding tiers.<sup>84</sup> The rationale for the change is to 'incorporate a more rational reflection of factors relevant to the cost of delivery' as identified by the Base Funding Review (BFR).<sup>85</sup>

Disciplines were allocated to a particular cluster based on the standard teaching method and infrastructure required to deliver the course as well as the private benefits for graduates, drawing on the work of the BFR. The BFR suggested five discipline groups as an appropriate framework for the Commonwealth Grant Scheme, arguing that the current model 'would be improved by reducing the number of funding clusters'.<sup>86</sup>

3.105 The BFR held targeted consultations with stakeholders to obtain views from the sector about the principles and recommendations to inform its response.<sup>87</sup> The BFR also received 161 submissions in response to a consultation paper released prior to the targeted consultations with stakeholders.<sup>88</sup>

3.106 In restructuring the clusters arrangements, the department has taken into account a range of variables, including the standard teaching method, infrastructure costs, and the estimated prospective value of respective disciplines to students.<sup>89</sup>

The new funding clusters were developed based on the following principles:

- Simplifying the system to reflect only major differences between disciplines.
- Grouping disciplines based on average relative cost of delivery.
- Private benefits for graduates.<sup>90</sup>

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83 Explanatory Memorandum, p. 15.

84 Regulation Impact Statement, p. 68.

85 Regulation Impact Statement, p. 68.

86 Department of Education, *answers to questions on notice*, 20 October 2014, p. 9.

87 Australian Government, Department of Industry, *Base Funding Review*, <http://www.industry.gov.au/highereducation/Policy/BaseFundingReview/Pages/default.aspx>, (accessed 21 October 2014).

88 Australian Government, Department of Industry, *Base Funding Review*, <http://www.industry.gov.au/highereducation/Policy/BaseFundingReview/Pages/default.aspx>, (accessed 21 October 2014).

89 Regulation Impact Statement, p. 68.

3.107 As proposed, the five tiers are:

Tier 1 – Low cost courses with traditional lecture and tutorial format with high private returns: Management and Commerce, Food and Hospitality, Mixed Field, Law and Economics.

Tier 2 – Other low cost courses with traditional lecture and tutorial format: Society and Culture (including social studies and humanities, but excluding law, economics, clinical psychology and foreign languages) and Communications (excluding audio visual studies).

Tier 3 – Medium cost courses that combine traditional lecture and tutorial format with significant practical experience requirements – Computing, Behavioural Science, Welfare Studies, Other Health, Architecture and Building, Education, and Creative Arts (excluding communications).

Tier 4 - Laboratory based disciplines with small class sizes and/or high equipment costs: Science, Engineering, Allied Health, Nursing, Environmental Science, Clinical Psychology, and Foreign Languages.

Tier 5 - High cost disciplines with high infrastructure costs and/or intensive teaching: Agriculture (excluding environmental science), Medicine, Dentistry, and Veterinary Science.<sup>91</sup>

3.108 The committee notes that:

Under the new five clusters some important disciplines have a lower funding reduction than the average 20 per cent reduction. These include: teaching, health (including nursing), foreign languages, veterinary science and agriculture.<sup>92</sup>

3.109 A number of submitters examined the impact of the proposed changes to the cluster arrangements on specific disciplines and questioned their necessity.<sup>93</sup>

3.110 In assessing the student impact of the transition to a deregulated higher education environment, some submitters were of the opinion that the system would be better understood if there was a flat 20 per cent reduction across all disciplines.

It will be easier to understand if there is simply a uniform reduction across all disciplines, rather than adding into what is already a fairly complicated mix of changes these new changes to funding clusters. I think we understood that there was a strong policy rationale behind the proposal for the five as opposed to the eight, but we felt that to throw that in at the same

90 Department of Education, *answers to questions on notice*, 20 October 2014, p. 21.

91 Regulation Impact Statement, p. 68.

92 Department of Education, *answers to questions on notice*, 20 October 2014, p. 21.

93 Professor Deborah Terry, Vice Chancellor, Curtin University, *Proof Committee Hansard*, 7 October 2014, p. 27; Professor Andrew Vann, Vice Chancellor, Charles Sturt University, *Proof Committee Hansard*, 8 October 2014, p. 60; Australian Catholic University, *Submission 25*, p. 3.

time as doing everything else risked creating serious confusion in the minds of potential students.<sup>94</sup>

3.111 In contrast, others provided evidence that a uniform reduction arrangement would result in major disadvantage to particular disciplines, such as nursing and teaching and to universities who have specialised in particular disciplines and therefore would not have capacity to cross-subsidise courses to cushion reductions.<sup>95</sup>

3.112 Charles Sturt University (CSU) argued that the five tiers, as proposed, fail to take into account regional labour market demand, graduate earnings or the impact of increases in course fees on student enrolments in professional disciplines.<sup>96</sup>

3.113 In evidence before the committee, Professor Andrew Vann, Vice Chancellor of CSU, expressed concerns about the level of cuts and subsequent fee increases in areas of chronic labour market shortage in rural and regional areas, with students already hesitant to enrol in such disciplines.<sup>97</sup>

### ***Funding levels that reflect costs***

3.114 Equally, the committee received submissions and took evidence at the hearing that supported the simplification of the Commonwealth funding clusters.

ACU [Australian Catholic University] 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.<sup>98</sup>

3.115 Professor Dewar, Chair, Legislation and Financing Working Group explained that there was no clear correlation between the different rates across the current system of eight clusters and the costs of delivery of disciplines, and therefore, they had been the subject of criticism.

They were historically derived and no-one really had a good rational to explain them... The view was taken that, as part of these reforms, we would shift the allocation of government subsidy onto a more rational footing.<sup>99</sup>

3.116 The department submitted that 'the new five clusters resolve anomalies with the current eight funding clusters and reduce the complexity of the Commonwealth Grant Scheme.'<sup>100</sup>

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94 Professor John Dewar, Chair, Legislation and Financing Group, *Proof Committee Hansard*, 8 October 2014, p. 11.

95 Australian Catholic University, *Submission 25*, p. 3.

96 Charles Sturt University, *Submission 61*, p. 7.

97 Professor Andrew Vann, Vice Chancellor, Charles Sturt University, *Proof Committee Hansard*, 8 October 2014, p. 60.

98 Australian Catholic University, *Submission 25*, p. 3.

99 Professor John Dewar, Chair, Legislation and Financing Working Group, *Proof Committee Hansard*, 8 October 2014, p. 12.



3.117 The department also explained that:

The subsidy levels associated with the existing funding clusters are primarily based on historical decisions from the 1980s and do not reflect the relative costs of course delivery today. As a consequence, if eight funding clusters are retained and fees are deregulated, there is a potential for fee setting to be more complex and less transparent to students.<sup>101</sup>

3.118 In response to criticisms about the proposed changes to the cluster arrangements and their potential to impact on disciplines such as science and engineering, the department submitted that:

[T]he alternative proposal of retaining the eight funding clusters with a consistent reduction in subsidy funding across the clusters would adversely affect teaching, nursing, IT, architecture and welfare courses. Such an arrangement would favour around one-third of universities compared to the proposed five clusters (for most the gain would be marginal), while two-thirds of universities would be worse off, a number of them significantly, due to their high proportion of teaching and nursing students.<sup>102</sup>

3.119 In the context of a deregulated higher education environment, where higher education providers will have the ability to increase fees to offset reduced Commonwealth funding, the current cluster structure is not sustainable.

The alternative eight cluster proposal would have the greatest negative financial impact on universities that have less capacity to increase revenue from students, in particular regional universities.<sup>103</sup>

The Panel has concluded that the base funding model would be improved by reducing the number of funding clusters.<sup>104</sup>

3.120 The department acknowledged that the new five funding clusters would affect institutions differently dependent on their discipline profiles, giving the following example:

Institutions with high proportions of students enrolled in teaching and nursing, such as some regional universities, have lower than average reductions in per student funding.<sup>105</sup>

*Committee view*

3.121 The committee considers that the streamlining of the current eight funding clusters to five funding tiers is necessary to implement the package of reforms. The committee is also satisfied that adequate consultation with the higher education sector

100 Department of Education, *answers to questions on notice*, 20 October 2014, p. 21.

101 Department of Education, *Submission 98*, p. 9.

102 Department of Education, *Submission 98*, p. 9.

103 Department of Education, *Submission 98*, p. 9.

104 *Higher Education Base Funding Review*, October 2011, p. 54.

105 Department of Education, *questions on notice*, 20 October 2014, p. 21.

was conducted with respect to the BFR that made the recommendation to reduce the funding clusters.

3.122 The committee acknowledges that these reforms reflect factors relevant to the cost of the delivery of higher education courses, and that the proposed changes are limited and appropriate to ensure universities have the means to resource their institutions.

3.123 The committee is persuaded that the proposed relative level of government contribution is based on the relativities identified in the BFR and that the resultant reduction of Commonwealth subsidies to certain courses is justified in order to create a sustainable demand-driven system.

3.124 The committee considers that it is important to decrease the regulatory burden on higher education providers, and is convinced that these amendments will improve the regulatory framework of the sector. The committee nonetheless recognises the challenges inherent in moving to a deregulated system, and urges the government to address these challenges through a structural adjustment package. This package should prioritise tailored assistance for providers catering to regional, rural and disadvantaged students.

3.125 The committee is persuaded by evidence that the proposed changes to the funding cluster arrangement will have a greater impact on some higher education providers, and as such, transitional support arrangements are necessary for such entities to ensure the government's intended outcomes.

## **Recommendation 2**

**3.126 The committee recommends that the government explore the provision of a structural adjustment package to assist certain sections of the higher education sector transition to a fully deregulated system.**

## CHAPTER 4

### The future of HECS

4.1 Throughout the inquiry, evidence received from students, vice-chancellors and others highlighted the importance of Australia's unique HECS scheme.

#### **Ensuring financial stability and accessibility of HECS**

4.2 The reforms propose changes to the design and parameters of the HECS scheme with the policy objective of strengthening Australia's higher education system while repairing the budget. The proposed reforms seek to streamline the HELP program by:

- aligning FEE-HELP and HECS-HELP;
- removing the HECS-HELP up-front payment discount and voluntary repayment bonus;
- removing the FEE-HELP lifetime limit and loan fee; and
- removing the VET-FEE HELP lifetime limit and loan fee.

4.3 The reforms also propose to increase the indexation and minimum repayment threshold for HELP debts.

#### ***Aligning FEE-HELP and HECS-HELP***

4.4 The HECS-HELP benefit was first introduced as part of the 2008–09 Budget with the purpose of reducing HECS-HELP repayments by approximately \$1800 a year for early childhood education and \$1700 a year for other occupations.<sup>1</sup> Subsequently, the HECS-HELP program was expanded to other areas of identified need, including mathematics, science related occupations and nursing.<sup>2</sup>

4.5 The reforms propose to discontinue the HECS-HELP benefit from 2015,<sup>3</sup> as it has had a low take up and has been ineffective in achieving its aims.<sup>4</sup>

The Graduate Destination Survey of recent graduates shows that transition into these occupations was high before the HECS-HELP benefit was introduced and has not changed significantly since.<sup>5</sup>

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

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

3 Explanatory Memorandum, Higher Education and Research Reform Amendment Bill 2014, Schedule 7. See also: Explanatory Memorandum, p. 2.

4 Explanatory Memorandum, Higher Education and Research Reform Amendment Bill 2014, Schedule 7. See also: Explanatory Memorandum, p. 82.

4.6 The Committee also notes that the *Review of the Demand Driven Funding System* conducted by Hon. Dr David Kemp and Mr Andrew Norton recommended that '[t]he HECS-HELP benefit for graduates in designated occupations should be discontinued.'<sup>6</sup>

***Removing HECS-HELP upfront payment discount and voluntary repayment bonus***

The changes to the loan scheme also include the removal of the up-front payment discount for HECS-HELP loans and the voluntary repayment bonus for HELP loans,<sup>7</sup> both initiatives of the previous Labor government.

4.7 By decisions made by the previous Labor government, since 1 January 2012 Commonwealth supported students who are eligible for HECS-HELP and elect to fully pay, or part pay \$500 or more of, their student contribution amount upfront to their higher education provider receive a discount of 10 per cent. This discount amount is paid by the Government to the student's higher education provider.<sup>8</sup> Further, since 1 January 2012 where a student makes a voluntary repayment of \$500 or more towards a HELP debt, they receive a bonus of 5 per cent. This bonus amount is an additional credit against the student's outstanding HELP debt that is never recovered by the Government.<sup>9</sup>

4.8 The Business Council of Australia supported these measures and acknowledged that their removal would contribute to the sustainability of the loan scheme.<sup>10</sup> The committee did not receive any substantive submissions opposing the amendments.

***Removing FEE-HELP lifetime limit and loan fee***

4.9 Currently the amount of FEE-HELP loan a student can access across their lifetime is capped. This has the effect of potentially excluding students who would be unable to pay any fees over and above the limit upfront.<sup>11</sup> The proposed reforms would remove these barriers and ensure equitable access for students regardless of the type of course or which provider they choose.<sup>12</sup>

5 Hon. Dr David Kemp and Andrew Norton, *Review of the Demand Driven Funding System*, 2014, p. 40.

6 Hon. Dr David Kemp and Andrew Norton, *Review of the Demand Driven Funding System*, 2014, p. xii.

7 Higher Education Research Reform Amendment Bill 2014, Schedule 1.

8 Australian Government, StudyAssist, <http://studyassist.gov.au/sites/studyassist/news/pages/changes-to-hecs-help-discounts-and-voluntary-repayment-bonus>, (accessed 20 October 2014).

9 Australian Government, StudyAssist, <http://studyassist.gov.au/sites/studyassist/news/pages/changes-to-hecs-help-discounts-and-voluntary-repayment-bonus>, (accessed 20 October 2014).

10 Business Council, *Submission 99*, p. 17.

11 Explanatory Memorandum, p. 9.

12 Explanatory Memorandum, p. 8.

### ***Removing VET FEE-HELP lifetime limit and loan fee***

4.10 Currently the amount of VET FEE-HELP loan a student can access across their life-time is capped. This has the effect of potentially excluding students who would be unable to pay any fees over and above the limit upfront.<sup>13</sup> The proposed reforms remove the current life-time limits on VET-FEE HELP loans.<sup>14</sup>

4.11 Further, the existing VET FEE-HELP loan fee was implemented to assist the Government to manage the costs of extending HELP to higher level vocational education and training courses. However, under the proposed changes, the fee will no longer be necessary as changed indexation arrangements for all HELP debts (discussed later in this chapter) take account of the costs to government in providing the loans. As such, the proposed reforms remove the VET FEE-HELP loan fee<sup>15</sup> to ensure all students are treated fairly and equitably.

4.12 Evocca College also explained that the removal of the financial barriers to VET-FEE HELP, students who would otherwise have commenced their studies in lower qualifications will now instead choose to enter at Diploma level.<sup>16</sup>

4.13 The committee heard evidence from students about the financial benefits of the removal of VET-FEE HELP. For example, a student undertaking a Bachelor of Design Arts from the Academy of Design in Melbourne, would experience approximately \$15 000 in saving as a result of the VET FEE-HELP reform.<sup>17</sup>

### ***Indexing HELP debts and a new minimum repayment threshold***

4.14 Under current arrangements, HELP debt that has been outstanding for more than 11 months is indexed in line with CPI each year on 1 July. As such, HELP debt increases only with inflation.

Unlike a personal loan from a bank, it does not matter how long a graduate takes to pay off their HELP debt: the value of the debt does not increase in real terms. This is an important element of the design of the HELP scheme, and a protection for graduates. In particular, it protects graduates who earn less than the HELP repayment threshold (currently \$53,345), or who take time out of the workforce (e.g. parents raising children).<sup>18</sup>

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13 Explanatory Memorandum, p. 9.

14 Explanatory Memorandum, Higher Education and Research Reform Amendment Bill 2014, Schedule 6. See: Explanatory Memorandum, p. 2.

15 Explanatory Memorandum, Higher Education and Research Reform Amendment Bill 2014, Schedule 6. Explanatory Memorandum, p. 2.

16 Evocca College, *Submission 141*, p. 2.

17 Miss Emily Elsworth, Student, Academy of Design Australia, *Proof committee Hansard*, 7 October 2014, pp 60–67.

18 Group of Eight, *Submission 46*, p. 46.

4.15 The reform package proposes to charge a real interest rate at the government long-term bond rate, capped at 6 per cent.<sup>19</sup> The September 2014 10 year Commonwealth government bond rate is 3.55 per cent.<sup>20</sup> CPI for the 12 months to the September 2014 quarter is 2.3 per cent.<sup>21</sup>

The bond rate is the interest rate that the Government pays on the money that it borrows to lend to students as HELP loans. The Government borrows money at the bond rate and lends it at CPI: this is a cost to the Government (estimated at \$190 million in 2013-14). While a real interest rate would eliminate this cost to Government, it would have a negative effect on lower earning graduates. HELP debt would increase in real terms while graduates were under the repayment threshold or out of the workforce. The end result would be that graduates who earned less would pay more. This would be a regressive system and contrary to the design of the HELP scheme.<sup>22</sup>

4.16 In 1996 Professor Chapman outlined the benefit of the interest rate on HELP debts being lower than 'real' interest rates:

The lack of a real rate of interest on the debt is also worth highlighting. It means that those former students who earn relatively low incomes over their lifetimes are given greater subsidies in the form of implicit access to an interest free loan. The orders of magnitude of this subsidy can be quite large. For example, [it was] demonstrated that male lawyers, because they earn high incomes relatively quickly after graduating, in effect pay up to 30 to 50 per cent more (in present value terms) than do public sector teachers who spend five years out of the labour force after graduating.<sup>23</sup>

4.17 The reforms would also establish a new minimum repayment threshold for HELP debts of two per cent where a person's income reaches \$50 638 in 2016-7.<sup>24</sup> Currently tax payers are not required to start repaying their HELP loans until their income reaches \$53 345.<sup>25</sup> As such, from 1 July 2016, a lower repayment amount of two per cent will apply for persons with incomes above the new threshold up to the current minimum threshold.<sup>26</sup>

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- 19 Explanatory Memorandum, Higher Education and Research Reform Amendment Bill 2014, Schedule 3.
  - 20 Reserve Bank of Australia, <http://www.rba.gov.au/statistics/tables/xls/f02hist.xls> (accessed 24 October 2014).
  - 21 Australian Bureau of Statistics, <http://www.abs.gov.au/AUSSTATS/abs@.nsf/mf/6401.0?opendocument#from-banner=LN> (accessed 24 October 2014).
  - 22 Group of Eight, *Submission 46*, p. 46.
  - 23 Chapman, B. (1996) The rationale for the Higher Education Contribution Scheme, Australian Universities Review, 1/1996, pp. 43ff quoted by ACCI, *Submission 140*, p. 8.
  - 24 Higher Education and Research Reform Amendment Bill 2014, Schedule 4. See: Explanatory Memorandum, p. 2.
  - 25 Higher Education and Research Reform Amendment Bill 2014, Schedule 4. See: Explanatory Memorandum, p. 9.
  - 26 Explanatory Memorandum, p. 9.

### ***Higher education will remain cost free at the point of delivery***

4.18 In the current HELP environment where HELP debt is indexed at CPI, the level of debt never increases in real terms. While this means that debtors only ever repay the same debt they incurred regardless of the timeframe in which they take to repay the loan, this means the government is subsidising the debt.

4.19 In 2014 the cost to the government to subsidise degrees is more than \$6 billion, and the value of HELP loans is more than \$5 billion. Further, the government submits that in 2017 their funding through HELP loans will be approximately \$10 billion.<sup>27</sup>

In a deficit environment the government needs to borrow the money that it lends to students. Because the government currently lends to students at less than it costs the government to borrow the money, there is an additional subsidy from taxpayer to student. Given the scale of costs now present in the higher education system, it is time that students picked up a fairer share of the tab for these interest charges. This is why we are changing the indexation rate for HELP debts from the consumer price index to the Treasury bond rate (safety capped at six per cent).<sup>28</sup>

4.20 The current fiscal environment dictates that the current HELP debt indexation arrangement is not sustainable, however, under the proposed reforms HELP debts are and will remain income-contingent loan schemes.

Under the HELP scheme, graduates are obliged to repay only when they have the income to do so. Otherwise, graduate[s] are not obliged to ‘clear the debt’ over any period. HELP debts are not the same as mortgages or personal loans. HELP loans are fundamentally different in the way they operate.<sup>29</sup>

4.21 In evidence before the committee, Professor Bruce Chapman argued that:

What always mattered hugely to maintain the rationale and the power of this [HECS] instrument was income contingency—not having any charges up front, offering insurance against default and offering consumption smoothing. That is the essence of an income contingent loan and the motivation for it—and that is still there. But the parameters have changed hugely. In 1989 the charge was the same for all courses—so there were very considerable cross-subsidies.<sup>30</sup>

4.22 Universities unanimously supported that sentiment:

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27 The Hon. Mr Christopher Pyne, MP, Leader of the House and Minister for Education, Higher Education and Research Reform Amendment Bill 2014, second reading speech, *House of Representatives Hansard*, 28 August 2014, p. 3.

28 The Hon. Mr Christopher Pyne, MP, Leader of the House and Minister for Education, Higher Education and Research Reform Amendment Bill 2014, second reading speech, *House of Representatives Hansard*, 28 August 2014, p. 3.

29 Group of Eight, *Submission 46*, p. 34.

30 Professor Bruce Chapman, *Proof Committee Hansard*, 9 October 2014, p. 60.

HELP loans remove up-front financial barriers to access for all students, irrespective of their personal or parental means. Payment is related to income after graduation, rather than financial resources at enrolment. Fees and HELP debts have no impact on most students' financial circumstances while they are studying.<sup>31</sup>

***Interest rate options: mitigating the impact***

4.23 Despite the fact that the reform package ensures that higher education will remain cost free at the point of delivery, university groups and students voiced strong concerns about the applications of the long-term bond rate to HELP debts.

A real interest rate will mean that – for the first time – the real value of a HELP debt will increase over time. Graduates who take longer to pay will pay more in real terms. This presents equity issues for lower earning graduates and especially for those who take time out of the workforce.<sup>32</sup>

4.24 A number of submitters expressed grave and specific concerns about the impact the proposed changes to the indexation of HELP debts would have on women.

This change is regressive and will disadvantage graduates who take time out of the workforce, particularly women with families. With indexation at CPI, the student is not paying more than it cost them.<sup>33</sup>

4.25 Universities Australia argued that:

The compounding effect would be felt disproportionately by women (who face persistent pay differentials and are more likely to have their careers interrupted by parental responsibilities), and graduates who work in sectors with low or moderate average earnings.<sup>34</sup>

***Impact on women***

4.26 In light of the potential for the proposed changes to indexation of HELP debts to impact on those taking time out of the workforce and those with lower average earnings, a number of submitters expressed grave and specific concern about the effect of the Bill on women.

This change is regressive and will disadvantage graduates who take time out of the workforce, particularly women with families. With indexation at CPI, the student is not paying more than it cost them.<sup>35</sup>

4.27 Navitas Ltd<sup>36</sup> and Universities Australia argued that the reform would disproportionately impact women emphasising the fact that women 'face persistent

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31 Group of Eight, *Submission 46*, p. 34.

32 Group of Eight, *Submission 46*, p. 46.

33 COPHE, *Submission 48*, p. 3.

34 Universities Australia, *Submission 60*, p. 17.

35 COPHE, *Submission 48*, p. 3.

36 Ms Helen Zimmerman, Group General Manager, Government and Stakeholder Relations, Navitas Limited, *Proof Committee Hansard*, 7 October 2014, p. 50.



pay differentials and are more likely to have their careers interrupted by parental responsibilities, and graduates who work in sectors with low or moderate average earnings.<sup>37</sup>

4.28 The Australian Nursing and Midwifery Federation discussed the potential impact of the proposed changes on professions in which women are overrepresented, such as nursing.<sup>38</sup> The National Tertiary Education Union also raised this issue with respect to teaching.

The increased interest that would be charged on HECS will be such that it will represent an additional debt burden for our members. In a gender profession like teaching, the impact will be disproportionate on women.<sup>39</sup>

4.29 The National Centre for Social and Economic Modelling, University of Canberra, provided evidence before the committee about the significant fact that women at a certain age have children and the reality that women have a lower trajectory of their income.<sup>40</sup>

It is across the board that females earn lower incomes. Across all of the areas that we looked at, and I would imagine most of the areas you would look at you would certainly find that the repayments would take longer for females to repay. We did look at business. The results there are that, say for a male, you would repay it in 10.2 years. For a female, it would be 12.2. We looked at science. The repayments for a male would take 11.8 years. For a female scientist, it would be 15.6 years. So it is certainly a longer repayment period—and, naturally, larger repayments in dollar terms.<sup>41</sup>

4.30 Professor Henry Ergas emphasised the role of HELP in understanding Australia's unique position with respect to well-educated women and their rates of workforce participation.

Australia is unusual in having substantial numbers of graduates, especially women, who do not participate in the labour force on a full-time basis, whereas the pattern in the other advanced economies is for well-educated women to have high rates of full-time labour force participation. It is reasonable to believe the zero interest rate on HELP encourages this, as the penalty for deferring repayments is nil, compounding the other factors that result in high effective marginal tax rates for second income earners.<sup>42</sup>

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37 Universities Australia, *Submission 60*, p. 17. See also: Ms Belinda Robinson, Chief Executive, Universities Australia, *Proof Committee Hansard*, 9 October 2014, p. 18.

38 Ms. Lee Thomas, Federal Secretary, Australian and Midwifery Federation, *Proof Committee Hansard*, 8 October 2014, p. 19.

39 Ms Jeannie Rea, National Tertiary Education Union, *Proof Committee Hansard*, 8 October 2014, p. 47.

40 Mr Ben Phillips, Principal Research Fellow, National Centre for Social and Economic Modelling, University of Canberra, *Proof Committee Hansard*, 8 October 2014, p. 35.

41 Mr Ben Phillips, Principal Research Fellow, National Centre for Social and Economic Modelling, University of Canberra, *Proof Committee Hansard*, 8 October 2014, p. 37.

42 Professor Henry Ergas, *Proof Committee Hansard*, 9 October 2014, p. 79.

*Alternative interest rate regimes*

4.31 As the arrangements that index HELP debt at CPI are no longer sustainable, a number of submitters offered alternative interest rate regimes that would maintain taxpayer affordability and ensure the sustainability of HECS-HELP into the future.

The really critical part of HECS is that it should be seen as a risk-management instrument. It is to protect people who—through accidents, bad luck or adversity in the state of the [l]abo[u]r market—are in trouble, in the future, who have attended university so that they will not incur major costs for that. That is why there is an income-contingent first threshold of repayment. That is why the consumer price index was always used to adjust the debt.<sup>43</sup>

4.32 One of the options put forward by Professors John Chapman and Dr Timothy Higgins was a hybrid model that would substantially reduce the chance of real increases in the debt principal.

[B]ased on the current English ICL interest rate arrangement which indexes loans in line with the CPI when debtors' incomes are below the first threshold of repayment of the debt, and with the bond rate when debtors' incomes are above the first threshold of repayment of the debt.<sup>44</sup>

4.33 In evidence before the committee Professor Chapman further explained this option.

[T]he hybrid... use[s] the consumer price index as an adjustment of the debt when people's incomes are below the first threshold and when their incomes are above the first threshold—in 2016, that will be roughly \$56,000—then you use the bond rate. The basic principle for that would mean that, roughly speaking, the real debt will not go up unless the debt levels are particularly high.<sup>45</sup>

4.34 The following graph, supplied by Professor Chapman and Dr Higgins illustrates the difference in repayment amounts (in 2016 dollars) for part-time or full-time employed graduates who completed a bachelor degree based on proposed indexation at bond rate and based on the hybrid model.

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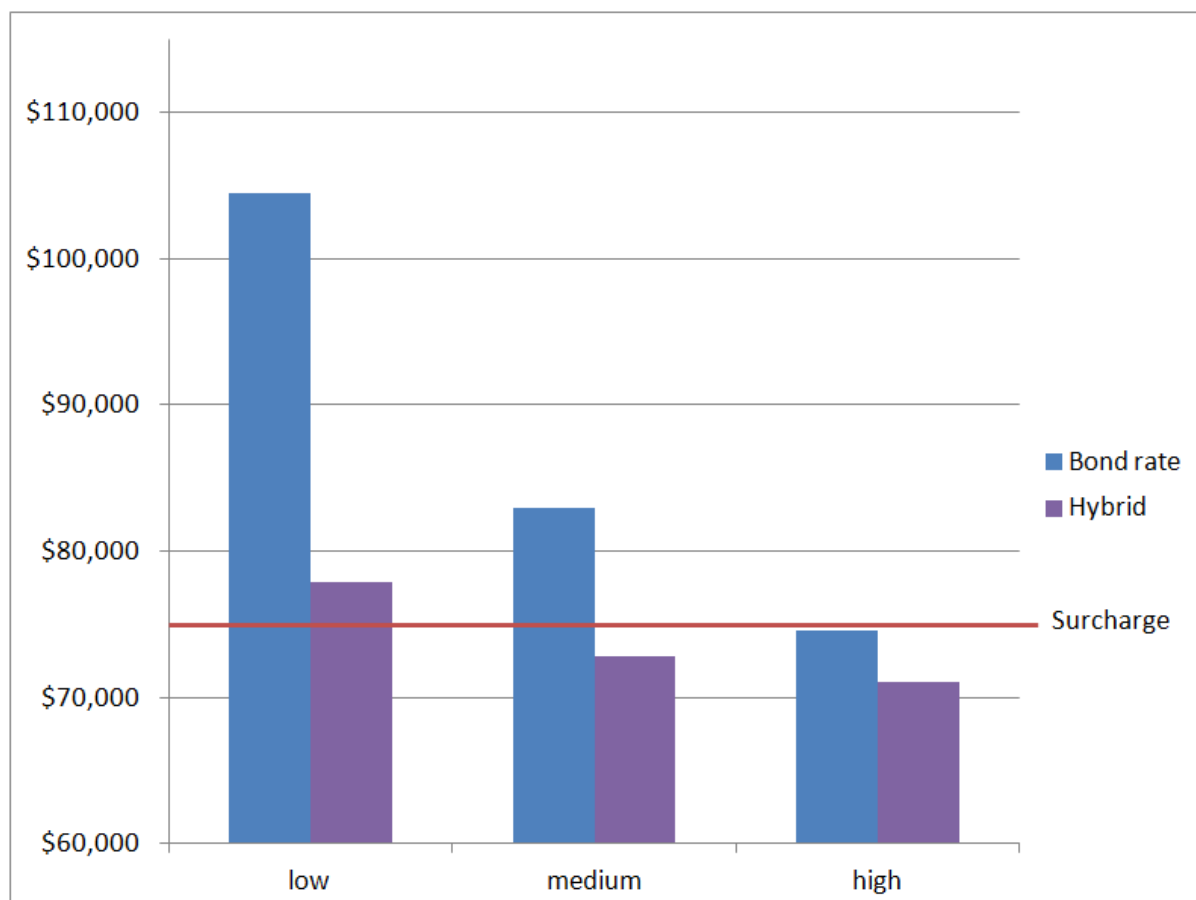
43 Professor John Chapman, *Proof Committee Hansard*, 9 October 2014, p. 53.

44 Dr Timothy Higgins and Professor Bruce Chapman, *Submission 83*, p. 6.

45 Professor John Chapman, *Proof Committee Hansard*, 9 October 2014, p. 54.

Figure 3: comparison of repayment amounts based on proposed indexation at bond rate and based on the hybrid model.<sup>46</sup>

**Borrower repayments (2016 dollars). All graduates (loan = \$60, 000)**



**Overseas-held HELP debt**

4.35 Currently students departing Australia are under no obligation to report their student loan status. In addition, while overseas, they are under no obligation, regardless of their income, to make repayments on their student loans, unless they are an Australian taxpayer.<sup>47</sup> Mr Andrew Norton of the Grattan Institute stated that:

One of the design flaws in the whole HELP scheme is there is no provision for payment for people who are working overseas, potentially earning very high incomes. Overall, higher education continues to provide high private benefits.<sup>48</sup>

46 Dr Timothy Higgins and Professor Bruce Chapman, *Submission 83*, p. 8.

47 Department of Education, response to questions on notice, 20 October 2014, p. 13.

48 Mr Andrew Norton, *Proof Committee Hansard*, 9 October 2014, p. 31.

4.36 Professor Chapman argued that:

We lose about \$40-\$45 million per year because HECS debtors go overseas and we do not collect it. Tim and I worked on some data a couple of years ago. He did a fantastic job with pretty poor data to calculate what it was actually costing the Australian taxpayer, and it is currently about \$40 million. Over 25 years, it started out smaller, but we are talking about \$800 million. We are talking maybe up to a billion dollars. If the fees go up by important amounts then the lost money overseas must go up as well.<sup>49</sup>

4.37 Professor Chapman and Dr Higgins urged the committee to examine this matter of lost revenue. Specifically, Professor Chapman put forward a proposal that the government 'make it a legal obligation that in the event of going overseas for six months or more' you must pay a minimum HECS payment of approximately \$2,000.<sup>50</sup>

4.38 The department undertook to examine this proposal<sup>51</sup> and acknowledged that:

For each new graduate cohort each year, Chapman and Higgins estimated that there is additional lost revenue of \$20-30 million. This is less than one per cent of the total value of loans made each year but it is significant.<sup>52</sup>

*Committee view*

4.39 The committee is convinced that affordable access to higher education will continue to be supported, as the proposed measures ensure that students will still be able to defer payment of their tuition fees. The committee notes that Australia's higher education system is unique in comparison to its international counterparts, as the reform package will ensure that no up-front financial barriers to access higher education for all students, irrespective of their means.

4.40 The committee is persuaded that most of the proposed changes are crucial to ensuring quality in higher education and are proportionate to the policy objective of strengthening the system while repairing the budget, without adverse impact to the sector or students.

4.41 The committee is satisfied that the lower two per cent repayment rate for those above the new minimum repayment threshold will ensure that low-income graduates will not experience a large reduction in their disposable income, while supporting the sustainability of HELP.

4.42 However, the committee believes that the indexation of HELP debt is an area worthy of further consideration to ensure graduates who may not reach their earning potential are not overly burdened by debt. The committee notes that the interest rate on HELP and the conditions of repayment have a significant effect on the size of the

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49 Professor Bruce Chapman, *Proof Committee Hansard*, 9 October 2014, p. 54.

50 Professor Bruce Chapman, *Proof Committee Hansard*, 9 October 2014, p. 54.

51 Department of Education, response to questions on notice, 20 October 2014, p. 14.

52 Department of Education, response to questions on notice, 20 October 2014, p. 13.

debt burden. Therefore, in light of the evidence, the committee urges the government to re-examine this aspect of its reforms.

4.43 At the same time, the committee notes that an increase to the indexation of HELP debts will not impede students' access to higher education because students will only be required to pay back their HELP debts once they start earning above the minimum repayment threshold. As such, the committee recommends that the government set a rate of indexation that will adequately reflect the borrowing cost to the government, but also partially remove the indirect subsidy that all taxpayers contribute to higher education. The committee was persuaded by evidence presented on alternative indexation models, notably the hybrid model put forward by Professor Chapman and Dr Higgins, and urges the government to explore the viability of such a model.

4.44 Finally, the committee acknowledges that a significant amount of HELP debt revenue is lost when residents move overseas, and urges the government to re-examine this.

### **Recommendation 3**

**4.45 The committee recommends that the government examine HELP indexation measures in light of evidence presented to the committee, recognising unforeseen impacts of the proposed reforms on students.**

### **Recommendation 4**

**4.46 The committee recommends that the government explore avenues to recover HELP debts of Australians residing overseas.**



# CHAPTER 5

## Research excellence

### Building on our strengths

5.1 Australia has a robust, internationally renowned research sector. Our researchers are creative and motivated, and they work in diverse disciplines at institutions across the nation.

5.2 One of the key elements of the government's reform package is its commitment to maintaining and promoting Australia's research standing. The government is investing substantially in research, and in ways that will deliver benefits to the nation and beyond. These historic reforms will help build a strong, competitive research sector in what could become the best higher education system in the world.

### Investing for the future

5.3 The Higher Education and Research Reform Amendment Bill (the bill) provides for an increase in funding for research, and allows students assisted through the Research Training Scheme (RTS) to be charged capped contributions.<sup>1</sup> These measures are necessary in light of the former Labor government's failure to set aside funds to maintain the National Collaborative Research Infrastructure Strategy (NCRIS) beyond 20 June 2015, and for future rounds of the Future Fellowship for mid-career researchers.<sup>2</sup>

There was no provision for any new awards for the Future Fellowships program that supports midcareer researchers to undertake world-class research in Australia. Not a cent.<sup>3</sup>

5.4 In recognition of the increasingly integral role that research excellence and innovation play 'in the advancement of knowledge and technology, enhancing prosperity through the development, adoption and diffusion of more productive technologies and processes',<sup>4</sup> as part of the 2014–15 Budget package the government announced its significant investment in Australia's research future.

As part of the higher education reform package, the government will invest \$11 billion over four years in research in Australian universities, including

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- 1 Higher Education and Research Reform Amendment Bill 2014, schedule 5.
  - 2 The Hon. Mr Christopher Pyne, MP, Leader of the House and Minister for Education, Higher Education and Research Reform Amendment Bill 2014, second reading speech, *House of Representatives Hansard*, 28 August 2014, p. 4.
  - 3 The Hon. Mr Christopher Pyne, MP, Leader of the House and Minister for Education, Higher Education and Research Reform Amendment Bill 2014, second reading speech, *House of Representatives Hansard*, 28 August 2014, p. 4.
  - 4 Department of Education, *Submission 98*, p. 3.

\$139 million for the Future Fellowships scheme and \$150 million in 2015-16 to continue the National Collaborative Research Infrastructure Strategy.<sup>5</sup>

5.5 Having identified that the reform package will have some impact on the quality research that occurs in all universities across Australia, the department argued that the continuation of the NCRIS would ensure researchers were supported.

Through NCRIS, partnerships between the research sector, business, industry and governments have been established to ensure that Australian research continues to be competitive and rank highly on international scales. NCRIS enables over an estimated 30 000 researchers to access world leading equipment and facilities. It consists of 12 capabilities made up of 27 projects and facilities that employ more than 1500 highly skilled scientific and technical experts in 222 institutions.<sup>6</sup>

5.6 In assessing the reform package with respect to its potential impact on research, the committee considered relevant the 2012 Australian Research Council (ARC) evaluation of *Excellence in Research for Australia*. This evaluation involved a comprehensive assessment by discipline into the quality of Australia's higher education institutions research activity. The results by fields of research confirmed that researchers at Australian universities compete with the world's best in a wide range of disciplines.<sup>7</sup> Further, the ERA results by institution demonstrated that universities in all States and Territories of varied size deliver research performance at a world standard.<sup>8</sup>

### ***Future Fellowships scheme***

5.7 The measures seek to amend the *Australian Research Council Act 2001* (ARC Act) to update appropriation amounts by applying indexation and increasing the funding cap for the last financial year of the forward estimates to support financial assistance for approved research administered by the ARC.

The measure taken in this Bill will result in a substantial increase in funding to the ARC in the 2017-18 financial year and will promote the quality of research and research training. The programmes supported will fund the high-quality research Australia needs to address the great challenges of our time, to improve the quality of people's lives, to support the development of new industries and to remain competitive in the global knowledge economy.<sup>9</sup>

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5 The Hon. Mr Christopher Pyne, MP, Leader of the House and Minister for Education, Higher Education and Research Reform Amendment Bill 2014, second reading speech, *House of Representatives Hansard*, 28 August 2014, p. 4.

6 Department of Education, *Submission 98*, pp 10–11.

7 Australian Government, Australian Research Council, *Excellence in Research for Australia 2012*, National Report, 2012, Section 2.

8 Australian Government, Australian Research Council, *Excellence in Research for Australia 2012*, National Report, 2012, Section 4 and p. II.

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



5.8 The reforms provide for 100 four year Future Fellowships each year on an ongoing basis.

The government's commitment to ARC funding for [F]uture [F]ellowships, where the previous government left a funding cliff, means that ARC funding is increased by this legislation well above what was proposed by the previous government in forward estimates. Funding for [F]uture [F]ellowships and for the National Collaborative Research Infrastructure Strategy are integral parts of the government's higher education reform package, and depend on the passage of this legislation.<sup>10</sup>

5.9 The reforms to the Future Fellowship scheme received the widespread support of the research community.<sup>11</sup> ARC undertook an evaluation of the Future Fellowships scheme in 2013 that evidenced its success:

A common sentiment expressed in interviews was that a Future Fellowship provides the scope and scale to accelerate a recipient's research effort. It provides the opportunity to focus almost exclusively, over an extended period of time, on a research question. It also provides fellows with the profile to expand collaborative networks, particularly internationally, and attract high-quality students.<sup>12</sup>

### ***One-off efficiency dividend***

5.10 Currently through the RTS, the government provides universities with approximately \$675 million per annum to support the training of domestic higher degree by research students. Presently degree by research students are supported solely under the RTS by funding of research programs under the ARC Act. Students do not make any financial contribution to their course.<sup>13</sup> The reforms propose to introduce the option for a small RTS student financial contribution.

The reform bill will also allow universities, if they wish, to require Research Training Scheme (RTS) students to make a small contribution to the cost of undertaking a higher degree by research course. The government will expand HELP to allow eligible RTS students to defer paying their contribution until they are earning a decent wage.<sup>14</sup>

5.11 The department also provided evidence before the committee that '[u]niversities may choose to offer scholarships to cover these costs.'<sup>15</sup> Further, the

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10 The Hon. Mr Christopher Pyne, MP, Leader of the House and Minister for Education, Higher Education and Research Reform Amendment Bill 2014, second reading speech, *House of Representatives Hansard*, 28 August 2014, p. 4.

11 Australian Research Council, *Submission 97*, p. 2.

12 Australian Research Council, *Submission 97*, p. 2.

13 Explanatory Memorandum, Higher Education and Research Reform Amendment Bill 2014, pp 68–69.

14 The Hon. Mr Christopher Pyne, MP, Leader of the House and Minister for Education, Higher Education and Research Reform Amendment Bill 2014, second reading speech, *House of Representatives Hansard*, 28 August 2014, p. 4.

15 Department of Education, *Submission 98*, pp 10–11.

explanatory memorandum emphasised that such costs 'will not restrict access to tertiary education or higher degrees by research and will ensure the long-term sustainability of RTS funding'<sup>16</sup> as any tuition fee would be deferrable through HELP.<sup>17</sup>

Higher education providers would be able to charge a student contribution up to a maximum of \$3900 per equivalent full-time student load (EFTSL) for high cost courses and \$1700 per EFTSL for low cost courses. It will be up to the discretion of individual institutions as to whether they charge this contribution to HDR students or absorb the reduced funding in some other way.<sup>18</sup>

5.12 The ability for universities to charge fees for RTS students received some criticism from the research industry. Innovative Research Universities alleged that the amendments ignored the contribution of researchers or research teams.

The amendments treat research students solely as students consuming resources for a potential payoff following graduation....A thorough rethink of the place of research students is required to address the mechanisms by which Government supports their development and their living costs. This should ensure coherence with undergraduate funding where universities are funded for all students who enrol. The Government should be encouraging additional research students not discouraging enrolments.<sup>19</sup>

5.13 Similarly, the Council of Deans and Directors of Graduate Research submitted that the proposed amendments will negatively impact on the quantity and quality of Australia's research graduates and decimate Australia's research workforce.

The driver for charging fees is in part to meet shortfalls in the research training scheme (RTS) as a result of the proposed budget cuts. The need for a highly trained research workforce across industry, business, government and the academy is clear and higher education institutions have been working towards enhancing programs to produce better qualified graduates more prepared for roles across multiple sectors. Cutting the RTS is counter-productive and will place additional financial pressure on institutions and will stifle their ongoing efforts to enhance the quality of research training by focussing on and providing broader skills development in the HDR graduates.<sup>20</sup>

5.14 Professor Jacqueline K. Phillips raised concerns that the reforms would result in talented individuals going elsewhere for higher degrees by research.

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

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

18 Department of Education, *Submission 98*, pp 10–11.

19 Innovative Research Universities, *Submission 98*, p. 10.

20 Council of Deans and Directors of Graduate Research, *Submission 118*, p. 1.

Attracting domestic postgraduate students to research in the current Australian climate is already difficult and many students make significant sacrifices to gain their higher degrees. The typical PhD student is no longer fresh out of University; they often have families and financial commitments, and sacrifice income to undertake doctoral degrees. The current level of scholarship is only \$25,392 and they are expected to work full-time for the 3-4 years it takes to do a PhD degree. Contrast this to the level of international student fees of between \$27,000-\$35,000 per year.<sup>21</sup>

5.15 In rebuttal, the department submitted that:

Recent data indicates that higher degree research graduates will enjoy a lifetime earnings advantage over bachelor degree holders, despite starting out later in their employment. In 2013 the median salary for new postgraduates in full-time employment was around \$79 000, whereas, the median salary for bachelor degree graduates was around \$55 000.<sup>22</sup>

### ***Consultation***

5.16 The committee understands that, as with the whole reform package, measures relating to research were informed by public debate and considerable consultation. This included consultation conducted through the Review of the Demand Driven Funding System and the National Commission of Audit (NCOA). Some submitters with concerns about the bill chose not to make submissions to either of these processes.<sup>23</sup>

### ***Committee view***

5.17 The committee notes that Australian universities have a long history of being at the forefront of research in a competitive global market. The committee acknowledges the importance of research activity, and the government's critical role in developing and nurturing the quality of Australia's research sector.

5.18 The committee knows that targeted research investment will help maintain and build on this history. These reforms will foster world-class research capacity at universities in all states and territories, irrespective of their size or location.

5.19 The committee is convinced that the investment in the Future Fellowships scheme will ensure Australia supports midcareer researchers to undertake world-class research in Australia. The committee supports the government's renewed commitment to the continuation of the NCRIS to ensure researchers are supported and that Australian research will continue to be competitive in the international market.

5.20 The committee acknowledges concerns that were raised with respect to the amendments to the ARC Act that would allow universities to charge fees for RTS students. However, as HELP loans will be available so that eligible RTS students do not have to meet these costs up front, the committee is satisfied that the measures are

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21 Professor Jacqueline K. Phillips, *Submission 1*, pp 1–2.

22 Department of Education, *Submission 98*, pp 10–11.

23 Department of Education, *answer to question on notice*, 10 October 2014, p. 3.

reasonable and proportional to the legislative intent, and notes that universities may choose to offer scholarships to cover these costs. Furthermore, HELP loans available for RTS fees will minimise any impact on the demand for higher degree by research.

5.21 Research excellence is a key element of the government's vision for a strong higher education sector and a globally competitive national economy. Evidence before the committee clearly demonstrates that these reforms will help create a system which nurtures innovation and recognises that there are no limits to aspiration for upward mobility.

5.22 The committee is satisfied that, as with the rest of the measures contained in the bill, the changes proposed to the research sector are necessary to ensure the stability and success of Australia's higher education system into the future.

5.23 For this reason, the committee believes that the amendments proposed in this report will enhance the quality of the reform package and complement the bill.

### **Recommendation 5**

**5.24 The committee recommends that the bill be passed.**

# CONCLUSION

Australia has a strong higher education sector with an international reputation for excellence. We are deservedly proud of being a creative, capable and highly educated nation. However, there is no room for complacency. The international economy and employment markets are evolving, and we need to stay competitive. The government's vision is for a higher education system which prepares Australians for the jobs of the future and promotes excellence in research. As put by the Hon Christopher Pyne MP, Minister for Education, Australia faces a stark choice:

...either we spread access to higher education to more Australians and keep our country competitive with others in our region, or we support a higher education system that is unsustainable, that will decline into mediocrity, and eventually be left behind.<sup>1</sup>

The reform package before the Senate is about more than just driving economic growth or boosting productivity. These reforms are primarily about enhancing individual and community wellbeing, expanding choice for students and allowing higher education providers the freedom to build innovative, creative—and above all sustainable—business models. They are about increasing access for regional students, students from low SES backgrounds, Indigenous and mature age students, ensuring that everyone has the same opportunity to reach their potential.

Sustainability has been of grave concern to the sector for some time, as evidenced by vice chancellors, academics and students. Successive governments have, for various reasons, been unwilling or unable to maintain the levels of funding required for the sector to flourish. These reforms are crucial for our higher education institutions, but are not just about raising fees, as critics have rather simplistically inferred. While this government believes the higher education system must be fair and equitable for all Australians, it does not share the naïve view that funding can just be sourced from a bottomless public purse. Students themselves, who enjoy a lifetime of benefits from the higher education they receive, must make a fair contribution. But thanks to the HELP system of deferred payment on student loans, no one will be asked to pay for their education until they are making a decent living.

The model being proposed is unique in the world for its innovation and fairness, and must be seen for what it is: a much-needed, socially progressive overhaul of an unsustainable system.

...this is socially progressive policy.<sup>2</sup>

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- 1 The Hon Christopher Pyne MP, address to the National Press Club, Canberra, available at: <https://ministers.education.gov.au/pyne/address-national-press-club-canberra-spreading-opportunity-and-staying-competitive-why-we-need> (accessed 21 October 2014).
  - 2 Professor Ian Robert Young AO, Vice-Chancellor and President of the Australian National University and Chair of the board of Group of Eight Australia, *Proof Committee Hansard*, 9 October 2014, p. 69.

The committee has diligently examined all aspects of this bill, including the concerns raised during the course of this inquiry. The committee is of the view that these reforms will promote excellence in education and research, and ensure a sustainable future for the sector, one that is, as put by Professor Ian Young, Vice-Chancellor of the Australian National University, 'equitable for students, graduates and the taxpayer'.<sup>3</sup> The HELP system and Commonwealth Scholarship Scheme provide a socially-progressive funding approach which will expand access to higher education and create pathways for anyone who wishes to study, regardless of their background. People who might never have contemplated higher education before will now have a range of options to choose from, and a system of support in place to help them along the way.

This package of reforms follows extensive consultation with the sector. The committee also consulted widely in its deliberations, taking on board many suggestions on how the bill could be improved. As a result, the committee has made a number of recommendations to enhance the proposed reforms. These are set out throughout this report. The committee urges the Senate and the government to take its recommendations on board, and to allow the passage of this legislation.

**Senator Bridget McKenzie**

**Chair**

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3 Professor Ian Young, AO, Vice Chancellor and President, Australian National University, *Proof Committee Hansard*, 9 October 2014, p. 68.

# LABOR SENATORS' DISSENTING REPORT

## AN UNCONTROLLED EXPERIMENT: THE AMERICANISATION OF THE AUSTRALIAN UNIVERSITY SYSTEM

### Introduction

1.1 The Abbott Government's plan to Americanise the Australian university system must be rejected. It is the antithesis of the Australian ethos of a fair go. Australians believe, justly, that fairness in higher education is under threat as a result of the proposals outlined in the Higher Education and Research Reform Amendment Bill 2014 (the bill). The provisions in this legislation will see \$100 000 degrees become the reality as Australians will have to deal with unprecedented education costs, and crippling debt which will take decades to pay off.

1.2 Australia's university system is an invaluable national asset, a powerful enabler of human potential and creator of national wealth. The role of the higher education system – in particular the 43 universities that sit at its core and educate 93 per cent of its students<sup>1</sup> – is to advance knowledge and scholarship, aid the national research and innovation enterprise and meet the country's labour force needs. It does this while balancing the policy goals of excellence, access and participation. It has an international reputation founded on the quality of the institutions and the courses they provide. In the words of Professor John Quiggin, Australian Laureate Fellow in Economics at the University of Queensland:

Australian higher education over the past 30 years has been a huge success story. We have greatly expanded the number of students completing university education. We have done so through HECS in a way that has avoided the huge burdens of debt that characterise other systems. We have surpassed, in particular, the United States in terms of the proportion of the age cohort completing university education, and we have done so while maintaining very high standards. Our leading research universities, on all rankings, compare very favourably with the state flagships in the US—the leading state universities. More importantly, the next tier down—the places that do not make the top 100 lists—still have research-active faculty, still have high standards and they compare incredibly favourably with the second-tier state universities, community colleges and for-profits that educate, or fail to educate, the lower tier of students in the US. Many of these are, as I have detailed in my submission, complete disaster areas. We have big success there.<sup>2</sup>

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1 Tertiary Education and Quality Standards Agency, Statistics report on TEQSA registered higher education providers, 2014, p. 3.

2 Professor John Quiggin, *Proof Committee Hansard*, 7 October 2014, p. 7.

1.3 Australia has an undisputedly world-class higher education system. The Abbott government is proposing radical reforms that will jeopardise this standing. There is no evidence-base to support their proposals. In proposing these changes the Government is not driven by what is best for Australian students and society at large, they are driven solely by ideological obsession. They are embarking on a dangerous experiment and leaving Australian families and students to foot the bill.

1.4 In economic terms higher education is Australia's largest non-resource export industry, earning in excess of \$15 billion annually. But the future prosperity of the sector is not a given – it depends on our ability to maintain Australia's reputation, which in turn depends on maintaining quality.

1.5 Australians rightly have a great deal of confidence in our public universities – 74 per cent expressed support for universities in surveys conducted in 2014<sup>3</sup>. A thirst and aspiration for a university education for themselves and their children is directly related to this confidence and widespread support for the public university system. This aspiration is under attack by the Abbott government.

1.6 The previous Labor government's reforms resulted in remarkable shifts in participation in the sector. From 2008 to 2012, attainment of a bachelor level degree by people aged between 25 and 34 increased from 31.9 per cent to 36.8 per cent<sup>4</sup>. Participation in the sector amongst people from disadvantaged backgrounds is at an all-time high, up to 17.1 per cent. There are 890 000 students at Australian universities today and one in every four of them is there because of Labor's initiatives in government. Indigenous student numbers have increased by 26 per cent; regional student numbers by 30 per cent. Compared to 2007, there are an additional 36 000 students from low income families in universities.

1.7 Contrary to the assertions found in the majority report, real revenue per student to universities increased under Labor. Department of Education figures reveal a 12.3 per cent increase between 2007 (\$9951) and 2012 (\$11 187) – an extra \$1236 in resourcing per student for universities. Overall, Labor lifted Government investment in universities from \$8 billion in 2007 to a budgeted \$17.7 billion in 2017. Research funding increased, with research block funding rising – in real terms – by more than 15 per cent. Labor introduced proper indexation for universities. The bottom line is this: if Labor had kept the funding model introduced by the Howard government, universities would be worse off today to the tune of \$3 billion per annum. The Abbott government's proposal, as costed by the Parliamentary Budget Office, would cut an unprecedented \$18.2 billion in funding over the next decade.<sup>5</sup> On the Department of Education's own figures this would see a reduction in Commonwealth funding of over \$2000 per student, per year of study in real terms.

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3 Andrew Norton, Grattan Institute, *Mapping Australian higher education 2014–15*, October 2014, p. 71, <http://grattan.edu.au/wp-content/uploads/2014/10/816-mapping-higher-education-2014.pdf> (accessed 28 October 2014).

4 Australian Bureau of Statistics, *Education and Work, Australia* (cat. no. 6227.0), May 2013.

5 Parliamentary Budget Office, *Projections of government spending over the medium term*, August 2014.



1.8 The Senate must not place Labor's achievements at risk. The Abbott government's budget cuts and the provisions of the bill represent real threats to participation, attainment and the quality of the system. The Senate should heed the words of Professor Stephen Parker, Vice-Chancellor of the University of Canberra:

My fundamental point is: we should not be taking risks with this. In the absence of evidence, modelling and time for consultation, we should be taking this carefully. The stakes are very high.<sup>6</sup>

1.9 Whether this legislation is worthy of support depends on these questions:

- (1) Will this legislation ensure the maintenance of a higher education characterised by access based on merit not money?
- (2) Will it lead to a more sustainable and innovative university system?
- (3) Will it meet our national labour market and broader economic needs?
- (4) Will it maintain quality, promote excellence and safeguard the reputation of our international education industry?

In Labor's assessment, the bill fails on all four counts.

### **A breach of trust and good policy process**

1.10 Despite the government's assertions to the contrary, this has been deeply resented by the Australian people. There has been a strong negative reaction amongst stakeholders and the community to their proposals. This is not surprising given the factors at play. Namely, the complete lack of consultation surrounding the government's package, the scale of the cuts and the regressive impacts of the proposed policy on students and graduates – present, past and future. The deep unpopularity of the changes reflects both the callous and short-sighted nature of the policy itself and the fact that it goes against everything the Coalition promised in Opposition. There is profound community outrage and shock that the government is pursuing these proposals. A recent Essential poll<sup>7</sup> found 63 per cent opposition to deregulating university fees, a level of antipathy matched in other published opinion polling. Australians understand the way these changes will play out in families, in communities, in cities and towns. This understanding was best represented by Ms Laura Wey of the ANU Students Association:

I am also a child of migrant parents, from a low SES background, survived the public school system, had to move interstate for my degree and, if you had not noticed, I am also a woman and a student. I think the difference between what the vice-chancellors are saying and what we are saying is that they are so far removed from the negative effects that this is going to have.

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6 Professor Stephen Parker, Vice-Chancellor, University of Canberra, *Proof Committee Hansard*, 7 October 2014, p. 35.

7 Essential Report, Government Decisions, 7 October 2014, <http://essentialvision.com.au/government-decisions-2> (accessed 28 October 2014).

I have a younger sibling who is in year 12 now, his first HSC exams on Monday and he is looking to go to university. This issue is very real for him; it is very real for me and my family.<sup>8</sup>

1.11 The Budget night announcement of the most radical shake-up of higher education in 30 years came out of the blue. The Abbott Government gave no indication in its statements either prior to or immediately after the 2013 election that it was anticipating radical change in higher education. The Prime Minister, then Leader of the Opposition, promised in 2013:

In an era of busy government and constant change, it's insufficiently recognised how often masterly inactivity can be the best contribution that government can make to a particular sector. A period of relative policy stability in which changes already made can be digested and adjusted to (such as the move to demand-driven funding) is probably what our universities most need now....

...we will be a stable and consultative government. If we put in place a policy or a programme, we will see it through. If we have to change it, we will consult beforehand rather than impose it unilaterally and argue about it afterwards. We understand the value of stability and certainty, even to universities.<sup>9</sup>

1.12 Prior to the Budget there was no consultation with the university sector, its students or staff on the future shape of the system. Indeed, the Budget announcement completely contradicted the Liberal Party's election policy document, *Real Solutions*, which blandly promised:

We will ensure the continuation of the current arrangements of university funding.<sup>10</sup>

1.13 This position was supported by multiple public statements by senior Coalition figures. Then Shadow Minister for Education, The Hon. Christopher Pyne, said in a media release on 26 August 2012 that:

While we welcome debate over the quality and standards in our universities, we have no plans to increase fees or cap places.<sup>11</sup>

1.14 The then Leader of the Opposition, The Hon. Tony Abbott, said on the 5 September 2013:

I can assure your listeners that there will be no cuts to health, no cuts to education, no cuts to pensions, no change to the GST.<sup>12</sup>

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8 Ms Laura Wey, *Proof Committee Hansard*, 10 October 2014, p. 16.

9 The Hon. Tony Abbott, then Leader of the Opposition, *Address to Universities Australia Higher Education Conference* 28 February 2013.

10 Liberal Party of Australia, *Real Solutions*, January 2013, pp 40–41.

11 The Hon. Christopher Pyne, then Shadow Minister for Education, Media Release: Coalition will not cap places or raise HECS, 26 August 2012, <http://www.pyneonline.com.au/media/media-releases/coalition-will-not-cap-places-or-raise-hecs> (accessed 28 October 2014).

12 The Hon. Tony Abbot, ABC AM, 5 September 2013.

1.15 After the election the Minister for Education again stated that fee deregulation was not being contemplated:

... we're not going to raise fees ... the education budget as forecast over the next four years will not be cut by the Coalition, that's very clear.....we want university students to make their contribution, but we're not going to raise fees.

1.16 Even when pressed by the interviewer the Minister further said:

Interviewer: Why not raise [university] fees ...?

Pyne: Because we promised we wouldn't before the election ...<sup>13</sup>

1.17 It is quite clear that the extent of the Abbott government's cuts and its measures to increase university fees came as a complete surprise to the Australian people. This is particularly the case because, as the Reverend W. J. Uren, Rector, Newman College, The University of Melbourne, submitted, the current system has been serving Australia very well:

The present HECS system and regulated fees has been remarkably successful both in promoting accessibility to tertiary education and sustaining the appropriate standing of Australian universities in the international market.<sup>14</sup>

1.18 The argument now being made by the Abbott Government that there was adequate consultation and warning of the Budget measures does not stack up – especially when compared to the processes surrounding previous radical changes in higher education. The Dawkins reforms in the late 1980s saw extensive consultation and a formal green and white paper process. The Howard Government's 2003–04 Budget decisions on higher education reform were informed by a review of higher education policy, which was announced by the then Minister for Education, Science and Training, the Hon. Dr Brendan Nelson, in April 2002. The Crossroads review held 49 forums in all capital cities between 13 August and 25 September 2002. Seven issues papers were published and a total of 728 submissions were received. The process was also supported by a Productivity Commission research report, *University Resourcing: Australia in an international context*, released in December 2002, which compared 11 Australian universities with 26 universities from nine other countries.

1.19 Reflecting on this process during the Inquiry's hearings, the former Secretary of the then Department of Education, Science and Training, Professor Peter Shergold, said this approach was necessary because a previous attempt at reform without consultation had comprehensively failed:

When I was at the department and working with Minister Brendan Nelson, as I remember it, the government had already approached university reform under David Kemp on one occasion, and—

And the submission was leaked.

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13 The Hon. Christopher Pyne, Sky News, 17 November 2013.

14 Rev. W. J. Uren, *Submission 16*.

And it foundered. So, we wanted to make sure that we went through an extensive process.<sup>15</sup>

1.20 There can be no comparison between the level of consultation on previous successful attempts at higher education reform and the complete lack of consultation, research and discussion involved in the development and presentation of this package. On this basis alone, the Senate should be wary.

1.21 The University of Technology, Sydney (UTS) pointed to the lack of consultation and short implementation timeframe and urged the Senate to think carefully:

UTS would urge the Senate Education and Employment Committee to consider...An appropriate period of consultation to consider both potential changes and transition mechanisms – The Government’s reform package is the largest set of changes to higher education in its history...It would be unprecedented to massively restructure one of Australia’s leading industries in just six months. A 12 month period was recommended by the Federal Government’s Commission of Audit.<sup>16</sup>

1.22 This sentiment was echoed by Deakin University:

Deakin University believes there should be further investigation of the unintended consequences of these policy changes for future students, for all universities including regionally-focussed universities.<sup>17</sup>

1.23 The Regulation Impact Statement associated with this bill claims that a number of prior reviews amounted to a consultation process for this policy. However, each of these reviews covered only a subset of issues, and none was portrayed as leading to a major overhaul. Nor were these reviews structured to deliver input to such major reform. Indeed, two of the three reviews the government refers to as being “consultative” for its package were conducted by the previous government, which had a clear agenda of improving quality and access in higher education, including through substantially increased public funding. The only so-called consultation process commissioned by the Abbott government itself was a review of the demand driven system. The government commissioned former Liberal Minister, The Hon. Dr David Kemp and Mr Andrew Norton, Higher Education Director at the Grattan Institute, to conduct this review. The terms of reference were narrow and, therefore the review was unable to make recommendations on unrestrained student fees. As Mr Norton said at the Committee’s hearing on the bill:

Some of the submissions did raise issues around fees and government funding, but because that was not in our terms of reference we did not consider it.<sup>18</sup>

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15 Professor Peter Shergold, *Proof Committee Hansard*, 7 October 2014, p. 81.

16 University of Technology Sydney, *Submission 96*, pp 1–2.

17 Deakin University, *Submission 71*, p. 5.

18 Andrew Norton, *Proof Committee Hansard*, 9 October 2014, p. 26.

1.24 There was no indication from the report or from the government response to the report that changes of a radical nature were about to be proposed.

1.25 The only indication the government was proposing any sort of change came from a series of speeches delivered by the Minister for Education from April onwards. The first of these speeches was delivered in London to a centre-right think tank – the Policy Exchange – where he praised the United States’ higher education system, and indicated that he was looking at the recommendations of the Kemp-Norton report.<sup>19</sup> There was no indication in that speech that the Minister was considering far-reaching changes to fees, Commonwealth subsidies, HECS, research training or indexation. It appears that the government simply expected the sector to divine its intentions through implication and allusion. As Vicki Thomson, of the Australian Technology Network of Universities told the inquiry:

There was no formal consultation. I think you could read the tea leaves of where we were headed.<sup>20</sup>

1.26 We note that the best practice consultation guidance note issued by the Office for Best Practice Regulation makes no reference to tea leaf reading.<sup>21</sup>

1.27 The majority report’s reasons for supporting these changes are unconvincing at best. There is nothing at the heart of this package that will assist universities to maintain their competitive edge in international education, to enhance research excellence, or to deal with economic and societal changes. The twin motivations seem to be the need to justify a massive cut in higher education investment and an ideological obsession with privatisation. The legislation will continue to propel Australian society down the American route: the low road of increasing inequality of access, opportunity and outcomes that the Australian people neither need nor want. This is certainly the opinion of Professor Stephen King, a former Commissioner with the Australian Competition and Consumer Commission, who has described the package as ‘a recipe for disaster’.<sup>22</sup>

1.28 The Senate should be particularly wary about the impacts of this package on equality. There is little doubt that it will accelerate wealth inequality in Australia. Not only would this be criminal socially, it would be retrograde economically. Economist Thomas Pikkety has found that the acquisition of higher education in the United States has become the domain of the rich, at the expense of the aspirations of working class Americans:

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19 Christopher Pyne, Speech at the Policy Exchnage, *Education: Our competitive challenge*, 28 April 2014, <http://www.policyexchange.org.uk/modevents/item/education-our-competitive-challenge-with-the-hon-christopher-pyne-mp-australian-minister-of-education> (accessed 28 October 2014).

20 Vicki Thomson, Executive Director, Australian Technology Network of Universities, *Proof Committee Hansard*, 7 October 2014, p. 27.

21 Office of Best Practice Regulation, Department of Prime Minister and Cabinet, *Guidance Note: Best Practice Consultation*, July 2014.

22 Professor Stephen King, quoted in University fee deregulation a ‘recipe for disaster’, *The Australian*, 24 September 2014.

Research has shown that the proportion of college degrees earned by children whose parents belong to the bottom two quartiles of the income hierarchy stagnated at 10-20 per cent in 1970-2010, while it rose from 40 to 80 per cent for children with parents in the top quartile. In other words, parents' income had become an almost perfect predictor of university access ... the average income of parents of Harvard students is currently about \$450,000, which corresponds to the top 2 per cent of the US income hierarchy. Such a finding does not seem entirely compatible with the idea of selection based solely on merit. The contrast between the official meritocratic discourse and the reality seems particularly extreme...<sup>23</sup>

1.29 Instead of slugging graduates, dividing university communities, corroding the social licence of our public institutions, and degrading our nation's economic stability and social fabric, the government should fund universities adequately rather than, as unrestrained student fees would, widen inequality.

### **Is there a university funding crisis?**

1.30 The fact is that the only funding crisis for universities is that created by the Abbott government in order to justify its ideological agenda of deregulation and privatisation. If passed this legislation will result in a 20 percent cut in the Commonwealth Grant scheme. Education Department figures reveal that real (in 2014 dollars) per student funding will decline from \$10 832 in 2013 to \$8500 in 2018.

*Figure 1: Real Commonwealth funding per student place*<sup>24</sup>

	2012	2013	2014	2015	2016	2017	2018
Real Commonwealth Contribution per student place (2014 dollars)	11,187	10,832	10,600	10,400	9,200	8,800	8,500

1.31 Australian universities depend on funding from Commonwealth and state governments for more than 60 per cent of their revenue. The Grattan Institute's *Mapping higher education in Australia 2014-15* report finds that in 2012, total university revenue was \$25.4 billion. Public spending on higher education is largely delivered through direct grants to institutions, primarily for: teaching and learning; student loans or HECS; student income support payments paid directly to students;

23 Thomas Piketty, *Capital in the Twenty First Century*, p. 485.

24 Department of Education, *supplementary answers to questions on notice*, 24 October 2014.

and competitive and block grants primarily for research.<sup>25</sup> The government proposes to cut spending, or growth in spending, in all four of these broad areas. The impact promises to be profound, leading to cuts of \$18.2 billion over ten years.<sup>26</sup>

1.32 It is this profound cut, which the UTS estimates may result in a 30 per cent reduction overall, that has prompted many university vice-chancellors to cautiously support fee deregulation. The extent of their reluctance is clear from a number of submissions, including those of the Australian Technology Network and the Innovative Research Universities group.

1.33 Those groups supporting deregulation – particularly the Group of Eight<sup>27</sup> and Universities Australia<sup>28</sup> – have based their argument on an assertion that government investment per student has declined by 14.4 per cent since 1994. Their case is intellectually dishonest because it fails to account for the changes in student contribution levels made as a part of the Crossroads reform process beginning in 2006. The figures mentioned in the Inquiry reveal that per-student funding declined predominantly under the Howard government, which reduced funding by 24 per cent. However, Universities Australia’s analysis does not take into account the fact that the government’s share of funding fell from 80 per cent to 60 per cent as a part of the Crossroads process. It also fails to take account of substantial increases in research funding in recent years – a major oversight given that a primary argument for increasing student fees is the alleged need to cross-subsidise research activity.

1.34 The Department of Education’s figures show that, under the Rudd and Gillard Labor governments real per-student funding increased by 12.4 per cent between 2007 and 2013. The efficiency dividend announced in the 2013–14 Budget would have moderated this to some extent for a limited two year period, but this measure has not been approved by Parliament. In addition, these figures do not take into account the impact on universities of the establishment of the Higher Education and Grants Indexation measure which is estimated to have benefitted universities by \$3 billion from 2007 to 2012. Neither do they take account of the increase in research block grants, increases in the funds available to universities through competitive grants from the Australian Research Council (ARC) and National Health and Medical Research Council (NHMRC), or the establishment of Sustainable Research Excellence grants, instituted to help meet the indirect costs of research.

1.35 The 2013–14 Budget cuts were proposed to help pay for an investment in needs based funding in Australian schools – known as the Gonski plan. As the current government has abandoned this plan, Labor’s position is that these changes should

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25 Andrew Norton, Grattan Institute, *Mapping Australian higher education 2014–15*, October 2014, p. 41, <http://grattan.edu.au/wp-content/uploads/2014/10/816-mapping-higher-education-2014.pdf> (accessed 28 October 2014).

26 Parliamentary Budget Office, *Projections of government spending over the medium term*, August 2014.

27 Group of Eight Australia, *Submission 46*.

28 Universities Australia, *Submission 60*.

also be abandoned. The government has been unable to legislate these cuts through the Senate, and is unlikely to do so, based on the current stated positions of crossbench Senators. Labor continues to oppose these cuts.

1.36 The 2014–15 Budget cuts, as evidenced by Universities Australia's submission, would see per student funding fall by 24 per cent by 2018.<sup>29</sup> The cuts would affect all grants because of changes in indexation arrangements. In addition, the Research Training Scheme, the ARC and equity funding all face cuts. Analysis by the National Tertiary Education Union (NTEU) of the government's proposed 20 per cent cut to the Commonwealth Grants Scheme suggests that institutions will individually lose between \$41 and \$209 million over the four years beginning in 2016. This equates to an average 5 per cent cut in universities' total revenue, with many regional and outer metropolitan universities facing cuts of more than 8 per cent.

1.37 The NTEU has also noted that the explanatory memorandum to the legislation understates the real impact of the cuts, due to what is known as the pipeline effect:

The first point to note regarding the extent of these savings is that they underestimate the full impact of these cuts, as a number of the major changes will take several years to work their way through the system as a result of the pipeline effect of reduced funding rates for students commencing studies in 2016.<sup>30</sup>

1.38 Similarly the impact of these changes on the size of the HELP debt, doubtful debt and other cuts such as those affecting indexation and the research training scheme, will be greater over time than advertised either in the budget papers, the portfolio budget statements or the explanatory memorandum.

1.39 As noted above, the Parliamentary Budget Office, in its report *Projections of Government spending over the medium term*, has estimated the impact of the Budget's measures on higher education will be an \$18.2 billion withdrawal of funding over ten years. This will exacerbate Australia's already poor performance in terms of public investment in higher education. The Organisation for Economic Co-operation and Development (OECD) ranks Australia as equal second last amongst its members in terms of public investment in tertiary education at 0.8 per cent of gross domestic product (GDP). By contrast, the private contribution to higher education in Australia is already the fifth highest in the OECD at 0.9 per cent of GDP.<sup>31</sup>

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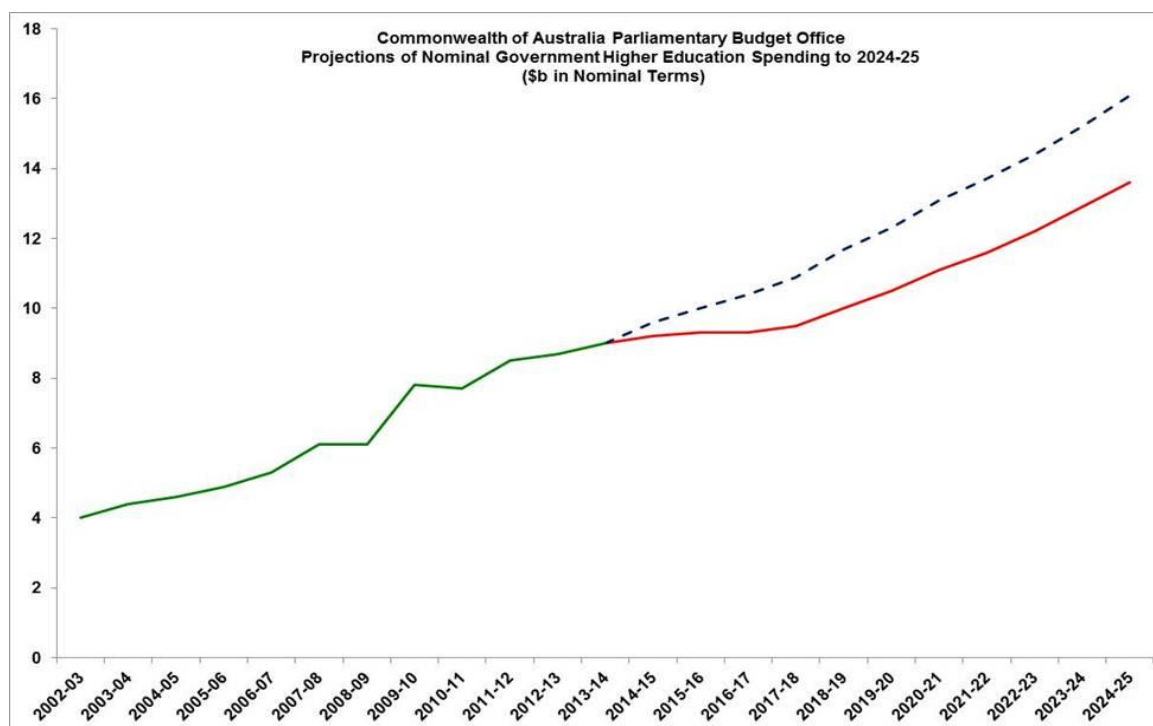
29 Universities Australia, *Submission 60*.

30 National Tertiary Education Union, *Submission 111*.

31 Organisation for Economic Co-operation and Development, *Education at a Glance 2014*, p. 232.



Figure 2: Nominal Government Higher Education Spending Projections to 2024-25<sup>32</sup>



1.40 Under the existing funding arrangements, universities as a whole are performing well financially. The NTEU analysis of 2012 financial data suggests that, collectively, the Australian university system has a positive operating result of \$1.8 billion. Only two universities recorded a deficit in that year. However, the scale of the Abbott government's cuts could place university finances under pressure. The lack of information on their eventual impact is a profound concern. For good reason, some universities have refused to rule out campus or course closures.

1.41 By seeking to deregulate fees the Education Minister is effectively opening Pandora's box. The Minister's department has not undertaken any modelling as to the average cost of degrees under a deregulated system, or charted other potential effects of such radical changes to the existing system. Given the scale of the changes proposed, and the projections of massive fee increases by those outside government who have undertaken modelling, this is reckless, irresponsible and potentially damaging governance by the Liberal-National government.

1.42 There is little evidence that university finances are at a tipping point. We note the analysis offered by Professor John Quiggin:

The current university funding situation is unsatisfactory and inadequate, but is not at a 'tipping point' in which radical reform is necessary to stave off collapse. In the short term, restoration of the funding policy prior to the

32 Parliamentary Budget Office, *Projections of government spending over the medium term*, August 2014, [http://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Budget\\_Office/reports/Projections\\_of\\_Government\\_spending\\_over\\_the\\_medium\\_term](http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/reports/Projections_of_Government_spending_over_the_medium_term) (accessed 28 October 2014).

2013 cuts would be sufficient to stabilize the financial position of the university sector as a whole.<sup>33</sup>

### **The Australian university system – world class**

1.43 The Australian university system consistently ranks as amongst the best in the world. The recent Times Higher Education Rankings places Australia as equal fifth in the world in terms of rankings – equal with the Netherlands. In the words of Phil Baty, Editor of the Times Higher Education World Rankings, 'Australia does not have just a few world-class universities, but a world-class system.'<sup>34</sup>

1.44 The excellence of Australian universities is not an accident. It is the result of decades of public investment by Commonwealth and State governments. Australian universities meet national needs. They address skill shortages. Higher education attainment is increasing. Research performance is on the rise. Student satisfaction with teaching is also improving. And graduates, no matter the university they attend, achieve better employment outcomes than non-graduates. Overall, the system provides excellent value for public investment by delivering fair, accessible education and excellence in research. This includes value to the taxpayer:

One extra dollar invested in tertiary education grows the economy by \$26 and grows tax revenue by \$8.<sup>35</sup>

1.45 Australian universities also sit at the centre of our extraordinarily successful international education industry. It is our highest earning service export, with the latest data for the year ending June 2014 indicating a 12 per cent increase in enrolments compared with the same period in 2013. However, as the Chaney Report makes clear, there is increasing competition for inbound students from major competitors in markets where Australia has hitherto enjoyed advantages.<sup>36</sup> The Senate should remember the events of 2008 and 2009 where provider failures and immigration scams caused overseas students and foreign media to question the quality of an Australian education. Changes that create the perception of diminishing quality in Australian universities will be damaging.

1.46 Universities face significant challenges in the years ahead: a minor baby boom demographic from 2020; disruption to educational and business models driven by online learning; and other societal challenges which the legislation does little to aid. In fact, the withdrawal of public investment, including the government's proposed abolition of the Education Investment Fund, may hurt universities' capacity to respond to these and other unknown challenges. Labor does not buy the argument that students and their families should accept large fee increases to cover funding cuts, equity scholarships, infrastructure and an expansion of university research ambitions.

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33 Professor John Quiggin, *Submission 20*, p. 3.

34 Liam Fitzgibbon, Australian unis improve in world rankings, *The Australian*, 2 October 2014.

35 University of Technology Sydney, *Submission 96*, p. 1.

36 Australian Government, Department of Education, International Education Advisory Council, *Australia – Education Globally (Chaney Report)*, 27 February 2013.

### **The real challenge: participation and diversity – Australia could do better**

1.47 In creating calamities of their own making, the Abbott government's proposals also distract from and exacerbate the real challenges facing higher education: chief among these the need to increase participation, attainment and equity. The previous government's reforms have enabled 190 000 extra students attend Australian universities. The Rudd and Gillard governments adopted a target of a bachelor degree or higher for 40 per cent of 25–34 year-olds, and this has already been met in some parts of the country. In major cities (40.6 per cent), amongst females (40.8 per cent), in the ACT (49.4 per cent) and Victoria (42.2 per cent) the target has been reached. In NSW it is on the verge of being realised (38.1 per cent).

1.48 But more needs to be done. Other states have lower attainment rates of between 26.8 per cent and 29 per cent. Males have an attainment rate of 29.6 per cent. And regional attainment rates are between 16.2 and 20.5 per cent. Low-SES participation in university education is now over 17 per cent. These figures suggest that the government needs to pay more attention to lifting attainment in underperforming markets. Labor Senators doubt that the government's proposals for unrestrained student fees will assist in this endeavour. Nor do we expect that uncapping sub-bachelor degrees will assist in any great measure. According to the Regional Universities Network:

We do not expect an extremely large growth in sub-bachelor and bachelor places at regional universities as a result of the proposed reforms, due to the thin market, and due to the fact that the introduction of the demand driven system in 2012 absorbed much of the existing demand for bachelor places.<sup>37</sup>

1.49 Indeed, the Department of Education's evidence to the committee has confirmed that their Minister's repeated claim that his policy will lead to an additional 80 000 students in Australian higher education by 2018 is a vast exaggeration. The Department told the Inquiry that 48 100 of the 'new' students are expected to be in sub-bachelor places, with 35 500 in bachelor level place. But it made clear that the vast majority of these students are occupying places that already exist – with private providers and public TAFE institutions. While the providers don't currently receive per-place federal government funding for these students, the students themselves can access FEE-HELP, enabling them to avoid up-front payment of fees. On analysis, the '80 000 new students' claim comes down almost entirely to the provision of government support to existing students in existing places – providing a windfall gain for private providers.

1.50 Aside from assertion and spin, the majority report has presented no evidence that the bill will address any of the outstanding issues in university participation – especially when combined with the cuts to equity programs delivered in the 2014–15 Budget. Labor Senators can only conclude, therefore, that the proposed legislation

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37 Professor Peter Lee, Chair, Regional Universities Network, *answer to question on notice*, 15 October 2014.

could do irreparable harm to fairness in Australian higher education with no offsetting benefit in supporting access and diversity.

### **Repeating mistakes of the past: Australian and international experience with fee deregulation**

1.51 Australia has a system in which student contributions to the cost of their university education are capped. The Higher Education Contribution Scheme (HECS) was envisaged as a national insurance system where the student paid a proportion of the cost of the course if – and only if – they gained private benefits in the form of an above-average salary. The proportion of the course that students would repay was initially set at around 20 per cent. The Howard government changed the name of the program to the Higher Education Loan Program (HELP), expanding its remit by introducing FEE-HELP for students studying in private higher education, and introducing repayment thresholds that fell well below the average weekly wage.

1.52 Under the Crossroads reforms, students' share of course costs rose to on average 40 per cent. The current government says its policy will increase this proportion to 50 per cent, but this goal does not require removing the cap on fees. Indeed, it is likely that degree inflation will see that proportion increase significantly. This proposition is supported by evidence from the first university to announce how it would set its fees in a deregulated environment. The University of Western Australia said in its submission to the inquiry that, in 2016, it would have a blanket fee of \$16 000 a year for domestic undergraduate students. For science students, this will represent a 57 per cent contribution; for design, 64 per cent; for arts, 73 per cent; and for commerce, almost 90 per cent.<sup>38</sup>

1.53 This contrast between rhetoric and reality is not surprising when we consider Australia's prior experience with deregulation of student fees. In the 2003–04 the Howard government announced that it was partially deregulating student fees, allowing universities to increase fees by up to 30 per cent.<sup>39</sup> A newspaper article shortly after the Budget indirectly quoted the then Minister for Education, The Hon. Brendan Nelson:

Education Minister Brendan Nelson has said that introducing fee flexibility would mean some course costs would rise, some would drop and others would stay the same, according to demand.<sup>40</sup>

1.54 In an opinion piece in June 2003 the then Minister for Education, the Hon. Brendan Nelson wrote:

Universities will determine HECS fees within a range from \$0 to a maximum set by the Commonwealth. Some institutions may increase the

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38 University of Western Australia, *Submission 45*.

39 Australian Government, *Budget at a glance*, May 2003, [http://www.budget.gov.au/2003-04/at\\_a\\_glance/html/at\\_a\\_glance.htm](http://www.budget.gov.au/2003-04/at_a_glance/html/at_a_glance.htm) (accessed 29 August 2014).

40 Sophie Morris, Architect of HECS tips big fee rises, *Weekend Australian*, 17 May 2003, p. 11.

tuition fees in some disciplines. Some institutions have already indicated they would like to reduce their fees or make no change at all.

This measure is in direct response to representations made to the Government by the 38 vice-chancellors. Institutions argued that greater freedom to vary fees was vital to better reflect student demand and diversify their missions. It will give students greater choice, enable them to make informed decisions about which course they believe will offer them the best value and bring them from the periphery to the centre of the university experience.<sup>41</sup>

1.55 During debate on the Appropriation Bill (No. 1) 2003-04, the then Minister for Education, the Hon. Brendan Nelson said:

The decision on whether or not to increase HECS is a decision to be taken entirely by the university. Some university vice-chancellors have already said that they will not be changing their HECS charges. Some of them have said that they want to offer more scholarships—so some students will not have to pay any HECS at all. Other universities are obviously looking at it with a view to increasing some of their HECS charges. But it is quite wrong for critics to say that every HECS charge is going up by 30 per cent in every institution.<sup>42</sup>

1.56 These claims from 2003 are almost carbon copies of the claims Minister Pyne has been making since May 14 this year.

1.57 However, the experience was considerably different from the spin. On the first year of effect – 2006 – all except two universities raised fees to the maximum allowed. The following year the two universities that had not raised fees to the maximum in the first year did so in the second. There were no price signals; no variation to reflect student demand; no sign that students were making informed choices based on price. This was a massive failure for fantastical economic theory, just as removing all restraints on student fees will be. University administrations and financial flows were better off, but students were not the beneficiaries.

1.58 It is clear that removing all restraints on student fees will be an uncontrolled experiment. Professor John Dewar told the committee that:

... there is no national system that I am aware of that is proposing to move precisely to what we are proposing here.<sup>43</sup>

1.59 There are very few examples of other countries implementing these types of changes. There is little evidence and experience that decision makers and regulators can draw on to manage this journey into dangerous waters. We are concerned that the government has made this decision not based on evidence, but on belief and trust. This

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41 Brendan Nelson, We can vault the Crossroads, *The Australian*, 4 June 2003, accessed 29 August 2014.

42 Brendan Nelson, Main Committee: Appropriation Bill (No. 1) – consideration in detail, *House of Representatives Debates*, 18 June 2003, p. 1695.

43 Professor John Dewar, *Proof Committee Hansard*, 8 October 2014, p. 16.

concern was not ameliorated by evidence presented at the Inquiry's hearings, where not a single witness was able to present evidence to support their assertions. Indeed, Mr Paul Wappett, Chief Executive Officer of Open Universities Australia, confirmed that he had 'no evidence whatsoever' to support his assertion that fees would fall in a deregulated market. Rather, he was relying on 'faith' and 'belief'.<sup>44</sup>

1.60 The Department of Education has repeatedly said that the government has not commissioned any modelling or done any detailed analysis of the likely movement of fees.<sup>45</sup> However, it has clearly made some assumptions about average fee increases, which underpin Budget projections on HELP liabilities.<sup>46</sup> The Senate has every right to be suspicious about the government's refusal to release the analysis or assumptions on which it has based its policy. As discussed further below, this is concerning not only in relation to the potential impact of higher fees on students, but also the potential for a blow-out in HELP debt.

### *New Zealand*

1.61 Senators might also find it curious that the supporters of these changes fail to mention the New Zealand experience. In 1991 the then Nationals government allowed universities to set their own student fees, along with an income contingent loans system (like HECS) introduced to assist students to pay. The experience was that fees trebled, as did the value of student loans. In 2001 a Labour government introduced fee caps and these have remained in place under the current Conservative government.<sup>47</sup>

### *American Experience*

1.62 Some participants in this debate have identified the United States as a country whose system can teach Australia much. They say that deregulating student fees will lead to US-like diversity, downplaying the negative impacts of US-style higher education – particularly those relating to inequality. The fact is that the US has some of the best universities in the world, but also many of the worst. In comparing the Australian and US systems, UTS noted:

Australia graduates a similar percentage of young people as the US college system, yet we have on average much higher quality. The US has more than 10,000 colleges and universities, whose quality varies dramatically from quite low standard schools to the small number of world leading institutions such as Harvard and Yale. And further, in the fully deregulated US market,

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44 Mr Paul Wappett, Chief Executive Officer, Open Universities Australia, *Proof Committee Hansard*, Friday 10 October, p. 32.

45 Robert Griew, Associate Secretary, Department of Education, *Proof Committee Hansard*, 10 October 2014, p. 70.

46 Department of Education, *answers to questions on notice*, 20 October 2014, p. 10, p. 18, p. 22.

47 John Grundy, Will Australia learn from New Zealand's mistakes in higher education, *The Conversation*, 10 October 2014, <http://theconversation.com/will-australia-learn-from-nzs-mistakes-in-higher-education-32669> (accessed 13 October 2014).

fee levels have been rising at twice the rate of inflation for the past decade and student debt is spiralling out of control.<sup>48</sup>

1.63 Student loan debt and fee inflation are significant social, economic and political problems in the US; student debt has quadrupled in the last ten years, and 38.8 million Americans have debts totalling more than \$960 billion.<sup>49</sup> Student debt is now greater than credit card and automotive loan debt. The National Centre for Education Statistics has found that:

Between 2001–02 and 2011–12, prices for undergraduate tuition, room, and board at public institutions rose 40 per cent, and prices at private non-profit institutions rose 28 per cent, after adjustment for inflation<sup>50</sup>

### **\$100,000 degrees will become a reality for Australian students**

1.64 It is clear that, under the proposals contained in the bill, for the vast majority of Australian students and prospective students, the cost of higher education will rise significantly, especially given that universities will have to cover the cost of the 20 per cent cut to the Commonwealth Grant Scheme, fund Commonwealth Scholarships, absorb lower indexation and properly fund their research programs. Evidence to the committee indicated that universities will have to raise fees by an average of 25 to 32 per cent, as a minimum, to cover these costs. And fee inflation will not be moderated by competition:

It is very unlikely that we are going to see most Australian universities actively compete and sell on price. We are not going to see universities say, ‘Come to Flinders or come to Swinburne because our degree is \$1,000 cheaper than the university up the road.’... It is very unlikely that we will see universities aggressively compete on price and lower their prices in order to attract students to their institution.<sup>51</sup>

1.65 It is much more likely that universities will seek to compete, or differentiate, on prestige, course offerings, student experience and other such factors – much as they do already. As Andrew Norton has said:

Prestige fills an information vacuum about the long term benefits of attending particular universities, but prices charged in deregulated markets suggest that prestige drives fee inflation.<sup>52</sup>

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48 University of Technology Sydney, *Submission 96*, p. 2.

49 Federal Reserve Bank of New York, *Student Loan Debt by Age Group*, 29 March 2013, <http://www.newyorkfed.org/studentloandebt/index.html> (accessed 16 October 2014).

50 Institute of Education Services, National Centre for Education Statistics, *Fast Facts: Tuition costs of colleges and universities*, <http://nces.ed.gov/fastfacts/display.asp?id=76> (accessed 16 October 2014).

51 Andrew Dempster, Director, Government Relations, Swinburne University, *Proof Committee Hansard*, 10 October 2014, p. 7.

52 Andrew Norton, University fees will have to match their value, *Australian Financial Review*, p. 47, 13 October 2014.

1.66 As noted above, the scale of price increases facing students has been signalled by UWA's announcement that it will charge a flat fee of \$16 000 for its three year base undergraduate degree.<sup>53</sup> It has justified its fees on the basis of its prestige:

Pricing is commensurate with UWA's standing as one of Australia's leading universities, and one of the world's top 100 universities.<sup>54</sup>

1.67 The contention is that students who wish to attend a high prestige university should expect to pay high fees. Labor Senators argue that the Senate should reject this elitist notion, and insist that equity remains at the heart of higher education policy. It is clear that price gouging, fee inflation and the prospect of debts in the order of \$100 000 or more before a graduate starts earning enough to start paying back their HECS-HELP debts are a very real probability.

1.68 The government has advanced deceptive arguments that graduates should pay more for tertiary education because of the private benefit they receive. The notion flounders thrice. First, because in a progressive tax system those who earn more pay a greater proportion of their earnings in tax – and this includes many, though not all, graduates. Second, because the current funding arrangements recognise the existence of both a private and a public benefit to higher education. And third: because the private contribution to higher education in Australia is already very high by international standards.<sup>55</sup>

1.69 Moreover, the figures the government uses to argue the private benefit from higher education are contestable. Those figures compare lifetime salary outcomes for graduates with a bachelor level qualification, on the one hand, with those who have only a Year 12 qualification on the other. With post school qualifications becoming more common, comparing Year 12 and bachelor degree qualifications is specious.<sup>56</sup> ABS figures show that for some Certificate III or IV graduates – namely those in engineering, ICT, science and electrical trades – lifetime earnings may exceed those of school teachers and nursing professionals. In the words of Geoff Sharrock of the LH Martin Institute:

And as post-school qualifications become mainstream, the simple school leaver versus graduate comparison is becoming less and less relevant as a

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53 UWA runs, like the University of Melbourne, general degrees at the undergraduate level, along with professional degrees at the postgraduate level.

54 University of Western Australia, *Submission 45*, p. 4.

55 Organisation for Economic Co-operation and Development, *Education at a Glance 2014*, p. 232.

56 A 2013 report from the Australian Workforce and Productivity Agency looked at four economic growth scenarios, what kinds of skills the nation now has and what it will need. One of its findings was that, 'In the three higher-growth scenarios, qualification holding is expected to exceed 70% by 2025.'



basis for any policy that frames the issue as a zero-sum contest between student interests and taxpayer interests.<sup>57</sup>

1.70 Andrew Norton, on whose work the government is basing its inflated claims of a \$1 million premium, confirmed in the committee's hearings that he has also concluded the comparison with Year 12 qualifications not the most valid or useful.

### **The impact of fee deregulation on students and the labour market**

1.71 Considerable concern has been expressed about the impact of unrestrained student fees, the changes to the treatment of HELP debt and cuts to teaching subsidies for particular disciplines and careers. The inquiry heard from organisations representing both well paid and not so well paid professions. Submissions and oral evidence were received from the Australian Nurses and Midwifery Federation (ANMF), the Australian Medical Association (AMA), the Australian Education Union (AEU) and the Australian Veterinary Association (AVA).

1.72 The ANMF gave evidence that nursing is a predominantly female profession (92 per cent) and highlighted modelling produced by Universities Australia that Nurses could face a repayment time on debt of up to 24 years. Registered nurses are educated through the higher education system, and have generally lower earnings expectations and outcomes than some other professions. The committee was informed that Australia faces a shortage of up to 109 000 registered nurses by 2025:

One of the things we need to do so much better in this country is health workforce planning. We need to make sure that we balance those two systems of how many people we are allowing demand to put through university with what our needs will be now and what our future needs are.<sup>58</sup>

1.73 The ANMF submission makes the point that the issues of unrestrained student fees and workforce supply in vital care professions cannot be separated:

Nursing and midwifery is a vitally important part of the economy on a number of fronts: workforce, social, economic and international. The government's proposed Bill: Higher Education and Research Reform Amendment Bill 2014 demonstrates a failure to understand or accept the importance of the tertiary education by choosing to pursue a tired and often discredited free enterprise, user pays system and damn the results.<sup>59</sup>

1.74 The AMA expressed its opposition to the measures in the bill, in particular unrestrained student fees, noting:

The evidence also indicates that, in relation to medicine, a high level of debt is a factor in career choice, driving people towards the better-

57 Geoff Sharrock, Million-dollar degree pay-offs: how real are they?, *The Conversation*, 17 October 2014, <http://theconversation.com/million-dollar-degree-pay-offs-how-real-are-they-32858> (accessed 28 October 2014).

58 Annie Butler, Assistant Federal Secretary, Australian Nurses and Midwifery Federation, *Proof Committee Hansard*, 8 October 2014, p. 23.

59 Australian Nursing and Midwifery Federation, *Submission 104*, p. 11.

remunerated areas of practice and away from less well paid specialties like general practice.<sup>60</sup>

1.75 The AMA contended that there was little evidence that price competition was likely in the training of medical practitioners:

Medicine is a much sought after qualification, and there is significant potential under the new policy for an explosion in the costs of a medical degree and the levels of debt that medical students will incur.... With high demand for places, we see no reason that competition will keep fees under control for medicine.<sup>61</sup>

1.76 Given current practice, the AMA expected that students would leave university with debts of over \$250 000, noting that Bond University already charges \$330 000. The AMA noted that Health Workforce Australia expects that by 2025 the health workforce will be in balance, but there will remain shortages in geographic areas and specific specialties:

Encouraging doctors to work in these areas and specialties will be much more difficult if they are saddled with high levels of debt, undermining the significant effort that has been made by current and previous governments to expand doctor numbers as well as attract graduates to work in underserved communities and specialties.<sup>62</sup>

1.77 The AEU spoke to the inquiry about its concerns with the bill. These focussed on the worry that there would be a downward pressure on the quality of teacher education, as well as increased costs that would 'act as a disincentive and discourage people from going into the profession.'<sup>63</sup>

1.78 The AEU was particularly concerned about the proposed changes to indexation of HELP debt:

The increased interest that would be charged on HECS will be such that it will represent an additional debt burden for our members. In a gender profession like teaching, the impact will be disproportionate on women. It will also impact on future generations, particularly those who come from communities and backgrounds that are debt averse. That will discourage them from entering the profession.<sup>64</sup>

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60 Dr Stephen Parnis, Vice President, Australian Medical Association, *Proof Committee Hansard*, 9 October 2014, p. 7.

61 Dr Stephen Parnis, Vice President, Australian Medical Association, *Proof Committee Hansard*, 9 October 2014, p. 7.

62 Dr Stephen Parnis, Vice President, Australian Medical Association, *Proof Committee Hansard*, 9 October 2014, p. 7.

63 Angelo Gavrielatos, Federal President, Australian Education Union, *Proof Committee Hansard*, 8 October 2014, p. 48.

64 Angelo Gavrielatos, Federal President, Australian Education Union, *Proof Committee Hansard*, 8 October 2014, p. 48.

1.79 Around price controls the AEU made the point that previous experience showed, in school education, that there will be little downward pressure on price:

Experience tells us that there is no downward pressure on price; price always increases. And if you want an example of that you look at the private school market in Australia, which received incredible increases in funding under the Howard government's funding system yet continued to increase its fees well in excess of CPI each year, despite the increases in funding as well. It is a furphy that [competition] will keep price down.<sup>65</sup>

1.80 Considerable concerns were raised about the quality of teacher education. The AEU contended that the experience of the deregulation of the VET sector, particularly in Victoria, showed that quality assurance is problematic when a large number of private providers enter the market, in response to the availability of public subsidies for private profit. The AEU also contended that efforts to improve the quality of teacher education would be impeded by the passage of the bill.

1.81 Evidence received by the AVA demonstrated that there is already a profound oversupply of veterinary scientists. Many vets do not work in the profession and those who do work as veterinarians earn significantly less than practising lawyers or doctors. A veterinarian's starting salary is around \$47 000 and the average salary in 2011-12 was \$77 000.

A veterinary science degree takes five to seven years of study, depending on the university, is one of the most expensive courses for universities to provide, leads to a relatively low income and is predominantly undertaken by women. As a result, the higher education reforms will impact veterinary students more than any other student group.<sup>66</sup>

1.82 The AVA cites evidence that veterinary degrees are already underfunded by the Commonwealth and fears that student fees could increase by more than the cost recovery basis of 32 per cent. Modelling produced by the AVA shows that \$100 000 degrees and lengthy payback periods on in excess of 30 years could be a reality under the government's proposals. As with medicine, this would discourage veterinarians from practising in some of the areas of greatest need, socially and economically.

1.83 Many stakeholders have raised problems with the proposed cluster funding changes, and their perverse impact on engineering and science subjects. Submissions have noted that science and engineering suffer a 30 per cent cut in the new cluster funding arrangements. This has sparked comment and opposition from some universities,<sup>67</sup> Engineers Australia<sup>68</sup> and the Australian Council of Engineering

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65 Angelo Gavrielatos, Federal President, Australian Education Union, *Proof Committee Hansard*, 8 October 2014, p. 50.

66 Australian Veterinary Association, *Submission 125*, p. 2.

67 For example University of Western Australia, *Submission 45*, p. 4.

68 Health Gilmore and Matthew Knott, Fears uni cuts could stifle infrastructure, *Brisbane Times*, 3 June 2014.

Deans.<sup>69</sup> Professor Battersby of Federation University, in the hearings, feared for engineering and science in the future at his university:

... Basically, that means we would have to close down engineering and science, because there would not be too many regional students who would want to pay that. We have to look for mechanisms to cross-subsidise in order to keep science—environmental science, for instance—and engineering flourishing. The pity of this of course—you have visited it recently—is that we have just had the benefit of having built a brand-new engineering and science precinct at the university. It is a model for regional Victoria. We do not want to get into a situation where we have no students to occupy that building.

It would be a profound loss of capacity, I would have thought. The brief from Universities Australia points this out—loss of capacity in universities such as yours. Would you agree with that?

Not only a loss of capacity but a loss of regional aspiration. We have the biggest engineering and science facility in regional Victoria—brand-new, funded by the Commonwealth. It sets aspiration for regional high school students, who visit it frequently. If you take that out of operation, you will have a major impact in regional Victoria on the aspirations of students wanting to do science and engineering.<sup>70</sup>

1.84 Such a loss of capacity would fly in the face of the Prime Minister's rhetoric, as Leader of the Opposition, on the importance of science and engineering:

More graduates, particularly in the "hard" disciplines of maths, science and engineering, mean a stronger economy and prosperity for all. That's why reasonable public investment in higher education is not dudding poorer people to help richer people: it's strengthening our human capital in ways that ultimately benefit everyone.<sup>71</sup>

1.85 It is unclear whether, if we move to a system where young Australians will be weighing up course costs, debt and returns on investment how we can be sure that the nation trains the nurses, teachers, or scientists we need. We are particularly concerned about the large cuts in Commonwealth funding for science degrees. Given that scientific qualifications have been identified as crucial by, amongst others, the Chief Scientist,<sup>72</sup> we fear that signals that value scientific literacy lower than other pathways could lead to unfortunate workforce outcomes.

1.86 It is clear that there is significant opposition amongst bodies representing professionals, particularly in services sectors, to the government's measures in this

69 Andrew Trounson, Engineering deans see fees backlash, *The Australian*, 23 June 2014.

70 Professor David Battersby, Vice-Chancellor, Federation University, *Proof Committee Hansard*, Friday 10 October, pp. 5-6.

71 The Hon. Tony Abbott, then Leader of the Opposition, *Address to Universities Australia Higher Education Conference* 28 February 2013.

72 Australian Government, Office of the Chief Scientist, *Mathematics, Engineering and Science in the National Interest*, May 2012.

bill. Unrestrained student fees, coupled with university cuts and unfair changes to HELP, will have major effects on the labour market. The Senate should heed the warnings of these groups and should not support unrestrained university fees.

### **Let it rip - equity under unrestrained student fees**

1.87 Equity is a key focus in higher education policy. The previous government had a clear commitment to increasing the participation of a range of equity groups, including low-SES, regional and remote students, and Indigenous Australians. A fair higher education system is a key test as to whether this bill is worthy of consideration. There is considerable debate on the impacts of the proposed legislation on Australians from regional, outer suburban and interface communities, but many of the submissions from regional universities were clear on this point:

UON's view is that fee deregulation has the potential to damage participation rates in higher education, potentially reversing the growth in equity group participation and success which many universities, including UON, have achieved. ...

Reduced CGS subsidy alongside deregulation risks the prospect of significantly higher fees which, combined with higher debt and interest rates, may act as a deterrent to students, particularly those from 'non-traditional' backgrounds.<sup>73</sup>

1.88 We are not convinced that tinkering with the package to pool scholarships or to institute a regional adjustment fund can address this fundamental concern or make this package fair.

1.89 The government has proposed its so-called Commonwealth Scholarship Scheme as a measure to improve the equity of the package. We make two observations. First, if this package is fair, why are these scholarships so desperately needed? Second, the design of these funds will serve simply to entrench existing social and economic divisions. As noted by Federation University in its submission:

The Bill's proposed reforms will leave the University with proportionately less funding than previously to support its core student cohort, namely disadvantaged students, than capital city based providers. Indeed, under the proposed arrangements, the University will have proportionately fewer funds to support a larger proportion of its students.<sup>74</sup>

1.90 The central concern expressed by some universities, commentators and regional communities is that large, elite universities will be able to use the scholarship funds as a measure to entrench existing market power, poach students and otherwise maintain existing patterns of disadvantage.

1.91 At first blush the Commonwealth Scholarship Scheme seems like a nice idea: take care of the poorest so talent does not go to waste. But think about where the money would come from and you can see it is actually an absurdity. The fee revenue

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73 University of Newcastle, *Submission 119*, p. 8.

74 Federation University, *Submission 72*, p. 6.

will be paid either up front, or deferred and repaid through the tax system. The wealthiest students (actually, their parents or their family trusts) will be able to pay up front and incur no interest. In real terms they will therefore pay the least towards this scholarship pool. The vast majority of the scholarship fund will be supplied by the wide middle ranges who defer payment of their exorbitant fees. A very significant portion of these will be working at full stretch for decades to come, just to make the sacrifices this government demands in order to fund their own education. Inevitably, some of these will be quite poor, but not quite poor enough to gain one of these scholarships themselves. How can we expect these students to pay for someone else's education as well as their own? And pay for the rest of their working lives?

1.92 There is something brazen about the government proposing to call this scheme a Commonwealth Scholarship. Firstly, not one cent of Commonwealth money will contribute towards the scheme. Two, the mechanism for funding is effectively a tax on other students. Third, the very existence of higher fees generates the need for a new type of scholarship – for fee exemptions or discounts - scholarships not currently provided by government. We cannot escape the conclusion that the policy trajectory is one where the government is seeking to shift the costs of student welfare from the Commonwealth treasury to the pay packets of ordinary Australians through the HELP system.

1.93 We already have a system that has worked very well for many decades that asks the wider community to help pay for the proper running of our public university system, including access to it by the neediest in our community. It is called progressive taxation and adequate public funding.

### **Regional adjustment package an admission of failure**

1.94 Calls for a regional adjustment package and pooling of scholarship funds, most prominently from the Regional Universities Network (RUN), are an admission of failure. There is a fundamental inequity at the heart of the bill. After the Budget the Minister for Education claimed that his package would particularly benefit regional universities and students. This claim was directly contradicted by Professor Kwong Lee Dow:

In poorer communities, including regional and rural communities, families will not be able to meet these higher fees.... So the institutions will have less funding and become less competitive over time.<sup>75</sup>

1.95 According to Professor Battersby of Federation University:

....deregulation will not be sufficient or satisfactory in terms of the mechanism to redress the funding shortfall. In this regard we think it is important to acknowledge that in many parts of regional Australia there is already evidence of market failure relating to regional higher education. This is certainly evident in the regions we serve, which is the western region of Victoria and Gippsland. If there was not a market failure, then we

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75 Andrew Trounson, Uni reforms hurt regional students and unis: Lee Dow, *The Australian*, 29 July 2014.

would not be seeing participation rates in regional communities about half of what they are in capital cities. In our view, deregulation and the application of market forces by themselves will not rectify market failure in regional communities.<sup>76</sup>

1.96 Deakin University described to the committee the reasons regional universities and campuses would be adversely affected and the likely implications:

Regional campuses by definition operate on a smaller scale than metropolitan campuses. ... This is easily demonstrated in the contrast between our Geelong and Burwood operations. ... The combined impact of a significant increase in fees and thin populations of regional areas means the declines in Geelong and Warrnambool may compromise the University's current financial sustainability. To limit the impact one option is to relocate or duplicate disciplines from Geelong to Melbourne. This is not in the best interests of the taxpayers of regional Victoria and it contravenes the spirit of the legislation under which the University was founded.<sup>77</sup>

1.97 RUN and Group of Eight amongst others have advocated for a competitive regions fund.

...we ask that there be established a competitive regions fund to acknowledge that the market is not even, is not uniform across Australia and to acknowledge the thin markets in which we operate.<sup>78</sup>

1.98 There is however little agreement on how this fund should operate, for how long and how much funding should be allocated. RUN suggests \$140 million a year<sup>79</sup> for ten years or longer. Others suggest a shorter time period. The compromises that the various parties are now seeking risk creating a patchwork system of university support – a hodge podge of funding mechanisms that lacks policy coherence.

### **A debt sentence for students and taxpayers**

1.99 The origins of the current HELP student loan scheme go back to the Hawke government, which, in line with recommendations of the Wran Committee (Report of the Committee Funding 1988), introduced HECS in 1989. With a flat contribution across all undergraduate disciplines, with no real interest rate applicable to loans, and requiring modest repayments only when a graduate's income reached average weekly earnings, HECS was generally regarded as fair and equitable. It was broadly supported by the public, in large part because repayments commenced only when income rose to above-average levels and thus, it could be argued, graduates were benefitting financially from their higher education qualification. Later research showed that, with

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76 Professor David Battersby, Vice Chancellor, Federation University, *Proof Committee Hansard* 10 October 2014, p. 23.

77 Deakin University, *Submission 71*, pp 3–4.

78 Professor Peter Lee, Vice Chancellor, Southern Cross University, *Proof Committee Hansard*, 7 October 2014, p. 36.

79 \$100 million a year for the fund and \$40 million a year in pooled Commonwealth scholarships.

its modest parameters, HECS did not deter students from enrolling in higher education.

1.100 In 1997 the Howard Government made significant changes to HECS, introducing differential charges across disciplines, raising charges across the board and lowering the repayment thresholds. The rates at which repayments were made also increased. While there was an initial drop in applications for places at many universities, these changes – which were essentially incremental – did not have lasting deterrent effects.

1.101 The measures contained in the bill related to the current HELP scheme, however, are not incremental, but fundamental. They:

- Introduce a real interest rate, equivalent to the Government ten-year bond rate (capped at six per cent);
- Reduce further the initial income threshold for repayment;
- Are accompanied by an average 20 per cent reduction in Commonwealth subsidies (forcing universities to raise tuition fees in order to meet costs); and
- Are made simultaneously with a move to deregulate undergraduate tuition fees, meaning that there are no caps on what universities and other providers can lawfully charge undergraduate students.

1.102 In a climate of unlimited tuition fees and of a real interest rate proposed for loans, students face the prospect of spiralling debt. For those who take time out of the full-time workforce (especially women) and for those who, for one reason or another, earn less than the \$50 000 repayment threshold for substantial periods, debt will grow rapidly. This means that unemployed or under-employed graduates, those with disabilities those with qualifications in particular low-earning disciplines such as the arts will be especially disadvantaged. For the one in four university students who drop out of their courses – and leave university without a qualification – the prospect of an income that hovers around \$50 000 to \$60 000 could mean a lifetime of debt, as mandatory payments barely keep up with the interest on their loans.

1.103 There are real implications in this for graduates' life choices and for the economy more generally. These include the capacity of graduates to purchase a home. A significant HELP debt would be a factor taken into account by lending agencies and also, naturally, by graduates themselves in deciding whether they are in a financial position to take out a housing mortgage. An analysis of the government's package by the Melbourne Institute of Applied Economic and Social Research concluded that:

Even in the absence of any increase in fees from university fee deregulation, the package of other measures results in an increase in the time to repay loans of over ten years for some groups of graduates. Increases in fees of the magnitude envisaged here as part of the fee



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deregulation element of the package increase the additional time to repayment beyond 15 years for some individuals.<sup>80</sup>

1.104 In addition to the impact on individuals, there is a significant public policy issue around the level of debt not expected to be repaid – known as doubtful debt – consequent on the proposed HELP measures. Professor Bruce Chapman noted in his evidence to the committee:

The problem, as I see it, is that doubtful debt is a cost to the taxpayer but the universities are essentially controlling what that cost is going to be because the doubtful debt is a direct function of the loans that are outstanding and if the universities control what those fees are then that they will ultimately be controlling the levers that determine what that doubtful debt is and what the taxpayers pay. It is akin to a blank cheque being handed from the government to the universities on the matter of doubtful debt.<sup>81</sup>

1.105 Professor Chapman's colleague, Dr Timothy Higgins, added that doubtful debt 'will go through the roof.'<sup>82</sup>

1.106 Partly as a result of concerns about the 'blank cheque' being proposed with taxpayer dollars, many commentators and vice-chancellors have discussed moderating the impact of fee deregulation through a variety of mechanisms. Andrew Dempster, from Swinburne University, gave evidence describing four mechanisms that have been proposed:

An advisory committee – proposed by Universities Australia – to monitor the implementation of the reform package and advise the government on any policy changes that are required.

An annual student HECS-HELP loan limit. Higher education providers would be free to charge more than, the same as or less than the loan limit. This arrangement would operate in a similar way to the current arrangement for FEE-HELP, except that the FEE-HELP limit is a total, not annual, cap.

A price regulator – with a body such as TEQSA, the ACCC, or a new body – could be tasked with monitoring prices for degrees offered by higher education providers and disallowing inappropriate or excessive prices on the basis of clear and objective criteria.

The government could continue to set maximum student contribution, as is currently the case.<sup>83</sup>

1.107 The University of Newcastle – which stated point blank in its submission that it does not support fee deregulation – recommended that, if deregulation were to be

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80 Chris Ryan, *Impact of the Australian Higher Education Funding Reforms*, Melbourne Institute of Applied Economic and Social Research Policy Brief No. 2/14, August 2014, p. 2.

81 Chris Ryan, *Impact of the Australian Higher Education Funding Reforms*, Melbourne Institute of Applied Economic and Social Research Policy Brief No. 2/14, August 2014, p. 2.

82 Dr Timothy Higgins, *Proof Committee Hansard*, 9 October 2014, p. 56.

83 Andrew Dempster, Swinburne University, *Proof Committee Hansard*, Friday 10 October, p. 2.

supported by the Parliament, there should be 'an "elevated" cap on student fees for a transitional period, to allow for market certainty and protect students from excessive price inflation.'<sup>84</sup>

1.108 The fact that these proposals have been floated highlights the fundamental contradiction at the heart of the package. In the words of Angelo Gavrielatos of the Australian Education Union:

It is just ridiculous. On the one hand we want to deregulate the thing and on the other hand we want regulatory frameworks to deal with the impact of deregulation.<sup>85</sup>

1.109 It is clear that market failure in higher education is not a possibility, but a certainty.

### **Alternative proposals for HELP indexation**

1.110 Students will pay one way or another, no matter what proposition the government advances for changes to the treatment of HELP debt. We note that all the alternative propositions are reported to have a similar budget impact as the government's iniquitous proposal to charge a real interest rate. No matter the merits of the various proposals all are inferior to the current situation from an equity point of view.

1.111 In response to stakeholders' widespread opposition to the imposition of a real interest rate on HECS, the government sought some possible policy alternatives that would reduce the cost of the scheme to the taxpayer. These included:

- A "hybrid" model, which would allow for indexation of HELP debt at the Consumer Price Index (CPI) when a graduate's income is below the initial repayment threshold and at the bond rate when income rises above the threshold; and
- A "loan fee plus CPI" model, which would index outstanding loans to CPI but apply a surcharge on the loan that would cover the cost to Government of lending at concessional rates (the current FEE-HELP model).

1.112 As Dr Higgins noted at the Inquiry hearing,<sup>86</sup> the second of these options involved a real difficulty: setting an appropriate surcharge which would be cost neutral, given the changing parameters of the ten-year bond rate and changing fee levels. There are risks that particular borrowers might be overcharged; or, on the other hand, that the surcharge would be insufficient to cover the cost of providing the loan.

1.113 The government has noted that the first of these options would lead to difficulties for the Australian Taxation Office (ATO) in applying two different

84 University of Newcastle, *Submission 119*, p. 9.

85 Angelo Gavrielatos, Federal President, Australian Education Union, *Proof Committee Hansard*, 8 October 2014, p. 49.

86 Dr Timothy Higgins, *Proof Committee Hansard*, 9 October 2014, p. 57.

indexation mechanisms.<sup>87</sup> Aside from these difficulties, the fact is that neither alternative is fair or equitable and both options involve sharply increased costs to graduates who borrow from the government to pay their tuition fees. These costs could be avoided, of course, by paying fees upfront, but that choice is only available to students whose families can afford the substantial charges. Those from middle- and low-income families would have no choice but to take out a loan.

1.114 Labor does not believe that, in Australia, access to higher education should depend on family income. The current HECS-HELP scheme, which has no real interest rate, enables anyone who qualifies to undertake university study that is affordable. The government's proposed changes to HELP, and the two alternative options advanced, must all be rejected.

### **Cuts to research training and fees for PhDs**

1.115 The bill would see funding for the Research Training Scheme (RTS) cut by more than \$173 million over four years – a 10 per cent reduction. The bill allows universities to recoup this shortfall by charging PhD students up to \$3 900 per year in fees, which students could borrow through HECS-HELP.

1.116 The RTS supports Australia's brightest and most academically driven students to do research that benefits the nation. PhD students are the cream of the crop; the first class honours graduates who choose to dedicate three or more years, and often the rest of their working lives, to expanding human knowledge. During their doctoral studies, early career researchers are often responsible for the breakthrough ideas that deliver new technologies or wholly new ways of seeing the world.

Graduate research students form a key part of Australia's research workforce and provide a significant contribution to national and institutional research outputs. These students support long-term strategic national interests and often at a cost to themselves through lost income and opportunity. ... It is our view that the low financial support for this group of students, if it is combined with the introduction of a student contribution, would lead to a downturn in those undertaking research degrees and will have a significant negative impact on the country's research workforce.<sup>88</sup>

1.117 In many cases, the opportunity costs of undertaking a PhD are high. Even for those who receive an Australian Postgraduate Award, the gap between this support and the wages they would otherwise be earning is substantial. Furthermore, for many students, this cost is not recouped through higher lifetime earnings.

This measure sets out to recast research students as students consuming resources for a potential payoff following graduation. The contribution of [higher degree by research] candidates to the public good is typically not matched by a private benefit.<sup>89</sup>

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87 Regulation Impact Statement, Higher Education and Research Reform Amendment Bill 2014, p. 93.

88 Monash University, *Submission 101*, p. 2.

89 James Cook University, *Submission 89*, p. 2.

1.118 Evidence from the Council of Postgraduate Associations in the Inquiry's hearings paints a vivid picture:

The full-time PhD experience is an isolating one, with increasing uncertainty of employment outcome and no guarantee of scholarship support. A PhD student chooses to weather these pitfalls in order to contribute to the nation's knowledge in a unique field of research. To add an extra hurdle by charging fees on research degrees will only further discourage our future research leaders. This change, at its very essence, embodies charging individuals to come to work.<sup>90</sup>

1.119 This is the context for the near-universal opposition to the RTS measure from institutions that have made submissions to the inquiry. The University of Newcastle and RMIT echo the sentiments of most:

This measure does not align to national objectives to build Australia's research, innovation and entrepreneurial capacity.<sup>91</sup>

This is another regressive policy and goes against a long tradition of public investment in research training in Australia.<sup>92</sup>

1.120 The government's own Legislation and Financing Working Group agreed with this assessment and recommended that 'this measure not proceed, with savings found elsewhere if needed.'<sup>93</sup> While Labor does not agree that alternative savings should be found within the higher education system, we wholeheartedly agree that this short-sighted measure must be dropped.

### **Threats to research funding**

1.121 In addition to direct cuts to the RTS, the government has also attempted to create a false and spurious link between the 'reforms' contained in the bill and ongoing funding for two completely separate research programs. These are the National Collaborative Research Infrastructure Strategy (NCRIS) and the Future Fellowships program. It does this in two ways.

1.122 First, it has included in the bill a measure to amend the *Australian Research Council Act 2001* (the ARC Act) to increase the agency's funding envelope (Part 1 of Schedule 5), enabling it to deliver on the government's welcome decision to make the Future Fellowships program ongoing (albeit with a reduced number of fellowships). Labor Senators note that amendments to the ARC Act to reflect government funding decisions are standard operating procedure and consider that such measures should not be tied into highly contested legislation such as the bill.

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90 Ms Meghan Hopper, National President, Council of Australian Postgraduate Associations, *Proof Committee Hansard*, 10 October 2014, p. 23.

91 University of Newcastle, *Submission 119*, p. 6.

92 RMIT University, *Submission 117*, p. 3

93 Regulation Impact Statement, Higher Education and Research Reform Amendment Bill 2014, p. 53.

1.123 The Minister has also stated that, if the current package is not legislated, funding for NCRIS will cease. The mechanism underlying this bizarre threat only became clear at Senate Estimates on 22 October, when the Department of Education advised that the one-year extension of NCRIS funding to 2015–16, which was announced in the Budget, has not been included in an appropriation bill to date. The reasoning behind this move is that the 'offset' for the NCRIS funding in 2015–16 is delivered through the higher education changes. Labor Senators are appalled by the mismanagement of this world-leading research infrastructure program on two levels. First, it demonstrates that the government has totally failed to comprehend the need for funding certainty for major research infrastructure, if it is to be efficiently managed and key personnel are to be retained. How can NCRIS-funded facilities plan for 2015–16 when the program's funding only one year out is being held hostage to a highly contentious overhaul of the university sector? Second, the fact that the Budget only included one additional year of NCRIS funding becomes even more concerning in light of the Department's evidence, which implies that further offsets would be required to maintain NCRIS funding beyond 2015–16.

1.124 With a review of NCRIS imminent, but not yet underway, Labor holds grave concerns for the program's future. But we will not give in to the government's attempted coercion and agree to radical higher education changes that would see students slugged with a debt sentence, in order to secure just one more year of NCRIS funding. Labor's position is that the government should provide security of funding for the highly successful NCRIS and Future Fellowships programs, regardless of whether the bill is passed.

### **Privatising Australian higher education risks large scale rorting and exploitation**

1.125 The government plans to extend the existing demand driven system to non-university higher education providers (NUHEPs), including those in the public TAFE system and private providers. This would mean that Commonwealth subsidies would be available for all accredited courses at providers registered by the Tertiary Education Quality and Standards Agency (TEQSA) and complying with funding agreements, including for-profit providers.

1.126 This ideologically-driven move threatens to open a Pandora's Box. Australia's experience in international education presents a lesson: unless regulation and monitoring are thorough and assiduous, there are real risks that rogue operators will succeed in rorting the system. When this happens, the reputation of the sector as a whole is at risk. Speaking about recent experience of deregulation in the vocational education and training sector in Victoria, Ms Pat Forward of the Australian Education Union told the Inquiry:

What is troubling, particularly in terms of the experience that the TAFE and VET sector brings to this Bill, is the opening up of the market. It has been accompanied by some of the most appalling practices by private providers who, because of the inadequacy of the regulatory system, and the rapidity with which the market has opened up, have been engaged in what can only be seen as deplorable practices. They exploit students through the delivery of lower-level qualifications, as these providers have accessed more and

more public funds, and cherry-pick delivery. Where they deliver anything – a lot of them have been delivering very little – they focus on the high-turnover end of the market.<sup>94</sup>

1.127 While the Commonwealth's regulator in higher education, TEQSA, has potentially robust capacities, Senators should remember that the government, in the 2014 Budget, delivered a cut of over 40 per cent to TEQSA's funding. As a result, the Agency is shedding significant numbers of staff, just when it faces considerable new challenges.

1.128 So far, as TEQSA officers told the Inquiry, there has not been a significant upsurge in approaches by new providers seeking registration in a bid to enter the new, subsidised market. But in the future it is reasonable to predict that such approaches will occur and that the numbers concerned could be substantial. As the Victorian experience illustrates, a strong regulator is a vital condition for a healthy market and – more importantly – a healthy higher education system that enjoys national and international esteem.

1.129 There is a touching sense of confidence in the capacity of TEQSA to manage this new system. This is especially ironic in that many of those who are now expressing unconditional belief in TEQSA's capacities, were less than twelve months ago calling for urgent legislative change to rein in its excesses. We note that legislation to improve the operations of TEQSA remains on the Senate notice paper, where it has languished since this committee reported on that bill in June 2014.

1.130 If the government's plans are realised, Australia would essentially have a voucher system of funding undergraduate education, where Commonwealth subsidies become no more than vouchers, cashable with a myriad of providers, dubious or otherwise. This is a recipe for decline, if not disaster.

### **Funding for sub bachelor degrees**

1.131 By means of the bill, the government seeks to extend Commonwealth subsidies to sub-bachelor qualifications including associate degrees and higher education diplomas and advanced diplomas. Coupled with the extension of Commonwealth Supported Places to non-university providers, including public TAFE institutions, the plan contains the potential for cost-shifting from the states and territories to the Commonwealth. This could happen where TAFE providers, driven in part by funding starvation, convert TAFE-level courses to higher education courses. To do this, they would need to satisfy TEQSA that each course met its Threshold Standards but, where this was achieved, TAFE providers could receive funds from an additional source – preferable, perhaps, to extremely uncertain state-government financial support. Mr Martin Riordan, CEO of TAFE Directors Australia, told the Committee that upwards of 15 or 20 per cent of Victorian TAFE diploma provision has now shifted into the higher education sector. As he noted, '[t]hat is a real

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94 Pat Forwood, Australian Education Union, *Proof Committee Hansard*, 8 October 2014, p. 51.

disappointment for industry because they are not seeing the technical competency sign-offs...<sup>95</sup>

1.132 The Australian VET system across Australia is in crisis due to funding cuts meted out by state governments and, in some jurisdictions, to a proliferation of private VET providers – of varying quality – that are undercutting public TAFE providers.

1.133 It is not the role of the Commonwealth to address the dereliction of public funding for TAFE by Liberal/National State governments. It would be advisable for the Commonwealth and States, through Council of Australian Governments (COAG) processes, systematically to address the crisis in VET. This is a long process that is not aided by ad hoc policy making. The real prospect that such cost-shifting could occur is no doubt partly due to the separation, following the 2013 election, of VET from Higher Education in the machinery of government changes.

### **Institutional autonomy**

1.134 Some have suggested that fee deregulation will get the Commonwealth out of the affairs of universities; that, somehow, universities will be able to chart their course free of interference from the Federal Cabinet or Commonwealth Department of Education. This proposition is clearly false. Adherence to the rhetoric of freedom and autonomy has not stopped Commonwealth Ministers, and indeed the Prime Minister, from seeking to influence the investment strategy of the Australian National University (ANU), as was evidenced at Senate Estimates on Wednesday 22 of October. The interference by the Prime Minister, Treasurer and Cabinet Ministers into the autonomous decisions of the ANU Council demonstrates that universities should not expect that the passage of bill will usher in a new era of freedom – quite the opposite. Universities will be subject to more interference as they make fee-setting decisions that may be politically inconvenient to the government of the day. It is a recipe for more conflict between universities and the Liberal-National government, rather than less.

### **Failing the national interest test**

1.135 Should this legislation be supported? The key test here is the national interest test. Are these changes fair? Are they necessary? Will they lead to accessible, affordable university education for both the student and the Commonwealth? Will they help or hinder in meeting workforce needs in a range of careers and disciplines? Will they protect the 'strength-in-depth' of Australia's university system and its enviable international reputation for consistently high quality? Labor Senators contend that the evidence can only lead us to answer 'no' to every single one of these questions.

1.136 This legislation is clearly not in the national interest. It would change the Australian higher education landscape profoundly for the worse. The altered landscape would be one characterised by substantial and growing inequality of access and outcomes for students. Australia's international reputation for a high-quality higher education system would be threatened risking a multi-billion dollar export

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95 Martin Riordan, TAFE Directors, *Proof Committee Hansard*, 8 October 2014 p. 41.

industry. Australia's economic prosperity would be undermined, along with our capacity to meet the high-skill workforce needs for the future. This legislation must be rejected in its entirety.



**Recommendation 1**

**1.137 Labor Senators recommend that the Senate rejects this bill.**

**Recommendation 2**

**1.138 Labor Senators call on the government to introduce separate legislation to deal with the non-controversial matters in this bill, namely provisions to extend the Future Fellowships program, changes to HECS for certain New Zealand citizens and the change of name for Federation University.**

**Senator Sue Lines**

**Deputy Chair**

**Senator the Hon. Kim Carr**



# AUSTRALIAN GREENS' DISSENTING REPORT

## Introduction

1.1 The Australian Greens supported the referral of the Higher Education and Research Reform Amendment Bill 2014 to the Senate Education and Employment Legislation Committee because we were concerned that the bill would have such a destructive impact on higher education and research in Australia.

1.2 Strong investment in higher education will lead to substantial public benefits for Australia's economy and society, including the development of new industries and job creation.

1.3 The only barriers to a system of free higher education that is well funded and prioritises quality education and research are political, not technical. The Commonwealth could choose to raise revenue or re-prioritise spending in order to boost funding to public higher education.

1.4 The Australian Greens have a long-term commitment to high quality, well-funded public higher education that is accessible to all students regardless of their background.

1.5 The Coalition Government announced its intention to slash nearly \$5 billion in funding to higher education in the 2014 Federal Budget, lift the cap on student fees and charge higher interest rates on student debt despite campaigning in the lead up to the 2013 Federal Election on a platform of 'no changes to university funding arrangements'.

1.6 These proposed cuts have been opposed by a vigorous and successful student and staff campaign that has mobilized tens of thousands of members of the community.

1.7 Australia is already one of the lowest public funders of higher education in the OECD and the cuts proposed in the bill would take us substantially further backwards.

## Substantive elements of the bill

1.8 The bill contains a wide range of interlocking measures that when taken together will create an unfair, inequitable and elitist higher education system in Australia. Separate provisions of the bill are dealt with individually below.

### *Deregulation of student fees*

1.9 The majority report states:

As public funding for higher education has stagnated or fallen through successive governments, international rankings of Australia's top

universities have remained static or fallen, especially relative to regional competitors.<sup>1</sup>

1.10 The lack of guaranteed, high levels of funding has been used as the primary justification by the university sector for supporting fee deregulation. Numerous vice chancellors stated that their support for fee deregulation was driven by the fact that successive federal governments had inadequately funded higher education and the 2014 Federal Budget stripped nearly \$5 billion from the sector.

1.11 However, it has been disappointing to see vice chancellors, particularly those from the Group of Eight, not fight strongly against the government's proposed cuts, but instead use them as an opportunity to give themselves greater flexibility in the form of fee deregulation.

1.12 Rather than being driven by any genuine "competitive agenda" it is clear that fee deregulation is being pushed by the government as a tool by which to shift the cost burden of higher education onto students.

1.13 By cutting student subsidies by an average of 20 per cent per place the government is essentially forcing all universities to raise their fees in order to retain their current level of funding.

1.14 Analysis by the National Tertiary Education Union has found that \$100 000 degrees could become a real possibility under fee deregulation:

Analysis undertaken by the NTEU found that the cost of attaining a university degree in Australia will rise substantially as a result of these changes and there will be cases where the cost of a degree at some Australian universities will exceed \$100,000. The NTEU's latest analysis shows that the cost of attaining a five year medical degree, for example, would rise from about \$50,000 at present, to well over \$90,000 as a direct result of government cuts to funding per student and the imposition of interest rates on student debt. The analysis shows that universities would only need to increase fees by as little as 10% above that necessary to compensate for cuts to funding for there to be \$100,000 degrees.<sup>2</sup>

1.15 Fears of prohibitively expensive degrees were raised by other witnesses as well, such as the ACTU, National Union of Students and the independent National Centre for Social and Economic Modelling, based at the University of Canberra.

1.16 The new fee structure announced by the University of Western Australia, which will see students pay \$16 000 a year, will very quickly see five year degrees costing in the range of \$100 000 once interest on student debt is included.

1.17 Not a single witness agreed with the Minister's proposition that university fees would go down as a result of deregulation. Given that university vice-chancellors are viewing fee deregulation as a tool to boost revenue, it is obvious that fees will increase across the board if this bill is passed by Parliament.

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1 Committee majority report, p. 14.

2 National Tertiary Education Union (NTEU), *Submission 111*, p. 9.

### ***Commonwealth Scholarship Scheme***

1.18 The very name of the proposed scheme is highly misleading as no Commonwealth funding will be provided.

1.19 Further, the government has already confirmed that money will only begin to flow into the scheme once universities increase their fees more than 20 per cent in order to make up for the cut in student subsidies.

1.20 As the NTEU argue in their submission:

There are inherent inequities built into the design of the program given that the average value of scholarships offered by universities with the largest numbers of disadvantaged (low SES) students will be lower and, in many cases, not even sufficient to offset the increase in fees.<sup>3</sup>

1.21 The National Union of Students also criticises the operation of the scheme and the lack of any guidelines prior to the release of the bill.<sup>4</sup>

1.22 According to the private education sector, only 10 per cent of private providers have over 500 students and therefore would be part of the proposed scholarship scheme.<sup>5</sup>

### ***New indexation for all HELP debt***

1.23 The proposed application of real interest rates to HELP debt has been criticised as the most unfair and regressive element of the bill.

1.24 As Professor Chapman argued in 1996:

The lack of a real rate of interest on the debt is also worth highlighting. It means that those former students who earn relatively low incomes over their lifetimes are given greater subsidies in the form of implicit access to an interest free loan. The orders of magnitude of this subsidy can be quite large. For example, [it was] demonstrated that male lawyers, because they earn high incomes relatively quickly after graduating, in effect pay up to 30 to 50 per cent more (in present value terms) than do public sector teachers who spend five years out of the labour force after graduating.<sup>6</sup>

1.25 The Australian Nursing and Midwifery Federation pointed out the sexist nature of the proposed changes:

The other issue of course with these proposed changes to the higher education scheme is that nursing is a female dominated profession; 92 per cent of nurses are female. When you take into account the part-time nature of women's work and also, often, the time that women take off to have

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3 NTEU, *Submission 111*, p. 17

4 National Union of Students, *Submission 130*, p. 19.

5 *Proof Committee Hansard*, 9 October 2014.

6 Chapman, B., 'The rationale for the Higher Education Contribution Scheme', *Australian Universities Review*, January 1996, p. 43ff, quoted by Australian Chamber of Commerce and Industry, *Submission 140*, p. 8.

children or to manage family responsibilities, it would be no surprise to you that we do not support these proposed changes because of the impacts that they potentially have on nursing and on the ability of the general public to be able to sign up for university courses that lead to registered nurse qualifications.<sup>7</sup>

1.26 The Australian Education Union also supported the notion that these changes would have an unfair impact on women and low-income earners.

1.27 The fact that the majority committee report calls on the government to reconsider its position on charging a real interest rate on student debt highlights the immense weight of the evidence heard in the inquiry regarding the unfair and regressive nature of the proposal.

### ***Research Training Scheme***

1.28 The proposal to charge research students was criticised by a wide range of witnesses as noted in the majority report.

1.29 Innovative Research Universities alleged that the amendments ignored the contribution of researchers or research teams:

The amendments treat research students solely as students consuming resources for a potential payoff following graduation....A thorough rethink of the place of research students is required to address the mechanisms by which Government supports their development and their living costs. This should ensure coherence with undergraduate funding where universities are funded for all students who enrol. The Government should be encouraging additional research students not discouraging enrolments.<sup>8</sup>

1.30 The Council of Deans and Directors of Graduate Research submitted that the proposed amendments will negatively impact on the quantity and quality of Australia's research graduates and decimate Australia's research workforce.

The driver for charging fees is in part to meet shortfalls in the research training scheme (RTS) as a result of the proposed budget cuts. The need for a highly trained research workforce across industry, business, government and the academy is clear and higher education institutions have been working towards enhancing programs to produce better qualified graduates more prepared for roles across multiple sectors. Cutting the RTS is counter-productive and will place additional financial pressure on institutions and will stifle their ongoing efforts to enhance the quality of research training by focussing on and providing broader skills development in the HDR graduates.<sup>9</sup>

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7 The Australian Nursing and Midwifery Federation, *Proof Committee Hansard*, 8 October 2014.

8 Innovative Research Universities, *Submission 98*, p. 10.

9 Council of Deans and Directors of Graduate Research, *Submission 118*, p. 1.

1.31 The Council of Australian Postgraduate Associations strongly criticised the \$174.7 million cut to the Research Training Scheme and the proposal to charge research students a fee for their degree.<sup>10</sup>

***Extending Commonwealth funding to private providers***

1.32 The committee heard strong evidence from the Australian Education Union regarding the problems associated with allowing private providers to access public funding for higher education:

These matters are of real concern for us. A government that is intent on deregulating and applying market principles is not too interested in enforceability of many things at all. Who is going to hold these operators to account—including the dodgy operators in the VET sector—who have not been held to account thus far?

And:

The rapid demise of the public TAFE system, particularly in Victoria, but also across the country—the damage that has been done to the TAFE system as a result of an incredibly rapid opening up of the market—has been quite well documented. It has been accompanied by a huge growth in both the number of private providers—now in excess of 5,000 across the country—and the amount of public funding that has now gone to the private sector. So in a relatively short period of time the market has opened up.

The damage to TAFE is best documented in Victoria but certainly is not restricted to Victoria. In Victoria the vast majority of TAFE colleges, according to the Victorian Auditor-General, are now struggling financially. TAFE market share in Victoria has dropped from about 75 per cent in 2008 to around 27 per cent in 2014. In fact, some commentators think it has dropped below that, if you take into account some practices around subcontracting of delivery, because the TAFEs themselves can no longer—on the basis of the public subsidy they are getting—afford to deliver the qualifications themselves.

That shift in the market has been equally significant in South Australia. South Australia was one of the first states to act upon the requirements in the 2012 national agreement and open up their market. There again, you see public TAFE provision where the share of the market has dropped below 50 per cent. It is really occurring around the country.

What is troubling, particularly in terms of the experience that the TAFE and VET sector brings to this bill, is the opening up of the market. It has been accompanied by some of the most appalling practices by private providers who, because of the inadequacy of the regulatory system and the rapidity with which the market has opened up, have been engaged in what could only be seen as deplorable practices. They exploit students through the delivery of lower-level qualifications, as these providers have accessed more and more public funds, and cherry pick delivery. Where they deliver

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10 Council of Australian Postgraduate Associations, *Submission 132*, p. 3.

anything—a lot of them have been delivering very little—they focus on the high-turnover end of the market.

They have also been exploiting the opening up of VET FEE-HELP in the sector. In this sector, as a result of the 2012 national agreement, VET FEE-HELP was introduced in earnest. In 2008 around \$25 million was allocated to VET FEE-HELP. By 2014, by midway this year, more than \$700 million so far has been allocated to VET FEE-HELP. The vast majority of that, around 75 per cent, has gone to the private sector.

The result of this has been a significant series of question marks around the quality of provision in the private sector. There has also been a whole series of questions around the cost of qualifications. Far from the opening up of the market in VET leading to a downward pressure on price, we now see the spectre of \$30,000 being charged for diplomas and advanced diplomas in VET. In fact, a degree at a public university would cost less. That cost is being shifted, at least temporarily, through the Commonwealth, onto students.

The market has not acted, in the sector, either to increase quality or in any way to represent value for money for individual students. It represents a real threat to the quality and reputation of qualifications in the sector. It really opens up the whole question of the exploitation of young people who are embarking on a future with their qualifications.<sup>11</sup>

1.33 When this bill is looked at holistically, what becomes clear is that what the government is actually proposing is to make savings in the public higher education sector and raise revenue off students by increasing student fees while simultaneously delivering a \$500 million windfall to private providers.

1.34 Nothing in this bill would force private providers to reduce their fees as a result of receiving government support. In fact, evidence in the VET marketplace shows that, over time, private providers are likely to charge more than their public equivalents and simply pocket government support in the form of profit.

## **Conclusion**

1.35 While the government continues to claim the higher education sector is supportive of the bill, the evidence heard by the committee contradicts this. The higher education sector is a much broader and more diverse group than simply university executives. Students, staff and independent experts have presented strong and well researched submissions arguing about the inherent inequity in the bill.

1.36 Despite the government attempting to present the bill as some kind of genuine attempt to improve accessibility in the higher education sector, it is clear the primary motivation is to achieve budget savings in the order of \$5 billion.

1.37 If the government was so certain that the changes proposed in the bill are sound policies that are supported by the sector and the community, they would have taken these policies to the last federal election.

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11 Australian Education Union, *Proof Committee Hansard*, 8 October 2014, pp 50–51.



1.38 The debate around funding higher education in Australia does not need to be about what level of funding cuts are “fair”. There is no reason, other than the dogmatic application of economic rationalism, as to why federal governments can’t increase university funding across the board.

1.39 This bill fundamentally misrepresents the value Australians place on higher education.

1.40 If this bill is passed it will create an inequitable and elitist higher education system which limits access to our highest quality public education institutions.

### **Recommendation 1**

**1.41 The Australian Greens recommend that the bill not be passed.**

### **Recommendation 2**

**1.42 The Australian Greens recommend that the Senate Education and Employment References Committee establish an inquiry to investigate the benefits of base funding increases to universities and the abolishment of student fees.**

**Senator Lee Rhiannon**



# **APPENDIX 1**

## **Submissions Received**

1. Prof Jacqueline K
2. Mr Chris Jervis
3. Professor John G
4. Mr Brian Long
5. Dr Rosemary S. O'Donnell
6. Dr Anthony Fricker
7. Mr Victor Ziegler
8. Dr Matthew Fitzpatrick
9. Name Withheld
10. Ms Catherine Chambers
11. Ms Catherine Ogier
12. Dr Martin Young
13. Ms Lisa Ford
14. Isolated Children's Parents' Association of Australia
15. Australian Technology Network of Universities
16. Rev W.J. Uren
17. Australian Association of Social Workers

18. Ms Janice Wegner
19. Equity Practitioners in Higher Education Australasia (EPHEA)
20. Mr John Quiggin
21. Mr John McLaren
22. The University of Notre Dame Australia
23. University of South Australia Student Association
24. Mr Damian Buck
25. Australian Catholic University (ACU)
26. Name Withheld
27. Name Withheld
28. Ms Rosamund Winter
29. Holmesglen Institute
30. Queensland Government - Department of Education, Training and Employment
31. Mr Robert Simpson
32. Name Withheld
33. Ms Juna Langford
34. Avondale College of Higher Education
35. Mr Grahame Bowland
36. Mr Ben Bravery

37. Dr Geoff Sharrock
38. Name Withheld
39. Name Withheld
40. Mr Matthew Currell
41. Name Withheld
42. Australian Liberal Students' Federation
43. Mr Stephen Lake
44. Mr Trent Bell
45. The University of Western Australia
46. Group of Eight Australia
47. The University of Queensland
48. Council of Private Higher Education (COPHE)
49. PPE Society, La Trobe
50. Dr Nathan Absalom
51. Mrs Robyn Wotherspoon
52. Open Universities Australia
53. CQUniversity Rockhampton
54. Navitas Ltd
55. Mr Peter Gangemi

56. Regional Universities Network
57. Professor Helene Marsh
58. Australasian Council of Deans of Arts, Social Sciences and Humanities (DASSH)
59. Southern Cross University
60. Universities Australia
61. Charles Sturt University
62. Dr Bridget Brooklyn
63. Tasmania University Union Postgraduate Council
64. University of Melbourne Graduate Student Association
65. Name Withheld
66. Murdoch University
67. University of New South Wales (UNSW)
68. Australian Education Union
69. Australian Council of Trade Unions
70. Mr Patrick Brownlee
71. Deakin University
72. Bond University
73. Federation University Australia
74. Mr Stephen Davis

75. University of Melbourne
76. Mr Gerard Borg
77. Mr Michael Stubley
78. Mr Guy Tranter
79. Professor Stephen Parker
80. Mr Nicholas Kimberley
81. Mr Andrew Norton
82. University of the Sunshine Coast
83. Timothy Higgins and Bruce Chapman
84. University of Sydney  
84.1 Supplementary to submission 84
85. Charles Darwin University
86. Murdoch University Guild of Students
87. Alphacrucis College
88. Innovative Research Universities
89. James Cook University
90. CPA Australia and Chartered Accountants Australia and New Zealand
91. Dr Sam Panigas
92. Parliamentary Nationals Party (PNP) WA

93. Australian Medical Association
94. Dr William Bret
95. Students' Representative Council of The University of Sydney
96. University of Technology Sydney
97. Australian Research Council
98. Australian Department of Education
99. Business Council of Australia
100. TAFE Directors Australia
101. Monash University
102. Professor Geoffrey Taylor
103. The Australian National University
104. Australian Nursing and Midwifery Foundation
105. Country Education Foundation of Australia (CEFA)
106. Newcastle University Postgraduate Students Association (NUPSA)
107. Tasmania University Union
108. National Indigenous Postgraduate Association Aboriginal Corporation
109. Swinburne University of Technology
110. University of Western Sydney



- 111. National Tertiary Education Union
- 112. Newcastle University Students Association
- 113. Mr Sean Leaver
- 114. Macquarie University
- 115. University of Divinity
- 116. Flinders University
- 117. RMIT University
- 118. Council of Deans and Directors of Graduate Research
- 119. University of Newcastle
- 120. Mr Konstantin Ogar
- 121. The Australian National University Students' Association
- 122. Australian Federation of Graduate Women Inc.
- 123. La Trobe Student Union
- 124. Griffith University
- 125. Australian Veterinary Association
- 126. Curtin Student Guild
- 127. Ms Claire Field
- 128. Deputy Premier - Tasmanian Government
- 129. Dr Margaret McKenzie

- 130. National Union of Students
- 131. Fair Go For Canberra
- 132. Council of Australian Postgraduate Associations
- 133. Mr William Mudford
- 134. Australian College of Nursing (ACN)
- 135. The Australia Institute
- 136. Mr John Harris
- 137. South Australian Government
- 138. National Rural Health Alliance
- 139. University of Wollongong
- 140. Australian Chamber of Commerce and Industry
- 141. Evocca
- 142. Victoria University
- 143. Mr Joshua Itzkowic
- 144. GetUp!
- 145. Ms Donna Dimmick
- 146. Ms Janet Foote
- 147. Ms Jane Ellwood
- 148. Ms Carolyn Burgess

- 149. Ms Helen Smith
- 150. Ms Paula Kutzner
- 151. Mr Peter Dalton
- 152. Ms Olivia Kinnear
- 153. Dr Sharon Medlow
- 154. Ms Jan Shield
- 155. Mr Birdie Gurley
- 156. Mr Adam Hanson
- 157. Mr Charles Lowe
- 158. Ms Jan Lavis
- 159. Mr Matthew Toby
- 160. Ms Jane Darcey
- 161. Ms Isobel Monie
- 162. Mr Ross Gorham
- 163. Ms Marilyn Cole
- 164. Ms Marianne Cherrie

## **Response to Questions on Notice**

- 1. Answer to Question on Notice by Regional Universities Network at public hearing on 7 October 2014, Brisbane

2. Answer to Question on Notice by Australian Veterinary Association at public hearing on 8 October 2014, Canberra
3. Answers to Questions on Notice by Australian Medical Association at public hearing on 9 October 2014, Canberra
4. Answers to Questions on Notice by Navitas Limited at public hearing on 7 October 2014, Brisbane
5. Answers to Questions on Notice by Tertiary Education Quality and Standards Agency at public hearing on 7 October 2014, Brisbane
6. Supplementary Answers to Questions on Notice by Australian Medical Association at public hearing on 9 October 2014, Canberra
7. Answers to Questions on Notice by the Department of Education at public hearing on 10 October 2014, Melbourne
8. Answer to Question on Notice by Professor Brailsford at public hearing on 9 October 2014, Canberra
9. Answer to Question on Notice by Australian Medical Students Association at public hearing on 10 October 2014, Melbourne
10. Answer to Question on Notice by Swinburne University of Technology at public hearing on 10 October 2014, Melbourne
11. Answer to Question on Notice by Tasmania University Union at public hearing on 10 October 2014, Melbourne
12. Answer to Question on Notice by the University of Newcastle at public hearing on 10 October 2014, Melbourne
13. Answer to Question on Notice by Charles Sturt University at public hearing on 8 October 2014, Canberra
14. Answer to Question on Notice by TAFE Directors Australia at public hearing on 8 October 2014, Canberra

## **Additional Information**

1. Additional information from Innovative Research Universities, received 8 October 2014, Canberra

## **Tabled Documents**

1. Statistics Report on TEQSA Registered Higher Education Providers - tabled by TEQSA at public hearing on 7 October 2014, Brisbane
2. International Tertiary Trends - tabled by TAFE Directors Australia at public hearing on 8 October 2014, Canberra
3. Swinburne University's Higher Education Policy Table - tabled by Andrew Dempster at public hearing on 10 October 2014, Melbourne
4. CGS (or equivalent) per EFTSL, real 2013 dollars, 1989-2013, and projections to 2016 – tabled by Group of Eight at public hearing on 9 October 2014, Canberra



## **APPENDIX 2**

### **Public Hearings**

*Canberra, Tuesday, 23 September 2014*

CRAVEN, Professor Gregory, Vice-Chancellor, Australian Catholic University

***Brisbane, Tuesday, 07 October 2014***

HARDING, Professor Sandra, Vice-Chancellor and President, James Cook University

QUIGGIN, Prof. John, Private capacity

TERRY, Prof. Deborah Jane, Vice-Chancellor, Curtin University

THOMSON, Ms Vicki, Executive Director, Australian Technology Network of Universities

PARKER, Professor Stephen, Vice-Chancellor, University of Canberra

LEE, Prof. Peter, Chair, Regional Universities Network; Vice-Chancellor, Southern Cross University

PERKINS, Dr Caroline, Executive Director, Regional Universities Network

JACOBSON, Mr Warren, Managing Director, Study Group Australia P/L (incorporating ACPE Limited)

ZIMMERMAN, Ms Helen, Group General Manager, Government and Stakeholder Relations, Navitas Limited

ARCH, Mrs Katrina, Student, Endeavour College of Natural Health

BLESSINGTON, Miss Teale, Student, Australian College of Physical Education

DONALD, Mr Anthony, Student, Christian Heritage College

ELSWORTH, Miss Emily, Student, Academy of Design Australia

MCCOMB, Mr Adrian, Chief Executive Officer, Council of Private Higher Education

MOAD, Miss Sara, Student, Wesley Institute

OWERS, Dr Donald, AM, Chair, Council of Private Higher Education



SAUNDERS, Professor Nicholas, Acting Chief Commissioner and Chief Executive Officer, Tertiary Education Quality and Standards Agency

SHERGOLD, Professor Peter, Chair, Tertiary Education Quality and Standards Agency Advisory Council

***Canberra, Wednesday, 8 October 2014***

BUTLER, Ms Annie, Assistant Federal Secretary, Australian Nursing and Midwifery Federation

BYRNE, Professor Aidan, Chief Executive Officer, Australian Research Council

DEWAR, Professor John, Chair, Legislation and Financing Working Group

FORWARD, Ms Patricia, Deputy Federal Secretary and Federal TAFE Secretary,  
Australian Education Union

GAVRIELATOS, Mr Angelo, Federal President, Australian Education Union

HONEYWOOD, The Hon. Phillip, National Executive Director, International Education Association of Australia

KNIEST, Mr Paul, Policy and Research Coordinator, National Tertiary Education Union

LAMBERT, Ms Jenny, Director of Employment, Education and Training, Australian Chamber of Commerce and Industry

NEUTZE, Dr Debbie, National Strategy Manager, Australian Veterinary Association

PHILLIPS, Mr Ben, Principal Research Fellow, National Centre for Social and Economic Modelling, University of Canberra

REA, Ms Jeannie, National Tertiary Education Union

RIORDAN, Mr Martin, Chief Executive Officer, TAFE Directors Australia

THOMAS, Ms Lee, Federal Secretary, Australian Nursing and Midwifery Federation

VANN, Professor Andrew, Vice Chancellor, Charles Sturt University

WATERS, Ms Melinda, Director Technical and Tertiary, TAFE Directors Australia

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WELLINGS, Professor Paul, CBE, Vice Chancellor, University of Wollongong

***Canberra, Thursday, 09 October 2014***

BOWMAN, Professor Scott, Vice Chancellor and President, Central Queensland University

BRACK, Dr Charlotte, Acting Deputy Director Programs—Higher Education, Northern Melbourne Institute of TAFE

BRAILSFORD, Professor Timothy, Vice-Chancellor, Bond University

BROWN, Dr George, Board Director, Australian Council for Private Education and Training

CHAPMAN, Professor Bruce, Private capacity

DAVIES, Mr Larry, Acting Chief Executive Officer, Australian Council for Private Education and Training

DESCHEPPER, Ms Anne, Manager, Education Development and Partnerships, Chisholm Institute

ERGAS, Professor Henry, Private Capacity

FARAONE, Ms Mary, Chief Executive, Holmesglen Institute

GALLAGHER, Mr Michael, Executive Director, Group of Eight Australia

HARDING, Professor Sandra, Chair, Universities Australia

HIGGINS, Dr Timothy, Private capacity

NORTON, Mr Andrew, Private capacity

PARNIS, Dr Stephen, Vice President, Australian Medical Association

PETERS, Ms Maria, Chief Executive Officer, Chisholm Institute

ROBINSON, Ms Belinda, Chief Executive, Universities Australia

TEECE, Mr Michael, Deputy Executive General, Group of Eight Australia

YOUNG, Professor Ian AO, Vice-Chancellor and President of the Australian National University and Chair of the board of Group of Eight Australia

***Melbourne, Friday, 10 October 2014***

BARBER, Professor Michael, Vice Chancellor, Flinders University

BATTERSBY, Professor David, Vice Chancellor, Federation University of Australia

BROWN, Ms Cathie, Executive Director, Business Development and Regions, TAFE SA

DEMPSTER, Mr Andrew, Head, Corporate and Government Affairs, Swinburne University of Technology

GUSCOTT, Ms Sharon, Principal Consultant, Higher Education, Business Development and Regions, TAFE SA

DEAN, Ms Jessica, President, Australian Medical Students Association

FOSTER, Mr Isaac, President, Tasmania University Union

LUTHRA, Mr Kunal, Vice President, External, Australian Medical Students Association

TAYLOR, Ms Deanna, President, National Union of Students

WILSON, Mr Cameron, President, Australian National University Students Association

LESH, Mr Matthew, Secretary, Australian Liberal Students Federation

HOPPER, Ms Meghan, National President, Council of Australian Postgraduate Associations

LEROY-DYER, Ms Sharlene, Liaison Officer, National Indigenous Postgraduate Association Aboriginal Corporation

SMITH, Mr James, President, University of Melbourne Graduate Student Association

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SPEECHLEY-GOLDEN, Ms Vicki-Ann, Co-President, National Indigenous Postgraduate Association Aboriginal Corporation

WAPPETT, Mr Paul, Chief Executive Officer, Open Universities Australia

MADDOCKS, Professor Simon, Vice Chancellor, Charles Darwin University

PARFITT, Professor Andrew, Acting Vice Chancellor, University of Newcastle

DEWAR, Professor John, Chair, Innovative Research Universities

KING, Mr Conor, Executive Director, Innovative Research Universities

BIRMINGHAM, Ms Julie, Acting Branch Manager, Finance and Implementation,  
Department of Education

BORTHWICK, Ms Jessie, Acting Deputy Secretary, Higher Education Reform and Support, Department of Education

GRIEW, Mr Robert, Associate Secretary, Higher Education, Research and International, Department of Education

HART, Ms Virginia, Acting Group Manager, Research Funding and Policy, Department of Education

REARDON, Ms Melissa, Acting Branch Manager, Higher Education Reform Taskforce, Department of Education

TAYLOR, Mr Andrew, Branch Manager, Data and Analysis, Department of Education

WARBURTON, Mr Mark, Acting Group Manager, Higher Education Funding and Implementation, Department of Education