

The Senate

Education and Employment
References Committee

Principles of the Higher Education and
Research Reform Bill 2014, and related
matters

March 2015

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Ms Natasha Rusjakovski, Acting Principal Research Officer

Ms Jessica Strout, Acting Senior Research Officer

Ms Chiara Edwards, Research Officer

Ms Sophie Wolfer, Administrative Officer

PO Box 6100
Parliament House
Canberra ACT 2600

Ph: 02 6277 3521
Fax: 02 6277 5706
E-mail: eec.sen@aph.gov.au

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RECOMMENDATIONS

Recommendation 1

The committee recommends that the Higher Education and Research Reform bill be rejected by the Senate.

Recommendation 2

The committee recommends that the government immediately release the committed National Collaborative Research Infrastructure Strategy funding for 2015–16.

Recommendation 3

The committee recommends that the government commission an independent review to update the 2011 Base Funding review.

The committee recommends that further efforts at change to higher education funding and financing involve proper and due process of research, consultation and discussion.

CHAPTER 1

Background to the inquiry

Reference

1.1 On 11 February 2015 the Senate referred the following matter to the Senate Education and Employment References Committee (the committee) for inquiry and report by 17 March 2015:

- (a) the principles of the Higher Education and Research Reform Bill 2014;
- (b) alternatives to deregulation in order to maintain a sustainable higher education system;
- (c) the latest data and projections on student enrolments, targets, dropout rates and the Higher Education Loans Program;
- (d) structural adjustment pressures, and the adequacy of proposed measures to sustain high quality delivery of higher education in Australia's regions;
- (e) the appropriateness and accuracy of government advertising in support of higher education measures, including those previously rejected by the Senate;
- (f) research infrastructure; and
- (g) any other related matters.¹

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 71 individuals and organisations, as detailed in Appendix 1.

1.3 A public hearing was held in Canberra on 6 March 2015. The witness list for the hearing is detailed in Appendix 2.

Legislative context

1.4 On 28 August 2014 the Hon. Christopher Pyne, MP, introduced the Higher Education and Research Reform Amendment Bill 2014 (the HERRA bill) in the House of Representatives.² Subsequently, the Senate Education and Employment Legislation committee (the Legislation committee) inquired into the HERRA bill and tabled its report on 28 October 2014.³ Submissions were received from 164 individuals and organisations, as detailed in Appendix 3.

1 *Journals of the Senate*, 11 February 2015, p. 2142.

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

3 Senate Education and Employment Legislation Committee, *Higher Education and Research Reform Amendment Bill 2014*, October 2014.

1.5 On 3 December 2014 the HERRA bill was defeated in the Senate.⁴ However, on 3 December 2014 the Hon. Christopher Pyne MP introduced the Higher Education and Research Reform Bill (the HERR bill) in the House of Representatives,⁵ the core provisions of which remain the same as those contained the HERRA bill.

1.6 Unchanged in the HERR bill are the:

- deregulation of fees for Commonwealth Supported Places (CSPs) at universities;
- 20 per cent cut in the Commonwealth Grant Scheme (CGS);
- 10 per cent reduction in funding for the Research Training Scheme (RTS) together with the enabling of universities to charge RTS supported students tuition fees; and
- reduction of the minimum repayment threshold for Higher Education Loan Program (HELP) debts.⁶

1.7 The HERR bill also proposed some amendments to the initial HERRA bill, but when considered in the context of a deregulated environment they fall well short of addressing fundamental concerns raised by stakeholders at large.

Legislation committee inquiry

1.8 It should be noted that on 12 February 2015 the Senate referred the provisions of the HERR bill to the Legislation committee for inquiry and report by 17 March 2015.⁷

Australia's higher education sector is world-class

1.9 Australia's higher education sector is robust and sustainable, and has an international reputation founded on the quality of its institutions and the courses they provide. It is innovative and equitable and something Australians can be proud of. The radical changes proposed in the HERR bill could rapidly destroy this.

1.10 Higher education is Australia's largest non-resource export industry, earning in excess of \$15 billion annually. However, the future prosperity of this sector depends on maintaining quality, excellence and the reputation of our international industry.

1.11 The package proposed by the Abbott government seeks to change the fabric of Australian society. They stand to reverse important social and economic achievements that benefit all Australians, while distracting us from the real challenge – tweaking a higher education system that has proven successful.

4 *Journals of the Senate*, 2 December 2014, pp 1948–9.

5 *Votes and Proceedings*, 3 December 2014, p. 1044.

6 See Higher Education and Research Reform Amendment Bill 2014 and Higher Education and Research Reform Bill 2014.

7 *Journals of the Senate*, 12 February 2015, p. 2156.

1.12 Australian higher education must continue to advance knowledge and scholarship, aid the national research and innovation enterprise and meet the country's labour force needs while balancing goals of excellence, access and participation. In this context, there is no denying the fact that public investment in higher education is declining. However, there is no evidence to support the Abbott government's scare campaign that immediate action must be taken and that fee deregulation is the only option.

1.13 The Abbott government's higher education policy is callous and short-sighted and when compared to processes surrounding previous radical changes, it does not stack up. There has been no green and white paper, nor a tailored or independent review. Any substantial reform must be the result of the right structured process of design, modelling, safeguards, consultation and transition – not a rushed piece of legislation that takes the low road of increasing inequality of access, opportunities and outcomes that the Australian people neither need nor want.

1.14 The committee is deeply concerned about the underlying principles of this package. The scale of the proposed cuts and the regressive impacts of the proposed policy will affect students and graduates – present, past and future. The committee is appalled that the Abbott government has advanced deceptive arguments that graduates should pay more for their education because of the public benefit they will receive. In this context, the committee is particularly interested in the tax-payer advertising campaign that misled the Australian public.

1.15 Chapter 2 of the report discusses the inequity of fee deregulation. Chapter 3 of the report details the immediate threat the package poses to Australia's research infrastructure. Chapter 4 of the report examines the need for an informed debate about higher education in Australia and briefly discusses some of the alternatives to fee deregulation.

Acknowledgements

1.16 The committee thanks those individuals and organisations who contributed to the inquiry by preparing written submissions and giving evidence at the hearing.

Notes on references

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

CHAPTER 2

The inequity of fee deregulation

2.1 Fee deregulation is unfair and unpopular. The underlying contentions of this reform package are that students who wish to attend a high prestige university should expect to pay high fees and that graduates should pay more for tertiary education because of the private benefit they receive. The committee rejects this notion, and insists that equity must remain at the heart of higher education policy.

We are in a global economy and a global market... Every other developed country is increasing its investment in public education with public funds for capital upgrades, new research programs and new research institutes. It is somewhat astonishing to many people and to many students that we are the only country that is seeking to reduce its investment in public education and research at a postsecondary level.¹

Fees will sky-rocket

2.2 It is clear that even under the revised higher education package, for the vast majority of students and prospective students, the cost of higher education will rise significantly. The scale of price increases facing students was first signalled by the University of Western Australia's release of a proposal, under a flat deregulated fee structure, to charge \$16 000 per year for base undergraduate degrees.²

2.3 The Queensland University of Technology (QUT) has subsequently published scenarios for its fees, should the bill pass.³ Assuming a 20 per cent reduction in the Commonwealth Grant, QUT forecasts that course fees will rise by an average of \$11 186 across 22 undergraduate degrees. The cost of a Bachelor of Creative Industries degree would increase by 55 per cent, from \$21 100 to \$32 800, while students undertaking a combined Bachelor of Fine Arts and Bachelor of Laws degree would pay \$19 800 more than the current price.⁴

2.4 In discussing the information available at this stage regarding price increases, policy expert and economic modeller Mr Ben Phillips provided evidence before the committee that increases are expected to vary from university to university:

a university like the University of WA, one of the Go8 universities, is looking at prices of \$16,000 and that would indicate a price increase on their current fees of around 90 per cent. That is quite substantial. QUT has

1 Mr Steve Brown, Spokesperson, Australia Needs a Brighter Future, *Proof Committee Hansard*, 6 March 2015, p. 46.

2 University of Western Australia, *Submission 54*, to the HERR Bill 2014 inquiry, p. 4.

3 The Queensland University of Technology, *Submission 42*, to the HERR Bill 2014 inquiry, p. 4.

4 The Queensland University of Technology, *Submission 42*, to the HERR Bill 2014 inquiry, p. 4.

gone for a lower increase of around 42 per cent, so they are well and truly covering their losses from the 20 per cent reduction. It will probably fall somewhere in there. You would say Uni of WA would be at the higher end; QUT is more towards the lower end. In 2016, somewhere between 40 per cent and 90 per cent, perhaps a bit more for some unis and a bit less for some others—broadly speaking, 50 or 60 per cent on average would not be surprising.⁵

2.5 The committee is concerned that beyond 2016, it is unknown where price increases could end. In evaluating the revised package, Professor Bruce Chapman, an academic economist with extensive policy and research experience in the area of contingent loans, noted:

.. there is a remaining and in my view a very important further change needed [to this reform package], and this involves the notion that institutions be able to set their own prices without government involvement. To me this is highly contentious and requires further thought and input... There are several important reasons for believing that full fee deregulation in the Australian institutional and policy context would potential[ly] lead, eventually, to very high course prices (and thus debts) for students in some - perhaps many- areas of higher education.⁶

2.6 The committee heard evidence from the National Union of Students (NUS) about discussions that occurred with many students across the country concerning fee deregulation. NUS explained that:

Students have the highest awareness that I have seen around fee deregulation and the quality of their education as well. When we were talking to new students, mature-aged students, single mums and other parents, students could articulately tell me what deregulation was and why they were concerned... Students are saying that they are really concerned, because they have no idea how much they could be paying by the end of their degree. They are not sure if they will need to drop out, because they are not sure how much their degree could be costing them.⁷

2.7 In its submission, La Trobe Student Union (LTSU) cautioned that with fee deregulation, 'even Universities with a lower standard of teaching and resources will price their fees as highly as possible'.⁸ The University of South Australia Student Association also noted that '[universities] will be setting fees in an environment where the effect of price on the consumer may not react as other markets'.⁹

2.8 Including the possibility of unrestrained student fees, considerable concerns about the funding sustainability of the Government's higher education package.

5 Mr Ben Phillips, *Proof Committee Hansard*, 6 March 2015, pp 4–5.

6 Professor Bruce Chapman, *Submission 1*, pp 1–2.

7 Ms Rose Steele, President, National Union of Students, *Proof Committee Hansard*, 6 March 2015, p. 42.

8 La Trobe Student Union Incorporated, *Submission 63*, p. 2.

9 University of South Australia Student Association, *Submission 51*, p. 2.

Professor Louise Watson, an education policy analyst and member of the *Base Funding Review 2011*, made the point that the proposed reforms would result in the government relinquishing control of the cost of higher education while at the same time retaining full responsibility for it through Commonwealth Supported Places (CSP) and funding HECS:

University Vice-Chancellors would henceforth decide how much public money they wanted to receive. Whatever graduates cannot repay due to price increases and declining graduate earnings, will be sheeted home to the federal budget. As the ballooning HECS debt in the VET sector has demonstrated, fee deregulation would simply make Australian higher education less predictable, less affordable and less sustainable in the future.¹⁰

"Unsustainable" HELP DEBT will increase

2.9 Australia has a higher education system in which the contributions of students 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. 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, within its modest parameters, HECS did not deter students from enrolling in higher education.

2.10 The current government says its policy will increase students' share of the costs of higher education 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.

2.11 It is unclear how the current government arrived at the proposition that setting the student contribution to the cost of their higher education at 50 per cent is fair, reasonable or appropriate. Evidence received by the committee from the National Tertiary Education Union (NTEU) demonstrates that the Department of Education and Training:

will not release departmental modelling on fee deregulation due to it having '...serious adverse consequences for the operation of the higher education market and the success of the Government's proposed reforms in this area'.¹¹

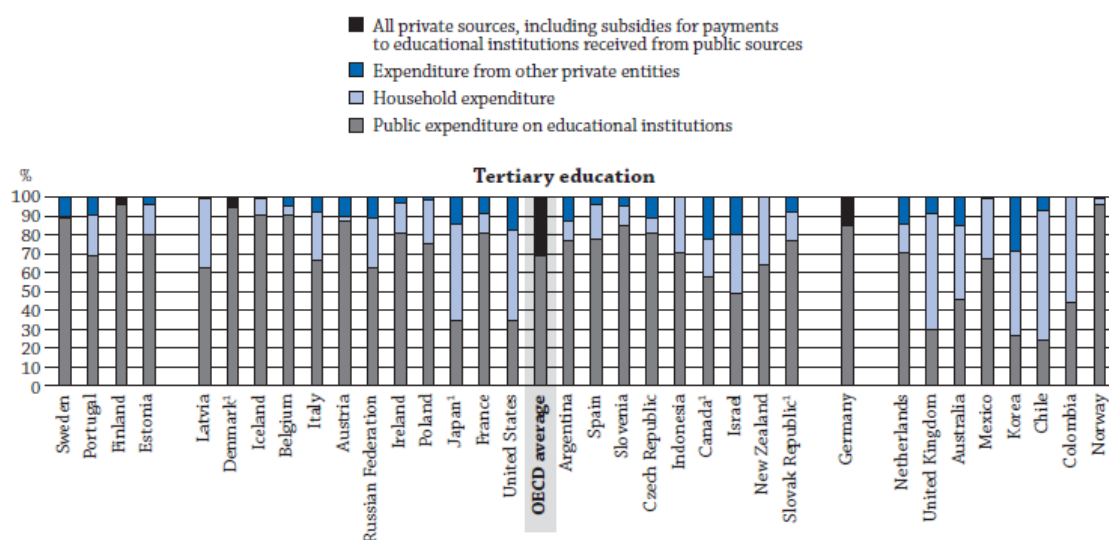
10 Professor Louise Watson, *Submission 15*, p. 1.

11 National Tertiary Education Union, *Submission 11*, p. 23 quoting Witness Statement, NTEU FOI to Department of Education and Training, 18 February 2015.

2.12 Australian students are already contributing a considerably higher amount to their tertiary education than the majority of OECD countries. Figure 1 illustrates the private expenditure in tertiary education in OECD countries in 2011.

Figure 1: Distribution of public and private expenditure on tertiary education¹²

Chart B3.2. Distribution of public and private expenditure on educational institutions (2011)
By level of education



Even participants in this debate who support fee deregulation argue that higher education and research require increased public funding.¹³

2.13 It is uncontested that any increase in the private contribution to higher education in Australia will result in an increase in outstanding HELP debt, something the Australian government already views as a problem. In discussing unsustainable and rising costs in the 2014–15 Budget Higher Education Reforms, the Department of Education noted that:

The value of student HELP debt is also estimated to rise to around \$29.9 billion at 30 June 2015, which is \$5.4 billion higher than projected for the same year at the 2011-12 Budget.¹⁴

2.14 Under these proposals it is inevitable that the amount of HELP debt that will not be repaid will increase and that the system will become increasingly unsustainable. As the Australia Institute has said:

12 OECD, *Education at a Glance 2014*, Indicator B3: How much public and private investment in education is there? [http://www.oecd.org/edu/EAG2014-Indicator%20B3%20\(eng\).pdf](http://www.oecd.org/edu/EAG2014-Indicator%20B3%20(eng).pdf) (accessed 10 March 2015).

13 See Universities Australia, *Submission 30*, pp 4–5; Group of Eight Australia, *Submission 32*, pp 2–3; Regional Universities Network, *Submission 23*, pp 3–4.

14 Australian Government, Department of Education, *Regulation Impact Statement, 2014-15 Budget Higher Education Reforms*, p. 28.

Already, there are concerns about increasing HELP debt under our current system. Facing increasingly large volumes of accumulated doubtful HELP debt, future governments may be tempted to drop the repayment thresholds, increase repayment amounts or introduce upfront. That would increase inequity for the graduates and undermine HELP's policy purpose. One could argue that makes the changes unsustainable for the HELP system.¹⁵

2.15 Mr Ben Phillips also raised concerns about the likely increase in the share of bad debt to beyond 23 per cent and where that could lead:

The current HELP debt in the long term is around \$2 billion per year, as the cost to government. If there was a doubling of fees and an increase in the share of bad debt, you would expect that to at least double, if not go beyond doubling. So I do not think \$2 billion to \$5 billion would be out of the question.¹⁶

Unfair debt will result in social inequity

2.16 In addition to public policy consequences, the increased level of HELP debt that will not be repaid will have a grave impact on individuals. Graduates who are under-employed or unemployed or who take time out of the workforce will be hardest hit by these reforms. Those with disabilities and 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.

2.17 There is no clear economic justification for public sector universities to be allowed to use HECS, a government instrument, to raise substantial revenue by unjustifiably increasing fees. Professor Chapman submitted that under the proposed package:

An informed guess is that if Australian universities were to charge the sort of prices that I believe many of them could under the planned fee deregulation, the revenues received would in many cases far exceed the costs of teaching. While there is little doubt that in many cases these sorts of cross-subsidies already occur (particularly from the revenues received from international students), the issue for me concerns the extent to which this can be considered a "proper" use of the HECS instrument... That is, if it is the case that fee revenues from price deregulation exceed considerably the costs of teaching, it is arguable that this is an improper use of a government instrument; basically put, it can be considered to be unfair.¹⁷

2.18 This may result in serious implications for graduates' life choices and for the economy more generally. These include, for example, the capacity of graduates to

15 The Australia Institute, *Submission 66*, p. 43.

16 Mr Ben Phillips, *Proof Committee Hansard*, 6 March 2015, p. 2.

17 Professor Bruce Chapman, *Submission 1*, p. 4.

purchase a home or raise a family. 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.

2.19 The impacts of the reform package are not limited to undergraduate students. The Council of Australian Postgraduate Associations (CAPA) observed that while discussion of the impacts of university fee deregulation has focused on undergraduate students, it will also adversely affect higher degree students. As CAPA explained:

where a fee of up to \$3,900 per year is also charged for a research degree as proposed by the [bill], the total debt will be compounded over the 6 years as a postgraduate student. A science graduate starting with a \$33,300 Fee-HELP debt under the fee would end up with a final debt over \$63,000 - almost double the amount they started with.¹⁸

2.20 NUS predicts that fee deregulation will impose 'unreasonable levels of debt burden on millions of future students and graduates'.¹⁹

2.21 Many submissions were particularly concerned by the disproportionate effect that higher debt is likely to have on female students, mature age students, regional and rural students and students from lower socioeconomic backgrounds.²⁰ Tertiary student campaign group Australia Needs a Brighter Future argued that the deregulation of fees will lay the foundation for the end of equity in Australia's higher education sector²¹ resulting in 'unreasonable barriers for students whose parents cannot financially support them into their mid-twenties and beyond'.²² LTSU also found it 'difficult to see how students from disadvantaged backgrounds will be able to access a tertiary education in such a market'.²³

The US system is not the way to go

2.22 Some participants in this debate have identified the United States system as one that Australia should learn from and even replicate. Proponents 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. While the US is home to some of the best universities in the world, it also houses many of the worst. The US experience should be regarded as a cautionary tale. In comparing the Australian and US systems, University of Technology Sydney 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

18 Council of Australian Postgraduate Associations, *Submission 17*, p. 3.

19 National Union of Students, *Submission 16*, p. 15.

20 Australia Needs a Brighter Future, *Submission 19*, p. 6; La Trobe Student Union Incorporated, *Submission 63*, p. 2; National Union of Students, *Submission 16*, p. 3, pp 7–8; The Australia Institute, *Submission 66*, p. 44.

21 Australia Needs a Brighter Future, *Submission 19*, p. 6.

22 Australia Needs a Brighter Future, *Submission 19*, p. 3.

23 La Trobe Student Union Incorporated, *Submission 63*, p. 2.

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, fee levels have been rising at twice the rate of inflation for the past decade and student debt is spiralling out of control.²⁴

2.23 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.²⁵ 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.²⁶

2.24 In its submission, the Australia Institute warns:

[t]he Minister wants to take our system... in the direction of the US system. The evidence shows this would risk increasing social inequality. It would also risk very large and wasteful fee inflation.²⁷

The revised package does not come close to undoing the inequity

2.25 The revised package includes some welcome amendments, specifically the retention of the current measure for HELP debt indexation, the Consumer Price Indexation (CPI), however, the revisions do not come close to undoing the inequity of fee deregulation.

2.26 The introduction of a HELP indexation pause for primary carers of children under the age of five who are under the minimum repayment threshold is relatively minor in the context of the overall increase in costs that would be incurred under the proposed reforms.

2.27 The government's introduction of the Structural Adjustment Fund is an admission of failure and highlights the fundamental inequity that is at the heart of this bill. The NTEU argued that:

The Structural Adjustment Fund has been introduced in recognition that deregulation is likely to have a severely adverse impact on regional and rural universities and those serving students that are highly sensitive to the cost of attending university. The change is intended to provide funding to assist providers in a transition to a post-deregulation environment... However, the \$100 million allocated falls well short of the \$500 million

24 University of Technology Sydney, *Submission 70*, p. 9.

25 Federal Reserve Bank of New York, *Student Loan Debt by Age Group*, 29 March 2013, <http://www.newyorkfed.org/studentloandebt/index.html> (accessed 6 March 2015).

26 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 6 March 2015).

27 The Australia Institute, *Submission 66*, p. 32.

which Universities Australia has calculated as the actual transitional costs associated with such a radical change to the funding and regulation of higher education.²⁸

2.28 NUS submitted that the inclusion of \$100 million over 3 years from 2015–16 for the Structural Adjustment Fund is simply an off-set of the government's decision to not extend eligibility for Youth Allowance and Austudy.²⁹

2.29 Regardless of where the allocated funds may be found to support the government's decision to introduce the Structural Adjustment Fund, concerns remain about the impact of the reform package on students from disadvantaged backgrounds or those who are first-in-family university students who may be deterred from higher education as a result of this package. In this context, Professor Andrew Parfitt of the University of Newcastle discussed the impact on communities to contribute to economies.

it is not necessarily the education we are providing for people just to go into particular professions that is important; it is the capacity that we have within our communities to innovate, have entrepreneurs, have people with the skill levels that can provide the opportunities for growth for the future where perhaps traditional industries are in decline and new industries are emerging. I think we will do ourselves a disservice if we deter people from taking up those opportunities that broadly higher education provides rather than just specifically a discipline-based or a profession-based approach.³⁰

2.30 The Higher Education Participation (Access and Participation) Programme (HEPAPP) that will replace the existing Higher Education Participation Programme (HEPP) alters the assessment for a scholarship, such that grants will no longer be based solely on low SES enrolments but the wider category of, students from disadvantaged backgrounds. However, as NTEU aptly pointed out:

These new Scholarships are aimed at postgraduate and undergraduate students from 'disadvantaged' backgrounds. While funding for well-targeted equity programs and initiatives is always welcome, it should be noted that this is not new funding as inferred by the Minister, but a redirection of existing funding that inevitably will be spread more thinly.³¹

Who stands to benefit

2.31 Professor Louise Watson provided evidence to the committee that the package would essentially result in offering universities a blank cheque:

It is unprecedented in public policy to invite a recipient of public money to dictate how much they want to receive. I do not give pocket money to my children on the basis of how much they want to receive; I give it to them on

28 The National Tertiary Education Union, *Submission 11*, pp 4–5.

29 The National Union of Students, *Submission 16*, p. 5.

30 Professor Andrew Parfitt, Deputy Vice-Chancellor (Academic), The University of Newcastle, *Proof Committee Hansard*, 6 March 2015, p. 66.

31 The National Tertiary Education Union, *Submission 11*, p. 5.

the basis of how much I think they need and how much I can afford. I think that those principles generally govern government financing and they should be applied in the case of higher education.³²

2.32 Mr Ben Phillips concurred with Professor Watson and highlighted to the committee that one of his biggest concerns about the package was around the 'blank-cheque' nature of deregulating fees.

With the uncapped fees, even though there is a supposed cap at international fees, there is no reason why they cannot be increased. I see that there is a moral hazard here in that the universities effectively can charge largely whatever they want. They will still get paid regardless, guaranteed by the government. Who gets left holding the baby? Effectively, it will be the government down the track. Many students of course will not pay it back and some students will be aware of that. So really the fiscal consequence that I am concerned about is the impact now on the government.³³

2.33 Professor Bruce Chapman argued that under the package a student's debt would far exceed the cost of teaching them.

So if it is true that in the presence of HECS institutions could charge prices that are well beyond the costs of the teaching, and I think that is possible. Even though we are not sure exactly what the costs of teaching are, I would think it is very possible that in some parts of this so-called market—it is kind of a combination market/public sector arrangement—you would end up with students having HECS debts that cover much more than the actual cost of teaching them. So the notion of unfairness comes into it.³⁴

2.34 Graduate employment numbers three months after graduation are dismal at the moment and graduate salaries are declining in real terms.³⁵ As such, it is critical that any higher education reforms be focussed toward student benefit and not higher education provider profit.

Committee view

2.35 The committee notes that fee deregulation as proposed in the HERR bill is deeply unpopular among the Australian people. The committee heard extensive evidence about the negative effects of the reform package: how high student fees will go, how outstanding HELP debt will be increased, and how unfair debt will lead to high and unfair levels on inequality.

2.36 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. The committee is not convinced that the

32 Professor Louise Watson, *Proof Committee Hansard*, 6 March 2015, p. 3.

33 Mr Ben Phillips, *Proof Committee Hansard*, 6 March 2015, p. 4.

34 Professor Bruce Chapman, *Proof Committee Hansard*, 6 March 2015, p. 13.

35 Mr Andrew Norton, *Proof Committee Hansard*, 6 March 2015, p. 28.

Structural Adjustment Package and HEPP will go anywhere near maintaining current levels of participation of equity groups, let alone increasing them.

2.37 The committee believes the HERR bill will continue to propel Australian society down the low road of increasing inequality of access, opportunity and outcomes that the Australian people neither need nor want. The committee is particularly concerned that there is little doubt that the reforms will accelerate wealth inequality in Australia – which would not only be socially criminal but economically retrograde.

2.38 The committee is deeply concerned that the HERR bill does not stand to benefit students in any way and is persuaded by evidence that the package is unfair, unethical and unnecessary.

2.39 The committee notes that HERR bill is currently before the Senate.

Recommendation 1

2.40 The committee recommends that the HERR bill be rejected by the Senate.

CHAPTER 3

Australia's research infrastructure is under threat

3.1 The Abbott government's mismanagement of Australia's world-leading research infrastructure could see some of the world's best and brightest move on and not return. The current government has 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. The cuts proposed to research funding in this package are an absurdity: research indisputably delivers the dual national benefit of preparing for the workforce needs of the future and providing a boost to the research and innovation output.

The value of the Research Training Scheme (RTS) and PhDs

3.2 The bill would see funding for the Research Training Scheme (RTS) cut by more than \$173 million over four years, representing a 10 per cent reduction.¹ 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.²

3.3 The Abbott government's proposal to reduce RTS funding is both concerning and surprising as Australia needs to keep a pace with breakthrough ideas that deliver new technologies or wholly new ways of seeing the world. Deakin University echoed this sentiment:

The world is moving into the second machine age. The need for innovation and new applications has never been greater and the signal from Government is that research and innovation training is a cost rather than an investment and must be borne by the public purse. The nation already lags in science skills and careers and, in our view, this cut sends a shocking signal to the wider community of the value Australia places on research, innovation and development.³

3.4 Enabling universities to charge RTS students capped fees is bad policy. The position of the majority Australians is that research benefits the public good and therefore should be publicly funded. The Politics, Philosophy and Economics Society of La Trobe University explained that:

Research is one of the main areas that the public has a legitimate case in heavily subsidising, specifically basic research. If budgetary pressures require savings, undergraduate subsidies are a more rational place to look for reform... it is unwise to start charging people to undertake research.

1 National Tertiary Education Union, *CAPA President: Postgrads shocked by Budget cuts*, 28 July 2014, <http://www.nteu.org.au/article/CAPA-President%3A-Postgrads-shocked-by-Budget-cuts-16574> (accessed 11 March 2015).

2 Higher Education and Research Reform Bill 2014, Schedule 5, Part 2.

3 Deakin University, *Submission 28*, p. 1.

This may be a legitimate role for government subsidies. If the Government is requiring students to pay more for their education, it would make sense to reallocate public funds into areas like research where the students are least likely to benefit.⁴

3.5 Charging RTS students a capped fee is not a sustainable funding solution. The Council of Australian Postgraduate Associations (CAPA) emphasised that:

Universities must already subsidise funding gaps from other sources, an important example is the existing gap between the full cost of research training, and Research Training Scheme (RTS) funding – estimated in 2011 by Deloitte economics to be on average 27%... No formula has been disclosed which explains how the \$1,700 and \$3,900 rates have been calculated. As a result while the fee could cover a 10% cut to the Research Training Scheme it would not cover the existing 27% funding gap. Also the fee is set at a fixed rate by the legislation with no means of adjustment, meaning it is unlikely to keep pace with inflation or the increasing cost of research training.⁵

3.6 In presenting their argument against the proposed changes, CAPA explained that the difference between monies raised from the capped RTS student fee to the total funding gap would be \$81.2 million.

In 2013 there were 42,612 EFTSL PhD and Masters by Research students according to DET data, if those postgraduate students all paid a \$3,900 fee it would raise \$166.19M. In 2013 10% of RTS funding was \$66,864,010 and 27% of RTS funding was \$180,532,829.⁶

3.7 As the Australia Institute succinctly explains: '[r]esearch that benefits the public good ought to be publicly funded. It is unreasonable to expect it to be funded by student debt.'⁷ Moreover, the government's own Legislation and Working Financing Group recommended that the RTS measure not proceed and that savings be found elsewhere.⁸

The National Collaborative Research Infrastructure Strategy (NCRIS)

3.8 The NCRIS infrastructure is essential to building strong partnerships between the research sector, business, industry and government to actively support world-class research. NCRIS projects have received numerous positive external reviews and there can be no doubt that the infrastructure is well regarded by all stakeholders – and yet this is also under threat as a result of this package.

3.9 NCRIS is an extremely important program that allows Australian research to work more efficiently and effectively at higher levels. It underpins very important

4 The Politics, Philosophy and Economics Society of La Trobe University, *Submission 36*, p. 9.

5 Council of Australian Postgraduate Associations Incorporated, *Submission 17*, p. 4.

6 Council of Australian Postgraduate Associations Incorporated, *Submission 17*, p. 5.

7 The Australia Institute, *Submission 66*, p. 48.

8 Regulation Impact Statement, HERR Bill 2014, p. 53.

global partnerships, helps us to address key research challenges not just for the science but for the people it impacts downstream.⁹

The thing that is magnificent about it is that it crosses the disciplines. What makes science particularly exciting in this day and opens up enormous opportunities for new businesses in Australia is that all the action is bringing together fields that were previously in their own little silos. NCRIS is one of the most successful vehicles that I think Australia has come up with to make that happen.¹⁰

3.10 In an open letter to the Prime Minister, dated 6 March 2015, the peak body representing Australia's Universities, University Australia, warned that Australia's national public research infrastructure is preparing for a shutdown because of the continued uncertainty over NCRIS.¹¹

Since 2004, NCRIS and its predecessor program has sensibly and successfully guided Australia's national research infrastructure investment; committing over \$2 billion of taxpayer money to 27 major research facilities. Together, these facilities:

- allow Australia's scientists to undertake world-class research;
- enable significant science industry linkage, including the capacity for innovative Australian companies to access high-tech infrastructure; and
- facilitate international research collaboration, which provide substantial economic and intellectual value to Australia.

Over 35,000 Australian and international researchers use NCRIS facilities, and the 27 national facilities employ over 1,700 highly skilled scientists, and support and management staff. The facilities underpin much of Australia's \$30 billion annual spend on science, research and development at an operational cost of just \$150 million per annum (0.5% of total, and 1.6% of the Australian Government science funding).

As with any major public infrastructure, the NCRIS facilities depend on secure funding to enable forward planning and efficient operation. **However, with continued uncertainty over the 2015-16 operational funding included in the last budget, many of the NCRIS facilities are preparing to close.**

The damage to Australia's domestic and collaborative international research effort that will result from such closures is immense. Continuity and

9 Professor Timothy Clancy, Director, Terrestrial Ecosystem Research Network, *Proof Committee Hansard*, 6 March 2015, p. 48.

10 Professor Chris Goodnow, Lead Scientist, Australian Phenomics Network, *Proof Committee Hansard*, 6 March 2015, p. 54.

11 Universities Australia, Media Release, *Open letter to the Prime Minister of Australia: Australia's national public research infrastructure preparing for shutdown*, 5 March 2015, <https://www.universitiesaustralia.edu.au/news/media-releases/Open-letter-to-the-Prime-Minister-of-Australia--Australia-s-National-public-research-infrastructure-preparing-for-shutdown#.VPj5YE0cSfA> (accessed 6 March 2015).

productivity of critical research programs will be set back by several years, with some innovative Australian companies will be forced to take their operations offshore, many profitable international research collaborations will cease, and 1,700 highly skilled NCRIS staff could become unemployed.

Importantly, with just four months until the end of the financial year, the uncertainty is already having an impact. Many NCRIS staff have been put on provisional notice of termination, and the consequent exodus of highly specialised skills has begun and will only accelerate as the end of the year draws closer.

Furthermore, many of the facilities cannot be viably maintained if taken offline for significant periods. This means that if operational funding for 2015-16 is not confirmed in the next two months, the Government will be effectively decommissioning high-cost public infrastructure that in many cases has years if not decades of productive working life remaining.¹²

3.11 The committee received a great deal of evidence from a diverse range of NCRIS-funded facilities, providing the committee with insight into the need to urgently secure funding to enable planning for 2015–16.

3.12 Terrestrial Ecosystem Research Network (TERN) outlined the significant private and public value of the investment in research infrastructure and argued that it is a cost effective and appropriate role for the Australian government that should be continued.¹³

...existing NCRIS is an excellent model for guiding future programmatic investment and should be funded adequately going forward and over time lines of sufficient duration to permit required planning, ongoing review, and the development of stable and enduring national and international partnerships.¹⁴

3.13 AuScope also provided specific evidence to the committee to demonstrate the importance of NCRIS institutes to Australian industry:

Industry users access AuScope NCRIS infrastructure. Rio Tinto global Head of Exploration, Mr Stephen McIntosh has commented the minerals exploration process relies on knowledge and data and having the tools to effectively make judgments on investment in exploration industry. Mr McIntosh has linked the infrastructure of the AuScope Program to the needs of industry through the process of exploration stating: "There is no doubt

12 Universities Australia, Media Release, *Open letter to the Prime Minister of Australia: Australia's national public research infrastructure preparing for shutdown*, 5 March 2015, <https://www.universitiesaustralia.edu.au/news/media-releases/Open-letter-to-the-Prime-Minister-of-Australia--Australia-s-National-public-research-infrastructure-preparing-for-shutdown#.VPj5YE0cSfA> (accessed 6 March 2015).

13 Terrestrial Ecosystem Research Network, *Submission 56*, pp 1–2.

14 Terrestrial Ecosystem Research Network, *Submission 56*, p. 2.

that these advances are pushing us ahead as a country and as a group like Rio Tinto, we are leveraging off those investments to be fast followers'.¹⁵

3.14 The Australian Phenomics Network also provided the committee with some insight into the importance of their infrastructure¹⁶ and emphasised the urgent need for sustained investment in research infrastructure:

What the Australian Phenomics Network does is to bring the right people together in the right place at the right time and with the right support—not only through the NCRIS capabilities and funding direct from the Commonwealth government, but directly from the host institutions and from any other resources that we can obtain—international or industrial. It is critical. We have worked for this. We have poured our lives into this. We are scientists; this is what matters to us. To think that this is at stake—that it is tied to something which is also very important to someone else—is fine, but we really want to make sure that you understand that there is a lot at stake. We have leveraged a lot. We have a lot of momentum. There is a lot of trust and we have a huge amount of capacity, which is now sitting on the edge of a cliff.¹⁷

3.15 The Australian National Fabrication Facility (ANFF) who provide access to state-of-the art micro and nanofabrication facilities with a focus on fabricating new materials and devices, argued that 'stop-start' NCRIS funding has reduced the sector's productivity.¹⁸

Last year, 2,200 researchers accessed ANFF. Of the 128,000 hours used, 23% of the activity was associated with industry projects. However ANFF, together with other NCRIS capabilities faces an uncertain future. This activity will cease, with the loss of 90 highly skilled technical staff, unless further funding for NCRIS is released.¹⁹

3.16 Australian National University academic and Nobel Laureate Professor Brian Schmidt put the situation facing NCRIS quite simply:

Catastrophe is if we still do not have a resolution before the 2015 budget in May. At this point it will be necessary for a wholesale winding down of the nation's scientific infrastructure capability.²⁰

3.17 The Australian Microscopy and Microanalysis Research Foundation also outlined a number of risks associated with the failure of the Abbott government to

15 AuScope, *Submission 49*, p. 3.

16 The Australian Phenomics Network, *Submission 58*, p. 4.

17 Dr Michael Dobbie, Chief Executive Officer, Australian Phenomics Network, *Proof Committee Hansard*, 6 March 2015, p. 48.

18 Australian National Fabrication Facility, *Submission 18*, p. 2.

19 Australian National Fabrication Facility, *Submission 18*, p. 1.

20 Professor Brian Schmidt, *Why funding science infrastructure is essential*, The Conversation, 5 March 2015, <http://theconversation.com/brian-schmidt-why-funding-science-infrastructure-is-essential-38303> (accessed 5 March 2015).

allocate 2015–16 NCRIS funds, including equipment utilisation and maintenance, and subsequent costs.

Instrument utilisation is influenced by two main factors. Firstly the presence of highly skilled support staff who... work to drive the use of instrumentation by researchers to enable top quality research outputs. A reduction in support staff will result in a reduction in instrument utilisation and therefore in quality research outcomes. Secondly, the sophisticated flagship instrumentation within the AMMRF requires routine maintenance and servicing to maximise availability and reduce down time. In addition these instruments are maintained as state-of-the-art platforms, incorporating latest developments in software and hardware systems, so that Australian researchers have access to the world-leading technology. Microscopy and microanalysis instrumentation are complex systems and almost entirely sourced from overseas suppliers. The costs of replacement components and annual maintenance contracts from these suppliers drives the need for maintenance budgets for flagship instruments up to \$200,000 per annum.²¹

3.18 Atlas of Living Australia also discussed the critical need for NCRIS investment to ensure long term growth and triple bottom line sustainability. In discussing the expiration of the current NCRIS investment in June 2015, Atlas stated:

[t]o ensure proper workforce planning and effective communication with staff about their future options, it is important to have advance knowledge about the availability of funds post June 2015. The closer we come to June without a commitment of funding, the greater the likelihood that the Atlas will start losing quality staff. Even if funding is subsequently made available for this period, the potential loss of trained staff could cause substantial damage.²²

3.19 NCRIS institutes provided details to the committee about the impact of this looming expiration of funding on their staff profile. TERN stated:

[T]here is a lot of impact on the staff. People are, quite rightly, proud of their involvement in a high-value program. They recognise that people see it as high value, but the uncertainty is crippling. You see it, especially, with junior staff. They want to keep working, they are committed to what we are trying to achieving—and I am sure that is the case across a lot of things—but they are now caught in this situation. What do they do? It is a very awkward time at the moment.²³

3.20 ANFF explained to the committee that they would be closing parts of their facilities at the end of June 2015. With reference to their current workforce, Chief Executive Officer, Ms Rosie Hicks stated:

21 The Australian Microscopy and Microanalysis Research Foundation, *Submission 62*, p. 4.

22 Atlas of Living Australia, *Submission 5*, p. 2.

23 Professor Timothy Clancy, Director, Terrestrial Ecosystem Research Network, *Proof Committee Hansard*, 6 March 2015, p. 51.

[t]he people that we have working for us, in many cases, are PhD qualified in a very specific area that has the possibility for massive impact. They are looking for very rewarding, fulfilling areas of work and finding those may take longer than the three months of funding that they have left. So whilst we might not need to issue a redundancy notice, they need to look after their future careers and seek out the best possible opportunities, and we have to support them in doing that.²⁴

3.21 The committee received an overwhelming amount of evidence that without funding agreements in place, NCRIS facilities will lose high-quality staff and our research infrastructure will be severely damaged.

3.22 The President of the Australian Academy of Science, Professor Andrew Holmes, has said publicly that '[a] continuing commitment to NCRIS is a perfect example of what is needed. It is part of the long-term investment that is needed and is really serious business'.²⁵

3.23 A 2010 evaluation on both scientific and economic parameters, carried out by the Department of Innovation, Industry, Science and Research, found NCRIS to be an appropriate, cost-effective and efficient model for the development of critical research infrastructure.²⁶ NCRIS deserves independent and sustainable investment.

3.24 An appropriate and independent investment model should be set up for research infrastructure which would include the release of the committed NCRIS funding for 2015-16. With the current review underway, there is no valid reason or justification not to extend NCRIS 2015–16 operational funding.

Committee view

3.25 The committee and all of the contributors to the inquiry were in no doubt as to the value of RTS and NCRIS and the committee received near-universal opposition to the proposed changes to Australia's research infrastructure.

3.26 The committee notes that RTS supports Australia's brightest and most academically driven students to do research that benefits the nation. The proposed changes to RTS do not align with the national objectives to build Australia's research, innovation and entrepreneurial capacity. Evidence before the committee clearly demonstrates that this is another regressive policy introduced by the Abbott government that goes against a long tradition of public investment in research training in Australia. The committee believes that research that benefits the public good ought to be publicly funded and that is unreasonable to expect it to be funded by student debt. For this reason, the committee strongly opposes the amendments to the RTS.

24 Mrs Rosie Hicks, Chief Executive Officer, Australian National Fabrication Facility Ltd, *Proof Committee Hansard*, 6 March 2015, p. 56.

25 Andrew Trounson, 'NCRIS threat ignores science plan', *The Australian*, 27 February 2015.

26 Department of Innovation, Industry, Science and Research, *National Collaborative Research Infrastructure Strategy – Evaluation Report*, June 2010.

3.27 The committee notes that NCRIS is a world-leading infrastructure program that needs stability of funding. A continuing commitment to NCRIS will ensure the continued success of our research institutes. The committee urges the government to immediately release the committed NCRIS 2015–16 funding, and to work together with NCRIS Institutes to ensure that this asset to the country is not weakened by instability in funding.

Recommendation 2

3.28 The committee recommends that the government immediately release the committed NCRIS funding for 2015–16.

CHAPTER 4

A way forward

4.1 Absent from the Government's package is any provision of independent advice resulting from a considered processes involving consultation, evaluation and analysis. Instead, fee deregulation has been presented as the one and only 'quick fix' solution to a sustainable higher education sector in Australia.

4.2 The Australian higher education sector is not at a tipping point – and yet, the combination of the Abbott government's budget cuts and the provisions of this package represent real threats to participation, attainment and the quality of our current successful system. In the words of Professor Stephen Parker, Vice-Chancellor of the University of Canberra:

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.¹

4.3 Fee deregulation places at risk the achievements of previous governments, including increased resourcing per student place, increased indigenous and regional student participation, and increases in overall investment in universities.

4.4 The Government's package was unexpected. Both the Australian public and the higher education sector would be better served by a proper, well-informed debate and a reform process based on clearly articulated goals and how they will serve the public interest.² Moreover, it is imperative that all Australians have a clear understanding of the arguments for and against any proposed changes to the higher education system and the mechanisms by which such changes will be achieved.

False and misleading advertising – a waste of taxpayer dollars

4.5 On 7 December 2014, the Abbott government launched a taxpayer-funded advertising campaign designed to address supposed misunderstandings about higher education funding and the changes contained in the HERR bill (and its defeated predecessor, the HERRA bill). The \$14.6 million campaign spans television, radio, newspaper, digital media, social media and bus shelters.³ The purpose-built campaign website features video, infographics and a true or false quiz.⁴

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

2 The Australian Institute, *Submission 66*, p. 51.

3 Letter from Ms Lisa Paul AO to Senator the Hon. Kim Carr, tabled at the Education and Employment Legislation Committee's Additional Estimates hearing on 25 February 2015.

4 Australian Government, *Your Future if Australia's future*, <http://www.highered.gov.au/> (accessed 10 March 2015).

4.6 The Short-term Interim Guidelines on Information and Advertising Campaigns by Australian Government Departments and Agencies (June 2014) (the Guidelines), which were in effect when the Secretary of the Department of Education certified the campaign as compliant, stipulate that all advertising campaign materials should be presented in an objective, fair and accessible manner.⁵ The Guidelines specify that:

[w]here information is presented as a fact, it must be accurate and verifiable. When making a factual comparison, the material should not attempt to mislead the recipient about the situation with which the comparison is made and it should state explicitly the basis for the comparison.⁶

4.7 The Government's advertising campaign presents misleading, unverifiable figures as fact and offers no information about the basis of its calculations. Policy experts have questioned the accuracy of the Government's claims, with Andrew Norton noting that regardless of their veracity, the figures used are 'not particularly meaningful in the first place'.⁷

4.8 The Guidelines require that advertising campaigns be 'instigated on the basis of a demonstrated need'.⁸ While there has been some attempt to use unverifiable anecdotes and third-party market research to justify the campaign,⁹ there is no demonstrated need for a wide-scale, multimillion dollar advertising campaign to promote a bill that has not yet passed the Parliament.

4.9 The campaign does not address the bill's core policy objectives, instead offering misleading and meaningless assurances to prospective students and the broader public. It is clear the campaign has been developed not to address demonstrated need but rather in response to the negative reaction to the Government's proposed changes from students, education providers and the Australian public. The campaign's clear political purpose itself breaches the Guidelines, which require that '[c]ampaign materials must not try to foster a positive impression of a particular political party or promote party political interests'.¹⁰

5 Department of Finance, *Short-term Interim Guidelines on Information and Advertising Campaigns by Australian Government Departments and Agencies*, June 2014, Principle 2.

6 Department of Finance, *Short-term Interim Guidelines on Information and Advertising Campaigns by Australian Government Departments and Agencies*, June 2014, paragraph 13.

7 Daniel Hurst, 'University fee claim in ad campaign is unverifiable', *The Guardian*, 15 January 2015.

8 Department of Finance, *Short-term Interim Guidelines on Information and Advertising Campaigns by Australian Government Departments and Agencies*, June 2014, Principle 4.

9 *Proof Estimates Hansard*, 25 February 2015, pp 6–7, p. 13, pp 21–23, p. 36.

10 Department of Finance, *Short-term Interim Guidelines on Information and Advertising Campaigns by Australian Government Departments and Agencies*, June 2014, paragraph 19.

The current system works

4.10 The committee received overwhelming evidence that the current higher education system is sustainable and high quality. For example, Mr Ben Phillips and Professor Parker argue that:

[A]t the moment student contributions are already quite high in Australia from an OECD perspective. The Australian university system appears to be working very well: we have 19 universities in the top 500 and on a per capita basis we are ranked fourth in the world. We are very attractive for international students, and the international market is very healthy here in Australia. I guess we are not quite sure what is the problem... That is something that needs to be explained.¹¹

4.11 The Council of Australian Postgraduate Associations (CAPA) also posited that the current system is workable and would ultimately produce better future outcomes for the Australian higher education sector.

[D]espite the current system's flaws in terms of the funding gaps particularly around cases that were involved with the research training scheme, the changes proposed in the bill before the Senate would only exacerbate funding gaps in the system and are more likely to cause harm to the sector over the long term than the current arrangements that the sector is working within. It is our view that solutions can be found within the current arrangements that will address gaps in funding, participation and equity issues and will be far more effective than those currently being proposed by the government.¹²

4.12 Australia Needs a Brighter Future agreed with the notion that the current arrangements for the funding of the higher education sector are preferable to those proposed in the package.

[T]he current funding models are far superior to the proposed funding models the government has put up. I think the viability of the government's proposed funding models needs to be contextualised with what is actually going to happen as result of the government's funding model. It is important to look at how this will affect students and how it will affect future students. I do not think the government's proposed model will affect them in a way that is better than the current structure.¹³

Fee deregulation is unnecessary

4.13 Education policy analyst Professor Louise Watson argued that evidence obtained in the *Higher Education Base Funding Review* chaired by Jane Lomax-Smith, which reported in October 2011, led to the conclusion that Australian

11 Mr Ben Phillips, *Proof Committee Hansard*, 6 March 2015, p. 2.

12 Mr Harry Rolf, National President, Council of Australian Postgraduate Associations, *Proof Committee Hansard*, 6 March 2015, p. 39.

13 Ms Betty Belay, Spokesperson, Australia Needs a Brighter Future, *Proof Committee Hansard*, 6 March 2015, p. 39.

universities were doing very well.¹⁴ In discussing the fee deregulation proposal, Professor Watson argued that it was a further impost on the Commonwealth budget and that it would be more unpredictable than the removal of caps on funded places.¹⁵

I have always been puzzled as to why fee deregulation was necessary or deemed necessary. I have never understood the problem it was meant to fix. From where I stand, it seems like fee deregulation will simply compound the problems currently facing the government in terms of university financing, not solve them.¹⁶

4.14 The National Union of Students (NUS) contended that fee deregulation would result in decreased opportunities and accessibility and equity for students and provided evidence before the committee that deregulation, as proposed, will be unpredictable and unsustainable.

We have not seen enough evidence that this is a good funding model for universities as well. We do believe that universities have been underfunded for quite a while. However, as per the Bradley review, there should be higher funding into universities. The funding model that we have currently will not stratify universities into such a two-tiered extent that deregulation would see.¹⁷

4.15 The National Tertiary Education Union (NTEU) noted that 'nobody, including the government, seems clear as to the rationale or underlying principles of the proposed policy framework'.¹⁸ If anything, the Government's proposals are based on inaccurate, inadequate assumptions about public funding, student debt and the role of higher education in Australia.

4.16 Blanket deregulation is a lazy solution to a complex problem; as Andrew Norton acknowledged, '[f]ee deregulation saves a regulator from the complex task of determining reasonable costs'.¹⁹ The opportunity for genuine, long-term reform has been discarded in what Innovative Research Universities described as a 'shortsighted search for savings'.²⁰

4.17 Submissions and public comments have exposed that the government's higher education package does not enjoy broad-based support. Along with students and staff opinion against the package, every university submission calls for changes, or delay, or a new process to be undertaken.

14 Professor Louise Watson, *Proof Committee Hansard*, 6 March 2015, p. 3.

15 Professor Louise Watson, *Proof Committee Hansard*, 6 March 2015, p. 3.

16 Professor Louise Watson, *Proof Committee Hansard*, 6 March 2015, p. 3.

17 Ms Rose Steele, President, National Union of Students, *Proof Committee Hansard*, 6 March 2015, p. 39.

18 National Tertiary Education Union, *Submission 11*, p. 7.

19 Andrew Norton, *Submission 13*, p. 10.

20 Innovative Research Universities, *Submission 14*, p. 2.

Debt but no degree

4.18 Some time was spent at the public hearings examining issues around attrition, and non-completion of degrees. Mr Andrew Norton, of the Grattan Institute explained the attrition rate:

The government gives two attrition rates, one is the student enrolled at the same institution the following year, and then there is the adjusted one, which is are they enrolled anywhere at all in the system. We usually go with the 'anywhere at all in the system' as the more accurate figure. That has been trending up a little bit. How this works out in the final completions is very hard to say because people do take leave from their course and then go back later on, so simply the fact that they are not anywhere in the system the year after they started does not mean they will never come back—but obviously it is a bit of a negative sign.

4.19 The Committee heard from Professor Louise Watson on the concerns the 2011 Base Funding Review had about retention:

The base-funding review was concerned about retention and efficiency, even in 2011. It was obvious to us that with the size of the expansion and the lowering of ATARs that higher attrition was likely to occur, which was inefficient for the system and a very bad outcome for the students. We recommended in the base-funding report that performance incentives related to student completions should be included in the compact negotiations with higher education institutions. Basically, it should take into account where students have undertaken their degrees—students do move between universities, so it would not be fair for the university where they complete their degree to receive that sort of bonus. We thought it should be included in the compact negotiations as a performance target and as an incentive for universities to focus on supporting students through to graduation.

4.20 In evidence before the committee, Jeannie Rae, National President of the NTEU also expressed similar concerns:

I think that it is a fundamental advance that more students have enrolled at university, and clearly from more broader backgrounds. What concerns me greatly is the issues that we are now seeing with attrition and progression. What happens to them when they are in the university is fundamentally important and what it is all about.

4.21 Mr David Phillips suggested that there was some evidence of changes in higher education provider behaviour:

There is some evidence arising, I think, that institutions have very rapidly increased their intake of students at the lower ATAR bands—if we are just looking at year 12 applicants. We know that low-ATAR-entry students do not complete their courses at the rates of students with higher levels of ATAR, so it is an important issue. But it is very important to stress that ATARs are only one measure of entry criteria, and any policy change to the demand-driven system would need to be reasonably sophisticated to take into account all of the different types of entry criteria.

4.22 There is some evidence that universities are offering places to academically low achieving students. In *The Australian* on 15 January 2015 Julie Hare wrote:

TWO out of every five students with a tertiary admission rank of 50 or lower who applied for university last year were offered a place, a figure that has quadrupled since 2009, when the figure was one in 10.²¹

4.23 It has been noted by many commentators, including the Teacher Education Ministerial Advisory Group (TEMAG) that judging admissions through ATARs is a fraught process. Indeed for many universities admission standards are distorted by what Professor Warren Bebbington has described as an “out-of-control bonus points system”. Julie Hare and Kylar Loussikian have written that:

Concerned with perceptions of prestige, universities artificially inflate their ATAR cut-offs, then allow students to “top-up” inadequate scores with bonus points for anything from going to a certain school, living in a certain postcode and taking a certain subject, to being an elite athlete.

Bebbington says the system, originally developed to address genuine disadvantage, is so rampant that four in five students in South Australia get into their preferred course on the basis of bonus points, not their ATAR. And most students, teachers, careers advisers and parents have no idea how to work out what is going on.²²

4.24 The article further reveals that bonuses of up to 25 points are not unheard of, though bonuses of 10 to 15 points are more common.

4.25 A google search of “low ATAR score” reveals a range of advice about how a student can game systems used by universities to boost their ATAR score and the chance of an offer to a course.

4.26 Many universities and commentators readily acknowledge the lack of transparency of the ATAR system, as more and more students are admitted through direct entry programs. According to Professor Parfitt of the University of Newcastle:

Many of our students, as I said, do not come to us straight from school. They do not actually come in with the traditional ATAR. They come through pathways, whether it is through TAFE or through our enabling programs.

4.27 The TEMAG report, *Action Now: Classroom Ready Teachers* addresses this issue of entry standards extensively:

...trends in ATAR cut-offs are difficult to assess. Providers may publish notional cut-offs but then admit large numbers of applicants through such techniques as ‘forced offers’ to individual candidates who do not possess the required ATAR. In this way, providers can publish unrealistic cut-offs that are met by relatively few applicants and compare favourably with the

²¹ Ms Julie Hare, *Universities ramp up offers to lowest tier*, *The Australian*, 15 January 2015.

²² Ms Julie Hare and Mr Kylar Loussikian, *University admissions racket thrives on deceptive ATAR cut-off scores*, *The Australian*, 13 September 2014.

cut-offs published by providers who genuinely report the typical lowest entry score for their initial teacher education programs.

A further complication is the practice of awarding bonus points, which can boost an applicant's ATAR to meet the cut-off for entry. Awarding of bonus points is a longstanding practice and, in the case of bonus points for studying subjects such as mathematics, science and languages, one that is generally supported. Other bonuses may relate to disadvantage, place of residence or other factors. Some bonuses are applied directly by the provider while others are applied by a state-based tertiary admission centre. The use of bonus points may not be inherently problematic, but lack of transparency in their use adds to the confusion about entry standards for initial teacher education.²³

4.28 TEMAG recommended that:

Higher education providers publish all information necessary to ensure transparent and justifiable selection processes for entry into initial teacher education programs, including details of Australian Tertiary Admission Rank bonus schemes, forced offers and number of offers below any published cut-off.²⁴

It is an observation and finding that could easily be applied to other fields of education.

Committee view

4.29 The committee is of the view that evidence of emerging trends of a slide in retention, and the lack of transparency in admissions is of concern. The committee does not accept the argument that Australia needs to choose between quality and standards on one hand, and access and equity on the other.

Complex changes should not be based on flawed policy

4.30 A number of submitters to the inquiry emphasised the need for stability in policy settings for universities and students and suggested a longer timeframe for changes to higher education that are as large as those contained in the package.²⁵ Dr Gwilym Croucher, a higher education policy analyst and researcher, stated:

Predictability for universities in the rules that they face and the policy settings allows them to plan better and, ultimately, deliver better quality education for students and for students to benefit. In any change that happens to higher education—be it the government's current package or a

23 Teacher Education Ministerial Advisory Group, *Action Now: Classroom Ready Teachers*, December 2014, p. 13.

24 Teacher Education Ministerial Advisory Group, *Action Now: Classroom Ready Teachers*, December 2014, p. 17.

25 Mr Andrew Norton, *Proof Committee Hansard*, 6 March 2015, p. 18; Dr Gwilym Croucher, *Proof Committee Hansard*, 6 March 2015, p. 18; Professor Andrew Parfitt, Deputy Vice-Chancellor (Academic), The University of Newcastle, *Proof Committee Hansard*, 6 March 2015, p. 60; Ms Jeannie Rea, President, National Tertiary Education Union, *Proof Committee Hansard*, 6 March 2015, p. 11.

modified version of that—it is important that the changes are carefully considered to ensure stability.²⁶

4.31 In this context, Dr Croucher emphasised the need for the government to be explicit about why it is bringing in the package:

History has shown... that anything that adds complexity to the system can cause unintended consequences and therefore needs a lot of time to be analysed before it is brought in, if we are to get optimal outcomes. The government's current package has had nearly 10 months of scrutiny, and if we go further back, the reforms undertaken by Minister John Dawkins had a green and white paper process which set up the current system.²⁷

4.32 Even Andrew Norton, on whose work the government is basing its inflated claims of a \$1 million lifetime salary premium for graduates, argued that:

Due to its interaction with the HELP loan scheme, fee deregulation can create significant additional costs. There are also reasonable concerns that some universities will increase their fees in ways that do not benefit students. We need a mechanism that limits these downsides of fee deregulation while still improving on the pricing system we have today.²⁸

4.33 While it is true that there have been a number of reviews into the Australian higher education system, it is not the case that fee deregulation has been seriously considered. The Kemp-Norton Review of the Demand Driven System noted it was unable to consider calls for fee deregulation as they were outside its terms of reference.²⁹

4.34 A comprehensive, systematic review of higher education funding occurred in 2011 through the Base Funding Review chaired by Professor Jane Lomax-Smith. This review found that the Australian higher education system is internationally competitive in terms of quality and funding on available indicators. It recommended a modest increase in funding per place, a two per cent increase to meet the cost of learning with new technology, addressing underfunding in specific disciplines, reducing the number of funding clusters, adjusting public and private contributions and retaining low-SES student loading of \$1,000 per student.

4.35 Professor John Quiggin of the University of Queensland, in a submission to a previous inquiry has made the point that:

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

26 Dr Gwilym Croucher, *Proof Committee Hansard*, 6 March 2015, p. 18.

27 Dr Gwilym Croucher, *Proof Committee Hansard*, 6 March 2015, p. 20.

28 Andrew Norton, *Submission 13*, p. 16.

²⁹ The Hon Dr David Kemp and Mr Andrew Norton, *Review of the Demand Driven Funding System – Final Report*, April 2014.

2013 cuts would be sufficient to stabilize the financial position of the university sector as a whole.³⁰

Committee View

4.36 The committee is of the view that there is a case to update the 2011 Base Funding Review in light of the recent growth in student numbers. As Professor Watson noted:

... there have been budgetary pressures created by lifting the cap on student places on the recommendation of the Bradley review. The size of the sector increased enormously and unexpectedly after that policy reform—a 35 per cent increase in commencing students and a 25 per cent increase in total student load over five years.³¹

4.37 Any such review should include broad, meaningful stakeholder engagements to rectify what CAPA described as a 'complete lack of consultation with stakeholders' up to this point.³²

4.38 It is also important that independent, expert advice be a continuing feature of any package. Even Universities Australia, while supporting fee deregulation, recommended the establishment of an independent advisory panel to assist the Government with implementation and oversight of deregulation.³³ The Regional Universities Network similarly supported an oversight committee.³⁴

Alternatives to deregulation

4.39 Fee deregulation is not the only option for the Australian higher education system. There are other ideas worthy of consideration – yet the Abbott government has failed to pursue any of them.

4.40 Some of the options presented include:

- Maintaining the current system with some updates to reflect the fiscal situation and expansion of the sector;
- Maintaining the current system with increased government funding;
- Maintaining the current system with increased student contributions;
- Fee deregulation with loan limits;
- Fee deregulation with incremental increases in scholarship contribution; and
- Fee deregulation with the Chapman-Phillips model of fines or levies.

³⁰ Professor John Quiggin, *Submission 20*, Inquiry into the Higher Education and Research Reform Amendment Bill 2014, p. 3.

³¹ Professor Louise Watson, *Proof Committee Hansard*, 6 March 2015, p. 3.

³² Council of Australian Postgraduate Associations, *Submission 17*, p. 6.

³³ Universities Australia, *Submission 30*, p. 2.

³⁴ Regional Universities Network, *Submission 23*, p. 4.

4.41 The committee focussed its attention on the incremental increase in scholarship contribution alternative put forward by the University of Wollongong and the Chapman-Phillips model.

Incremental increase in scholarship contribution

4.42 The University of Wollongong proposes a progressive alternative to the flat 20 per cent scholarship fund contribution. Under this model, an initial 10 per cent contribution would apply to annual tuition fees over \$10 000. An additional 10 per cent increment would apply to every \$1 000 up to \$15 000, and a further five per cent would apply to every \$1 000 thereafter, reaching a maximum of an 80 percent contribution for tuition fees in excess of \$20 000.³⁵

The table sets out the model's effect on the Commonwealth Scholarship Fund and the net resources available to a higher education provider.

Figure 2: The effect of the incremental increase in scholarship contribution model on the Commonwealth Scholarship Fund and net resources³⁶

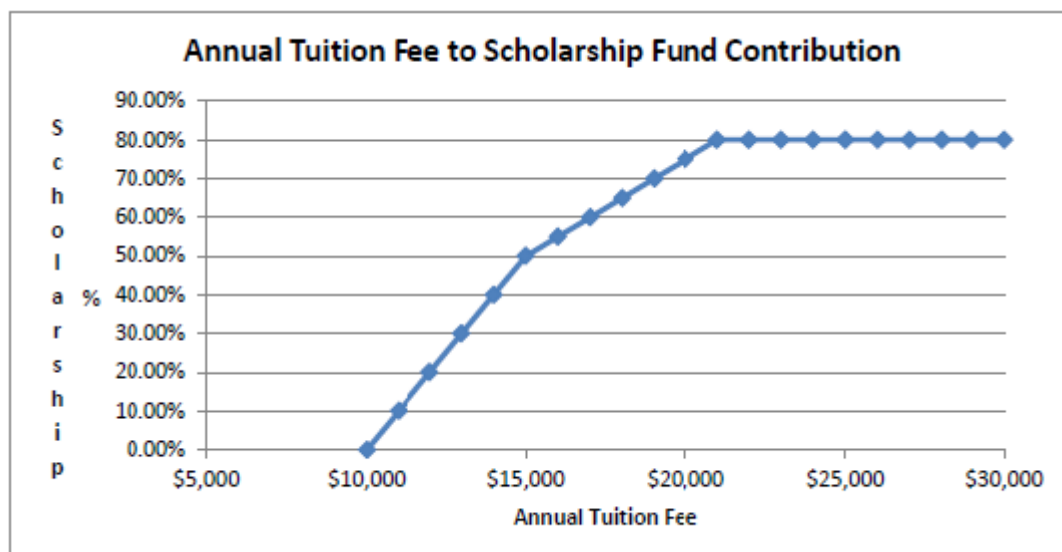
Annual Tuition Fee	Scholarship Component	Net
6,000	0	6,000
9,000	0	9,000
12,000	300	11,700
15,000	1,500	13,500
18,000	3,300	14,700

4.43 The graph below illustrates the incremental difference in Commonwealth Scholarship Fund Contribution in relation to annual tuition fees under the incremental increase in scholarship contribution model.

35 The University of Wollongong, *Submission 2*, p. 3.

36 The University of Wollongong, *Submission 2*, p. 3.

Figure 3: Annual tuition fee to Commonwealth Scholarship Fund contribution³⁷



4.44 The University of Wollongong argues that this model retains the key aspects of the Government's changes in a fairer, more moderated format.³⁸

The Chapman-Phillips model

4.45 Professor Bruce Chapman and Mr David Phillips presented an alternative approach to fee deregulation in the Australian higher education sector. Crucial to the Chapman-Phillips deregulation proposal is the government's ability to 'withhold and/or reduce subsidies to citizens and institutions if their situations or behaviour warrant diminished support.'³⁹

We need to have mechanisms which maintain the capacity of price discretion but penalise institutions—that is, have some kind of cost if they are too high.⁴⁰

4.46 Mr Phillips explained to the committee that the Chapman-Phillips model was developed to allow the government to reduce or remove the 20 per cent cut in funding for Commonwealth supported places. Mr Phillips explained that:

savings to the budget would be achieved in proportion, as it were, or in relation to the extent to which fees are increased. That would reduce or remove the requirement for universities to increase fees just to maintain their current revenue levels. If you set the thresholds at which the reduction in funding would cut in at something like the current maximum student contribution rates, then it would mean that if an institution chose not to increase its fees it would not be affected by the policy change.⁴¹

37 The University of Wollongong, *Submission 2*, p. 4.

38 The University of Wollongong, *Submission 2*, p. 4.

39 Professor Bruce Chapman, *Submission 1*, p. 5.

40 Professor Bruce Chapman, *Proof Committee Hansard*, 6 March 2016, p. 11.

41 Mr David Phillips, Director, Phillips KPA, *Proof Committee Hansard*, 6 March 2015, p. 11.

4.47 The Chapman-Phillips proposal received considerable comment throughout this inquiry, with some commentators likening it to a big new student tax, or a fine, or a levy.

4.48 The Innovative Research Universities (IRU) suggested that the Chapman-Phillips model be explored as an alternative proposal to fee deregulation. IRU described it as a model that would amend the government's formula to fund universities taking account of the revenue universities generate from students:

the more they choose to generate revenue from students, the less need there is to invest government funding in those universities, and that is what their schema will do. And it starts from the current funding. There is actually a significant difference between the current system and the proposal of the government, which would reduce funding up-front by 20 per cent. It starts back at the basis of the current funding and then says that as and when universities go beyond that is when government will start to pull back its funds.⁴²

4.49 IRU noted that exploring this option is very complicated:

there are numerous, innumerable and probably infinite ways you could do it. You can work through those and make some decisions if you want to pursue that, but that will take some time.⁴³

4.50 Professor John Dewar explained further that from IRU's perspective, despite the potential complexities of the Chapman-Phillips model, it was worthy of further research because it appears to address the three key criteria for a solution to Australia's higher education funding issue:

- sustainability of government support;
- sustainability of funding to universities; and
- affordability for students.⁴⁴

4.51 A number of experts in the higher education field also considered the Chapman-Phillips model and raised the need for further work to be done to enable proper judgment on the proposal. Dr Gwilym Croucher made the point that:

Where the different threshold amounts are set will have a dramatic impact on the incentives provided to institutions and hence on the behaviour of those institutions and the incentives that are therefore provided to students in terms of what pricing was being given to students with increased fees... To assess the proposal, we would need to see significantly more detail to get some understanding of where it might sit. Without that detail, it is very

42 Mr Conor King, Executive Director, Innovative Research Universities, *Proof Committee Hansard*, 6 March 2015, p. 58.

43 Mr Conor King, Executive Director, Innovative Research Universities, *Proof Committee Hansard*, 6 March 2015, p. 58.

44 Professor John Dewar, Chair, Innovative Research Universities, *Proof Committee Hansard*, 6 March 2015, p. 63.

hard to make a considered judgement on a proposal such as the one being suggested.⁴⁵

4.52 La Trobe University also highlighted the need for further information on the proposal, arguing that the 'devil is in the detail' and that the Chapman-Phillips proposal was not being suggested as a definitive policy:

We think more work needs to be done to work through the consequences and the risks and benefits associated with each of those, including the Phillips Chapman proposal. We would prefer out of all of those options to weigh them up against a set of principles, which includes benefits to students and the mitigating risks such as price inflation for students.⁴⁶

4.53 The National Tertiary Education Union (NTEU) produced evidence through a preliminary analysis of the impact:

The proposal would introduce even more distortions into any already highly complicated funding regime. Chapman's is a framework with many moving parts, all of which interact very differently depending what values are set for threshold fees at which different marginal tax rates are imposed. Three examples used in Appendix 1 shows that impact of fee increases with a Chapman tax varies considerably depending existing rates of public subsidy further complicating the analysis and understanding of the full implications of the model.⁴⁷

4.54 The NTEU makes the legitimate point that:

Greater complexity means less transparency and greater opportunities for gaming and manipulation. The best and most transparent way to avoid excessive fee increases is to keep a cap on the maximum fee Commonwealth supported students can be charged.⁴⁸

Rushed radical changes are not in the national interest

4.55 It is clear that there are alternatives to fee deregulation. The higher education sector and the Australian people would be better served by a detailed examination of the options available.

These options and the interactions between them and existing arrangements need to be carefully modelled and assessed in terms of their consequences – intended and unintended – and potential student and provider response.⁴⁹

4.56 Policy in the higher education and research sectors is complex and important, and it is evident that there is need for some reform.

45 Dr Gwilym Croucher, *Proof Committee Hansard*, 6 March 2015, p. 18.

46 Mr Matt Brett, Senior Manager, Higher Education Policy, La Trobe University, *Proof Committee Hansard*, 6 March 2015, p. 19.

47 National Tertiary Education Union, *Supplementary information to Submission 11*, p. 3.

48 National Tertiary Education Union, *Supplementary information to Submission 11*, p. 3.

49 The Mitchell Institute, *Submission 60*, p. 2.

But it does not serve Australia's interests to rush radical changes to the sector. Nor does it serve Australia's interests to cut funding, create large and unfair debt that will never be repaid, or allow wasteful fee inflation. The arguments in favour of increasing student debt and creating deregulated markets for fees are far weaker than the government says. Indeed the government does not seem to have come to terms with some serious inconsistencies in its arguments.⁵⁰

4.57 The Abbott government's argument that adequate consultation has been undertaken for this package, and that the Australian public was warned of the associated Budget measures, does not stack up – especially when compared to the processes surrounding radical changes to higher education in the past. In fact, there was no indication by the Abbott government prior to or even immediately after the 2013 election that it was anticipating the biggest shake-up of the higher education sector in 30 years.

4.58 The Dawkins reforms in the late 1980s were preceded by 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. 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.

4.59 There can be no comparison between the level of consultation on previous successful attempts at higher education reform and this attempt, because there has been no consultation. It was put together as part of a budget process, thus was subject to the confidentiality that budget processes require. Accordingly the package can only be viewed as a series of budget savings in search of a rationale. The development of this package has been characterised by the complete lack of consultation, research and discussion, exacerbated by the government's wilful refusal to release its own limited modelling on the impact of its proposals.

Committee view

4.60 The Abbott government's taxpayer-funded higher education advertising campaign lacks any discernible merit and is a waste of valuable taxpayer funds. Not only is it in clear breach of the Advertising Campaigns by Australian Government Departments and Agencies Guidelines – it has also failed to work. It is obvious that the substance of the package is at the heart of the problem, and no amount of spin can make it more attractive to the people of Australia. The committee notes that fee deregulation remains overwhelmingly unpopular.

4.61 The committee received convincing evidence that Australia's world-leading higher education system works, has proven successful and is not in need of immediate

50 The Australian Institute, *Submission 66*, p. 51.

change. While the committee acknowledges the system is not perfect, and continual improvement is always needed, fee deregulation is not the best or only option.

4.62 In addition to the proposals assessed above, the committee notes that a variety of alternative policies have been put forward to ameliorate the negative impacts of fee deregulation, including:

- putting a limit on how much students can borrow through HECS (Swinburne University),
- establishing an independent body to monitor aspects of the system, including fees and advise the government on possible policy responses (Universities Australia),⁵¹
- allowing the Australian Consumer and Competition Committee (ACCC) to monitor university fees (Group of Eight), and
- putting restrictions on how universities are allowed to spend fee revenue (Peter Noonan, Mitchell Institute).

4.63 Some of these alternative policies, like the Chapman-Phillips student tax proposal, seem to have been formulated on the premise that ‘why make a policy straightforward and transparent when there is a complex and obscure alternative available?’ The committee rejects all of these ideas because their starting point is fundamentally flawed. Deregulation itself is the problem these proposals seek to solve. The simple solution is not to embark upon fee deregulation in the first place.

4.64 The committee believes that rushing radical changes to the higher education sector is particularly dangerous and contrary to the national interest. The committee urges the government to consider in detail all the options available to the higher education sector before implementing any large scale changes. In embarking on any future reforms to the higher education sector, the committee suggests the government obtain independent advice, modelling, evaluation of existing arrangements and technical analysis to produce a detailed proposal upon which the government can then consult, negotiate and decide.

Recommendation 3

4.65 The committee recommends that the government commission an independent review to update the 2011 Base Funding review.

4.66 The committee recommends that further efforts at change to higher education funding and financing involve proper and due process of research, consultation and discussion.

Senator Sue Lines

Chair

⁵¹ Universities Australia, *Submission 30*, p. 2.

COALITION SENATORS' DISSENTING REPORT

Principles of Coalition Higher Education Policy

1.1 Principles of access, equity and excellence in higher education have been core principles for Coalition Senators over a long period of time. In fact, principles were expounded and implemented by Sir Robert Menzies, with respect to the reform principals of the bill, addressed by the Committee. Coalition Senators would refer interested parties to the Education and Employment Legislation Committee reports on both the original bill and the additional report that addresses the amendments to the original bill. The Legislation Committee has been diligent in its investigation of the legislation, seeking to present evidence in a practical manner and make practical suggestions around legislative amendments. It is a great pity the Reference Committee has not chosen such a path to deal with this issue.

The importance of universities to Australia

1.2 Coalition Senators believe that Australia's universities are the drivers of social equity and economic development. Universities are the method by which aspirations are raised and opportunities are created. Coalition Senators have a long and proud tradition of allowing more Australians to go to universities and this will continue to be policy.

The autonomy of universities

1.3 Coalition Senators have and will continue to believe that it is universities, not Canberra bureaucrats, who are best placed to know the most about their particular student cohort. Further, Coalition Senators believe that it is in the best interests of students when universities are allowed more freedom.

The importance of quality in Australia's higher education sector

1.4 Traditionally Australia has had one of the highest quality education sectors in the world. It is critical that Australia continues to have one of the best higher education sectors in the world. However, this position is slipping. As Universities Australia has said, without significant reform Australia's higher education sector 'will slide into mediocrity'.¹ Coalition Senators is committed to ensuring that Australia's higher education sector is the absolute best it can be, and is the best in the world.

The crucial role of universities in creating opportunity

1.5 Since the Menzies reforms of Australia's higher education sector Coalition Governments have been committed to allowing more disadvantaged students to access higher education. The Menzies reforms opened up Australia's higher education sector to groups of people who previously could not access higher education.

¹ Universities Australia, *Submission 30*, p.

1.6 As such the reforms by John Dawkins in the 1980s, and the establishment of the Demand Driven System should be thought of as extensions of reforms which Sir Robert Menzies started. Coalition Senators Government's current reform package is the next step along that evolutionary path started by Menzies, and walked by Dawkins and Gillard.

The importance of research

1.7 Coalition Senators are committed to adequately funded research in Australia. This is why the Government spends \$9 billion a year on research. Further, Coalition Senators note that on 16 March 2015 Minister Pyne guaranteed National Collaborative Research Infrastructure Strategy for 2015-16. It should also be noted that the previous Government was unwilling to provide funding past June 30 2015.

Specific response to majority report

1.8 Coalition senators completely reject the partisan manner in which the opposition have approached the public debate to continue their scare campaign in an area of policy where there has been a long tradition of bipartisan support for increasing access whilst encouraging excellence in our higher education system.

1.9 The majority committee report uses inflammatory and highly emotional language to discuss important policy area and fail to put forward any genuine policy alternatives from the inquiry process is disappointing.

1.10 Instead, in their majority report, Labor and Greens Senators have rejected all ideas because their starting place is fundamentally flawed. Deregulation is the problem.

1.11 Similarly they claim the government is "rushing radical changes". Failing to acknowledge the more than 30 reviews, 10 months of consultation, extensive committee inquiries, and support of private and public higher education providers is another case of ideology trumping the sensible evolution of Australia's higher education system.

1.12 The majority also claim that as a result of the reforms students will not be able to attend high prestige universities unless they can pay for them. While the majority rely on assertion, Government Senators prefer to rely on evidence based research. A report prepared for the European Commission in 2014 showed that there is no impact on participation in higher education when fee rises occur and there is an income contingent loan scheme in place.² Further, the experience in England over the past few years has found that where there are significant fee rises, the proportion of disadvantaged students participating in higher education goes up.

1.13 Coalition Senators of the Committee refer to the concurrent inquiry of the Senate Standing Legislation Committee on Education and Employment on the Higher Education and Research Reform Bill 2014, which reported on Friday 13 March 2015.

² European Commission, *Do changes in cost-sharing have an impact on the behaviour of students and higher education institutions?*, May 2014.

1.14 There are a number of individual points in the majority report of the Senate Education and Employment References Committee which are important to rebut.

1.15 Since the Legislation Committee reported on 13 March 2015 the Minister has announced that the 20 per cent reduction in CGS funding will be separated and dealt with in a separate Bill. Further, the Minister has guaranteed that the National Collaborative Research Infrastructure Strategy will receive Commonwealth funding for 2015-16.

1.16 Despite the rhetoric in the report prepared by the majority Senators for this Committee inquiry, the Government engaged in extensive review processes prior to the announcement of the Higher Education Reforms. The Government commissioned the Hon. David Kemp and Mr Andrew Norton to review the Demand Driven System. Many relevant submissions were received by the Commission of Audit. Consultation was also undertaken in the development of the 2014-15 Budget.

1.17 The Government also engaged in extensive post-Budget consultation through the operation of the Legislation and Finance Working Group, chaired by Professor John Dewar and the Quality, Deregulation and Information Working Group, chaired by Professor Peter Shergold.

1.18 The higher education sector has been extensively reviewed since the 1950s. Since the Murray Review, commissioned by the Hon. Sir Robert Menzies there have been 33 reviews into higher education in Australia.

1.19 The majority report argues that the current funding regime for universities is sustainable. This is not the view of Australian higher education experts, as well as the university peak bodies and Vice Chancellors. For instance, in their submission Universities Australia wrote:

Despite strong public support for a well-funded university system, public investment in Australian universities remains inadequate and low compared with other OECD countries.³

1.20 Further, the CEO of Universities Australia was quoted in the Department of Education and Training's submission, she said that:

We do not believe that it is possible to maintain the standards that students expect or the international reputation that the sector enjoys without a new approach that has at its core long-term financial sustainability and less university exposure to policy instability, political whim and idiosyncratic approaches to funding that are impossible to predict from one six-month period to the next.⁴

1.21 Rather than being sustainable, the traditional cycle of boom and bust for higher education sector funding in Australia has created an unstable and unworkable operating environment. This is exemplified by the \$6.6 billion dollars of cuts to higher education which were announced by the previous Government.

³ Universities Australia, *Submission 30*.

⁴ Department of Education and Training, *Submission 68*, p. 5

1.22 Coalition Senators note that the chief proponents of the argument that universities are sustainable are not expounded by those who oversee, or run universities. Further, it is surprising that those in the majority of this Committee chose to put so much faith in the arguments put forward by scholars such as Professor Louise Watson, who is willing to see up to \$5 billion cut out of higher education in Australia.

1.23 Finally, in their report majority senators relied heavily on evidence given by Mr Ben Phillips of NATSEM. Government Senators have consistently pointed out that Mr Phillips does not have particularly strong qualifications either in higher education policy analysis, or in fact economic analysis more generally. It is also significant that Mr Phillips is employed by the University of Canberra whose Vice-Chancellor is the only one who does not support the Higher Education reforms. It is for this reason that Mr Phillips' analysis is not surprising.

1.24 It is telling that Mr Phillips and NATSEM were willing to stake their so-called 'independent' reputation on a website which has been used by the Labor party to seek campaign donations. Government Senators legitimately tried to question how much NATSEM was paid to do this blatantly political work, however, were blocked by the Chair citing commercial-in-confidence. Given that university accounts are public this was perplexing.

Key points of the Higher Education reform package

1.25 Coalition Senators once again reiterate our support for a system that is accessible, equitable and excellent.

1.26 The benefits to students of the Higher Education and Research Reform Bill 2014 are significant. According to the submission by the Department of Education and Training, as a result of the expansion of the Demand Driven System an additional 83,000 students a year will receive Commonwealth support from 2018.⁵

1.27 The Department of Education and Training's submission also illustrates the significant problems with not passing these reforms. For instance, if the reforms do not pass, 64,000 primary caregivers will not get the benefit of the Government's proposed HECS indexation pause for primary caregivers.⁶

1.28 There have been no reasonable alternatives proposed to the Government's proposal. Coalition Senators note that this Committee, set up to review alternatives approaches to funding higher education has not offered alternatives. Rather the recommendation is that the Government revisit the 2011 Base Funding Review, the recommendations of which were not adopted by the previous Government.

1.29 All of the higher education peak bodies – Universities Australia,⁷ The Regional Universities Network,⁸ the Innovative Research Universities,⁹ the Australian

⁵ Department of Education and Training, *Submission 68*, p. 9.

⁶ Department of Education and Training, *Submission 68*, p. 11.

⁷ Universities Australia, *Submission 30*, p. 2.

⁸ Regional Universities Network, *Submission 23*, p. 3.

Technology Network,¹⁰ the Group of Eight¹¹, TAFE Directors Australia¹², the Australian Council of Private Education and Training¹³ and the Council of Private Higher Education¹⁴ - have indicated their support for the Higher Education and Research Reform Bill with amendments in either submissions, or in prior public submissions.

1.30 There has been a dishonest and baseless scare campaign against the higher education reforms. As stated in the concurrent report from the Senate Education and Employment Legislation Committee:

Given that there is no reliable evidence to suggest that fees will rise unacceptably high, and that students will not be asked to contribute to these costs until they can afford to ... the spectre of skyrocketing courses fees was little more than a politically driven scare campaign.¹⁵

1.31 Evidence from universities has put the lie to the baseless scare campaign. For instance the Queensland University of Technology has released their fees making it clear that if fees were de-regulated their pricing would be roughly a third of what those propagating the scare campaign would have the Australian public believe.

1.32 Coalition Senators are pleased to note that data provided from the Department of Education and Training shows that this scare campaign has had no impact on the number of year 12 students applying to universities.

Recommendation 1

1.33 Coalition senators reject the Senate Education and Employment References committee majority report and the additional comments by the Greens, as another taxpayer funded politically motivated scare campaign.

Senator Bridget McKenzie

Deputy Chair

⁹ Innovative Research Universities *Submission 14*, p. 1.

¹⁰ Australian Technology Network of Universities, *Submission 33*, p. 1.

¹¹ Group of Eight Australia, *Submission 32*, p. 1.

¹² TAFE Directors Australia, *Submission 22*, p 1.

¹³ Council of Private Education Inc, *Submission 21*, p. 3

¹⁴ Council of Private Education Inc, *Submission 21*.

¹⁵ Senate Education and Employment Legislation Committee, *Higher Education and Research Reform Bill 2014 [Provisions]*, March 2015, p. 12.

APPENDIX 1

Submissions Received

1. Professor Bruce Chapman
2. University of Wollongong
3. Australian Nursing and Midwifery Federation
4. Mr Michael Gallagher
5. The Committee For Educational Process Reform
6. Australian College of Theology
7. University of Queensland
8. University of South Australia
9. La Trobe University
10. University of Newcastle
11. National Tertiary Education Union
11.1 Supplementary to submission 11
12. University of Western Sydney
13. Mr Andrew Norton
14. Innovative Research Universities
15. Dr Louise Watson
16. National Union of Students

17. Council of Australian Postgraduate Associations
18. Australian National Fabrication Facility
19. Australia needs a Brighter Future
19.1 Supplementary to submission 19
20. Swinburne University of Technology
21. Council of Private Higher Education Inc.
22. TAFE Directors Australia
23. Regional Universities Network
24. Australian Medical Association
25. Australian Research Council
26. Mr Shane Moore
27. Mr Richard Cardew
28. Deakin University
29. Bond University
30. Universities Australia
31. Navitas
32. Group of Eight Australia
33. Australian Technology Network of Universities
34. Australian Institute of Professional Education
35. Mr Sean Leaver

36. The Politics, Philosophy, and Economics Society of La Trobe University
37. Victoria University
38. Curtin University
39. Professor Stephen Parker and Mr Ben Phillips
40. RMIT University
41. Ms Gabrielle O'Brien
42. Griffith University
43. Federation University Australia
44. Ms Mary Kelly
45. University of Sydney
46. Ms Suzanne Wilkinson
47. Curtin Student Guild
48. Mr Kerry Moore
49. AuScope Limited
50. Heavy Ion Accelerator Facility
51. University of South Australia Student Association
52. Charles Sturt University
53. Australian Council for Private Education and Training
54. The University of Notre Dame Australia

55. Equity Practitioners in Higher Education Australasia
56. Terrestrial Ecosystem Research Network
57. Atlas of Living Australia
58. The Australian Phenomics Network
59. Australian Urban Research Infrastructure Network
60. Mitchell Institute
61. Australasian Council of Deans of Arts, Social Sciences and Humanities
62. Australian Microscopy & Microanalysis Research Facility
63. La Trobe Student Union Inc.
64. Population Health Research Network
65. Australian Catholic University
66. The Australia Institute
67. National Imaging Facility
68. Department of Education and Training
69. Dr Gwilym Croucher
70. University of Technology Sydney
71. Charles Darwin University

Tabled Documents

1. Document tabled at a public hearing in Canberra on 6 March 2015 by Mr Ben Phillips.

Response to Questions on Notice

1. Response to a question on notice from the University of Newcastle, received 15 March 2015.
2. Response to a question on notice from Mr David Phillips, received 16 March 2015.
3. Response to a question on notice from Dr Gwilym Croucher, received 16 March 2015.

APPENDIX 2

Public Hearing

Canberra, Friday, 6 March 2015

Committee Members in attendance: Senator Carr, Lines, McKenzie, O'Neill and Rhiannon

Witnesses:

BELAY, Ms Betty, Spokesperson, Australia Needs a Brighter Future

BRETT, Mr Matt, Senior Manager, Higher Education Policy, La Trobe University

BROWN, Mr Steve, Spokesperson, Australia Needs a Brighter Future

CHAPMAN, Professor Bruce James, Private capacity

CLANCY, Professor Timothy Francis, Director, Terrestrial Ecosystem Research Network

CROUCHER, Dr Gwilym, Private capacity

DEWAR, Professor John Kinley, Chair, Innovative Research Universities

DOBBIE, Dr Michael, Chief Executive Officer, Australian Phenomics Network

GOODNOW, Professor Chris, Lead Scientist, Australian Phenomics Network

HICKS, Mrs Rosie, Chief Executive Officer, Australian National Fabrication Facility Ltd

KING, Mr Conor, Executive Director, Innovative Research Universities

KNIEST, Mr Paul, Policy and Research Coordinator, National Tertiary Education Union

NORTON, Mr Andrew, Private capacity

PARFITT, Professor Andrew, James, Deputy Vice-Chancellor (Academic), The University of Newcastle

PHILLIPS, Mr Ben, Private capacity

PHILLIPS, Mr David, Director, PhillipsKPA, Private capacity

REA, Ms Jeannie, National President, National Tertiary Education Union

ROLF, Mr Harry, National President, Council of Australian Postgraduate Associations

STEELE, Ms Rose, President, National Union of Students

WATSON, Professor Louise, Private capacity

APPENDIX 3

Higher Education and Research Reform Amendment Bill 2014 - 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