

Senate Committee: Education and Employment

QUESTION ON NOTICE Additional Estimates 2014 - 2015

Outcome Higher Education Research and International

Department of Education and Training Question No. SQ15-000025

Senator Rhiannon, Lee asked on 25 February 2015, Hansard page 139

Higher Education Reforms – Effect of CSP expansion on student fee levels

Question

Senator RHIANNON: The question was about putting downward pressure on prices. Is it modelling? Is it experience from other jurisdictions? What is your evidence? That is all the question is.

Ms Paul: I would like to be precise about that, so I will take that on notice.

Answer

The question refers to the Government's expansion of the demand driven funding system to all undergraduate degrees at all higher education institutions accredited by TEQSA, and the effect of this on student fees in a deregulated market.

There are three ways in which the department expects these reforms would exert downward pressure on student fees. Firstly, higher education institutions that are currently ineligible to offer Commonwealth supported places (CSPs) are at a competitive disadvantage, as they do not receive any subsidy through the Commonwealth Grant Scheme. Students at these institutions must pay the full cost of their courses. As a result of the reforms, those institutions that choose to offer CSPs would have access to subsidies that will allow them to lower their student fees.

Students studying at private higher education providers are one of the beneficiaries of these reforms, and the peak body representing major providers in this sector has confirmed that its members would lower their fees in response to receiving Commonwealth support. In its submission to the Senate Education and Employment Legislation Committee Inquiry into the Higher Education and Research Reform Amendment Bill 2014, the Council of Private Higher Education stated that "member institutions...have indicated that whatever they receive in Commonwealth support for students will be passed on to students through reduced tuition and some have already indicated they will hold their 2014 tuition fees through 2016 if reforms are in place" (p. 3).

The second way in which the expansion would exert downward pressure on prices is through a new requirement that the fee charged to an international student must at least equal the total resourcing provided by a domestic student through the Government subsidy and student fees. Because the Government currently subsidises domestic student places by up to \$21,000 per year, this means that in practice, fees for domestic students can never be higher than the equivalent international fee less the Government subsidy. For institutions that enter the system, this requirement would ensure that where domestic and international fees were previously similar, domestic fees would now be considerably lower.

The third way in which the expansion of the demand driven system would exert downward pressure on prices is through increased competition. The entry of new institutions into the subsidised market, together with the removal of strictures on fee levels at public universities, will provide students with additional opportunities for their higher education. Because some private providers are focused on teaching and do not incur research overheads to the extent of universities, they have the potential to offer courses equivalent in quality to university courses but at a lower cost. In response, universities would need to set their student fees at a level that is competitive with other institutions, including those that offer newly-subsidised places. In some courses, this would place pressure on all institutions to restrain their fee increases in order to attract sufficient enrolments and avoid students moving to alternative institutions. In addition, some universities may decide to offer lower fees than their competitors to encourage higher enrolments.