Submission to Senate Regarding Higher Education and Research Reform Amendment Bill 2014.

I have three strong concerns regarding this bill.

1) **The move to deregulate university fees is a retrograde step** that has a proven track record as a policy failure in the United States and Britain. In the United States, the average student debt hovers at around US$29 000, whereas in Britain fees have been pushed upwards of £9000 per annum. The notion that market forces would push fees down has been demonstrated to be incorrect, with the recent British experience demonstrating that fee deregulation saw universities uniformly rush to charge fees at their government set maxima – effectively trebling fees for students. Many studies of the price elasticity of higher education from the above mentioned countries as well as from Canada have demonstrated that upward pressure on fees, particularly rapid upward pressure on fees, distorts the decision making of prospective students in socio-culturally predictable ways. Specifically, those from lower socio-economic backgrounds and families without a family tradition of tertiary education increasingly find these entry costs into higher education (and the professions it unlocks) to be too high and therefore find themselves locked into patterns of lower income employment. Put simply, higher fees are not merely an impediment to university education, they disproportionately impede those whose access to university is already most precarious.
2) As with the above**, increasing interest on student HELP loans to the bond rate will disproportionately disadvantage** those whose access to higher education is most fragile. While those from high income families who can afford to pay high fees upfront may never suffer from the burden of student debt at all, those students who have no choice but to defer their tuition payments will find that their student debts at high rates of interest will once again distort their post-tertiary education opportunities. While their fellow students are able to pay higher tuition fees and might immediately commence saving for a home deposit or plan towards other long term business or financial investments, those struggling to pay large student loans at market rates of interest may well find other financial commitments such as home loans increasingly unaffordable and will similarly have to defer other long term economic investments. Not just equity, but prudent economic decision making would seem to demand that interest on any student loan should be capped at the rate of CPI, if not below.

3) **Cutting fee support to PhD students** seems a strikingly short sighted approach to building a knowledge based economy. At a time in which the number and quality of PhD students is growing across the world and nations such as the US, Germany, China, and India search for a competitive edge through increasing access to this highest degree, Australia looks to be limiting access to postgraduate study by erecting a cost barrier to higher research degrees. PhD students already make enormous financial sacrifices in terms of the opportunity cost of not taking on full time employment. Yet another tax on their efforts may be enough to see talented scientists and thinkers turn away from the production of knowledge – to the great cost of Australia's future.

To summarise: At a time in which access to higher education should be growing and governments should be looking for ways to ensure that the people they represent have the knowledge base and intellectual flexibility to adapt to a quickly changing world, this bill moves in precisely the opposite direction. It imposes a set of barriers to higher education and will make higher education less attractive, particularly to those from sectors of the Australian population in most need of access to university education.

I would urge the Senate committee to recommend alternatives to raising fees on undergraduate and postgraduate students, and raising interest rates on student loans. I would further urge the Committee to reassert that education is not merely a private matter, but is also a public good. It is as valuable a form of infrastructure as road and rail networks or power facilities. Accordingly, government spending on education should be viewed not as a cost or subsidy to individuals, but as an investment in the long term prosperity and quality of life of the nation as a whole.

Yours sincerely,

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