

Committee Secretary
Senate Education and Employment Committees
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Committee Secretary,

The University of Melbourne appeared before the Committee on Monday 5 March, 2018 to provide testimony concerning the *Higher Education Support Legislation Amendment (Student Loan Sustainability) Bill 2018*.

At that hearing, the University's representative, Professor Carolyn Evans, took several questions on notice from Senator Deborah O'Neill and from Senator the Hon Jacinta Collins.¹ In addition, Senator Collins has provided further questions in writing.

The questions on notice address four broad issues that have surfaced in the context of the proposed legislative changes including: the impact on the Melbourne Model; course fees and the current and likely future upfront costs faced by fee-paying students who exceed their lending eligibility.

The following submission provides responses to those questions.

In preparing this response, we have drawn on previous submissions to this Committee concerning the Government's changes to university policy and funding.

For further information please contact Dr Julie Wells, Vice-Principal Policy and Projects

¹ *Proof Committee Hansard*, Senate Education and Employment Legislation Committee, Monday 5 March, 2018. See pp.13-14.

General Comments

As expressed in our initial written submission, and in the oral evidence provided at the hearing, the proposed amendments have significant implications for the lifelong learning agenda, constraining the capacity for Australians to continuously access tertiary education throughout their work lives. There is a risk that Australia's skills needs will go unmet as a result of the new lending eligibility settings that, in time, may act as a barrier preventing workers from upskilling. The changes also undermine the equity principles that underpin the Higher Education Loan Program. The introduction of upfront costs for many of those looking to access educational opportunities will result in these opportunities being distributed based on the ability to pay. HELP was designed with aim of avoiding this situation.

More specifically, the University of Melbourne has major concerns about the impact of the changes on the Melbourne Model of curriculum. The University offers a distinctive, world-class education model, the first of its kind in Australia. Introduced in 2008 with the support of the Howard Government and the then Minister for Education, The Hon. Julie Bishop MP, the Melbourne Model reflects the global trend towards broad and liberal undergraduate education leading into specialised, professional graduate study and research degrees. While there is broad recognition of the value that the Melbourne Model generates, this is ultimately undermined by the proposed changes.

Response to Questions on notice

Impact on the Melbourne Model

- *In the Senate Estimates hearing on March 1, 2018, the Department of Education and Training was asked about the allocation of postgraduate CSPs from 2019, and about the arrangements for accommodating the unique curriculum model at the University of Melbourne. What is your view of the potential impact of the new postgraduate allocation mechanism and the CGS funding freeze?*

Allocation of postgraduate CSPs

The University of Melbourne is very concerned about the potential impact on the Melbourne Model of any new arrangements for allocating postgraduate CSPs, to take effect from 2019. Following the announcement of the (now abandoned) voucher system for postgraduate places, the Minister provided assurance that arrangements would be made to safeguard "the integrity of the Melbourne Model".

Notwithstanding the in-principle support it continues to enjoy, the Melbourne Model will only remain viable where there are policy and funding settings that enable it. The defining feature of the model is the pathway from generalist undergraduate degrees and specialist, professional masters programs. A combined bachelor-masters program within the Melbourne Model is undertaken over a period of five years or more. Funding arrangements that are based on year-by-year allocation of places result in a potential volatility that is insensitive to the pedagogical underpinning of combined undergraduate-postgraduate study programs. The resultant uncertainty disrupts that graduate pathway, where students who enter one of our generalist bachelor degrees plan to progress to a CSP in a professional Masters program. In short, the proposed changes pose a major threat to the Melbourne Model.

We have indicated to the Department and the Minister that we would welcome consultation on what we understand are new proposed changes to the allocation of postgraduate CSP places. We agree that the move away from the voucher scheme requires a new conversation, albeit one that respects the previous Ministerial undertakings to support the integrity of the Melbourne Model. Our suggestion is that a discussion paper be released publicly, posted on the DET website, with an invitation to institutions seeking comment. This would be facilitated by a structured, transparent process of discussion and consultation ahead of a draft proposal being disseminated for a further round of consultation. This process should commence immediately and allow sufficient time at each point of consultation to facilitate the development of a fair and workable allocation process.

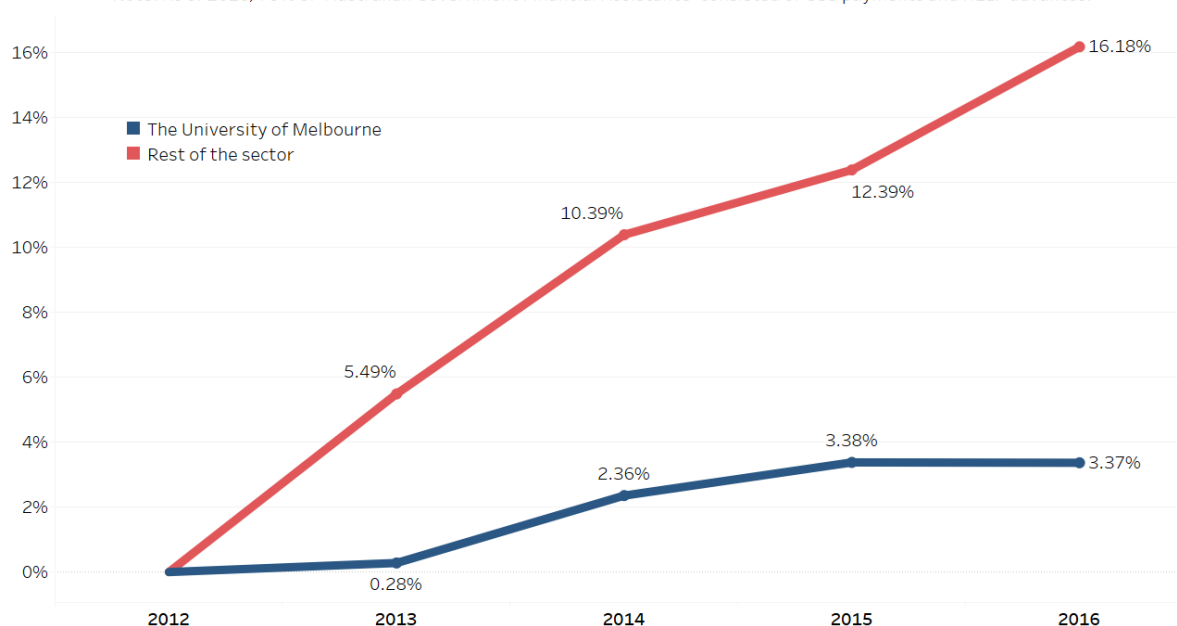
CGS Funding freeze

The University of Melbourne was excluded from the demand driven system when it was introduced in 2012, in order to accommodate a larger allocation of postgraduate CSPs (i.e. relative to other institutions). The effect of this is that our domestic bachelor-level enrolments have grown far more slowly than the rest of the sector, as has the financial support received from the Federal Government (see below). In nominal terms, Australian Government Financial Assistance (which includes both CGS payments and HELP advances) made to the University of Melbourne grew by 3.4% between 2012 and 2016, compared to 16.2% for the rest of the sector over the same period.

Cumulative growth in 'Australian Government Financial Assistance': 2012 - 2016

Source: Department of Education and Training, Finance Tables

Note: As of 2016, 75% of 'Australian Government Financial Assistance' consisted of CGS payments and HELP advances.



What this demonstrates is that while the Melbourne Model is a source of diversity in the higher education sector and offers high value to students, it comes at a relatively low public cost. Recent discussion around higher education reform has been framed by the aim of constraining budget outlays. It is clear that the University of Melbourne has not been a source of rapidly increasing costs.

Moreover, the University is concerned about the proposed arrangements for bachelor-level funding, where funding will be increased in line with population growth from 2020 (subject to institutional performance), using 2017 allocations as a baseline for this growth. Since the University of Melbourne's bachelor level enrolments are far lower than they would otherwise have been

(essentially ‘frozen’ at 2012 levels), we have concerns about these arrangements, especially in the context of uncertainty around the allocation settings for postgraduate places.

Number of domestic postgraduate students

- *How many domestic students at the University of Melbourne are enrolled in postgraduate coursework programs?*
- *How many domestic postgraduate coursework students at the University of Melbourne are enrolled on a fee-paying basis?*
- *Can the University provide the percentage of domestic students in Commonwealth-supported places in graduate coursework programs?*

In 2016, 11,495 domestic students (EFTSL measure) were enrolled in postgraduate coursework programs at the University of Melbourne. Of these students, 5,297 (46.1%) were enrolled on a fee-paying basis; 6,198 (53.9%) were enrolled in CSPs. Fee-paying postgraduate coursework students made up 17.4% of all domestic students at the University of Melbourne.²

- *Did the University of Melbourne ever make a commitment that at least half of places for Australians in graduate professional courses (those which moved from undergraduate to postgraduate under the “Melbourne Model”) would be Commonwealth-supported? If so, what happened to this promise? (Note, Professor Evans said that “approximately two-thirds of students in the law school are on a fee-paying basis)*

As of 2016, more than 50% of domestic postgraduate coursework students were enrolled in Commonwealth Supported Places. This is a significantly higher rate than that for the entire sector, in which only 40.7% of domestic postgraduate coursework students were enrolled on a CSP basis in 2016.³ Note also that the initial commitments around share of postgraduate places that would be CSPs was specific to the opening phase of the Melbourne Model, immediately after it was introduced in 2008.

Notwithstanding this point, we remain committed to enrolling large numbers of domestic students on a CSP basis. Note that the number of postgraduate CSPs allocated to the University is determined by the Government, and that we agreed to not enter the demand driven system of uncapped bachelor places precisely in order to ensure an adequate postgraduate CSP allocation. Moreover, in eight out of 10 broad fields of education, Commonwealth supported students make up more than 50% of domestic postgraduate coursework students at the University of Melbourne.⁴ In the fields where CSPs make up a low share (e.g. Management and Commerce), this is partly a consequence of very few CSPs being allocated in those fields.

² Department of Education and Training, 2016 Higher Education Statistics (U-Cube).

³ UCube, Department of Education and Training, 2016 Higher Education Statistics. Note: EFTSL measure used.

⁴ Ibid.

Postgraduate Coursework fees

- *What are the annual fees for domestic students undertaking postgraduate coursework programs? Of programs with large numbers of students, which ones have annual fees higher than \$40,000?*

As noted in the evidence provided at the hearing, course fees for postgraduate coursework programs vary significantly owing to the cost of delivery and to market pressures. The table below provides the annual course fees for University of Melbourne postgraduate coursework programs with the highest numbers of fee-paying students (based on 2016 EFTSL).

Table 1: Annual course fees for postgraduate coursework programs at the University of Melbourne

Course	No. of domestic fee-paying students (EFTSL) (2016)	Fee-paying students as % of domestic students (EFTSL) (2016)	Annual course fees (per EFTSL) (2018)
Juris Doctor	544	64.0%	\$39,456
Master of Business Administration*	514	100.0%	\$37,984
Graduate Diploma in Business Administration*	215	100.0%	\$33,440
Doctor of Medicine	188	15.6%	\$68,544
Doctor of Dental Surgery	171	68.1%	\$67,872
Graduate Diploma in Psychology	141	100.0%	\$32,384
Master of International Relations	134	84.3%	\$26,400
Master of Public Health	129	63.4%	\$27,168
Graduate Diploma in Surgical Anatomy	111	100.0%	\$22,320
Master of Environment	100	79.0%	\$26,192 - \$35,932**

Source: EFTSL data sourced from Department of Education and Training, 2016 Higher Education Statistics (Higher Education Information Management System, Datamart). Annual course fees sourced internally

*Delivered by the Melbourne Business School.

**Annual fees vary depending upon the subjects in which the student enrolment.

- *Can the University outline the number of graduate full-fee courses available to Australian students which have a fee greater than the current FEE-HELP limit?*

Based on an internal review, there are a total of 12 postgraduate coursework programs where the fees for domestic fee-paying students exceeds the FEE-HELP lending limit. This is based on the indicative total course fees for students commencing in Semester 1, 2019, using the currently legislated lending limits for 2019.

- *Can the University outline how many of your postgraduate courses have fees higher than:*
 - *\$20,000 per 1 EFTSL*
 - *\$30,000 per 1 EFTSL*
 - *\$40,000 per 1 EFTSL*
 - *Greater than \$50,000 per 1 EFTSL*
 - *Lower than \$20,000 per 1 EFTSL*

The fees for all courses are available on the course webpage:

<https://futurestudents.unimelb.edu.au/admissions/fees>

In the interest of consistent reporting, we refer the Committee to published fees. Table 1 (above) indicates the fee structure for postgraduate coursework programs with large numbers of domestic fee-paying students. Note that 42% of domestic postgraduate fee-paying EFTSL comes from the ten courses listed in that table.

- *Has the university ever considered setting their graduate course fees to align better with the FEE-HELP scheme? If so, why hasn't this happened?*

As noted, fees for postgraduate coursework programs are determined by both the cost of delivery and by market forces. The University is committed to diversity and choice, seeking to offer students professional programs that are high quality and unique within the Australian postgraduate market. Delivery costs reflect this higher quality. The graduate outcomes of our students indicate that the investment they make in their education is a sound one.

Nonetheless, we endeavour to constrain fees, given the competition on price that exists in the domestic postgraduate market, and given the equity and access implications of students being faced with upfront costs. It is for this reason that we are concerned with the proposed HELP lifetime limits, which will increase the upfront costs for many students.

Upfront costs

- *Can the University outline how many students are provided bursaries to cover the fee gaps (between FEE-HELP and the university's fees)? Do these bursaries typically cover the whole 'fee gap'?*
- *What commercial loan arrangements has the university made available to students?*

The University provides bursaries to assist students who might otherwise be prevented from undertaking a postgraduate coursework degree due to upfront costs. Note that the provision of bursaries to cover fee gaps is managed at the individual school level, rather than by a central office within the university.

The Melbourne Law School runs a bursary program that allows many students to avoid a fee gap that they would otherwise pay. In 2018, there were 197 commencing domestic postgraduate fee-paying students at the Melbourne Law School, with 128 (65%) of those students receiving a bursary. We know that programs such as this have a marked effect on access. In 2017, 72% of bursary recipients who were offered a place went on to enrol; the rate for non-bursary recipients was 52%.

As noted in the hearing, there is no market for commercial loans to cover tuition costs in Australia. This contrasts with other countries such as the United States where there is a large market for such loans. This is a function of the publicly subsidised loans program that domestic students overwhelmingly have access to. As was also noted, banking regulations in Australia would make the provision of commercial loans for tuition costs very difficult in any case. This is one of the reasons the University, and other submissions to the Committee's inquiry, have suggested a higher cap on the loan limit, and one that can be refreshed when loan repayments have been made.

- *How many students, who commenced an undergraduate degree in 2018 at Melbourne, does the university expect would need to borrow money or get a bursary to cover the costs of their graduate professional degree?*

There is no reliable way of estimating the number of 2018 commencing undergraduate students at the University of Melbourne who will exceed the HELP lending limit in future. In addition to the uncertainty around the lending eligibility settings beyond 2019, the number of commencing undergraduate students who will exceed the limit in the years ahead will be influenced by a range of factors including:

- contribution levels for Commonwealth supported students in future years
- the mix of subjects those students undertake, where student contributions vary across funding clusters
- the study undertaken by those students in addition to a standard bachelor program i.e. whether they undertake an Honours year or a VET program
- postgraduate course fees beyond 2021
- future enrolments in various postgraduate coursework programs.

The range of contributing factors means that the number of the 2018 commencing students who will eventually reach their lending limit cannot be predicted. What we can say is that the proposed amendments will result in significantly more students reaching the lending limit, and therefore being faced with upfront costs.

- *Professor Evans said in relation to students taking out loans to cover the fee gap that “For many [students] it’s parents, to be blunt, or loans from other family members”. What further modelling or information does the university have about how students in this situation cope with up-front fees?*

The options for students who are no longer eligible for HELP lending (having exceeded their borrowing cap) are limited. As noted above, there is no market for commercial loans for tuition costs. While some students will draw support from their family, this is obviously not available to all students. In some cases, students will either take time off after their undergraduate degree or during their postgraduate degree in order to save money to cover the upfront costs. Other students will enrol part-time, allowing them to work to cover these costs.

Clearly, these options are far from ideal: the principle underlying the loans program is that the inability to pay fees upfront should not act as a barrier to access to higher education. We are very concerned that the proposed changes will push more students into this category.

- *If students are already using their entire FEE-HELP limit on one course under the Melbourne Model, how does the university expect students to pay for any post-professional courses of study?*

Under current settings, the FEE-HELP limit is a lifetime lending cap - students who exceed the cap have no means of refreshing their lending eligibility by making repayments. As outlined in our written submission, there is no policy basis for preventing students from renewing their eligibility through paying down their debts. This is clearly antithetical to the need for our economy to be sustained by the provision of lifelong learning opportunities, and to the expectation that Australian workers will increasingly need to continuously upskill in response to labour market changes.