



**Submission to:** Senate Employment and Education Legislation Committee  
**Inquiry:** Higher Education Support Amendment (Cost Recovery) Bill 2018 and the Higher Education Support (Charges) Bill 2018

### **The Council of Private Higher Education (COPHE)**

COPHE represents more than 50% of Australia's registered and accredited independent higher education providers (including independent universities) with 80 campuses across Australia. COPHE members educate students in a range of disciplines including Business, Tourism and Hospitality, Education, the Arts, Information Technology, Design, Theology, Physical Education, the Social Sciences, Law, Engineering and Accounting. COPHE members are higher education institutions with both for-profit and not-for-profit models and educate domestic and international students in undergraduate and postgraduate programs.

COPHE holds a unique position within the higher education sector as a representative peak body of higher education providers only. Whilst some members are dual sector, only the registered higher education entity affiliates through COPHE membership.

Membership of COPHE is only open to providers that are registered with the Australian regulator – Tertiary Education Quality Standards Authority (TEQSA). Membership is also conditional on continued compliance with COPHE's Code of Good Practice.

**COPHE's primary goal is promoting equity, choice and diversity for all Australian higher education students.**

### **Executive Summary**

**COPHE is unable to support the Bill on the basis that:**

- It impacts negatively on COPHE's objectives of equity, choice and diversity for all Australian higher education students.
- It adds to the already high costs of providers' participation in Australia's higher education system, impacting the sustainability of the independent sector.
- It adds to the cost burden on students, particularly FEE-HELP students already paying a 25% Loan Fee (tax) in order to access the FEE-HELP scheme.
- There has been no sector consultation on the charging framework and no advice on the quantum of charges to be applied to providers.
- The cost recovery measures lack clarity with varying revenue amounts in the budget statements and explanatory notes.

**If the Bill is to pass the Senate, COPHE proposes the Bill be amended to:**

- Include abolition of the 25% FEE-HELP Loan Fee access tax for all Australian higher education students.
- Commence implementation of charges in 2020 to enable operational planning, budgeting and transparency for students.
- Include regulations requiring stakeholder consultation in the development of the charging framework and ongoing performance measurement of the HELP schemes.

## 1. Cost Impacts on Higher Education

Australia's Higher Education Loan Program (HELP) provides opportunities for students from all backgrounds, across Australian society to participate in higher education.

It is critical, however, that cost recovery policies in higher education do not increase barriers to participation for students or education providers. Whilst the barrier of cost is well understood for students, sustaining a diverse range of independent providers delivering niche programs or courses with limited public offerings, requires policy and cost recovery regimes that enable efficient operation.

COPHE is concerned that increasing charges to education providers ultimately results in increasing costs for students. This is particularly the case for independent providers with revenue streams limited to fee-for-service and without access to Commonwealth funding support.

Increasing the costs of higher education can impose barriers for participation, stifle economic opportunity and ultimately increase inequality in Australian society. Decreasing demand and making access to higher education more difficult for students potentially diminishes the extensive contribution the sector makes to the Australian economy.

COPHE's member institutions cannot support additional charges being imposed on independent Higher Education Providers who already bear significant costs of regulation and compliance. The Higher Education Support Act and TEQSA Act place regulatory and cost burdens on independent providers that are not faced by public institutions.

COPHE believes that placing ever-increasing costs and regulatory burdens on independent providers makes it harder for these providers to operate and increases the risks to sustainability of independent higher education in Australia.

Australian independent higher education providers enrol approximately 150,000 students, the equivalent of 4.5 public universities. This delivery of education services by the independent sector both relieves the Commonwealth of education expense and contributes to the success of Australia's international education market.

**Recommendation 1. COPHE submits that the Bill not be supported by the Senate on the basis that increasing education charges effectively increases barriers to higher education participation.**

## 2. Impacts on Students – FEE-HELP Charged to Administer and Access HELP

COPHE submits that if the Bill proceeds through the Senate it should be amended to include abolition of the charges on students to access HELP through the FEE-HELP Loan Fee.

The current HELP environment requires a small percentage of Australian domestic undergraduate recipients to incur debts of 125% of their course costs through imposition of a 25% 'Loan Fee' tax. The imposition of this Loan Fee is inequitable and discriminatory.

**This Bill, if passed, will result in providers being levied to pay for the HELP scheme while higher education FEE-HELP recipient students are being charged a levy for accessing the HELP scheme.** Whilst the 25% Loan Fee is inequitable and discriminatory in its current form, adding a provider levy exacerbates this disadvantage.

Independent providers, such as not-for-profit institutions, with revenue solely derived from student fees, will have no option other than to pass on these new HELP charges to students.

**This Bill will result in FEE-HELP recipient students paying charges to both administer HELP loans and have access to a HELP loan.** It is inequitable and discriminatory that a small percentage of Australian domestic students will be charged twice for the costs of the FEE-HELP scheme.

It is reasonable for Senators to consider impacts to the Commonwealth of abolition of the Loan Fee. COPHE’s submits that the Loan Fee contributes a relatively small amount in annual Commonwealth revenue yet contributes significantly to the levels of student debt.

**COPHE’s economic analysis of the FEE-HELP loan fee finds that abolition of the fee:**

- Reduces direct Commonwealth revenue by approximately \$10million per annum.
- Reduces student **debt in excess of course costs** by approximately \$100million per annum.
- Has no impact on the Education budget as the Loan Fee is contributed to consolidated revenue.
- Increases Commonwealth revenue through the taxation system as a result of economic stimulus.

**Assuming that the HELP charges arising from this Bill are effectively passed on to students, the costs matrix for Australian students across the sector will be:**

	Domestic undergraduate FEE-HELP Student enrolled at a Non-University Provider	Domestic undergraduate FEE-HELP Student enrolled at an Independent University (Table B)	Domestic undergraduate HECS-HELP Student enrolled at a Public University
Full Course Costs	Yes	Yes	No
HELP Charges (unknown)	Yes	Yes	Yes
Loan Fee – 25%	Yes	No	No
Percentage of Course Costs Debt Accrued	125% (100% + 25% Loan Fee)	100%	28-84 % <sup>1</sup>

The FEE-HELP loan fee is ultimately a tax paid by a small percentage of students to access a HELP loan. These students do not receive government subsidies for their education and are required to loan and repay significantly more than the cost of their courses.

The Department of Education consistently briefs Senators on the impact of Loan Fee abolition in terms of it being an asset on the balance sheet of the Commonwealth loan book. This ‘asset’ however

<sup>1</sup> Percentage of student contribution data sourced from: *Allocation of units of study to funding clusters and student contribution bands according to field of education codes 2019*. [www.education.gov.au/funding-clusters-and-indexed-rates](http://www.education.gov.au/funding-clusters-and-indexed-rates)

is simply built on excessive student debt – abolition of the loan fee would result in minimal impact on revenue and remove the capacity for this debt to continue increasing.

The recently legislated removal of the 25% loan fee for students enrolled with independent universities (Table B) but no other independent providers has created greater inequity within the independent provider sector.

**In the context of adding charges to the sector to administer loan schemes, it is unjustifiable that some students are taxed to access a loan simply on the basis of their provider category.** COPHE submits that any consideration of the costs of the HELP scheme must be driven by equity and removal of disadvantage and barriers to education.

**COPHE's primary concern is the impact on students who meet the full costs of their education. It is simply unfair that these students who place no demand on the Commonwealth, are charged a 25% Loan Fee for access and, ultimately, an administration charge to administer, the FEE-HELP system.**

<b>Recommendation 2.</b>	<b>That the Bill be amended to include abolition of the Loan Fee charges on student recipients of FEE-HELP support at all higher education institutions to remove inequity and unfairness in student loan schemes.</b>
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### **3. Consultation, Commencement and Transparency**

COPHE submits that the proposed commencement date for implementation of the charging regime is unreasonable.

#### **Consultation**

It is difficult for stakeholders to be able to make a fair assessment of the impact of the new charges without knowing the actual costs. Whilst the details of the charges and their implementation will be developed through a Cost Recovery Implementation Statement (CRIS), it is unfortunate that stakeholders are required to submit responses to this legislation without knowing the actual cost impacts.

On Thursday 1 November, the day prior to the close of submissions on this Bill, the Department published the draft CRIS for stakeholder consultation. Whilst COPHE welcomes this consultation, the provision of this detail on the eve of the submission date for the Senate Committee has not enabled COPHE to consult with members on the direct cost impacts of the Bills.

Whilst implementation of the charging regime is intended to impact providers equally in terms of enrolments (see section 4), it will impact independent providers more acutely than public providers. Independent providers without public funding for the provision of educational services will be less able to absorb the costs into their operational budgets.

#### **Implementation Commencement**

Providers have already developed business plans and operational budgets for 2019. With the final charging regime not known until late 2018 (if the Bills pass) the proposed implementation of charges

in 2019 is unreasonable. Reducing the capacity to plan in full knowledge of costs, impacts the ability for providers to plan to absorb, or partially absorb, unbudgeted costs and subsequently increases the likelihood of costs being passed to students.

COPHE submits that if the Bill is to pass, it should be amended to implement the charging regime for 2020 enrolments. Amending the date will enable proper consultation with impacted stakeholders and allow providers to develop plans for 2020 that incorporate the charges.

Amending the implementation to 2020 enrolments will also provide greater transparency for students and better enable providers to publish their student fees in accordance with the requirements of the Higher Education Provider Guidelines.

### **Transparency**

It is essential that education charging regimes that impact across the higher education sector are transparent for providers, students and the Australian community. Published information on the savings/revenue associated with the charges are presented differently.

The explanatory notes identify measures of the Bill will deliver savings of \$14.1m over 3 years:

*The annual charge which is based on partial cost recovery is expected to deliver saving of \$13.8 million over the forward estimates (2019-20 to 2021-22). The application fee which is based on full cost recovery is expected to deliver saving of \$0.3 million over 2018-19 to 2021-22. Thereby the HELP cost recovery measures provide an estimated combined saving of \$14.1 million over 2018-19 to 2021-22.*

The 2018 Budget papers (Budget Paper 2) however reports revenue from the HELP charges as:

*The Government will raise \$30.7 million over four years from 2018-19 by introducing partial cost recovery arrangements for the Higher Education Loan Program (HELP).*

COPHE recommends that the Senate Committee clarifies the revenue associated with the charges in its consideration of the draft legislation.

Transparency is also a critical element of fee scales with providers required by the Higher Education Provider Guidelines to publish fees prior to student commencements. Amending the implementation of charges to commence in 2020 will enable providers to meet these requirements and students to be fully informed on fee increases as a result of the charges.

**A 2020 commencement date for the new charges will enable appropriate consultation with the sector, ensuring the Cost Recovery Implementation Statement is transparent, equitable, fair and effective.**

#### **Recommendation 3.**

**COPHE recommends that the Cost Recovery Bill be amended to implement the charges in 2020 to enable Providers to plan for the charges and provide greater transparency for students.**

**Recommendation 4.** COPHE recommends that the Cost Recovery Bill be amended to implement the charges in 2020 to enable stakeholders to be adequately consulted on the Cost Recovery Implementation Statement and ensure equitable and effective application of the charging framework.

#### **4. Fair Application of the Charges – Clarification of Enrolment data**

COPHE welcomes the intention of the charging regime to fairly reflect the relative size of institutions through basing the charge on enrolment numbers. Many of COPHE's members are small or niche providers.

Whilst it is assumed the intent of the legislation to limit per student charges to the number of HELP recipient students, this is not explicitly expressed in the draft legislation.

The Higher Education Support Act (HESA) defines a student as follows:

**student** means:

- (a) a person who is enrolled in a \*course of study with a higher education provider, and includes a person who is enrolled in a unit of study access to which was provided by \*Open Universities Australia; or
- (b) a person who is enrolled in a \*VET course of study with a \*VET provider.

Using the definition of student as defined by the HESA would result in application of the per student HELP charges to all enrolled students. COPHE members enrol international and domestic up-front fee-paying students who place no demand on HELP schemes. These student enrolments should not be included in the calculation of per student charges levied to administer the HELP schemes.

**Recommendation 5.** COPHE submits that the legislation be clarified to ensure that per student HELP charges are calculated on enrolment numbers of HELP recipient students only.

#### **Contact**

##### **Council of Private Higher Education**

Mr Simon Finn

Chief Executive Officer

## **Appendix 1: Table of Recommendations**

### **Recommendation One:**

**COPHE submits that the Bill not be supported by the Senate on the basis that increasing education charges effectively increases barriers to higher education participation.**

### **Recommendation Two:**

**That the Bill be amended to include abolition of the Loan Fee charges on student recipients of FEE-HELP support at all higher education institutions to remove inequity and unfairness in student loan schemes.**

### **Recommendation Three:**

**COPHE recommends that the Cost Recovery Bill be amended to implement the charges in 2020 to enable Providers to plan for the charges and provide greater transparency for students.**

### **Recommendation Four:**

**COPHE recommends that the Cost Recovery Bill be amended to implement the charges in 2020 to enable stakeholders to be adequately consulted on the Cost Recovery Implementation Statement and ensure equitable and effective application of the charging framework.**

### **Recommendation Five:**

**COPHE submits that the legislation be clarified to ensure that per student charges are calculated on enrolment numbers of HELP recipient students only.**