Submission to the Senate Education and Employment Legislation Committee re: The Higher Education Support Legislation Amendment (Student Loan Sustainability) Bill 2018

Bond University Submission

26 February 2018

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Re: The Higher Education Support Legislation Amendment (Student Loan Sustainability) Bill 2018 [provisions]

Bond University was established 28 years ago as Australia's first private, non-profit university. The University remains committed to providing an independent alternative to the large and relatively homogenous public universities that dominate higher education in this country, and to delivering a high-quality education for our students.

There has been extensive debate accompanying the various Government attempts to reform higher education sector funding systems over the past four years, and Bond has consistently supported a policy platform that promotes a more diverse, innovative and quality-focussed system. As the learning needs, demographic profile and preferences of our national student body becomes more diverse and complex, our policy settings must also encourage increasing diversity amongst Australian higher education institutions.

Bond University supports the aspect of the Government's efforts to ensure continuation and sustainability of Australia's income-contingent loan system. We also welcome a discussion that recognises the complexity of developing a national system that makes a sustainable and enduring commitment to lifelong learning. In this submission we will address two key issues; first, the proposed introduction of a new combined loan limit and secondly, the issue of equity within the HELP Scheme.

The HELP loans scheme provides an elegant and positive funding mechanism that allows equitable access to higher education and promotes life-long skills development. However, the imposition of a uniform cap on an individual's entitlements carries the danger of an unintended consequence. The policy debate is often framed around university students as school-leavers in pursuit of a bachelor degree. However, as careers are increasingly disrupted by new technologies, there is an increasing demand from mid-career individuals returning to study to gain new knowledge and upskill. They will be returning to higher education to gain second, third or more qualifications, and they will expect to access that education through a wide range of modes, including modular, intensive, work-integrated, outcomes focussed, online or traditional – and this is where the proposed lifetime cap becomes problematic.

Bond University strongly advocates for a system which supports life-long learning. We also understand the need for policy settings that are fiscally responsible and sustainable, and we accept that cap on the total loan value provides a viable way of mitigating the risk of ballooning debt. We propose a refreshable loan as a responsible balance between these two objectives. Students who have accessed HELP loans repaid their debt, in part or in full, should be able to access the scheme again to fund further study so long as their outstanding debt does not exceed the loan cap.

In rationalising the loan schemes, there is an opportunity to clear up other inconsistencies in the HELP scheme by setting consistent loan terms for all students. Domestic graduates from private universities, such as Bond University, deliver the same public benefit to our nation as those from the public university sector, yet the conditions under which they may access HELP loans are less favourable than for their public sector colleagues. The harmonisation of HELP schemes proposed by this legislation needs to go one step further to set equal terms for the student borrowers by introducing a consistent approach to loan fees.

I urge the Committee to consider the issues raised in this submission when reviewing the proposed *Higher Education Support Legislation Amendment (Student Loan Sustainability) Bill 2018.*
Thank you for providing an opportunity to contribute to this important debate.

Yours sincerely

Ken Richardson
Executive Director Strategy, Systems and people

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1. Schedule 3 Student Loan Sustainability Bill 2018

Schedule 3 of the Bill introduces a new, combined, lifetime limit to how much students can borrow under HELP to cover their tuition fees from 1 January 2019.

The application of a lifetime cap on HELP loans is a simple and ostensibly fair mechanism for managing public costs. However, it may also introduce some perverse incentives. Under a capped system, if the caps are set appropriately, they will be aligned to the reasonable learning requirements of individuals who pursue a career that requires high level of technical competency and/or advanced knowledge. Most learners would not exhaust their cap. However, some would reach the loan cap and then face a financial barrier to further development. The individuals who are most likely to be negatively impacted by the imposition of a cap would be those who switch careers in response to the technological disruptions that are increasingly changing our workplaces, or those who are pursuing careers in the new and advanced industries that are characterised by innovation and risk, i.e. the industries of the future that Australia must embrace.

Bond University accepts the imperative of policy settings which are sustainable in the current budgetary environment and recognises that a lifetime cap provides a mechanism for reducing borrower delinquencies. However, a capped system that can be refreshed by the repayment of loans, or by some other mechanism that recognises the public value of the education that has been gained because of those loans, would provide more flexibility and greater national benefit. Most credit systems reward borrowers with a good repayment record and a positive credit rating, and the HELP scheme should be no different. We strongly advocate for a system wherein students who successfully pay down their loans should be allowed to access the HELP scheme again.

Recommendation: The Committee consider the introduction of a refreshable HELP loan, whereby students who have accessed HELP loans repaid their debt, in part or in full, are be able to access the scheme again to fund further study so long as their outstanding debt does not exceed the loan cap.

2. Rationalisation of HELP

The introduction of a combined loan limit effectively rationalises the terms and conditions across the various HELP Schemes. However, there remains an inequity in the treatment of undergraduate students at private institutions who, unlike their peers at public universities, must pay a loan fee to access FEE-HELP loans. The *Student Loan Sustainability Bill 2018* provides an opportunity to rationalise this inconsistent and unjustified approach to loan fees and deliver a system that is fairer and promotes a stronger and more diverse sector.

The critical imbalance in the current system relates to the inequity faced by private university students when accessing income contingent loans. Undergraduate students at private universities, must pay a 25% administrative fee in addition to their loan in order to access the FEE-HELP system. The loan fee is not charged to HECS-HELP students nor to FEE-HELP postgraduate students.

We do not oppose a loan fee per se because we understand and appreciate the commercial reality of the cost of finance. However, we oppose the current system wherein some students pay a loan fee while other students access the loans scheme for free.

The imposition of a discriminatory loan fee on undergraduate students attending private universities are inhibiting genuine competition in the sector. In other industries, such as health, transportation, schooling, telecommunications, banking, water, electricity, gas and other utilities, successive governments have taken steps to promote healthy competition between public and private providers by removing mechanisms which distort consumer choice. Indeed, philosophical stances have been taken through the principles of competitive neutrality by the Department of Finance, and championed by the current Government, to ensure a level playing field. But in the higher education sector, the Government continues to levy fees unfairly on students at private universities because of their choice. Further, we believe that the current policy contravenes Article 26 of the International Covenant on Civil and Political Rights (ICCPR), which is a standard test that must be applied to all Australian legislation.

Recommendation: Remove Section 137 10 (2) of the HESA (2003) which applies a 25% loan fee to FEE-HELP debts. In making this recommendation Bond is conscious of the need for fiscal restraint, and in this context, an alternative option to equalise access to HELP would be the application of a small loan fee across all HELP loans. A universal student loan scheme should, as a matter of principle, charge a universal loan fee.