Research

NUS Submission To Senate Employment and Education References Committee

Higher Education and Research Reform Amendment Bill 2014

Presented by NUS President
Rose Steele

Prepared by NUS Research Officer
Graham Hastings

Feb 2015

NUS welcomes this opportunity to present our views on the amended Higher Education and Research Amendment Bill 2014 to the Senate Employment and Education References Committee.

Recap on our main issues with the original legislation

NUS made a comprehensive submission to the Senate Inquiry into the original bill. Our main arguments against the legislation were:

Australian students already make a much bigger contribution to their study costs than most students in the OECD. According to the OECD's *Education At A Glance 2014* most have either free education or nominal tuition fees. Germany last year has reverted to a free education system and Chile is planning to do the same. Since 1997 Australia has been in the cluster with six OECD countries with high student fees (New Zealand, United Kingdom, United States, Canada, Chile, Japan, Korea).

While the government has made much of the higher private rates of return for graduates compared to those who only complete year 12, the gap in the rate of returns are low by international standards. According to the OECD *Education At A Glance 2014* Report Australia is in the cluster of OECD countries with the lowest private rate of return for graduates compared to school leavers. The Australian rates of internal private return are 35% below the OECD average for males and 32% for females. Notably in light of the *Higher Education and Research Amendment Bill 2014* provisions about tuition fees and loan repayment rates the current Australian rates of private return are 54% lower than those in the USA for males and 47% lower for women. [1]

The international experience of fully deregulated tuition fee systems, such as the USA is that the market forces have not acted as a break on tuition fee issues. Since 1980 inflation-adjusted tuition fees at public universities have trebled, partly because higher prices are seen as a proxy for quality. There are some low cost for-profit private providers of mass on-line education such as the University of Phoenix, but the quality of its education delivery is widely questioned. The private for profit sector has also been dogged by poor student completion rates leaving students with no degree but massive debts. In the USA the student loan limits have been tightly capped to try and rein in the tuition fee spiral. In Australia under the proposed legislation there will be no limit on the HECS-HELP loan amounts. The combination of uncapped fees, the access of many new private providers to CSP funding, and easy credit via HECS-HELP is a recipe for replicating many of the challenges facing the US system. **While recognising the need for higher education providers to have different education missions and student enrolment profiles, we don't want a highly stratified higher education system where access to best research universities is restricted to a small minority of students mainly from wealthy families, as is the case in the USA. Higher education should create opportunities for social mobility reflecting student ability rather than reinforcing existing privileges.**

---

[1] Adapted from OECD, *Education At A Glance 2014*, pg 167-8

[2] Office For Fair Access, "Have bursaries influenced choices between universities ?", 2010/06,

The original legislation contained the double whammy of tuition fee deregulation and a bond market rate of interest on HELP debts. Modelling by various credible economic forecasters such as NATSEM and Universities Australia using typical real life scenarios showed that many students would be re-paying HELP loans close to or exceeding $100,000 for their initial qualification.

HELP-style loans (indexed at CPI) that have operated in Australia since 1989 have been more progressive than the loans systems operating in North America that tend to offer limited income contingent provisions (if at all) and real interest rates on debt. However, NUS has long argued that there are access risks associated with HECS-HELP style loans and that these risks will be magnified by the much larger debts that will arise for many students from the legislation. The risks are associated with study debt aversion. The research evidence points to study debt aversion effect occurring in the junior-middle years of secondary school in disadvantaged low SES and rural areas and the aspiration of these students to go to university.

Higher tuition fees will also impact on the economic life of graduates. An American study run by professional student financial advisers showed that large study debts had affected graduates decisions to make large purchases such as a car, and had delayed their decisions to get married, purchase a home or start a business. Other US evidence pointed to impacts on career choice (taking the high paid rather than public interest jobs to pay off debts quicker) and home ownership rates (graduates now have lower home ownership rates than non-graduates). We are concerned that similar graduate effects could be created in Australia.

There has been near universal opposition across the sector to the average 20% cut per student to the level of Commonwealth funding for CSP places. Universities will have to increase their fees just to stand still. Regressive changes to indexation will lead to further tuition fee increases simply to cover real funding cuts. Universities serving disadvantaged rural, regional and outer suburban catchments areas will have limited capacity to significantly raise their fees make up for commonwealth funding cuts.

The proposal to introduce research training student fees of $3,900 for high cost courses and $1,700 for low cost courses has been almost universally condemned across the sector. While the debts may seem modest compared to the deregulated levels likely to be imposed on bachelor degree students, it needs to remembered that these students will have already incurred debts from their bachelor degree, and in many cases the honours or masters programs they needed to study to gain entry to the research training program. Many of these students will have foregone full time income for up to 10 years by the time they have completed the university study needed to get a PhD. Many researchers will end up in their early career with casualised, intermittent work in the academic labour force or be told by employers that they are over-qualified to work in non-academic jobs. In light of the narrowing of employment opportunities due to cuts to the public sector and publicly funded research agencies the imposition of fees seem an ill-advised additional deterrence to students to undertake research training. In the longer term Australia needs more researchers, not less, if we are to build the innovation-driven economy that will be needed to maintain Australia's standard of living in the coming decades.

There are also major problems with the design of the proposed Commonwealth Scholarship Scheme that is meant to be the equity panacea to offset the higher tuition fees. This will be addressed more fully below.

The amendments

Education Minister Pyne in his second reading speech outlined the changes to the bill:

"I am therefore introducing a new bill, the Higher Education and Research Reform Bill 2014, which preserves essential elements of the Government's higher education reforms with the following changes:

- *The Government has withdrawn the proposal to change the indexation to the 10-year Treasury bond rate. I accept that there were concerns about the impact of the previously proposed measure on some graduates, including those who take time out of the workforce to raise children or for other reasons, and those who work in low paid employment. Senator Day and others argued cogently for this change, and we have responded to their concerns.*
- *I have also listened carefully to Senator Madigan's arguments for a pause on HECS indexation for primary carers of a child under 5. This Bill, the Higher Education and Research Reform Bill 2014, contains this measure. It will provide real benefits for new parents.*
- *This Bill also provides for a structural adjustment fund to assist universities to transition to a more competitive market, particularly those in regional areas.*
- *The Bill also introduces a new scholarship fund within the Higher Education and Participation Program for universities with high proportions of low SES students. The Bill will also guarantee that domestic students' fees are lower than international students' fees."*

The one major concession is dropping the proposal to index HELP debts at bond market interest rates and thus retaining the current CPI indexation arrangement. The application of bond market rates was almost universally opposed across the sector, even by those universities that were strongest advocates of tuition fee deregulation. This measure was particularly regressive as it skewed the greatest financial burden towards those who were getting relatively low rates of private return on their education such as women who take substantial time out of full time work to have children or graduates working in low-middle income industries such as community services, nursing or hospitality. The pause on HECS indexation for new parents will slightly lower the accumulated HELP debt that these graduates would have to repay.

These concessions do not change NUS's position of opposing the core tuition fee deregulation principle of this legislation. In our original submission we forecast that universities would prove to be cautious in 2016 and keep fee rises modest apart from some flagship courses and courses with very high rates of private return. They will be keeping an eye on what their competitors are doing and if there are courses where demand dramatically drops. However, we expect that in the medium term the initial caution will fade away. The proposed 2016 fee structures so far released are University of WA (annual flat $16,000) and QUT (differential fees from $31,800 from 3 year nursing degree to $78,500 for a 5.5 year double business-law degree).

The $100 million over 3 years from 2015-16 for the structural adjustment fund for regional universities appears to have been off-set by the government saving $103.9 million by not proceeding with the extension of eligibility for Youth Allowance and Austudy more generally to students undertaking masters by coursework degrees. Universities Australia estimated that the structural adjustment fund needed to be at least $500m.

Currently income support eligibility is restricted only to masters students enrolled in a course recognised as the fastest or only route to professional employment. Most coursework masters would not qualify for payments as they are studying part-time and are in substantial paid employment. However, there are many full time masters students who are denied income support on the basis of the course they are enrolled in rather than income testing.

The Bradley Review of Higher Education recommended that all masters students should be eligible to apply for income support and be assessed by the income testing and enrolment load thresholds as other domestic students. This measure was announced in the 2009-10 Federal Budget with a start-up date in 2012-13. 6,252 students were expected to benefit from the measure in that year. The implementation of this measure was pushed by both the Gillard and Abbott Governments, before being scrapped in the December 2014 MYEFO.

Regional universities may well end up in the longer term worse off financially by scrapping of the planned extension of student income support to coursework masters students compared to the paltry amounts allocated to them for three years under the structural adjustment fund. As regional disadvantage overlaps with higher levels of economic disadvantage the changes to income support would have created the potential for the regional universities to financially benefit through an expansion of their full fee postgraduate enrolments. The extent to which potential students are deterred by this measure reflects a permanent loss of potential revenue traded off for a short-term structural adjustment fund.

The proposed new scholarships within the Higher Education and Participation Program (ie not the proposed Commonwealth Scholarships) are funded by abolishing the equity programs funded by the participation component of the existing HEPPP (ie programs aimed at increasing access and retention of low SES students). This will be discussed more fully in the next section.

The guarantee that domestic fees must be lower than international student fees for the same course is fairly meaningless as even in the fully deregulated postgraduate market the international student fees are always higher than full fee paying domestic students, as there are extra ESOS compliance costs that are passed onto international students.

There are three sections of the legislation that are uncontroversial and should be passed (by amendment or re-introduced as new bills):

- Amendments to the ARC Act to allow for on-going funding of the Future Fellowships Program;
- Amending the HESA Act to recognise the change of University of Ballarat to Federation University of Australia;
- Fixing the anomaly regarding the residency category for some students born in New Zealand.

Scholarships, Choice and Low SES/Regional Students

Under the original legislation the major equity measure to offset the impact of the fee increases arising from fee deregulation was a new 'Commonwealth' Scholarship Scheme. Unlike the similarly named scheme that was proposed by the Chifley Government in 1949, and legislated by the Menzies Government in 1950, this scheme is based on what is effectively a levy on the student fees rather than Commonwealth funding.

Universities and other higher education providers with more than 500 students will be required to set aside up to $1 for every $5 of increased fee revenue collected from students. Schedule 2 of the *Higher Education and Research Reform Amendment Bill 2014* also allows for the development of (yet unseen) Commonwealth Grant Scheme Scholarship Guidelines (or the provider's funding agreement if the Guidelines are silent). The legislation (Section 36 -75 (4)) seems to allow the Minister through changes to the Commonwealth Grant Scheme Guidelines to set a lower percentage (than the 20%) requirement for scholarship revenue. The Minister has made it clear that the universities will have the discretion to determine what the scholarship revenue will cover and how the scholarships will be distributed.

The Commonwealth Scholarship Scheme is funded by what amounts to a student tax in the order of $10-15,000. University of Canberra Vice Chancellor Professor Stephen Parker commented: "*The internal equity aspect of the policy design is laughable: why should the second poorest quartile of students subsidise the lowest quartile?*"

Actually Professor Parker understates the potential absurdities that will arise. The Department of Education (known as DEEWR then) in 2010 released guidelines defining of the term low SES for the purposes of Higher Education Participation and

Partnerships Program:

"Higher education students are classified as low SES if their permanent home address is located in those CDs with lowest SEIFA Index of Education and Occupation (IEO) scores where 25% of the 15-64 year-old population reside."

The postcode approach to determining low SES status is widely used by the sector and has some validity when applied to large aggregations of students and is a low cost way of administering eligibility to equity support. However, this sort of rough approximation will be much more contested when it is used to determine whether individual students will face paying a student levy of $10-15,000 vs receiving a scholarship. Students from disadvantaged backgrounds but living in the second lowest quartile postcode will feel rightfully outraged that they are subsidising the sons and daughters of wealthy lawyers and doctors who happen to live in a low SES postcode.

Much of the inspiration for the scheme seems to have come from the British access scheme developed in response to the introduction of variable tuition fees in 2006. Universities that took advantage of the partial deregulation were required to set aside part of the money for bursaries (scholarships) and other institutional access agreements that were approved by a statutory body, the Office For Fair Access (OFFA).

Initially institutions were required to offer a statutory minimum bursary that covered the difference between the government grant and the tuition fee to all students on the full maintenance grant (in Australian terms this would be students on the maximum rate of Youth Allowance, Austudy or Abstudy). Otherwise British universities were free to set bursary levels and eligibility criteria as they saw fit. The amounts arising from the bursaries available to students varied from a few hundred pounds to 4,000 pounds. From 2010-11 the minimum bursary for students on the full maintenance grant was set at 10% of the tuition fee.

There are at least two significant differences between the British access system and the little that is known about the proposed Commonwealth Scholarship Scheme. The British model has a statutory minimum bursary level for the most needy students and also has a statutory body that approves the institution's plans and evaluates the effectiveness of the plans. We await the Guidelines to establish what the relationship between the Department and institutions will be but the indications are that it will be a hands off approach.

Research by the OFFA does provide some caution for those who see scholarships as a straightforward panacea for the equity issues arising from higher tuition fees. Like Australia the socio-economic composition of British universities is highly stratified with 'highly selective' research universities having a similar high SES/upper middle-class undergraduate composition as Australia's Group of 8 universities. The selective universities charged higher fees and had fewer disadvantaged students, and were thus able to offer higher bursaries.

However, the OFFA report into the impact of the bursaries on student choices between institutions[2] concluded that the "*introduction of bursaries have not influenced the choice of university for disadvantaged young people*" and that "*applications from disadvantaged young people have not changed in favour of universities offering higher bursaries*". In short most of the improvements in the participation of disadvantaged young people in the sector have remained quarantined within the low status universities offering low bursaries.

Low SES students often have higher dropout rates than other students. Another OFFA report[3], released in March 2014, investigated the impact of bursaries on retention rates. The raw data since 2006 seems to indicate that bursaries coincided with improvements in continuation rates across all the SES quintiles. However, when the data was adjusted for other factors such as student's prior academic achievement and where they lived the report concluded that it was "*unable to find evidence that the core bursary schemes delivered between 2006-7 and 2010-11 had any affect on the retention rates of the students that received them.*" The fragmented approach to scholarships (letting each university due their own thing) failed to improve student choice or retention rates.

As well as the questionable efficacy of the fragmented approach to scholarships another design flaw in the Commonwealth Scholarships Scheme is that the fee revenue for scholarships will tend to be weighted towards institutions with the lowest enrolments of disadvantaged students. There is a real potential that universities that serve low SES/low- middle SES regional and outer suburban catchments will be in a situation where they cannot increase fees much beyond break even levels but have to distribute whatever bursary income they collect to a much larger pool of disadvantaged students. Conversely the high status universities with very low SES enrolments will have plenty of money to poach a few high achieving students from other universities by offering high scholarships. The risk of the hands off approach is that we end up with a scholarship scheme that does little to improve overall access to higher education. These poaching activities will also encourage the flow of the graduate labour force (eg doctors, community workers, teachers) away from regional areas.

The proposed Higher Education Partnership Scholarship Scheme in the amended legislation is an attempt to deal with the latter design flaw in the original legislation. Unlike the Commonwealth Scholarship Scheme, the HEP Scholarships will be actually be funded by the Commonwealth but offset by shutting down the participation component of HEPPP.

Some background on the HEPPP for those who are not higher education equity specialists: The Higher Education Participation and Partnerships Program (HEPPP)

---

[2] Office For Fair Access, "Have bursaries influenced choices between universities ?", 2010/06, September 2010, United Kingdom

[3] Office For Fair Access, "Do bursaries have an effect on retention rates?", 2014/02, March 2014, United Kingdom

was created in 2010 by Rudd-Gillard government in the wake of the Bradley Review to assist higher education providers in meeting the government's ambition that by 2020 that nationally 20% of domestic undergraduate students must be from low SES backgrounds.

HEPPP contained a 'participation' component (where universities received extra funding per low SES student to help with the costs of programs supporting low SES students to enter and stay at university) and a 'partnerships' component (such as running outreach programs at schools and VET to increase higher education aspirations in disadvantaged communities).

Participation component funded projects were far-ranging and included learning skills advisors, embedding Indigenous learning and culture in the university, student mentoring programs, alternative entry programs and inclusive teaching programs for professional staff development.

The Partnerships component re-configured universities outreach to their local communities. Previously university outreach programs had been aimed at Year 11 and 12 students where universities compete against each other to recruit students who have already decided to go to university. The socio-composition of high achieving Year 12 students is almost the same as the school leaver entrants to universities. Secondary students make their decisions about aspiring to higher education and what school course streams they will study well before this stage. Earlier intervention was recognised as a key aspect of improving the percentage of low SES students going to university. Under the partnerships component of HEPPP the best practice became running early intervention outreach programs in junior high school in disadvantaged areas to increase the aspiration to participate in higher education rather than a recruitment exercise for a particular university.

Since the introduction of HEPPP low SES enrolments have actually risen as a proportion of domestic enrolments, a feat rarely achieved in the modern higher education system. According to the Kemp-Norton *Review of the Demand Driven System (*2014) the percentage of low SES enrolments increased from 16.1% in 2009 to 17.1% in 2012. The Kemp-Norton Review also commented that: "*the HEPPP and improved design of the demand driven system are likely to increase low SES higher education enrolments over the medium term*."

The main point here is that scholarships by themselves do not increase overall access. They provide financial assistance to students who are already enrolled at university or act as a recruitment incentive for those who have already decide to participate in higher education. To be effective as an equity tool they need to be embedded within a over-arching strategy that lifts the aspirations in low SES and disadvantaged communities and shows that university study is a financially viable and realistic option for them.

After the election of the Abbott Government the new Education Minister, Chris Pyne, flagged that he would be removing the 'symbolic' ambition of 20% low SES enrolments by 2020. In the 2014-15 Budget the government announced that HEPPP would be turned into a single Access and Participation Fund with funding reduced by $51.3 million per year over four years (which would be used for the HEP Scholarships). Many rural, regional and outer suburban universities had lobbied for the Commonwealth Scholarship revenue from tuition fees to be pooled nationally and distributed on a needs based formula. The government has opposed this and has instead proposed restructuring the HEPPP through the amended legislation. *Schedule 9A* of the amended *Higher Education and Research Reform Bill 2014* amends the *Higher Education Support Act 2003, Other Grants Guidelines (Education) 2012*. The significant changes are as follows:

- The HEPPP programs will be become the Higher Education Participation Programs (HEPP). The new HEPP will have three components: an Access and Participation Fund, a new Scholarships Fund and a National Priorities Pool.

- The new HEP Access and Participation Programme (HEPAPP) replaces the HEPPP Participation component. The major change is that it is no longer based solely on low SES enrolments but the more general category of *'students from disadvantaged backgrounds'* (that also covers students who are disabled, Aboriginal and Torres Strait Islander, regional/remote, non-English speaking and women in non-traditional areas of study). While the legislation says that in determining the grant that the Minister "*may*" take into account the provider's share of low SES enrolments there is no per student funding formula as exists in the current *Higher Education Support Act 2003, Other Grants Guidelines (Education) 2012.* The widened definition is not linked to increased funding.

- The new HEP Scholarships Fund legislatively abolishes the participation component of the HEPPP. The new Scholarships are aimed at postgraduate and undergraduate students from "disadvantaged" backgrounds.

- A new HEP National Priorities Pool that provides funding for system-wide programs to increase access, participation and success rates for disadvantaged students.

It is difficult to offer definitive judgements on the efficacy of the proposed arrangements until the release of the new program guidelines and funding levels if the legislation is passed. However, NUS is concerned that:

The HEP scholarships are not based on new funding. Rather they are funded by dismantling the participation half of what has so far been a successful national program that has lifted low SES participation rates; likewise the structural adjustment fund is funded by denying disadvantaged students enrolled in masters courses eligibility to student income support;

That the proposed equity arrangements (Commonwealth and HEP Scholarships) are overly reliant on scholarships when the British experience with similar arrangements led to no discernible improvement in student choice or retention for disadvantaged students;

That so far there is no equivalent of the British statutory body to approve and monitor the institutional access plans, the over-emphasis on institutional autonomy could lead to a much more fragmented and ineffective use of scarce equity funding (largely funded by the students levy).

In conclusion the so-called “Commonwealth Scholarships” are not scholarships as the term is conventionally used for government or private/bequeathment sourced funding. Instead the proposal is for a tax or levy funded by the student peers of the recipients and should be described as such. The hands off approach used by a similar scheme in Britain led to an ineffective use of the student levy that did not soften the blow of fee deregulation on student choice. The new HEP Scholarships are funded by shutting down other equity programs within HEP.

Sub-Bachelor Programs

The government has argued that extension of CSP funding to sub-bachelor programs will remove up front fee barriers for 80,000 students doing some kind of pathway or alternative entry into higher education. Under current arrangements many of these students would already be deferring fees through FEE-HELP or VET-FEE HELP. Courses that are not currently eligible for these loans could easily be added to the approval lists. The 25% surcharge on FEE-HELP loans is the main issue here, not up front payment.

The extension of CSP places (public funding) to sub-bachelor programs is much more problematic due to the diversity of institutions (university run alternative pathway programs, VET, private providers, for profit private providers) operating across state and Commonwealth jurisdictions. As well as the possible positive access opportunities there are potential issues of exploitative marketing (free laptops, promotions that don’t mention the HELP debt, use of employment services to cold canvas pathway courses), quality of education delivered, qualified staff levels, completion rates, student academic appeal and refund rights, the long term impact on budgets of uncapped CSP enrolments, and the extent to which private businesses should be subsidised by the taxpayer.

Given the focus on tuition fee deregulation associated with this legislation and its predecessor this major and complex reform is too important to be passed or dismissed as a minor adjunct of the fee deregulation debate or as an ‘equity measure’. It should be set aside as separate legislation and re-introduced after extensive consultation with the relevant sectors.

Political Advertising

In December last year the Government embarked on an advertising campaign around its higher education campaign including TV ads and the *Your future is Australia's future* website. According to Education Minister Pyne: "*The information campaign will help to counter any myths and misconceptions about the current higher education system and raise awareness of HECs...This is an information campaign focusing on the facts*."[4]

According to the current Guidelines on Information and Advertising Campaigns by non-corporate Commonwealth entities[5]:
Principle 4: Campaigns should be justified and undertaken in an efficient, effective and relevant manner
Principle 29: Campaigns should only be instigated where a need is demonstrated, target recipients are clearly identified and the campaign is informed by appropriate research or evidence.
Principle 30: Campaign information should clearly and directly affect the interests of recipients.
Principle 31: The medium and volume of the advertising activities should be cost effective and justifiable within the budget allocated to the campaign.
Principle 32: Distribution of unsolicited material should be carefully controlled.

Given the magnitude of the proposed changes to higher education and the number of people affected by the changes NUS does believe that it would be reasonable for any government *in principle* to embark on an information-based advertising campaign to alert the public to the changes prior to 2016. According to media reports the campaign is budgeted to cost $14.6 million.[6]

However, the legislation has been defeated in the Senate last December and the revamped legislation is facing the prospect of defeat or heavy amendment. In such circumstances the continuation of the advertising campaign seems to be an ineffective use of taxpayers money or even partisan lobbying to build community support for the changes rather than an information campaign explaining how the changes will impact on future students. Many students have expressed this view of the advertising to NUS at O-weeks this year.

NUS also has concerns about the accuracy of some of the campaign information:
Principle 2: Campaign materials should be presented in an objective, fair and accessible manner and be designed to meet the objectives of the campaign
Principle 20: Campaign materials should enable the recipients of the information to distinguish between facts, comment, opinion and analysis.

---

[4] Daniel Hurst, Higher education ad makes 'demonstrably untrue' claims – Labor, *Guardian*, 9 Dec 2014
[5] Commonwealth Department of Finance, Guidelines on Information and Advertising Campaigns by non-corporate Commonwealth entities, 2014
[6] Mathew Knott, Abbott government's higher education advertising campaign to cost nearly $15 million, *Sydney Morning Herald*, 22 January 2015

Principle 21: Where information is presented as a fact, it should be accurate and verifiable. When making a factual comparison, the material should not attempt to mislead the recipient about the situation with which the comparison is made and it should state explicitly the basis for the comparison.
Principle 22: Pre-existing policies, products, services and activities should not be presented as new.

Some of the campaign slogans such as "*When Uni's Compete, You Win*" are blatantly ideological, partisan and non-verifiable. Perhaps the misleading aspect of the campaign is most overt in the TV ads that do not even mention the core proposition of the reforms, that undergraduate tuition fees will be deregulated. Instead there is a *non sequitur* that the Government will continue to cover about 50% of the cost of course fees, a claim that would only be possible in a system where fees remained capped or there really was a Government guarantee to cover about 50% of individual CSP students course fees. Andrew Norton from the Grattan Institute and a strong advocate of fee deregulation said: "*This is, I think, not very useful information to have in the public realm. Even if it's true on average, it's not particularly useful to any individual student.*"[7]

The 50% claim itself is not verifiable, and as universities release their proposed 2016 tuition fees, is simply wrong. The government claim seems to be based on taking the current average ratio of student: commonwealth funding and then applying proposed reduction in commonwealth funding to come up with a 50:50 ballpark. However, the claim does not include the impact of fee deregulation beyond universities increasing fees solely to cover the reduction in public funding. NTEU analysis of the University of Western Australia proposed fee structure in 2016 shows that the commonwealth contribution in various popular courses such as law or commerce will be as low as 11% and that the average commonwealth contribution will be about a third (36%).

[7] Daniel Hurst, "University fee claim in ad campaign unverifiable, says Pyne's former adviser", *Guardian*, 15 Jan 2015

Government and Student Contributions Based on UWA Fee Structure				2016
Discipline	UWA Fees	Govt Contrib	Total Funding	Govt Contrib
Law, accounting, commerce, economics, administration	$16,000	$1,896	$17,896	11%
Humanities	$16,000	$6,326	$22,326	28%
Computing, Built Environ, Other Health	$16,000	$9,490	$25,490	37%
Mathematics, Statistics	$16,000	$12,655	$28,655	44%
Behavioural science	$16,000	$9,490	$25,490	37%
Social studies	$16,000	$6,326	$22,326	28%
Education	$16,000	$9,490	$25,490	37%
Clinical psychology, foreign language	$16,000	$12,655	$28,655	44%
Visual and performing arts	$16,000	$9,490	$25,490	37%
Allied health	$16,000	$12,655	$28,655	44%
Nursing	$16,000	$12,655	$28,655	44%
Engineering, science, surveying	$16,000	$12,655	$28,655	44%
Dentistry, medicine, veterinary science	$16,000	$18,982	$34,982	54%
Agriculture	$16,000	$18,982	$34,982	54%
Average	$16,000	$8,909	$24,909	36%

* Based on announced 2014 values indexed at 2.5% per annum.

The Your future is Australia's future website also seems to mislead over the fundamental nature of the Commonwealth Scholarship Scheme through the sin of omission:

"under planned improvements, the new Commonwealth Scholarships Scheme will be implemented to help those Australians who need it most. Each year when a higher education provider receives Commonwealth funding for 500 Commonwealth supported places (CSPs) or more, the provider must distribute 20 per cent of eligible revenue to scholarships. The Scheme will be targeted to students who may need extra assistance to get to uni, including students from rural and regional Australia.

The wording (ie 'eligible revenue') seems to have been crafted to create the impression to the general public that the scholarships are funded by the Commonwealth rather than what is effectively a 20% levy on the student tuition fees to fund their own scholarships.

Financial

The case for such a drastic changes to higher education have not been made clear but initially it seemed to be part of the political panic over budget deficit (even through when measured against GDP the size of the budget deficit and level of government expenditure are will within the normal levels for Australian post-war governments and low by OECD standards).

However the projections of a $5 billion saving over the forward projections attached to the original legislation have been revised down to $640 million by MYEFO (that covers the amended bill). Further concessions to get the legislation through Senate such as increasing the structural adjustment fund or reducing the 20% for CSP places will diminish the savings impact further or may even lead it cost more. The government's commitment to getting the legislation passed by the Senate seems to be driven by ideology over fee deregulation and providing additional public subsidies to private providers. The changes will not improve quality or student choice across the system and put additional barriers in the way of research training and graduate start-up economic activity needed for an innovation-driven future.

In our original submission we warned that the creation of a blank cheque system where universities and accredited private/VET providers could create as many places as they wished and charge whatever fees (underpinned with government guaranteed universal HELP loans) would lead to long term issues of financial sustainability. Some of the unintended budgetary black holes are already getting raised.

NATSEM modeling premised on a conservative estimate of an average 50% increase in tuition fees indicates that the national CPI would be pushed up 0.7%. As welfare payments are indexed by the CPI this would push up government welfare payments by $1 billion (compared to the $640 million savings in the amended legislation).

The NTEU has also modeled government estimates (revealed in the February Senate Additional Estimates hearings) that costs associated with HELP loans (i.e. debt write-offs) if the legislation is passed will rapidly rise to $4.4 billion by 2017-18. The NTEU's modeling shows by 2017-18 that the government outlay per student for HELP loans costs will amount to 67% of the CSP allocation per student under the Commonwealth Grants Scheme. The NTEU estimates that by 2020 the cost of maintaining the HELP system under deregulation will exceed the cost of teaching the CSP student.

The 2009 Bradley Review of Higher Education and the 2012 Base Funding Review have highlighted that there are issues with the total resourcing per student in at least some areas of higher education. NUS believes that a knee-jerk shift to fee deregulation will not provide long term solutions to funding issues for universities. While it may provide short term fix for some university budgets it creates longer term budget problems with HELP debts, will deter many from aspiring to go to university, and imposes unreasonable levels of debt burden on millions of future students and graduates.

The American road is not the only road to having a higher education system that is able to compete internationally at a high standard. There are plenty of alternatives already existing that Australia could be learning from and modifying for our conditions.

The main principles of this legislation should be rejected. This government should go back to the beginning and develop an open, consultative, and evidence based process. This process should develop a framework and wide political consensus for the long-term development and sustainability for higher education to meet challenges for next couple of decades.