

**Submission to the Senate References Committee regarding the principles of the *Higher Education and Research Reform Bill 2014* and other matters**

**Author: Professor Louise Watson, Associate Dean Research, Faculty of Education, Science, Technology and Mathematics University of Canberra.<sup>1</sup>**

As an education policy analyst and member of the Base Funding Review (2011), I offer the following comments for the Committee to consider in its deliberations.

**1. the principles of the Higher Education and Research Reform Bill 2014;**

Australian higher education exists to serve the Australian public. Universities are granted the privilege of institutional autonomy because their core roles of research, scholarship and teaching are best performed within an academic community free of external interference. This academic ‘business’ of universities generates benefits for individuals in terms of professional qualifications as well as spillovers for society through innovation, human capital formation and contributions to civil life. It is rare for institutions that rely on public funding to enjoy the autonomy granted to universities. It is important to recognise, therefore that such autonomy is conferred on universities for an explicit purpose, which holds that universities and their Vice-Chancellors are expected to serve broader interests than their own. In accordance with this principle, questions of funding for higher education should be determined by the government with the interests of the entire community in mind. The Base Funding Review identified 13 principles to underpin Commonwealth funding of higher education (pp. xvii-xviii). In drafting these principles, the Review aimed to guide public investment in Australian higher education over the long term. I commend them to the Committee.

**2. alternatives to deregulation in order to maintain a sustainable higher education system;**

Fee deregulation is not a measure that would make Australian higher education funding sustainable. To the contrary, fee deregulation would result in the government retaining full responsibility for the costs of the higher education system (through direct CSP funding and HECS) while relinquishing control over what those costs might be. University Vice-Chancellors would henceforth decide how much public money they wanted to receive. Whatever graduates cannot repay due to price increases and declining graduate earnings, will be sheeted home to the federal budget. As the ballooning HECS debt in the VET sector has demonstrated, fee deregulation would simply make Australian higher education less predictable, less affordable and less sustainable in the future.

If government cannot afford to maintain its higher education funding at current levels), then fee deregulation is hardly the solution, as it will cost the government more from the day it is introduced. There is ample scope to reduce and restrain government expenditure on higher education using policy instruments which are currently in place, such as HECS.

One measure that would generate ongoing budgetary savings would be to replace the cap on Commonwealth Supported Places (CSPs), or at least restrain growth in places to less than one per cent

---

<sup>1</sup> The content of this submission represents the opinion of the author, not the University of Canberra.

per year. The Rudd-Gillard government's removal of the cap on funded university places resulted in a 25 per cent increase in student numbers between 2008 and 2013, accompanied by a lowering of entry standards for school leavers. Many of these enrolments could have been more effectively and more efficiently catered for in the VET system, at a lower cost.

Meeting the cost of uncapped higher education places an unnecessary burden on the federal budget. Capping funded places would free up public money for other priorities, such as addressing skills shortages or increasing educational participation in regional areas. The government could continue to support the expansion of the university sector through a steady low rate of annual growth, while restoring much-needed certainty to the higher education budget.

A second measure to make higher education more sustainable would be to reduce direct Commonwealth subsidies for student places to a uniform low rate, based on the cost of a student place by discipline. This would generate substantial savings from the \$5 billion per annum that the Commonwealth currently spends on direct subsidies. It would also remove the anomalies and inconsistencies in the different rates paid by the Commonwealth for each discipline. It could be implemented alongside the rationalisation in the funding clusters proposed in this Bill (Section 33-10). The cost of these savings would be borne by students/graduates as a deferred income-contingent loan which would be repaid only if and when they can afford to do so. Thus full subsidies would flow to those students/graduates who never have the capacity to repay. The HECS scheme is a far more efficient means of distributing government subsidies than the current system and should be employed to the full.

Requiring all students to contribute to the cost of their courses at the same rate would be much fairer than the current system and depending on what rate is chosen, would deliver substantial budgetary savings over the long term.

### **3. the latest data and projections on student enrolments, targets, dropout rates and the Higher Education Loans Program;**

Students enrolment growth appears to be slowing compared to the past five years, but could easily increase again at the whim of universities if places remain uncapped. The Rudd-Gillard government's enrolment target of 40% of young people having a university degree by 2020 is likely to be met, on the basis of current projections, however the target of raising low-SES student participation rates to 20% is unlikely to be met without targeted assistance and incentives for universities to perform, such as a low-SES student loading and the extension of enabling funding. Universities should be held more accountable for student attrition, and given performance funding for the retention and completion of students, particularly those from under-represented social groups. However in doing so, it is important to recognise that large numbers of students change universities mid-course, so the recognition should be shared between providers. This is discussed in the Base Funding Review Report (pp. 75-80)

### **4. structural adjustment pressures, and the adequacy of proposed measures to sustain high quality delivery of higher education in Australia's regions;**

On international benchmarks, there is no evidence of a 'crisis' in the quality of Australian higher education (see Base Funding Review Chapter 2). Delivery of education in the regions could be enhanced through improved partnerships between universities and TAFE providers and schools. Re-capping university places would help ensure that regional universities remain viable.

**5. the appropriateness and accuracy of government advertising in support of higher education measures, including those previously rejected by the Senate;**

No comment.

**6. research infrastructure;**

With success rates for ARC applications now at 20%, there is clearly a need for increased funding for research in Australian universities. Measures such as capping places in higher education and reducing the value of the government contribution to a uniform low rate would generate savings that could be re-directed into research, through the Australian Research Council.

**7. any other related matters**

Higher education is only one element of the tertiary education sector, which is populated by other institutions that serve higher numbers of students, such as VET providers, TAFE institutes and other training providers. I would suggest that any further reviews of higher education include these partners in tertiary education within their terms of reference. By considering the interests and concerns of the tertiary education sector together, we may be able to move beyond the current 'silos' of VET and Higher Education towards a more rational and comprehensive tertiary education policy that serves Australia as a whole.