

Higher Education Funding Amendment Bill 2002

CAPA Response

The issues raised in this paper relate to Part 2, Postgraduate Education Loans Scheme (PELS), of the Higher Education Funding Amendment Bill 2002.

CAPA's primary concern with this Bill is its timing. The Bill currently before Parliament recommends the extension of PELS to private providers at the same time that the Education Minister is reviewing the higher education sector. In his overview paper, *Higher Education at the Crossroads* (2002: 40), the Minister poses the following discussion questions:

- “Should private providers have wider access to public subsidies on the same basis as public institutions as a means of stimulating differentiation?”
- “What criteria should private institutions be required to meet?”

Over the next 3 months, these questions and the other 47 raised in *Crossroads*, are to be considered and debated by all sector stakeholders in consultation with the Government. The results from the review will be presented in December.

The passage of this Bill to extend PELS to private providers of higher education will pre-empt any public discussion or debate on the issue. Furthermore it will do so without having the necessary accountability requirements in place for private providers when receiving public subsidy of this kind. PELS is a deferred debt scheme. While the debt is the individual student's and does not consist of a direct outlay of funds by the Government, the interest free component of the debt equals a form of public subsidy.

The absence of any public reporting requirements raises concerns over how to assess quality and ensure accountability within the target institutions. Provision of public subsidy to private providers of higher education gives no guarantee of accountability and quality assurance procedures by which public institutions must abide. Public institutions in receipt of Government funding are publicly accountable for the expenditure of those funds. They are required to report to Government agencies, provide audited financial reports to the Auditor-General and have external members of the public on their governing bodies. Currently there are no accountability processes in place to guarantee this required transparency for private institutions that may become recipients of public fiscal subsidy.

Public institutions are also now audited by the Australian Universities Quality Agency. Such transparency, however, is not extended to private institutions. Consequently, the quality of the postgraduate course-work degrees at Bond

University, Melbourne College of Divinity, Christian Heritage College and Tabor College to which PELS is to be extended cannot be guaranteed. The Masters courses at Tabor College in Theology, Ministry Studies, Ministry and Education are all offered as 1 or at most 1.5-year degrees. In contrast, the Australian Qualifications Framework Guidelines clearly state that "most Masters degrees require the equivalent of two years of study post the three year Bachelor degree" (*AQF Implementation Handbook*, 2002: 56). The shorter duration of qualifications offered by private providers raises significant questions regarding their quality. To extend public subsidy to these providers without appropriate quality review would be irresponsible.

The Government introduced PELS for the purposes of encouraging increased participation in higher education and ensuring that no prospective postgraduate coursework student is prevented from studying by an inability to pay up-front fees. These full fees, however, remain a deterrent for participation as the introduction of PELS gives potential students a choice between a huge bill up front or a huge debt to be repaid. Deferred debt can still make postgraduate participation unappealing, especially for individuals with a large HECS debt from their undergraduate degrees or mature-age students who may already be burdened by personal debt. Enabling students to defer the payment of fees upfront still entrenches the model of 'user pays', and further transfers the cost to the individual regardless of the public good derived from such education.

There is currently no limit to the fees that providers of higher education can charge for postgraduate coursework degrees. In 2002, the most expensive postgraduate coursework degree in Australia is the Juris Doctor degree offered by the University of Melbourne, which costs students \$72,000 (\$36,000 per year). CAPA is concerned that with the introduction of PELS this year, universities will be inclined to elevate course fees. This fear was realised last month with the University of Melbourne increasing postgraduate coursework fees by up to 57%. Without Government capping the fees universities can charge, student debt could increase extensively under PELS. Rising student debt will have a significant negative impact, in both short and long terms, on the Australian economy. Evidence suggests that, in countries such as New Zealand, student debt has been strongly linked to declining levels of home ownership, decreasing fertility rates and increased migration (OUSA, *Tertiary Education Issues 2002: Debt Fact Sheet*). Most dramatic for the long term prosperity of Australian society, are the effects of the so-called 'generation debt', shouldered by graduating professionals – from doctors and lawyers, to researchers, to business leaders – demanding higher incomes and charging increased fees for services and work they provide as a way of affording repayments of accumulated debt. In short, the entire Australian social structure stands to endure the negative financial implications of current rising student debt levels.

CAPA is opposed to PELS and up-front fees for postgraduate coursework degrees as it entrenches a user-pays system of education. The extension of PELS to any institution is unacceptable, even more so in the case of the four private providers of higher education named in the Bill.

On the basis of the issues raised, CAPA urges that Part 2 of the Higher Education Funding Amendment Bill be rejected.