

Submission to the Senate Education and Employment References Committee Inquiry into the Higher Education and Research Reform Bill 2014

The principles of the Higher Education and Research Reform Bill 2014 and related matters

27 February 2015

Principles

Australian Government Policy, expressed by the Labor Government in 2009 emphasizes equity and diversity as principles that will underpin the Australian higher education sector.

The following statement appeared as part of Labor's vision for higher education:

"A fairer Australia—all Australians will benefit from widespread equitable access to a diverse tertiary education sector that allows each individual to develop and reach their potential."

Transforming Australia's Higher Education System, 2009, p7

The Council of Private Higher Education (COPHE) has consistently advocated equity, choice and diversity in higher education, while operating in a policy environment that has been dominated by public universities.

So for our students, who can see their potential best met outside public institutions, but are unable to access Commonwealth support and have a 25% surcharge placed on their loans, the inequity in current policy settings is stark.

Financial Sustainability

It is clear that the current higher education system is unsustainable and that change is needed. In any institution where price is capped but costs are not, improving the quality of the student experience and outcomes cannot be sustained.

The current structure of the sector, where 90% of students are enrolled in public universities, which in Australia means a research intensive institution, (even if research is very thin) that are all funded identically for teaching which, along with the research driven prestige element encouraging cross subsidy within universities, makes sustainability hard to achieve. We accept that teaching informed by scholarship is a key distinctive of higher education but expecting undergraduate students to finance research is unreasonable.

Alternatives to Deregulation

Quality higher education requires a threshold level of income from student tuition. There is no real alternative to deregulation (with appropriate oversight) if higher education is to be sustainable as a competitive, high quality system without this threshold level of income, through the ups and downs of the economic and political cycle (as reflected in the willingness and capacity of government and students to pay for higher education).

The competition facilitated by an appropriate deregulated environment, will help ensure value (quality and outcomes) for students and encourage and reward diversity with excellence by allowing new entrants full access to the system.

It is understood that income contingent loans “blunt” pricing signals nevertheless a differentiated system that focuses on value for students and opens up more information to them will enable informed choice.

The fee deregulation proposed for Australian undergraduate students is in a sector where a market already operates efficiently for international students and all postgraduate students. With improved information for students, such as will be delivered by the QILT system and has not been available before, a market will operate for Australian undergraduate students.

We note the proposal from Professor Bruce Chapman in his Senate Submission last week suggesting a way to mitigate excessive charges by universities above teaching costs or increases driven by cross subsidy of activity unrelated to student outcomes. This interesting proposal may be a way forward for restraining price increases.

We still consider it fundamental that institutions should be required to demonstrate that funds paid to them ‘for the benefit of (undergraduate) students’ (s30-1 HESA) are used in such a way as to create a demonstrable benefit to undergraduate students.

Latest Higher Education Data

One student statistic that seems counterintuitive is that the participation of low SES students with providers that are not public universities is 16%, a figure that is almost identical with public universities at 15.8%. (Department of Education Statistics Collection 2013)

Structural adjustment pressures and the adequacy of proposed measures to sustain high quality delivery of higher education in Australia’s regions

A subsidy, even if ‘ongoing’, is not sufficient to ensure the sustainability of quality higher education in Australia’s regions. Structural adjustment, which enables the institutions to offer competitive high demand courses that serve the workforce needs of their regions, is required. In other words institutions serving Australia’s regions need to be competitive in their own right. This will require significant changes within and between those institutions.

We note that many of our member institutions that would not be considered regional are serving students in regional areas through on-line courses.

Government Advertising in Support of Higher Education Measures

The level of understanding in regards to Commonwealth support of higher education students has been shown to be surprisingly low.

The “scare” campaign run around \$100,000 degrees and misinformation from unions, picked up with alacrity by the Opposition, has in our own experience, led to current students, future students and the general community thinking that HECS was to disappear, their courses were going to cost additional hundreds of thousands of dollars and it remains to be seen what permanent damage has been done. In our own office situation we needed to explain to a visiting relative undertaking a medical science degree that she would not have to abandon her plans for doing medicine.

There is no fairer system anywhere than our income contingent loan system commonly called HECS but it is not widely appreciated or understood.

In the context of such general misunderstanding, the Government is justified in undertaking the advertising it has placed with the cost a small investment in the overall picture.

Other related matters –

Competition

All Australian governments through COAG have agreed with principles that ensure that any regulation must be necessary and relevant. On this basis we consider that fee deregulation should actually be the norm, and fee regulation only considered if there is clear evidence that the public interest will not be met.

All higher education providers, including universities, are regulated by the Tertiary Education Quality and Standards Agency (TEQSA) under the Commonwealth’s power to regulate corporations. Current policy that favours students enrolling at a Table A university over institutions that are not, breaches competition principles in the agreement between the States and the Commonwealth.

We note proposals for, and support the establishment of an oversight body with the specialist expertise to consider any evidence of excessive prices that may emerge and consider the capacity of such a body to “name and shame” would be appropriate.

Public and Private

While noting the comment in the first page of the Bradley Review that public and private distinctions are no longer sensible there are some persistent myths that we need to dispel;

- The scandal in the treatment of students in the VET sector, particularly in Victoria, reflect problems in VET regulation and has no bearing whatsoever on higher education which is a totally different regulatory and funding environment
- In a sector where there are hybrid organizations and for-profit providers owned by public universities any differentiation based on whether an entity is public or private is flawed
- For-profit providers are critical for Australian universities as they deliver many of the pathways programs that have underpinned the success of international education

The state of what constitutes the public university system is in fact an artefact of the Dawkins reforms of the late 1980’s.

Summary

The reform legislation will provide more equitable treatment for students, a wider choice in courses, and expanded diversity of institutional types in Australian higher education

In the context of commentary being almost totally focused on public universities, speculation around potential price gouging by universities and scare campaigns about \$100,000 degrees, (despite evidence to the contrary), we present the following simple table which demonstrates the inequity in the current environment for students who enrol with providers that are not public universities.

		HECS Debt Public University Student*	HELP Debt Private Provider Student #
Education	Bachelor Degree 4 years	\$24,608	\$60,800 - \$79,000
Humanities	Bachelor Degree 3 years	\$18,456	\$45,600 – \$59,850
Social Science	Bachelor Degree 3 year	\$18,456	\$45,600 – \$55,800
Business	Bachelor Degree 3 year	\$30,799	\$45,600 - \$55,200

**2015 costs to student for a degree assuming all units are in the same field – Commonwealth Website*

2015 costs at the lower end through to the mid-range including the 25% loading paid to the Commonwealth. There is no Commonwealth subsidy (CSP) currently available for these students.

The table above highlights inequities which would not be tolerated in other sectors and has been largely ignored in the public debate.

Students choosing private providers, now nearly 10% of higher education enrolments, do so because they deliver good outcomes, often in niche areas or through smaller teaching cohorts.

We indicated in earlier submissions that our Members would pass on student support received from the Commonwealth.

The extension under Schedule 1 of Commonwealth Supported Places (CSPs) to students at private universities and non-university higher education providers (NUHEPs) together with the implementation of a single loan scheme to all higher education students is a matter of equity.

Previous Senate Inquiry on Higher Education Research Reform Amendment Bill 2014

The Senate Education and Employment Committee Inquiry received 160 submissions and extensive expert evidence from a wide range of witnesses. Our submission supported the original Bill in its entirety except for Schedule 3 relating to the interest rate on loans where we, along with everyone in the sector, proposed retention of the Consumer Price Index.

We appreciate that the Committee Inquiry accepted this change in the majority report and are pleased that the Higher Education Research and Reform Bill 2014 proposes retention of CPI as the indexation rate for HELP debt.

We also support the introduction of the indexation relief arrangements for primary carers of children aged under five noting that the HELP debts for them will not be indexed under existing arrangements while they are earning under the minimum repayment threshold.

Sub-Degree and Pathways Programs

The extension to sub-degree programs (diplomas etc.) which will encourage those students progressing through such pathways, including many from disadvantaged and low SES backgrounds must also proceed as a matter of good policy. It is a far better solution for the student and the taxpayer than encouraging academically underprepared students to tackle a bachelor degree.

Research indicates that students entering the second year of a bachelor degree after a pathways diploma have significantly lower drop-out rates.

We urge Senators to approve the legislation recognising the need for a sustainable system and one that addresses equity in the treatment of students.

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