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Independent Higher Education Australia's (IHEA) 2025–26 Pre–Budget Submission

Introduction

This document is Independent Higher Education Australia's (IHEA) 2025–26 Pre–Budget Submission and reflects key issues to be considered in the last Budget before the Federal Election.

A diverse higher education sector that supports Australians in gaining and maintain currency of their qualifications and their skills and knowledge over the course of their working lives is a priority. With cost–of–living pressures currently at the forefront of peoples' minds – and pursuing paid work rather than higher education – it's important that higher education is well supported to ensure that we have the capability to address the issues our nation is facing now and into the future.

To this end, the independent higher education sector is a vital part of Australia's higher education landscape.

Independent higher education providers deliver high quality education outcomes for both domestic and international students alike. This is reflected in the excellent performance and consistently topping the rankings from students in the student experience surveys of the Quality Indicators for Learning and Teaching (QILT) for teaching quality; learner engagement; skills development; and overall quality.

The student–centred approach of independent providers is reflected in their business and operating models and course offerings that address student and industry demand. The education experience provided by independent providers contributes to students' employability and long–term career success.

Therefore, it is imperative that barriers and obstacles to students wishing to study at independent higher education providers are appropriately addressed. This submission focusses on two key issues to support this ambition.

Firstly, IHEA maintains its strong opposition to the Education Services for Overseas Students Amendment (Quality and Integrity) Bill 2024 (ESOS Bill) caps, allocations or limits on international student enrolments. However, the passage of the ESOS Bill gives effect to capping international students through setting provider level International Student Profiles (ISP).

- If the legislation is to pass, a fair and equitable model for setting limits on international student commencements must be implemented for 2026.
- The second issue is to abolish the 20 per cent loan fee that is applied to FEE–HELP loans of domestic, undergraduate students who are studying at independent higher education providers.

These issues require urgent consideration in the last Budget before the Federal election to address the current inequities that are in place. IHEA's 2025 Federal Election Platform, which is available here, outlines full range of policy positions for higher education.

Model for International Student Profiles for higher education for 2026

At a time when Australia's international education was recovering from the impacts of COVID 19, barriers and impediments are being put in place, which may outlast the impact of the pandemic. In 2023, the international education sector recovered to be worth $47.8 billion, which was our fourth largest, and largest services and non–resources export industry.

The international education industry was responsible for a 0.8 per cent increase in Gross Domestic Product (GDP), which was more than half of the 1.5 per cent economic growth recorded in 2023. Government changes to cap student numbers that commenced with wide ranging visa refusals based on nationality, or at least geographical bases, fail to recognise the critical role international education plays in Australia. There is a significant equity issue that needs to be considered in restricting international student enrolments.

IHEA maintains its strong opposition to the Education Services for Overseas Students Amendment (Quality and Integrity) Bill 2024 (ESOS Bill) caps, allocations or limits on international student enrolments. However, the passage of the ESOS Bill gives effect to capping international students through setting provider level International Student Profiles (ISP). Providers were advised of their indicative ISP for 2025 on 27 August 2024.

For 2025, differential formulae have been applied in determining the International Student Profiles (ISP) of public universities and private universities and non–university higher education (private/independent) providers. The differential approach is beneficial to public universities and deleterious to private/independent providers.

To recap, as an aggregate, subject to the passage of the ESOS Bill, public universities will receive an indicative ISP for 2025 of 145,200, which is 15.2 per cent greater than their 2019 New Overseas Student Commencements (NOSC) and similar to their 2023 NOSC (reduced by 0.7 per cent). Other than one exception, all public universities experienced either an increase in their 2019 NOSC or 2023 NOSC, with 20 experiencing an increase compared to both.

For private/independent providers, as an aggregate, the indicative ISP for 2025 is 31,020, which is 3.2 per cent less than 2019 and 26.9 per cent less than 2023. The allocation of 31,020 is 17.6 per cent of 176,220 to the whole of the higher education sector. On a percentage basis the NOSC in 2023 for independent providers was 22.4 per cent (42,268 of 188,488) of the total NOSC in higher education. While the allocation for public universities is consistent with 2023 levels, the percentage share for independent higher education providers is well down on 2023 levels.

This represents a significant discrimination against private/independent higher education providers and needs to be remedied.

It is presumed that the 2026 ISP will be agreed during the Budget, which could occur in March 2025, and for which the parameters are expected to be set in the Mid–Year Economic Fiscal Outlook (MYEFO), which will occur in November/December 2024.

IHEA's view for how this needs to occur is outlined below.

Model for setting an ISP for 2026

We propose that the starting point for calculating the indicative ISP for 2026 for all higher education providers should be to take an approach that is neutral to the provider's category (i.e. public university versus private/independent higher education provider).

Provider neutrality in formulating international student profiles is paramount to a fair and equitable system. Arguably, this is the approach that should have been taken in setting an Indicative ISP for 2025.

Step One: Establishing a baseline

IHEA proposes that providers' 2023 NOSC should be the starting point for all providers.

This would result in an indicative ISP for 2026 of:

- 146,220 for public universities.
- 42,268 for private/independent providers.
- A total National Planning Level for higher education of 188,488, which is 7.0 per cent higher than the 176,220 that has been indicatively allocated to higher education sector for 2025.

Step Two: No disadvantage

Higher education providers will be at different levels in their education cycles, which may in part be due to how new the provider is. Some providers may have had higher or lower enrolments in some years compared to others. For example, during 2023, in the post–COVID era, some providers took a more cautious approach to building up/re–building their international student profile. For this reason, while 2023 is a reasonable starting baseline, providers' position relative to the key, non–COVID year of 2019 should also be considered as a safety net.

As such, in addition to Step One, no provider should be worse off than 2019. This will ensure that no individual provider is left behind or unfairly disadvantaged.

On this basis, the indicative ISP for 2026 would be as follows:

- 156,115 for public universities.
- 50,425 for private/independent providers.
- A total National Planning Level for higher education of 206,540.

Step Three: Indexation

Restoration of the international education sector through ensuring manageable growth and sustainability can be achieved through the application of a small level of indexation.

It is worth noting that a Higher Education Indexation Factor (HEIF) for 2025, which was set at 3.1per cent, is being applied to Commonwealth Supported Places (CSPs). The purpose of the HEIF is to apply an annual adjustment to account for inflation and other economic factors, ensuring that the funding remains aligned with the costs of delivering higher education.

While the HEIF is specifically designed for CSPs, it would be appropriate to apply this indexation to the 2025 NPL, given the reduction in international student numbers, in particular in the independent sector, has impacted these providers financially.

On this basis, the indicative ISP for 2026, which includes 3.1 per cent indexation, would be as follows:

- 160,955 for public universities.
- 51,988 for private/independent providers.
- A total National Planning Level for higher education of 212,943.

Step Four: Provider specific factors

In finalising a provider's ISP, there should be a consideration of factors and performance of an individual provider in relation to delivering courses of national importance to Australia and/or the students home country; integrity and quality performance of the provider; and consideration of new providers.

Skills

- Where there is a skills shortage and/or a national need/importance to Australia or the students' home country, the provider's ISP should be increased to take account of demand in these areas of need as well as the provider's forward planning and anticipated enrolments.

Autonomy, integrity and quality

- A provider's ISP may be increased if they:
    - Are a self–accrediting authority.
    - Exceeds the relevant sector's average for the 'quality of entire educational experience' indicator in the most recently available Quality Indicators for Learning and Teaching and Learning Student Experience Survey.
    - Are registered by TEQSA for the full 7–year period without any conditions.
    - Rated as low risk to students in TEQSA's most recent Provider Risk Assessment.
- A provider's ISP may be decreased if they:
    - Have received sanctions and conditions of significance during the current period of registration with TEQSA.

New providers or providers with a small ISP

- To ensure consistency and mitigate disadvantage the following moderation approach is necessary to address where a provider's NOSC is small or the provider is new:
    - If a provider had between 1 and 10 commencements in 2019, 2023, 2024 and 2025, they will be allocated an ISP of 10 for 2026.
    - If a provider only had a NOSC in 2024 and 2025, they will be allocated an ISP that is the average of their 2024 and 2025 NOSC for 2026.
    - If the only year a provider had an allocation was the indicative ISP for 2025, this allocation will be retained for 2026.
    - If a provider has an indicative ISP for 2025 of 0, this was kept as 0 for 2026, unless it had an allocation in 2023 or 2019.
    - If a provider has been registered for 2 years or less, they are able to commence the number of students they have planned and forecast to do so, up to 100.

The approach, as outlined above, requires urgent consideration to ensure that providers and students within the independent sector receive equal and fair consideration in the allocation of international student limits for 2026.

Abolish the FEE–HELP loan fee

The 20 per cent FEE–HELP loan fee is an inequitable and discriminatory fee or tax on education and training for independent undergraduate higher education students. The loan fee creates unnecessarily high levels of student debt, reduces economic activity of graduates and is unfairly applied based on student's choice of provider. Students in the independent sector seek quality and innovation in market driven courses. This fee also discriminates this choice and the level of accessibility provided to Australian students, which are issues that were acknowledged in the Accord.

Removal of the FEE–HELP loan fee may result in a return to government of as little as $6.2 million per annum in general revenue but burdens independent sector students with $100 million more debt than their course costs. Independent sector students are the only HELP recipients required to borrow 120 per cent of their tuition costs to pursue their educational and career goals. When measures are being put in place (2024 Budget measure to backdate to June 2023 the indexation of HELP to be the lower of the Consumer Price Index (CPI) and the Wage Price Index) to alleviate the impact of CPI increases of up to 7.1 per cent on HELP students, it is unconscionable that FEE–HELP students continue to carry such a financial burden into their working lives. The next Australian Government needs to urgently move to abolish such an unfair levy on these higher education students.

The Accord Final Report specifically calls out that students accessing FEE–HELP need to be "fairly treated regardless of their provider and course and that the Review considered whether change to loan fee arrangements is needed" (p.163, Accord Final Report). It also states its concern about "the seeming lack of coherence around FEE–HELP arrangements for students at different classes of provider" (p.165, Accord Final Report). As a result of the highlighted inequities of the loan fee, the Accord Final Report dedicates a section to consider "fair and flexible arrangements for full fee–paying students" (p.163–166, Accord Final Report). These arguments demonstrate the clear inequities that undergraduate students who take out a FEE–HELP loan encounter.

We believe that the rhetorical argument that because of the extra costs of a FEE–HELP loan, an administration fee of 20 per cent needs to be applied, is flawed and counter–intuitive. In effect, the argument is that because these students do not receive a grant in the form of a CSP and therefore have to borrow the full cost of their tuition fees, that they should further be disadvantaged with an additional 20 per cent charge that is effectively a tax. The indexation on a debt plus 20 per cent, regardless of which methodology is applied, compounds the issue and accelerates the increase of a FEE–HELP debt when compared to HECS–HELP recipients.

In the interests of equity and fairness, and to support diversity within the higher education sector, the loan fee must be abolished immediately.

Who We Are

Independent Higher Education Australia Ltd. (IHEA) is a peak body established in 2001 to represent Australian independent (private sector) higher education institutions. Our membership spans independent universities, university colleges and other institutes of higher education, all of which are registered higher education providers accredited by the national higher education regulator, TEQSA or associate members seeking registration.

Our Vision is that: students, domestic and international, have open and equitable access to world class independent higher education in Australia, built on the foundations of equity, choice, and diversity.

Our Mission is to represent independent higher education and promote recognition and respect of independent providers as they contribute to Australian education, the Australian economy, and to society in general. We achieve this by promoting continuous improvement of academic and quality standards within member institutions, by advocating equity for their staff and students, and by delivering services that further strengthen independent providers' reputations as innovative, sustainable, and responsive to the needs of industry and other relevant stakeholders in both higher education and vocational education and training. IHEA's commitment is to excellence, productivity and growth in independent higher education being delivered through a trusted Australian education system underpinned by equity, choice, and diversity.

IHEA members have different missions, scales, and course offerings across the full AQF range (Diplomas to Doctorates). Members comprise:

- Four private universities (Bond University, Torrens University, University of Divinity, Avondale University).
- Six University Colleges (Alphacrucis University College, Moore Theological College, Australian College of Theology, Sydney College of Divinity, SAE University College and the Australian College of Applied Professions).
- Six self–accrediting institutes of higher education (Griffith College, Kaplan Business School, Marcus Oldham College, Excelsia College, The College of Law, and the Australian College of Applied Professions).
- Seventy two not–for–profit and for–profit institutions of higher education; and related corporate entities.

IHEA members teach approximately 74 percent of the students in the independent sector (i.e., more than 130,000 students) and educate students in a range of disciplines, including law, agricultural science, architecture, business, accounting, tourism and hospitality, education, health sciences, theology, creative arts, information technology, and social sciences.

IHEA holds a unique position in higher education as a representative peak body of higher education providers. Membership in IHEA is only open to providers registered, or seeking registration, with the Australian regulator – TEQSA. However, some IHEA members are dual and multi–sector providers who also deliver VET and/or English Language Intensive Courses for Overseas Students (ELICOS) courses.

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