20 February 2015

Senator Bridget McKenzie
Chair
Senate Education and Employment Legislation Committee
Parliament House
Canberra  2600

Dear Senator McKenzie

Go8 submission to the Senate Education and Employment Legislation Committee’s enquiry into the Higher Education and Research Reform Bill 2014

The Group of Eight (Go8) welcomes the opportunity to comment on the provisions of the Higher Education Research and Reform Bill 2014. This submission is intended to support the submission made by Universities Australia and we note that individual members of the Go8 may make their own submissions highlighting particular aspects of the legislation.

By way of background and context, on 12 February 2015, the Senate, on the recommendation of the Selection of Bills Committee referred the Higher Education and Research Reform Bill 2014 to the Senate Education and Employment Legislation Committee. This enquiry will run concurrently with another enquiry on the Bill being conducted by the Senate Education and Employment References Committee. These follow an extensive enquiry into the Higher Education and Research Reform Amendment Bill 2014 that reported in October, 2014.

Whilst the new Bill is different in some important respects, most of the policy issues relevant to both the former and the new legislation are the same. These issues have been investigated thoroughly and have received a comprehensive airing.

The Go8 therefore finds it difficult to understand what additional submissions and committee hearings at this stage of the debate can reveal that have not been assiduously dealt with since May 2014.

Nonetheless, and given the imperative of the subject matter, the Go8 sets out below its views as requested. We look forward to the opportunity to elaborate on this and our previous submissions as appropriate.

The Go8 response

The amended legislation currently before Federal Parliament includes significant improvements which address community concerns and deliver important student protections.
However, the Go8 contends that the issues and challenges for the sector remain, the need for change remains, and the consequences of doing nothing remain.

If bold sector reform does not occur soon these consequences will worsen.

It concerns the Go8 that the need for bold reform is being viewed by some as a political whim rather than a necessity for the benefit of future students and through them Australian society and the Australian economy.

It would be courageous to consider that defeat of this legislation, or even any compromise position, can deliver a lasting solution for the sector and, importantly, its students.

As a result, future Governments will still have to deal with the problem as will all future members of the Senate.

The Go8 is aware of a number of alternative suggestions to address the sector’s issues that have been proposed, but stresses that if a lasting solution is to be delivered, then only deregulation of fees in an uncapped student environment is the total answer.

**What is the current problem for the sector?**

- At the core of the issue is the fact that successive Governments have signalled that they cannot fund a demand driven higher education sector adequately, and there appears to be no public appetite for them to do so through the tax system. In 2013, Commonwealth funding per place was 16% below 1994 levels in real terms. Where governments have sought to increase funding, such increases have tended not to be maintained in real terms. The previous Government increased funding per place by 9% ($875 per place in real 2013 dollars). But in 2012 - the first year of fully demand-driven funding - the previous Government cut $1 billion from the sector, with a further $2.3 billion in cuts in the 2013-14 Budget.

- While demand for University places is currently fairly flat, demographic growth will drive a large increase in demand early in the next decade. The Go8 estimates that total demand for tertiary places will rise by 563,000 to 2030 (including 160,000 in Bachelors places). Therefore, the costs of maintaining a high quality, demand-driven higher education system can only increase.

- Current funding and policy settings tend to encourage universities to be the same as each other: a broader and more diverse student population needs more diversity and wider choice. Students deserve better.

- Universities since 2012 have therefore been faced with uncapped student numbers but with capped undergraduate degree charges. It is obvious this makes no financial sense and it unfortunately incentivises universities to maximise volume and minimise teaching costs. This is a threat to quality. Students deserve better.

- Limiting uncapped funding to Bachelors places at public universities reduces the pathways to higher education, which are especially important for under-prepared students. The funding incentive to enrol students straight into Bachelors degrees poses risks to quality. Further, enrolling under-prepared students limits their options and potentially sets them up for failure.
As it relates to university research, the fiscal cost of a higher education sector at current scale puts pressure on research funding. Cuts in 2012 included a reversal of a previously-budgeted half a billion-dollar boost to research funding. Governments have been unable to find a sustainable solution to funding major research infrastructure or the Future Fellows program. Constraints in research funding negatively impact the quality and global reputation.

**How does the legislation contribute to a solution?**

- The amended legislation responds to many of the concerns regarding student access and participation raised in the parliament and by the community by removing the real interest rate on HECS, making provision for regional universities, maintaining access to income contingent loans and mandating a strong scholarship pool.
- It ensures more competition between universities, and a more competitive non-university provider sector will give students more choice. All providers will be visibly more accountable for the “product” they are offering. Universities will have to work harder to offer courses that students want, with competitive prices that offer value for money. Students deserve quality and informed choice.
- Deregulating price and driving greater competition will make for a genuinely demand-driven system, one that reconciles quality and access and makes growth affordable. It offers a sustainable solution for higher education funding over the longer term.
- Expanding the demand-driven system beyond Bachelors degrees to include pathways courses will give under-prepared students better opportunities to succeed in higher education.
- Universities which raise fees must set aside 20% of the extra revenue to support access and equity, while demand-driven funding of pathways places will offer better opportunities to less well prepared students, including those from low SES and regional backgrounds.

**How do the legislative amendments improve the reform package, particularly with regard to student protections?**

- Keeping CPI as the indexation factor for HELP loans means graduates who take longer to pay won’t pay more in real terms. This is an important protection for lower income graduates and those who take time out of the workforce (and a key element of the design of HECS).
- A pause on HECS indexation for carers of children under five is an even stronger protection for graduates who take time out of the workforce.
- The structural adjustment fund will help universities to position themselves to compete effectively in a deregulated market.
- Extra scholarships for students at universities with higher concentrations of low SES and regional students will help universities to support access and opportunity.
• The decision that fees for domestic students must be less than international fees, minus Commonwealth contribution, prevents excessive fee rises and ensures universities can’t use Government subsidies to make super-profits. Note: the Go8 contends its members would not have abused fees structures without this amendment but is totally supportive of any measure that gives students added protection.

• The ACCC will monitor prices: an established and experienced regulator will have oversight of fees and will make information available to Government and the public. Note: the Go8 has been publicly supportive of a Regulator. While the Go8 is ethically committed to transparency of a fair fee structure it is keen to ensure its members are seen via a Regulator to be fair.

Conclusion

There are no easy choices in this debate and Australians and our political leaders will need to make hard choices. There appear to be only three ways forward.

a. Decide that Government (the taxpayer) will increase its funding per student, in addition to funding the critical research mission of our universities. In making this decision it must be noted that history would indicate this is unlikely to occur. Ever increasing participation rates together with the demographics in coming years indicates this would be a huge burden in a time of fiscal restraint.

b. Increase the percentage of the costs carried by graduates. Such a change would be socially progressive. Those who benefit from a university education and who, on average, are financially best equipped to pay would carry these added costs. In making such a change, the generous provision of the HECS system would ensure that individuals in difficult financial circumstances are not disadvantaged. In making such a change, we would argue, a deregulated system has many advantages over a system of price caps and would enhance educational quality and provide real choice for students.

c. Do nothing and settle for the status quo. This simply transfers the challenges of higher education sustainability to the next generation. It would lead to a decay of the quality of our higher education and would represent a failure in our duty of care to the nation. It would also put at risk one of Australia’s most important export industries.

Kind regards

Vicki Thomson
Chief Executive