

Response to the Discussion Paper

Driving Innovation, Fairness and Excellence in Australian Higher Education

July 2016

Overview

The Council of Private Higher Education (COPHE) seeks equity, choice and diversity in higher education.

Our members strongly support the Government's efforts to ensure a sector that drives innovation, fairness and excellence and which provides choice, yet is affordable for both students and the Commonwealth. We appreciate this opportunity to contribute to the discussion. COPHE affirms the position, as per page 2 in the discussion paper that, *"a strong higher education system benefits everyone."* (P2) but must emphasise, at the outset, that this means the system needs to meet the needs of *all* its students - current and potential; public and private; from all backgrounds.

COPHE's member institutions operate from more than 80 campuses and cater for more than half of the private higher education students in Australia.

Such students are from all walks of life, with varying ages and have chosen private higher education institutions, because the courses offered better meet their needs, often through industry links, personalised attention or the flexibility of smaller classes and more specialised offerings.

We consider it highly likely that people, over their lifetime, may well study at quite different types of institutions at different stages in their lives.

All graduates, whether from public or private institutions, will make a similarly valuable contribution to Australian society.

Therefore, our response to the discussion paper, primarily focuses on these key issues:

- equitable treatment in Commonwealth support for all students irrespective of which registered higher education institution they choose
- expanding the diversity of institutional types in Australian higher education beyond the very large, research intensive university model which is unlikely to deliver the type of innovation that smaller institutions can drive
- a single coherent loan scheme for all higher education students
- the need to develop a funding model that is affordable for both students and the Commonwealth.

Equity in Support for Private Higher Education Students is Not a New Idea

We appreciate that discussion about equity in the higher education sector is usually focused primarily on participation by students from disadvantaged backgrounds. Private institutions do make a strong contribution to this both directly and indirectly, but also face the inequitable situation where all our students encounter discrimination through the absence of Commonwealth support that would be available to them if they enrolled in a public university.

The need for reform that would remove this inequity is evident in the recommendations of the many reviews of higher education conducted over the past twenty years.

The West Review, published in 1998 - *Learning for Life: review of higher education financing and policy* noted that one of the problems with the higher education sector was:

*“Barriers to competition: entry into the market for higher education remained heavily restricted, with access to government grants and income-contingent loans limited to public university students. This was a major disincentive for students wishing to study at private institutions, as they had to pay the full cost either up-front or through commercial loans. Private institutions also had limited access to self-accreditation, which gave existing universities a competitive edge.”*p.15

The West Review panel made 38 recommendations. The most notable was a gradual move towards a ‘student-centred’ approach, including access to government grants and income-contingent loans for students at both public and private providers. A student-centred approach has built-in equity.

Other recommendations included:

- *A requirement for institutions to publish information about their performance in order to assist prospective students in choosing where to study.*
- *Ability for private higher education institutions to become self-accrediting bodies with the same powers in this respect as public universities.*

We are pleased that these two recommendations are now being realised.

Following the *2002 Review of Higher Education in Australia* (the Nelson Review), the Howard Government under the higher Education Support Act 2003 extended Fee-HELP loans to students enrolling with approved higher education providers. This was a major breakthrough for institutions that were not public universities. However the imposition of a loan fee, later increased from 20% to 25% by the Gillard government, highlighted the inequity.

In the executive summary of the *Review of Australian Higher Education* (the Bradley Review) in 2008 it was noted that *“The public-private divide is no longer a sensible distinction”*.

The Bradley Review made 46 recommendations including establishment of a national regulatory body and quality assurance framework and in Recommendation 29 proposed:

“That the Australian Government introduce a demand-driven entitlement system for domestic higher education students, in which recognised providers are free to enroll as many eligible students as they wish in eligible higher education courses and receive corresponding government subsidies for those students. The arrangements would:

- *apply initially only to public universities (Table A providers under the Higher Education Support Act 2003), but would be extended to other approved providers when new regulatory arrangements are in place;”* (page xxiii).

We now have TEQSA of course and have welcomed a single national regulator.

In 2014, the *Review of the Demand Driven Funding System* observed in the covering letter to the Minister: *“We have also concluded that there are significant further benefits to be obtained by extension of the demand driven system into the sub-bachelor level, and to private universities and to non-university higher education providers in TAFE and the private sector.”* And on page 9 in the Overview: *“Inclusion of private higher education providers and TAFEs within the demand driven system in their own right would give greater scope for new models of higher education delivery, and create more competition with the public universities.*

The extension of Commonwealth Supported Places (CSPs) to students at private universities and non-university higher education providers (NUHEPs) is truly overdue, as is the implementation of a single loan scheme with the same rules for all higher education students.

Fairness demands that all higher education students are treated the same, irrespective of their choice of registered provider, to produce a healthy diversity in the higher education sector that meets the needs of

students and employers, with its quality assured by the national regulator, the Tertiary Education Quality and Standards Agency (TEQSA).

Beyond higher education policy, supporting students in private institutions is also an issue to be addressed in the context of efficiency and competition in human services where user choice should be at the heart of delivery, as the Australian Government is committed to fostering delivery models that meet the need of individuals and Australian society. This means the application of competition, contestability and user choice principles, to drive efficiency, should also be considered in higher education policy. In our sector, with discrimination between students being based on where they choose to study, competition policy has been ignored.

Support of students is about achieving outcomes for individuals not funding particular types of institutions.

COPHE is not proposing institutional support, but rather that students are treated the same in public policy terms, irrespective of their choice of registered provider. In addition to the inherent fairness of this proposal, COPHE argues that it would also tend to produce a healthy diversity in the higher education sector, one that is responsive to the ever changing needs of Australian society.

FEE-HELP and the Private Higher Education Sector

It is important to understand that in the period since FEE-HELP support for students in the private higher education sector was legislated in the HESA 2003, and subsequently rolled out to the majority of private institutions, there have been no institutional failures displacing students or scandals.

There is simply no parallel in the higher education sector for the policy failures, rorts, regulatory failures and funding disasters evident following extension of FEE-HELP to the VET sector and, in particular, the later removal of the requirement for eligible providers to have documented credit transfer agreements into bachelor degrees at a registered Higher Education Provider.

Any suggestion that support for students in private higher education pose risks simply reflects university and union self-interest in maintaining competitive advantage. There is no evidence-based research to support such claims.

Enrolments in the private sector have been steadily increasing since the introduction of FEE-HELP however the increases have been incremental each year and nothing like the huge increases achieved by many of the public universities.

Another aspect, which is counter intuitive given students at private institutions receive no subsidies, is that 16% of students (2014 data) in private institutions are from low SES backgrounds (the figure for low SES is 17.5% in public universities). If private institutions can enrol such a high proportion of students from low SES backgrounds, it is highly likely that equal treatment in student support would encourage a significantly higher percentage.

The Cost to Students in Private Higher Education Compared to Public Universities

The following table shows the cost comparisons, under current policy, for students who enrol with providers that are not public universities.

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

**2015 student HECS debt for an undergraduate degree assuming all units are in the same field – Commonwealth Website. Includes Commonwealth subsidy commonly referred to as a CSP or HECS place.*

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

The table above highlights inequity of treatment which would not be tolerated in other sectors.

The Importance of Pathways

Extension to sub-degree programs would support those students progressing through pathways, including many from disadvantaged and low SES backgrounds, and must be developed as a matter of sound education policy and genuine social equity practice. It is a far better solution for the student and the taxpayer to encourage pathways than encouraging academically underprepared students to undertake a bachelor degree. It may also enable students to get a job and undertake further study as they progress.

From the Kemp/Norton Review 2014

“A key to success in study is academic preparation. Outcomes for less-prepared students improve substantially if they first take a ‘pathway’ program, such as a diploma course. Some specialised colleges offer these programs, often with similar course content to the first year of university but with smaller classes and more personal support. Students who successfully complete pathway programs often do as well as, or out-perform, students with better original school results.” (Page x)

The Discussion paper states:

“We need to ensure that all Australians with the ability and the motivation to succeed in tertiary education are supported to do so – there should be no perverse incentives for students to choose a VET course over a higher education course or vice-versa. ... Rather, there must be open access pathway courses that genuinely support disadvantaged learners to achieve their goals.” (Page 6)

COPHE would want to emphasise that pathways programs must be carefully developed as genuine pathways, meaning that they are courses that provide advanced standing in a bachelor degree programme and are not simply lower level programmes that do not build appropriate skills for further learning.

The Need for an Expanded Diversity of Institutional Types in Australian Higher Education

We note that on page 7 of the discussion paper it states: *“Policy settings must help our higher education system to achieve this vision: a system in which universities are able to reflect and respond to the demands of students and employers”*. This either indicates that those designing the system already consider the term ‘university’ to mean more than just those who are currently allowed under legislation to use the title or is a further example of the dominance of university-centric policy.

The Carnegie Classification of Institutions of Higher Education in the United States lists 33 types of degree granting institutions. In Australia we have one model of university as the Higher Education Standards mandate that all our universities are research intensive. In Australia we have a classification in the standards for University College, but have not had even one starter in 20+ years.

In the United States the ‘university’ title is unregulated, however they have the best universities in the world - and maybe some of the worst. A colleague observed, *“do you think anyone confuses Harvard and the Maharishi University of Levitation?”* Australians on the other hand are ‘protected’ and our universities have made sure of that by raising the drawbridge after Minister Dawkins made the gaggle of CAEs into universities. Our universities either clearly believe that Australian students are not as discerning as their American counterparts or it suits them to maintain the cartel that underpins their competitive advantage.

The impact on innovation and initiative, by restricting Australian universities to a single type, operating as a cartel, all having the same student funding (based on models developed more than 25 years ago) and currently enrolling 90% of students, is such that higher education in Australia must be vulnerable to disruptive change.

In the name of protecting quality and reputation, our public universities, all very large scale institutions, have ‘circled the wagons’, made sure others cannot get access to university title other than through them and pushed to ensure their students retain support denied to other institutions. Innovation that can deal with disruptive change does not come from such powerful large scale incumbents with a huge investment in the status quo.

Transparency around Student Outcomes

COPHE has publicly applauded the government's moves for additional transparency especially its support for enhancing QILT. We look forward to data from the private sector being included when further development is achieved to "enhance university accountability" (P 15), although of course it will enhance the accountability of the entire sector, not just universities.

The inclusion of the students in private institutions in QILT this year has for the first time provided independently collected evidence that the private sector achieves excellent outcomes for students.

Consistent Loan Fees for HELP loans

As per the discussion paper, "at the moment, HECS-HELP loans have no loan fee, while FEE-HELP undergraduate loans and VET FEE-HELP loans attract a 25 per cent and 20 per cent fee respectively. While the Government has previously proposed to remove the loan fees to create a level playing field for students and providers in all sectors, it has been suggested that charging a loan fee for all loans would provide an efficient mechanism to help defray the costs of running HELP. The Government remains committed to applying a more uniform approach to the application of these loan fees than currently occurs." (P18/19)

COPHE proposes that a modest loan fee, consistently applied across all HELP loans, is the most equitable approach. By extrapolating from budget figures but without access to loan data we have calculated that a loan fee of 6% or 7% would, together with other measures, make the HELP loan scheme more sustainable.

A renewable lifetime limit on HELP loans

"Currently, there are lifetime limits on FEE- HELP loans. For 2016, the limit is \$99,389 for most students. For students undertaking medicine, dentistry and veterinary science courses the limit is \$124,238".

We maintain that there should be consistent loan arrangements for all students and only applying limits to FEE-HELP is inconsistent. Any cap should be the same across the HELP scheme.

A lifetime cap works against the idea, which has become reality, of lifetime learning that calls for people to retrain during their working life. The concept of allowing a HELP debtor's loan balance to 'refresh' as debt is repaid and even be refreshed once payments are made is attractive. Within a single scheme it may be helpful to provide a specific extension of the loan cap to cover post graduate coursework.

Other Aspects of HELP loans

Brilliant innovation though the HECS scheme was when introduced, and the value that the income contingent nature of the loans brings to support of students, it now seems clear to COPHE that an Australian Government at some stage will need to act to constrain HELP debt that will not be repaid and recover outstanding balances from deceased estates.

Repayment of HELP loans at a lower threshold and as a lower percentage of income, indexation to CPI and removing access to HELP loans for those in retirement (in the absence of recovery from deceased estates) should be supported, although consideration of repayment at a higher threshold and a higher percentage of income in order not to unfairly penalise graduates on lower incomes should not be discounted when calculations are made.

Review of Student Funding Rates

The current rates of subsidy for student tuition have origins in a funding model from 25 years ago and need to be reviewed, not on the basis of historical cost, but on realistic current costs for delivery. The cuts that were proposed and since abandoned did not seem to have a clear rationale other than overall achievement of a 20% cut.

The idea that pathways courses could be funded at a lower rate, because they do no research is flawed as it ignores higher teaching costs from smaller classes for less well prepared students. Similarly, in the case of private institutions capping fees at a lower level misses the fact that there is no public contribution to the cost of infrastructure (and none has been sought) as is the case with public universities that have had

investment over decades. In short, in the absence of a contribution to infrastructure, the courses could not be delivered in most cases at the lower capped prices on offer.

Another related furphy is that private institutions do not undertake research. If one employs academics with PhDs and research backgrounds, and with compliance with the Standards calling for teaching qualifications at the AQF plus 1 level this is standard practice, they expect support for their research. Furthermore, with the key distinctive of higher education teaching being that it is informed by scholarship, of which research is a significant part, any higher education employer expects to support research activity. Moreover, quite a number of our members already offer accredited research degree training programs.

The key distinctive of higher education teaching is that it is informed by scholarship, of which discovery research is a critical component, we consider that scholarship can be considered an overhead equivalent to 20-30% of academic staffing cost.

Further Issues

- Cross-subsidy of research from tuition income that is underpinned by the HELP scheme cannot be justified as benefitting students. Universities exhibit an insatiable appetite for research funds and public accountability for the quality of outcomes is limited.
- Urgent reform is also needed in the VET sector which is in serious trouble nationally and progress in the relatively stable higher education sector without a solution for VET may encourage more students into HE who are better served in VET.
- Consistent admissions policy that is clearly understood, including the place of the ATAR, is overdue for review although we hope that the work of the HESP will inform a way forward.

Conclusion

Given that the private higher education sector has grown over the past 15 years to the stage where student enrolments are now the equivalent of three or four public universities and that this has been achieved with almost no public investment, surely a key question is this: what public policy is needed to drive private investment further so that we see the enrolment equivalent of five or six public universities spread over a wide range of institutional types?

CONTACT DETAILS

Council of Private Higher Education Inc.
Level 5
47 Neridah Street
Chatswood NSW 2067

Adrian McComb
Chief Executive Officer
Phone (02) 8021 0841
Email - amccomb@cophe.edu.au