

**NTEU** National Office



**Submission  
to the  
Senate Education and Employment References Committee  
Inquiry into the Deregulation of Higher Education and  
Alternative Models**

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**ATTACHMENT 1:** NTEU 2015 Federal Budget Submission *Towards a sustainable policy framework for Australian higher education*

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## 1) Introduction

The National Tertiary Education Union (NTEU) represents the professional and industrial interests of 28,000 staff with members employed at Australian universities, research institutes and TAFE institutes. We appreciate the opportunity to contribute to this important inquiry into the deregulation of higher education and alternative models.

The NTEU notes that the Terms of Reference (ToR) to this Inquiry are to examine:

- a. the principles of the Higher Education and Research Reform Bill 2014;
- b. alternatives to deregulation in order to maintain a sustainable higher education system;
- c. the latest data and projections on student enrolments, targets, dropout rates and the Higher Education Loans Program;
- d. structural adjustment pressures, and the adequacy of proposed measures to sustain high quality delivery of higher education in Australia's regions;
- e. the appropriateness and accuracy of government advertising in support of higher education measures, including those previously rejected by the Senate;
- f. research infrastructure; and
- g. any other related matters.

As discussed in Section 3 below, the NTEU's 2015 Federal Budget Submission *Towards a sustainable policy framework for Australian higher education* (Attachment 1) addresses a number of these ToR, including the sustainability of the government's proposed policy framework. This paper also presents the NTEU's proposal for a financially and politically viable alternative regulatory and funding framework. Our Budget submission therefore forms an integral part of our submission to this Inquiry.

The remainder of this submission comments on a number of the Terms of Reference (ToR), with particular focus on the principles underlying the Bill as well as the appropriateness and accuracy of government advertising. This submission does not specifically address issues around the impact of the proposed structural adjustment pressures being faced by universities, especially those servicing regional and rural communities, as this was extensively covered in our submission to the Inquiry into the Higher Education and Research Amendment Bill 2014.<sup>1</sup> However, the NTEU would emphasise the point that the size of the structural adjustment package included in this Bill at \$100 million is only one-fifth of the \$500 million requested by Universities Australia.

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<sup>1</sup> Senate Education and Employment Legislation Committee, October 2014, Submission No. 111, [http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Education\\_and\\_Employment/Higher\\_Education/Submissions](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Education_and_Employment/Higher_Education/Submissions)

Before addressing the principles underlying the government's approach to the regulation of funding for higher education, this submission begins with a comparison of the current Bill with its predecessor.

## 2) Comparing the old and new Bills

The *Higher Education and Research Reform Bill 2014* was introduced into the House of Representatives on Wednesday 3<sup>rd</sup> December 2014 following the defeat of the *Higher Education and Research Reform Amendment Bill 2014* in the Senate on Tuesday 2<sup>nd</sup> December 2014.

Aside from a reduction in the projected savings of almost \$5 billion under the original Bill to an estimated saving of just \$642 million under the current proposed Bill, it is clear that all core provisions remain and that there is substantively very little new or different.<sup>2</sup> These are:

- cuts to Commonwealth Supported Places (CSP) by 20 per cent,
- the deregulation of course fees so that universities can charge students whatever fees they want,
- the lowering of the Higher Education Loans Program (HELP) repayment threshold,
- the increase in the proportion of the loan burden carried by students, and
- the extension of CSPs to sub-bachelor and bachelor courses at private universities and non-university higher education providers (at a rate of 70 per cent of universities) as well as to sub-bachelor higher education courses at public providers.

Also unchanged are:

- a 10% reduction in the Research Training Scheme (RTS) program, along with allowing universities to charge RTS supported Higher Degree Research (HDR) students tuition fees (capped at about \$4,000 p.a. and payable through HELP), and
- the misnamed "Commonwealth" scholarships, which are funded from increased fee income requiring that \$1 in \$5 be put aside by universities for these scholarships.

The new Bill introduces some minor amendments as apparent sweeteners for those who are concerned about the inequity that a deregulated system will create. The NTEU outlines these changes below, and notes their relative ineffectiveness in the context of a deregulated environment.

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<sup>2</sup> Commonwealth Government, *Higher Education and Research Reform Bill 2014 (Explanatory Memorandum-Financial Impact Statement)*, [http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r5396\\_ems\\_43d461b7-fba8-4cdb-a1b9-13a1ba097888/upload\\_pdf/399654.pdf;fileType=application%2Fpdf](http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r5396_ems_43d461b7-fba8-4cdb-a1b9-13a1ba097888/upload_pdf/399654.pdf;fileType=application%2Fpdf)

**a) Removal of interest rate on HELP**

The most significant change is the abandonment of the policy to apply the government bond rate (capped at 6 per cent) on existing HECS-HELP debts. The new Bill maintains the current CPI rate. This addresses some of the concerns around the impact of market determined interest on what will be much greater student debts, but it raises concerns about the fiscal sustainability of the funding and regulatory framework, as well as the long term financial health of HELP.

**b) HELP indexation holiday for carers of young children**

A minor amendment is the introduction of a HELP debt indexation “pause” for the primary carer of a child aged up to five. The indexation pause means that HELP debts will not increase over the five year period. While any reduction in debt would certainly be welcome, the cessation of HELP indexation over a 5 year period for an individual is relatively minor when compared to the overall additional costs incurred under deregulation.

**c) Structural adjustment fund**

The Structural Adjustment Fund has been introduced in recognition that deregulation is likely to have a severely adverse impact on regional and rural and universities and those serving students that are highly sensitive to the cost of attending university. The change is intended to provide funding to assist providers in a transition to a post-deregulation environment. The Bill amends the *Other Grants Guidelines (Education) 2012* to add a new grant to foster structural adjustment or reform, consisting of a transitional adjustment fund to assist universities to restructure or reorganise so that they can compete effectively in a post-reform higher education market. This is to assist:

- Higher education providers operating in markets where there is low capacity to immediately achieve significant additional revenue, and
- Moderate research-intensive providers in low population centres that have a relatively high proportion of students from a low socio-economic background and therefore limited capacity to immediately re-direct resources to maintain their research efforts.

However, the \$100 million allocated falls well short of the \$500 million which Universities Australia has calculated as the actual transitional costs associated with such a radical change to the funding and regulation of higher education.

**d) Domestic fees not to exceed international fees**

Legislative guidelines will prevent overseas and other non-Commonwealth supported students being charged less than the level of tuition fees and subsidies available to Commonwealth-supported students. However, given there is no restriction on the fee levels charged to international students, and that \$100,000 degrees are not uncommon amongst international students already, this is more for the purposes of political spin than any real policy assurance on cost of degree.

**e) Targeted rural and regional scholarships**

Although the Government is calling it a 'new' initiative, their proposed Rural and Regional scholarships is simply a rehashing of the Higher Education Participation and Participation Programme (HEPPP), which will now become the Higher Education Participation Programs (HEPP). The HEPP will have three components:

- an Access and Participation Fund,
- a new Scholarships Fund, and
- a National Priorities Pool.

The new *HEP Access and Participation Programme* (HEPAPP) replaces the HEPPP Participation component. The major change is that it is longer based solely on low SES enrolments but the more general category of 'students from disadvantaged backgrounds' - a broad category that covers the disabled, Aboriginal and Torres Strait Islanders, regional/remote, non-English speaking, and women in non-traditional areas of study.

While the Bill states that the Minister 'may' take into account the education provider's share of low SES enrolments in determining the grant, there is no per-student funding formula as exists in the current *Higher Education Support Act 2003, Other Grants Guidelines (Education) 2012*. Most vitally, the widened definition is not linked to increased funding. The new HEP Scholarships Fund also legislatively abolishes the participation component of the HEPPP (the so –called 20 per cent participation rate). These new Scholarships are aimed at postgraduate and undergraduate students from "disadvantaged" backgrounds. While funding for well-targeted equity programs and initiatives is always welcome, it should be noted that this is not *new* funding as inferred by the Minister, but a redirection of existing funding that inevitably will be spread more thinly.

### 3) Sustainability and alternative frameworks

As noted above, the NTEU's 2015 Budget Submission *Towards a sustainable policy framework for Australian higher education* (Attachment 1) outlines why the higher education funding and regulatory framework initially announced in the 2014-15 Budget and most recently articulated in the Bill under consideration by this inquiry is both unfair and unsustainable.

In addition to providing an extensive analysis of why on a number of grounds we believe the current framework to be unsustainable, we also propose an alternative model that we consider encompasses a viable and financially and politically sustainable policy framework. This framework addresses two of the fundamental flaws of the government's currently policy, namely:

- the deregulation of university fees for Commonwealth Supported Places (CSPs), and
- the extension of publicly subsidised places (CSPs) to private providers, including for-profit higher education providers.

The analysis presented in our submission highlights the risks to fiscal sustainability following a greater than expected increase in the Commonwealth-supported student load and how this will inevitably lead to further cuts in funding per student.

In proposing an alternative framework, the NTEU acknowledges that numerous reviews and inquiries into higher education over the years clearly show that the current public funding arrangements are struggling to meet the demands placed upon the sector, and therefore there is a need for change. However, we are strongly opposed to the changes being proposed by government because they undermine those characteristics which define and make our public higher education system amongst the best in the world.

The NTEU strongly maintains that the provision of affordable tertiary education for all Australians is the responsibility of government and cannot be left to the market. While there are cost pressures that need to be accommodated, public investment in higher education must be a priority because that is in our collective interest.

Our Budget submission outlines the evidence and rationale for the NTEU's proposed funding and regulatory framework, focusing upon:

- Maintaining the cap on the fees universities can charge for CSPs,
- Using Public Accountability Agreements (PAAs) as the basis of flexible and coordinated oversight of CSPs,

- Establishing an independent agency or council with statutory planning and funding responsibilities to negotiate and administer PAAs,
- The creation of an independent Students' Ombudsman and
- Restricting eligibility for CSPs to public higher education providers.

The NTEU's proposed funding and regulatory framework is designed with a view to mitigating the risks and uncertainties faced by government, institutions and students inherent in the government's deregulated market model without losing the capacity to respond to changes in circumstances.

Most importantly, the proposed framework will allow governments, institutions and students to plan and manage their involvement in higher education with greater confidence. To emphasise this point and highlight the difficulties that the government faces in being able to plan and manage the level of public investment in Commonwealth-supported places, we note the data contained in the *Additional Estimates Statements 2014-15* released on 12 February 2015. These statements show that, since the publication of forward estimates as part of the 2014-15 Budget in May 2014, the number of Commonwealth Supported Places in 2014-15 (for which HECS-HELP loans are to be provided) was revised upward from 497,000 to 509,100 students; effectively an under-estimation of 12,100 places or 2.4%.<sup>3</sup> On a similar basis the number of places for which VET FEE-HELP loans was paid was revised upward from an estimated 172,300 to 225,500, an under-estimation of 53,200 or 31%.

A detailed analysis of the financial implications and the government's likely response to unexpected increases in student load is included as part of NTEU's Budget Submission.

#### **4) Principles underlying the Higher Education policy framework**

One of the major problems the government has had in trying to sell its higher education policies is that nobody, including the government, seems clear as to the rationale or underlying principles of the proposed policy framework. Since the initial announcement of the deregulation framework, the government has proposed the following principles:

- a. That the proposal is part of the government's budget repair strategy,
- b. That student should pay their share,
- c. That a deregulated market will use price signals to allocate university places, and
- d. That greater competition and contestability will deliver greater choice and efficiencies.

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<sup>3</sup> *Portfolio Additional Estimates Statements: Education and Training Portfolio Programme*, 3.4, p 43, <http://docs.education.gov.au/documents/portfolio-additional-estimates-statements-2013-14>

**a) Budget repair**

Given that the reform of higher education funding and regulation was not on the government's policy radar prior to the 2013 election, one can only assume that the motivation for the policies announced as part of the 2014-15 Federal Budget was that it made up part of the government's budget repair strategy. Fiscal sustainability was one of ToRs for the Kemp-Norton Review of the Demand Driven System. The National Commission of Audit also highlighted that fiscal sustainability was a major concern in its review of policies stating that the *"uncapping of places also led to strong growth in Commonwealth funding for universities, with additional costs from 2012-13 to 2016-17 forecast to be \$6.5 billion, largely due to a greater than expected increase in student numbers."*<sup>4</sup>

The budget repair rationale is also supported by the fact that the higher education policy released on Budget night (Mk I) included almost \$5 billion in budget savings over the forward estimates (see Figure 1). However, the savings rationale for the government's higher education package has virtually disappeared in the new Bill, with the estimated budgetary savings over the forward estimates (Figure 1 Mk II) now only expected to be \$640 million according to 2014-15 Mid-Year Economic and Financial Overview (MYEFO).

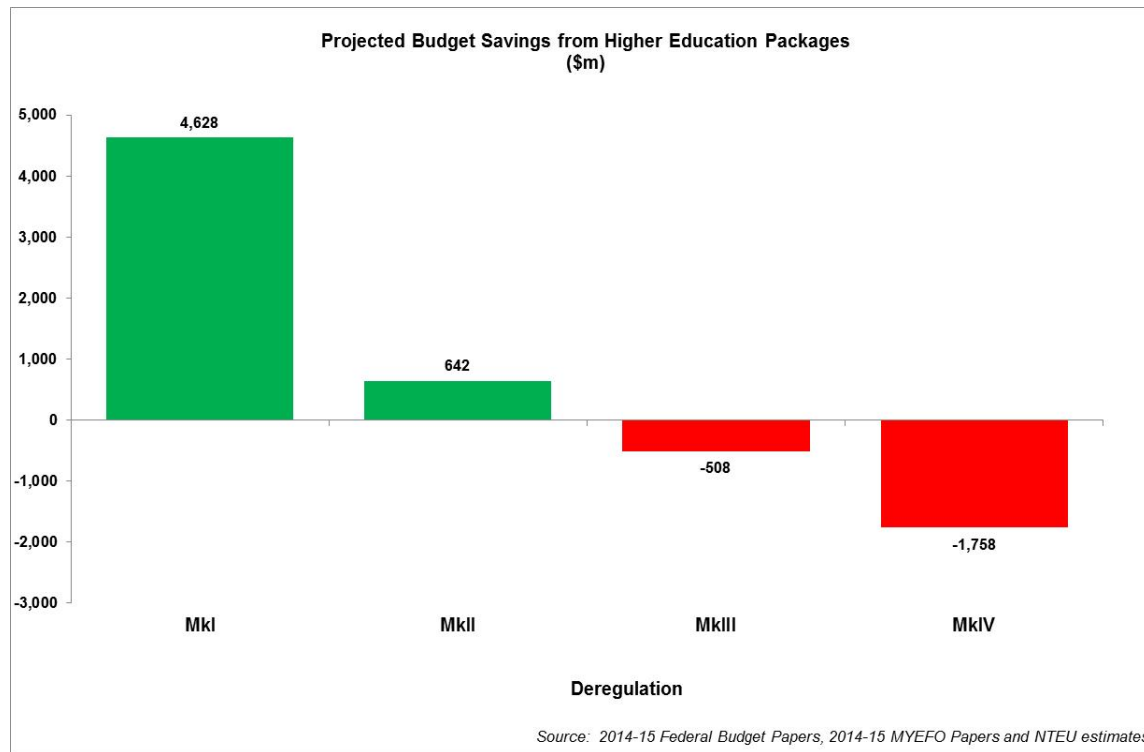
It should also be noted that Universities Australia (UA) is urging the Senate to support an amended version of the most recent policy, which includes the moderation of the 20% cut to funding per student and an increase in the size of the structural adjustment fund from \$100 million to \$500 million. Should the Minister agree to go half way to meeting UAs demands (that is, reduce funding per student by 10% and increase the structural adjustment to \$250 million – shown as Mk II on Figure 1) the higher education package would actually end up costing the government an extra \$500 million over the forward estimates. If the Minister acceded to all of UA's demands in a last ditch bid to get its package through, Figure 1 (Mk IV) shows this would add about \$1.7 billion to forward estimates. This would add at least \$1.2 billion to the Budget bottom line on an annual basis once the pipe-line effects of the new policy work their way through the system.

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<sup>4</sup> National Commission of Audit, (Appendix 1, 9.13), <http://www.ncoa.gov.au/report/appendix-vol-1/9-13-higher-education.html>



**Figure 1**



To add further to the fiscal unsustainability of the government’s proposed higher education changes, the NTEU notes that research undertaken by the National Centre for Social and Economic Modelling (NATSEM)<sup>5</sup> found that the forecast \$640 million (Mk II Figure 1) in higher education savings would be outweighed by the additional increase in welfare payments flowing on from a rise in education costs. According to the NATSEM modelling, a 50% increase in university fees would increase the Consumer Price Index (CPI) by 0.7 percentage points, effectively adding about \$1 billion to the government’s welfare payments.

***Viability of the Higher Education Loans Programme (HELP)***

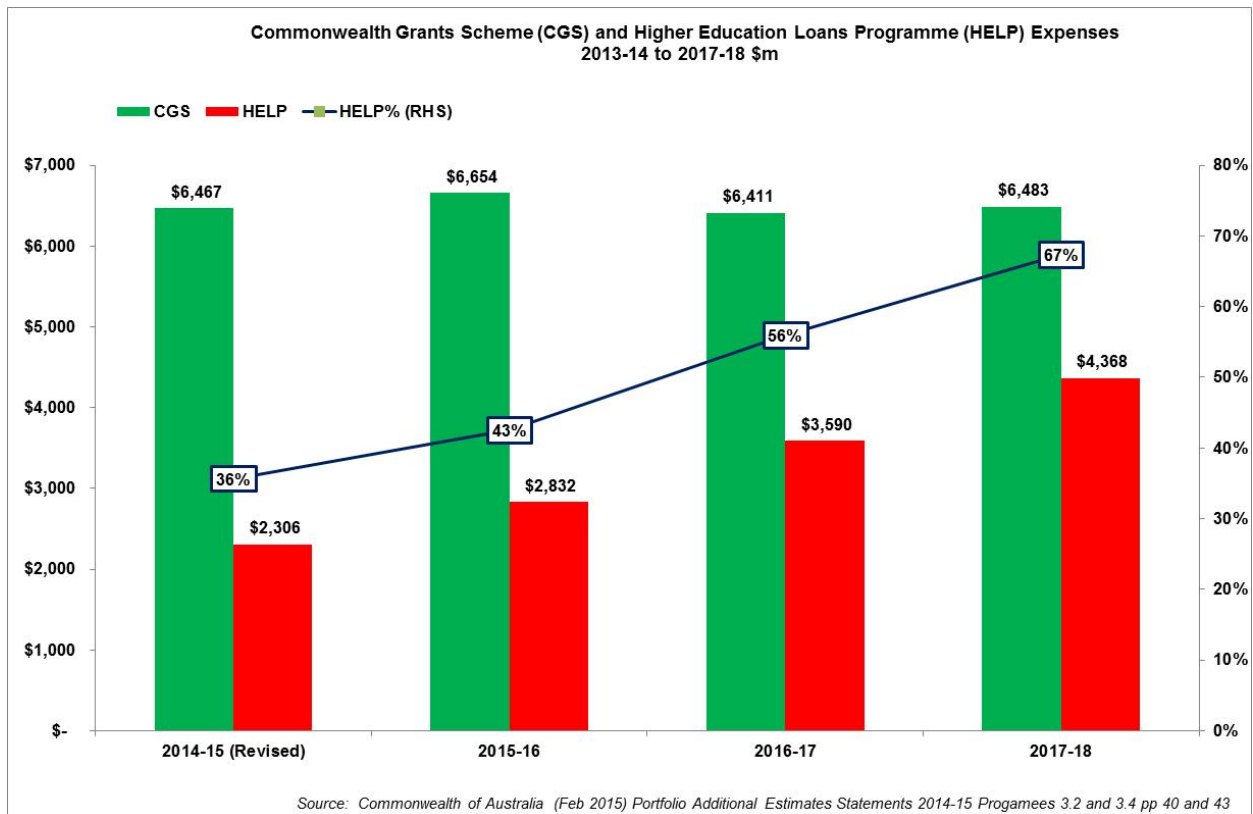
It has now emerged that the ongoing financial viability of the Higher Education Loans Programme (HELP) will be jeopardised under a fully deregulated higher education market, with the Department of Education’s Portfolio *Additional Estimates Statement* (released on Thursday 12 February) showing that costs associated with HELP in 2017-18 will have risen from \$2.3 billion in May to an estimated \$4.4 billion, an increase of 90%.

Figure 2 shows the latest government estimates of expenses in relation to the funding of CSPs through the Commonwealth Grants Scheme (CGS) as well the expenses associated with HELP (taken from the Additional Estimates paper). While CGS funding is forecast to remain reasonably constant beyond 2014-15, costs associated with HELP continue to rise

<sup>5</sup> Reported in *The Age* by Matthew Knott, ‘University fee deregulation to drive up the deficit’, 17 February 2015, <http://www.smh.com.au/federal-politics/political-news/university-fee-deregulation-to-drive-up-the-deficit-analysis-20150217-13fdfl.html>

steadily solely as a result of the 20% cut in funding per student. HELP costs (when measured as a share of CGS) are forecast to almost double within a five year period rising from 36% in 2014-15 to 67% in 2017-18. At that rate of growth, costs associated with HELP will exceed CGS funding by about 2020.

**Figure 2**



Based on this data, Australia risks falling into a similar situation to that identified in the recent United Kingdom's Higher Education Commission report, entitled *Too good to fail – the financial sustainability of higher education in England*.<sup>6</sup> This report found that as result of significant increases in student fees, the government is effectively funding higher education write-offs of student debt, rather than investing directly in learning and teaching.

**b) Students should 'pay their share'**

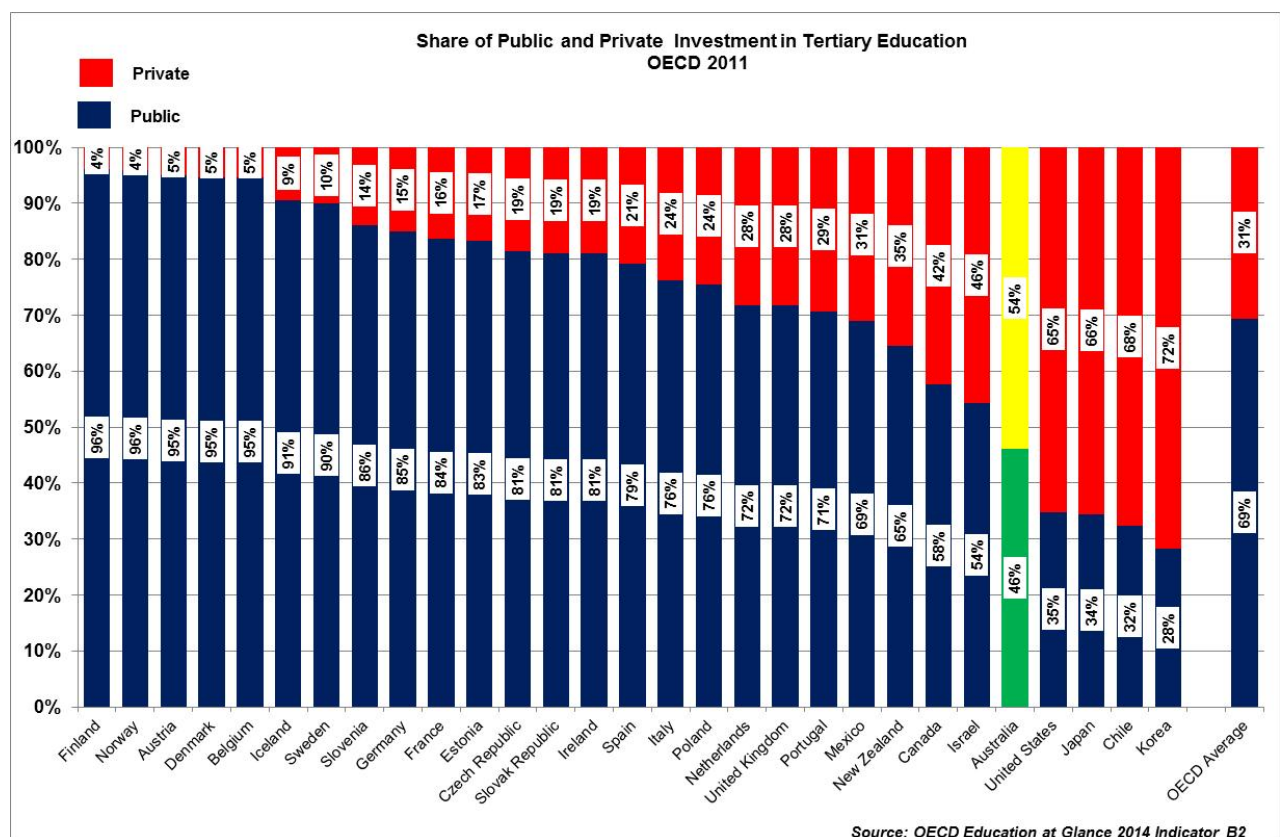
Based upon this analysis, the government can no longer justify its higher education policies on the basis that it is necessary to contribute to the government's budget repair strategy. The Minister for Education, however, has also suggested that its policies can be justified on the premise that it is not unreasonable for students to pay for their share of the costs of a university degree, which he believes to be 'about half'. Other than the fact that the

<sup>6</sup> Higher Education Commission, *Too Good To Fail - The Financial Sustainability of Higher Education in England*, published 18 November 2014, <http://www.policyconnect.org.uk/hecr/research/report-too-good-fail-financial-sustainability-higher-education-england>

government cannot verify its claims that its proposed deregulation of fees will result in students paying about half of the cost of their degrees (see *Appropriateness of Advertising* below), it is also unclear as to how or why the government has arrived at 50% of cost being paid by students as being either fair or appropriate.

Certainly, the process by which the government has arrived at a 50-50 split between government and students certainly isn't based on what is happening in similar OECD economies. As Figure 3 shows, the private share of total investment in tertiary education in Australia is considerably higher than the vast majority of OECD countries as well as above the OECD average.

**Figure 3**



The government might have been able to justify an increase in fees if the private rate of return on investing in a university degree was higher in Australia than it is in comparable countries, but this cannot be supported by the data. According to OECD estimates, the private internal rate of return for tertiary education in Australia is 9.0% for males and 8.9% for females, compared to the OECD average of 13.9% and 13.2% respectively.<sup>7</sup> On the other hand, the public rate of return for investing in higher education in Australia is 12.9% for males and 13.5% for females, compared to OECD averages of 11.9% and 10.5%.

<sup>7</sup> OECD, *Education at a Glance 2014 – Indicator A7*, <http://www.oecd.org/education/eag.htm>

Based on efficient investment criteria and compared to similar economies, Australia's level of private investment is too high and level of public investment is too low. These figures represent a strong argument for reducing student contributions; not increasing them as the government is proposing to do.

Finally, the NTEU would raise the question as to why the government's policy framework is not extended to require all sectors of the community that derive a private benefit from having a university-educated workforce also contribute to its costs. While it is true that individuals derive a private benefit from a university education, the same is also true for employers of graduates who benefit from a more productive workforce, thus ensuring their competitiveness and profitability. Based on this premise, it may be justifiable to ask why the government hasn't considered asking employers to contribute to the cost of tertiary education in Australia. If the government were to argue that employers already make a contribution through the corporate tax, then the same is true of individual graduates who, as result of earning on average \$1million more over their working life, will also pay somewhere between \$300,000 and \$400,000 in income tax.

***c) Allowing price signals to allocate university prices***

There are those involved in the higher education debate that argue that the current policy framework, which has no caps on the number of students but caps the fees universities are allowed to charge students, is somehow incoherent or inconsistent with a market based approach to allocating university places.

However, one of the defining characteristics of Australia's world class public university system is that entry into Australia's public universities is based on merit and not on a student or their family's willingness to pay and incur high levels of debt. Most Australians would be concerned if students were discouraged to enrol in a university program of their choice at an Australian public university because the fees charged were too high. Conversely, there would also be concern that their nearest university was a 'discount' institution, where the price was 'cheaper' but the quality of education seen as inferior. Indeed, all price signals will do is create the perception of a tiered system, which may become a reality.

***d) Greater competition and contestability will deliver greater choice and efficiencies***

The NTEU has undertaken an analysis of the impact of the introduction of fully contestable markets in the VET sector with particular reference to Victoria. In making VET funding fully contestable by opening it up to private providers, the fundamental flaws of applying market based policies to education have been clearly demonstrated. The undesirable consequences extend to students, TAFE institutions and the broader community.

In 2008 the Victorian state government introduced its *Securing Jobs for Your Future* reforms which, amongst other things, made all public VET funding fully contestable between TAFE institutes and private VET providers. These reforms led to a massive increase in VET student enrolments, growing by 31% in Victoria (compared to only 7.3% for the rest of Australia) over the period of 2008-12.<sup>8</sup> The growth in enrolments was predominantly in private Research and Training Organisations (RTOs). This growth is reflected in the startling increase in the number of RTOs in Victoria, more than doubling from 201 in 2008 to 421 by 2013, and whose share of total enrolments increased from 14% to 48% over the same period.<sup>9</sup>

While the deregulated system has led to very impressive growth in student enrolments, it also has had massive negative consequences, particularly in terms of meeting skills shortages and in workforce training and productivity. The Victorian Essential Services Commission concluded in 2012 that, under this deregulated market system, *“it is the student who ultimately decides what (if any) training they will undertake. If students’ training choices do not align with the skills needed by the economy, there will be an under- or over-supply of skills in particular sectors”*.<sup>10</sup>

Reports by the Victorian Auditor-General also show that over this period the market-oriented approach did not reduce the participation gap between rural and metropolitan-based students. Nor were there any increases in the number of apprentices or any improvement in participation by the most disadvantaged students, including Aboriginal and Torres Strait Islander students.

In addition to not meeting policy objectives and failing to improve social equity targets, the deregulation of the VET sector in Victoria led to what can only be described as a budget blow out for the state government. The 2014 Productivity Commission *Report on Government Services* shows that between 2008 and 2012, recurrent government VET expenditure in Victoria grew by 79.6% which was more than 3 times higher than for the rest of Australia (26%).<sup>11</sup> The vast bulk of this additional expenditure in Victoria went to non-TAFE providers, who accounted for almost 80% of the \$863million increase in expenditure between 2008 and 2012. In short, public funds were increasingly going to private providers, but with little to nil public return on this significant investment by the state.

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<sup>8</sup> NCVER Student and Course data - see Attachment 1.

<sup>9</sup> Victorian Training Market Reports – see Attachment 1.

<sup>10</sup> Victorian Essential Services Commission, *VET Fee and Funding Review; Volume II Technical Analysis*, 2012, p.49, <http://www.esc.vic.gov.au/getattachment/382a2b98-9e31-4a95-b17f-56b6bdc3066f/Final-Report-Volume-2-Technical-Analysis.pdf>

<sup>11</sup> Productivity Commission, *Report on Government Services 2014*, <http://www.pc.gov.au/research/recurring/report-on-government-services/2014>

Put simply, this flawed policy framework not only caused an unexpected \$400 million blow-out in Victoria's Budget, it also meant that a lot of Victorians had undertaken courses which did not fill the skills gaps required by the economy. Indeed, the only beneficiaries were the private VET providers themselves.

This blow-out in VET expenditure promoted a policy response from the government, which in 2012 announced a \$300 million per annum funding cut that was directly targeted at TAFEs. Unfortunately, there was no differentiation between public and private providers, and the impact of the cuts was worst felt by Victoria's public TAFE institutions, which had already been undercut by the private providers who cherry picked the most profitable courses and had dubious employment arrangements. The impact on the TAFEs resulted in:

- closed campuses and courses, especially in regional areas,
- thousands of staff cuts especially in areas of student support, and
- substantial increases in student fees.

The extent to which this flawed policy framework has undermined and threatened the financial viability of many of Victoria's TAFE institutions is clearly demonstrated in that over half recorded financial losses in 2013. The Northern Melbourne Institute of TAFE (NMIT), for example, recorded a loss of \$30 million. The Victorian Government was forced to respond with its *Refocusing Vocational Training in Victoria* policy, which includes investing \$200million in TAFE restructuring fund and the amalgamations of a number of rural TAFE institutes.<sup>12</sup> The latest policy change announced in June 2014 was to cut public funding rates to a number of non-apprenticeship courses by 30%, presumably because of larger than expected enrolments.

The obvious gaming of public funding by the predominantly private RTOs has not been the only concern expressed about the operation of tertiary education markets in Australia. The Australian Skills Quality Agency (ASQA) *Marketing and advertising practices of Australia's registered training organisations* (2013) showed that, amongst other things, the marketing practices of up to half the RTOs it examined are potentially misleading to consumers, including numerous examples of:

- Students being guaranteed a qualification without any need for assessment,
- Claims that qualifications could be achieved in unrealistically short time frames and in contraction to the Australian Qualifications Framework on volume of study,
- Students being guaranteed a job on completion where the RTO was not in a position to do so,
- Websites advertising superseded qualifications, and

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<sup>12</sup> Victorian Department of Education and Training, *Refocusing Vocational Training in Victoria*, 2013, <http://www.education.vic.gov.au/about/department/pages/refocusvet.aspx>

- Online upfront payment of fees in contravention of national standards.<sup>13</sup>

The Victorian experiment of opening up publically-funded places to private providers has failed the economy, the community, students and public TAFE institutions. From the NTEU's perspective, the lesson to be learned from this unsuccessful experiment is that it represents far too great an investment risk - with poor returns for students, the community and public education institutions - and should not be followed in relation to higher education. Put simply, the deregulation of VET in Victoria is a failed policy that has left the sector in deep crisis.

### ***Evidence from overseas***

Evidence from the United States of America (USA) and the United Kingdom (UK) also highlights some of the dangers associated with opening up public funding to private tertiary education providers.

A two-year investigation by the US Senate Committee on Health, Education, Labor and Pensions found that the rapid expansion of for-profit college enrolments in the USA was due to the growth of colleges owned by either a company traded on a major stock exchange or a college owned by a private equity firm, and which now accounted for 75% of for-profit enrolments.<sup>14</sup> In addition, the report found that for-profit colleges:

- strategically and aggressively targeted students from low income backgrounds who were eligible for Federal students aid,
- received \$32 billion (25%) of all Federal student aid, including Pell grants, but only account for 10% of all student enrolments,
- charged higher than average fees tuition fees,
- left students with higher than average debts,
- graduated less than half of their students, and
- spent considerable resources on recruitment and marketing but little on student support.

The report concludes that for-profit colleges are more interested in generating profits than they are on the education or welfare of their students. As a result of the findings of the

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<sup>13</sup> Australian Skills Quality Agency (ASQA), *Marketing and advertising practices of Australia's registered training organisations*, 2013,

[http://www.asqa.gov.au/verve/resources/Strategic\\_Reviews\\_2013\\_Marketing\\_and\\_Advertising\\_Report.pdf](http://www.asqa.gov.au/verve/resources/Strategic_Reviews_2013_Marketing_and_Advertising_Report.pdf)

<sup>14</sup> United States Committee on Health, Education, Labor, and Pensions, *For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success*, 2012,

<http://www.gpo.gov/fdsys/pkg/CPRT-112SPRT74931/pdf/CPRT-112SPRT74931.pdf>



report, US President Obama has proposed to change regulations so that funding is more closely tied to student outcomes.<sup>15</sup>

A report by the UK's National Audit Office in December 2014 has reinforced allegations published in *The Guardian* that revealed recent changes to UK policies have also been gamed by private for-profit colleges.<sup>16</sup> As was found in the report on US private providers, many UK private education providers have also targeted students eligible for government supported tuition loans, leading to what has been termed as "cashpoint" (ATM) colleges. Students are encouraged to enrol into these colleges because they can access up to £11,000 of student income support for the duration of their course. The college benefits through the collection of student tuition fees, paid to them by the UK government on behalf of the students, who have loaned these fees in a system similar to HECS in Australia.

While this has led to a substantial increase in the level of student debt, it has also raised serious concerns about the quality of education students at these colleges receive, given their seems to very little regard paid to whether students attend classes or complete assignments and so on. Indeed, the Guardian investigation found student attendance, course quality, resources and appropriately qualified staff to all be in short supply, with many classrooms vacant.

The NAO report found that between 2012 and 2014, the Department for Business, Innovation & Skills (BIS) suspended payments to 7 providers and their students owing to concerns that providers had enrolled students in unapproved courses.<sup>17</sup> In 3 cases, BIS suspended student support payments to providers or their students where it had concerns that the providers had supplied incorrect information about student attendance. It also found that 20% of students recruited by alternative providers and claiming student support may not have been registered with the qualification awarding body in 2012/13.

The USA and UK experiences demonstrate clearly that there will be private providers ready to enter the higher education market where public subsidies are available. These providers strategically target the most disadvantaged students who find it difficult to gain entry into a public university or reputable private provider. The NTEU is concerned that similar circumstances might arise in Australia especially if the Abbott government proceeds with its strict 'Earn or Learn' Policy, which would deny Australians under 25 access to

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<sup>15</sup> See *FACT Sheet on the President's Plan to Make College More Affordable: A Better Bargain for the Middle Class*, August 22, 2013, <http://www.whitehouse.gov/the-press-office/2013/08/22/fact-sheet-president-s-plan-make-college-more-affordable-better-bargain>

<sup>16</sup> Andrew McGettigan, Shiv Malik and John Domokos, 'Private sector and students profit at the college they call 'the ATM',' Thursday 22 May 2014, <http://www.theguardian.com/education/2014/may/21/private-sector-higher-education-college-student-loan-lsst>

<sup>17</sup> UK National Audit Office, *Investigation into financial support for students at alternative higher education providers*, 2014, <http://www.nao.org.uk/report/investigation-financial-support-students-alternative-higher-education-providers-2/>



unemployment benefits for six months. Under these circumstances many young people, regardless of aptitude, academic qualifications or interest, would seek to enrol in studies in order to access student support. However, even without the carrot and stick 'Earn of Learn', the NTEU is in no doubt that the opening up of public funding to private providers under a deregulated environment will see the predatory practices of private education providers in the UK and USA replicated here.

### ***Quality and Students' Rights***

While the Minister for Education and other supporters of the free market model have attempted to argue that deregulation will improve quality in the long-term due to competition, the reality (as demonstrated in the deregulated VET sector in Victoria) is the opposite. Further evidence of the extent of rorting and problems with the poor quality of qualifications delivered by private providers under Victoria's fully contestable VET market were revealed in a recent story in the Australian by which reported that "almost 10,000 government-funded students had their qualifications recalled in the last year because of concerns about poor training and standards breaches"<sup>18</sup>. Another report by the ABC on 18 February 2015 found that private providers and education brokers were deceiving students over the cost of courses and job outcomes, citing the use of high pressure sales tactics (such as cold calling), misleading or incorrect information about the course and fabrication or misrepresentation about guaranteed job outcomes.<sup>19</sup> Of particular concern was the absence of a dispute resolution mechanism to aid students who wanted to challenge the providers over the promises made and fees. The report also noted that "*The high pressure sales have been driven by reforms that made it easier for students to get government financial assistance, called VET FEE-HELP*".

The NTEU would question how much extra evidence the government needs to be convinced that opening up government-supported tertiary education places to private providers presents an unacceptably high risk. It is clear that rogue for-profit private providers have little regard for their students, nor for the impact that their behaviour is having on the reputation of Australia's world class tertiary education sector.

In order to protect student rights and the reputation of Australian higher, the NTEU is calling for the creation of a Student Ombudsman, giving students an independent authority to appeal about higher education complaints and concerns. The Ombudsman's Office could fall under the auspices of a newly-established independent agency or council with statutory

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<sup>18</sup> Andrew Trounson, 'Certificates recall exposes training,' *The Australian* online, Feb 19 2015 <http://www.theaustralian.com.au/national-affairs/education/certificate-recall-exposes-training/story-fn59nlz9-1227224698663>

<sup>19</sup> 'Students 'being deceived' by private training colleges, education brokers: legal centre', *ABC News* online, Feb 8 2015, <http://www.abc.net.au/news/2015-02-18/students-being-deceived-about-training-cost-and-outcomes/6141726>

planning authority, as recommend in the NTEU's alternative policy framework in our 2015 Budget Submission. In making this recommendation we note a Higher Education Student Ombudsman has been established in the UK and appears to have had some success in dealing with student concerns, reducing student litigation with providers and in improving the quality assurance mechanisms of providers.

## 5) Appropriateness and accuracy of government advertising

The ToR for this review asks to comment on the appropriateness and accuracy of government advertising in support of higher education measures, including those previously rejected by the Senate.

The NTEU notes that all Government departments are required to follow the Guidelines on Information and Advertising Campaigns by non-corporate Commonwealth entities (Guidelines). We also note that only the Special Minister of State can exempt a campaign from compliance with these Guidelines on the basis of “...a *national emergency, extreme urgency or other compelling reason*”, and that where an exemption is approved, the Independent Communications Committee will be informed of the exemption, and the decision formally recorded and reported to the Parliament.

Given that there is paid media placement of the campaign supporting deregulation, it is clearly an advertising campaign and not an information campaign. The underlying principles governing the use of public funds for all government information and advertising campaigns are that:

- a. *members of the public have equal rights to access comprehensive information about government policies, programs and services which affect their entitlements, rights and obligations;*
- b. *governments may legitimately use public funds to explain government policies, programs or services, to inform members of the public of their obligations, rights and entitlements, to encourage informed consideration of issues or to change behaviour; and*
- c. *government campaigns must not be conducted for party political purposes.*

The government's justification of the advertising of its deregulation agenda is based on claims (expressed by the Minister for Education) that it is seeking to 'inform' a public that has been 'misinformed' by critics of deregulation and university funding cuts. However, on reviewing the Principles outlined in the *Guidelines*, questions arise as to the validity of the government's campaign and the truthfulness of its claims.

First and foremost, the central component of both the failed *Higher Education and Research Reform Bill (2014)* and the current Bill before Parliament is the deregulation of fees and opening up of public funding to private education providers. As such, the campaign that was

undertaken for the first failed Bill has continued unchanged, making the same points and with the same branding. However, although the first Bill was rejected by the Senate in December 2014, and the replacement Bill has not been passed, the campaign has continued unabated.

This is a clear breach of the first Principle of the Guidelines, which states that:

*Principle 1: Campaigns should be relevant to government responsibilities*

18. *The subject matter of campaigns should be directly related to the Government's responsibilities. As such, only policies or programs underpinned by:*
- *legislative authority; or*
  - *appropriation of the Parliament; or*
  - *a Cabinet Decision which is intended to be implemented during the current Parliament should be the subject of a campaign.*
19. *Examples of suitable uses for government campaigns include to:*
- *inform the public of new, existing or proposed government policies, or policy revisions;*
  - *provide information on government programs or services or revisions to programs or services to which the public are entitled;*
  - *inform consideration of issues;*
  - *disseminate scientific, medical or health and safety information; or*
  - *provide information on the performance of government to facilitate accountability to the public.*

In addition to promoting a policy which is yet to become law, there are other elements such as the claim that “*When Uni’s Compete, You Win*” and “*Universities in rural and regional Australia will benefit from the changes*”.<sup>20</sup> These claims are at best highly contentious and certainly not verifiable. The advertising material does not allow the recipient to distinguish between opinion and fact. As such, it is clearly in conflict with the second principle, which states that:

*Principle 2: Campaign materials should be presented in an objective, fair and accessible manner and be designed to meet the objectives of the campaign*

20. *Campaign materials should enable the recipients of the information to distinguish between facts, comment, opinion and analysis.*
21. *Where information is presented as a fact, it should be accurate and verifiable. When making a factual comparison, the material should not attempt to mislead the recipient about the situation with which the comparison is made and it should state explicitly the basis for the comparison.*

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<sup>20</sup> Australian Government, Higher Education website, <http://www.highered.gov.au/>

22. *Pre-existing policies, products, services and activities should not be presented as new.*

Without doubt the most obvious example of where the government's claims are in direct contradiction with its own guidelines is in relation to its advertising claim that:

*The Australian Government will continue to pay a big share, around half, of your undergraduate course fees.<sup>21</sup>*

The NTEU analysis presented below shows the proportion of the Government's contribution (CGS) for courses offered under flat deregulated fee structure, such as that proposed by the University of Western Australia (UWA) of \$16,000 per year for government-supported undergraduate students.

It clearly shows that if universities adopted a similar fee structure to that being proposed by UWA, then on average the Government would be contributing about one third of the cost of a degree – a long way short of the half that the advertisements are claiming. Indeed, in some courses such as law and accounting, students may be contributing over 90 per cent of costs. This data proves that the government's statement in relation to the proportion of fees is not only unverifiable but that it is highly misleading.

Another of the claims made as part of the 'Your future is Australia's future' advertising campaign is that:

*Under planned improvements, the new Commonwealth Scholarships Scheme will be implemented to help those Australians who need it most. Each year when a higher education provider receives Commonwealth funding for 500 Commonwealth supported places (CSPs) or more, the provider must distribute 20 per cent of eligible revenue to scholarships. The Scheme will be targeted to students who may need extra assistance to get to uni, including students from rural and regional Australia.<sup>22</sup>*

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<sup>21</sup> Australian Government, Higher Education website, <http://www.highered.gov.au/frequently-asked-questions#big-share>

<sup>22</sup> Ibid.

**Table 1**

<b>Government and Student Contributions Based on UWA Fee Structure 2016</b>				
<b>Discipline</b>	<b>UWA Fees</b>	<b>Govt Contrib</b>	<b>Total Funding</b>	<b>Govt Contrib</b>
<b>Law, accounting, commerce, economics, administration</b>	\$16,000	\$1,896	\$17,896	<b>11%</b>
<b>Humanities</b>	\$16,000	\$6,326	\$22,326	<b>28%</b>
<b>Computing, Built Environ, Other Health</b>	\$16,000	\$9,490	\$25,490	<b>37%</b>
<b>Mathematics, Statistics</b>	\$16,000	\$12,655	\$28,655	<b>44%</b>
<b>Behavioural science</b>	\$16,000	\$9,490	\$25,490	<b>37%</b>
<b>Social studies</b>	\$16,000	\$6,326	\$22,326	<b>28%</b>
<b>Education</b>	\$16,000	\$9,490	\$25,490	<b>37%</b>
<b>Clinical psychology, foreign language</b>	\$16,000	\$12,655	\$28,655	<b>44%</b>
<b>Visual and performing arts</b>	\$16,000	\$9,490	\$25,490	<b>37%</b>
<b>Allied health</b>	\$16,000	\$12,655	\$28,655	<b>44%</b>
<b>Nursing</b>	\$16,000	\$12,655	\$28,655	<b>44%</b>
<b>Engineering, science, surveying</b>	\$16,000	\$12,655	\$28,655	<b>44%</b>
<b>Dentistry, medicine, veterinary science</b>	\$16,000	\$18,982	\$34,982	<b>54%</b>
<b>Agriculture</b>	\$16,000	\$18,982	\$34,982	<b>54%</b>
<b>Average</b>	\$16,000	\$8,909	\$24,909	<b>36%</b>

\* Based on announced 2014 values indexed at 2.5% per annum.

These claims cannot be verified as the government does not know the extent to which fees will increase and therefore the amount of revenue which universities will be required to invest in new scholarships. For example, if universities were only to increase fees to cover cuts to public investment, no new Commonwealth scholarships would be created.

This claim is highly misleading to the extent that it gives the impression that it is the Commonwealth who is funding these new Commonwealth Scholarships. The reality, however, is that not one cent of public funding will be used to fund these scholarships, with all of the funding derived from increased student fees. In other words, students are being asked to fund their own scholarships, disadvantaging themselves further through higher fees. In terms of the objectivity of the campaign, the third principle states that:

*Principle 3: Campaign materials should be objective and not directed at promoting party political interests*

26. *Campaign materials must be presented in objective language and be free of political argument.*
27. *Campaign materials must not try to foster a positive impression of a particular political party or promote party political interests.*

The deregulation of higher education was a policy adopted *ad hoc* by the Liberal party six months after winning Government, and thus was never taken to an election. Arguably, the current campaign is aimed at trying to convince the public retrospectively that the Liberal's

policy of deregulation should be adopted. The government is using public funding to promote a party political policy position.

Finally, in the light of the 'budget repair' concerns of the government, the Committee should take into account the cost of the advertising campaign, and determine if the taxpayers' money has been well spent. In this, the fourth principle of the Guidelines should be noted:

*Principle 4: Campaigns should be justified and undertaken in an efficient, effective and relevant manner*

29. *Campaigns should only be instigated where a need is demonstrated, target recipients are clearly identified and the campaign is informed by appropriate research or evidence.*
30. *Campaign information should clearly and directly affect the interests of recipients.*
31. *The medium and volume of the advertising activities should be cost effective and justifiable within the budget allocated to the campaign.*
32. *Distribution of unsolicited material should be carefully controlled.*
33. *Campaigns should be evaluated to determine effectiveness.*

Given that the funds are advertising a policy that was rejected by the Senate once, is the \$14.6 million being spent on the campaign justifiable? In a late January media report, the breakdown of the costs showed that the government planned to spend:<sup>23</sup>

- \$9.5 million on media placements,
- \$2.3 million on creative development, and
- \$1.3 million on the campaign website (excluding GST).

There can be little doubt that spending public money this way is wasteful, and would have been far better spent on ways to assist the higher education sector such as (new) targeted scholarships.

## **6) Research and research infrastructure**

In relation to research and research infrastructure, the proposed Bill:

- for the first time allows universities to charge Research Training Scheme (RTS) students a maximum tuition fee of \$3,900 per year for a high cost course and \$1,700 for low cost course (Schedule 5 Part 2), and
- increases the maximum grants to the Australian Research Council (to allow it to continue to fund the Future Fellowships Scheme at a total cost of \$140m over the forward estimates (Schedule 5 Part 1).

<sup>23</sup> Matthew Knott, 'Abbott government's higher education advertising campaign to cost nearly \$15 million,' *Sydney Morning Herald*, 22 January 2015, <http://www.smh.com.au/federal-politics/political-news/abbott-governments-higher-education-advertising-campaign-to-cost-nearly-15-million-20150122-12vmtx.html>

The NTEU fully supports funding the ARC Future Fellowships and contends that this should be dealt with separately from the remainder of the Bill. The government's intention to cut \$170m from the Research Training Scheme means that when these two measures are taken together the level of investment in research for our universities actually declines.

The one-off grant of \$150 million in 2015-16 for the National Collaborative Research Infrastructure Strategy (NCRIS) announced as part of the Budget does not form part of this Bill. The NCRIS funding has already been approved as part of an Appropriation Bill and is therefore not directly dependent on the passage of this Bill. Therefore it is important for the Senate to understand that a decision by the Minister not to proceed with a \$150million one-off grant for NCRIS is not technically related to the passage of the current Bill and but is a purely political tactic being used to put pressure upon the Senate to pass it.

## 7) Conclusion

While there is considerable evidence supporting the arguments of the NTEU and others in the sector that a deregulated market will have highly predictable negative impacts on students and public universities, especially those servicing regional areas, the government has failed to produce any modelling that supports the rationale for its policy framework.

Indeed, under a Freedom of Information (FoI) the Department of Education and Training has made it clear that it will not release departmental modelling on fee deregulation due to it having "*...serious adverse consequences for the operation of the higher education market and the success of the Government's proposed reforms in this area*".<sup>24</sup>

The NTEU argues that the Senate is entitled to know the results of the Departmental modelling if they are expected to make a fully informed decision about the likely impacts of the Bill. Indeed the government's refusal to release this information might be taken as an admission that results would undermine the likely success of the legislation because it confirms the analysis undertaken by the NTEU and others, which indicate considerable increases in fees as a direct result of fee deregulation.

Leaving this aside, research and analysis of the proposal undertaken by the NTEU and other higher education researchers and commentators demonstrates that, while the metropolitan Group of 8 universities will be able to profit from deregulation, other universities will scramble for any advantage. The recent focus by government and deregulation supporters in the debate on regional and outer metropolitan universities is more upon trying to find ways to soften the blow of deregulation by seeking more in structural adjustment packages, and less than the 20% CSP cut announced in last year's budget. Not surprisingly, more Vice

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<sup>24</sup> Witness Statement, NTEU FOI to Department of Education and Training, 18<sup>th</sup> February 2015.

Chancellors, including Professor Peter Dawkins from Victoria University, are now speaking out publicly and expressing concerns about the impacts of excessive fee increases.

The NTEU's 2015 Federal Budget Submission outlines a viable and sustainable alternative model for the funding and regulation of higher education. The model will continue to ensure that access to university for students is based on merit, while also allowing Australia's universities to continue their core roles of providing internationally recognised high quality teaching and research. We welcome any opportunity to discuss our submission and recommendations further, and look forward to working with the sector and government in creating a higher education system that meets both our future needs and the challenges we will face in an increasingly competitive and interconnected world.

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**NTEU** National Office



## **Towards a sustainable policy framework for Australian higher education**

**NTEU Budget Submission, February 2015**

### **Summary**

The National Tertiary Education Union (NTEU) represents the professional and industrial interests of approximately 28,000 academic, general and professional staff working at Australian universities, research institutes and allied organisations. As such, the NTEU has an ongoing interest and concern in ensuring that Australia's higher education sector not only retains and builds upon its current reputation for quality in teaching and research, but that our universities and other higher education providers meet our future needs.

The NTEU believes that the higher education funding and regulatory framework initially announced in the 2014-15 Budget and most recently articulated in the Higher Education and Research Bills 2014 (Marks I and II) are both unfair and unsustainable. In this submission we propose an alternative policy framework. In developing this framework we address the two core planks and fundamental flaws of the government's currently policy, namely the:

- deregulation of university fees for Commonwealth Supported Places (CSPs), and
- extension of publicly subsidised places (CSPs) to private providers, including for-profit higher education providers.

In proposing an alternative framework the NTEU acknowledges that numerous reviews and inquiries into higher education over the years clearly show that the current public funding arrangements are struggling to meet the demands placed upon the sector, and therefore there is need for change. Having said this however, we are strongly opposed to changes being proposed by government because they undermine those characteristics which define and make our public higher education system amongst the best in the world.

The NTEU strongly maintains that the provision of affordable tertiary education for all Australians is the responsibility of government and cannot be left to the market. While there are cost pressures that need to be accommodated, we would argue that public investment in higher education must be a priority because that is in our national interest.

This submission outlines the evidence and rationale for the NTEU's proposed funding and regulatory framework focussing upon:

- Maintaining the cap on fees universities can charge for CSPs,
- Using Public Accountability Agreements (PAAs) as the basis of flexible and coordinated oversight of CSPs,

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- Establishing an independent agency or council with statutory planning and funding responsibilities to negotiate and administer PAAs, and
- Restricting eligibility for CSPs to public higher education providers.

The proposed funding and regulatory framework is designed with a view to mitigating the risks and uncertainties faced by government, institutions and students inherent in the government's deregulated market model without losing the capacity respond to changing to circumstances.

Most importantly, the proposed framework will allow governments, institutions and students to plan and manage their involvement in higher education with greater confidence.

**Jeannie Rea**  
**NTEU National President**  
**6 February 2015**

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## **Towards a sustainable policy framework for Australian higher education.**

### **NTEU Budget Submission, February 2015**

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***Attachment 1: Impact of 2014-5 Budget announcements on higher education enrolments and funding***

## NTEU Budget Submission February 2015

# Towards a sustainable policy framework for Australian higher education.

## 1) Introduction

Following the defeat of the *Higher Education and Research Reform Amendment Bill* (HERRA 2014) in the Senate on Tuesday 2 December 2014, the Minister for Education, Christopher Pyne, immediately introduced an amended version of the Bill into the House of Representatives on Wednesday 3 December 2014 called the *Higher Education and Research Bill 2014 (HERRA 2014 MkII)*.

While HERRA 2014 MkII attempts to address some concerns of the sector, and in particular the imposition of market based interest rates on Higher Education Loans Program (HELP) debt, it fails to address the basic deregulatory aspects of the government's policies, including:

- removal of the cap on the amount that universities can charge students who have a Commonwealth Supported Place (CSP),
- opening up of CSPs to private, including for-profit, higher education providers, and
- 20% cut to government funding per CSP.

Although the HERRA 2014 MkII abandons the Government's plan to charge a commercial rate of interest on HELP debt (which would have been highly detrimental to low income graduates and those, predominantly women, who take career breaks), it does not stop the very real likelihood that some students will pay in excess of \$100,000 for a university degree.

Education, including higher education, particularly as institutions that develop and contribute human capital to the Australian economy, is far too important to be left to the volatility of the free market. Previous NTEU analysis (<http://www.nteu.org.au/library/view/id/5431>) cited evidence from the fully contestable market reform experiment in the regulation and funding of vocational education and training in Victoria as irrefutable proof of both policy and market failure in a tertiary education context. Any attempts to proceed down a similar path in relation to higher education would be irresponsible, as it will undoubtedly lead to instability and reputational risk in Australia's world class higher education system.

The **alternative policy framework** outlined below is predicated on retaining and strengthening the essential and defining characteristics of Australia's university system, where:

- public universities are autonomous, but accountable, civic education and research institutions operating in the public interest including the promotion of free intellectual inquiry and public debate, and
- entry into an Australian public university is based on a student's merit and not their (or their family's) capacity to pay.

The framework also explicitly recognises the importance of a system that is:

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- **responsive** to the changing education, research, economic and social environments in which they operate, and
- **sustainable** on all levels, and emphasises the importance of fiscal, political, sectorial, institutional and individual values.

### **2) Australia's world class public higher education system**

Australia's higher education sector is amongst the best in the world and enjoys a strong international reputation. The strength and reputation of the sector is evidenced by the fact that of the 1.3 million students enrolled at Australia's public universities, about one in four (25%) are from overseas.

The standing of the Australian higher education sector was re-affirmed by the editor of the Times Higher Education (THE) World University Rankings 2014, Phil Baty, who wrote:

*This has been a strong year for Australia, with just about all of its top universities moving up the rankings. The data shows that Australia does not have just a few world-class universities, but a world-class system – in addition to the eight universities which make the world top 200, there are a further 12 universities which make the 200-400 group.*

Mr Baty went on to express concern about the impact of the current government's proposed changes:

*The big question, as Australia moves into a period of radical reform with the full deregulation of tuition fees, is whether this admirable strength-in-depth can be maintained. (<http://www.timeshighereducation.co.uk>)*

The NTEU agrees with Mr Baty's assessment that the government's policies risk *greater polarisation* between Australian universities and represent a direct threat to the overall quality of education and research delivered by our university system.

The current cap on how much Australia's public universities are allowed to charge students for a Commonwealth Supported Place (CSP) means that student places are allocated on the basis of academic merit and not price. Fee caps and the operation of the income-contingent Higher Education Loans Program (HELP) contain the costs and means that participation in higher education is both accessible and relatively affordable (although Australian students already pay amongst the highest fees in the world and few have access to much income support while studying). However, access and affordability are directly under threat from the government's proposed deregulation of fees.

### **3) The sustainability of higher education funding**

While improving accessibility to higher education has clear social and economic benefits over the medium to long-term, the regulatory and funding framework for higher education has to be sustainable, for the government (both politically and fiscally) government, institutions, business and industry and individuals.

#### **a) Fiscal sustainability**

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Since the announcement of the introduction of the demand-driven funding system (that is, the removal of the cap on the number of places universities can offer) in 2009 there has been a rapid expansion in the number of CSPs offered by our universities. As *Attachment 1* to this submission shows the commensurate increase in the level of Commonwealth funding to support this expansion in places has brought into question the fiscal or budgetary sustainability of higher education funding. The Labor government's decision in April 2013, for example, to introduce an efficiency dividend on all higher education funding was argued to be a direct result of an unanticipated increase in the level of enrolments and expenditure.

The current government's policy to extend CSPs to sub-degree qualifications as well introducing a fully contestable funding regime where CSPs would also be opened up to non-university providers, including for-profit private providers, will see a further expansion in the number of CSPs. While the Coalition government is anticipating that this will lead to a further 80,000 CSPs, the number of places will increase by more than 80,000, resulting in a budget blow-out and further cuts to funding per student - as happened in fully contestable funding market in Victorian vocational education and training (VET).

In short, instead of a planned strategy to ensure students can access quality higher education based on merit, the government's 'contestable market' proposal will see a rapid increase in CSPs offered by private for-profit providers, who will see government funding as an easy source of new revenue without any limits on the fees they can charge students. As demonstrated in Victoria's deregulated VET sector, private providers will aggressively seek to recruit new students, not always using ethical recruiting methods and may not decent training and education.

In essence the demand driven funding model (with no caps on student enrolments numbers and expanded to sub-degree level, including private for-profit providers) amounts to the government writing a "blank cheque". The following section, **Quality vs Quantity** and *Attachment 1* show why such a scheme is fiscally irresponsible and sets the sector on track for further cuts to public funding in the future.

In addition the rapid growth in the number of students with HELP debts together with potentially large increases in average level of debt as result of substantial increases in student fees brings into question the financial sustainability of the HELP scheme itself. Andrew Norton of the Grattan Institute (<http://grattan.edu.au/report/doubtful-debt-the-rising-cost-of-student-loans>) has made the case that the HELP scheme was not designed to deal with a policy framework in which both the number and cost of university degrees are unregulated. His solution has been to at least temporarily put a cap on how much students could borrow, whereas the NTEU solution is to maintain the cap on the fees students are charged in the first place.

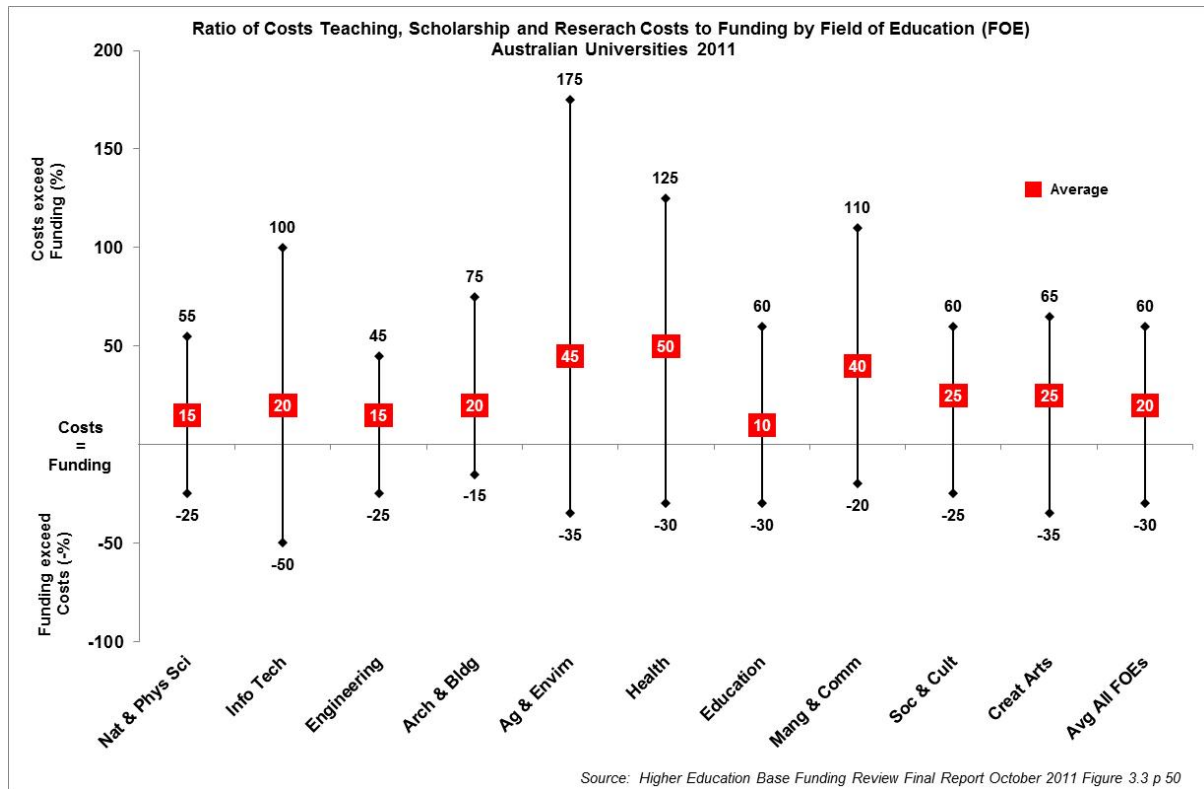
### ***b) Institutional sustainability***

Two recent reviews of Australian higher education, namely the Bradley Review of Higher Education (2008) and the Lomax-Smith Higher Education Base Funding Review (2012) concluded that our universities did not have sufficient funding to undertake their core duties of teaching, scholarship and research. Indeed, the Lomax-Smith Review concluded that, while the disparity between funding and costs varied between fields of education and between institutions (see Figure 1 below), on average, the level of funding across all disciplines and all institutions was about 20% below the actual costs of delivery. Clearly,

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without an increase in funding per student, our universities will find it impossible to sustain the internationally competitive quality of teaching and research they currently deliver.

**Figure 1**



While the level of funding per student is critical to the question of institutional sustainability, it is not the only aspect which needs to be considered. The only possible way of preventing future budget blowouts and the likely threat of immediate further cuts to public funding per student is to have planned and coordinated growth in student numbers (see *Quantity vs Quality* below). In other words, a more stable planning environment is a necessary condition if future governments are going to be in a position to restore and even increase funding per student.

The government has clearly signalled its willingness to increase the total level of expenditure on higher education with suggestions it is willing to drop the 20% cut in funding per CSP. If the government were not to proceed with this cut but still pursue its expansion agenda, it would end up spending an additional \$1.4billion over the forward estimates. The NTEU is arguing that instead of allowing for unplanned growth in the sector, this additional expenditure should be used to increase real funding per student by about 10% from its 2012 base level.

While funding per student might be at the heart of the discussions around institutional sustainability, it is not the only factor which should be considered in the current debate. Our public universities are large institutions that have invested billions of public dollars in special facilities to allow them to undertake teaching and research. They also employ thousands of highly qualified and often highly specialised staff.

In order to plan and manage efficient and rational investment and staffing decisions, universities need to be able to operate with a degree of certainty in relation to future student



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loads and funding. Deregulation of the higher education sector and the opening up to direct competition against private providers who do not have the same level of public resources or responsibilities would only serve to further undermine the sustainability of our public universities.

**c) Individual sustainability**

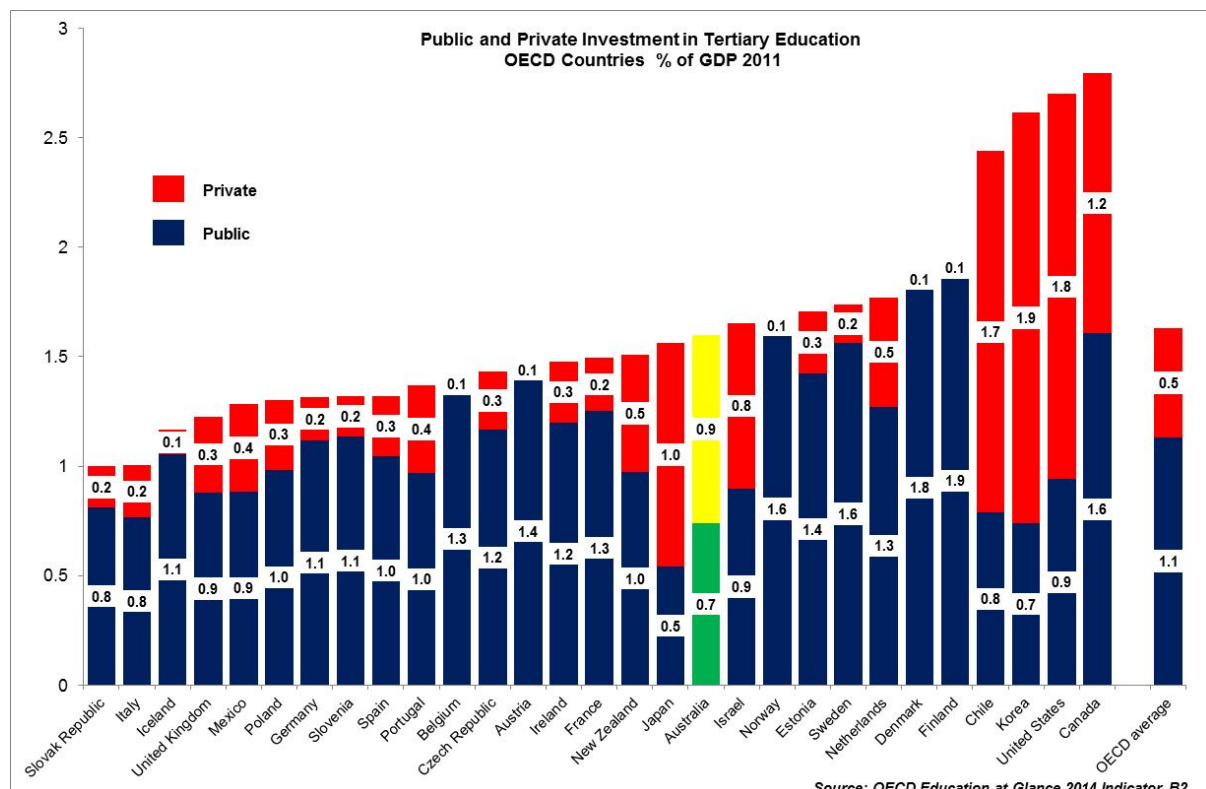
A sustainable higher education from an individual’s perspective would be one where:

- The costs associated with undertaking a particular course of study are not a deterrent for eligible students, especially those of disadvantaged backgrounds,
- All students offered a place in a course have a realistic prospect of successfully completing it, and
- Upon graduation there is a reasonable prospect of finding relevant employment.

While access and affordability are at the heart of individual sustainability the core of the government’s proposed solution is to transfer the costs of higher education from the public sector onto the individual shoulders of students. This cost shifting cannot be justified because:

- Australian public investment in tertiary education as measured as a share of GDP is lowest amongst OECD countries with the exception of Japan, (Figure 2)
- Australian students already pay amongst the highest fees in the world to attend a public university (Figure 3)

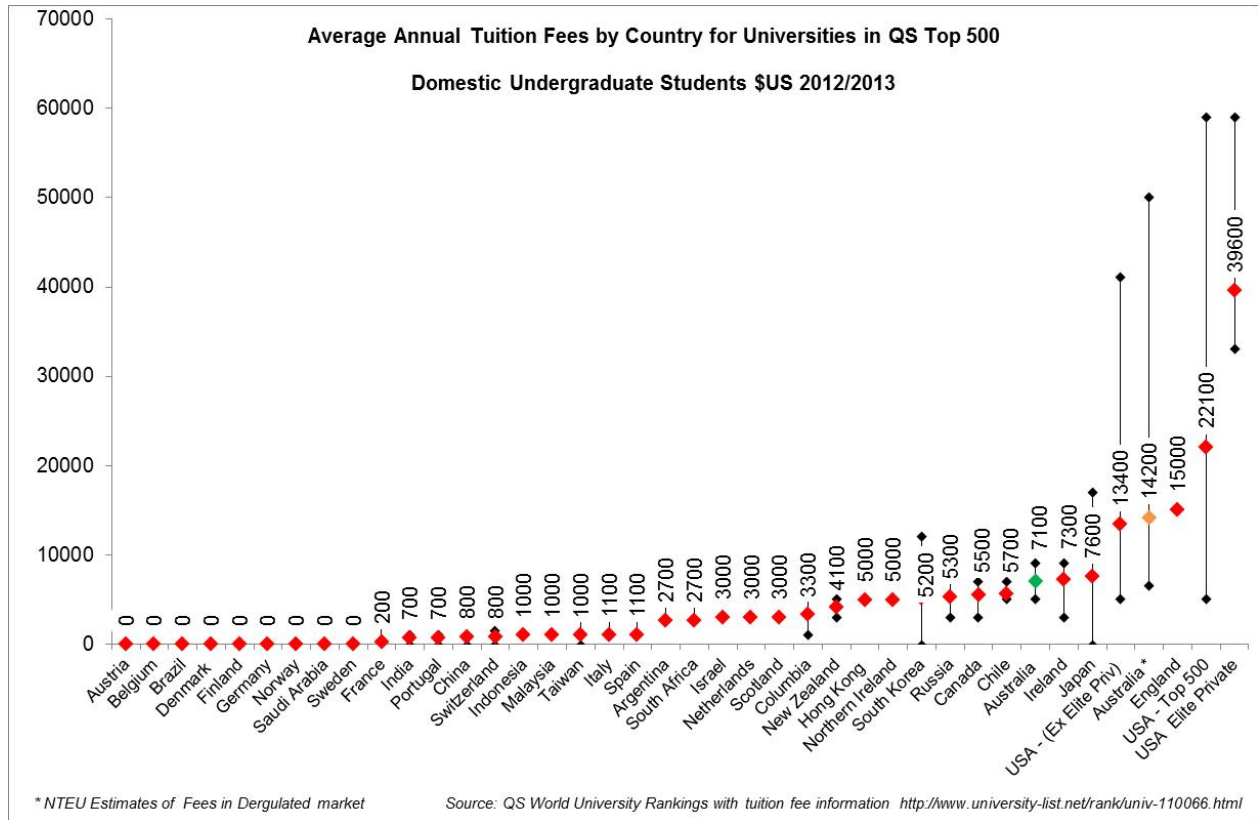
**Figure 2**





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**Figure 3**



In short, any proposal that would see a further shift in funding from the public sector to private individuals is clearly not in the interests of the individual. Furthermore, this works against the principles of social equity and access based on merit, and is certainly not sustainable for the sector overall.

**d) Political sustainability**

The issue of policy instability and uncertainty has been raised as a major concern in the current debate about the future regulation and funding of higher education. Lessons need to be learned from the experience in the funding and regulation of vocational education and training, especially in Victoria, where policy volatility combined with changes in the regulation of the vocational free market experiment has been a disaster. Universities along with other providers and stakeholders have highlighted the many and frequent changes to funding and regulatory policies. Indeed, the support many Vice Chancellors appear to offer for the government’s policies are highly qualified, premised largely by the fact that they have been subject to significant policy instability and uncertainty in recent years and do not see any viable alternative.

Professor Stephen Parker of University of Canberra succinctly summed up this view when answering a question on why most Vice Chancellors were supporting the government’s position:

*I think it is fair to say that there has been disappointment—cuts announced or implemented by successive governments—and so they have come to a view, I think,*

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*that government cannot be fully trusted to fund universities at the level that they would like to see.*<sup>1</sup>

In order to overcome this level of uncertainty and to avoid higher education being seen as a politically low risk source for budgetary savings, the NTEU is advocating for the establishment of an independent agency or council with statutory planning and funding responsibilities. Most importantly, this body would be the authority to finalise funding agreements based on distinctive roles and responsibilities for different types of institutions through the negotiation of public accountability agreements.

### **4) Policy choice: Quality vs. Quantity**

The current choice facing government in relation to higher education can be summarised as a choice between the quality or quantity of programs and degrees.

While the move toward a demand driven system helped alleviate the issue of unmet demand where eligible students were unable to find a place in their preferred area of study, it has shifted the focus of higher education policy onto enrolment numbers and the costs associated with educating these students, rather than on focusing on the quality of the educational experience for students.

Figure 4 helps to explain why an open ended demand-driven system is ultimately fiscally unsustainable. Based on current funding arrangements (Column A) the Commonwealth spends about \$6.4b on Commonwealth Grants Scheme (CGS) funding in support of about 600,000 Commonwealth Supported Places (CSPs). Average Commonwealth funding per student is \$10,600 (59% of total) and the average student contribution is \$7,400 (41%).

Under the government's proposed changes, the extension of CSPs to sub-degree qualifications and non-university providers is estimated to increase the number of CSPs by about 80,000 students. In addition the Budget proposes that this expansion of places would be funded by a 20% cut to CGS funding per CSP or a cut from \$10,600 to about \$8,500 per student.

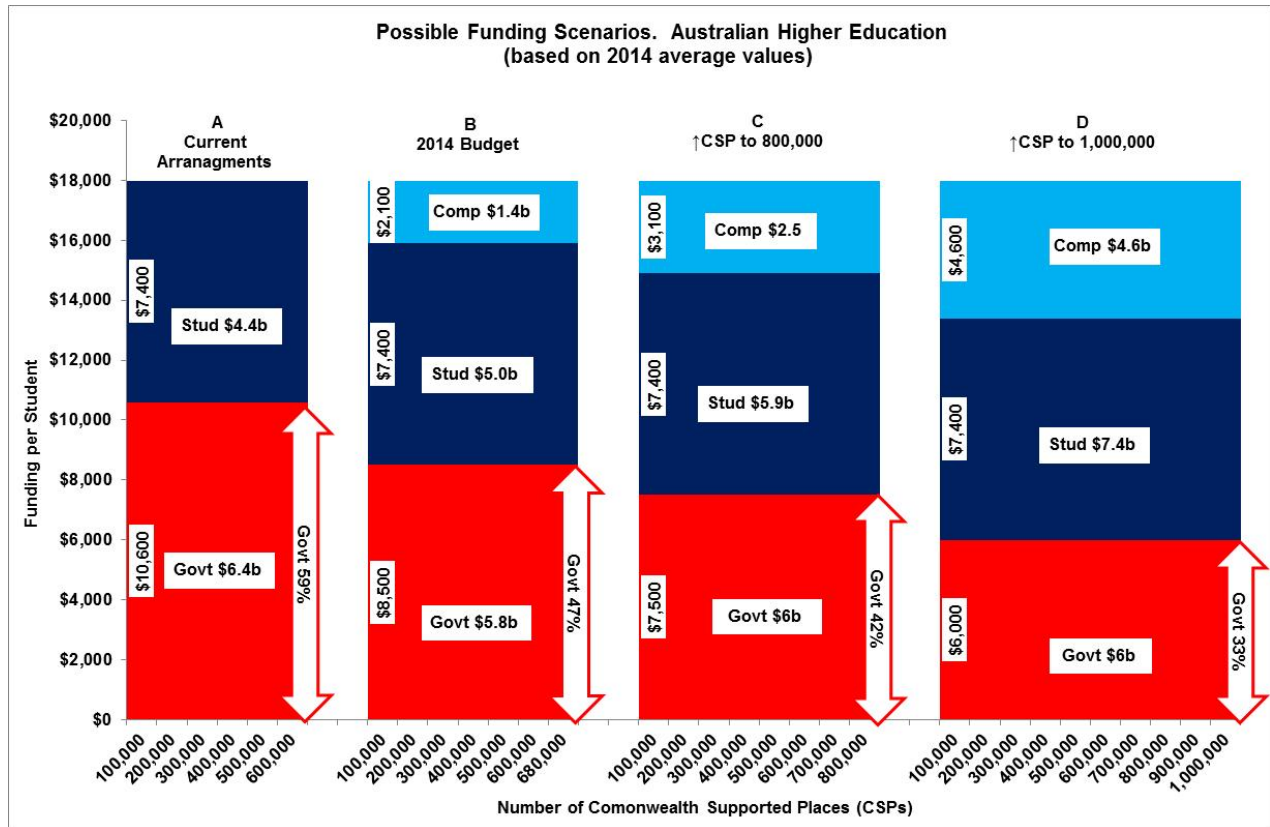
Column B of Figure 4 shows effect of the 20% cut in funding per CSP together with an 80,000 increase in number of CSPs would be a reduction in CGS expenditure of about \$600m, falling from \$6.4b to \$5.8b. Figure 4 also shows that, all other things being equal, universities would suffer a funding shortfall of some \$1.4b which they would be allowed to compensate for (indicated by the *Comp* component of the graphs in Figure 4) by increased fees that they charge students. If universities were to add to fees only to compensate for the reduction in public funding, they would need to raise fees by \$2,100, increasing the overall average cost from \$7,400 to \$9,500 per student per year. This represents an increase of approximately 30%.

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<sup>1</sup> For a more detailed analysis of the higher education sector's responses to government's higher education package refer to NTEU (2014) [With vice chancellors as supporters for his higher education policies, does the Minister really need opponents](#), Policy Briefing Paper, [www.nteu.org.au/degreemortgage](http://www.nteu.org.au/degreemortgage)

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Figure 4



However, the real problem in fiscal terms, as has been demonstrated both the higher education (demand driven system) and Victorian VET sectors, is the impact of an increase in CSP load which exceeds the government’s original estimates.

Figure 4 shows that, if the government wants to contain its overall level of spending in support of CSPs to around \$6 billion in 2014 values, then any increase in CSP load above the original estimate will lead to further cuts in funding per student.

Figure 4 also shows what the likely impact of an increase in total student load to 800,000 (Column C) or even 1,000,000 (Column D) would have on government funding per student and student contributions as a consequence of trying to maintain total expenditure to about \$6 billion per year.

Therefore, the NTEU would argue that the *realpolitik* behind removing the cap on student fees has very little to do with allowing “price signals” to allocate CSPs but instead to alleviate the government of the political inconvenience of having to raise the price cap on university fees every time there is a cut to funding per student. Under an uncapped price system, the government would simply respond to any future cuts (to funding per student) by saying that it is entirely up to each university whether it chooses to increase prices or reduce costs.

*Attachment 1* shows how the recent rapid increases in total expenditure on higher education is being driven by larger than expected increases in CSP enrolments. That is, the financial sustainability of the system is not being undermined by funding per CSP, but rather by unexpected and unmanaged growth in student (CSP) load.

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The experience of VET in Victoria shows that an open-ended demand driven system which is fully contestable between public (TAFE) and private providers is also likely to present a great risk to the quality of education being provided, specifically because of the behaviour of some predatory, profit-driven private providers. That is, the deregulation of Victorian VET has not only led to rapid growth in places and subsequent budget blowouts, but also substandard education and training.

The government has a clear choice, between a system where growth is independently managed to ensure that quality and standards are maintained and achieved through the use of some type of public accountability agreement, or an unplanned system which would result in budget blowouts, continued under-resourcing and poor quality education.

This is the core concern for higher education and this goes directly to the sustainability of the system in the medium to long-term. Put simply, if growth is not planned and not accommodated by government in forward estimates of expenditure, then the current difficulties in providing appropriate level of resourcing per student and infrastructure will only escalate.

In summary, the problem associated with government's proposed policy framework is the very real prospect of a budget 'blow-out'. The problem from an institution's perspective is that government's response to the budget 'blow-out' will be to cut funding per student. The problem for student's perspective is that fees will increase to compensate cuts to funding per student. Therefore, the proposed system is unsustainable for governments, institutions and individuals which means it threatens the world standing of our quality public higher education system.

### **5) Expansion of public funding**

In the light of the discussion about unplanned growth, the NTEU is urging that caution be exercised in relation to expanding public funding to sub-degree places in public providers.

The NTEU does not support the expansion of CSP funding to subsidise private higher education providers for the reasons cited above that this advantages such entities in undermining the sustainability of our public universities without having the same responsibilities and accountabilities as public institutions.

#### **a) Sub-degree qualifications**

While the NTEU agrees with extension of CSP funding to sub-degree qualifications in public higher education providers such a move should not proceed until the anomalies between the regulation and funding of VET and Higher Education are resolved.

Even the government's own *Reform of the Federation Issues Paper No 4 - Roles and Responsibilities in Education* (Part B Vocational Education and Training and Higher Education) recognises this issue, stating that:

*The difference in eligibility for student entitlements between VET and higher education can influence student decisions about study options between sectors when the courses are largely comparable at diploma and advanced diploma level. Students who want to study a particular course may make their choice between*

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*doing a VET or higher education course based on cost and access to support rather than which one best might meet their needs or the needs of the labour market. (p22)*

Much of the discussion about the extension of funding in the current higher education policy debate to sub-degree qualifications has been couched in terms of their role as alternative entry or pathway programs for students who are not prepared or academically able to enter directly into degree-level programs. This is confusing the role of sub-degree qualifications as a qualification in their own right (student's intended final outcome) and as step on the journey to higher qualifications, and therefore there is a very real danger that they are being discussed as a way of increasing the student load in higher education at the expense of VET. Likewise, they are becoming discussed as another source of revenue for providers seeking to expand their sources of student derived income, resulting in students entering into debt earlier.

In the context of a policy debate about the expansion higher education it is useful to make a clear distinction alternative entry, pathway or enabling courses with the express intention of providing a pathway into a higher education level qualification albeit on completion student might be awarded a sub-degree qualification. These should be referred to as pathway programmes.

The number and funding of pathway programmes offered by individual universities should form part of the Public Accountability Agreements (PAAs) between universities and the government as outlined below.

### **b) Private providers**

While there are many private for-profit providers that operate very successfully and fulfil a niche in the education market, it remains the truth that these organisations are primarily accountable to their shareholders as investors and recipients of company profits. Therefore, we are strongly opposed to extension to public funding to private for-profit providers who, by definition, are motivated to maximise the return to their shareholders.

We want to avoid the following situation where:

*Unfortunately we have seen examples of students being signed up for courses they don't need, or being offered incentives such as cash or a "free" laptop, without being told of the thousands of dollars in loans they will need to repay.*

*(Senator the Hon Simon Birmingham, Assistant Minister for Education and Training Liberal Senator for South Australia Media Release 20 January 2015).*

In addition to minimising the risks of unconscionable conduct by some private sector providers, the NTEU is also opposed to the opening up of CSPs to private providers on the basis that it makes planning and management of unsustainable public investment in education almost impossible as has been shown by the failed Victorian experiment in VET.

### **6) What might an alternative policy framework look like?**

From the outset we want to make it clear that the NTEU does not support the re-introduction of quotas (or hard caps) as was the case when the Commonwealth government allocated each university a number of CSPs in each discipline cluster.

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On the other hand, we have also been consistently critical of the introduction of a free-for-all market driven system, as introduced to VET in Victoria which resulted in a significant waste of public resources, the undermining of the financial viability of many public TAFE colleges, and poor education outcomes for many students.

In formulating a middle ground between these two extremes, it is critical that we acknowledge that universities and other higher education providers are accountable for the billions of dollars of public funding they receive. These public funds should be used in a strategic way to help meet broader public, economic and social objectives. The alternative funding model proposed by the NTEU seeks to meet the objectives of students and institutions as well as the broader community, including employers.

### ***a) A flexible coordinated model for the allocation of Commonwealth Supported Places (CSPs)***

Currently each university is required to produce a number of documents in which there is considerable overlap and duplication. For example, universities regularly:

- develop strategic plans,
- negotiate Mission Based Compacts,
- enter into funding agreements with the Commonwealth, and
- complete Institution Performance Portfolios (IPPs).

In order to reduce red tape, the NTEU is proposing that all of the above be consolidated into a single document and process that is used to better plan and coordinate the distribution of public funding and publicly supported places at our universities.

This single document could be referred to as a **Public Accountability Agreement (PAA)**, which would incorporate aspects of a university's strategic plan as a funding compact between the university and community through the appropriate government agency, currently the Department of Education. Another way of conceptualising the proposal is that it would give more weight to current mission based compacts in relation to learning and teaching by incorporating a more detailed set of targets on student load and thus form the base of funding agreements and performance appraisals. That is, the learning and teaching section of current compacts would more closely mirror the research and research training components.

### ***b) Public Accountability Agreements (PAAs) at the core of a flexible co-ordinated model***

Without attempting to be too specific, each university could lodge a PAA every four years. Like current strategic plans (or mission based compacts) it would include statements for each of its key areas of activity (teaching, research, community engagement) which outline:

- what it wants to achieve (objectives),
- how it intends to achieve it (approach), and
- how it will know whether it has achieved its objectives (quality assurance and accountability).

Our public universities should also explain what consultations they have engaged in with members of their communities (including staff, students, other educational and public service

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providers, professional bodies, local Aboriginal and Torres Strait Islander community, local business and community forums, etc.) to develop these plans. Such a statement would give the government some reassurance that the direction being undertaken by any individual university is not at odds with the communities it serves.

In addition the PAA would include targets in relation to CSPs by broad disciplinary categories (as defined by CGS funding clusters) as well as other strategies that a university, and/or the government may determine as being critical to achieving broader equity or quality control issues, notably in supporting regional universities' missions. For example, PAAs could contain strategies or plans to lift participation rates for students from disadvantaged backgrounds. Additional funding to support these plans might be made conditional on achieving certain outcomes.

Importantly, each university would not be required to negotiate or seek agreement from the Commonwealth in relation to its CSP targets. It would develop these targets based on its expectations of the number of students it anticipates it can attract and provide a quality university education.

Where a university is proposing significant changes (for example +/-15% over a four year period) in the CSP targets (compared to current enrolments) it would be required to provide a rationale and evidence base for such changes.

The targets for CSP funding would also provide the basis for a four-year Commonwealth Grants Scheme (CGS) funding agreement, which would form a part of the PAA, and form the basis for a significantly simplified performance audit to replace the Institutional Performance Portfolio (IPP). The performance audit against the specified targets would take place at the end of each four year PAA.

In order to ensure that a system of four year PAAs compacts does not unnecessarily hamper individual universities or the sector's capacity to respond to changing student demand, universities would be permitted to change their targets between four year PAAs, but would be required to notify the Commonwealth for any significant departures from the original targets and consequential amendments to funding arrangements.

**Public Accountability Agreements** would:

- Help plan and manage the number of CSPs to be offered, and
- Ensure that each institution has the capacity to offer students a high quality education experience.

### ***c) Planning and management of student load***

In negotiating a PAA each provider would be required to specify the number of Commonwealth-supported students it would plan to offer in each of the broad funding clusters for the four year period covered by the compact, as shown below in Table 1.

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**Table 1**

Funding Cluster	Existing CSP Load	Projected CSP Load				Change 2016-19	
	2015	2016	2017	2018	2019	CSP	%
Law, accounting, commerce, economics, administration	2,000	2,080	2,160	2,220	2,300	300	15%
Humanities	3,500	3,510	3,520	3,530	3,540	40	1%
Computing, Built Environ, Other Health	650	660	670	680	690	40	6%
Mathematics, Statistics	120	90	60	30	0	-120	-100%
Behavioural science	480	495	510	525	540	60	13%
Social studies	2,150	2,165	2,180	2,195	2,210	60	3%
Education	750	785	810	845	870	120	16%
Clinical psychology, foreign language	110	110	110	110	110	0	0%
Visual and performing arts	0	0	0	0	0	0	0%
Allied health	80	90	100	110	120	40	50%
Nursing	240	228	216	204	192	-48	-20%
Engineering, science, surveying	150	145	140	145	150	0	0%
Dentistry, medicine, veterinary science	0	0	0	15	25	25	100%
Agriculture	20	13	6	0	0	-20	-100%
<b>Total</b>	<b>12,265</b>	<b>12,387</b>	<b>12,499</b>	<b>12,627</b>	<b>12,766</b>	<b>501</b>	<b>4%</b>

By gathering this information from all providers eligible for the receipt of public funding, the government, informed by the advice of an independent body, will not only have a better sense and assurance of its overall level of expenditure, but will also be able to marry this information with other economy wide workforce planning data to determine whether the planned offerings match the future workforce needs of the Australian economy. Where there appears to be a significant mismatch between the skills needed, and what universities intend to offer, the government could negotiate with providers (or use some other form of incentives) to achieve a better balance between qualifications, skills and workforce needs.

In addition to helping the Commonwealth having a better basis for determining its future financial commitments, it would also assist providers in determining their course offerings and help students in decisions about what to study and where.

### **c) Capacity**

In addition to shaping the number and composition of student enrolments into the future, PAAs are also critical for the government to be able to satisfy itself that individual institutions have the capacity to offer students a high quality educational experience.

That is, each institution must be able to demonstrate that it has the capacity to ensure that every student offered a place in one of its courses has the opportunity to successfully complete that course. Therefore, if the university is offering places to students with relatively weak academic backgrounds, it must be able to demonstrate that sufficient academic support is available to allow students to catch-up. Likewise, a university should be in a position to be able to guarantee every student an appropriate practical placement where such a placement is a requirement for professional recognition.

On the assumption that each provider has a record of satisfactory performance to date, the agreements would require each institution that plans to increase its student load by more than 15% over the four year period to demonstrate that it has the ability to meet specified capacity related requirements. For example, an institution might be required to explain what impact the planned growth in student load would have and how it would deal with issues such as:



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- Student entry requirements,
- Attrition/progression rates,
- Completions,
- Employment or other graduate destinations,
- The proportion of senior academic staff to total staff,
- Reliance on casual academic staff,
- Staff to student ratios.

While some universities might argue that such requirements would add to compliance costs, we would note that this list was largely derived from the list of 'risk factors' that will be collected by Tertiary Education Quality and Standards Agency (TEQSA) as part of its Risk Assessment Framework, and is data that universities are already required to supply.

By way of example, assume that University X plans to increase its enrolments in engineering by 20% over the next four years its PAA would not only have to demonstrate it had the physical and staffing capacity to provide the additional students with a quality educational experience, it would be required indicate what impact such an expansion would have on student entry requirements and progression rates and the consequences this might have on the need to supply student support. Indeed, the PAA might anticipate that some the potential issues associated with enrolling a greater number of less well academically prepared students would be alleviated by introduction of an alternative pathway program into a bachelor degree in engineering.

As mentioned above each university should also be required to demonstrate its capacity to provide a placement for every student it enrolls in a course requiring the completion of practicum. For example, PAA could be used as way of ensuring that universities restrict the increase in their enrolments in courses like teacher education and nursing according to the number of students that require an appropriate placement.

Where the university plans to decrease its enrolments by more than 15% it would need to demonstrate either that there is no ongoing demand for such qualifications and/or that students have viable alternative options to pursue their studies.

In summary, Public Accountability Agreements, would not only act as an instrument in facilitating sector-wide management in terms of overall student enrolments, they would also form an important part of the quality control by requiring each institution to demonstrate it has the capacity to provide students with a quality education and educational experience.

### **d) Costings**

The cost associated with the introduction of NTEU's alternative regulatory and funding framework will be determined by:

- CSP load, and
- the level of funding per CSP relative to current funding levels.

As outlined above the purpose of the PAA is to provide a tool for the Commonwealth to allow them to between plan and manage CSP load and therefore give greater confidence in estimating future budgetary outlays. Having a greater level of certainty also means that the Commonwealth would have the capacity to increase public funding per student. This would therefore provide a framework for the policy decisions of the government.

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Given that our public universities are already expected to negotiate Mission Based Compacts and provide extensive data to the Commonwealth and TEQSA, we do not expect the administration of PAAs to add to existing administrative or compliance cost of either the Commonwealth or the universities.

### **7) Conclusion**

Access to a university education is no longer a privilege reserved for those who were able to pay. Now, there is a marked expectation by Australian parents that their child will have the opportunity to undertake further studies and qualifications after secondary school. Increasingly, most businesses and industries also have the expectation that new employees will have the skills and knowledge gained through tertiary level studies to be able to work productively, in what is becoming a global employment market. The NTEU has long called for a rethink of university funding arrangements. It is clear that Australia is not keeping up with the majority of OECD nations that have increased public investment in higher education.

The Australian government now has the opportunity to put in place a strategic funding, planning and accountability framework that will ensure the future of Australia's higher education sector.

Higher education is far too important to leave to the vagaries of the free market, resulting in courses being given preference on the basis of earning capacity of graduates rather than what is needed. For example, according to a recent research<sup>2</sup> a significant rise in fees to study medicine is likely to lead to further doctor shortages in rural locations and in low-paid and in-need specialties, as graduates with greater debts specialise in higher paying areas of medicine.

A new framework must instead lead to improvements in the quality of teaching and research, in resourcing and workforce planning, in flexibility and diversity of course offerings, and in ensuring Australia's higher education sector can compete in the global market. The NTEU's proposal would allow for these important improvements, and ensure that institutions retain their unique missions and identities while catering for the needs of their communities and students, rather than entering a cut-throat, competitive market that would result in the greater stratification of providers and variation in education quality. It would also avoid students enrolling in studies that are not useful to them or leave them with qualifications that do not meet workforce requirements. Finally, the Union's proposal would circumvent the likelihood of students becoming burdened with heavy debt, and the inevitable budgetary blow out down the track of ballooning unpaid student debt.

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<sup>2</sup> Reported in Kylar Loussikian *See Fee hike to 'worsen' rural doctor shortage*, *The Australian* 28 January 2015

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**Attachment 1**

**Towards a sustainable policy framework for Australian higher education.**

**NTEU Budget Submission, February 2015**

**Impact of 2014-15 Budget announcements on higher education enrolments and funding**

The following analysis the impact of the government’s proposed changes to higher education funding and regulation, on:

- Commonwealth Supported Places (CSPs),
- Real Total Commonwealth expenditure distributed through the Commonwealth Grants Scheme (CGS) to support CSPs, and
- Real CGS funding per CSP.

The data used is taken from the Department of Education (and its predecessors) with the forecast data taken from Portfolio Budget statements.

**Commonwealth Supported Places (CSPs)**

Chart A1 shows the impact of Labor’s decision to remove the cap on the number of CSPs universities were allowed to enrolled which was phased in between 2009 and 2012 as well the anticipated impact of the current governments proposed reforms which include opening up CSPs to sub-degree places as well as private higher providers.

**Chart A 1**

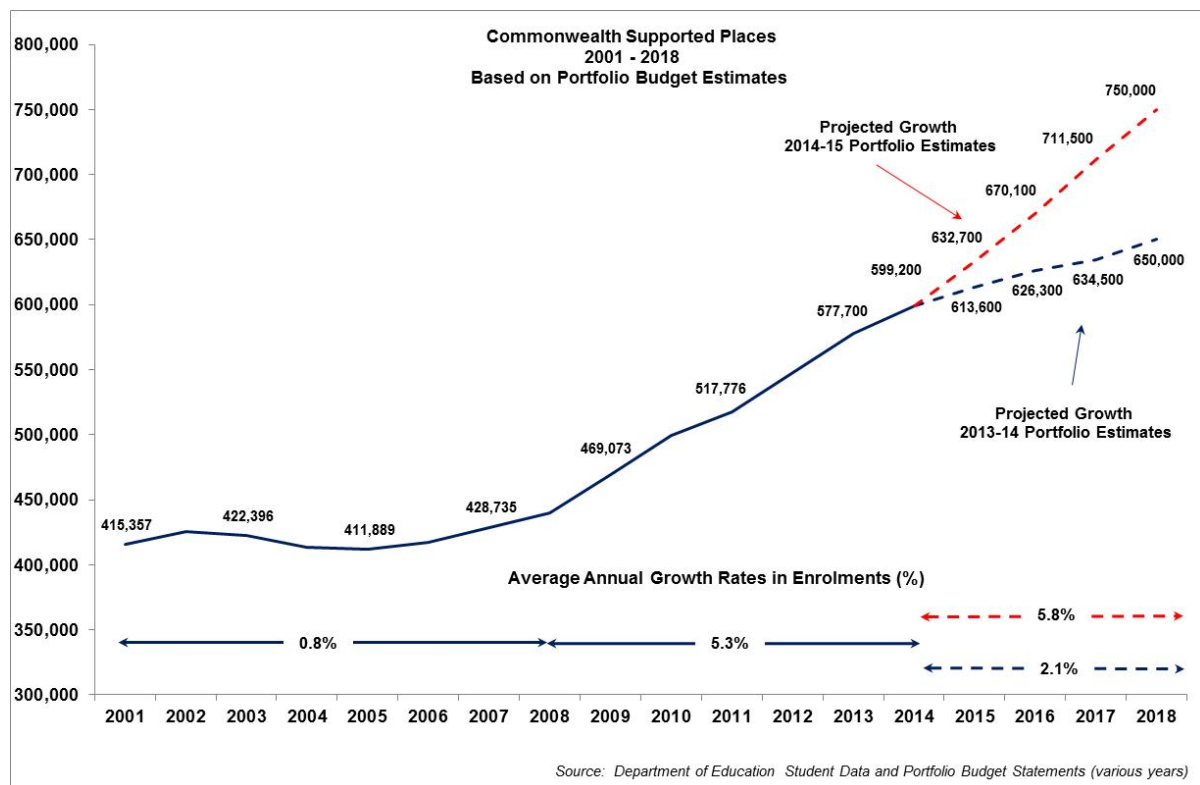


Chart A1 shows that between 2001 and 2008 the average growth in CSPs was relatively flat and grew at only 0.8% per year. The announcement of the CSP in 2009 was accompanied by a rapid increase in the growth in CSP numbers with the average annual growth increasing to 5.3% between 2009 and

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2014. As the Budget estimates from 2013-14 (prior to current government’s announcements) the rate of growth in CSPs was forecast to moderate after 2014 to about 2.1% per annum. Chart A1 also clearly demonstrates the impact Minister Pyne’s proposals to open up CSPs to sub-degree qualifications and private providers, which will growth almost triple from 2.1% a year to 5.8% a year.

**Real Commonwealth Grants Scheme (CGS) Funding**

Commonwealth funding in support of CSPs is distributed through the Commonwealth Grants Scheme (CGS). Chart A2 shows projections for levels of real (2014 values adjusted for CPI) expenditure on the Commonwealth Grants Scheme (CGS) in relation to:

- Pre-2014 Budget forecasts,
- Post-2014 Budget forecasts including the 20% cut to funding per student, and
- Post-2014 Budget forecasts excluding the 20% cut to funding per student.

**Chart A 2**

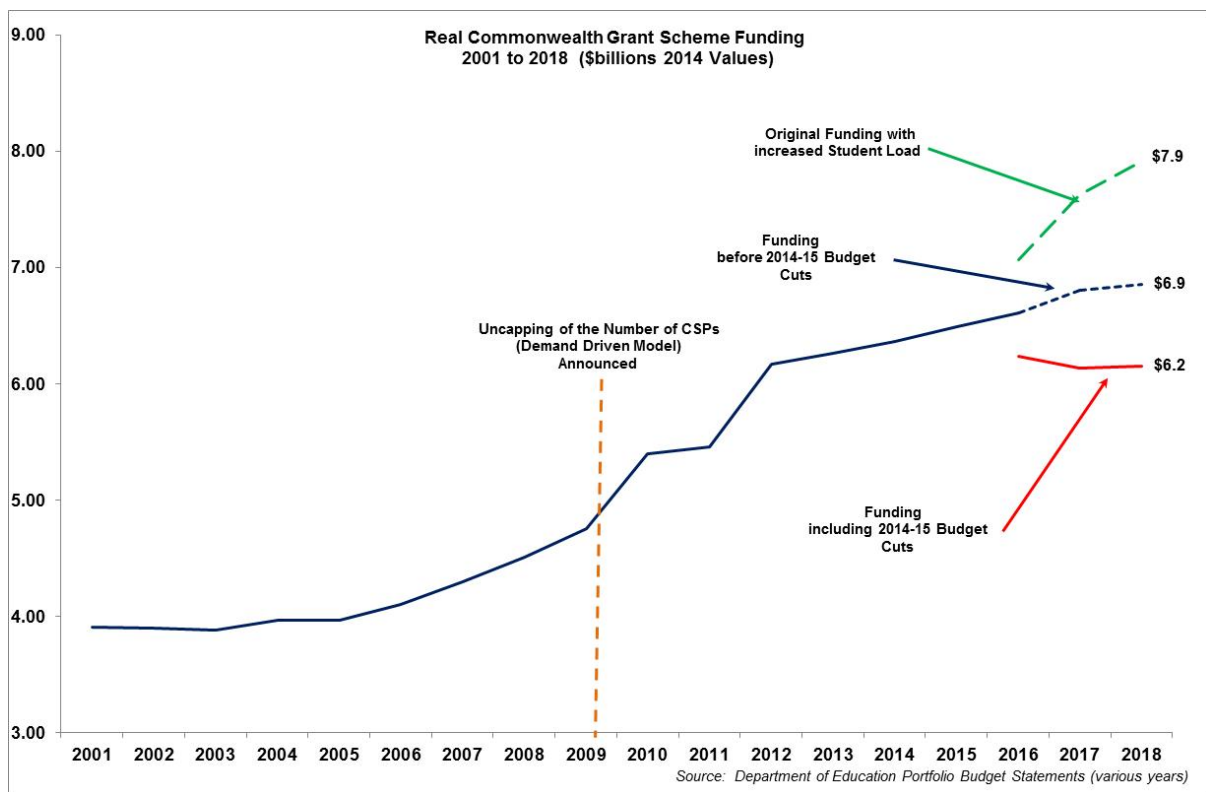


Chart A2 shows that between 2001 and 2009 real expenditure (measured in 2014 values) in support of domestic undergraduate students through the Commonwealth Grants Scheme (CGS) and its predecessor operating grants grew by 22% or about 2.7% per annum. The chart also shows the impact of the introduction of demand driven system where between 2009 and 2012 (which includes phase-in period) real total expenditure increased by almost 30% or 10% per annum. Finally, in relation to government’s current policy proposals Chart A2 clearly demonstrates the proposed cuts to funding per student is being driven by increased in the number of CSPs being offered. It also shows that, that if the government were to proceed with the expansion in places without any cut to funding that it would spend more on higher education than previous forward estimates.

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