

## Senate Select Committee on COVID-19

### QUESTION ON NOTICE

#### Australian Government's response to the COVID-19 pandemic - 28 July 2020

**Outcome: Higher Education, Research and International**

**Department of Education, Skills and Employment Question No. IQ20-000115**

Senator Mehreen Faruqi on 28 July 2020, Proof Hansard page 47

#### ***Evidence for proposed university fee changes***

##### **Question**

Senator FARUQI: Yes, sure. Professor Bruce Chapman, who designed the HECS system, and some other experts have said that the proposed university fee changes won't produce the government's desired effect of redirecting students into the priority degree fees that the government wants them to go into. They argue that the HELP system blunts the effects of price signals and that students choose their degrees on interest or earning potential. Are Professor Chapman and his colleagues right or wrong based on the evidence that you have?

Mr Heferen: I don't think it's really a clear case of right or wrong. A lot of these things were discussed a bit before with Senator Keneally. It's very clear that there will be some students—and we hope there will be a lot of prospective students—who will look at the reduced amount they need to pay for the priority courses and will enrol accordingly. There will be others—

Senator FARUQI: But what evidence does that rely on?

Mr Heferen: Sorry—if I could finish my answer, please. There will be others who, as I tried to explain to Senator Keneally before I got chucked at too much, will be far more immune to the price signal that's there. But that is the case with everyone across the board—the price of apples go up by a dollar, some people don't buy them. Some people are very sensitive; some people aren't. The observation—

Senator FARUQI: Where is the evidence for these assumptions and could you provide it on notice?

##### **Answer**

Historical and international evidence shows that student preferences move them away from courses when prices increase and towards courses when prices are reduced. Therefore it is expected that there will be some shift in enrolments based on price changes.

Some examples include:

- To encourage more students to study maths and science, the *Higher Education Support Amendment (2008 Budget Measures) Act 2008* moved mathematics, statistics and science from Band 2 into the National Priority Band, reducing the maximum student contribution amount from \$7412 to \$4162. The national priority band applied for maths and science between 2009 and 2012.

As a result, in 2009 the number of undergraduate applications in Natural and Physical Sciences increased strongly by 17.1 per cent on 2008. Comparatively, over the same period, the overall increase in applications was about 5 per cent. Between 2009 and 2012, applications for Natural and Physical Sciences increased by 34.7 per cent. Increases in applications carried over to increasing enrolments. In 2009 commencing domestic student numbers in Natural and Physical Sciences increased by 13.6 per cent on 2008, compared with the overall increase in commencing domestic students of

9.6 per cent. In 2010 Natural and Physical Sciences enrolments recorded the highest increase of any broad discipline—this was 12.6 per cent from 2009. In comparison, overall commencing domestic students increased by 6.5 per cent.

- International experience also indicates a price sensitivity, particularly for mature age students. England increased the cap on fees in 2012, resulting in a trebling of fees at most institutions. After the cap was raised and fees increased, there was an initial fall in overall enrolments (around 8.7 per cent). Fee increases were found to affect the application rates for older age groups in England, which showed larger declines relative to younger age groups. This is a decline of between 15 to 20 per cent, three times larger than the application rate fall for 18-year-olds.
- The 2011 Deloitte Access Economics paper titled ‘The impact of changes to student contribution levels and repayment thresholds on the demand for higher education’ produced for the then Department of Education, Employment and Workplace Relations found based on past HELP changes that demand for higher education responded negatively to price increases.