

# Submission

to

Senate Employment, Workplace Relations and Education  
References Committee

## **Inquiry into higher education funding and regulatory legislation**

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**INTRODUCTION**

The Council of Private Higher Education (COPHE) appreciates the priority given higher education in the policy agenda of both the Government and the Opposition.

COPHE welcomes the invitation to make this submission to the inquiry and so provide a private institution perspective on the principles encapsulated in the Government's higher education reform package.

COPHE advocates measures that treat all higher education students equally and maintains that the dichotomy between public and private higher education institutions is now artificial and unhelpful. We have sought policy that recognizes the contribution made by the private higher education sector and the inequities faced by students.

In submissions to the Crossroads review COPHE recommended:

- the provision of income contingent loans (in effect the extension of the PELS mechanism ) to all full fee students, both undergraduate and postgraduate; and,
- the extension of targeted HECS-liable places to private higher education institutions where private providers offer the best means of achieving particular public policy objectives.

The inclusion of measures in the package that address these recommendations is welcomed by COPHE as a very significant development for students enrolled in private providers of higher education. There are some aspects about which there are still questions relating to implementation which need to be worked through. COPHE is also keenly awaiting the legislation and may seek to make a supplementary submission after having the opportunity to review it.

COPHE has not advocated measures that would divert any funding away from the public sector.

## **RESPONSE TO OUR UNIVERSITIES: BACKING AUSTRALIA'S FUTURE**

The wide range of measures proposed in the Government's higher education package is primarily directed to public sector institutions reflecting the fact that the vast majority of students in Australian higher education are enrolled in the public sector. While a strong public university sector is very important and clearly in Australia's interest, it is also important that policy consideration is not restricted to thirty-eight public universities.

COPHE considers that the Government's blueprint for reform, following on the extensive Crossroads review, outlines a way forward that promotes sustainability, quality, equity and diversity. The new environment envisaged provides the opportunity to forge new partnerships in higher education to the benefit of the wider community.

### **FEE – HELP**

The inclusion of approved private higher education institutions in the FEE – HELP arrangements, providing support for students through access to income contingent loans, is welcomed as an important equity measure that will stimulate student choice, provide additional places at minimal cost to government and encourage private contribution to higher education.

The key advance is that FEE - HELP removes the need for students to pay fees up front.

Students in the private sector of higher education, in the absence of loan provision, have been forced to pay up front fees and the level of enrolments has certainly been restricted by their ability to pay. Australian parents contribute through the tax system yet when their student children enroll in a private institution they have been forgotten.

### **CONCERNS WITH FEE-HELP**

- The \$50,000 limit on FEE-HELP means that some students will not be able to access a loan for the full amount of their tuition and as such goes against the principle that no student will be forced to pay up front, a key equity and access measure. Provision should be made for a higher limit to apply to longer courses such as double degrees and to courses in high cost fields of study.
- Given that undergraduate students paying full fees are not taking up funded HECS places, that postgraduate study needs to be encouraged, that both are primarily funded from private contribution and that both will deliver a significant public benefit, imposition of a 3.5% interest rate on top of indexation seems unwarranted.
- In modeling the impact of a 3.5% interest rate on the loan, in addition to CPI, COPHE is concerned that the minor reduction in debt which can occur over the first ten years of repayment may inhibit students from undertaking post-graduate studies. We support the argument of the AVCC that while the relatively recent PELS scheme has successfully boosted post-graduate enrolments, the imposition of an interest rate, and the proposed cap on debt, will tend to reduce enrolments rather than boost them.

## **COMMONWEALTH-FUNDED PLACES IN NATIONAL PRIORITY AREAS**

Recognizing that COPHE member institutions attract education and nursing students who make a significant contribution to our society after graduation, COPHE has welcomed access to funded undergraduate places for private institutions in these priority fields of study.

The package provides up to 1,400 Commonwealth supported places for private higher education institutions. These 1,400 places include the 655 Commonwealth supported places currently provided to Avondale College and the University of Notre Dame Australia. By 2008 the new 745 places (272 will be available in 2005 and they must be commencing students) will attract \$22.1 million in funding. The allocation mechanism is still to be clarified.

COPHE member institutions have a longstanding commitment to these priority areas and a capacity to contribute to meeting these national needs.

## **CONCERNS REGARDING NATIONAL PRIORITY PLACES**

- It is difficult to see how annual contracts will provide sufficient assurance of continuity for institutions to invest with any confidence, and while acknowledging that the Commonwealth commitment cannot be open ended, COPHE seeks an alternative model that will enable institutions to plan ahead. A rolling triennium would be one such model.
- COPHE considers that the number of places available from 2005 may be insufficient to meet demand and COPHE would welcome a review of the allocation in the light of experience.
- The allocation process needs to be clarified. Cooperation between State and Commonwealth Governments, in the assessment of labour market needs, will be required.

## **OTHER ISSUES**

### **COST, COMPLEXITY AND DUPLICATION IN COMPLIANCE**

COPHE member institutions support quality assurance measures and transparent governance and reporting, pointing out that robust quality processes are in our own interest. The quality assurance and accountability measures proposed in the package pertaining to private institutions are not unreasonable of themselves but there is real concern, particularly for smaller institutions, at the overall burden and cost of compliance as well as the possibility of duplication between state and Commonwealth requirements. Private institutions already have to comply with state requirements and some operate in several jurisdictions. Even with the implementation of the MCEETYA protocols for higher education approval processes, procedures vary between states and there is no common standard for reporting.

Additional compliance costs will inevitably be reflected in fees. COPHE seeks to work with State and Federal agencies to develop processes that minimize duplication of effort.

## **SCHOLARSHIPS AND EQUITY**

One of the concerns raised by public universities in their response to the reform package is the adequacy of equity measures applicable to students from under-represented groups. The equity measures proposed in the package including Commonwealth Learning Scholarships, Commonwealth Education Costs Scholarships and Commonwealth Accommodation Scholarships are directed to assisting rural and regional, low SES and indigenous students with costs associated with higher education.

Students enrolled in private higher education institutions are explicitly excluded from access to these scholarships.

If these Commonwealth programs are truly focused on improving equity for disadvantaged students and encouraging participation in higher education then they should, as a matter of principle, apply to students irrespective of the institution in which they enroll. It is exceedingly difficult to see how the benefit to students could be dependent upon the public or private character of the institution.

## **TAXATION INCENTIVES FOR PRIVATE INVESTMENT IN HIGHER EDUCATION**

*Our Universities: Backing Australia's Future* included the announcement that new tax incentives to encourage employer/industry investment in higher education will be investigated by the Australian Taxation Office. Though strictly outside the scope of the higher education package this is an important area that must be explored by the Government if private investment in higher education is to be encouraged and the principle of equitable treatment is to be observed.

There are several different aspects of higher education where tax treatment needs to be reconsidered. These range from encouraging philanthropy through to industry partnerships and fostering investment by individuals and their families.

In relation to philanthropy, the COPHE submission to Crossroads raised the following issues as the situation pertaining to Deductible Gift Recipient (DGR) status for institutions in private higher education has actually become more restrictive since 2000. Anomalies also exist, with some institutions having DGR status and others not. It needs to be remembered that the vast majority of students in the private higher education sector are enrolled in institutions that, like the public sector, are not-for-profit.

In 2000 the Australian Taxation Office adopted inclusion in Section 4 of the Higher Education Funding Act as the definition of Higher Education for the purposes of attaining DGR status. That effectively means (with a couple of exceptions) that only donations to funded institutions are deductible to the donor, putting private higher education institutions not included in that part of the HEFA at a huge disadvantage in raising support for scholarship and research.

Efforts to gain DGR status by not-for-profit institutions that can clearly demonstrate a level of scholarship and teaching that is equivalent to a university are rejected because the institution is not included in HEFA. This is clearly short sighted and inequitable.

Not-for-profit private higher education institutions can establish deductible library and building funds. However the focus for the future needs to be investment in people who undertake research, scholarship and teaching. Donors are not encouraged yet there is evidence of potential and on-going financial support for the teachers and researchers actually engaged in this important work.

The solution that will, over time, help build a culture of philanthropy in higher education teaching and research, is to grant DGR status to not-for-profit higher education institutions that can satisfy the Minister that they are accredited in state jurisdictions in accordance with MCEETYA protocols.

In various submissions, including to Crossroads, our colleagues at Bond University have raised innovative models for encouraging investment in higher education, drawing on examples from other industries where governments have been proactive in encouraging and facilitating greater personal and private investment.

These include:

- a system of tax credits, similar to the HOPE Credits operating in the United States, whereby a portion of higher education fees and related expenses can be claimed as a tax credit;
- a system similar to the Lifetime learning credits available through the taxation system in the USA;
- permitting tax deductibility of tuition fees; and,
- education saving accounts where the build up of interest within the account is tax free, and neither the principal nor interest is taxable upon withdrawal if used for a qualified education expense.

## **CONCLUSION**

From the COPHE perspective *Our Universities: Backing Australia's Future* is an important step forward:

- in developing consistent policy towards all sectors in higher education;
- in recognizing inequity faced by students in private higher education; and,
- in proposing a range of innovations that will harness the resources needed to take higher education into a sustainable future.

## **CONTACT DETAILS**

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