Australian Government
Department of Education

Regulation Impact Statement

2014-15 Budget Higher Education Reforms

ISBN

978-1-74361-847-9 [PDF]
978-1-74361-848-6 [DOCX]

Contents

1. Glossary

AIATSIS	Australian Institute of Aboriginal and Torres Strait Islander Studies
ARC	Australian Research Council
ASQA	Australian Skills Quality Authority
ATAR	Australian Tertiary Admission Rank
ATN	Australian Technology Network
AGS	Australian Graduate Survey
CGS	Commonwealth Grant Scheme
COAG	Council of Australian Governments
CPI	Consumer Price Index
CSP	Commonwealth supported place
CSS	Commonwealth Scholarship Scheme
DVC	Deputy Vice-Chancellor
EFTS	Equivalent Full-Time Student
EFTSL	Equivalent Full-Time Student Load
Go8	Group of Eight
HDR	Higher Degree by Research
HECS	Higher Education Contribution Scheme
HEIMS	Higher Education Information Management System
HELP	Higher Education Loan Programme
HEP	Higher education provider
HEPP	Higher Education Participation Programme
HESA	*Higher Education Support Act 2003*
IRU	Innovative Research Universities
Low-SES	Low Socio-Economic Status
MOOC	Massive open online course
NCRIS	National Collaborative Research Infrastructure Strategy
NUHEP	Non-university higher education provider
OBPR	Office of Best Practice Regulation
OECD	Organisation for Economic Co-operation and Development
QILT	Quality Indicators for Learning and Teaching
RIS	Regulation Impact Statement
RTS	Research Training Scheme
RUN	Rural Universities Network
SES	Socio-economic Status
TEQSA	Tertiary Education Quality and Standards Agency
UA	Universities Australia
VC	Vice-Chancellor
VET	Vocational education and training

2. Executive summary

The Problem

Successive governments over the last sixty years have sought to increase participation in higher education for Australian citizens. While access to higher education has improved for many students through the introduction of demand driven funding for bachelor courses at public universities in 2012, significant constraints on the development of a well-functioning higher education market remain.

The provision of undergraduate and some postgraduate education at public universities is subject to price regulation. The Australian Government effectively decides the amount institutions can charge for a course without regard for the actual cost to the institution of delivering the course or other relevant factors including return on investment from study. It has distorted the consumer's capacity to distinguish between value propositions and eliminated the capacity for price to function as a moderator of demand in a dynamic labour market.

There is currently a whole segment of the higher education sector – private universities and non-university higher education providers (NUHEPs) – which are almost entirely excluded from receiving Government subsidies for student places. Students who wish to enrol at these institutions are unable to receive the benefits that would accrue to them if they enrolled at a public university. This acts as a disincentive and establishes competitive asymmetry among providers.

Furthermore, the provision of sub bachelor qualifications at diploma, advanced diploma and associate degree level are not funded on a demand driven basis and this distorts student choice and constrains the supply of skills at this level in the economy.

To address these problems, in the 2014-15 Budget the Government announced that from 1 January 2016 it would:

- provide an Australian Government tuition subsidy (Commonwealth supported place) for every student enrolled in an accredited higher education diploma, advanced diploma, associate degree, or bachelor degree at any higher education institution registered with the Tertiary Education Quality and Standards Agency (TEQSA)
- enable every higher education institution that offers Commonwealth supported places to determine how much - over and above the Government's contribution - it will charge students for their courses.

The Government announced a range of additional measures designed to ensure that Australia's higher education system is sustainable into the future, upholds quality and produces excellence in research.

Section 3 provides details on the challenges facing higher education in Australia.

Options considered

A range of policy options have been considered in the lead-up to the introduction of legislation to support the proposed higher education reforms.

The Regulation Impact Statement (RIS) compares four options for responding to current constraints in the higher education sector:

- Option 1 - The Government's proposed reforms
- Option 2 - No change option (i.e. maintain the status quo)
- Option 3 - Non-legislative option
- Option 4 - Additional options or approaches to the measures in the Government's higher education reform package identified through the consultation process

Section 4 provides details on the options.

Feedback from consultation
The higher education and research reforms announced in the 2014-15 Budget were the result of extensive national discussion and stakeholder consultation. The three major reviews undertaken between 2012-13 (*Review of the Demand Driven System, the Review of Higher Education Regulation* and the *Review of Reporting Requirements for Universities*) received 168 written submissions between them and the *National Commission of Audit* received a further 20 from universities, their peak bodies and non-university higher education providers.

Key findings and recommendations from the reviews informed the development of the higher education reform package, including:

- expansion of the demand driven system to bachelor-level places at private universities and NUHEPS registered by TEQSA
- expansion of the demand driven system to include sub bachelor courses
- a less regulated system for setting students' charges
- a level of concern relating to universities' access to useful and timely information.

The purpose of post-Budget consultation was to seek feedback from universities, other institutions, students and the general public on the implementation of the proposed reforms.

Immediate post-Budget contact was made with Vice-Chancellors, relevant peak bodies and interested NUHEPs to discuss the reforms. The Minister established two Working Groups of sector representatives to provide formal, independent advice on a range of issues including key policy questions.

Overwhelmingly universities, non-university providers and provider peak organisations have supported the thrust of the Government's reform proposals which includes the deregulation of students' fees.

Section 5 provides stakeholder views on particular elements of the proposed package.

Preferred option

Taking into account the costs and benefits of the options outlined above (with further detail on the impact of the policy options provided in Section 6), Option 1 is the preferred option. The proposed changes will address clear regulatory failure by removing price regulation, giving institutions the flexibility to restructure to offer services at prices and in quantities and qualities that reflect their specific circumstances and the preferences of their students.

Institutions will be free to innovate in respect of their course provision, including in relation to pathways qualifications, and delivery models. They will be able to differentiate themselves in the market by specialising in niche areas and pursing excellence or by offering a particular kind of educational experience (for example, one focused on work integrated learning, or flexible delivery, or providing pathways, or with a more global outlook), or whatever they choose.

The proposed reforms will provide the opportunity for more students to access the right type of higher education for their personal circumstances. The reforms would result in a greater number and a wider diversity of study options available for students (especially at the sub bachelor level). Students will be empowered to make informed choices through the Quality Indicators for Learning and Teaching.

It will open higher education up to competition and put pressure on price.

Prices for some courses will go up. If institutions wish to maintain their current revenue from Commonwealth supported places they will need to increase student contributions (fees) by 26 per cent on average[1]. Others will go down, for example as non-university higher education providers reduce the cost of their courses to take account of the Commonwealth subsidy, and as institutions begin to use price to send signals to the market in ways that they have not been able to do in the past.

The reforms will create a more effective and efficient market for the supply of skills developed by higher education – with price in play, over time institutions will be able to achieve a better match between supply and demand.

The future outcome will be a stronger, more dynamic and more efficient higher education sector. The proposed reforms will deliver transformational change to deal with, not just current fiscal repair, but future prosperity and sustainable growth. None of the other options presented in this document are sufficient to address the evident regulatory failure, nor do they make a sufficient contribution to the task of Budget repair or reduce the regulatory burden on institutions.

[1] Conor King (2014), 'The Higher Education reforms: Recovering the lost Government subsidy from students', 16 June, available here.

Regulatory costs

The proposed reforms (Option 1) will decrease regulatory costs across the sector by $9.8 million per annum. The ‘no change’ option (Option 2) neither increases nor decreases regulatory costs. Option 3 would decrease regulatory costs by approximately $9 million per year. Option 4 (additional options or approaches identified through the consultation process in relation to Option 1 which looks at alternative approaches to the Commonwealth Scholarship Scheme) would result in an overall decrease in regulatory costs of between $3.7 million and $9.1 million per year (in comparison to $9.8 million for Option 1).

A short-form RIS for the higher education reform package was considered by the Government as part of the 2014-15 Budget process. This long-form RIS has been provided for the Government’s consideration of the detail of the final legislation.

3. The challenges facing higher education in Australia

This section of the RIS will:

- provide an overview of the key drivers in the higher education sector in Australia
- explain the current regulatory framework
- outline the problems facing the higher education sector, including the main regulatory and market failures
- describe why government intervention is warranted.

3.1 Key drivers in the higher education market

Key drivers in higher education that include supply and demand side factors are discussed in this section.

Education is viewed more and more by governments as a significant contributor to national wealth and economic development.

Furthermore, the increasingly competitive international education market - which Australia is an important player - has demanded continuous improvement in the quality of Australia's higher education system to ensure we maintain our position in the market for international students.

To maintain a high standard of teaching and research which caters for the needs of domestic and international students, substantial and continuing investment is needed. The deregulation of fees in the domestic market provides Australia's higher education providers the opportunity to seek the revenue to fund the highest quality teaching and research.

Public and private higher education providers

The higher education system in Australia is comprised of higher education providers (HEPs) – organisations that are authorised by the Australian Government to confer higher education qualifications on individuals. There are two broad types of HEPs:

- Universities – a category that encompasses public universities, private universities and overseas universities
- Non-university higher education providers (NUHEPs) – which are generally classified in terms of those that are approved to offer FEE-HELP (non-university FEE-HELP providers) and those that are not (other HEPs).

At present, there are:

- 42 universities in Australia – comprising 37 public universities, three private universities and two overseas universities
- 133 NUHEPs – comprising 95 non-university FEE-HELP providers and 38 other HEPs.[2]

An overview of the higher education system is at Attachment C.

[2] 2013 Department of Education and TEQSA data

The Australian Government supports the higher education sector through policies and programmes and is the major funder of Australian universities. Total funding provided by the Government to universities in 2012 was over $14 billion and this comprised grant payments of $10 billion and HELP student loan payments of $4.3 billion. Universities' revenue in 2012 from all sources was $25.2 billion.

Over 1.3 million students were enrolled in higher education in 2013. Of these, over 328,000 were overseas students. Higher education earned just over two thirds of Australia's nearly $15 billion in education export income. Education has been Australia's largest service export for a number of years and it continues to grow.

While public universities are largely established under state and territory legislation, the national regulator - the Tertiary Education Quality and Standards Agency (TEQSA) - oversees registration of all higher education providers, including public and private universities and NUHEPs.

As part of the TEQSA initial registration process, all higher education providers must demonstrate that they have the financial resources and financial management capacity to sustain higher education operations (consistent with the provider registration standards) and that:

- the higher education provider is financially viable and has the capacity to sustain quality in its current and planned higher education operations, using realistic projections of student demand and income from all sources
- the higher education provider applies, and demonstrates the capacity to continue to apply, sufficient financial resources to ensure the achievement of its higher education objectives
- the higher education provider has business continuity plans and financial and tuition safeguards in place for students should the higher education provider cease to provide a course of study, cease to operate as a higher education provider or suffer a major incident affecting the operations of the higher education provider
- financial aspects of the higher education provider's higher education operations are well-managed in accordance with legal requirements and Australian accounting standards and the higher education provider has effective arrangements for the detection and prevention of fraud and mismanagement
- the financial records of the higher education provider are accurate and independently audited by an appropriately qualified auditor.

For re-registration, TEQSA utilises annual financial reports and audited statements to monitor risk to financial viability, which may lead to a decision to conduct a full assessment at the point of a renewal of registration (or earlier if necessary in exceptional cases).

Since TEQSA commenced regulatory operations in January 2012 (to 19 August 2014), it has conducted initial registration processes for 15 institutions, as well as renewal of registration processes for 50 institutions (including ten universities), with all but one institution approved. TEQSA has also accredited 283 new courses and re-accredited 315 courses for non-self-accrediting institutions.

Based on a point in time analysis (19 August) of TEQSA's regulatory experience, providers have mostly been found to be compliant with financial viability and sustainability requirements. About one-third of providers considered in this analysis were assessed at risk of non-compliance, with approximately 20 per cent being managed with conditions. Reasons varied and included cash flow and liquidity issues, reliance on other entities and scale (e.g. start-up or micro). Non-compliance leading to rejection has occurred in exceptional cases.

The *Finance 2012: Financial Reports of Higher Education Providers report*[3], released by the Minister for Education on 19 December 2013, showed the operating surplus of Australia's 39 universities — including VET operations of dual sector providers — totalled $1.93 billion in 2012, a slight decrease of 0.4 per cent compared to the 2011 result of $1.94 billion.

In 2012, the total net assets in higher education increased to $41.8 billion, up by nearly $3.0 billion, or 7.6 per cent, from 2011. External borrowings including VET operations of dual sector providers increased to $2.8 billion, but the debt to equity ratio remained modest at 39 per cent.

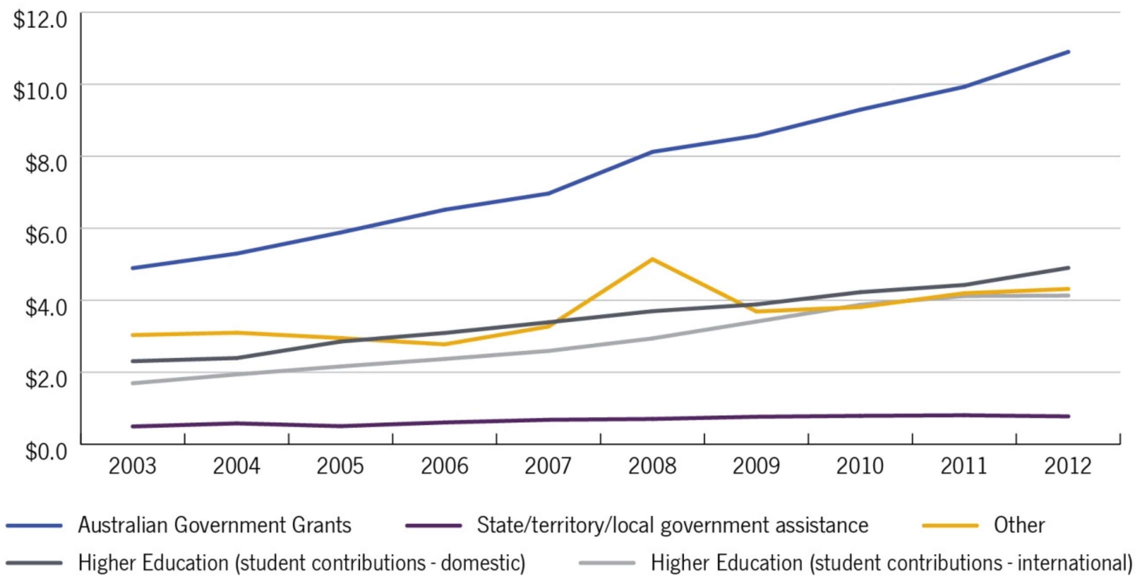
Market share and Government subsidies
In 2012, public universities reported total revenues of $25 billion.[4] Of this:

- $10.9 billion (or 44 per cent of the total) was sourced from Australian Government Grants (including $6.3 billion from the Commonwealth Grant Scheme (CGS), $2.1 billion from various research grant programmes and $2.5 billion from other funding sources)
- $9 billion (36 per cent) was sourced from student contributions (through income contingent loan payments, upfront contributions, and fees and charges to domestic and overseas students)
- $0.8 billion (3 per cent) was sourced from state, territory and local governments
- $4.3 billion (17 per cent) came from other sources (e.g. investment income, royalties, consultancies and bequests).

The total revenue earned by public universities increased from $12.4 billion in 2003 to $25 billion in 2012 – a compound annual growth rate (CAGR) of 8.1 per cent. As Figure 3.1 illustrates, while revenue from all sources increased over the past decade, revenue from student contributions and Australian Government Grants enjoyed the strongest growth (with CAGRs of 9.5 per cent and 9.3 per cent, respectively).

[3] Department of Education (2013), 'Finance 2012 – Financial reports of Higher Education Providers', 11 December, available here.
[4] Department of Education (2013), 'Finance 2012 – Financial reports of Higher Education Providers', 11 December, available here.

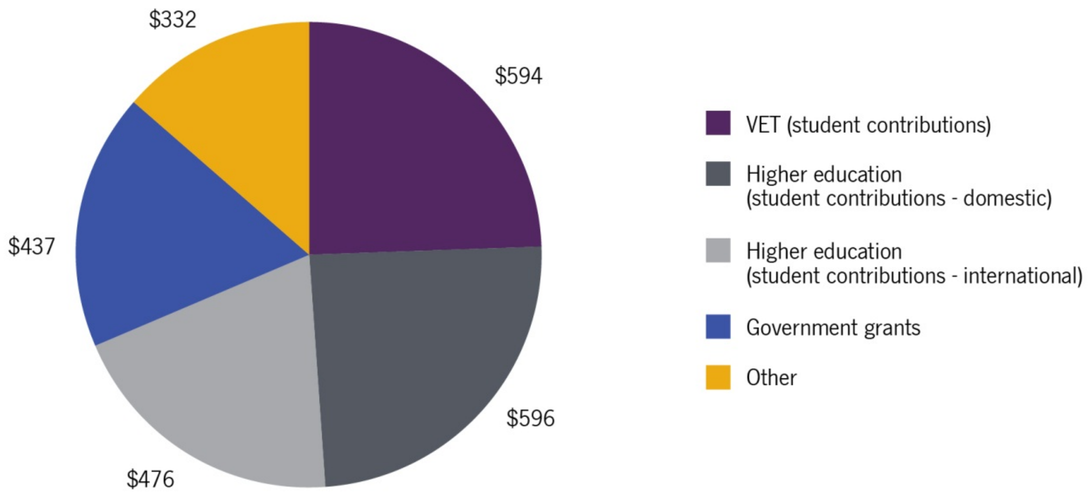
Figure 3.1: Sources of revenue for public universities, 2003 to 2012 ($A billions)



Source: Department of Education

Other universities (private and overseas) and non-university FEE-HELP providers received a total of $2.4 billion in 2012. Of this, $1.1 billion (45 per cent) was sourced from student contributions (through income contingent loan repayments, upfront contributions, and fees and charges to domestic and overseas students), with the remaining $1.3 billion from VET courses, Government grants and other sources (Figure 3.2).

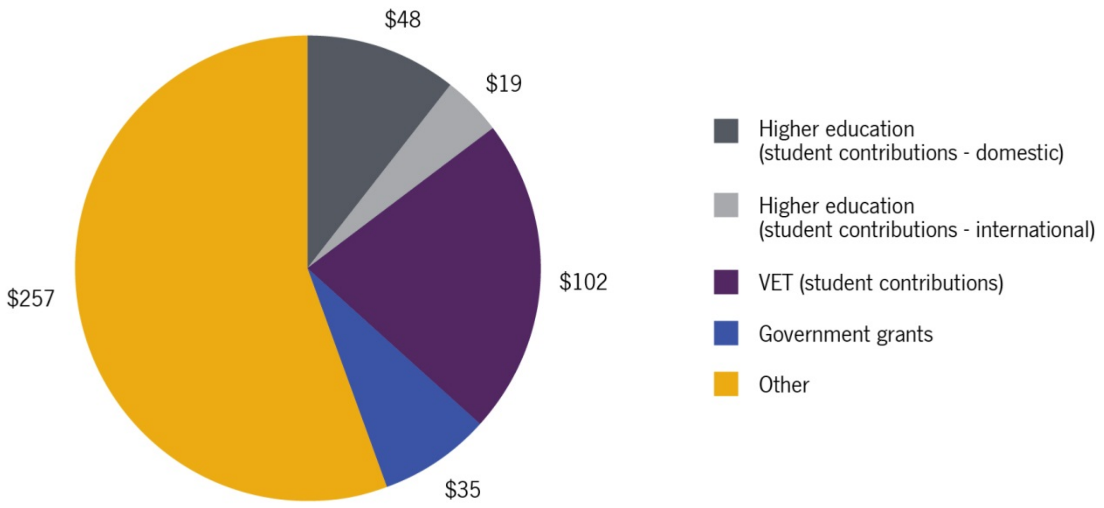
Figure 3.2: Sources of revenue for other universities and non-university FEE-HELP Providers, 2012 ($A millions)



Source: Tertiary Education and Quality Standards Agency

Other HEPs received a total of $462 million in 2012. Contributions from domestic and overseas students for higher education courses accounted for $67 million (or 15 per cent of the total), with the remaining $395 million originating from VET courses, Government grants (not related to higher education) and other sources (Figure 3.3).

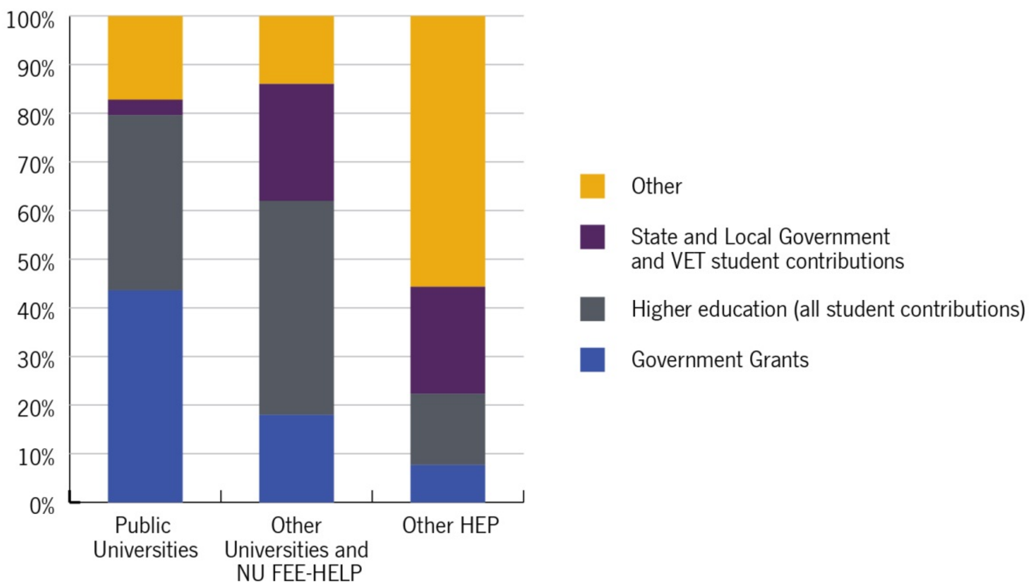
Figure 3.3: Sources of revenue for other HEPs, 2012 ($A millions)



Source: Tertiary Education and Quality Standards Agency

The proportion of revenue by source for public universities, other universities and non-university FEE-HELP providers and other HEPs is compared in Figure 3.4.

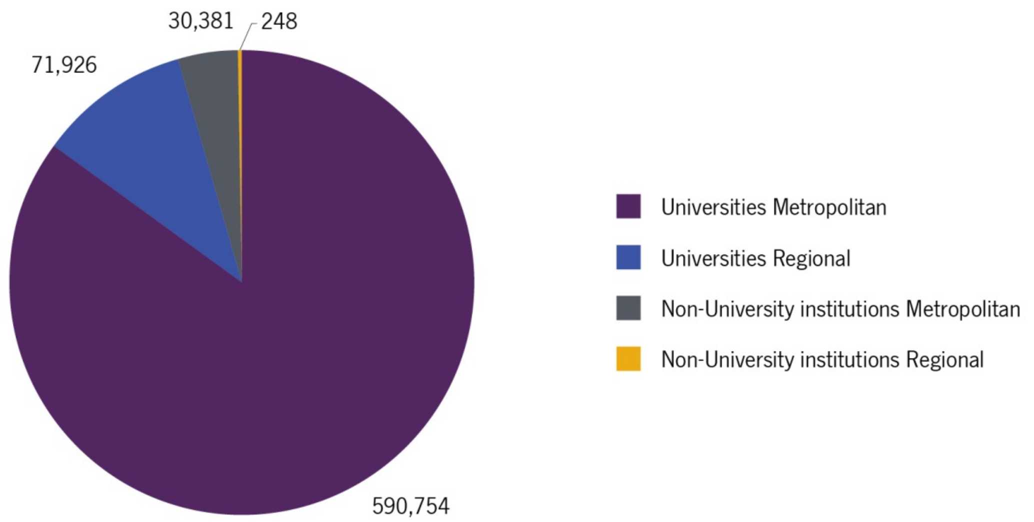
Figure 3.4: Share of revenue by source, public universities, other universities and non-university FEE-HELP Providers and other HEPs ($A millions)



Source: Department of Education

The current market share for domestic students is presented in Figure 3.5 which shows the vast majority (85 per cent) of students study at metropolitan universities, while a very small number of students (<0.04 per cent) study at regional non-universities.

Figure 3.5: Domestic students (EFTSL) by provider type and metro/regional



Source: Department of Education

Notes:
Universities includes all Table A, Table B and Table C providers.
Regional Universities includes Charles Sturt University, Southern Cross University, University of New England, Federation University Australia, Central Queensland University, University of Southern Queensland, University of the Sunshine Coast, Batchelor Institute of Indigenous Tertiary Education, Charles Darwin University.
Regional non-university institutions includes Blue Mountains International Hotel Management School and Byron Bay campus of SAE Institute and Qantm College.

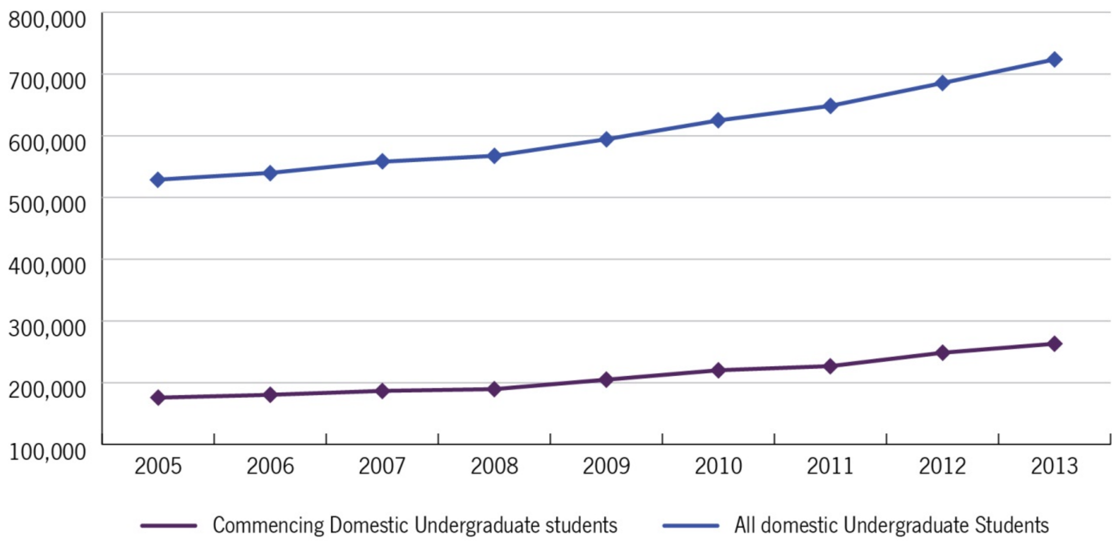
Number of students and courses undertaken

According to data collected by the Department of Education and TEQSA, around 93 per cent of students (headcount) are enrolled with universities, while non-university providers make up 77 per cent of all higher education providers in Australia.

Student numbers in undergraduate and postgraduate courses have grown strongly over the past decade, from 717 692 domestic students in 2005 to 985 374 in 2013. Figure 3.6 shows the total and commencing domestic undergraduate students each year from 2005. In 2012, 36.8 per cent of 25-34 year olds had a bachelor degree or higher qualification.[5]

[5] Australian Bureau of Statistics (2013), 'Education and Work, Australia', cat. no. 6227.0, Table 8, May, available at here.

Figure 3.6: Domestic undergraduate students, full year 2005 to 2013



Source: Department of Education

Enrolment in enabling courses has also increased significantly from 6,107 in 2003 to 22,574 in 2013. Further data regarding number of students by broad level of course from sub bachelor and enabling courses to doctorate courses is at Attachment C.

Table 3.1 shows the number of students (equivalent full time student load) by broad level of course and HEP in 2012. The majority of students at universities and non-university FEE-HELP Providers are enrolled in bachelor degrees. 25 per cent of students at non-university FEE-HELP Providers are undertaking diploma qualifications. The majority of students at other HEPS are enrolled in graduate diploma degrees.

Table 3.1: Students (EFTSL) by HEP and broad level of course, 2012

AQF	Course Level	Universities	%	Non-university FEE-HELP Providers	%	Other HEPS	%	Total	%
5	Diploma	4,405	<1%	11,551	25%	76	1%	16,032	2%
6	Advanced Diploma	2,420	<1%	664	1%	1	<1%	3,085	<1%
6	Associate Degree	5,984	<1%	1,665	4%	16	<1%	7,665	<1%
7	Bachelor Degree	636,263	74%	24,757	53%	1,291	21%	662,311	73%
8	Bachelor's Honours	13,521	2%	81	<1%	0	<1%	13,602	1%
8	Graduate Certificate	9,532	1%	232	<1%	403	7%	10,167	1%
8	Graduate Diploma	20,464	2%	3,549	8%	3,599	60%	27,612	3%
9	Masters by Coursework	103,818	12%	3,580	8%	581	10%	107,979	12%
9	Masters by Research	4,708	<1%	63	<1%	0	<1%	4,771	<1%
10	Doctorate by Coursework	786	<1%	16	<1%	0	<1%	802	<1%
10	Doctorate by Research	37,808	4%	88	<1%	0	<1%	37,896	4%
	Other	19,586	2%	642	1%	74	1%	20,302	2%
	Total	**859,295**	**100%**	**46,888**	**100%**	**6,041**	**100%**	**912,224**	**100%**

Source: Department of Education

Distributional aspects

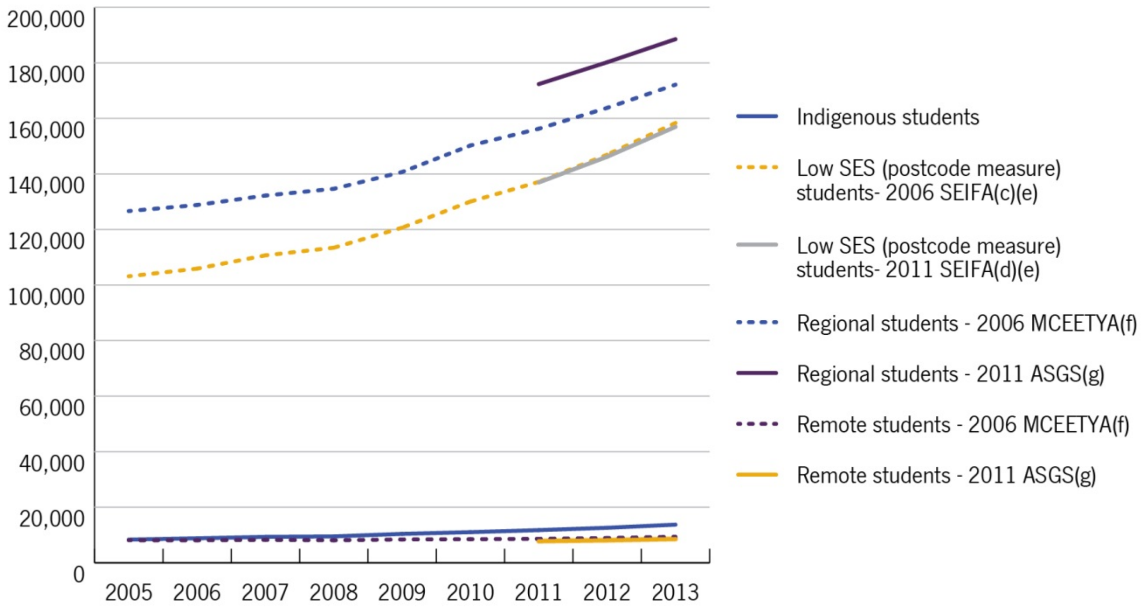
Of Australia's 37 public universities, 24 have campuses that attract Regional Loading which provides additional funding under the Commonwealth Grant Scheme (CGS) to help providers offset the disparity in costs and revenue of regional campuses in comparison with major city campuses.

Figure 3.7 depicts the distributional trends in student enrolments from 2005 to 2013. It shows that in 2013, regional students numbered 188,531 (2011 Australian Statistical Geography Standard, ASGS, methodology) of 985,374 domestic students (or 19 per cent of domestic students). In the same year, Indigenous students made up 1.4 per cent of domestic students, and low socio-economic status students (SES) (2011 SEIFA methodology) made up 16 per cent.

Regional universities, on average, also support a higher percentage of equity groups with two per cent of domestic enrolments being Indigenous students, and 32 per cent of domestic enrolments being from a low SES background[6].

[6] Regional Universities Network (2013), 'Regional Universities Network Pocket Statistics', July 2014, available here.

Figure 3.7: Domestic undergraduate students, full year 2005 to 2013, by selected equity groups



Source: Department of Education

The 2011 *Review of Regional Loading* found that higher education in regional areas differs from metropolitan areas in the following key ways:

- higher education participation rates are lower in regional areas
- regional secondary-school completers are much less likely to plan to undertake higher education
- potential students face greater disincentives to study because of costs and distance to campuses
- higher deferral rates
- students are more likely to be from a low socio-economic status background
- students are predominantly from regional areas
- students are more likely to be female, older and care for dependents (and thus less able to move to study)
- students are more likely to be enrolled in enabling courses and less likely to be enrolled in research doctorates or masters by coursework
- students are more likely to study part time and via distance/multi-modal education
- graduates tend to stay in regional areas for further study and employment especially if they grew up in a regional area.

3.2 Current Regulatory Environment

The Australian Government regulates the competitive landscape of the higher education system in two main ways. Firstly, to assure quality through TEQSA and the *Higher Education Standards Framework (Threshold Standards) 2011*, the Australian Government controls:

- entry into the higher education system through provider registration
- course accreditation for NUHEPs
- movement within the higher education system (i.e. through the provider categories).

Secondly, through the *Higher Education Support Act 2003*, the Australian Government determines the courses and HEPs that are eligible for:

- subsidies under the Commonwealth Grant Scheme
- fee deferral under the various income contingent loan schemes (HELP).

Government subsidies and price caps

Prior to 2009, the Australian Government funded a finite number of Commonwealth supported places (CSPs), and restricted which HEPs could offer CSPs. These were typically public universities and a small number of other institutions. In response to the findings and recommendations of the Bradley Review, from 2009, the restrictions on the number of CSPs were reduced and removed entirely from 2012. Now, public universities can enrol unlimited numbers of students in bachelor-degree CSPs, except in medicine (however this is subject to Ministerial discretion). Under funding arrangements, the Minister can set a maximum total payment for student places by institution (so long as it is not less than the previous year's funding).

CSPs for the sub bachelor and postgraduate course work qualifications and medicine courses are allocated by the Government.

Students that enrol in universities or approved private higher education providers will be offered either a CSP or a fee paying place.

Forty four HEPs (including all 37 public universities) currently offer CSPs to domestic students. These are subsidised enrolments and generally apply to bachelor and sub bachelor courses. The Australian Government subsidises a CSP by paying part of the fees for the place directly to the HEP and the student pays the remainder of the fees through a 'student contribution' amount. On average, the Government subsidises around 60 per cent of the actual cost of higher education and the student pays the remaining amount (student contribution amount) to the approved provider.

Further details regarding student and Government contributions for 2014 CSPs is at Attachment C.

Student contribution amounts are capped by the Australian Government, the level of which is determined by the unit of study in question (Table 3.2). While HEPs can charge less than the capped amount, few (if any) do so and this makes the cap the effective price.

Table 3.2: 2014 student contribution bands and ranges

Student contribution bands		2014 student contribution range (per equivalent full time study load)
Band 3	Law, dentistry, medicine, veterinary science, accounting, administration, economics, commerce	$0 - $10,085
Band 2	Mathematics, statistics, science, computing, built environment, other health, allied health, engineering, surveying, agriculture	$0 - $8,615
Band 1	Humanities, behavioural science, social studies, education, clinical psychology, foreign languages, visual and performing arts, nursing	$0 - $6,044

Source: Department of Education

Further details regarding Government funding to universities including under the Research Training Scheme (RTS) is at Attachment C.

While the Australian Government regulates the maximum student contribution amount for CSPs, it does not place restrictions on maximum fees for domestic students that are not subsidised by CSPs (i.e. those students in full-fee paying places). There are also no restrictions on maximum fees for international students in any course. It is at the provider's discretion to determine the level of tuition fees it will charge for their courses.

Current higher education market forces

Demand for university education and student decision making including course choice is driven predominantly by the following factors:

- prestige/status of institution (as a proxy for quality)
- proximity - distance to university/NUHEP (universities have a degree of geographic monopoly)
- price or course cost
- number of students aspiring to higher education.

Other demand-side factors include perceived return on investment from study which takes into account expected financial and non-financial benefits.

The **supply** of higher education places in a demand driven system depends on factors including:

- the price students/families are willing to pay
- the cost higher education providers must pay to deliver courses
- university strengths – e.g. Excellence in Research for Australia
- labour market needs
- government regulatory and funding framework (e.g. enabling new models of supply)
- international benchmarks.

Prior to the demand driven system (for universities), the number of CSPs funded was capped, in effect the Government determined supply. The cessation of domestic full-fee paying places (in courses where universities had filled HECS places) by the Labor Government in 2008 also contributed to the control of supply.

As the level of bachelor student fees able to be charged by universities is capped by the Government, in practice, universities generally levy fees at or near the maximum allowed and this means there is no competition in terms of price. This has led to the effective establishment of a common resourcing level across institutions and limits what can be offered through a ‘one size fits all’ approach. Universities can only increase revenue by enrolling more students and quantity therefore becomes the key driver rather than quality. It has also encouraged some students to enrol in bachelor degree courses when alternative courses of study may have been more appropriate.

The 2014 *Review of the Demand Driven Funding System* by the Hon Dr David Kemp and Andrew Norton (the Review) was initiated to test the early impacts and outcomes of the demand driven system and address concerns that mass participation in higher education may lead to a reduction in quality.

The Review found that, since its introduction in 2012, the demand driven system has delivered a range of benefits, including improved access for students, greater competition and responsiveness to student demand, and improved innovation. Participation has increased without compromising quality. Indeed, some universities reported the demand driven system had increased pressure on them to offer higher-quality teaching. The reported rationale is that under the old system, demand always exceeded supply so students who left without completing could be replaced with new students from the applicant pool. In the new system, a student who leaves early is two or three years of lost revenue.

The Review analysed Department of Education data on student applications and enrolments by field of education, data from Graduate Careers Australia (including *GradStats: employment and salary outcomes for recent higher education graduates* 2013 and *Graduate Destinations* 2012), data from Tertiary Admissions Centres, as well as Department of Employment information on skills shortages. Through this data, the Review found evidence that the greater flexibility and responsiveness of the system had encouraged a better fit between the skill needs of the wider economy and those possessed by university graduates, which should therefore contribute to future improvements in productivity.

However, the Review acknowledged the introduction of demand driven funding has increased the costs of higher education to government. It noted that while the number of students has increased, so has the risk of non-completion as less academically prepared students have entered in greater numbers. For such students, the use of ‘pathway’ programmes, such as a diploma course, has been shown to substantially improve academic outcomes. The Review recommended demand driven funding be extended to encompass these sub bachelor courses.

3.3 Regulatory and market failure of the current environment

While access to higher education has been improved for some through the introduction of demand driven funding for bachelor courses, significant constraints on the development of a well-functioning higher education market remain. This section will discuss the following regulatory and market failures that are constraining the development of the higher education market:

- regulatory failure – capping the price of higher education
- regulatory failure – competition
- regulatory failure – inefficient matching of supply and demand
- market failure – insufficient information
- unsustainable and rising costs – fiscal consequences of the current environment
- unsustainable and rising costs – sharing the cost burden fairly
- unsustainable and rising costs – research excellence for Australia's future.

Firstly, the Government continues to control prices for all courses offered to Commonwealth supported students – the majority of activity in the sector. This regulatory failure leads to the Government dictating prices and distorting the efficient functioning of the market which reduces the ability for students to access low fee courses, and inhibits students' ability to choose courses on the basis of value added or return on investment in the absence of price signals.

Secondly, by continuing to limit which providers can deliver subsidised higher education and excluding demand driven sub bachelor places from the market, the Government's regulatory failure is limiting overall competition within the market. This reduces the ability of private sector HEPs to compete and causes an inefficient matching of supply and demand of sub bachelor places.

Thirdly, it is essential that adequate information be available for students to make informed decisions about the institutions and courses they choose. This level of information is lacking in the current environment.

Finally, the current environment is marred by unsustainable and rising costs to the Government. The uncapping of student places is estimated to have increased CGS funding by $7.6 billion over the five years from 2013-14 and a number of 'funding cliffs' (large programmes that do not have provision for funding into the future) have been left by the previous government. Change is needed now to sustain affordability and increase access for the next generation of Australians to enable institutions to access the resources they need to deliver a world class product.

Each of these barriers is discussed in further detail in the sub-sections below.

Regulatory failure

Capping the price of higher education

Australian businesses and the wider community would benefit from an accelerated supply of high level skills at a lower cost to the tax payer and of higher quality. The provision of better and more information will mean more informed choices in the market.

Under current policy settings, no matter what model of teaching delivery a university may wish to pursue, or the quality of the course it may wish to provide, its choices are limited by the fixed price set by the Government. Furthermore universities cannot meet the range of aspirations students might have for their course, nor capture the range of fees they may be prepared to pay.

The provision of CSPs is subject to a price cap placed on it through HESA consisting of two components:

1. a maximum student contribution that can be charged by a provider
2. a maximum Commonwealth contribution for each CSP.

While prices are not specifically capped for non-CSP higher education students, there is a proxy cap placed on these prices through the life-time limit on how much a student can borrow under FEE-HELP. In 2014, the FEE-HELP limit is $120 002 for students undertaking medicine, dentistry and veterinary science courses, and $96,000 for all other students. Bond University, as an example, has a significant majority of their domestic fee prices just under the $96,000 mark (around $93,000).

In a demand driven system, these price caps have led to a regulatory failure, where the Government is dictating the price for various disciplines rather than allowing the market to dictate them. This distorts the efficient functioning of the market and creates a perverse incentive that rewards universities for enrolling as many students as possible and teaching them as cheaply as possible[7]. Australia's major research universities typically have student populations of more than 40,000 students. This compares to Stanford (15,000); Cambridge (18,000); Tokyo (28,000); ETH Zurich (18,000); and the outstanding Caltech (2,200). Australian universities are therefore large by world standards and this impacts negatively on their quality of education and research.

Student choices are also impacted as the price caps restrict the ability for providers to set fees on the basis of quality or teaching delivery model. These price caps limit diversity in the higher education sector.

In the US, where course fees are deregulated, students can choose between a variety of institutions that include tiny specialised liberal arts colleges, outstanding state universities, niche private institutions, online private providers, and world-leading Ivy League schools.

[7] Ian Young (2014), 'Imagining an Australia built on the brilliance of our people', address to the National Press Club Canberra, 30 July, p.4, available here

Furthermore, survey data from the Australian Survey of Student Engagement and its North American counterpart the National Survey of Student Engagement indicates that, on average, US students find their study more academically challenging than Australian students do[8]. In addition, the data indicates “that Australian students report lower levels of contact with teaching staff and are less likely to have participated in "enriching educational experiences". Fifty three per cent of US students had participated in a practicum, internship, fieldwork or clinical placement, while only 28 per cent of Australian students had a similar experience.

In the domestic context, an example of a market in Australia that is already deregulated is postgraduate education, which has universities competing for postgraduate students by offering a diversity of education and a diversity of fees. Across almost all disciplines, the fees differ by up to 200 per cent[9].

Competition

The higher education sector does not currently operate in a truly competitive market. The introduction of demand driven funding for undergraduate bachelor degrees at public universities has reduced the ability of private sector HEPs to compete. It has also encouraged students to accept subsidised places in bachelor courses when they may be more suited to enrolling in other types of undergraduate courses. It has also hindered the development of private providers of higher education services and limited them to markets where Commonwealth contributions were not available or where the caps on student contributions restricted access.

The *Review of the Demand Driven Funding System* noted that the legal and regulatory frameworks governing public universities in Australia (for example, the provider category standards administered by TEQSA) have resulted in a high degree of uniformity across the sector. This limited flexibility has impeded competition in the market. Flexibility empowers institutions to use their expertise and experience to respond to the needs of students and the economy and wider society.

Through its consultations with universities and researching publicly announced partnerships, the Review found that, in addition to the small number of CSPs directly allocated to non-university higher education providers, public universities increasingly use such providers for third-party delivery, for example to deliver specialised ‘pathway’ programmes for less academically prepared students. While some innovation is emerging through these collaborations, non-university higher education providers are dependent on their public university partners and their own innovation is restricted. Current arrangements also limit competition between universities and non-university higher education providers. The Review concluded that demand driven funding could be a stronger driver of innovation if extended to non-university providers in their own right.

[8] Ian Young (2014), ‘Imagining an Australia built on the brilliance of our people’, address to the National Press Club Canberra, 30 July, p.4, available here

[9] Ian Young (2014), ‘Imagining an Australia built on the brilliance of our people’, address to the National Press Club Canberra, 30 July, p.4, available here.

International experience also confirms the benefits to higher education of increasing competition through the funding of non-university providers. Ministers at the 2007 London summit of the Bologna Process stressed 'the importance of strong institutions, which are diverse, adequately funded, autonomous and accountable'.[10] The strength that gives non-university higher education providers an innovative capacity, and hence entrepreneurial potential, is their autonomy.[11]

The Review of Higher Education Regulation reported the sector's vision for a high quality sector which strives for excellence and is competitive nationally and internationally; and that such a system would be best managed within a framework where providers themselves are predominantly responsible for maintaining and enhancing quality and are supported in doing so.

Inefficient matching of supply and demand

The current market also results in the inefficient matching of supply and demand for bachelor courses. In drawing on evidence provided in Department of Education student data and the Department of Education's *Undergraduate applications, offers and acceptances* report (2013), *The Review of the Demand Driven System* (the Review) recently found, the capping of sub bachelor places under the Commonwealth Grant Scheme, as well as the general restriction on HEPs that are able to offer sub bachelor CSPs, have created:

- an under-supply of sub bachelor courses
- incentives for students to enrol in a bachelor degree (due to relative price differential between a subsidised bachelor place through a public university and a non-subsidised sub bachelor place through a NUHEP) – even though a sub bachelor course may better suit their needs and abilities.

The Review concluded it would be possible to extend the benefits of competition under a demand driven system more widely by including private providers and sub bachelor and postgraduate degrees in the demand driven system.

The demand driven funding model led to a significant expansion in enrolments of domestic students in public universities and has improved access to higher education by students from disadvantaged backgrounds. For example, between 2012 and 2013, domestic undergraduate low Socio-economic Status (SES) student enrolments increased by 7.2 per cent to 124 193, with an improvement in the participation rate of low SES domestic undergraduate students from 17.1 per cent in 2012 to 17.3 per cent in 2013.

[10] Bologna Process – European Higher Education Area (2007), 'Bologna Process London Summit Communiqué', 18 May, available here.

[11] European Commission – Enterprise and Industry Directorate-General (2008), 'Entrepreneurship in higher education, especially within non-business studies', March, available here

Notwithstanding these results, private universities and NUHEPs are especially important in the provision of sub bachelor courses. Such courses comprise 41.4 per cent of private universities' and NUHEPs' commencing undergraduate enrolments, compared to 4.3 per cent in public universities in 2013.[12] Of approximately 8,000 domestic sub bachelor students at full-fee places in non-university higher education providers, more than 3,000 are enrolled at providers that specialise in pathway courses. Specialised pathway colleges typically offer a one year diploma programme equivalent to the first year of a university course in their academic content.

The Review highlighted the importance of these sub bachelor courses as an effective pathway into higher education. These courses provide students with time and intensive teaching methods to develop their academic skills, and in some cases enable access to a higher prestige institution.

The combined effect of excluding sub bachelor courses and non-university higher education providers from the demand driven system is that disadvantaged students who would prefer, or be more suited to, this option may be required to enrol on a full-fee basis. The restrictions in the demand driven funding system currently limit opportunities for non-university higher education providers to provide subsidised student places(including at sub bachelor levels) for less well prepared students including those from disadvantaged backgrounds. Low SES students make up 14 per cent of full-fee domestic undergraduate enrolments, compared to 17 per cent of CSP enrolments.

The Review argued that expansion of subsidised places would improve the efficiency of the higher education system by better matching students with appropriate courses. This is particularly the case for regional and low SES students, who are less likely to go onto tertiary study.

Market failure

Insufficient information

The 2014 *Review of the Demand Driven System* noted that if the Government were to move towards an environment of greater choice in study options for students, it is essential that adequate information be available for students to make informed decisions about the institutions and courses they choose. This is particularly important given the financial impact this decision can have on their future. The Review identified the current suite of student and employer surveys and the way this information is made available as inadequate to empower effective choices for students and their families. The current methods of undertaking these surveys also impose a significant compliance burden on higher education providers who, at present, are required to assist in the management and collection of surveys and data.

The Review also argued that Australia needs a higher education information website that more fully covers all higher education providers, allows easier comparisons between courses of interest and is easily discoverable by people contemplating taking a higher education course. It was suggested the *MyUniversity* website be replaced with an improved student information website.

[12] Daniel Edwards and Ali Radloff (2013), 'Higher education enrolment growth, change and the role of Private HEPs', November, p. 12, Australian Council for Education Research, available here.

This work is already underway. As part of the 2014-15 Budget, the Government announced the Upholding Quality – Quality Indicators for Learning and Teaching (QILT) measure. The QILT provides a coherent suite of Government endorsed surveys for higher education that cover the student life cycle from commencement to employment. Higher education providers will receive data from the surveys relating to their students and graduates and this will help support their continual improvement in key areas such as teaching practices, learner engagement and student support.

Importantly, students and families will have better information about higher education institutions on which to base their decisions. This, in itself, reduces the system's reliance on regulation to support quality.

The indicator suite will also provide information on the student experience and employment prospects to enable Australia to benchmark performance against the United States of America, United Kingdom and New Zealand. This measure has already commenced.

The design and implementation of the QILT has been informed by the recommendations of *The Advancing Quality in Higher Education Reference Group*, Chaired by Professor Ian O'Connor, Vice-Chancellor, Griffith University, for the development of performance measurement instruments. These recommendations included that the Department contract an independent and centralised administrative body to co-ordinate the Government endorsed suite of performance measurement instruments.

Unsustainable and rising costs

Fiscal consequences of the current environment

Successive Australian governments over the last 60 years have sought to increase participation in higher education for Australian citizens. This increase of participation - to the present almost universal access - has been accompanied by new financing regimes in an effort to keep higher education affordable to both students and the Government. The uncapping of student places is estimated to have increased CGS funding by $7.6 billion over the five years from 2013-14. The value of student HELP debt is also estimated to rise to around $29.9 billion at 30 June 2015, which is $5.4 billion higher than projected for the same year at the 2011-12 Budget.

Change is needed now to sustain affordability and increase access for the next generation of Australians while enabling institutions to access the resources they need to deliver a world class product.

The previous government announced a plan to curb higher education costs in April 2013 and this includes an efficiency dividend on grants under the *Higher Education Support Act 2003* (HESA), as well as measures affecting loans and scholarships, and other benefits for students. However, these have yet to be passed in legislation.

The *Review of the Demand Driven Funding System* noted the substantial cost of the new system had led the previous government to offset the expense by finding savings elsewhere within the higher education budget and this was likely to have been a factor in resisting expansion of the system.

In the current constrained fiscal environment the rise in higher education costs must be brought under control. In the absence of this, an expansion of subsidised places to sub bachelor level and non-university providers would be unaffordable.

Sharing the cost burden fairly

Benefits from higher education accrue to society as a whole, in terms of increased skills, higher productivity and lower unemployment, and also for individual students, in terms of improved employment prospects and higher lifetime earnings.

Since the early 2000s, the Government has been funding about 60 per cent of the cost of study in higher education, with students contributing 40 per cent.

The private rates of return to bachelor degree graduates, as estimated by both the Australian Bureau of Statistics and the Grattan Institute[13], have been rising over time (see Table 3.3). This demonstrates how the economic value of a bachelor degree to students and their families has increased over time as the demand for skills has risen in the workforce.

Table 3.3: Private rate of return to a bachelor degree (per cent)

Gender and Source	1981	1986	1991	1996	2001	2006
Males - ABS	9.4	9.2	9.4	10.2	10.7	12.5
Males - Grattan						14.0
Females - ABS	10.6	10.6	9.2	10.0	10.6	13.4
Females - Grattan						16.0

Sources: Australian Bureau of Statistics (2010), 'Measuring Economic Returns to Post-school Education in Australia', cat. no. 1351.0.55.032, August, available here; Andrew Norton (2013), 'Mapping Australian Higher Education, 2013', January, Grattan Institute, available here.

Bachelor degree graduates earn around $1 million or 75 per cent more over their working life than persons whose highest level of education was year 12[14]. Estimates of the private rate of return to higher education vary significantly by discipline. The highest benefit for males is in the field of dentistry, while for females it is medicine. The lowest lifetime benefit for males and females is in the performing arts.

Research excellence for Australia's future

Sustainable and effectively targeted investment in world-class higher education research and national scale research infrastructure underpins Australia's capacity to innovate. However, a number of critical research programmes, particularly the Future Fellowships scheme and the National Collaborative Research Infrastructure Strategy (NCRIS), have funding cliffs which will adversely impact Australia's research and innovation capability and result in a lost opportunity to maximise a significant existing investment of over $2.5 billion in research infrastructure if not addressed.

[13] Rates of return estimated under the Grattan Institute methodology are higher since this only includes employed people, whereas the ABS methodology includes all persons in the population

[14] Andrew Norton (2012), 'Graduate Winners: Assessing the public and private benefits of higher education', August, p. 51, available here.

Australia is a net importer of research talent, but this is dropping.[15] The Future Fellowships scheme fills a critical gap in opportunities for mid-career researchers, with more than 90 per cent of fellows taking up ongoing positions within the Australian research sector after completing their fellowships (based on outcomes of the 2009 cohort who completed fellowships in 2014). Without programmes such as this, Australia risks failing behind and increasingly losing research talent abroad.

The provision of national infrastructure through NCRIS allows universities and other partners to share state-of-the-art equipment, which no one institution can afford, and provides highly skilled technical expertise to maximise the use of the infrastructure as well as ongoing operational funding to ensure that critical research infrastructure facilities and projects continue to operate. Maintaining investment is vital to ensure that Australia retains national scale research infrastructure, a strong researcher community, fosters industry links and promotes international partnerships.

3.4 Why does the Government need to intervene?

The Government underpins Australia's higher education as the principal funder and the national regulator. Competition in this market can be improved by better regulation and allowing institutions to be the primary arbitrators of the cost and quality of higher education provision, rather than government determining these.

The regulatory and market failures together with the unsustainable and rising costs as described in Section 3.3 lead to a requirement for government to act. Government intervention is needed and this includes in the form of fee deregulation and extension of demand driven undergraduate places to non-university HEPs and sub bachelor places. This intervention will drive improvements in quality, choice, innovation and the overall sustainability of the market. Pressure from external markets, particularly international competition, also warrants action so Australia is not left behind at a time of rising performance by universities around the world.

Australia's higher education system is performing well, but continues to be constrained by Government design rather than student choice. The higher education market remains effectively supply-driven, in terms of product despite the demand driven nature of the subsidies, which have significantly increased the cost to Government. Uncapping the prices HEPs can charge for accredited courses will enable a more demand driven structure to evolve, encouraging greater competition among institutions and further improvements in quality of service.

By allowing price signals to work, resources will be able to flow into those areas of greatest demand. Quality will improve because it will no longer be determined by what Government is willing to pay, but by students' assessment of the education services that are being delivered. Providers will be encouraged to innovate, evolving course design and delivery.

[15] Department of Industry, Innovation, Science, Research and Tertiary Education (2011), 'Australian Innovation System Report 2011', available here.

At present, the revenue required to fund a world-class higher education system including research can only be generated by increasing the volume of students, creating an inevitable tension between throughput and quality. Fee deregulation would enable some institutions to take a different approach by charging the true cost of delivering the highest quality product. It would also give others the freedom to differentiate with lower cost course products aimed at different student cohorts. Whereas the current arrangement has encouraged all universities to charge similar fees at or near the price cap, deregulation would both force and enable providers to compete on a much wider range of product characteristics, including course design and specialisation and the balance between quality and price, offering students more options and choice in delivery style, content tailoring and provider type.

In a speech to the National Press Club on 30 July 2014 the Chair of the Group of Eight, Professor Ian Young AO, Vice-Chancellor, Australian National University, highlighted the need for greater diversity in Australia's higher education sector, the capacity for institutions to play to their strengths and for some to pursue excellence. Only by deregulating fees can universities be given the option to seek the revenue necessary to fund the highest quality teaching and research, including in niche areas, to attract the best researchers and teachers in the world, and to support high performing graduates to fuel world leading investigative research programmes. "Deregulation, however, is a game-changer and a building block to making our universities brilliant", Professor Young said[16].

International rankings of our most prestigious institutions have been static or falling compared to our international competitors. The 2013-14 Times Higher Education World University Rankings reputation rankings includes only five Australian universities in the top 100 – down from six. The two universities in the top 50 both fell several places. The 2014 CWTS Leiden Ranking which assesses the research impact of universities based on their publication performance, has no Australian universities in the top 100. The 2014 Academic Ranking of World Universities included only four Australian universities in the top 100, down from five in 2013.

Innovation and excellence are critical for the learning experiences and outcomes required of and increasingly demanded by graduates. Being 'work ready PLUS' will require powerful new and varied learning modes that are steeped in real world problem solving and made possible through rapid developments in technology-based and interactive learning. Massive Open Online Courses (MOOCs) are just one of a growing number of learning modes. The opportunity for institutions to embrace new teaching possibilities and re-imagine higher education, particularly the campus experience, is in the national economic interest.

The Review of the Demand Driven System also suggested that opening up demand driven funding to private higher education providers and TAFEs, in their own right, could be a stronger driver of innovation and diversity. This had also been a recommendation of the earlier Bradley review of Review of Australian Higher Education, which the previous government had not acted on.

[16] Ian Young (2014), 'Imagining an Australia built on the brilliance of our people', address to the National Press Club Canberra, 30 July, p.4, available here.

More detailed analysis of the outcomes of *not* pursuing reform is provided in Section 6.2 (impact of the 'no change option').

The Government's response to the *Review of Higher Education Regulation* will put in place a re-designed regulatory architecture that is more responsive to the different circumstances of different providers and would enable them to spend more time focussing on their core business – providing quality higher education. The new architecture opens the way for an expanded demand driven system.

The Government's proposed reforms would allow providers to set their fees in a way that would reflect the costs of providing education and the demand by students to study the course. In part, the demand from students will be influenced by potential earnings or returns on education. With fee deregulation, the split between public and student contribution will likely change and it is unknown at this stage what the ratio of public to student contribution will be for each course. Competition between providers is expected to place downward pressure on fees so they are affordable.

Without the rebalancing of investment in higher education and research built into the Government's reform package, NCRIS funding would have terminated in 2014-15 and the Future Fellowships scheme in 2013-14.

In a constrained fiscal environment, the Government must look to ensure its funding of higher education is sustainable, shares the burden fairly between taxpayers and students, supports the economy in terms of skills development, innovation, productivity and export earning capacity, and delivers value for money for the investment of public funds.

3.5 Framing of the 2014-15 Budget higher education reforms

The package of reforms announced in the 2014-15 Budget provides the Government's response to the recommendations of the *Review of the Demand Driven Funding System*. In developing the reforms, the Government also took account of recommendations from both the 2013 *Review of Higher Education Regulation* and the 2014 *National Commission of Audit*.

In developing the 2014-15 Budget, the Government was concerned to ensure that all areas of Government spending contribute appropriately to the task of repairing the Commonwealth Budget. In that light, while the need for deregulation, for broader choice and innovation in access to and delivery of higher education was clear, it was imperative that this did not contribute to further considerable increases in expenditure.

To miss the opportunity to introduce reform at a time when Government has to consider budget repair would be to deliver a constraint on growth without the means of supporting that growth.

4. Policy options

A range of policy options have been considered in the lead-up to the introduction of legislation to support the proposed higher education reforms. As required for a long-form Regulation Impact Statement, these include both a 'non-regulatory' option and a 'no change' option. In addition, options identified through stakeholder consultation by the two advisory working groups are also canvassed.

4.1 The Government's proposed reforms (Option 1)

To address the problems outlined above, the reforms announced in the 2014-15 Budget are designed to:

- expand opportunities and provide support for students
- strengthen the higher education system
- invest in research excellence
- uphold quality
- ensure that Australia's higher education system is sustainable into the future.

These five elements are explained in detail below.

Expanding opportunities and providing support for students

The Commonwealth will provide direct financial support to all students studying accredited higher education diplomas, advanced diplomas and associate degree courses, as well as those studying bachelor degrees, at all approved higher education institutions, whether universities, TAFEs or private colleges.

Subsidies for places at non-university providers will be set at 70 per cent of the rate for an equivalent course at a university. Subsidies for sub bachelor courses will be the same rate as for bachelor courses at the respective institution – i.e. 100 per cent at universities and 70 per cent at non-university providers.

The Government will establish a Commonwealth Scholarship Scheme to ensure students from disadvantaged backgrounds do not miss out. Institutions will be required to spend $1 of every $5 of additional revenue on the scheme, and this will be complemented by the Higher Education Participation Programme which provides funding to allow universities to conduct outreach activities and to make changes within their systems to more extensively support disadvantaged students.

The existing loan fee of 25 per cent for FEE-HELP and 20 per cent for VET FEE-HELP will be removed, as will the FEE-HELP lifetime limit.

The Government will lend to students at a rate that reflects the cost of Government borrowings (10 year bond rate) to fund their student loans, to a maximum rate of six per cent.

From 1 July 2016, graduates will begin to repay their HELP debt when they start earning over an estimated threshold of $50,638, with a lower repayment rate of two per cent of salary until they reach the existing four per cent repayment rate threshold (estimated to be $56,264 in 2016).

The HECS-HELP Benefit will be discontinued from 1 July 2015 onwards. HECS-HELP Benefit was intended to provide an incentive for graduates of particular courses (maths or science, education, and nursing (including midwifery) to take up related occupations or work in specified locations. This measure follows a recommendation of the *Review of the Demand Driven Funding System* that the benefit be discontinued as there was little evidence that it had been effective in addressing skill shortages.

Strengthening the higher education system
From 1 January 2016 higher education providers such as universities, TAFEs and colleges in Australia will be able to set their own tuition fees for Commonwealth supported students in courses that they offer.

For students already studying, existing arrangements will remain until the end of their study or 2020, whichever comes earlier. This includes those who have commenced a course, or deferred commencement, on or before 13 May 2014.

Taxpayers will continue to fund upfront the entire cost of university courses, where needed, through the Commonwealth Grant Scheme and the provision of loans through HELP to eligible students.

Individual course subsidies will be simplified from the current eight funding tiers to five, based on the cost of the standard teaching method, infrastructure requirements and likely private benefit for graduates.

Investing in research excellence
The Australian Government will invest $11 billion over four years in research to support the research capability of Australian universities, including:

- $139.5 million over four years for the Future Fellowships scheme which will award 100 four-year fellowships each year from 2015 through the Australian Research Council (ARC)
- $150 million in 2015-16 to continue the National Collaborative Research Infrastructure Strategy (NCRIS), to ensure that the nation secures the benefits of the $2.5 billion investment in state-of-the-art research infrastructure since the Strategy was created by the Howard Government in 2004
- $3.3 million for an extension of the Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS) digitisation programme to preserve important Indigenous cultural items in digital form
- $42 million through the ARC to expand the Australian Institute of Tropical Health and Medicine at James Cook University for research into tropical diseases such as dengue fever
- $24 million through the ARC to support the Antarctic Gateway Partnership as part of the strategy to enshrine Tasmania's position at the centre of Antarctic research

- $200 million to accelerate research into dementia, including $26 million through the ARC, providing hope for the 320,000 Australians and their families who suffer from dementia. (NB: this measure, in the Health Portfolio Budget Statement, is not canvassed further here)

Upholding quality
In line with recommendations of the *Review of Higher Education Regulation* by Professor Kwong Lee Dow and Professor Valerie Braithwaite, the Government has:

- Firstly, directed the Tertiary Education Quality and Standards Agency (TEQSA) to focus on its core quality assurance activities of registration and course accreditation and conduct its activities in keeping with the principles of necessary, proportionate and risk-based regulation
- Secondly, introduced a Bill to amend the TEQSA Act to support this refocussing of its activities. The Tertiary Education Quality and Standards Agency Amendment Bill 2014 was introduced into Parliament in February 2014. The Bill will enhance TEQSA's ability to implement more efficient processes around its core functions by enabling TEQSA Commissioners to delegate decision making to appropriate staff within the Agency and allowing flexibility to extend the periods of registration and accreditation to enable processes to be aligned
- Thirdly, established the TEQSA Advisory Council. The TEQSA Advisory Council will continue to work with TEQSA on minimising regulatory intervention relating to Australian higher education while ensuring accountability for quality.

TEQSA will focus on its core task of provider registration and course accreditation.

As a result of the Ministerial direction, TEQSA is implementing a streamlined, more efficient approach to its business. For example, it will not require the same level of reporting from well-established universities that are obviously financially and educationally sound as it would from an institution it has assessed as being at higher risk.

With a focus on its core tasks and greater efficiency, there is no need to continue to fund TEQSA at the level initially allocated by the previous government. The reduction in funding to TEQSA will be phased over three years allowing TEQSA to implement efficiencies so that it can manage within its resources. This Budget measure is the TEQSA-related element in the Government's proposed reforms (i.e. the Government-initiated actions discussed above are already in train and would still occur in non-legislative and status quo options).

A new source of information - the Quality Indicators for Learning and Teaching (QILT) - will be provided for students and their families on higher education institutions in Australia to better inform their choice of study options. QILT will be underpinned by a new suite of surveys that will cover students from commencement to employment. Information from these surveys will be presented in an accessible web-based format, with an initial version of the website available later in 2014 and full implementation by August 2015.

The Higher Education Information Management System will be enhanced to expand the collection of student, course, and staff data to providers not listed in the *Higher Education Support Act 2003*, streamline the collection of some data and create new analytical and publication functionality.

A sustainable higher education system

A one-off efficiency dividend will be applied to the Australian Research Council (ARC), consistent with the approach adopted to generate savings for Australian Government departments and statutory agencies (saving $74.9 million over three years).

Universities will no longer receive Reward Funding payments for the achievement of enrolment targets. Competitive pressures driven by the higher education reforms in the 2014-15 Budget will provide incentives for universities to enrol students, including from disadvantaged backgrounds.

Funding for the Research Training Scheme (RTS) will be reduced by 10 per cent with universities given the option to charge modest student contribution fees for some or all RTS students to offset the funding reduction (saving $173.7 million over three years). HELP loans will be available so that eligible RTS students do not have to meet these costs up front. Universities may choose to offer scholarships to cover these costs.

Funding for the HC Coombs Policy Forum element of the Commonwealth-Australian National University Strategic Relationship will cease when the current funding agreement expires on 30 June 2014. The Government will achieve savings of $6.4 million over four years from 2014-15.

The reform package, as outlined in Budget Paper No. 2, comprises the 18 measures, listed in Table 4.1.

Table 4.1: 2014-15 Budget Higher Education Reform Measures

Measure title (from Budget Paper No. 2)	Starts	Legislation required[1]	Changes to regulatory costs[2]	OBPR reference
1. A Sustainable Higher Education Loan Programme — HECS-HELP benefit — cessation	1 July 2015	Yes	Yes	16582
2. A Sustainable Higher Education Loan Programme — repayment thresholds and indexation	1 June 2016 (indexation) 1 July 2016 (thresholds)	Yes	No	16582
3. A Sustainable Higher Education System — Australian Research Council — efficiency dividend	1 July 2015	Yes	No	16582
4. A Sustainable Higher Education System — cessation of funding for the HC Coombs Policy Forum	1 July 2014	No	No	17342
5. A Sustainable Higher Education System — Higher Education Reward Funding — cessation	1 July 2014	Yes	No	16518
6. A Sustainable Higher Education System — Research Training Scheme — student contributions	1 January 2016	Yes	Yes	16582
7. Expanding Opportunity — a more effective Higher Education Participation Programme	1 January 2015	Yes	Yes	16566
8. Expanding Opportunity — expansion of the demand driven system and sharing the cost fairly	1 January 2016	Yes	Yes	16582
9. Expanding Opportunity — FEE-HELP and VET FEE-HELP loan fee — cessation	1 January 2016	Yes	No	16582
10. Expanding Opportunity — Higher Education Indexation — revised arrangements	1 January 2016	Yes	No	16582
11. Investing in Research Excellence — Antarctic Gateway Partnership	1 July 2014	No	No	16582
12. Investing in Research Excellence — Australian Institute of Tropical Health and Medicine	13 May 2014	No	No	16179
13. Investing in Research Excellence — digitisation of Indigenous cultural resources	1 July 2014	No	No	16523
14. Investing in Research Excellence — mid-career Future Fellowships scheme — continuation	1 July 2014 (fellowships from 1 January 2015)	Yes	No	16582
15. Investing in Research Excellence — National Collaborative Research Infrastructure Strategy — continuation	1 July 2015	No	No	16582
16. Upholding Quality — Tertiary Education Quality and Standards Agency — revised funding arrangements	1 July 2014	No	No	16374
17. Upholding Quality — Quality Indicators for Learning and Teaching — establishment	1 July 2014	No	Yes	16520
18. Upholding Quality — Higher Education Information Management System — expansion	1 July 2014	No	Yes	16519

[1] includes subordinate legislation or regulatory instruments.
[2] Regulatory impacts are provided in the regulatory burden and cost offset estimate Table 6.11 (Section 6.5). Costs have been agreed by the Office of Best Practice Regulation (OBPR).

4.2 No change option

Without any changes to the way higher education is funded and managed, the existing funding regime will remain in place. The costs to Government, both for subsidised student places and HELP loan debt would continue to rise and this would mean the fiscal problem for the Government would remain unchanged. In effect a no change scenario means that the market and regulatory failures identified in Section 3 remain, and in some cases, may worsen.

As is the case now, only public universities would be eligible for demand driven funding for bachelor level places, with a small number of other institutions allocated bachelor places by the Government in areas of national priority (7,022 places) and allocated a very small number of sub bachelor and postgraduate places (55 places).

4.3 Non-legislative option – upholding quality and investing in research excellence

The majority of the proposed deregulatory and funding sustainability reforms included in the Budget package can only be achieved by changes to legislation or other regulatory instruments. Without any regulatory change some more limited reforms would be possible such as improvements to the availability and usefulness of information on student experience and employment outcomes from higher education which is designed to empower more informed decision making by prospective students through the QILT. Targeted investment to support excellence in research announced in the Budget can also proceed without regulatory change.

Those measures that can be implemented without any regulatory change are listed in Table 4.2. With the exception of NCRIS all of these measures have commenced.

However, this option does little to address the market and regulatory failures identified in Section 3. On its own, better information to guide student choice through QILT would be of limited value given the uniformity of choices offered through constraining the market (for the bulk of CGS funding) by provider type and offering (bachelor degrees).

Table 4.2: Measures that can be implemented without any regulatory changes

Measure title (from Budget Paper No. 2)	Starts
A Sustainable Higher Education System — cessation of funding for the HC Coombs Policy Forum	1 July 2014
Investing in Research Excellence — Antarctic Gateway Partnership	1 July 2014
Investing in Research Excellence — Australian Institute of Tropical Health and Medicine	13 May 2014
Investing in Research Excellence — digitisation of Indigenous cultural resources	1 July 2014
Investing in Research Excellence — National Collaborative Research Infrastructure Strategy — continuation	1 July 2015
Upholding Quality — Tertiary Education Quality and Standards Agency — revised funding arrangements	1 July 2014
Upholding Quality — Quality Indicators for Learning and Teaching — establishment	1 July 2014
Upholding Quality — Higher Education Information Management System — expansion	1 July 2014

4.4 Additional options identified through the consultation process

During consultations with sector stakeholders (see section 5), additional options were identified and subsequently considered by the working groups.

Deregulation of fees

Extend grandfathering arrangements to 1 January 2016. Under the Government's proposed approach, current funding arrangements and caps on student contributions will remain until the end of 2020 for students who commenced a course, or accepted an offer but deferred commencement, on or before 13 May 2014. This option would see such 'grandfathering' arrangements extended to all students who commence or defer study prior to 1 January 2016.

HELP student loan indexation

Hybrid CPI/bond rate indexation. This option would see an interest rate equivalent to the Consumer Price Index (CPI) while the student's income remains below the proposed four per cent repayment threshold (currently $53,345 in 2014-15 / or estimated to be $56,264 in 2016); with the long term bond rate capped at six per cent applied thereafter. A second hybrid option was identified which would see an interest rate equivalent to the CPI applied to any outstanding HELP loan balance while the student's income remains below the proposed new minimum threshold (estimated to be $50,638 in 2016-17) and then the long term bond rate (capped at six per cent) applied thereafter. Of the two hybrid options the Working Group favours the former model (CPI to the four per cent threshold) – therefore this option is the focus in this document.

Loan fee plus CPI. This option would see a loan fee of 25 per cent of the loan amount levied on all HELP schemes as a surcharge on the fee set by the provider, increasing the overall size of the loan. The entire loan is also indexed at the rate of the CPI.

Commonwealth scholarships

A national pool model. Under this approach, the 20 per cent of additional revenue to be contributed by institutions to the Commonwealth Scholarship Scheme would be pooled centrally and then distributed directly to students - for example, through vouchers or a new Centrelink payment.

A hybrid national/institutional model. This would involve the pooling of some or all of the scholarship funds for redistribution to universities based on the share of disadvantaged students enrolled in each institution. Funds would then be managed at the institution level.

Funding clusters

Retain the current eight funding clusters and reduce the current Government contribution by 20 per cent for each cluster. This would see the existing clustering of courses maintained and provide continuity with the course groupings in the current funding model. The proposed 20 per cent overall reduction in subsidies would be achieved by a simple 20 per cent reduction in subsidy within each of the existing eight funding clusters.

Medical places

Set a net price cap. Given the number of Commonwealth supported medical places will continue to be designated by the Government, the Government would set a new maximum student contribution level for courses in medicine. This would account for the proposed reduction in Commonwealth contribution and provide some scope for price differentiation.

5. Consultation

The higher education and research reforms announced in the 2014-15 Budget were the result of extensive national discussion and stakeholder consultation. For example, the *Review of the Demand Driven Funding System* by Dr David Kemp and Andrew Norton received over 80 submissions; and the *National Commission of Audit* received more than 20 submissions from universities, their peak bodies and non-university higher education providers.

Post-budget consultations ensured higher education and research sector stakeholders had the opportunity to provide input to key policy issues to be resolved for the *Higher Education and Research Reform Amendment Bill 2014* (the Reform Bill). Between the handing down of the 2014-15 Budget and mid-August 2014, the Minister, the Minister's Office and the Department of Education consulted all Vice-Chancellors, university groupings, peak bodies, and many non-university higher education providers seeking views on the proposed package of reforms.

Consultation arrangements have also been designed to ensure members of the Australian public, including prospective students and their decision-making influencers, are aware of the reforms.

5.1 Review of the Demand Driven Funding System

On 12 November 2013, Minister for Education, the Hon Christopher Pyne MP, announced the *Review of the Demand Driven Funding System*. The Hon Dr David Kemp and Mr Andrew Norton were appointed to conduct the Review. Public submissions were sought via a media release. In addition, Dr Kemp wrote directly to public and private universities, TAFEs and private non-university higher education providers. The reviewers also held a number of meetings with stakeholders.

The Review received 83 written submissions[17] from diverse sources including:

- public and private universities
- TAFEs
- private non-university higher education providers
- peak bodies representing higher education providers and industry
- a range of community interest groups
- student organisations
- university staff members
- members of the general public.

[17] 80 of the submissions can be found here.

The submissions informed the following key findings of the Review:

Quality
The Tertiary Education Quality and Standards Agency (TEQSA) was found to be a safeguard against poor quality courses and providers. Efforts to improve teaching over the last 20 years have contributed to a steady increase in student satisfaction and this has continued through the early stages of the demand driven system. Universities have been actively working to identify and support less-academically prepared students.

The review did express concern about the attrition rates of students with Australian Tertiary Admission Ranks below 50, who make up a small but increasing number of undergraduate commencements. These attrition rates are high and not improving with only 45 - 50 per cent of students completing their bachelor degree within six years. As discussed below, the recommendation to extend demand driven funding to sub bachelor places may reduce attrition rates by ensuring students are adequately prepared for university study.

To ensure students are fully informed, the review recommended students be able to access information about attrition and completion rates by ATAR and that the *MyUniversity* website be replaced with an improved student information website. Continuing the University Experience Survey and extending it to NUHEPs would allow students and the Government to monitor teaching quality in the future.

It recommended that student data systems be updated to allow more timely and detailed information to be provided on enrolment trends, and that the department re-introduce the annual higher education report.

Skills needs
The review found that the demand driven system has responded to most recent skills shortages and that declining employment opportunities for certain professional entry courses has led to fewer tertiary admission centre applications. This finding was based on Department of Education data on student applications and enrolments by field of education, data from Graduate Careers Australia (including *GradStats: employment and salary outcomes for recent higher education graduates* 2013 and *Graduate Destinations* 2012), data from Tertiary Admissions Centres, as well as Department of Employment information on skills shortages.

Concern was expressed about the poor employment opportunities for the increasing number of life sciences graduates and below average outcomes for maths and other science graduates. It noted that the introduction of the system has had no effect on foreign language enrolments. The reviewers recommended abolishing the HECS-HELP Benefit as there is little evidence that it influences student preferences.

Participation in the demand driven funding system
The review found the introduction of the demand driven funding system has increased access for low-socioeconomic, Indigenous and regional and remote students. Universities have responded to increased student demand by providing more places, with applicants more likely to receive an offer in most fields of education.

The review recommended removing the 40 per cent higher education attainment target, which has already been reached by women, as there is no measure for telling whether 40 per cent is too low or too high. Similarly, the low socioeconomic status student enrolment target should be removed as it is an arbitrary, centrally determined target.

Private universities and NUHEPS

The review acknowledged the important role that private universities and NUHEPs play in the higher education system and that their exclusion from demand driven funding goes against the access objectives of the system. The review recommended expanding the system to bachelor-level places at private universities and NUHEPs approved by TEQSA to improve diversity and innovation in the sector. Providers moving into the system should do so on the same basis as universities (i.e. they would be required to opt in for all sub bachelor and bachelor courses). These providers should also be able to offer OS-HELP to their students.

Sub bachelor

The review found that pathway programmes are an appropriate way of preparing students for university study and low-socioeconomic status students would benefit from greater access to sub bachelor places.

A key to success in study is academic preparation. Students who successfully complete pathway programmes often do as well as, or outperform, students with better original school results. This finding influenced the reviewers' decision to recommend expanding the system to include sub bachelor courses despite concerns that it could lead to costing shifting from states to the Commonwealth as a result of providers converting their vocational educational and training (VET) diplomas into higher education diplomas.

Postgraduate

The ability of providers to offer unlimited fee-paying places at the postgraduate level when Commonwealth supported places (CSPs) are capped has given providers the flexibility to meet student demand. The reviewers believe the current allocation of postgraduate places is unfair as some providers have many and some very few places. Ad hoc decisions to allocate places for a particular course to one university may affect the competitiveness if other universities in the same area do not offer CSPs for that course. The review recommended that CSPs are uncapped for courses with a clear community benefit and modest financial rewards. All other postgraduate courses should be offered on a fee-paying basis.

Innovation

The system was found to have encouraged innovation in course delivery and organisational structures, and allowed online education to expand. A number of universities have developed partnerships with TAFEs which has allowed them to expand their provision into new locations and opened up the higher education market.

The review noted that the Government is not always supportive of such partnerships and requires universities to seek approval to offer CSPs at new locations. It recommended any future decisions about the delivery of CSPs at new locations be made according to clear guidelines to stop ad hoc decision making.

The provider category standards currently regulate the use of the word ‘university’ and this is affecting the ability of NUHEPs to compete in foreign markets. The standards should be reviewed to consider their effects on innovation and competition.

Fees

While the terms of reference did not explicitly direct the reviewers to consider fees, it did state that they should recommend areas for improvement to ensure that the system “is fiscally sustainable.” Around 40 per cent of the submissions took this opportunity to discuss changes to fees. While some indicated opposition to any increases in fees, many included recommendations about what the Government could do in relation to fees to ensure fiscal sustainability. For example:

- the Group of Eight recommended that institutions should be able to offer full fee-paying places in some disciplines as a “helpful first step towards progressively wider fee deregulation.”
- the Australian Technology Network supported a “10 per cent increase in the student contribution as a way to moderate the impact on the taxpayer of maintaining and strategically expanding the demand driven system.”
- La Trobe University recommended that “the capped pricing for higher education be abandoned, allowing higher education institutions to set their own fees within an appropriately designed funding policy.”
- The University of Sydney claimed “Under a more coherent funding and regulatory system, under which total funding per student is allowed to more accurately reflect providers’ differential costs, we believe that universities such as Sydney will be better placed to provide scholarships and other forms of assistance to improve the access and success of students from low SES backgrounds, Aboriginal and Torres Strait Islander students, and students from rural and regional areas.”

The review found that “the fiscal sustainability of the demand driven system, and university revenues, can be most equitably secured by adjustment of the Commonwealth per place subsidy and student contributions.” While acknowledging that “more detailed recommendations on the treatment of student contributions at the undergraduate level” were beyond the scope of the Review, it nonetheless supported “a less regulated system for setting student charges” on the basis that “the current system of fixed Commonwealth contributions and capped student contributions was not designed for the current regulatory or market circumstances.”

In making its recommendations, the Review took into account the comments and proposals outlined in the submissions and the requirement for fiscal sustainability of the system. The full list of recommendations is at Attachment A. The Review also based its findings on evidence provided in Department of Education student data collections and *Undergraduate applications, offers and acceptances* reports; Australian Bureau of Statistics and Department of Employment datasets and reports; and a range of other sources.

The Report of the *Review of the Demand Driven Funding System*, was released publicly on 13 April 2014.

5.2 National Commission of Audit

The National Commission of Audit was announced by the Treasurer, the Hon Joe Hockey MP, and the Minister for Finance, Senator the Hon Mathias Cormann on 22 October 2013. The Commission was established by the Government as an independent body to review and report on the performance, functions and roles of the Commonwealth Government.

In particular, the Commission sought input on:

- areas of duplication within the Commonwealth and between the Commonwealth and other levels of government
- activities undertaken by Government that should cease or be reduced
- recommendations for efficiency improvements across all areas of Commonwealth expenditure.

Over 250 submissions were received from individuals and organisations on a broad range of issues (including 20 submissions from universities, their peak bodies, and non-university higher education providers).

Key issues raised in these submissions, in relation to higher education included:

- the regulatory burden caused by overlapping incoherent accreditation, registration, and audit processes
- support for the demand driven funding system
- the need for a more diverse and responsive higher education system based on equitable access to Commonwealth support for students (especially in relation to CSPs and the HELP scheme) regardless of the institution at which they choose to study
- the need for sustainability of the HELP scheme
- the public benefits of investment in higher education and research
- systematic research funding issues, in particular for indirect costs of research, onerous reporting requirements for research grants, and research programmes facing so-called ‘funding cliffs’.

Universities Australia expressed concerns about the previous Government’s higher education budget savings worth $3.8 billion, subsequently reviewed to $3.3 billion, over the forward estimates (2012-13 Mid-year Economic and Fiscal Outlook), which are yet to be legislated for. Universities Australia noted the MYEFO cuts, together with 2013-14 Budget cuts had created very difficult adjustment pressures for universities.

In addition to addressing funding matters, Universities Australia proposed a number of deregulatory and efficiency initiatives for the higher education sector including:

- Implementing a single national data centre for university reporting
- Streamlining financial reporting to only one level of Government
- Refocusing TEQSA to concentrate on its core functions
- Alignment of the TEQSA and ESOS Act, so only one audit is required every seven years
- Deleting Tuition Protection Services reporting
- Student surveys be administered by a single organisation
- Reviewing the current Compacts reporting process
- Examining whether the MyUniversity website should be continued
- Removing reporting duplication with the Australian Charities and Not-for-Profits Commission.[18]

5.3 Review of Higher Education Regulation

On 29 May 2013, the Australian Government announced its action plan, *Assuring quality while reducing regulatory burden.* One of the elements of the plan was a *Review of Higher Education Regulation*. This review was established to address concerns raised by the sector about the effectiveness of Australia's higher education regulatory framework. In May 2013 Professor Kwong Lee Dow AO, (former Vice-Chancellor of The University of Melbourne) and Professor Valerie Braithwaite (Regulatory Institutions Network at the ANU) were commissioned to undertake the Review.

To maximise its reach, the consultations used a range of approaches including face-to-face interviews and roundtable discussions, teleconferences and written submissions. Over 40 consultation meetings and teleconferences were conducted during June and July 2013, while over 60 written submissions were received over a similar period. As a result of these processes, the report benefited from input from universities and other higher education providers (including dual sector providers), peak entities, standards bodies, advisory bodies and individuals.

The Review Panel's report was released to the public on 5 August 2013.

The Review's recommendations were centred on what TEQSA should be delivering as a regulator in the current environment to build the future direction of Australia's regulatory framework. A summary of recommendations is at Attachment B.

The Minister for Education, the Hon Christopher Pyne MP has accepted all the recommendations of the *Review of Higher Education Regulation*.

[18] Universities Australia (2013) Submission to the National Commission of Audit, November 2013. Available here.

5.4 Review of Reporting Requirements for Universities

At the request of the Department of Industry, Innovation, Research, Science and Tertiary Education (DIISRTE) and Universities Australia (UA), the LH Martin Institute commissioned PhillipsKPA in August 2012 to undertake a review of reporting requirements for universities, focused on universities' reporting requirements to the Department.

Stage 1 of the review involved preliminary meetings with Universities Australia, staff from the Department's Higher Education, Research and International Groups, and TEQSA.

In Stage 2, a Reference Group of university officials from a representative cross-section of universities was established. Members of the Reference Group were drawn from universities in Victoria, New South Wales, Western Australia and Queensland and from universities in the Group of Eight, Australian Technology Network, and Innovative Research Universities groups. The Reference Group met by teleconference on four occasions and assisted in refining a costing template, providing advice on the listing of the Department's reporting requirements, developing the Background and Issues Paper, organising consultation forums and contributing ideas and expertise in relation to all aspects of the project.

Following the desk research and initial consultations with the Department, TEQSA and the Reference Group, the project team prepared a Background and Issues Paper which set out information about current reporting requirements and related issues. The paper invited universities to provide data on the effort and cost involved in reporting and sought institutional responses to a series of specific consultation questions. It also invited concrete proposals for improvements to current processes.

Twenty-seven universities provided estimates of the effort and cost of meeting reporting requirements and 25 universities provided written responses to the Background and Issues Paper.

Universities were invited to send representatives to consultation forums in Melbourne, Brisbane and Sydney to discuss the issues and options.

University representatives were unanimous that certain issues required reform, including:

- duplication and a lack of coordination of reporting requirements
- tendency of reporting requirements to accumulate over time
- issues relating to definition and documentation
- issues relating to scale and proportionality
- frequent changes of reporting requirements and inadequate planning for change
- concerns with universities' access to useful and timely information.

The report presented the findings of the various analyses and the conclusions and recommendations which emerged from the Review.

The report found that, on average, Australian universities spent over 2000 working days and between $800,000 to $900,000 to gather the required information for these data sets. The costs range from a high of $30 for every $1,000 in funding to a minimum of around $0.2 for every $1,000 in funding.

The *Report of the Review of Reporting Requirements for Universities*, was released publicly in April 2013. To advance the Government's objective of reducing red tape in the higher education sector, the Minister for Education, the Hon Christopher Pyne MP, accepted all of the recommendations of the Review.

5.5 Purpose and objectives for post-budget consultation

The purpose of post-Budget consultation was to seek alternative views or approaches from universities and other institutions in relation to:

- achieving the Government's objectives of expanding opportunities and providing support for students, strengthening the higher education system, upholding quality and investing in research excellence
- implementing the proposed reforms – this included informing the development of legislation and testing assumptions about the practical impacts for providers and students.

5.6 Consultation plan

The Government is committed to ensuring that stakeholders have an opportunity to comment on the implementation arrangements for these reforms.

The plan for conducting consultations was:

- immediate post-Budget contact to discuss the reforms with all university Vice-Chancellors, relevant sector peak bodies and interested non-university higher education providers
- formal independent advice to the Minister on a range of issues including responses to key policy questions from advisory Working Groups of sector representatives drawing on specialist expertise where needed.

Avenues utilised by the department to respond to incoming enquiries and provide information to students, institutions and the general public include:

Students

- Tertiary Students Enquiry public inbox – tsenquiries@education.gov.au
- Student enquiry phone line via the Departmental call centre – 13 33 97

Institutions

- Commonwealth Grants Scheme inbox – mainly institutions – cgs@education.gov.au
- Higher Education Institution Hotline – 1800 331 954
- Direct consultation on the equity measures through a national stakeholder workshop held in June and a series of institutional visits and electronic surveys.

General public

- General public email enquiry web form –here
- Departmental call centre – 13 33 97

Public information on the reforms
From Budget night, information detailing the proposed reforms has been publicly available to current and prospective students, higher education providers and members of the public on the Department of Education and the Australian Government's Budget websites. This included a specific Higher Education booklet released by the Treasurer with the Budget papers.

This public information has been supported by media releases and public engagements by the Minister for Education, the Hon Christopher Pyne MP, and the Parliamentary Secretary to the Minister for Education, the Hon Scott Ryan MP. Minister Pyne visited regional Queensland, New South Wales and Victoria between 1 July and 3 July 2014. Locations included Mackay, Townsville, Lismore, Dubbo, Wagga Wagga and Mildura. Both the Minister's office and the Department of Education have been available to engage with the media and with other stakeholders such as students and their families, including through correspondence and in other ways where appropriate.

To date (4 August) the department has participated in three tertiary skills exhibitions (Adelaide, Brisbane and Canberra) and nine open day events (at eight institutions including Bond University, Edith Cowan University, James Cook University, Queensland University of Technology, The University of Queensland, Swinburne University of Technology, Monash University and Curtin University). The department will attend a further 39 events (at a further 31 institutions and the Melbourne careers exhibition) in August and September.

Vice-Chancellors, peak bodies and non-university higher education providers
Between the handing down of the 2014-15 Budget and mid-August 2014, all university Vice-Chancellors, peak bodies and many non-university higher education providers were consulted, some multiple times, whether by the department or the Minister. This consultation sought views on the proposed package of reforms and implementation details to be considered by the department. Refer to Attachment D for schedule of key meetings.

Workshop and Roundtables
The following workshop and roundtables were held after the Budget:

- Workshop – Deputy Vice-Chancellors Corporate, in collaboration with UA, 26 June 2014
- Roundtables – non-university higher education provider representatives in Melbourne 17 June, Adelaide 18 June, Sydney 19 June, Brisbane 20 June.

Advisory Working Groups
In addition to the general consultation, the Government sought advice on the reform package and established two working groups to facilitate this consultation:

- Legislation and Financing Working Group, chaired by Professor John Dewar, with academic expert input. The Working Group provided advice on a range of issues including the rate at which the Government funds bachelor level places at non-university higher education providers and sub bachelor places at higher education institutions.

- Quality, Deregulation and Information Working Group, chaired by Professor Peter Shergold AC, which advised on policy and implementation issues relating to eligibility for non-university higher education providers to access CGS funding.

The Working Groups had the opportunity to consider all issues raised in consultation with sector stakeholders and had the capacity and authority to raise and provide views on any issues they felt necessary to draw to the Government's attention.

Full membership of the Working Groups is provided at Attachment E.

5.7 Issues identified through the post-budget consultations

Overwhelmingly, universities, non-university providers and provider peak organisations have supported the thrust of the Government's reform proposals which includes the deregulation of student fees.

Initially, some universities expressed concern about the need for a longer implementation. This manifested itself in calls for more extended grandfathering provisions and delay in the start date for some of the key reforms, including fee deregulation. The Government, however, has indicated it is not inclined to defer implementation and noted the key reforms are slated to commence more than 18 months after their announcement to give all stakeholders time to absorb and respond to their impact.

As a result, eight universities have indicated they will themselves look to effectively grandfather fee impacts for their 2014 student cohort. Since the end of June 2014, calls for a delay in implementation have substantially declined. In the Government's view, this is an example of deregulation working as intended, with institutions responding to concerns of their own clients and stakeholders in a more open market environment.

The main issues raised by members of the public through ministerial correspondence and departmental communication channels have included:

Changes to higher education funding/ deregulation of student fees

- private providers and members of the public have welcomed the expansion of demand driven funding to include private providers
- many have welcomed the expansion of the demand driven system to include CSPs for sub bachelor programs. There was some confusion around the difference between sub bachelor higher education qualifications versus sub bachelor VET qualifications, even though these are regulated and developed on a completely separate basis (Australian Skills Quality Authority (ASQA)/TEQSA). The market will have strong incentive to provide the information students need to make informed choices. More accessible and relevant information about the performance of higher education providers and graduate outcomes for students in relation to higher education qualifications will be available through the establishment of the QILT.
- there has been some opposition to the proposed reduction in Commonwealth funding to universities, particularly in relation to science, technology and engineering disciplines, and universities' ability to deliver the breadth and quality of courses to meet student demand.

- there is acceptance that some adjustment to CGS funding is needed, provided it is accompanied by fee flexibility. The impacts on the sector are discussed in more detail in sections 6.1.2 and 7.4.
- while positive about income contingent loan arrangements, there is concern that the deregulation of fees and new indexation arrangements may increase the amount of student debt.

Clarification of student contribution changes
- questions around transition issues for current students – e.g. how will changes affect current, deferring and transferring students?
- questions around the impact of fee changes, indexation and repayment arrangements for past, present and future students.

Changes to HELP
- positive comments in relation to the removal of the lifetime HELP limit and HELP loan fees.
- questions about changes to the indexation of HELP debts, particularly the application of these changes to pre-existing HELP debts. In particular, indexation at the ten year bond rate is the most significant issue raised by stakeholders.
- commentary that changes to the indexation of HELP debts were particularly unfair to women – i.e. that the HELP debt will continue to grow for women not working while raising a family, possibly forcing them to pay their HELP debt back more quickly when they do recommence work.
- stakeholder concerns around the potential for high student fees, with interest rate changes leading to graduates incurring higher debts, has resulted in comparison to the future Australian system to the US higher education system. In Australia, the average amount of debt was estimated (2014-15 Budget) to be $17,500 in 2014-15 growing to $21,500 in 2017-18 (includes VET FEE-HELP). The increase in the average number of years to repay the debt will rise from 8.7 years to 9.8 years over the same time period. A recent Brookings report on the US system found significant increases in average student debt levels from 1989 to 2010 but little indication of a significant contingent of borrowers with enormous debt loads. Increases in the average lifetime incomes of college-educated Americans were found to have more than kept pace with increases in debt loads.[19]

Regional-specific issues
The Regional Universities Network (RUN) supports:

- the expansion of the demand driven system to sub bachelor level and states it would assist in providing pathways and lift participation in regional Australia for less well prepared students
- the Government’s decision not to lower the HELP repayment threshold to the minimum wage, as recommended by the Commission of Audit and argues that students in part time work shouldn’t have to repay their debts while studying.

On the other hand, RUN is concerned that:

[19] Akers, B and Chingos, M (2014), ‘Is a student loan crisis on the horizon?’, Brown Centre on Education Policy, Brookings Institution, available here.

- reduced CGS funding will negatively impact on regional universities as they will have limited scope to increase fees nor to raise revenue from other sources given the difficulty they have in attracting international students
- an institutional funding model for Commonwealth Scholarship Scheme funds would disadvantage regional universities – RUN prefers a pooling of funds model to ensure that regional universities have adequate funds to attract and retain low SES students rather than these students moving to city universities.

These and other issues raised by the various stakeholders have been analysed by the working groups. They received perspectives from across the higher education sector, met multiple times and provided well-considered advice to the Minister in the week of 21 July 2014. This advice is outlined below.

Legislation and Financing Working Group recommendations

- Financing of bachelor places at non-university higher education providers and the financing of sub bachelor places
  - no concessional rate for sub bachelor places at universities
  - a concessional rate of 70 per cent for both bachelor and sub bachelor places at non-university higher education providers that recognises that they are not required to undertake research and do not have community service obligations to the same extent as universities.
- Medical places
  - propose deregulation of fees for medical places in line with the overall reforms.

  The Working Group also provided further advice in relation to:

- HELP student loan indexation:
  - hybrid CPI/bond rate indexation. Interest rate equivalent to the CPI applied to any outstanding HELP loan balance while the student's income remains below the proposed new minimum threshold (estimated to be $50,638 in 2016-17) and then the long term bond rate (capped at six per cent) applied thereafter
  - hybrid CPI/bond rate indexation. Interest rate equivalent to the Consumer price Index (CPI) applied while the student's income remains below the proposed four per cent repayment threshold (currently $53,345 in 2014-15 / or estimated to be $56,264 in 2016); with the long term bond rate capped at six per cent applied thereafter
  - loan fee plus CPI. A loan fee of 25 per cent of the loan amount levied on all HELP schemes as a surcharge on the fee set by the provider, increasing the overall size of the loan. The entire loan is also indexed at the rate of the CPI.
- Cluster rates
  - retain the current eight funding clusters but reduce subsidies by 20 per cent across the board for each cluster, while noting this is not a universal view across the sector.

- Research Training Scheme – 10 per cent student contribution
  - the Working Group proposed this measure not proceed, with savings found elsewhere if needed.
- Commonwealth Scholarship Scheme
  - Options surrounded whether or not to pool scholarship funds at a national level, however given the diversity of views, the Working Group was unable to recommend a clear position.

Quality, Deregulation and Information Working Group proposals

- The principles for access to Commonwealth supported places (CSPs), should:
  - underpin a competitive system that delivers access to high quality and affordable education to all eligible persons
  - meet the future demands of Australia and the international economy
  - enhance the reputation of the Australian higher education system.
- The principles are:
  - Standards – To ensure quality, all providers must meet the standards applied by the national regulator TEQSA which will take into account the totality of the regulatory environment and includes the Commonwealth and State legislative requirements within which providers operate
  - Contestability – To enable competition, eligibility requirements will allow equitable access to CSPs without the introduction of unnecessary barriers
  - Proportionality of Risk – To reduce unnecessary administration and regulatory burden, assessment of providers for CSPs must embody regulatory necessity, risk and proportionality
  - Market Transparency – Requirements for eligibility should include the publication of information on services, fees, academic quality, governance and student support arrangements
  - Performance – To drive quality, the regulatory environment should promote a culture of continuous improvement.

The main questions asked at tertiary skills exhibitions and open day events to date (4 August) have related to the income-contingent loan scheme (formerly HECS/ now the HELP). There was a common misconception at many events that the 2016 changes would mean that HELP would be abolished with many students/families being relieved to find that this was not the case. Other questions included:

- How much will X degree cost me with proposed changes?
- Will I know how much my fees will be in 2016 before I commit to the course?
- I am a current student and I am deferred/transferring to another course will I be charged under the new fee arrangements?
- Will the changes to funding of university places (eg changes to funding of CSPs and deregulation of student contributions) affect access to HELP?

At private higher education institutions there was positive feedback in relation to the changes to HELP (specifically the removal and the HELP limit and the HELP loan fee).

6 Impact of the policy options

The likely impacts of the reform options outlined above are detailed in the following cost-benefit and regulatory impact analysis. The cost-benefit analysis was prepared with the assistance of external expertise from Ernst & Young.

6.1 The Government's proposed reforms

The current system of higher education is dominated by public universities which are typically large, well-endowed institutions with sound balance sheets and overall financial positions. The older the institution, the stronger its reputation and financial position tends to be.

Many newer universities though have benefited from the opening up of the demand driven system to bachelor degree qualifications over the last three years and have secured reputation and revenue through strong enrolments. While there has been a more uneven take up of places at smaller regional universities, and overall less capacity to subsidise revenue from international students, demand driven funding has seen domestic enrolments at regionally headquartered universities on average grow at a slightly higher rate than that of all public universities. These universities (and to a lesser extent, regional campuses of larger universities) are well placed to expand demand into sub bachelor places in their own right or in partnership with other local providers such as TAFEs. Some have already started down this road. Nevertheless, there are some universities outside of growth corridors which may struggle to survive without amalgamation or very different business and delivery models – for example heavier reliance on off-campus and on-line delivery.

Among private providers there are many not-for-profit providers (approximately 30 per cent of the total) which have strong historical bases and with some ties to religious institutions, which provide inbuilt support against rapid changes in the market. Private higher education providers have not grown rapidly over the past nine years. Many are concentrated in particular niche areas. This private market has essentially emerged since the introduction of FEE-HELP in 2006.

Universities' balance sheets are generally in a good position to enable them to adjust to a competitive market. The capacity to set their own course fees will provide greater flexibility to determine and change course mix because income derived from universities' principal service – undergraduate education – is no longer controlled by government. Equally, universities are accustomed to setting course fees in parts of the market including the international market and post-graduate domestic market. Many institutions have developed costing models as a result which provide transparency in internal resource allocation, as well as a better understanding of cost-drivers and cost recovery mechanisms. The pricing behaviour of universities after fee deregulation cannot be predicted with certainty. However, continuing to regulate fees is certain to place constraints on institutions' capacity to embrace new technology and keep up with international competition.

Against this background, changes to the market can be expected in at least two areas: growth into sub bachelor qualifications and pathways; and new entrants entering the market to take advantage of the universal entitlement to higher education. Private providers can therefore be expected to grow in number as well as to expand the course offerings. These dynamics are likely to act as constraints on price among older institutions.

Under these arrangements student numbers, course choices and the price of higher education would be determined more closely by student demand. The Government would provide a standard subsidy, sensitive to discipline-specific teaching costs, for each student enrolled at a registered public or private higher education institution. Institutions, rather than Government, would set the price for a course. As at present, income contingent loans repayable through the tax system would be available to finance the cost of study at both undergraduate and sub degree level. The disincentive to study in the emerging private market – the absence of a tuition subsidy – could be removed.

These reforms are accompanied by improved student information through QILT, and supported by a strong national regulator, TEQSA, and funding arrangements which require conformity with national standards. Institutions' compliance with these assurance processes, a condition for receiving government subsidy, will facilitate the emergence of new quality assured providers and underpin the export of education services. The provision of information, strong quality assurance and the capacity of institutions to set prices cognisant of cost and demand, will enable an efficient distribution of supply in response to demand. This will benefit students, institutions, the economy and the community in general.

Under the Government's proposed reforms, higher education providers will have the opportunity and freedom to manage their own activities. This includes determining which types of courses to offer, the number of undergraduate students they wish to enrol, and the tuition fees they believe students are willing to pay. Given the autonomy provided to institutions in determining these factors, it is difficult to forecast precisely how the sector as a whole, or individual institutions, will respond. Nevertheless, there are clear opportunities inherent in the reform package for all institutions and these can inform an analysis of the potential supply-side response of the market.

It also possible to make assumptions about the demand-side response to the reforms, with the expansion of opportunities for potential students likely to lead to downward pressure on fees, while encouraging institutions to look at more innovative methods of delivery.

It is likely that most institutions will seek to increase their fees by amounts sufficient to recover the reduction in subsidies paid under the Commonwealth Grant Scheme. This is likely to play out at the aggregate rather than unit of study level – this means the fees for a given unit of study may increase by more or less than the reduction in Commonwealth funding for that unit of study. Accordingly, the impacts will be different for every course and every institution.

In making decisions about their fee structures, institutions will take into account a range of considerations, but perhaps most particularly how the fees they set for a given course will be received by the market. They may judge, for example, that their offerings in a particular field are so highly desirable that they will bear a higher price tag. These kinds of judgements, coupled with a desire to increase overall resourcing, may lead some institutions to increase their fees over and above the reduction in Commonwealth funding.

It is reasonable to assume that the more prestigious institutions will have the confidence to assert themselves in the market early on, while others may be more tentative. From day one, price will affect student demand. However, it is important to remember that increases in fees will not be taken in isolation by the market. Students in 2016 and later years will not be deciding which economics degree to study with reference to how much students have been charged for that course in the past – they will be assessing the range of economics courses on offer and weigh up the different value propositions.

Some universities may not be able to increase their fees without losing market share and revenue. These institutions may respond in a range of ways, including finding alternative sources of income, seeking innovative ways to reduce the cost of providing courses (for example, by expanding online provision), and altering course offerings to focus on areas where they have a relative advantage or expertise. If unable to find cost advantages or efficiencies (for example, through greater use of shared corporate services with other institutions), they may need to consider merging some or all of their operations with other institutions.

It is expected that non-university higher education institutions will seek to price their courses so that they can secure market share from universities. These institutions are likely to try to grow their Commonwealth student load to maximise revenue and establish a more visible presence in the market.

Expanding eligibility for the Commonwealth Grant Scheme funding is likely to encourage new entrants into the market in time. These may include foreign universities, TAFEs, and other non-university higher education institutions. It is likely that prospective entrants would wait to identify gaps in the market before making their move.

Some of the students who would have enrolled in bachelor degree courses at public universities under the status quo will now enrol in associate degree, diploma or associate diploma courses as a consequence. Others who may not have enrolled in sub bachelor courses under the status quo will do so because of the extension of government subsidies to these courses. This sector of the market is therefore most likely to grow under the proposed reforms. Relative to the status quo, therefore, the proposed reforms could potentially reduce the number of bachelor degree students entering top tier public universities. Changes to government subsidies for specific bachelor degree courses may discourage enrolments in the humanities and social sciences. Higher government subsidies for courses such as mathematics may lead to increased provision of these courses, or may reduce the need for public universities to cross-subsidise these courses from other sources (for example, through fees from international students). (How institutions choose to structure their student course fees will no longer be the concern of the government.) Subsidies for sub bachelor degree courses will encourage the uptake of these pathways.

Over time, the changes are likely to lead to a wider range of study options for students and a continued focus on quality of service. Government subsidies for higher education will better reflect the cost of provision and the private return to successful students. All students undertaking sub bachelor degree courses will be subsidised, removing the incentive some students may have to enter bachelor degree courses before they may be ready to do so. This is likely to benefit student outcomes by encouraging students to undertake courses of study that are more suited to their academic abilities. Bachelor enrolments will continue to grow, in line with growth in the general population.

The sections to follow provide more detail on the impacts of the Government's proposed reforms in the context of students, higher education providers, the Australian Government and the community.

6.1.1 Students

The Government's proposed reforms will impact students directly (e.g. through changes to the HELP system) and indirectly (e.g. through market impacts and likely provider responses to aspects of the reforms, such as the deregulation of tuition fees). This section discusses both direct and indirect impacts on students.

Course/study options for students

The proposed reforms are expected to build on the demand driven funding system. The demand driven funding system has increased competition between universities and fostered change and innovation (e.g. around delivery models and course content) and facilitated a greater focus on quality. For example, a number of universities have forged partnerships with regional TAFEs to develop new courses, including:

- Charles Sturt University, in partnership with the North Coast TAFE and Wodonga TAFE, is establishing two regional university centres in northern Victoria and the mid-north coast of New South Wales. In collaboration with the TAFEs, Charles Sturt University will deliver programmes locally to new, underserviced regional markets where there are poor higher education attainment rates, but good vocational education and training preparation to diploma level.

- In north-west Tasmania, the University of Tasmania's Cradle Coast campus has formed links with TasTAFE and other providers to offer pathway programmes in areas relevant to local industry (primarily mining and manufacturing), such as engineering pathways, pathways for up-skilling and new management qualifications.
- Federation University Australia has partnerships with a range of TAFEs in regional Victoria to provide pathway programmes across a range of fields of education.

This has resulted in more diversity in course offerings for bachelor degrees, as universities respond to student and employer demands.

The proposed reforms build on the demand driven funding system by providing Commonwealth subsidies to public universities, private universities and approved NUHEPs. This will allow providers not currently eligible for CSPs to better compete on 'price', because they can access equivalent student subsidies.

Specific sources of competition include:

- for bachelor degrees – the proposed reforms will promote greater competition between public universities (particularly over tuition fees and course 'quality'), and greater competition to public universities from approved private universities and NUHEPs.
- for sub bachelor degrees – due to the increased availability of Government subsidies, providers will be in a position to offer sub bachelor courses at lower cost and/or higher quality. They may also be able to offer courses that are, at present, not financially viable (such as courses in regional areas). Overall it is likely that the sub bachelor market as a whole will begin to offer products that improve on current offerings in all of these ways as different providers pursue different strategies.

Interactions between bachelor and sub bachelor degrees may also become more complex. For example:

- there may be greater competition between degree types. Access to employment opportunities is likely to be a critical factor in demand, and those NUHEPs that develop close relationships with employers might feasibly compete with some universities offering degrees.
- there may also be greater complementarities between degree types. As access to and the affordability of sub bachelor degrees increases (due to the increased availability of subsidies), more universities are likely to develop partnerships with NUHEPs (i.e. offer more formal pathways to students) to grow their enrolments.

Given these impacts, it is expected that the benefits observed from demand driven funding will grow considerably under the Government's proposed reforms. To attract students, providers will need to become more proactive and innovative in offering students (and employers) the courses and degrees (both bachelor and sub bachelor) that meet their needs, relating to attributes including:

- delivery locations and methods
- links to employers and employment prospects
- links to other providers and qualifications (e.g. pathways from sub bachelor degrees to bachelor degrees)

- pricing
- course content and ‘quality’.

Providers that fail to meet the needs of students and employers are likely to lose market share to either other providers or new entrants to the higher education market.

Some of the ‘real-world’ outcomes that we may observe from this, in terms of course/study options for students, include:

- more diverse course offerings for bachelor degrees
- improved quality of teaching and all round student experience
- clearer pathways from sub bachelor to bachelor degrees
- higher-quality and/or lower-cost sub bachelor courses
- greater access to sub bachelor courses, including in regional areas
- growth of alternate delivery methods, including off-campus study and/or partnership with industry.

In turn, this should increase student access to higher education qualifications and delivery methods that best meet their needs and suit their circumstances, including their employment aspirations. This should ultimately lead to higher completion rates and better employment outcomes.

The proposed reforms also include the introduction of the Commonwealth Scholarship Scheme (CSS). This will fund new scholarships to assist students from disadvantaged backgrounds. The CSS will allow institutions to provide tailored, individualised support to disadvantaged students through scholarships to meet the costs of attending, participating in or succeeding in higher education, to ensure that they are able to take advantage of the deregulated system.

It is difficult to determine the impact of the CSS on total student numbers. As disadvantaged students are already able to defer the cost of higher education, it is unlikely that the existence of the CSS will induce material numbers of new students into the higher education system. However, if the scholarships under the scheme cover (in full or in part) living costs (which currently are not able to be deferred), they may induce new students into the system (particularly disadvantaged students that may have otherwise been deterred from enrolling due to concerns about the affordability of studying). Overall, the CSS should provide disadvantaged students in the higher education system with greater support relative to the status quo.

The proposed removal of FEE-HELP and VET FEE-HELP fees will reduce the cost of education for students in full-fee paying courses. This will remove a deterrent to students considering study in these courses and reduce the total cost of their education.

Information availability

Targeted, high quality and accessible information for students on higher education providers and courses (e.g. satisfaction rates and employment outcomes) is essential to ensuring that students can make well-informed choices about their higher education, and to delivering the expected benefits of the expansion of the demand driven system. Student choices signal to higher education providers the offerings that students (and employers) prefer, so that providers can review and refine their offerings accordingly.

Currently, the Government provides a number of sources of information to prospective students about course information, university statistics, job opportunities for graduates and employment trends including:

- My Future (http://www.myfuture.edu.au) – a career information and exploration tool
- My University (http://myuniversity.gov.au) – information about Australian universities and other higher education providers
- Jobs Guide (http://www.jobguide.education.gov.au) – information to Year 10 students about over 500 occupations, contact details for training providers, as well as job search information and advice
- Jobs Outlook (http://joboutlook.gov.au) – a careers and labour market research information site to help students to select future careers.

The *Review of the Demand Driven Funding System* recommended that the *MyUniversity* website be replaced with an improved student information website. In consultations with stakeholders conducted in the review, feedback on *MyUniversity* was overwhelmingly negative. There are a number of limitations with the current information available to prospective students, including difficulties in comparing higher education providers.

The proposed reforms include new information collection and provision measures to ensure adequate information is available for students:

- QILT comprises a suite of government-endorsed surveys covering the student life cycle from commencement to employment. This will help to ensure adequate information is available for students to make informed decisions about their study options. The QILT will provide data to universities and colleges from surveys relating to their students and graduates to support their continuous improvement efforts in key areas such as teaching practices, learner engagement and student support. The surveys cover the student life cycle from commencement to employment, including
  - the University Experience Survey, measuring satisfaction of current students
  - the Graduate Outcomes Survey, examining labour market outcomes of newly qualified higher education graduates
  - a new Employer Satisfaction Survey to assess the generic skills, technical skills and work readiness of graduates.

  This information will be presented on a new website to be launched later this year.

- The Higher Education Information Management System (HEIMS) is a single national higher education data collection and information repository. The expanded information management system will improve access to data, under appropriate protocol and privacy provisions, for universities and other higher education providers.

As noted above, the availability of quality information to inform student choices regarding higher education options is critical to ensure efficient market outcomes. These additional information measures will ensure better quality and more information is available to students about higher education options and employment outcomes from those options, which will enable students to make more informed decision making by students. This will lead to a more efficient market, as students and higher education providers are better equipped to identify and respond to market signals, resulting in better matching of supply and demand for higher education courses, and in the labour market.

Tuition fees

The likely impact of the proposed reforms on tuition fees is discussed in detail section 6.1.2. In summary, it is reasonable to expect that, in the short term:

- Some public universities may increase tuition fees to offset (either in part or in full) the reduction in funding they receive under the Commonwealth Grant Scheme. The level of this increase will likely vary across universities and courses
- Approved private universities and NUHEPs are likely to utilise the additional revenue they receive under the Commonwealth Grant Scheme to decrease tuition fees and/or increase quality
- All providers are more likely to calibrate course costs against location and mode of delivery.

In the medium-to-long term, it is reasonable to expect that all providers will be 'empowered to offer services at prices and in quantities and qualities that reflect their specific circumstances and the preferences of their students.'[20] In such an open and competitive environment, students are likely to face a range of fee options – some of which could be higher than the status quo, others of which could be lower than the status quo (adjusting for inflation).

Student debts and repayments

For students who defer tuition fee payments through the HELP scheme, the Government's proposed reforms may impact the total level of debt and lifetime repayments students face when undertaking higher education. The key changes to HELP that will impact students are:

- The change to the annual indexation applied to HELP loans, from the CPI to a rate equivalent to the yields on 10 year bonds issued by the Australian Government, capped at six per cent per annum from June 2016.

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[20] Industry Commission (1997), *Industry Commission Submission to the Review of Higher Education Financing and Policy*, July, available here.

- The reduction of the minimum income threshold for repayment of HELP loans from the 2016-17 income year to $50,638. A two per cent repayment rate will apply for those with incomes above this new threshold, up to the existing threshold (estimated to be $56,264 for the 2016-17 income year).

The potential increases to tuition fees for bachelor degrees will also increase the initial debt levels for students, which will increase the impact of the changes to the HELP indexation rate and repayment thresholds on students. The impact of these changes on students undertaking sub bachelor degrees may be less, as they are generally shorter courses and are unlikely to lead to total debts as high as bachelor courses. However, the actual impact on the total cost to students for sub bachelor degrees will depend on the amount tuition fees change in response to the expansion of the demand driven system.

The Government reforms will also remove the 25 per cent loan fee applied to FEE-HELP loans for undergraduate courses and 20 per cent loan fee applied to VET FEE-HELP loans and lifetime limits on the amount HELP students can access for full fee-paying undergraduate students and eligible full fee-paying students in higher level vocational education and training courses. Removing these loan fees will reduce the total cost of education for full-fee paying students.

The Government expects that 17 per cent of the HELP debt issued during 2011-12 will not be repaid.[21] As student numbers and tuition fees increase, this amount is likely to increase as the long-term cost of education increases. The Government estimates that the proportion of unpaid debt under HELP will increase to 23 per cent by 2017-18.

Total student costs/repayments

It is difficult to estimate the cumulative impact of the above changes on overall student costs and repayments from a higher education qualification. This will depend on interactions and changes to a large number of parameters (including the tuition fees set by higher education providers and incomes of students upon graduation).

It is clear that changing the indexation of HELP debts to the 10-year Treasury bond rate will have an effect on the time some graduates take to repay their HELP loans and the total repayment amounts, including:

- low income graduates with high levels of debt
- graduates that take a longer period of time to finish their qualifications and earn below the repayment threshold for long periods of time
- graduates that spend periods of time out of the labour force.

[21] Department of Industry, Innovation, Science, Research and Tertiary Education, *Annual Report 2011-12 Department of Industry, Innovation, Science, Research and Tertiary Education*, 2012, p. 64.

Effect on student demand

This section considers how the changes to the total cost of higher education discussed above may affect the number of students enrolling in and completing higher education. In this discussion, most focus is placed on students at universities, as for reasons discussed earlier these students are most likely to experience price increases from the proposed reforms.

Tuition fees and student repayments form only part of the number of factors students consider when deciding whether to undertake higher education and what courses to enrol in. Other factors considered are employment outcomes, quality of the higher education institution and lifetime earnings.

Impact of deferred debt on demand

At the outset, it is important to note that the availability of income-contingent loans to students through the HELP-Loan scheme softens the deterrent effect of fee increases. Studies have found that incurring student debt through HECS has not been a dominant factor influencing individual decision making on undertaking higher education, either in aggregate, or for low socio-economic status (SES) groups.

Andrews considered the factors influencing the decision whether or not to undertake higher education studies. He found that HECS had not substantially affected the level of applications or enrolments of students. Rather, he found that the main determinants to undertake higher education appear to be values and attitudes towards higher education.[22]

Response to previous changes

A number of studies have examined the impact of HECS and student fees on participation in higher education. The introduction of HECS and subsequent changes to the student fees have had minimal impact in terms of overall applications and enrolments by students from lower socio-economic status backgrounds.[23] The research suggests:

- relatively disadvantaged students were less likely to attend university even when there were no student fees.
- the introduction of HECS in 1989 was associated with an aggregate increase in higher education enrolments.
- the introduction of HECS did not result in decreases in the participation of prospective students from low socio-economic status groups.
- there was a small decrease in the aggregate number of applications after the HECS changes in 1997 – an average of 17,500 fewer applications each year (or eight per cent of total applications) compared to what would have been expected had this change not taken place.[24]

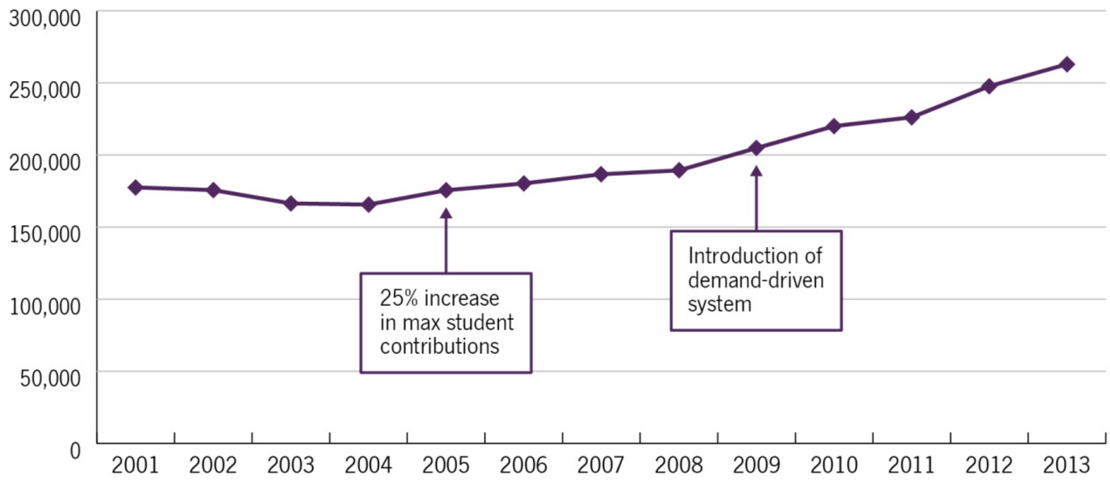
[22] Les Andrews (1999) 'Does HECS deter? Factors affecting university participation by low SES groups', March, available here.

[23] Access Economics (2008), 'Future demand for higher education', November, p. 36, available here.

[24] Deloitte Access Economics (2011), 'The impact of changes to student contribution levels and repayment thresholds on the demand for higher education', August, p. ii, available here.

- the introduction of higher maximum student contribution amounts in 2005 resulted in an average reduction of 18,000 applications to university each year (equivalent to eight per cent of total applications).[25]
- there was no decrease in commencing domestic undergraduate student numbers after the 25 per cent increase in maximum student contributions was introduced in 2005 (see Figure 6.1).

Figure 6.1: Commencing domestic undergraduate students



Source: Department of Education

The UK increased the cap on student fees in 2012, resulting in a trebling of student fees at most institutions.[26] After the cap was raised and fees increased, there was an initial fall in overall enrolments (around 8.7 per cent); however, demand from school leavers remained strong, including those from non-affluent backgrounds. Overall, university applications rose by two per cent for admission in 2013-14. The most significant fall in participation was from mature age students undertaking a second degree, as they are not eligible for student loans.[27] Participation of disadvantaged young people in higher education is at higher than ever rates in England.[28]

Comparison against income benefits

The lifetime earnings of bachelor degree graduates are generally higher than for those with no further education after year 12. The Grattan Institute undertook analysis of 2011 Australian census data to calculate the additional `lifetime earnings of university graduates'. It found:

- the median male bachelor-degree holder had lifetime additional earnings of $1.4 million compared to the median male who did no further education after Year 12.

[25] Deloitte Access Economics (2011), 'The impact of changes to student contribution levels and repayment thresholds on the demand for higher education', August, p. ii, available at here
[26] Jack Grove, 'Nine out of 10 universities opt to charge maximum fee', *Times Higher Education*, 11 July 2013, available here
[27] Nick Hilman (2014), 'A comparison of student loans in England and Australia', *Higher Education Policy Institute HEPI Report*, Vol. 66, available here.
[28] Independent Commission on Fees (2014), 'Analysis of trends in higher education applications, admissions, and enrolments', August, available at here.

- the estimated lifetime earnings premium for women was just under $1 million compared to the median female who did no further education after year 12.[29]

As outlined above, the total cost of education may increase, particularly for bachelor degrees. It is difficult to estimate the cumulative impact of the changes to tuition fees and HELP debts on the overall cost of a higher education qualification, as it depends on interactions and changes in a large number of parameters. Nonetheless, it is clear that, while the total cost of education for students may increase, it will remain at only a fraction of the additional lifetime earnings of students. This implies that demand will be quite inelastic to the changes to tuition fees.

Forecast demand response

Students consider a number of factors, including price, when deciding whether to undertake higher education. This suggests that the proposed reforms would not significantly impact on the number of students applying for, and enrolling in bachelor degrees.

Based on its research and findings, the Government has forecast student numbers for sub bachelor courses and bachelor students at private universities and NUHEPS (see Table 6.1). These forecasts assume that demand for bachelor courses will drop from the peaks experienced following the introduction of demand driven funding, and will generally track population growth. However, there could be movement between providers due to competition.

Table 6.1: Additional Commonwealth supported students based on Budget estimates

Year	Students new to higher education (sub bachelor)	Total sub -bachelor students	Bachelor students at private universities and NUHEPs	Total
2012		7,300	22,300	29,700
2016	11,500	23,600	33,500	57,100
2017	23,000	35,800	34,500	70,200
2018	34,600	48,100	35,500	83,600

Source: Department of Education

The Government estimates that the expansion of CSPs to all TEQSA-accredited institutions, in addition to demand driven funding of sub bachelor places at universities, will increase the number of Commonwealth supported students by more than 80,000 by 2018. This includes higher education students who would not previously have received Commonwealth support, and additional students studying higher education. The expansion of sub bachelor subsidies will be of particular benefit to less academically prepared students, as it will increase access to pathway courses that prepare students for bachelor-level study. As noted in the Kemp/Norton *Review of the Demand Driven Funding System*, this will reduce dropout rates (Box 6.1), provide a lower-risk entry point to higher education for students from low SES backgrounds, and increase efficiency by better matching students to appropriate courses.

[29] Andrew Norton (2013), 'Mapping Australian higher education 2013 version', January, Grattan Institute, p. 71, available here.

Box 6.1: The impact of sub bachelor courses on attrition rates

In their review of the demand driven funding system, Kemp and Norton noted that:

- The lower a student's ATAR, the higher their potential attrition rate – for instance, students with an ATAR of between 30 and 50 had an attrition rate greater than 20 per cent between 2007 and 2012, while students with an ATAR of between 91 and 100 had an attrition rate of less than five per cent of the same period.
- Students who entered university 'via a pathway course often did better than might have been expected, given their original level of academic preparation.' For instance:

> *'At the University of Western Sydney's UWS College more than 70 per cent of students progress straight into the second year of a bachelor program, often with retention and success results equivalent to their peers who enrol directly into bachelor courses. One major provider of pathway courses, Navitas Ltd, provided evidence that former students of its pathway colleges had academic results that compared favourably with those of direct entry students. One university provided evidence to the review that students admitted on the basis of a TAFE qualification had slightly higher retention than those admitted on their school results.'*

The forecast student numbers include substantial growth in domestic sub bachelor students from 2012, attributable to the removal of the constraints on the supply of sub bachelor CSPs.

Beyond 2018, it is estimated that the number of additional students receiving a subsidy through the extension of the demand driven funding system will increase to more than 110,000 by 2021. The majority of these additional students are expected to be enrolled in sub bachelor courses.

6.1.2 Higher education providers

Public universities

The Government's proposed reforms will significantly impact how public universities[30] interact with the market for higher education. These market impacts are discussed below, followed by an exploration of other impacts associated with the reform package (e.g. those relating to research funding).

Market impacts

The Government's proposed reforms will have two immediate impacts on how public universities interact with the market for higher education. First, the reform package will remove a number of regulatory interventions that both advantage and disadvantage public universities. Namely, the Government's proposed reforms will:

- extend the demand driven funding system to all approved higher education providers for all bachelor and sub bachelor courses, which will

[30]The impacts in this section primarily relate to Table A providers. However, some of the impacts (particularly those flowing through from the proposed changes to the Commonwealth Grant Scheme) will also relate to the handful of private universities and NUHEPs that currently offer CSPs.

- reduce the price advantage that public universities currently enjoy relative to private universities and NUHEPs, by offering CSPs at all approved HEPs. This will, in turn, expose public universities to greater competition – in terms of both direct substitution (e.g. a student choosing a bachelor course at a private university over a bachelor course at a public university) and indirect substitution (e.g. a student choosing an advanced diploma course at a NUHEP over a bachelor course at a public university)
- allow public universities to pursue new revenue opportunities at the sub bachelor level (as the number of sub bachelor CSPs will no longer be capped)

- remove restrictions on tuition fees for CSPs, which will provide public universities with greater flexibility in their pricing decisions and business models.

Second, by redesigning CSP funding tiers and reducing (on average) the associated Commonwealth contribution, the reforms will reduce the level of funding provided to public universities under the Commonwealth Grant Scheme (though noting that overall funding to HEPs will increase).

The Government is proposing to streamline the current eight funding clusters into five funding tiers. These tiers are designed to incorporate a more rational reflection of factors relevant to the cost of delivery, such as the standard teaching method, the infrastructure required to deliver the course and the potential value to prospective students. The five tiers are:

- Tier 1 – Low cost courses with traditional lecture and tutorial format with high private returns: Management and Commerce, Food and Hospitality, Mixed Field, Law and Economics.
- Tier 2 – Other low cost courses with traditional lecture and tutorial format: Society and Culture (including social studies and humanities, but excluding law, economics, clinical psychology and foreign languages) and Communications (excluding audio visual studies).
- Tier 3 – Medium cost courses that combine traditional lecture and tutorial format with significant practical experience requirements: Computing, Behavioural Science, Welfare Studies, Other Health, Architecture and Building, Education, and Creative Arts (excluding communications).
- Tier 4 – Laboratory based disciplines with small class sizes and/or high equipment costs: Science, Engineering, Allied Health, Nursing, Environmental Science, Clinical Psychology, and Foreign Languages.
- Tier 5 – High cost disciplines with high infrastructure costs and/or intensive teaching: Agriculture (excluding environmental science), Medicine, Dentistry, and Veterinary Science.

The rate of subsidy for each tier was determined by taking into account the funding relativities identified by the Base Funding Review and the objective to provide an overall 20 per cent reduction in Commonwealth contributions. Table 6.2 outlines the new funding tiers and corresponding Australian Government contribution amounts that will apply to universities for bachelor and higher level degrees from 1 January 2016.[31]

[31] A more detailed breakdown of the fields of education by funding tier is available for download here.

The Base funding Review sought to establish principles to underpin public investment in higher education. The principles reiterate the notion that base funding to universities (government subsidies an student contributions) should continue to fund university education in proportions that are broadly consistent with their respective benefits. A key principle of the Review states that the overall funding levels should reflect real costs.

It is in this context that the Review panel conducted a costing study to estimate base funding relativities that compares the cost of provision by field of education. The Review concluded that in modifying the base funding relativities, no discipline should experience a reduction in per student funding. However, the Review was referring to total costs (Commonwealth subsidy plus student contribution). While providers may increase fees to offset their reduced government support, the extent to which total price increases or decreases for a particular field of education or course will be dependent on market factors and provider business strategies.

Table 6.2: Estimated change in Government contribution, the Government's proposed reforms relative to the status quo

Discipline(s)	Old funding clusters	Estimated Government contribution (grandfathered students)*	New funding tiers	Government contribution (new students)	Change
Law, accounting, administration, economics, commerce	1	$2,004	1	$1,805	-10%
Humanities	2	$5,566	2	$6,021	+8%
Social studies	3	$9,849	2	$6,021	-39%
Communications (excluding audio visual)	5	$12,112	2	$6,021	-50%
Computing, behavioural science, welfare studies, sport, built environment, other health	3	$9,849	3	$9,033	-8%
Education	4	$10,246	3	$9,033	-12%
Visual and performing arts	5	$12,112	3	$9,033	-25%
Mathematics	3	$9,849	4	$12,045	+22%
Clinical psychology, allied health, foreign languages	5	$12,112	4	$12,045	-1%
Nursing	6	$13,523	4	$12,045	-11%
Engineering, science, surveying	7	$17,220	4	$12,045	-30%
Environmental studies	8	$21,855	4	$12,045	-45%
Dentistry, medicine, veterinary science, agriculture	8	$21,855	5	$18,067	-17%
Weighted average					*-20%*

* Includes the impact of the efficiency dividend that is subject to the passage of legislation and the estimated impact of indexation.
Source: Department of Education

The level of reduction experienced by individual universities under the Commonwealth Grant Scheme will vary, depending on the balance of students they have enrolled in each discipline.

The immediate, market impacts of the Government's proposed reforms will engender a number of flow-on impacts for public universities. These include:

- Faced with greater competition from private universities and NUHEPs at the bachelor and sub bachelor level, and reduced funding under the Commonwealth Grant Scheme, public universities may come under greater pressure to review and change business models, operational processes and delivery approaches to enhance their productivity and best position themselves to meet student demand.

- Given the flexibility and responsibility to set their own tuition fees for CSPs, public universities will need to develop pricing strategies for their courses– which will necessitate an understanding of individual course/student costs, student willingness to pay and course/institution value propositions. As part of this, universities will also need to determine whether they will cross-subsidise some of their courses and, if so, the nature and extent of this cross-subsidisation (e.g. will cross-subsidisation occur between international and domestic students? Between different types of courses?).
- In the medium-to-long term, it is reasonable to expect that there will be greater differentiation and specialisation in course offerings from public universities, as institutions seek to maximise their comparative advantages and respond to existing and emerging areas of student demand. As Professor Peter Booth, Senior Deputy Vice-Chancellor and Senior Vice-President at the University of Technology, Sydney states that

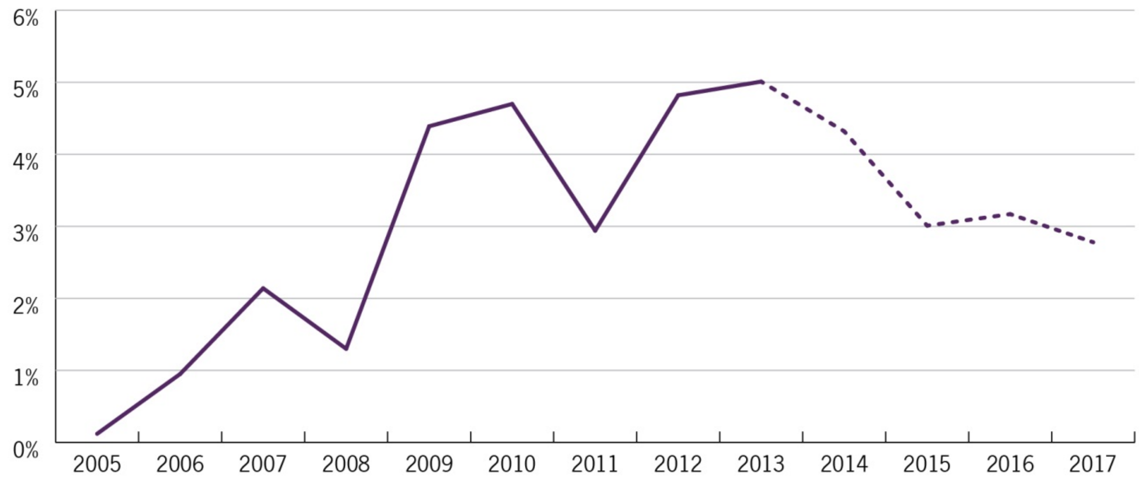
  > *'A useful analogy is the motor vehicle market. The premium brands have little incentive (or real ability) to totally dominate market share and buyers have a wide range of product needs and preferences, and aren't only interested in low-cost vehicles. The result is a range of market niches, each offering value to a different package of buyer preferences and prices, driven by different competitive strategies. A wide variety of brand loyalties makes the mix of outcomes even more complex.'*[32]

- In the medium-to-long term, it is also expected that the public university share of the market for higher education may decrease, as private universities and NUHEPs will be able to compete more effectively on price and quality due to the extension of demand driven funding.

As discussed in section 6.1.1, the introduction of the demand driven funding system induced a surge in demand for bachelor CSP in 2012 and 2013. However, growth rates are expected to drop back to around three per cent per annum over the next five to 10 years (i.e. in line with general population growth, see Figure 6.2).

[32] Peter Booth (2014), 'Middle-tier universities in Australia aren't doomed to wither and die', *The Conversation*, 31 July, available here.

Figure 6.2: Year-on-year change in Commonwealth Supported Bachelor level places at public universities (percentage), actual and projected, 2005-2017



Source: Department of Education

Under the status quo, the primary means that public universities can achieve real increases in teaching-related revenue from bachelor CSPs is by increasing student enrolments (as their ability to increase tuition fees is regulated). However, the total number of student enrolments is not expected to grow significantly over the coming decade.

Under the Government's proposed reforms, some public universities will be able to increase teaching related revenue by increasing student fees. All public universities will also be able to expand into the sub bachelor market, which is expected to grow as a consequence of the extension of Commonwealth subsidies for higher education (see Table 6.3).

Table 6.3: Potential impacts to public universities, deregulated fee environment

Impact	Likelihood of impact
Some of the universities may shrink their student bodies	This has been suggested by Professor Ian Young, Vice-Chancellor of the Australian National University and Chair of the Group of Eight
Public universities in aggregate may increase their sub bachelor offerings	This seems very likely given there will be significant revenue to be made as universities take advantage of the new Government funding associated with sub bachelor degrees. Further, some universities will see involvement in the sub bachelor market as a chance to offset some of the reduction in Commonwealth subsidies for bachelor degree places. In the short-term, the extension of demand driven-funding is reasonably likely to favour those public universities that already have a strong focus on sub bachelor courses (such as RMIT University, Charles Sturt University, University of Southern Queensland, University of Western Sydney and University of Tasmania; the five of which accounted for over 50 per cent of domestic sub bachelor enrolments at public universities in 2013). The advantage enjoyed by these institutions is unlikely to be fixed, however, given that all public universities currently offer sub bachelor courses. Consequently, there are few barriers preventing other institutions from expanding and/or enhancing their sub bachelor course offerings to capture greater market share.

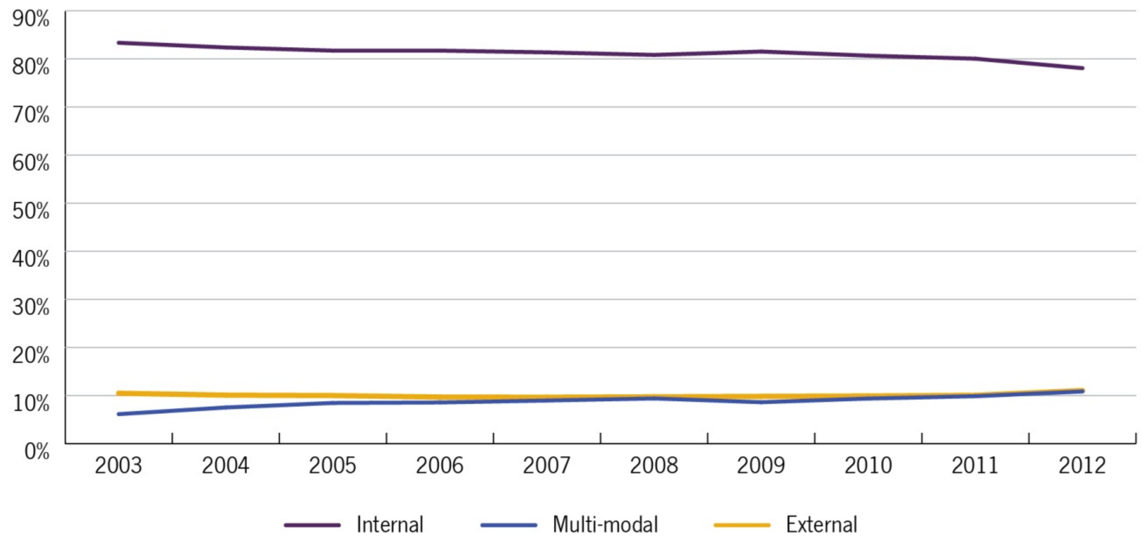
Other potential impacts of the Government's reforms on public universities are summarised in Table 6.4.

Table 6.4: Potential broader impacts of the proposed reforms, public universities

Impact	Likelihood of impact
Public universities may develop courses that are more specifically targeted at the needs of industry and provide students with a more defined pathway from graduation to employment	The development of links between providers and industry, and therefore the development of courses more tailored for industry, will depend on the extent to which providers wish to develop a competitive advantage. The proposed reforms allow for more competition between providers. As the market evolves providers will become more aware of their own cost structures and will search for competitive advantages. Therefore, there is a reasonable likelihood that such developments will occur over the medium-to-long term. The introduction of QILT and the employer element or the suite of surveys will allow for feedback from industry on higher education provision, and therefore help shape courses to industry needs.
Public universities may establish stronger links with NUHEPs, and potentially create formalised pathway processes for students.	The deregulated VET system in Victoria saw the proliferation of third-party providers and partnerships between large public institutes (TAFEs) and smaller private providers. This experience points to a potential growth in such collaborations in the deregulated higher education market and a reasonable likelihood that collaborations like this will be effective and profitable. While it is expected that public universities will increase their activity in sub bachelor degree provision, counter to this is the fact that some will limit their entry into the sub bachelor market, as they instead prefer to engage with another provider to formalise pathway programs. Such an arrangement was formalised earlier this year where Deakin University and The Gordon plan to create a guaranteed pathways for a student from diplomas into degrees. This innovative

Impact	Likelihood of impact
	and strategic business plan highlights the likelihood that similar alliances and agreements may occur in the national higher education system.
Public universities may move more aggressively into online provision, allowing them to reduce their physical footprint (and realise cost savings in the process)	Online provision for higher education provision has grown significantly over recent years and is not something specific to a deregulated higher education system. However, the likelihood of innovative teaching methods such as this should increase as a fully deregulated market will increase the incentive to develop lower cost teaching methods, and as the number of competing providers increases under the new environment. The growth in online provision is shown in Figure 6.3, whereby multi-modal enrolments and external enrolments (which are useful proxies for online delivery) as a proportion of total enrolments have increased over the past decade, while internal enrolments as a proportion of total enrolments dropped below 80 per cent for the first time in 2012. The trends here are likely to accelerate under the Government's proposed reforms, as universities are incentivised to realise productivity gains. It is also possible that greater online provision will lead to a blurring of geographical and regional markets.
Public universities may expand into a wider range of sub bachelor and bachelor courses as they seek to gain competitive advantages.	Public universities will have an incentive to establish new business strategies and enter new markets. One such market will be low SES students within catchment areas of universities that will now have a greater opportunity to complete a university degree with the expansion of Commonwealth funding to sub bachelor degrees. This particular market will be more of a medium-to-long term prospect as providers establish methods to encourage low SES students to study at university.
Public universities may collaborate in the delivery of introductory subjects, while continuing to compete in terms of second and third year subjects.	This impact is expected over a longer timeframe as universities become more familiar with teaching cost structures and competitive advantages. If public universities were to collaborate and help distinguish their product from that of either lower-tier universities or non-university higher education providers then that would serve as a competitive advantage for large universities. This would be most likely occur in the early stage of a degree i.e. first-year, after which universities could then offer distinct differences in later years as universities look to creating their own competitive advantages among themselves.

Figure 6.3: Proportion of domestic bachelor level enrolments (all providers), by mode of attendance, 2003-2012



Source: Department of Education

Tuition fees

At present, the amount that public universities can charge students for enrolling in a CSP is capped by the Government in accordance with three bands (see Table 6.5). These bands are intended to reflect the cost of the course and the average earning potential of graduates. Based on the rates outlined in Table 6.5, a three-year Humanities degree would cost $18,132, while a four-year Law degree would cost $40,340.

Table 6.5: Maximum student contributions, 2014

Bands by field of education	Maximum student contribution (per EFTSL)
Band 3: **Law, accounting, administration, economics, commerce, dentistry, medicine, veterinary science**	$10,085
Band 2: **Mathematics, statistics, computing, built environment, other health, allied health, science, engineering, surveying, agriculture**	$8,613
Band 1: **Humanities, behavioural science, social studies, education, clinical psychology, foreign languages, visual and performing arts, nursing**	$6,044

Source: Department of Education

Much of the commentary on the Government's proposed reforms (raised publicly or provided directly to the Department as part of its ongoing stakeholder consultation process) has focused on the potential for public universities to increase tuition fees. While some stakeholders expect that public universities will increase tuition fees under the Government's proposed reforms, the magnitude of the likely increase is debated. Some have contended that fees increases are likely to be relatively modest. For instance:

- Conor King, Executive Director of Innovation Research Universities Australia, has calculated that the sector as a whole would need to raise fees by 26.4 per cent to recover the lost revenue from the proposed funding cuts in 2016[33] - or between $1,664 and $2,777 per EFTSL (based on 2016 indexed figures).
- Professor Ian Young, Vice-Chancellor of the Australian National University, has estimated that the cost of a course could increase to $18,000 a year.[34]
- Andrew Norton has estimated that courses could end up costing 'between $35,000 and $60,000'.[35]
- Fred Hilmer, Vice-Chancellor of the University of New South Wales, said in a statement[36] that "on average the amount of funding per student is reduced by $2251. Therefore an average increase of $2251 would be required to compensate. It is up to the university concerned whether a disproportionate amount comes from some faculties or whether it applies the increase of $2251 to each course on a uniform basis."

Other stakeholders, conversely, have predicted that universities may significantly increase fees. For instance:

- Professor Linda Kristjanson, Vice-Chancellor, Swinburne University of Technology, has suggested that prices may increase substantially as some universities will not be concerned by price competition from private providers
- The National Tertiary Education Union has suggested that universities may significantly increase fees.[37]

While the fees that can be charged to Commonwealth supported students are regulated in Australia, other areas of the higher education system face no restrictions on enrolments or tuition fees – including bachelor courses for international students and those postgraduate coursework students not in CSPs. The Group of Eight recently published analysis of the tuition fees charged by public universities in the market for full fee-paying masters by coursework courses in 2012.[38] Its key findings were:

- Public universities utilise a broad distribution of pricing strategies for masters coursework courses (evident across all Broad Fields of Education) with fees ranging from $5,000 to $60,000 (though the majority fell between $10,000 and $40,000) (Figure 6.4).

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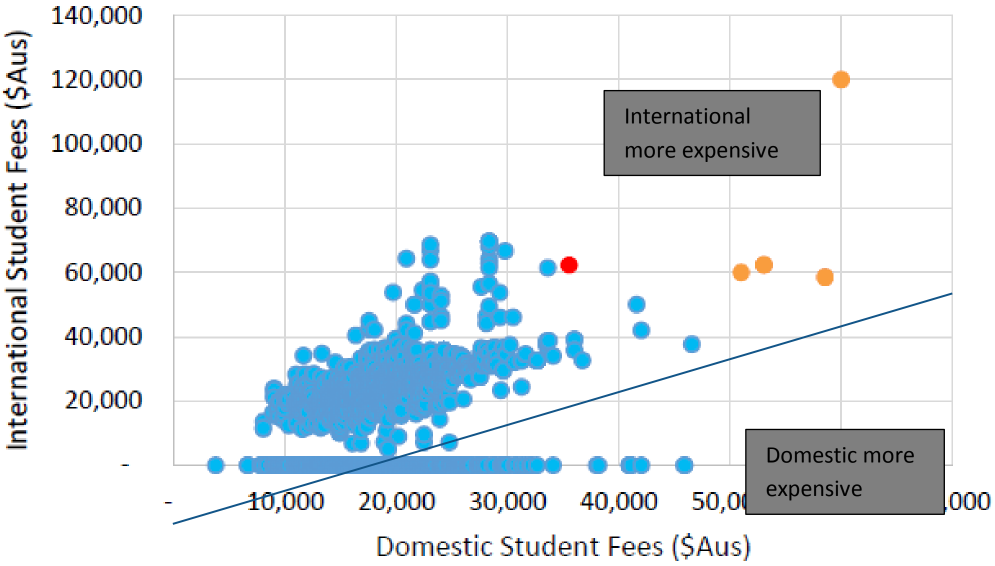
[33] Conor King (2014), 'The Higher Education reforms: Recovering the lost Government subsidy from students', 16 June, available here.
[34] Professor Ian Young, speech to the National Press Club Canberra, 30 July 2014.
[35] Andrew Norton (2014), 'Higher education reform clarifier #2: Are students facing $100,000 degrees?', 19 May, available here.
[36] Fred Hilmer (2014), 'Response to Universities Australia paper on fees and student debt', 14 June, available here.
[37] National Tertiary Education Union (2014), 'A degree shouldn't cost a mortgage: NTEU analysis of higher education changes in the 2014 Federal Budget', available here.
[38] Group of Eight (2014), 'Tuition Fees at Australian Universities', June, available here.

- Domestic students were charged less than international students in most cases – even with 'high demand fields with typically high private returns, such as Management and Commerce, or Engineering and Related Technologies' [39]
- Public universities as a collective offer domestic students a broad range of pricing options for masters by coursework, and at prices generally less than that for international students, even though domestic students are able to defer the costs of their masters by coursework under the FEE-HELP loan scheme.

Figure 6.4: Indicative fees for masters coursework courses, international and domestic, 2012



Source: Group of Eight (2014), 'Tuition Fees at Australian Universities', June

Based on the available evidence, it is reasonable to expect that, in the short term, many public universities will increase their tuition fees for CSPs. This increase will largely be driven by the need of various institutions to offset (either in part or in full) the reduction in funding they receive under the Commonwealth Grant Scheme – given the existing cost structures and commitments of the public universities. The increase in tuition fees is likely to:

- Vary – both across courses (reflecting the different subsidy amounts outlined in Table 6.2, as well as the ability and willingness of universities to cross-subsidise courses) and universities (reflecting the understanding of each institution of student demand and their relative market position). With reference to the last point, some universities may judge that the quality of their courses warrants above average tuition fees. Conversely, some universities may conclude that they will lose their competitive position if they price themselves above other universities.
- Be relatively constrained - given that it will take time for universities to develop reliable delivery and pricing strategies (meaning that they are initially more likely to be conservative in their pricing decisions) and evident public concern about increases in tuition fees.[40]

[39] Group of Eight (2014), 'Tuition Fees at Australian Universities', June, available here.

In the medium-to-long term, it is reasonable to expect that the Government's proposed reforms will establish 'a stronger customer-supplier relationship between students and institutions' – one where '[i]nstitutions would be empowered to offer services at prices and in quantities and qualities that reflect their specific circumstances and the preferences of their students.'[41]

In such an environment, some universities may offer 'premium' course offerings (e.g. in terms of the level of teacher contact, the quality of the broader student experience, and/or links with potential employers) for fees considerably higher than those currently paid by students. Conversely, other universities may offer a range of low cost options, based on new delivery mechanisms and/or 'no frills' business models. Indeed, it is possible that, with emerging digital technologies, tuition fees for some courses could be less than the current caps imposed on student contributions (adjusting for inflation).

A possible exception to the above is the tuition fees for medical degrees. The introduction of the demand driven system for bachelor level Commonwealth supported places in 2012 did not include an uncapping of medical places, primarily due to the shortage of clinical training places for medical students and the high cost of providing medical training. The reforms announced in the 2014-15 Budget proposed that medical places continue to be capped but that fees for medical places be deregulated. Given that demand for medical places is likely to remain high and supply capped, it is unlikely that universities will compete on price in offering medical degrees following fee deregulation. This is an issues considered further in section 6.4.

Discipline subsidies

The proposed changes to the Government contribution paid to public universities under the Commonwealth Grant Scheme will impact disciplines differently. For some disciplines (such as Communications and Environmental Studies), the value of the Government contribution per EFTSL will decrease by approximately 50 per cent. For other disciplines (such as Mathematics and the Humanities), the value of the Government contribution per EFTSL will increase (by 22 per cent and eight per cent, respectively).

This has the potential to change the mix of disciplines offered by individual universities. The extent to which the Government's proposed reforms will cause public universities to assess their course offerings will be dependent on:

- the correlation between the assumed cost of delivery and the actual costs (the former of which are embedded in the new funding tiers)
- the pricing decisions of individual universities (which will reflect their assumptions of student demand and willingness to pay)
- the ability and willingness of individual universities to cross-subsidise courses

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[40] Mark Kenny (2014), 'University funding cuts cause severe indigestion for government', *The Sydney Morning Herald*, 13 July, available here

[41] Industry Commission (1997), *Industry Commission Submission to the Review of Higher Education Financing and Policy*, July, available here.

- the ability and willingness of individual universities to realise productivity improvements in the delivery of courses (including through the reduction of overheads or lower-cost delivery models).

It is possible that, taking into account the above factors, some universities may streamline their course offerings under the Government's proposed reforms – focusing on disciplines that allow them to maximise revenue from both government and students. Conversely, other universities may continue to offer a full range of disciplines, believing that such breadth allows them to offer greater value to potential students and/or contribute to the broader goals of their institution.

Distributional impacts

The Government's proposed reforms have the potential to impact (in both a positive and negative sense) the financial performance of public universities – by extending demand driven funding to bachelor and sub bachelor courses at all approved HEPs, reducing funding paid to universities under the Commonwealth Grant Scheme and providing universities with greater flexibility to set their own tuition fees.

Generally speaking, the financial performance of public universities under the Government's proposed reforms will be dependent on their ability to attract students and achieve productivity improvements in the delivery of courses and supporting processes, as well as capacity to attract research funding.

Discussed below is how the proposed reforms will impact on two key university types that have been identified in the consultation process:

- regional universities
- small universities.

Regional universities

As noted in section 5.7, some stakeholders have raised concerns that:

- reduced CGS funding will negatively impact on regional universities as they may have limited scope to increase fees nor to raise revenue from other sources given the difficulty they have in attracting international students
- an institutional funding model for CSS funds would disadvantage regional universities – RUN prefers a pooling of funds model to ensure that regional universities have adequate funds to attract and retain low SES students rather than these students moving to city universities.

It is not expected, however, that the Government's proposed reforms will have a negative impact on the financial viability of regional universities. The reasons for this are fourfold. First, the introduction of demand driven funding has seen domestic enrolments at regionally headquartered universities grow at a slightly higher rate than that of all public universities (Table 6.6). This suggests that:

- Regional universities are currently able to attract students at a price point equal to their competitors (even with the removal of demand side constraints)
- In a deregulated fee environment, regional universities would have scope to increase tuition fees to at least the level of their relevant competitors.

Table 6.6: Growth in domestic undergraduate students at regionally headquartered universities, 2009-2012

Domestic undergraduate students	2009	2012	Growth 2009-2012
Southern Cross University	9,643	9,404	-2.5%
University of New England	10.875	12,190	12.1%
Charles Sturt University	20,277	23,202	14.4%
Charles Darwin University (inc. Batchelor)	4,865	5,609	15.3%
James Cook University	9,853	11,527	17.0%
University of Southern Queensland	12,150	14,428	18.7%
University of Tasmania	12,612	14,990	18.9%
University of Ballarat	3,978	4,835	21.5%
Central Queensland University	7,856	9,554	21.6%
Regional Total and Average	**92,109**	**105,739**	**14.8%**
All Table A	**553,374**	**634,434**	**14.6%**

Source: Department of Education

Second, while regional and rural communities tend to have higher proportions of low SES households than metropolitan communities, this is unlikely to constrain regional universities from increasing tuition fees, given:

- the ability to defer higher education costs under the HELP loan scheme should provide disadvantaged students with greater tolerance for tuition fee increases
- the historical evidence suggested that increases in Australia tuition fees have had only temporary impacts on student demand for higher education courses and participation in higher education by low SES groups (see section 6.1.1 for more detail).

Third, regional universities will continue to have access to regional loadings (for CSPs) under the Government's proposed reforms. These loadings provide additional funding to help providers offset the disparity in costs and revenue of regional campuses in comparison with major city campuses.

Lastly, regional universities are expected to be in a stronger position to grow their sub bachelor course offerings and take advantage of the additional revenue from the extension of demand driven funding. This is because regional areas tend to have higher proportions of low SES households than metropolitan areas, and that sub bachelor courses are likely to better match the need and ability of disadvantaged individuals.

The availability of scholarships under the CSS may induce some disadvantaged students from regional areas to study at metropolitan universities. The likely volume of such students is unclear, however, given that:

- the value of available funding, and the nature of the scholarships, has yet to be determined

- the introduction of demand driven funding, by providing all students with more opportunities to study at their institution of choice, would have already induced some students from regional areas to study at metropolitan universities.

Generally speaking, the Government's proposed reforms are not expected to strengthen or weaken the relative advantages/disadvantages of regional universities compared to metropolitan universities. However, the Government's proposed reforms (particularly fee deregulation and the extension of demand driven funding) will provide all universities (as well as NUHEPs) with greater flexibility and autonomy to exploit/address their relative advantages/disadvantages.

Small providers

In a more open and competitive market, smaller providers, as with larger institutions, will be required to develop course offerings (based on different combinations of cost, quantity and quality) that best match their institutional strengths and the preferences of students.

While the majority of providers with less than 5000 EFTSL are NUHEPs, all providers with greater than 5000 EFTSL are universities (refer Attachment C).

Some smaller universities may merge or form strategic partnerships with other providers to achieve greater economies of scale and/or to realise efficiencies in operational processes. Such mergers or partnerships may also be used to support a low cost, high volume business model.

Some may concentrate on a market niche – such as fields of education that have low delivery costs, require specialisation, and/or generally lead to high-income careers.

Low volume, high cost business models may be pursued to take advantage of their established reputations and research strengths.

Generally speaking, the Government's proposed reforms are not expected to strengthen or weaken the relative advantages/disadvantages of small universities compared to large universities. However, the Government's proposed reforms (particularly fee deregulation and the extension of demand driven funding) will provide universities and NUHEPs, generally smaller and more nimble institutions, with greater flexibility and autonomy to exploit/address their relative advantages/disadvantages.

Grandfathering arrangements

Under the Government's proposed reforms, current funding arrangements and caps on student contributions will remain until the end of 2020 for students who commenced a course, or accepted an offer but deferred commencement, on or before 13 May 2014. Students who commence or defer study after this date will be subject to the reforms after they are fully implemented from 1 January 2016 onwards.

Two broad arguments have been raised about the grandfathering arrangements of the Government's proposed reforms. The first of these is that students who enrol before the reforms take effect should not be subject to the reforms (for reasons of fairness or otherwise).

The second argument relates to potential inefficiencies and financial impacts associated with the grandfathering arrangements. According to this line of reasoning, students commencing or deferring study after 13 May 2014 but before 1 January 2016 will be aware that the market they are entering will eventually be deregulated. However, they are unlikely to have access to full information on what the costs of their study will be – because it may take time for universities to transition to a deregulated environment and develop their pricing schedules. In the absence of these schedules, there is the potential for undesirable outcomes – for example, if students make decisions (about courses or deferment) that they may not have made if they had a complete understanding of future costs. Alternatively, universities may feel compelled to grandfather their own tuition fees to provide students with certainty – which would prevent them from offsetting the proposed reductions in subsidies under the Commonwealth Grant Scheme.

It is hard to gauge the significance of this issue. On the one hand, given the timeframes involved, it is reasonable to expect that it may be difficult for universities to provide information about deregulated fees to students commencing or deferring study during the second half of 2014. Indeed, a number of universities have already announced that they will grandfather tuition fees for students commencing in 2014.[42]

It is also likely, however, that universities will develop transitional fee schedules that would:

- provide certainty to student commencing or deferring study in 2015
- minimise the financial risks for universities.

This is because universities already develop projections on future student enrolments. Using this information and their knowledge of the proposed reforms, universities should be able to develop at the very least rudimentary pricing strategies for 2016.

In summary, it is likely that the grandfathering arrangements of the Government's proposed reforms may have some impacts on the efficiency of the market for higher education and on university revenues. These impacts, however, are likely to be short-term in nature (primarily restricted to the student cohort commencing or deferring study in the second half of 2014).

Research funding impacts

Relative to the status quo, the Government's proposed reforms will increase the total amount of research funding available to public universities by $275 million – primarily through the renewal of the Future Fellowship scheme and NCRIS, and a number of institution-specific initiatives.

[42] For instance, see: Andrew Trounson and Julie Hare (2014), 'Deakin to wear fee hike pain for students', *The Australian*, 27 May, available here; Andrew Trounson (2014), 'Victoria University fixes fees ahead of Christopher Pyne's d-day ', *The Australian*, 28 May, available here; Heath Gilmore (2014), 'University of Western Sydney freezes fees in 2014', *The Sydney Morning Herald*, 29 May, available here.

Under the proposed reform, funding for the RTS (which is overwhelmingly directed to public universities) will be reduced by 10 per cent. However, as universities will be given the opportunity to charge RTS students a fee to offset this reduction (for which a student can receive a HELP loan), the overall financial impact is likely to be negligible. The student charge is not expected to impact demand for RTS places, given that it can be deferred under the HELP loan scheme.

Research supports the link between research and development (R&D) and productivity. According to a 2006 OECD report, a one per cent increase in business investment in R&D brings a 0.11 per cent rise in productivity, and a one per cent increase in public investment in R&D brings a 0.28 per cent rise in productivity.[43]

Recent research found strong evidence of productivity benefits from public spending on Commonwealth research agencies and higher education (such as university or CSIRO).[44] Research agencies are estimated to increase multi-factor productivity by approximately 0.301 per cent based on data between 1993 and 2012.

There are two main mechanisms by which research and innovation improve national wellbeing. Firstly, research is an important driver of productivity growth. New ideas enable both the business and non-business sectors to deliver better products and services more efficiently. Secondly, research helps to solve national and global challenges. Research can find solutions to disease prevention and treatment, increase food production and help us to protect our nation and our environment. For instance, new medical breakthroughs ward off life threatening illness and clean energy could be cheaper through new cutting-edge technology.

Innovation means future goods and services will not only be cheaper, but better. Spurring innovation helps to boost productivity, which ultimately leads to higher living standards and therefore better quality of life.

Private universities and NUHEPs

The Government's proposed reforms will generate benefits for private universities and NUHEPs. More specifically, the reforms will enable approved private universities and NUHEPs to receive subsidies from the Australian Government to deliver bachelor and sub bachelor courses. All other things being equal, this additional revenue will allow approved private universities and NUHEPs to:

- decrease course tuition fees, and/or
- increase course quality, and/or
- expand the type/number/location of courses they offer.

[43] Mosahid Khan and Kul Luintel (2006), 'Sources of Knowledge and Productivity: How Robust is the Relationship?', OECD Science, Technology and Industry Working Papers, 2006/06, OECD Publishing, Paris, available here.

[44] Amani Elnasri and Kevin Fox (2014) 'The Contribution of Research and Innovation to Productivity and Economic Growth', University of New South Wales Australian School of Business Working Paper no. 2014 ECON 08, February, available here.

The path that individual providers take will ultimately be dependent on the market forces they face, as well as their business models and broader commercial arrangements. In aggregate, however, it is reasonable to expect that the additional revenue associated with extending the demand driven funding system will:

- place approved private universities and NUHEPs in a stronger competitive position relative to the current position of public universities
- increase the supply, quality, accessibility and affordability of courses offered by approved private universities and NUHEPs – it is likely that some private universities and NUHEPs will use the additional funding available through the Commonwealth Grant Scheme to reduce their tuition fees relative to the status quo.

It is expected that the share of the higher education market captured by private universities and NUHEPs will expand under the Government's proposed reforms. A similar outcome has been observed following the deregulation of the VET system in Victoria. As Leung et al note in their study of the Victorian Training Guarantee, VET enrolments with private providers grew by 300 per cent from 2008 to 2011, while TAFE enrolments were relatively unaffected over the same period. 'The suggestion is that private providers have done better than TAFE in responding in the short run to increased demand for publicly subsidised places under the training guarantee.'[45]

The Government's proposed reforms have the potential to increase the number of HEPs as new entrants seek to take advantage of the subsidies available under the Commonwealth Grant Scheme.

6.1.3 Government and the community

Financial impacts

The Government's proposed reforms will have a financial impact, resulting in a net saving to the Australian Government of $3.9 billion over four years from 2014-15. The reforms will also mean that expenditure under the Commonwealth Grant Scheme will increase at a slower rate, relative to the status quo. However, overall, it is reasonable to expect there be additional revenue to the sector associated with extending the demand driven funding system.

Broader impacts

The Australian Government and the community will both benefit from:

- a more innovative higher education system – incentivised by greater competition caused by the extension of the demand driven funding system to bachelor and sub bachelor courses at all approved HEPs, and enabled by providing public universities with greater flexibility to set their own tuition fees and experiment with alternative business models.
- greater participation in the higher education system – while individuals receive a range of benefits from completing a higher education degree, the community can also benefit from higher levels of higher education attainment. These benefits include

[45] Felix Leung, Duncan McVicar, Cain Polidano and Rong Zhang(2014), *Early impacts of the Victorian Training Guarantee on VET enrolments and graduate outcomes*, NCVER, Adelaide.

- financial benefits – for example, due to higher earnings potential, individuals with a higher education degree are more likely to pay higher amounts of tax over their lifetime than individuals without a degree
- non-financial benefits – studies have linked higher levels of higher education attainment with greater social cohesion, trust and tolerance, less crime, political stability, greater social mobility and greater social capital.[46]

Quality impacts

Notwithstanding the identified concerns about the higher education system, various commentators consider its 'quality' has been improving. For example, key findings in the Kemp and Norton *Review of the Demand Driven Funding System* included that:

- the demand driven system has encouraged technology-based innovation in higher education.
- active efforts over 20 years to improve teaching in Australian universities have contributed to a steady increase in student satisfaction with teaching. This has continued through the early stages of the demand driven system.[47]

The Government is not proposing to modify key aspects of the higher education 'quality framework' that have contributed to these improvements. The principal bodies responsible for monitoring and supporting quality in the higher education sector will continue to operate, including:

- TEQSA – as described in section 4.1, the revised funding arrangements for TEQSA will fund the Agency at a level commensurate with its renewed focus. The reduction in administrative overheads for the agency will be phased in over three years allowing TEQSA to implement efficiencies so that it can manage within its resources. This measure results in a savings of $31.1 million over four years from 1 July 2014.
- The Office for Learning and Teaching (OLT) – which provides grants to academics and professional staff to explore, develop and implement innovations in learning and teaching and to develop leadership capabilities, as well as undertakes a range of initiatives (such as awards and thought leadership) to promote excellence in learning and teaching.

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[46] Department for Business Innovation and Skills (2013), 'The Benefits of Higher Education Participation for Individuals and Society: key findings and reports "The Quadrants"', BIS Research Paper No. 146, available here. See also: Joy Murray (2007), 'The wider social benefits of education', available here; and Andrew Norton (2012), 'Graduate Winners: Assessing the public and private benefits of higher education', *Grattan Institute*, available here.

[47] David Kemp and Andrew Norton (2014), 'Review of the Demand-Driven Funding System', 13 April, available here.

The proposed reforms will build on these measures to drive further quality improvements in higher education. In a more competitive higher education market, course and provider 'quality' (as represented by student satisfaction levels, employment outcomes, etc.) will become an important dimension of higher education offerings. It will be particularly important for providers that seek to operate at higher price points – although these providers (assuming their pricing does not deter enrolments) will have access to additional resources to enable them to build course quality. This notwithstanding, all providers will continue to be required to meet prescribed minimum standards through the national regulator, TEQSA.

Overall, the proposed reforms are likely to promote a greater spread in the 'quality' of provider and course offerings. Importantly, some providers will offer higher quality courses than they presently do across a range of courses. Competitive pressures on all providers will also serve to maintain and improve quality across the sector, reinforced by the Government's measures to make available improved information to students on HEP performance.

Second, as part of the Government's proposed reforms, the Department of Education will establish a new system to provide better information for student choice. This information system, the Quality Indicators for Learning and Teaching will comprise a suite of surveys that will cover students from commencement to employment, including the University Experience Survey, the Graduate Outcomes Survey and development of a new Employer Satisfaction Survey. The new information system, in addition to the proposed enhancement of HEIMS, should improve transparency of teaching quality and outcomes, and provide an important feedback loop for HEPs.

6.1.4 Summary

The Government's proposed reforms will generate a number of benefits relative to the status quo. Arguably the most significant one of these is that the reform package, by extending demand driven funding and deregulating fees, will create a more open and competitive market for higher education. Such a market will establish a 'stronger customer-supplier relationship between students and institutions' – providing HEPs with the freedom and imperative 'to offer services at prices and in quantities and qualities that reflect their specific circumstances and the preferences of their students.'[48] As a consequence:

- students will have greater choice and opportunities as providers seek to differentiate and diversify their course offerings (based on different business models, delivery approaches and pricing strategies) to capture different segments of the market
- the aggregate quality of course offerings will increase – as providers will be able to offer higher quality courses in exchange for higher fees, while TEQSA will continue to enforce minimum quality standards for the entire sector
- providers will face strong incentives to innovate and improve their productivity – leading to a more efficient and sustainable higher education sector.

[48] Industry Commission (1997), *Industry Commission Submission to the Review of Higher Education Financing and Policy*, July, available here.

In the short term, most public universities are expected to increase tuition fees to offset the reduction in revenue under the Commonwealth Grant Scheme. Conversely, many private universities and NUHEPs are expected to use the new revenue available under the Commonwealth Grant Scheme to decrease tuition fees and/or increase course quality.

In the medium-to-long term, HEPs are expected to adopt a range of pricing strategies, based on different combinations of course cost and quality. While the costs of some courses are likely to increase relative to the status quo, the costs of others could decrease – as providers take advantage of alternative business models and delivery technologies.

Another significant benefit of the Government's proposed reforms is that they will result in a net saving for the Australian Government and improve the long-term financial sustainability of the Commonwealth Grant Scheme (through the restructuring of the CSP funding tiers and increasing the annual indexation applied to HELP loans).

In addition to the benefits outlined above, the Governments proposed reforms will also:

- provide relevant universities with greater access to research and research infrastructure (through the renewal of funding schemes and the establishment of a number of institution-specific initiatives)
- reduce the regulatory burden on universities– primarily by removing the requirements for universities to undertake survey administration tasks for the Australian Graduate Survey (through the establishment of QILT), streamlining the collection of research, finance and international education data (through the expansion of HEIMS) and revising the structure and requirements of the HEPP.

Under the Government's proposed reforms, students will be responsible for an increased share of the costs associated with their higher education. Some will incur larger HELP debts; however, it is not expected that increased financial costs to students will affect aggregate participation in the higher education system. The reasons for this are threefold.

First, students will make enrolment decisions in the context of a market that will likely be characterised by greater information availability (facilitated by the establishment of QILT), greater choice and competition between HEPS and, if the deregulated market for masters coursework courses is any guide, a broad distribution of price points. It will be up to students to decide whether the costs of a particular course represent value, taking into account such factors as institutional reputation, desired career direction, perceived course quality and expected payoffs.

Second, students will still be able to defer their higher education costs through an income contingent loan scheme. This is expected in particular to mitigate any negative impacts that increased tuition fees may have on participation in the higher education system by low SES groups. The Commonwealth Scholarship Scheme is also likely to provide new avenues for low SES students to participate in the higher education system.

Finally, the available evidence (from Australia and overseas) suggests that an increase in tuition fees should not negatively impact aggregate student demand – indeed, modelling by the Australian Government indicates that the extension of the demand driven funding system will increase the number of Commonwealth supported students by more than 80,000 by 2018.

The Government's proposed reforms may have the following impacts:

- While some graduates on lower incomes currently take longer to pay off their HELP debt than graduates on higher incomes, the differential in repayment times between graduates on lower incomes and graduates on higher incomes will increase under the Government's proposed reforms.
- Likewise, while female graduates currently take longer to pay off their HELP debt than male graduates (given that women are more likely to take time off from work than men), the differential in repayment times between female graduates and male graduates will increase under the Government's proposed reforms.

Longer debt repayment periods are likely to impact the decision-making of relevant individuals in the context of significant lifestyle and investment choices (e.g. purchasing a house).

This notwithstanding, students will also benefit from a wider choice of alternative courses and will no longer be encouraged to study bachelor courses when alternatives are more suitable. Furthermore, those who would benefit most from a continuation of the status quo would do so at the expense of others.

While the costs and benefits of the Government's proposed reforms have not been fully quantified, it is reasonable to expect that the benefits of the reform package (e.g. a more competitive and open higher education system, financial sustainability for the Australian Government, lower regulatory burden and greater research funding for HEPs) will outweigh the distributional impacts. On this basis, the Government's proposed reforms are expected to result in a net-benefit relative to the status quo.

6.2 No change option

Under this option, HEPs, students and the Government would continue to operate in the context of existing regulatory and funding arrangements for teaching. This option would have the benefit of regulatory certainty for all parties. Furthermore, relevant HEPs and students would continue to enjoy the benefits introduced by the demand driven funding system in 2009 (e.g. the improved matching of supply and demand for bachelor courses).

These benefits notwithstanding, the no change option would involve the continuation of costs associated with current regulatory and funding settings. For HEPs, these costs would involve:

- Reduced competition – Government subsidies for eligible courses (funded under the Commonwealth Grant Scheme) would still be restricted to public universities and a handful of private universities and NUHEPs. As a consequence, these subsidised HEPs would enjoy a price advantage over other HEPs in the market for eligible courses – reducing, in turn, the incentive for all HEPs to increase productivity in the delivery of eligible courses.

- Restricted flexibility – the Government would still regulate the fees that public universities (and other relevant HEPs) could charge students for CSPs. As a consequence, public universities would face limits on their ability to:
  - experiment with alternative business models (e.g. offering students more personalised and intensive teaching in exchange for higher fees)
  - increase teacher-related revenue without also increasing student enrolments.

This restricted flexibility has the potential to impact how effectively public universities can respond to technological change and international competition – particularly if an effective response requires a greater investment from universities (as suggested by the Group of Eight).[49]

For students, the costs would involve:

- Inefficient matching of supply and demand for bachelor courses – as Kemp and Norton recently found, the capping of sub bachelor places under the Commonwealth Grant Scheme, as well as the general restriction on HEPs that are able to offer sub bachelor CSPs, have created:
  - an under-supply of sub bachelor courses
  - incentives for students to enrol in a bachelor degree (due to relative price differential between a subsidised bachelor place through a public university and a non-subsidised sub bachelor place through a NUHEP) – even though a sub bachelor course may better suit their needs and ability.
- Imperfect information – students would still only have access to limited information on HEP performance and graduate outcomes, restricting their ability to make efficient decisions on competing higher education options.

For the Government, the financial costs it incurs to support the higher education system would continue to rise – in terms of both subsidising students through CSPs and meeting the growth in student loan debt. The Government has estimated that uncapped student places in the current setting (pre-Budget) would cost an additional $7.6 billion over the five years from 2013-14 (excluding the cost of borrowing associated with funding student loans).

Beyond its teaching related impacts, the no change option would have some broader impacts on the funding available to HEPs. More specifically, as the funding for time-limited programmes (such as the NCRIS and the Future Fellowships scheme) would not be renewed, public universities would have access to less research funding. This would likely have flow-on impacts to the ability of public universities to maintain their current research capabilities and comparative standings.

[49] Group of Eight (2014), 'Micro-economic reform of the Australian higher education industry', 13 May, available here.

6.3 Non-legislative option

Under the non-legislative option, Government can only implement those measures of the Government's proposed reforms that do not require changes to legislation or other regulatory instruments. These measures include:

- renewing or providing new funding to a number of research programmes (including the Antarctic Gateway Partnerships and the Australian Institute of Tropical Health and Medicine)
- revising the funding arrangements for TEQSA
- establishing QILT and expanding HEIMS.

The decision in relation to funding an additional year of NCRIS ($150 million in 2015-16) is subject to Government considerations on financial sustainability.

The non-legislative option will generate a range of benefits, including:

- Greater access to research funding for universities (including through the establishment of a number of institution-specific initiatives - $69 million in total). A range of studies suggest that public spending on research is associated with improvements in productivity and national wellbeing. The *Research Funding Impacts* subsection of section 6.1.2 provides further detail about the benefits generated by greater research funding. It is expected that the research funding impacts associated with this option will be slightly less than those associated with the Government's proposed reforms (given that greater research funding would be made available under the reform package).
- More accessible and relevant information about the performance of HEPS and graduate outcomes for students (through the establishment of QILT). It is expected that the availability of quality information will improve student decision making, increase incentives for providers to deliver quality services and lead to more efficient market outcomes. The *Information Availability* subsection of section 6.1.1 provides further detail about the benefits generated by greater information availability. It is expected that the information impacts associated with this option will be similar in scale to those associated with the Government's proposed reforms (given that both options have similar information-related measures).
- Less regulatory burden on universities - by removing the requirements for universities to undertake survey administration tasks for the Australian Graduate Survey (through the establishment of QILT), and streamlining the collection of research, finance and international education data (through the expansion of HEIMS). The nature and extent of the regulatory savings associated with this option are detailed in Section 6.5.

The total magnitude of these benefits has not been quantified. Nonetheless, it is reasonable to expect that the total quantum of the benefits listed above – particularly considering the likely efficiency and quality impacts arising from greater information availability – will outweigh the costs to Government of implementing and administering the measures.

On this basis, the non-legislative option is deemed to represent a net-benefit relative to the status quo. Though, due to its limited scope, the non-legislative option will not address the key problems identified with the current higher education system - namely, the regulatory distortions that are reducing the effectiveness and efficiency of the market for higher education, and the increasing costs to government.

6.4 Additional options identified through the consultation process

During the post-budget consultation period, stakeholders identified a number of additional options. These largely represent suggested variations to how the Government could implement its reform package. In this context, the impacts of the additional options have not been explored relative to the status quo; but rather, relative to the Government's proposed reforms.

6.4.1 Deregulation of fees (Extend grandfathering arrangements)

This option will extend the grandfathering arrangements of the Government's proposed reforms from 13 May 2014 to 1 January 2016. The impacts of this option would be broadly similar to the Government's proposed reforms, with four key exceptions. First, this option would delay implementation of the deregulation of fees with the effect that universities' funding arrangements remain the same (until the 2016 cohort begins) while NUHEPs would receive CGS funding (and would have full flexibility in price setting).

Second, students that commence or defer study between 13 May 2014 and 1 January 2016 would avoid the impact associated with tuition fees under the Government's proposed reforms (see section 6.1.2) for more detail).

Third, the option may induce a spike in enrolments – as some individuals bring forward planned study, and other individuals who had no previous plans decide to enrol, to avoid expected increases in tuition fees.

Fourth, this option will increase expenditure under the Commonwealth Grant Scheme relative to the Government's proposed reforms (as a greater number of students will be covered by existing funding arrangements). This will significantly increase expenditure over the forward estimates.

Given the above, it is unlikely that the benefits of extending the grandfathering arrangements of the Government's proposed reforms (from 13 May 2014 to 1 January 2016) will outweigh the additional financial costs to the Australian Government of having to cover a greater number of students under the existing Commonwealth Grant Scheme.

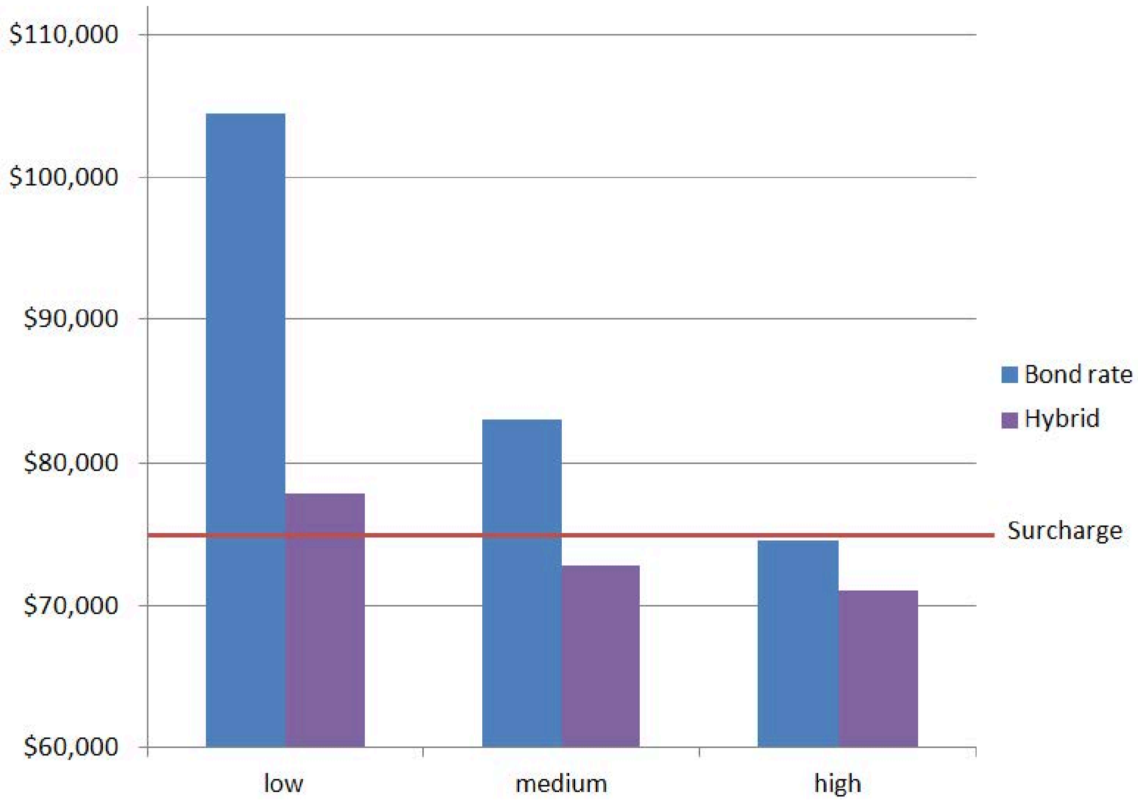
6.4.2 HELP student loan indexation (Hybrid CPI/bond rate indexation)

This option would apply a combination of CPI and bond rates to index HELP debts. More specifically, CPI would be applied to an individual's HELP debt if income is less than the four per cent threshold, and the long term bond rate (capped at six per cent) would be applied if income exceeds the threshold.

Cost to Students

This option will reduce the total repayment amounts for students in comparison with the Government's proposed reforms. Professor Chapman and Dr Higgins undertook analysis of interest rate options for HELP debts, including this option. They pointed out that the total repayment amounts for low and medium income graduates are significantly lower under the hybrid option compared to the Government's proposed reforms. The comparison of the total repayment amounts between the proposed reforms and the hybrid option are shown in Figure 6.5. Of course, in reality, graduates with higher debt tend to be in professions with higher incomes, and vice versa, so the point of Figure 6.5 should be taken as illustrative, rather than descriptive.

Figure 6.5: Borrower total repayments (2016) for high, medium and low income graduates with an initial loan of $60,000



Source: Bruce Chapman and Timothy Higgins (2014), 'HELP Interest Rate Options: Equity and Costs', July, p. 8, available here.

Note: Low, medium and high income corresponds with the 30th, 50th and 75th income percentiles.

Cost to Government

The hybrid CPI/bond rate indexation options will substantially increase costs to Government over the forward estimates, in comparison with the proposed reforms. It would also have significant implications for the ATO for the administration of the indexation.

Professor Chapman and Dr Higgins calculated the Government subsidies on the interest under the hybrid option for different loan amounts and income levels. Table 6.8 shows the interest subsidies as a proportion of the HELP loan for graduates with low, medium and high incomes for three different initial loan amounts. The cost to Government in interest subsidies is between five and seven per cent of HELP loans.

Table 6.8: Interest subsidies as a percentage of the loan

Income Category	$30,000 loan	$60,000 loan	$90,000 loan
Low	37%	19%	14%
Medium	10%	10%	10%
High	4%	4%	4%
Average subsidy for all graduates*	7%	6%	5%

*includes all graduates, even those with incomes below the minimum income threshold.
Source: Bruce Chapman and Timothy Higgins (2014), 'HELP Interest Rate Options: Equity and Costs', July, p. 8, available here.

Summary
This option represents a net cost relative to the Government's proposed reforms. While this option would cut the loan costs faced by students, it would increase the costs of the Australian Government, as well as have significant implementation implications for the Australian Taxation Office.

6.4.3 HELP student loan indexation (Loan fee plus CPI)
This option is to levy a loan fee of 25 per cent on all HELP loans as a percentage surcharge on the loan taken out and index the entire loan at CPI. This option is similar to the current fee applied to loans to full fee-paying undergraduate students deferring their tuition fees through FEE-HELP.

Cost to Students
This option would result in an additional cost to students in comparison to the current total repayment amounts, with initial debts being 25 per cent higher. Professor Chapman and Dr Higgins also included a fixed loan fee option (or surcharge) in their analysis of interest rate options for HELP debts. They concluded that the fixed loan fee option would result in lower total HELP repayments in comparison to the proposed option (see Figure 6.5). The fixed loan fee option would result in identical real total HELP repayments for all graduates with the same initial debt.

Cost to government
The loan fee plus CPI option will significantly increase Government revenue over the forward estimates in comparison to the proposed reforms, but be budget neutral over the longer term.

Professor Chapman and Dr Higgins calculated the Government subsidies on the interest under the fixed fee scenario for different loan amounts and income levels. Table 6.9 shows the interest subsidies as a proportion of the HELP loan for graduates with low, medium and high incomes for three different initial loan amounts. The cost to Government in interest subsidies of this option is between zero and six per cent of HELP loans.

Table 6.9: Interest subsidies as a percentage of the loan

Income Category	$30,000 loan	$60,000 loan	$90,000 loan
Low	25%	22%	23%
Medium	1%	8%	14%
High	-6%	-1%	4%
Average subsidy for all graduates*	0%	4%	6%

*includes all graduates, even those with incomes below the minimum income threshold.
Bruce Chapman and Timothy Higgins (2014), 'HELP Interest Rate Options: Equity and Costs', July, p. 8, available here.

Summary
This option represents a net benefit relative to the Government's proposed reforms. It would reduce the distributional impacts of the Government's proposed reforms, and would be essentially budget neutral for the Australian Government over the long term.

6.4.4 Commonwealth scholarships

A national pool model
Under this option, the 20 per cent of additional revenue to be contributed by institutions to the Commonwealth Scholarship Scheme would be pooled centrally, and distributed directly to students.

There is no evidence to suggest that the option would increase or decrease total participation of disadvantaged students in the higher education system relative to the Government's proposed reforms.

Depending on how this option is implemented, it may impact the distribution of disadvantaged students across institutions. For example, if the pooled contributions are redistributed directly to universities, then, relative to the status quo, universities with:

- higher fees would receive less scholarship funding to attract/support disadvantaged students
- lower fees would receive more scholarship funding to attract/support disadvantaged students.

This option will require greater centralised control and administration relative to the Government's proposed reform. This will increase the regulatory and reporting burden on universities (e.g. particularly in terms of determining their contribution to the national pool, and acquitting scholarship funding received) and require greater Government resources to administer. The Australian Government estimates that the cost of the additional resourcing could range from $1 million to $10 million per annum, depending on the model selected.

The greater centralisation associated with this option will also result in less institutional autonomy, relative to the Government's proposed reforms.

A hybrid national/institutional model
This option will involve the pooling of some or all of the scholarship funds for redistribution to universities based on their share of disadvantaged students enrolled in each institution. Any un-pooled funds would be managed at the institution level.

The impacts of this option are likely to be more or less similar to the impacts of the previous option, with the exception that this option is likely to be more complex – potentially increasing the regulatory burden on universities and the administrative demands on government.

Summary
Both proposed alternatives to the Commonwealth Scholarship Scheme represent a net cost relative to the Government's proposed reforms. There is no evidence to suggest that either of the models would impact participation in the higher education system by low socio-economic status groups more or less than the Government's proposed reforms. Furthermore, both alternative models for the Commonwealth Scholarship Scheme would involve greater centralised control and administration – resulting in increased regulatory burden for universities and increased administration costs for Government.

6.4.5 Funding clusters (Retain the current eight funding clusters and reduce the current Government contribution by 20 per cent for each cluster)

Under this option, the existing funding clusters will be retained. The subsidy associated with each cluster will be reduced by 20 per cent.

This option will have, at most, a minimal impact on the budget position of the Australian Government relative to the Government's proposed reforms.

As this option would involve the existing funding clusters, it will likely be easier for universities to implement (as well as have less associated regulatory burden).

Under this option, some disciplines (such as Communications, Environmental Studies and Social Studies) will receive a greater subsidy relative to the Government's proposed reforms. Other disciplines (such as Mathematics, Allied Health and Nursing) will receive a smaller subsidy relative to the Government's proposed reforms (Table 6.10).

The financial impact of this option on individual universities will depend on the balance of students they have enrolled in each of the disciplines. Preliminary analysis conducted by the Department of Education suggests that this option is likely to have a greater financial impact on universities servicing low socio-economic status groups.

Table 6.10: Relative change in Government contribution, the Government's proposed reforms and reducing the current Government contribution by 20 per cent

Cluster	Discipline	Relative change in subsidy - status quo and Government's proposed reforms	Relative change in subsidy - status quo and 20% reduction	Worse off / better off under 20% reduction compared to Government's proposed reforms
1	Law, accounting, administration, economics, commerce	-10%	-20%	Worse off
2	Humanities	+8%	-20%	Worse off
3	Social studies	-39%	-20%	Better off
3	Computing, behavioural science, welfare studies, sport, built environment, other health	-8%	-20%	Worse off
3	Mathematics	+22%	-20%	Worse off
4	Education	-12%	-20%	Worse off
5	Communications (excluding audio visual)	-50%	-20%	Better off
5	Visual and performing arts	-25%	-20%	Better off
5	Clinical psychology, allied health, foreign languages	-1%	-20%	Worse off
6	Nursing	-11%	-20%	Worse off
7	Engineering, science, surveying	-30%	-20%	Better off
8	Environmental studies	-45%	-20%	Better off
8	Dentistry, medicine, veterinary science, agriculture	-17%	-20%	Worse off

Source: Department of Education

This option may reduce the efficiency of the market for higher education. The subsidy levels associated with the existing funding clusters are primarily based on historical decisions and not the relative costs of course delivery. As a consequence, if the funding clusters are retained and fees are deregulated, there is a potential that tuition fees may not reflect the relative costs of delivery - encouraging students, in turn, to pursue certain courses at the expense of others.

Summary

This option represents a net cost relative to the Government's proposed reforms. For the most part, the impacts associated with this option are broadly neutral. For instance, as it would involve a general 20 per cent reduction in funding (similar in intent to the Government's proposed reforms), this option would have, at most, a minimal impact on the budget position of the Australian Government. Likewise, while this option would increase subsidy levels for some disciplines relative to the Government proposed reforms, it would decrease them for others.

The key cost of this option is that it may distort the market for higher education – given that the subsidy levels underpinning the funding clusters are not based on the relative costs of course delivery.

6.4.6 Medical places (Set a net price cap)

Under this option, the Australian Government would set a new maximum student contribution level for courses in medicine, both to account for the proposed reduction in Commonwealth contribution and to provide some scope for price differentiation.

The impacts of this option will be dependent on the price cap elected by the Australian Government. A price cap that is too low will likely become the effective price for undertaking a medical degree in Australia, and will prevent the market from realising the benefits associated with price differentiation. A price that is too high will likely be no different than having no price cap at all.

Choosing an effective price cap – one that prevents excessive price increase (given that enrolments in medical places will remain capped), but also allows for price differentiation – will likely require considerable analysis and experimentation on behalf of the Australian Government.

Summary

It is unclear whether this option represents a net benefit or a net cost relative to the Government's proposed reforms – given that the value of the net price cap has yet to be determined. This option is likely to be more regulatory, but it is unclear whether the costs associated with this additional burden would be significant and/or greater than the possible benefits arising from the option. If the Government choose to pursue this option, greater analysis and ongoing monitoring would be required.

6.5 Regulatory burden

6.5.1 The Government's proposed reforms

The reform package, as outlined in Budget Paper No. 2, comprises 18 measures. Six of these measures will incur changes to regulatory costs.

Two of these resulted in increased regulatory costs:

- Expanding Opportunity – expansion of the demand driven system and sharing the cost fairly, comprising
  - deregulation of student contributions and reduction in Commonwealth subsidies
  - extension of demand driven funding to bachelor courses at private universities and non-university higher education providers
  - extension of demand driven funding to sub bachelor courses at all university and non-university providers
  - providers with 500 EFTSL or more are required to direct 20 per cent of any additional total revenue to support student access, participation and success.
- A Sustainable Higher Education System – Research Training Scheme – student contributions, comprising

  - reduction in Commonwealth subsidies for higher degrees by research and capacity for universities to charge student fees, deferrable through HELP loans.

The other four measures resulted in regulatory savings:

- Expanding Opportunity — a more effective Higher Education Participation Programme (HEPP)
  - the participation and partnerships components of the current Higher Education Participation and Partnerships Programme (HEPPP) will be consolidated into a single fund to improve administration, reduce regulatory burden on universities, and increase effectiveness.
- Upholding Quality — Quality Indicators for Learning and Teaching — establishment
  - providers will no longer be required to fund or directly undertake survey administration tasks for the annual Australian Graduate Survey (AGS).
- Upholding Quality — Higher Education Information Management System — expansion
  - improve the efficiency and reduce red tape in the collection of higher education student data in response to the 2013 *Review of Reporting Requirements for Universities*.
- A Sustainable Higher Education Loan Programme — HECS-HELP benefit — cessation
  - consistent with the recommendation of the *Review of the Demand Driven Funding System*, the HECS-HELP benefit, which was introduced to encourage graduates to take up employment in particular occupations, will be discontinued for work undertaken after 1 July 2015.

Other measures in the reform package are assessed as having minor regulatory impact with no likely changes to regulatory costs.

The net regulatory impact of the Higher Education Package is a decrease in regulatory costs of **$9,807,644** and is itemised in Table 6.11.

Expanding Opportunity — expansion of the demand driven system and sharing the cost fairly
The deregulation of supply and price of subsidised student places will remove current Government restrictions and not impose additional regulation on the sector.

While the expansion of the demand driven funding system is estimated to have a regulatory cost, much of this is driven by the additional opportunities for students that is provides. In other words, the number of transactions required by Government for each institution will decrease but the number of institutions and therefore, places available to students, is likely to increase.

The expansion of the demand driven funding system to all eligible undergraduate courses at higher education institutions accredited by TEQSA will increase the number of higher education students subsidised by the Government. It is estimated that the Government will subsidise more than 80,000 additional students in 2018 due to these reforms. Some of these students would otherwise have been in full fee-paying places and there will not be any additional requirements placed on these students. Nevertheless, it is estimated that there will be around 20,000 additional commencing students in 2018 due to these reforms and each of these students will have to fill out various enrolment forms.

The majority of providers already report on their projected student enrolments associated with the provision of Commonwealth Grant Scheme (CGS) funding and student entitlements (i.e, access to HELP loans) to inform the Budget forward estimates. These current reporting processes will require nuancing given the flexibility around the level of student contributions. There will be no increase of existing requirements.

The arrangements to support access and participation will, however, increase regulation. Relevant institutions will be required to calculate the amount of their Commonwealth Scholarship Scheme commitment, and implement the scheme within their institution. There will also be an element of reporting on activity, although this will be a streamlined process, building on reporting requirements around existing equity measures.

It is entirely voluntary as to whether private universities and non-university higher education providers who do not currently receive CGS funding or are approved as a HELP provider chose to enter into the demand driven funding system. The requirements that arise when any new provider enters into the system will be offset by the gains they expect to achieve. Implementation of arrangements to ensure participation of equity groups will only apply to institutions with a student base of 500 or more EFTSL. The exclusion of institutions with a student load less than 500 EFTSL recognises that the associated regulatory burden would likely outweigh the potential benefits to the provider.

The regulatory costs are based on the following assumptions:

- For the expansion of the demand driven funding system
  - those providers that currently offer FEE-HELP would access the Commonwealth Grant Scheme
  - there is no additional requirements places on those subsidised students that would otherwise have been in full fee-paying places
  - of those students that are not expected to have otherwise been in full fee-paying places, only those that are commencing in 2018 have additional enrolment requirements placed on them.
- For the Commonwealth Scholarship Scheme
  - those institutions with EFTSL of less than 500 would be exempt from the initiative
  - some private providers with student numbers above 500 may not opt in to the demand driven system, but it is anticipated that most will. Some of those who do opt in may not generate additional revenue and therefore may not have scholarship scheme funds. Based on these assumptions, and the current number of higher education providers with EFTSL of 500 or more, it is estimated that total participating institutions would number 40, with seven of these being private providers
  - the increased fee revenue is likely to come from domestic undergraduate students and it is therefore reasonable to use a portion of the increase to enhance their access, participation and success.

The total regulatory cost is estimated to be **$3,161,545** annually.

A Sustainable Higher Education System — Research Training Scheme — student contributions
This measure would reduce Research Training Scheme (RTS) funding from 1 January 2016 and allow higher education providers to introduce student contributions for students undertaking higher degrees by research, including doctoral and masters degrees. Higher education providers would be able to charge a student contribution up to a maximum of $3,900 per equivalent full-time student (EFTS) for high cost courses and $1,700 per EFTS for low cost courses.

Eligible students could choose to access loans under the *Higher Education Loan Programme* to defer the payment of their student contributions.

If providers elect to charge fees they will be required to determine HDR charges, manage HDR student contribution processes, including contributions from Government and students. These processes are largely in place already for undergraduate students where the volume of enrolments is substantially larger than for HDR students. In addition, universities already collect full HDR fees from overseas students and some domestic students not supported through the RTS.

The total regulatory cost is estimated to be **$294,311** annually.

Upholding Quality — Quality Indicators for Learning and Teaching — establishment
The proposal will reduce red tape in the sector and improve incentives for universities to strengthen their focus on quality. It will lessen the administrative burden for higher education providers associated with participating in Government funded surveys of student satisfaction.

The provision of information to students is a key element of reform underpinning deregulation; the more that students are assisted in making choices and decisions based on quality of and kind of delivery, the outcomes achieved and the cost of doing so, the less intervention will be needed by Government to ensure the same objectives.

Providers will no longer be required to fund or directly undertake survey administration tasks for the annual AGS, as these tasks will be conducted more efficiently by an independent service provider (under contract to and funded by the department). In addition, by making use of existing data collections to construct survey sample frames, providers will no longer be required to separately submit these data items to the department, eliminating reporting duplication.

The total regulatory savings is estimated to be **$6,191,919** annually. The regulation costing assumptions are based on the feedback from survey managers responsible for AGS administration in universities.

Expanding Opportunity — a more effective Higher Education Participation Programme
The Higher Education Participation Programme (HEPP) replaces the Higher Education Participation and Partnerships Programme (HEPPP) to provide more effective and efficient support for people from disadvantaged backgrounds to participate and succeed at university. The HEPP will reduce red tape for universities because it:

- consolidates two components of the previous program into one to reduce administrative and reporting requirements

- moves funding arrangements for universities from an annual to a three year basis to reduce the need for iterative planning
- implements the Government’s planned single equity report and reduce the reporting burden on universities.

Simplifying components of the programme will enable streamlined delivery. This is based on the following:

- no need to manage different funding sources from the same programme
- universities would not be required to compile and lodge new competitive grants proposals for the re-designed component of the programme
- funding could be centrally managed according to each university's requirements, allowing flexibility to apportion the funding to areas and activities that have proven effectiveness.

The total regulatory savings is estimated to be **$4,086,280** annually.

Upholding Quality — Higher Education Information Management System — expansion
The Government will provide $3.8 million over four years to enhance and expand the Higher Education Information Management System (HEIMS). This Budget measure will also include funding to create a single point of access to higher education data (higher education datamart).

The enhancements to HEIMS and the creation of a higher education datamart implements the Government's response to several recommendations of the 2012 *Review of Reporting Requirements for Universities* and will:

- expand the collection of student, course, and staff data to include higher education providers not listed in the Higher Education Support Act 2003
- streamline the collection of research, finance and international education data
- create online analytical processing and interpretation tools
- provide approved users direct and timely access to higher education data collections
- create a new publication functionality, including a publication verification process.

The enhancements will result in reduced data collection and reporting requirements for universities. The total regulatory savings is estimated to be **$2,936,700** annually. This is based on the assumption that administrative costs for each university would be reduced by the equivalent of one FTE.

A Sustainable Higher Education Loan Programme — HECS-HELP benefit — cessation
The Government will continue to make available *Higher Education Loan Programme* (HELP) loans so that eligible students do not have to pay their fees up-front. However, the HECS-HELP benefit, which was intended to provide an incentive for graduates of particular courses to take up related occupations or work in specified locations will end from 2015-16. This follows a recommendation of the *Review of the Demand Driven Funding System* that the benefit be discontinued as there was little evidence that it had been effective in addressing skill shortages.

There are small changes to regulatory costs associated with this proposal. Cessation of the benefit will remove the requirement for approximately 7200 graduates to enter a claim for the benefit through their taxation return annually. The time required to perform this task has been estimated at 15 minutes for each instance.

The total regulatory savings is estimated to be **$48,600** annually.

All regulation costings have been approved by OBPR.

Table 6.11: Regulatory Burden and Cost Offset estimates - Budget Package

Change in costs ($million)	Business	Community Organisations	Individuals	Total change in cost
Expanding Opportunity — expansion of the demand driven system and sharing the cost fairly	$1.642	0	$1.520	$3.162
A Sustainable Higher Education System — Research Training Scheme — student contributions	$0.294	0	0	$0.294
Upholding Quality — Quality Indicators for Learning and Teaching — establishment	-$6.192	0	0	-$6.192
Expanding Opportunity — a more effective Higher Education Participation Programme	-$4.086	0	0	-$4.086
Upholding Quality — Higher Education Information Management System — expansion	-$2.937	0	0	-$2.937
A Sustainable Higher Education Loan Programme — HECS-HELP benefit — cessation	-$0.048	0	0	-$0.048
Total, by sector	-$11.328	0	$1.520	-$9.808
Cost offsets ($m)	**Business**	**Community Organisations**	**Individuals**	**Total by source**
Agency	0	0	0	0
Within portfolio	0	0	0	0
Outside portfolio	0	0	0	0
Total by Sector	0	0	0	0
Are all new costs offset? Deregulatory – no offsets required				
Total (Change in costs – Cost offset) ($million) ***-$9.808***				

Source: Department of Education

6.5.2 No change option

There are no changes to regulatory costs for this option.

6.5.3 Non-legislative option

There are eight non-legislative measures identified in this option. Two of these measures will incur changes to regulatory costs. As these measures are a subset of the Government's proposed reforms, the quantification of the regulatory savings and the assumptions used have been detailed in Section 6.2.1. The regulatory burden and cost offset estimates table (Table 6.12) highlights the regulatory costings for this option.

Table 6.12: Regulatory Burden and Cost Offset estimates - Non-Legislative Option

Change in costs ($million)	Business	Community Organisations	Individuals	Total change in cost
Upholding Quality — Quality Indicators for Learning and Teaching — establishment	-$6.192	0	0	-$6.192
Upholding Quality — Higher Education Information Management System — expansion	-$2.937	0	0	-$2.937
Total, by sector	-$9.129	0	0	-$9.129
Cost offsets ($m)	Business	Community Organisations	Individuals	Total by source
Agency	0	0	0	0
Within portfolio	0	0	0	0
Outside portfolio	0	0	0	0
Total by Sector	0	0	0	0
Are all new costs offset? Deregulatory – no offsets required				
Total (Change in costs – Cost offset) ($million) ***-$9.129***				

Source: Department of Education

6.5.4 Additional options identified through the consultation process

During consultations with sector stakeholders, additional options were identified and subsequently considered by the working groups. One option resulted in changes to the regulatory costs for the sector, outlined below.

Commonwealth Scholarship Scheme

Two alternative models have been identified for the Commonwealth Scholarships Scheme: a national pool model; and a hybrid national/institutional model. Both of these models represent a fundamentally more intrusive regime for universities to engage with. They would both reduce institutional autonomy by redirecting scholarship funding away from the students and the institutions that generated the scholarship income. They would also both reduce the incentive for philanthropic contributions to scholarships pools. At some level, this would be anti-competitive because it would compromise the capacity of providers with large scholarship pools to attract disadvantaged students.

Both alternatives would significantly increase the complexity and red tape associated with the schemes, however the overall package would remain deregulatory. The regulatory impacts of both models are outlined in the Tables 6.13 and 6.14.

Table 6.13: Regulatory Burden and Cost Offset estimates – Hybrid Model Commonwealth Scholarship Scheme

Change in costs ($million)	Business	Community Organisations	Individuals	Total change in cost
Expanding Opportunity — expansion of the demand driven system and sharing the cost fairly	$1.999	0	$1.832	$3.831
A Sustainable Higher Education System — Research Training Scheme — student contributions	$0.294	0	0	$0.294
Upholding Quality — Quality Indicators for Learning and Teaching — establishment	-$6.192	0	0	-$6.192
Expanding Opportunity — a more effective Higher Education Participation Programme	-$4.086	0	0	-$4.086
Upholding Quality — Higher Education Information Management System — expansion	-$2.937	0	0	-$2.937
A Sustainable Higher Education Loan Programme — HECS-HELP benefit — cessation	-$0.048	0	0	-$0.048
Total, by sector	-$10.97	0	$1.832	-$9.138
Cost offsets ($m)	Business	Community Organisations	Individuals	Total by source
Agency	0	0	0	0
Within portfolio	0	0	0	0
Outside portfolio	0	0	0	0
Total by Sector	0	0	0	0
Are all new costs offset? Deregulatory – no offsets required				
Total (Change in costs – Cost offset) ($million) ***-$9.138***				

Source: Department of Education

Table 6.14: Regulatory Burden and Cost Offset estimates – National Pool Model Commonwealth Scholarship Scheme

Change in costs ($million)	Business	Community Organisations	Individuals	Total change in cost
Expanding Opportunity — expansion of the demand driven system and sharing the cost fairly	$4.453	0	$4.837	$9.290
A Sustainable Higher Education System — Research Training Scheme — student contributions	$0.294	0	0	$0.294
Upholding Quality — Quality Indicators for Learning and Teaching — establishment	-$6.192	0	0	-$6.192
Expanding Opportunity — a more effective Higher Education Participation Programme	-$4.086	0	0	-$4.086
Upholding Quality — Higher Education Information Management System — expansion	-$2.937	0	0	-$2.937
A Sustainable Higher Education Loan Programme — HECS-HELP benefit — cessation	-$0.048	0	0	-$0.048
Total, by sector	-$8.516	0	$4.837	-$3.679
Cost offsets ($m)	**Business**	**Community Organisations**	**Individuals**	**Total by source**
Agency	0	0	0	0
Within portfolio	0	0	0	0
Outside portfolio	0	0	0	0
Total by Sector	0	0	0	0
Are all new costs offset? Deregulatory – no offsets required				
Total (Change in costs – Cost offset) ($million) ***-$3.679***				

Source: Department of Education

7. Preferred option

7.1 Summary of impacts

Table 7.1 summarises the impacts of the Government's proposed reforms and the non-legislative option relative to the status quo.

Table 7.1: Summary of impacts for the Government's proposed reforms and the non-legislative option

	The Government's proposed reforms	Non-legislative option
Students	• greater choice and opportunities for students • greater availability of information to support student choice and incentivise quality • greater diversity of course offerings, based on different combinations of cost and quality • greater quality options for students, underpinned by minimum quality standards enforced by TEQSA • greater higher education participation in aggregate • greater higher education participation by disadvantaged students, supported by the Commonwealth Scholarship Scheme and the continued availability of HELP loans • increased costs to some students in the short term (though fees for some full-fee paying students may decrease). In the medium-to-long term, students will face a diverse range of cost options for higher education • increased sub bachelor participation is likely to reduce drop-out rates for some bachelor degrees • some distributional impacts - some graduates on lower incomes and female graduates may take longer to pay off their HELP debt than graduates on higher incomes and male graduates, respectively	• greater availability of information to support student choice and incentivise quality • minimum quality standards enforced by TEQSA
Market	• more open and competitive market for higher education, underpinned by greater autonomy for universities • more efficient market for higher education, with better matching of supply across sub bachelor and bachelor courses • more incentives for providers to innovate and enhance their productivity	
Research	• greater access to research funding for relevant providers • reduced funding for RTS may result in tuition fees for research students	• greater access to research funding for relevant providers
Burden	• less regulatory burden on universities	
Government and the community	• reduced costs to Government • public benefits arising from a more innovative and efficient higher education system, and greater higher education participation	
Overall	• net benefit	• net benefit, but does not address the problems associated with the higher education system identified in Section 3.

Table 7.2 summarises the impacts of the additional options identified during the consultation process relative to the Government's proposed reforms.

Table 7.2: Summary of impacts for the additional options relative to the Government's proposed reforms

	Deregulation of fees (Extend grandfathering arrangements)	HELP student loan indexation (Hybrid CPI/bond rate indexation)	HELP student loan indexation (Loan fee plus CPI)	Commonwealth scholarships (A national pool model and a hybrid national/institutional model)	Funding clusters (retain the current eight funding clusters and reduce Government contribution by 20%)	Medical places (Set a net price cap)
Students	• greater certainty for students commencing or deferring study during second half of 2014 • students that commence or defer study prior to 1 January 2016 would not incur increased costs • induced spike in enrolments prior	• reduced distributional impacts	• reduced distributional impacts	• unlikely to increase participation by disadvantaged students to a greater extent than the Government's proposed reforms	• relative to the Government's proposed reforms, some disciplines will receive a greater Government contribution, others will receive less • less efficient market, as existing clusters are not reflective of the relative costs of course delivery	
Market				• reduced autonomy for universities		• effectiveness and impacts of this option will be dependent on the net price cap chosen by government
Research						
Burden				• increased regulatory burden for universities	• easier for universities to implement	
Government and the community	• increased costs to Government	• increased costs to Government • significant implication challenges for ATO	• budget neutral over the long term	• increased costs to Government	• minimal budget impacts	
Overall	• net cost	• net cost	• net benefit	• net cost	• net cost	• uncertain

Taking into account the costs and benefits of the policy options outlined above, the preferred option is the reform package announced by the Government in the 2014-15 Budget (i.e. Option 1). Relative to the status quo, both the Government's proposed reforms and the non-legislative option represent a net benefit. However, due to its limited scope, the non-legislative option does not address the regulatory distortions and other problems identified in Section 3. The no change option and the non-legislative option do not address the call from the sector over many years to deregulate fees. They do not address the current fiscal situation or the excessive regulation in the sector.

In terms of regulatory burden, the deregulation of supply and price of subsidised student places will remove current Government restrictions and not impose additional regulation on the sector.

7.1 The Government's proposed reforms – preferred option

The proposed changes remove current restrictions (supply-side constraints including an artificial ceiling on prices). This will give institutions the flexibility to restructure to offer services at prices and in quantities and qualities that reflect their specific circumstances and the preferences of their students. Institutions will be free to innovate in course options, delivery models and pathways.

Deregulation of fees will provide opportunity for more students to access the right type of higher education for their personal circumstances.

There will likely be some consolidation in the industry as some providers expand and others contract. However, there will be greater diversity in the range of courses and study options offered, including at sub bachelor level and at NUHEPs who may establish in the market. The reforms provide universities with the capacity to pursue excellence or to differentiate with lower cost offerings.

There may be a variety of impacts on prices. Prices for some courses will go up – if institutions wish to maintain their current revenue from CSPs they will need to increase student contributions (fees) by around 30 per cent on average. Others will go down, for example as NUHEPs pass on their CSP funding to students. The outcome over time will be a more dynamic and efficient higher education sector.

Students will be empowered to make more informed choices through Quality Indicators for Learning and Teaching.

Supply and demand will be better matched and market efficiency will increase. This is the only option that delivers transformational change to deal not just with current fiscal repair but future prosperity and sustainable growth.

The cost-benefit analysis (see Section 6) clearly demonstrates that the highest net benefit will be delivered by the Government's proposed higher education reform package (Option 1).

The reforms are consistent with consultations and recommendations from the *Review of Australian Higher Education*, the *Review of the Demand Driven Funding System*, the *Review of Higher Education Regulation* and the *National Commission of Audit*. Implementation detail has been refined in response to more recent consultations around the Budget reform package as outlined in section 5.

These consultations confirmed:

- almost unanimous support for continuation of the demand driven system and much support for expansion to new areas including non-universities and at sub bachelor level
- the need for a more diverse and responsive higher education system based on equitable access to Commonwealth assistance for students regardless of the institution at which they choose to study (especially in relation to CSPs and the HELP scheme)
- the need for improved student information – the sector has called for an improved information website to replace MyUniversity that more fully covers all higher education providers, allows easier comparisons between courses of interest and is easily discoverable by people contemplating taking a higher education course
- the Quality Indicators for Learning and Teaching measure reduces the need for other regulatory costs (reporting burden) – this supports the cost reduction budget measure for TEQSA
- systematic research funding issues, in particular for indirect costs of research, onerous reporting requirements for research grants, and research programmes facing so-called 'funding cliffs'
- support for continuation and sustainability of the HELP scheme – critical to students' decision-making around study is being able to defer payment of their HELP debt until they are earning over an estimated threshold of $50,638 from 1 July 2016.

Expanding opportunities and providing support for students

The expansion of CSPs to all TEQSA-accredited institutions, in addition to demand driven funding of sub bachelor places at universities, is estimated by the department to increase the number of Commonwealth supported students by more than 80,000 in 2018. This includes higher education students who would not previously have received Commonwealth support, and additional students studying higher education.

The expansion of sub bachelor subsidies will be of particular benefit to less academically prepared students, as it will increase access to pathway courses that prepare students for bachelor-level study. As noted in the Kemp/Norton *Review of the Demand Driven Funding System*, this will reduce dropout rates and provide a lower-risk entry point to higher education for low SES students.

The reforms include a new institutional Commonwealth Scholarship Scheme to deliver access and participation interventions such as scholarships and bursaries, outreach activities, tutorial support, mentoring, accommodation and associated living expenses, and fee exemptions. Institutions with enrolments of 500 or more CSPs will participate in the scheme, consistent with evidence supporting the need for continued efforts to reduce the disparity in higher education attainment between equity groups and other students.

Consultation with potential students and their decision-making influencers stressed the importance of access to the HELP income contingent loan programme. The introduction of a new lower repayment income threshold for HELP income contingent loans and indexation of outstanding loan amounts to the 10-year bond rate will make the cost to the budget of HELP loans more sustainable into the future. While there has been debate about the rate of indexation (refer section 7.4 for options raised through consultations) the key concern raised by students and their decision-making influencers in consultations was the need to ensure they do not need to pay their fees upfront.

Fairer sharing of the cost of higher education

The reforms will recalibrate Commonwealth subsidies and deregulate student contributions. This will lead to a more equitable sharing of costs between Government and students, recognising the private benefit received by graduates from their higher education. Reducing the current regulatory complexities associated with higher education funding will allow providers greater control of their finances and facilitate diversification based on price and quality.

This diversification will include universities choosing to pursue excellence in different fields, or to offer lower cost offerings to obtain market share.

Through these reforms, it will be universities and other higher education institutions that are responsible for setting their own fee levels, freeing them from bureaucratic restrictions. NUHEPs accessing CSPs for the first time will pass on this Commonwealth contribution through fee reductions to students. Competition between institutions for students will prevent exorbitant fees and the Government will not signal its expectations around fees as this might lead to either collusion or suboptimal market operations.

Upholding quality

The quality of higher education learning and teaching will be underpinned by better measurement of student outcomes and experiences, better access to this information to enable students to make more informed decisions about study options, and implementation of more efficient and effective processes around TEQSA's core functions of provider registration and course accreditation.

The need for better access to student outcomes and experience information is supported in results from user testing carried out for the new website for the Quality Indicators for Learning and Teaching. For example, 85 per cent of participants responded that they would find an online tool to compare student outcomes and experience useful to them. Similarly, over 78 per cent of respondents answered that student experience information proposed for inclusion on the new website would be useful when comparing institutions.

The QILT measure also reduces regulatory burden on providers. Around 45 higher education providers will no longer be required to fund or directly undertake survey administration tasks for the annual Australian Graduate Survey, as these tasks will be conducted more efficiently by an independent service provider. Newly developed surveys, notably the University Experience Survey and the Graduate Outcomes Survey, do not impose a reporting burden as existing data collections are used to construct survey sample frames. This means providers will not be required to separately submit these data items to the department.

Strengthening the higher education system

The reforms will increase competition in the higher education market through the extension of Commonwealth subsidies to students studying with accredited private universities and NUHEPs. This will improve the efficiency and effectiveness of the system by better matching students with appropriate types of providers and levels of courses.

The proposed expansion of the demand driven funding system will allow those institutions currently ineligible for CSPs to receive demand driven Commonwealth subsidies for their bachelor and sub bachelor courses. As the majority of institutions that will benefit from the expansion are teaching-focused private institutions, which often proceed from a lower cost base than universities. The provision of subsidies under the Commonwealth Grant Scheme will allow these institutions to offer a highly competitive fee structure. This will exert downward pressure on student fees for equivalent university courses, and increase competition among institutions. Determining eligibility for CSPs on the basis of TEQSA accreditation ensures a consistent national approach to Government subsidies, replacing the current system that arbitrarily defines which institutions, mostly universities, may offer CSPs.

Setting Commonwealth subsidies for places at non-university higher education providers at 70 per cent of the rate for an equivalent course at a university recognises that research activities and the provision of community services are critical to the mission of all universities and are partly supported through CGS funding. The funding level for non-university providers will enable them to compete on price with efficient delivery, while ensuring universities are not at a competitive disadvantage from needing to cross-subsidise other essential activity. On balance, this funding rate recognises the unique responsibilities of universities while still ensuring that non-university higher education providers receive sufficient funding to compete with universities and deliver high quality education.

Funding tiers

The proposed five new funding tiers are designed to incorporate a more rational reflection of factors relevant to the cost of delivery, such as the standard teaching method, the infrastructure required to deliver the course and the potential value to prospective students. The rate of subsidy for each tier was determined by taking into account the funding relativities identified by the *Higher Education Base Funding Review* and the objective to provide an overall 20 per cent reduction in Commonwealth contributions.

Research

Targeted research investment will help maintain and build world class research capacity in Australia. It should also be noted that the creation of a Medical Research Future Fund (not part of this reform package) will, in time, provide an additional sustainable increase in medical research funding, including for Australian universities.

Universities will be given the option to charge modest student contribution fees for some or all RTS students to offset the funding reduction. Maximum fees will be set based on whether students are enrolled in a high or low cost Higher Degree by Research (HDR). RTS students will be able to pay their fees upfront or if eligible defer their fees through the existing Higher Education Loan Programme (HELP) administered by the Government. This reduction of Research Training Scheme (RTS) funding for universities by 10 per cent from 2016 will contribute to Budget savings.

7.2 No change option – not preferred

As is the case now, only public universities would be eligible for demand driven funding for bachelor level places, with a small number of the approved higher education institutions (private universities and non-university higher education providers) allocated places by the government in areas of national priority and a relatively small number of sub bachelor and postgraduate places also allocated. Supply-side constraints would remain in place. The status quo would also not extend the demand driven system to sub bachelor level qualifications. Demand driven funding for all higher education institutions at both the bachelor and sub bachelor level is a key recommendation of the 2008 *Review of Australian Higher Education*.

Without any changes to the way higher education is funded and managed, existing inefficiencies and lack of competition in the higher education market will remain. The system will continue to limit institutions' autonomy to innovate and best-serve their students.

Choice will remain compromised by the virtual limiting of private universities and non-university higher education providers to full fee-paying students unless operating in partnership with a public university. The restrictions in the demand driven funding system currently limit opportunities for non-university higher education providers to provide subsidised student places, including at sub bachelor levels, for less well prepared students including those from disadvantaged backgrounds.

Along with restricted choice of providers, prospective students and their families will continue to receive inadequate information about the quality of teaching and learning outcomes achieved by providers, constraining their ability to effectively choose the best study option for their needs.

The continuation of the FEE-HELP loan fee for students not in Commonwealth supported places will mean the cost of study for these students will remain higher compared to students in subsidised places seeking a similar level of student loan. Retention of the FEE-HELP loan limit will mean that postgraduate students in higher cost disciplines such as law, dentistry or medicine may have a 'gap' in meeting their tuition costs, leaving them with no option but to pay up-front. This impacts more severely on students from disadvantaged backgrounds.

Concerns had been raised about the financial sustainability of the demand driven system and the cost to government of providing HELP loans. The fiscal problem for the government would remain unchanged. As noted in the problem definition above, the uncapping of student places in 2009 and subsequent enrolment growth are estimated to cost an additional $7.6 billion in CGS outlays by government over five years from 2013-14. The government will continue to bear the majority share of the cost burden for higher education study, with students contributing only 40 per cent of the total cost of their higher education study. The cost of government borrowings to fund the student loans through the HELP scheme would continue to be higher than the CPI indexation applied to the loans.

The benefit of regulatory certainty for all parties (albeit an over-regulated environment) and a partial demand driven system are outweighed by the continuation of costs to providers and students associated with current regulatory and funding settings. There are no changes to regulatory costs for this option.

Subsidised higher education institutions, predominantly public universities, would continue to have a price advantage on competitors. Fees for CSPs would continue to be regulated by Government and this restricted flexibility would impact universities' development of innovative business models and global competitiveness.

The status quo would leave the sector partially reformed, but not fully opened to competition as envisaged by the *Review of Australian Higher Education*. International experience confirms the benefits to higher education of increasing competition by funding non-university providers.

Australia's universities would continue to be constrained by excessive regulation, which would limit diversity, innovation and quality in the sector. Some existing research programmes have only time-limited resources and will cease if no additional funding is approved. Funding for the National Collaborative Research Infrastructure Strategy will cease from 1 July 2015. No further Future Fellowships will be awarded in 2015 and beyond.

These factors would likely have flow-on impacts to the ability of public universities to maintain their current research capabilities and comparative standings. This would continue to limit our institutions' ability to compete with the best in Europe and North America and the fast developing universities of Asia.

Consultations informing this reform package, since the Review in 2008, have indicated that the 'no change' option is not viable.

7.3 Non-legislative option – not preferred

Without any regulatory change, only very limited reforms would be possible (refer to Table 4.2). Improvements can be made to the availability and usefulness of information on student experience and employment outcomes from higher education, designed to empower more informed decision making by prospective students. However, if access to information regarding the range of provision, quality and return on investment is not paired with choice through diversity of supply (in a deregulated market), competition and the resultant benefits to students and providers cannot ensue.

As outlined in the 'no change' option, the non-legislative option would continue unsustainable higher education funding arrangements, although would make some contribution to reduced regulation in the sector through TEQSA changes.

Research excellence will be supported with targeted investment comprising ARC funding for the Antarctic Gateway Partnership and the Australian Institute of Tropical Health and Medicine, continued support for AIATSIS' digitisation of Indigenous cultural resources and, importantly, continued support in 2015-16 for the National Collaborative Research Infrastructure Strategy.

However, no new four year mid-career Future Fellowships will be awarded in 2015 and beyond and if there is no continuation of NCRIS facilities and projects from July 2015. This would see a reduction in Australia's capacity for research activity.

The expansion of the Higher Education Information Management System could also proceed to establish a single national higher education data collection and information repository, although the functionality to capture providers not listed in the *Higher Education Support Act 2003* would be of limited benefit without an extended demand-driven system.

The non-legislative option does not address the current fiscal situation, and the measures that could be implemented are, to a large extent, about readying the sector to transition to a fully demand driven funding system. The most significant missed opportunity will be the failure to deregulate the higher education market in order to open up additional study options and pathways for students. Restrictions in the current funding arrangements will not facilitate the entrance of dynamic new players entering the subsidised higher education market and the greater diversity and choice that will bring.

Without reform, the current higher education funding arrangements could become unsustainable, as outlined in the 'no change' option.

7.4 Additional options identified through the consultation process – not preferred

During the post-budget consultation process, stakeholders identified a number of additional options. These did not represent completely new means of addressing the problems identified in section 3 but rather, proposed variations on how the Government could implement its proposed reforms. Accordingly, the additional options have not been considered as potential preferred options relative to the Government's proposed reforms, the no change option and the non-legislative option. Instead, they have been considered in the context of their limited impact on the implementation of the Government's proposed reforms.

Deregulation of fees:

Extend grandfathering arrangements to 1 January 2016.

This measure would reduce savings from reductions in Commonwealth subsidies. It could also drive increased early uptake of enrolment and deferral options to secure grandfathered funding for future study, leading to an additional cost spike. This would delay the impact of fee deregulation and reduced subsidies on the fiscal problem of uncontained rising costs.

The cost-benefit analysis (Section 6) found that it is not clear that the benefits of extending the grandfathering arrangements of the Government's proposed reforms would outweigh the additional financial costs to the Australian Government (estimated to be approximately $750 million) of having to cover a greater number of students under the existing CGS. This estimate is likely to be conservative, as it does not include any additional enrolments that may be induced by the extension of the grandfathering arrangements. Due to the significant increased cost to the taxpayer, the Government has decided not to pursue this option.

HELP student loan indexation:

Hybrid CPI/bond rate indexation

The cost-benefit analysis (section 6) found this option represents a net cost relative to the Government's proposed reforms. This would reduce Budget savings over the forward estimates.

Loan fee plus CPI

A new loan fee would significantly increase the overall size of the HELP debt for individual students. A 25 per cent loan fee would yield *additional* savings over the forward estimates but would be budget neutral over the longer term. The cost-benefit analysis showed this option would result in reduced loan costs for students (albeit less than the hybrid option above), and would be essentially budget neutral for the Australian Government over the long term.

Commonwealth scholarships

A national pool model.

A hybrid national/institutional model.

The cost-benefit analysis (Section 6) showed both proposed alternatives to the Commonwealth Scholarship Scheme represent a net cost relative to the Government's proposed reforms. Both alternative models for the Commonwealth Scholarship Scheme would involve greater centralised control and administration – resulting in increased regulatory burden for universities and increased administration costs for Government. There is also no evidence to suggest the models would be more effective in impacting participation than the Government's proposed reforms. Due to these reasons the Government has decided not to pursue these options.

Funding clusters

Retain the current eight funding clusters and reduce the current government contribution by 20 per cent for each cluster.

As noted above in the impact of the proposed reforms, the proposed five new funding tiers are designed to incorporate a more rational reflection of factors relevant to the cost of delivery, such as the standard teaching method, the infrastructure required to deliver the course and the potential value to prospective students. In this way, the proposed five tiers are simpler than the current eight, rationally grouping like with like.

While retaining the current eight funding clusters would provide some continuity with a simpler transition to the deregulated system and could be seen as a less intrusive change, it would maintain irrational elements embedded in the existing clusters.

For the most part, the impacts associated with this option are broadly neutral, with at most a minimal impact on the budget position of the Government. Likewise, while this option would increase subsidy levels for some disciplines relative to the Government's proposed reforms, it would decrease them for others. The key cost of this option is distortion of the market – the government contribution in the current eight clusters is not based on the relative cost of courses so using it may distort the market when limits on student contributions are removed.

The Government's proposal has been criticised for its impact on science and engineering. However, the alternative proposal would adversely affect teaching, nursing, IT, architecture and welfare courses. Such an arrangement would favour 12 universities compared to the proposed five tiers (for most the gain would be marginal), while 26 universities would be worse off, one of them significantly due to a high proportion of teaching and nursing students. The alternative proposal generally has a greater financial impact on universities that have less capacity to increase revenue from students, in particular regional universities.

To ensure distortion of the market does not occur, the Government has decided not to pursue this option.

Medical places

<u>Set a net price cap.</u>

Applying a cap is a more regulatory option compared to the proposed deregulation of fees. Regulating in this way, in the context of a high paying profession, makes little sense. While the application of a price cap on student fees could potentially constrain cost for students at more desirable institutions, it would also reduce the capacity of providers to compete fully on price and quality. Any cap would need to be set high enough to allow adequate provider revenue to be generated, and still provide scope for price differentiation.

The cost-benefit analysis showed it is unclear as to whether this option represents a net benefit or a net cost relative to the Government's proposed reforms. If chosen well, a net price cap should allow for price differentiation, while also tempering excessive price increases driven by caps on the number of medical places. Choosing an effective price cap would require considerable analysis and experimentation on behalf of the Government. This option was not recommended by the Legislation and Financing Working Group. This recommendation was supported by Government.

8. Implementation

The reforms announced in the 2014-15 Budget will be implemented by the Department of Education.

8.1 Implementation activity

The activities necessary to implement the reforms include the development of legislation, sector and departmental IT systems and software development, procurement, communications, stakeholder management and project management.

8.1.1 Legislation

Changes to the *Higher Education Support Act 2003* (HESA) are required to implement a number of the reforms. The Higher Education Funding and Implementation Group and the Research and Strategy Group are responsible for implementing these amendments and developing associated guidelines.

To ensure that providers have sufficient time to implement the necessary changes to their IT and administration systems, it will be important for the legislation to be passed by the end of 2014 and changes to legislative instruments by around mid-July 2015. The legislative timeframe therefore provides for introduction of legislation in the Spring 2014 sittings.

The Department of Education was responsible for preparing drafting instructions for the required changes. The Office of Parliamentary Council (OPC) was responsible for drafting the required Bill or Bills and Explanatory Memoranda to accompany the legislation. Final drafting instructions were submitted to OPC in early August 2014.

The legislative amendments required to implement the reforms are described below.

Expansion of the demand driven system

Amendments to HESA are required to support the following changes commencing 1 January 2016:

- remove the maximum student contribution amounts for Commonwealth supported places (CSPs) with grandfathering of existing subsidy and pricing cap arrangements until 31 December 2020 for students who enrolled in or deferred study on or before 13 May 2014
- extend Commonwealth Grant Scheme (CGS) subsidies to private university and non-university providers
- reduce and recalibrate CGS subsidies into five funding tiers with grandfathering as above
- set the indexation rate for all HESA provider funding to the Consumer Price Index (CPI)
- establish the new Commonwealth Scholarship Scheme (CSS).

Amendments to subordinate legislation are also required. For example, a Ministerial determination excluding diplomas, advanced diplomas and associate degrees from the demand driven system must be revoked.

Higher Education Participation Programme
Amendment to the HESA Other Grant Guidelines (Education) is required to replace the current Higher Education Participation and Partnership Programme with the new Higher Education Participation Programme from 1 January 2015.

Changes to the Higher Education Loan Programme (HELP)
Amendments to HESA are required to implement the following changes to HELP student loans:

- change the indexation of HELP debts to the 10 year Treasury bond rate from 1 June 2016
- introduce a new lower minimum HELP repayment threshold with a two per cent repayment rate from 1 July 2016
- from 1 January 2016, remove the 25 per cent FEE-HELP loan fee for full-fee paying undergraduate student loans and the 20 per cent VET FEE-HELP loan fee for vocational education and training student loans
- remove lifetime FEE-HELP loan amount limits from 1 January 2016
- abolish the HECS-HELP benefit for work undertaken from 1 July 2015.

Changes to the Research Training Scheme
HESA will be amended to enable institutions to charge a capped student contribution for higher degree by research students under the Research Training Scheme (RTS).

Australian Research Council measures (or Future Fellowships and efficiency dividend)
Amendments to the *Australian Research Council Act 2001* are required to continue the mid-career Future Fellowships scheme to support 100 four-year fellowships each year for the four years from 2015 and to implement the Australian Research Council efficiency dividend.

The Antarctic Gateway Partnership and the Australian Institute of Tropical Health and Medicine will be implemented through legislative instruments.

8.1.2 IT systems and software
Implementation of the higher education reforms will require significant information technology system and software development. This will entail:

- developing IT investment process bids for 2014 to 2017, including costing the full scope of the 2014-15 and 2015-16 work before preparing the bid
- establishing IT consultation and project management timeframes
- implementation of the following Program Funding System changes (PFS)
  - allowing for estimates to be provided by the new CGS funding tiers
  - allowing for estimates to be provided in accordance with grandfathered and non-grandfathered arrangements
  - extending PFS to allow estimates (CGS and HECS-HELP) to be provided from an increased number of providers; and inclusion of RTS estimates
- changes to the Higher Education Provider Client Assistance Tool for providers (HEPCAT) and the Higher Education Information Management System (HEIMS) for 2015 to support the inclusion of
  - extending access to HELP to certain New Zealand residents

  - removal of the HECS-HELP upfront discount
- changes to the Higher Education Provider Client Assistance Tool for providers (HEPCAT) and the Higher Education Information Management System (HEIMS) for 2016 to support the inclusion of
  - extending CGS and HECS-HELP to providers that do not currently access these schemes
  - inclusion of RTS data to support the introduction of RTS fees
  - management and provider reports for the Commonwealth Scholarship Scheme
- updating the University Payment (UniPay) System for the 2015 and 2016 funding year changes
- creation of a higher education Data Mart that will
  - provide approved users with an analytic tool to access higher education data under agreed protocols and privacy conditions
  - provide access to new and established data collections
  - streamline current and proposed data collections
- consulting with providers on system changes
- releasing a Ministerial Notice in relation to new 2015 and 2016 data reporting requirements

In broad terms, these changes will be implemented through:

- development of high level business requirements for approval by branch heads across the department
- development of detailed specifications for testing and sign off by departmental business owners
- software coding
- review of test cases, pre-production release and user testing
- production release.

The Data and Analysis Branch and the Higher Education Finance and Implementation Branch are responsible for the implementation of IT systems and software development in support of the higher education reforms. Capital bids will be authorised by the Education IT Committee.

8.1.4 Procurement

Quality Indicators for Learning and Teaching

The new Quality Indicators for Learning and Teaching (QILT) will provide better quality information for students to help them make informed choices in the higher education market.

Students at all higher education providers as defined by the *Higher Education Support Act 2003* will participate in the surveys.

The QILT will provide data to universities and colleges from surveys relating to their students and graduates to support their continuous improvement efforts in key areas such as teaching practices, learner engagement and student support. The surveys cover the student life cycle from commencement to employment, including:

- the University Experience Survey, measuring satisfaction of current students
- the Graduate Outcomes Survey, examining labour market outcomes of newly qualified higher education graduates

- a new Employer Satisfaction Survey to assess the generic skills, technical skills and work readiness of graduates.

This information will be presented on a new website to be launched later this year. An independent organisation will be engaged through a procurement of services to administer the QILT from late 2014. An open tender process is underway to select an independent contractor to administer QILT, with the successful tenderer expected to be announced by the end of August 2014.

8.1.5 Communications

The Department will engage with students and the public regarding the higher education reforms and the return on investment from higher education. Activities are expected to take place initially in the period to February 2015, with additional activities over the subsequent 12 months.

Key messages to be delivered will include:
- the value of higher education, including that it is a positive investment for individuals
- that HELP loans enable students to defer the full cost of study
- the availability of new Commonwealth Scholarships to students who need help.

The key target groups have been identified as:
- students (traditional, first-in-family, mature aged)
- student influencers (parents, career advisors, etc.)
- sector providers and peak bodies
- state and territory governments
- the media.

Further segmentation of these groups will occur to better target individual cohorts such as regional students; cultural and linguistic diversity; or motivation for studying (e.g. re-skilling, personal interest, professional development).

8.1.6 Stakeholder engagement

Stakeholder engagement in advance of the introduction of legislation is outlined in the “Consultation” Section 5 above. Going forward, the department will continue to liaise closely with:

- all universities
- individual NUHEPs
- universities Australia
- university groupings including the Australian Technology Network, Group of Eight, Innovative Research Universities, Regional Universities Network
- peak bodies representing private universities and non-university higher education providers, including the Council of Private Higher Education, Australian Council of Private Education and Training and TAFE Directors Australia.
- TEQSA Advisory Council chaired by Professor Peter Shergold AC
- Universities Australia’s Deputy Vice-Chancellors (Corporate) working group – will be consulted on an ongoing basis as part of the development and testing of business requirements for institutional IT systems.

8.2 Implementation timeline

The timeline for key implementation activities is provided in Table 8.1 and graphically at Attachment F.

Table 8.1: Implementation Activity Timeline

Activity	Start	End
LEGISLATION	May 2014	December 2014
Legislation development	May 2014	August 2014
Parliamentary consideration	August 2014	November 2014
Development of guidelines	September 2014	December 2014
ARC funding reprioritisation	March 2014	November 2014
IT SYSTEMS AND SOFTWARE	July 2014	July 2018
Release of changes for 2015		December 2014
Release of changes for 2016		December 2015
Deployment of the Data Mart		July 2018
Ministerial Notice for new 2015 requirements		December 2014
QILT	July 2014	August 2015
Procurement of third party provider	July 2014	August 2014
Development and release of 2014 University Experience Surveys		November 2014
Phase 1 website release		September 2014
Full implementation and release of QILT surveys		August 2015
Phase 2 website release		August 2015
COMMUNICATIONS	September 2014	January 2016
STAKEHOLDER ENGAGEMENT	May 2014	January 2016
Post-budget stakeholder engagement	May 2014	July 2014
Working Group advice to Minister		July 2014
Ongoing stakeholder engagement	July 2014	January 2016

8.3 Governance

The Governance structure described in this section refers to Budget measures managed by the department. Responsible agencies (e.g. Australian Research Council) have their own governance structures in place.

8.3.1 Senior Responsible Officer

The Senior Responsible Officer accountable for implementation of the higher education reforms is Robert Griew, Associate Secretary, Higher Education, Research and International Cluster, Department of Education.

8.3.2 Steering committee

The Implementation and Strategy Steering Committee, chaired by A/g Deputy Secretary, Higher Education Reform and Support, Jessie Borthwick, meets weekly to consider all aspects of the Department's implementation of the reforms.

Terms of Reference for the committee are:

- consideration of major and complex policy decisions arising from implementation
- coordinating implementation activities across the department
- developing a stakeholder management strategy including a communication strategy for the wider community
- development of a risk management plan
- monitoring progress against milestones and ensuring that line areas are adequately resourced;
- development of a work plan for the remainder for 2014 and, subject to review, out to the end of 2015
- the alignment of resources to workload
- monitoring and guidance of implementation.

The Steering Committee comprises:

- A/g Deputy Secretary, Higher Education Reform and Support (chair)
- Group Manager, Research and Strategy Group
- A/g Group Manager, Higher Education Reform Taskforce
- A/g Group Manager, Higher Education Funding and Implementation Group
- A/g Group Manager, Quality and Student Support Group
- Group Manager, International Group
- Branch Manager, Communications
- Interim Chief Financial Officer.

Secretariat support is provided by the Higher Education Reform Taskforce.

8.4 Project management

Implementation of each of the reforms will be managed by the departmental branches responsible for the policy, supported by the Higher Education Reform Taskforce.

8.4.1 The Higher Education Reform Taskforce

A time-limited taskforce has been established to coordinate implementation of the Budget measures through to the end of October 2014. The ongoing need for the taskforce will be reviewed at that time. The taskforce coordinates, manages and supports the operation of the implementation governance function, and organises and provides secretariat support to the ministerial advisory working groups and the Implementation and Strategy Steering Committee. The taskforce will also coordinate consideration of the departmental organisational capability required to manage a more open higher education market.

8.4.2 Internal reporting

Responsible Group Managers (SES Band 2) within the Department of Education will report on implementation progress within their line areas to the Implementation and Strategy Steering Committee. The Steering Committee has overarching responsibility for monitoring all aspects of the higher education reform, including the progress of stakeholder engagement, implementation activity, transition, and emerging policy issues related to the reforms.

8.4.3 External reporting

The Taskforce will provide reports to Cabinet through the Cabinet Implementation Unit of the Department of the Prime Minister and Cabinet as required.

8.5 Resources

8.5.1 People

The Higher Education Reform and Support cluster has been established within the department, headed by Acting Deputy Secretary Jessie Borthwick. This comprises the Quality and Student Support Group, the Higher Education Funding and Implementation Group and the Higher Education Reform Taskforce. The latter two groups are primarily responsible for implementing the reforms. Implementation–related work of these staff has been reprioritised from ongoing business as usual with no increase to the department’s staffing profile.

8.5.2 Money

A capital budget of $3.8 million over four years from 2014-15 has been allocated to enhance the Higher Education Information Management System (HEIMS) and create a higher education data mart to implement recommendations of the *Review of Reporting Requirements for Universities*.

Resources available to the QILT measure have not been published, as delivery is subject to a tender process.

Other implementation costs, including staffing costs, will be absorbed by the Department of Education.

8.6 Review and evaluation

Post-implementation monitoring of the impact of the reforms and the development of a more competitive market for higher education in Australia will be conducted on an ongoing basis as part of the Department of Education's business as usual monitoring. This will include close scrutiny of market effects in the months immediately following deregulation of student fees from 1 January 2016.

A more formal evaluation of the impact of the reforms will be undertaken once the reforms have been bedded down – indicatively late in calendar year 2018 (providing two years of data on the reforms). This will draw on data available in the Higher Education Statistics Collection, including:

- courses provided by higher education institutions
- numbers and characteristics of students undertaking courses
- student load
- completion of units of study and courses
- student liability status
- numbers and characteristics of staff in higher education institutions
- income and expenditure for higher education institutions
- research activity
- undergraduate applications, offers and acceptances.

The TEQSA Advisory Council will continue to work with TEQSA on minimising regulatory intervention relating to Australian higher education while ensuring accountability for quality. The Council will also provide advice on monitoring the market as the reforms are introduced.

8.7 Risks

Key implementation risks are outlined in Table 8.2.

Table 8.2: Key implementation risks and their identified treatments

Risk Description	Risk Rating	Key Treatment Description
Inadequate engagement and/or consultation with the higher education sector and key stakeholders.	Low	Maintain communication with internal and external stakeholders. Focus on stakeholder management.
Fraud activity is not prevented or detected.	Low	Ensure that all programme guidelines and contracts are clear and unambiguous. Education of stakeholders on the policies and procedures that need to be adhered to and on identification and reporting of fraud. Maintain a rolling programme of fraud awareness training for Department of Education staff.
Gaps in programme design allow institutions to receive funding without delivering outcomes for students.	Low	Programme activity to be carefully monitored for evidence of inappropriate practices and response capacity supported. Ensure programme guidelines are clear and unambiguous.
Insufficient resources to support key implementation tasks.	Low	Regular monitoring of implementation activity and progress by the Implementation and Strategy Steering Committee. Regular communication with departmental executive about changes in workload. Leverage expertise from other areas in the Department.
Lack of capability results in the department failing to respond quickly and delivering on expectations, quality and timeframes of strategically important commitments.	Low	Develop and regularly monitor implementation plan and consider external expertise where significant gaps are identified.
Increased stretch of resources (people and capacity) results in failure to manage data and records effectively and appropriately.	Low	Effective use of technology (Research and Publication Management System, TRIM).

Attachment A

Recommendations of the Review of the Demand Driven Funding System

Recommendation: Caps on the number of undergraduate bachelor-level places should not be re-imposed.

Recommendation: All higher education providers should be eligible for Commonwealth supported places when they and relevant courses have been approved by the Tertiary Education Quality and Standards Agency.

Recommendation: Non-university higher education providers accepting Commonwealth supported places should do so on the same basis as public universities.

Recommendation: Sub bachelor higher education courses should be included in the demand driven system.

Recommendation: Caps on Commonwealth supported places should be removed from postgraduate courses with a combination of clear community benefit and modest financial rewards. Other postgraduate courses should be offered on an entirely full-fee basis.

Recommendation: Decisions as to whether universities can deliver Commonwealth supported places at new locations should be made according to clear guidelines.

Recommendation: There should be no higher education attainment targets.

Recommendation: The Government should not set enrolment share targets for low socio-economic status students.

Recommendation: Higher education enrolment data systems should be updated so that they provide detailed and timely information on enrolment trends.

Recommendation: The Department of Education should re-introduce an annual report on higher education policies and include summary information on performance trends.

Recommendation: The MyUniversity website should be replaced with an improved student information website.

Recommendation: General information on attrition and completion rates by ATAR and for different bases of admission to university should be easily available to prospective students.

Recommendation: The University Experience Survey should be continued and extended to non-university higher education providers.

Recommendation: Maximum per Commonwealth supported place funding rates in engineering and health disciplines should be reviewed in the light of cost pressures.

Recommendation: The HECS-HELP benefit for graduates in designated occupations should be discontinued.

Recommendation: Students at all higher education providers offering HELP loans should be eligible for OS-HELP.

Recommendation: The provider category standards should be reviewed to consider their effects on innovation and competition.

Attachment B

Summary of Recommendations of the Review of Higher Education Regulation

1. The Government should reduce TEQSA's functions to focus on its core activities as a regulator.
2. The Government should establish mechanisms for TEQSA to consult with stakeholders and receive sector advice.
3. TEQSA should detail how the principles of risk, necessity and proportionality apply to different types of providers.
4. TEQSA should identify how existing regulatory processes such as Mission-based Compacts, funding agreements and the Institutional Performance Portfolios could be used to streamline the re-registration processes for established providers.
5. TEQSA should prioritise improved timeliness in delivering its key activities of initial provider registration and course accreditation.
6. The Government must reduce duplication across within the regulatory architecture by requiring specific consideration of how any matter in question, for example the ESOS National Code, aligns with its other regulatory components and partners.
7. The Government must align better the work of existing players, such as the Higher Education Standards Panel and the Australian Qualifications Framework Council, and how they are structured to support a quality tertiary education system.
8. The Government must reduce duplication between the four Acts.
9. The Government must identify and agree the alignment of activities between the Acts with ASQA and TEQSA that can be undertaken (i) without legislative change; and (ii) with legislative change.
10. The Government engage with TEQSA to agree where duplication, reporting or otherwise, can be addressed immediately.
11. The Government identify as soon as possible how NAGHEDI's role can be formalised and strengthened with the aim of creating a single national higher education data collection agency; and include a role for NAGHEDI as the data clearinghouse / survey advisory body for TEQSA.

Attachment C

Overview of the Australian higher education system

This section provides an overview of the higher education system. It focuses on key players (i.e. providers, students and government) and aspects of the system relevant to the policy options under consideration. This material is supplementary to material provided in Section 3.

Providers

The higher education system in Australia is centred on higher education providers (HEPs) – organisations that are authorised by the Australian Government to confer higher education qualifications on individuals. There are two broad types of HEPs:

- universities – including public universities, private universities and Australian campuses of overseas universities
- non-university higher education providers (NUHEPs) – which are generally classified in terms of those that are approved to offer FEE-HELP (non-university FEE-HELP providers) and those that are not (other HEPs).

To be registered as a HEP with TEQSA, an organisation must meet the criteria outlined in the *Higher Education Standards Framework (Threshold Standards) 2011*. To use the term 'university' in its title, a HEP must meet additional criteria.[50] The key differences between universities and NUHEPs are:

- scope of research – an Australian university must be active in research across at least three broad fields of study,[51] while most NUHEPs have limited or no research capability.
- scope of teaching – an Australian university must deliver undergraduate and postgraduate courses across at least three broad fields of study,[52] while most NUHEPs are more specialised in the types of courses they offer and the fields of study they teach.
- means of course accreditation – universities are given automatic authority to self-accredit their courses. While NUHEPs are able to earn the right to self-accredit, most secure accreditation for their courses through TEQSA.

At present, there are:

- 42 universities in Australia – comprising 37 public universities, three private universities and two overseas universities
- 133 NUHEPs – comprising 95 non-university FEE-HELP providers and 38 other HEPs.[53]

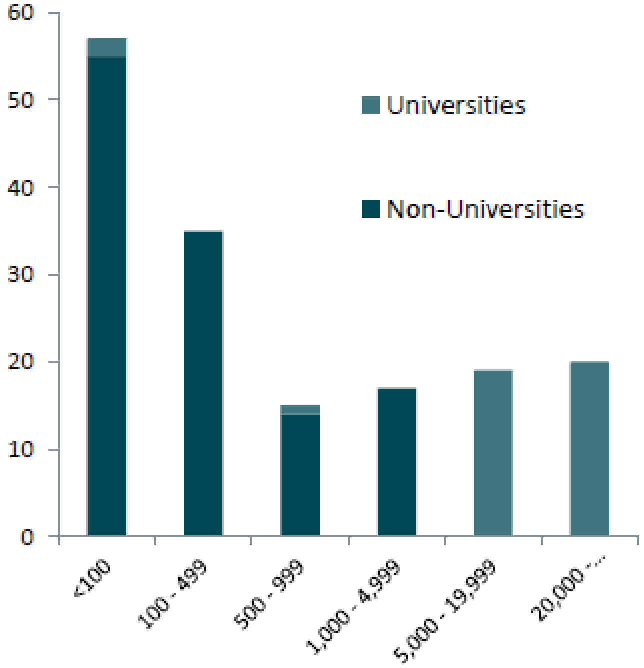
[50] These criteria vary, depending on whether the HEP would like to register as an Australian University, an Australian University College, an Australian University of Specialisation, an Overseas University or an Overseas University of Specialisation, see: Commonwealth of Australia (2011), 'Higher Education Standards Framework (Threshold Standards)', available here.

[51] The research and teaching requirements for Australian University Colleges, Australian Universities of Specialisation and Overseas Universities of Specialisation are less than those of Australian Universities and Overseas Universities, see: Commonwealth of Australia (2011), 'Higher Education Standards Framework (Threshold Standards)', available here.

[52] The research and teaching requirements for Australian University Colleges, Australian Universities of Specialisation and Overseas Universities of Specialisation are less than those of Australian Universities and Overseas Universities, see: Commonwealth of Australia (2011), 'Higher Education Standards Framework (Threshold Standards)', available here.

The diversity of Australia's higher education sector in terms of size of providers is illustrated in Figure C1. Over half of providers have fewer than 500 EFTSL, with the bulk of these being non-universities.

Figure C1. Providers by size of student load (EFTSL), 2012



Source: Department of Education

As Table C1 illustrates, relative to Australia's population, HEPs are over-represented in South Australia, the Australian Capital Territory and New South Wales, and under-represented in Queensland and Tasmania.

[53] 2013 Department of Education and TEQSA data

Table C1: Jurisdictional distribution of HEPs

	Universities	Non-university FEE-HELP Providers	Other HEPs	Total	Jurisdictional share of total number of HEPs	Jurisdictional share of Australian population
NSW	11	39	16	66	38.2%	32.0%
VIC	9	26	11	46	26.6%	24.8%
QLD	8	8	1	17	9.8%	20.1%
SA	5	9	4	18	10.4%	6.9%
WA	5	8	4	17	9.8%	10.9%
TAS	1	1	1	3	1.7%	2.2%
NT	1	1	0	2	1.2%	1.0%
ACT	2	1	1	4	2.3%	1.6%
Total	**42**	**93**	**38**	**173**	**100.0%**	**100.0%**

Sources: TEQSA supplied data; Australian Bureau of Statistics (2014), 'Australian Demographic Statistics, Dec 2013', cat. no. 3101.0, December, available here.

Competitive landscape

Basis of competition

According to IBISWorld,[54] participants in Australia's higher education system compete based on four factors:

- reputation
- quality of education and staff
- facilities offered
- location of the HEP.

A HEP's reputation is highly important in the higher education sector. A long-standing, well-regarded institution is more likely to attract student enrolments than a newly established HEP. A HEP's reputation is based on a number of factors including the size and age of provider, global university ranking, quality of courses and staff, range of courses offered, currency of course content and the proportion of graduates finding employment.

The ability of a HEP to provide engaging classes and appoint talented academic staff will give it a competitive advantage as potential students also consider course content, teaching method and university performance when selecting a HEP. Talented staff are a crucial element to the quality of a course and will generally attract large research grants for their work, which is relevant to universities.

[54] Lauren Magner (2014), 'Passing the Test: Growth in domestic student enrolments offsets lower international demand', IBISWorld Industry Report P8102, University and Other Higher Education in Australia.

When selecting a HEP, potential students also consider the facilities offered. HEPs, particularly universities, often invest heavily in student accommodation, sporting fields and facilities and buildings in order to attract potential students.

The location of a HEP is important for a number of reasons. HEPs based in metropolitan areas are likely to be able to attract higher numbers of students. Further, Australian students have shown a tendency to enrol in HEPs relatively close to home. For instance, in 2012, 86 per cent of students were enrolled with a provider that was located in the same State/Territory as their permanent home address.[55]

Nature of provider competition

HEPs compete for students on a number of bases, depending on the type of HEP. The relationship between public universities is a competitive one. They compete for domestic students on the basis of quality and reputation, as they all offer CSPs for undergraduate and postgraduate students.

Competition between public and private universities is limited in the undergraduate market as public universities can offer as many bachelor-level CSPs as they want, have accumulated assets (i.e. lecture theatres, laboratories and libraries) and longer histories and associated prestige. Private universities tend to compete by offering alternative pathways for high demand courses, such as medicine, through providing specialised courses and offering courses more quickly (i.e. teaching across trimesters).

Competition between NUHEPs and public or private universities is also limited, as NUHEPs tend to be more specialised than universities and often provide different qualifications. NUHEPs often specialise as:

- pathway colleges – these NUHEPs specialise in diploma-level courses to provide pathways into university. These NUHEPs prepare students for entry into the second year of a university course. Typically they have a relationship with a particular university and the diploma curriculum will match that taught in the target university first year
- postgraduate providers – these NUHEPs offer only postgraduate courses, e.g. institutions that offer postgraduate entry-level qualifications for a profession
- specialist providers in a subject matter – these NUHEPs build brand reputations in particular niche areas.

The rise of online delivery – best exemplified by the rapid development of Massive Open Online Courses (MOOCs) – has presented new sources of competition for Australian universities. More specifically, as online delivery becomes more familiar and effective, Australian universities will come under increasing pressure from international providers with established brands and/or innovative delivery and pricing approaches.

Entry requirements

The key entry requirement imposed by HEPs is evidence of sufficient past academic performance. This requirement is primarily satisfied through:

- an Australian Tertiary Admission Rank (ATAR) (for domestic school-leavers)
- existing higher education qualifications and transcripts, relevant work experience or professional associations, and/or the results from the Special Tertiary Admissions Test (for mature age applicants)

[55] Department of Education (2013), '2012 All students', 22 November, available here.

- requirements 'based on home country school systems or international qualifications, such as the International Baccalaureate'[56] (for overseas students).

In addition, overseas students are generally required to provide evidence of their English language proficiency (e.g. through Test of English as a Foreign Language, and the International English Language Proficiency Testing System).

Prior to the Bradley Review, entry requirements were used by public universities as a means of rationing course enrolments (given the restrictions that were in place on the number of students that could be enrolled in domestic bachelor degree courses). With the introduction of demand driven funding in 2009, however, HEPs now typically use entry requirements as a means of gaining a level of assurance that students will complete their courses.[57]

Government influence

The Australian Government influences the competitive landscape of the higher education system. It does this in two main ways. First, through TEQSA and the *Higher Education Standards Framework (Threshold Standards) 2011*, the Australian Government controls:

- entry into the higher education system
- movement within the higher education system (i.e. through the provider categories).

Second, through the *Higher Education Support Act 2003*, the Australian Government determines the courses and HEPs and indeed students that are eligible for:

- subsidies under the Commonwealth Grant Scheme
- deferral of tuition costs through the various income contingent loan schemes.

Prior to 2012, the Australian Government also controlled the number of domestic students that could enrol in bachelor-level CSPs. In 2012, responding to the findings and recommendations of the Bradley Review, the Australian Government removed these caps and fully instituted a demand driven funding system. In their recent review of this system, Kemp and Norton concluded that:

- the uncapping of student places at public universities has only given them a competitive advantage in relation to other higher education institutions which do not have access to CSPs and are reliant on full fees
- at a cost, it would be possible to extend the benefits of competition more widely by including private providers and sub-bachelor and some postgraduate degrees in the demand driven system
- the extension of demand driven funding is likely to increase competition and lead to further innovations in the higher education sector.

Tuition fees

Students studying at universities or approved private higher education providers will be offered either a Commonwealth supported place (CSP) or a fee paying place.

[56] Andrew Norton (2013), 'Mapping Australian Higher Education 2013 version', January, Grattan Institute, available here

[57] Andrew Norton (2013), 'Mapping Australian Higher Education 2013 version', January, Grattan Institute, available here.

Forty-four HEPs (including all 37 public universities) currently offer CSPs to domestic students. These are subsidised enrolments and generally apply to bachelor and sub-bachelor courses, with a limited number of sub-bachelor and postgraduate places available. The Australian Government subsidises a CSP by paying part of the fees for the place directly to the HEP and the student pays the remainder of the fees through a 'student contribution' amount. On average, the Government subsidises around 60 per cent of the actual cost of higher education and the student pays the remaining amount (student contribution amount) to the approved provider. Table C2 shows the student and Government contributions for CSPs in 2014.

Table C2: Contributions for a 2014 Commonwealth-supported place

	Contribution per EFTSL			
	Student	Government	Total	Per cent paid by student
Humanities	$6,044	$5,419	$11,463	53%
Law, accounting, administration, economics, commerce	$10,085	$1,951	$12,036	84%
Mathematics, statistics	$8,613	$9,587	$18,200	47%
Behavioural science, social studies	$6,044	$9,587	$15,631	39%
Education	$6,044	$9,974	$16,018	38%
Clinical psychology, foreign languages, visual and performing arts	$6,044	$11,790	$17,834	34%
Allied health	$8,613	$11,790	$20,403	42%
Computing, built environment, other health	$8,613	$9,587	$18,200	47%
Nursing	$6,044	$13,163	$19,207	31%
Science	$8,613	$16,762	$25,375	34%
Engineering, surveying	$8,613	$16,762	$25,375	34%
Agriculture	$8,613	$21,273	$29,886	29%
Medicine, dentistry, veterinary science	$10,085	$21,273	$31,358	32%

Source: Department of Education

Only certain higher education providers are approved by the Government to offer CSPs. Most CSPs are offered in undergraduate courses; however there are some CSPs available at the postgraduate level, mainly for courses that are an accepted entry-level qualification for a profession.

Forty-one universities currently receive block grant funding from the Australian Government under the Research Training Scheme (RTS) to support research training for students undertaking Research Doctorate and Research Masters degrees. These students are not required to pay a contribution to the cost of their courses.

Fee paying places are not subsidised by the Government and are generally offered in:

- postgraduate courses at public universities
- undergraduate and postgraduate courses at private higher education providers

With the exception of the caps on student contribution amounts for CSPs, the Australian Government does not place restrictions on maximum fees for domestic students. There are no restrictions on maximum fees for international students in any course. It is at the provider's discretion to determine the level of tuition fees it will charge for their courses (though there are minimum indicative fees for overseas students).

Enrolments

Prior to 2009, the Australian Government funded a finite number of CSPs, and restricted which HEPs could offer CSPs. These were typically public universities and a small number of other institutions. From 2009, the restrictions on the number of CSPs were reduced, and removed entirely from 2012. Now, public universities can enrol unlimited numbers of bachelor degree CSPs, except in medicine. However, this is subject to ministerial discretion. Under funding arrangements, the Minister can set a maximum total payment for student places by institution (so long as it is not less than the previous year's funding).

The removal of the cap on CSPs at public universities has given them a competitive advantage in relation to other HEPs providing bachelor degrees, which do not have access to CSPs and are reliant on full fees.

CSPs at the sub-bachelor and postgraduate level, however, remain capped. This discretionary allocation of CSPs undermines competition, as it protects providers from competitive market forces. Kemp and Norton, in their *Review of the Demand Driven Funding System,* concluded it would be possible to extend the benefits of competition under a demand driven system more widely by including private providers and sub bachelor and postgraduate degrees in the demand driven system.

Availability of information

In a student choice-based system, prospective students need information to help them decide on an institution and course to enrol in. Without information, students may choose based on historical reputations rather than recent performance. This makes it difficult for newer providers to attract students when they cannot show that their performance matches or exceeds that of well-established competitors.

The Australian Government launched the *MyUniversity* website in 2012. It contains information about institutions and courses, student satisfaction and graduate employment rates, and median starting salaries. However, feedback on the website has been overwhelmingly negative:

- some sections provide information on universities only, although other sections also include information on NUHEP courses
- information is not presented well – it is difficult to compare HEPs
- the website doesn't seem to reach its target audience. In the year to the end of November 2013, it had 193,000 site visits, which was well under the number of people who applied for a higher education course in that year.[58]

Student loans

Students undertaking higher education may be eligible for Government provided income-contingent loans to pay for their tuition fees. The type of loan they can access depends on the university/higher education provider they are studying at, and the level of qualification being undertaken. Table C3 and Table C4 show the types of loans available by higher education provider and qualification.

[58] David Kemp and Andrew Norton (2014), 'Review of the Demand Driven Funding System', 13 April, pp. 47-48. available here.

Table C3: Overview of funding eligibility by higher education provider type

	Table A institutions	Table B institutions	Table C institutions	NUHEPs	Open Universities Australia
Commonwealth Supported Places /HECS-HELP loan	✓	✓ (provided the place is in a 'national priority category')	✓ (provided the place is in a 'national priority category')	✓ (provided the place is in a 'national priority category')	×
FEE-HELP loans	✓	✓	✓	✓	✓

Note: Table A institutions are all universities to which governments appoint Council or Senate members, plus the Australian Catholic University and Batchelor Institute of Indigenous Tertiary Education (commonly known as 'public universities'). Table B institutions are Bond University, the University of Notre Dame (commonly known as 'private universities') and the MCD University of Divinity. Table C contains Carnegie Mellon University and University College London, registered as 'overseas universities' in Australia. National priority categories are based on ministerial decisions.

Table C4: HELP loan by qualification for higher education

Qualification	CSP and HECS-HELP	FEE-HELP
Doctoral degree	No	Yes
Master's degree	Very limited	Yes
Graduate certificate, Graduate diploma	Very limited	Yes
Bachelor Degree	Yes	Yes
Associate Degree	Very limited	Yes
Advanced Diploma	Very limited	Yes
Diploma	Very limited	Yes

Source: Australian government (2014), 'Commonwealth supported places and higher education loan program handbook', *Studyassist* website, available here.

Table C5 summarises the different HELP-loan schemes available to assist students with the cost of their fees and the eligibility requirements for these loans.

Table C5: HELP loans

	HECS-HELP	FEE-HELP
What?	Loan scheme that helps eligible students enrolled in CSPs pay their student contributions	Loan scheme that helps eligible fee paying students to pay their tuition fees at approved providers
Eligibility	Enrolled in a CSP by the census date, with an approved provider, Meet the citizenship and/or residency requirements: • Australian citizen and will undertake at least one unit of study contributing to their course of study in Australia; OR • Permanent ‘humanitarian’ visa holder and will be resident in Australia for the unit of study	Enrolled in a fee paying place at an approved provider or through Open Universities Australia (OUA), Enrolled in an eligible course of study (or unit of study if studying through OUA), Meet the citizenship and/or residency requirements: • Australian citizen and will undertake at least one unit of study contributing to their course of study in Australia; OR • Permanent ‘humanitarian’ visa holder and will be resident in Australia for the unit of study; OR • Permanent visa holder and enrolled in eligible bridging study for overseas-trained professionals and resident in Australia for the unit of study Have not exceeded their FEE-HELP limit
Maximum loan amount	Unlimited	Lifetime limit (consolidated amount available under both the FEE-HELP and VET FEE-HELP loan schemes) 2 limits (2014): • $120,002 for students undertaking medicine, dentistry and veterinary science courses • $96,000 for most students The limit is indexed on 1 January each year
Loan fee	No	25% loan fee for undergraduate courses of study. No application fee

Source: Australian Government, Commonwealth Supported Places (CSP) & Higher Education Loan Program (HELP) Handbook, 2014.

Students are required to start repaying their accumulated HELP debt when their income is above the minimum repayment threshold for compulsory repayment. This threshold income is adjusted each year. For 2014-15, the minimum repayment threshold income is $53,345. Compulsory repayment amounts are calculated as a percentage of a person’s repayment income. Compulsory repayments continue until a person has repaid their whole accumulated HELP debt. Table C6 shows the repayment rates for the 2014-15 financial year.

Table C6: Repayment rates

Repayment income range	Repayment rate (% of repayment income)
Below $53,345	Nil
$53,345 - $59,421	4.0%
$59,422- $65,497	4.5%
$65,498 - $68,939	5.0%
$68,940 - $74,105	5.5%
$74,106 - $80,257	6.0%
$80,258 – $84,481	6.5%
$84,482 - $92,970	7.0%
$92,971 - $99,069	7.5%
$99,070 and above	8.0%

Source: Australian Taxation Office (2014), 'HELP repayment thresholds and rates', ATO website, available at: https://www.ato.gov.au/Rates/HELP-repayment-thresholds-and-rates/

A person may also choose to make voluntary repayments towards their HELP debt in addition to the Compulsory repayments. Voluntary repayments of $500 or more receive a five per cent bonus.

Students who graduated from specific undergraduate courses and go on to work in a related occupation may be eligible to access the HECS-HELP benefit, which reduces the compulsory HELP repayments. These courses include mathematics, statistics, science, education, nursing and midwifery.

There is no real interest charged on a person's HELP debt, although it is adjusted on 1 June each year to reflect changes in the CPI, which maintains the real value of the debt.

HELP Debt

As at 30 June 2013, HELP debtors owed the Commonwealth Government $30.1 billion. The Government also estimates the 'fair value' of the total HELP debt, which is an estimate of how much the HELP debt is really worth to the Government. As at 30 June 2013, the fair value of the HELP debt was $21.7 billion. The main reason for the write-down of the HELP debt is the debt not expected to be repaid, estimated at $7.05 billion at 30 June 2013. This is due to HELP debtors forecast to move overseas or die before their HELP debt is repaid. The Government expects that 17 per cent of new HELP debt issued during 2012-13 will not be repaid.[59]

Students

People choose to undertake higher education for a number of reasons. Employment and job-related considerations are the main reasons for undertaking study, as shown in Table C7. Approximately three quarters of students undertaking all levels of higher education study gave a job-related consideration as the main reason for undertaking study.

[59] Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education, 'Annual Report 2012-13', 2013, p. 245, available at: http://www.industry.gov.au/AboutUs/CorporatePublications/AnnualReports/AnnualReport201213/wp-content/uploads/annual-report-2013.pdf

Table C7: Main reason for undertaking non-school qualifications

	Graduate Diploma/ Graduate Certificate or above	Bachelor degree	Advanced Diploma/ Diploma	Certificate III/IV	Certificate I/II	Total
To get a job/To start or develop own business	22%	51%	32%	27%	23%	29%
To get a better job or promotion/To try for a different career	27%	14%	16%	17%	6%	16%
Requirement of job Wanted extra skills for job	32%	9%	26%	40%	22%	30%
To increase confidence/self-esteem/For personal interest/enjoyment	8%	11%	5%	7%	15%	10%
Other	11%	16%	20%	9%	33%	16%

Source: Australian Bureau of Statistics (2010) , 'Education and Training Experience, 2009', cat. no. 6278.0, Table 5, March, available here.

Note: Other includes 'To get into another course of study', 'To get skills for community/voluntary work', 'To improve general educational skills' and 'Other'.

Student and course distribution

Statistics obtained from the Department of Education shows the distribution of students in the higher education system in Australia by enrolment type (Table C8) and location (Table C9).

Table C8: All higher education students[a], by enrolment type

	Actual student place (EFTSL)			Students[b]		
	2012	2013	% change	2012	2013	% change
Commonwealth Supported[c]	548,975	577,221	5.1%	720,367	760,023	5.5%
Domestic Fee-paying	85,579	90,278	5.5%	177,426	188,005	6.0%
Domestic RTS[d]	25,156	25,811	2.6%	36,317	37,346	2.8%
Total Domestic	659,710	693,310	5.1%	934,110	985,374	5.5%
Overseas Fee-Paying	243,385	244,351	0.4%	323,612	328,402	1.5%
Total Students	**903,094**	**937,661**	**3.8%**	**1,257,722**	**1,313,776**	**4.5%**

Source: Department of Education

(a) Includes all Higher Education course levels: Postgraduate, Undergraduate, Enabling and Non-Award.
(b) Students may be in more than one Liability Category, but they are only counted in one category for the "Student" count: preference is toward the category higher in the list. For example, a student may study as a Fee-Paying student in one semester and Commonwealth Supported in another: he or she will be listed as Commonwealth Supported under the "Student" column, while student load (EFTSL) will reflect the actual liability status for each unit separately.
(c) Commonwealth Supported includes Element 490 (Liability Status) codes 110-112,201-203,250,206,261,262 (d) RTS=Research Training Scheme.

Table C9: Higher education students by region (2011 ASGS)[a][b]

	2012	2013	% Total 2013	Change 2012-13	% Change 2012-13
Metro	728,586	771,725	79.4%	43,139	5.9%
Regional	180,217	188,531	19.4%	8,314	4.6%
Remote	8,121	8,578	0.9%	457	5.6%
Not known[c]	4,262	3,458	0.4%	-804	-18.9%
Total onshore domestic students	**921,186**	**972,292**	**100.0%**	**51,106**	**5.5%**

Source: Department of Education

(a) The Regional measure is based on the students' postcode of permanent home residence mapped to regional/remote categories using the ASGS 2011 classification.
(b) Domestic students with permanent home residence in Australia only.
(c) From 2011, invalid postcodes for the permanent home address of students are categorised as ‘Not Known’ whereas in previous years these postcodes were mainly categorised as ‘Metro’.

Table C10 shows the number of students by broad level of course from sub-bachelor and enabling courses to doctorate courses. Enrolment in enabling courses has also increased significantly from 6,107 in 2003 to 22,574 in 2013.

Table C10: Students by Broad level of course, 2003 to 2013

	Doctorate by research	Doctorate by coursework	Master's by research	Master's by coursework	Other post-graduate	Bachelor	Assoc. Degree	Other u'grad.	Enabling courses	Non-award courses	TOTAL
2003	35,875	4,363	9,784	129,504	70,516	636,133	2,160	13,336	6,107	24,901	929,952
2004	37,685	1,846	9,624	140,300	68,314	644,851	1,954	11,130	5,472	23,801	944,977
2005	38,953	1,840	9,248	146,299	67,163	652,731	2,855	9,940	5,704	22,442	957,176
2006	40,511	1,806	8,956	148,705	70,471	669,817	4,922	8,934	7,309	22,715	984,146
2007	41,427	1,626	8,713	152,766	73,725	690,393	6,409	23,201	8,771	22,815	1,029,846
2008	42,366	1,520	8,338	163,151	73,883	708,383	8,393	26,944	10,707	22,410	1,066,095
2009	44,292	1,465	8,393	175,961	77,862	751,385	8,880	30,545	14,164	21,919	1,134,866
2010	47,066	1,414	8,674	184,226	79,075	791,577	10,498	31,692	16,956	21,479	1,192,657
2011	50,029	1,471	8,494	184,203	77,761	819,903	11,155	30,072	18,391	19,529	1,221,008
2012	52,480	1,329	8,217	188,755	76,987	850,475	11,572	29,785	20,000	18,122	1,257,722
2013	54,281	1,105	8,190	204,212	77,819	881,579	11,744	32,468	22,574	18,342	1,313,776

Source: Department of Education

Benefits to students from higher education

Graduates are less likely to be out of the workforce or unemployed when compared to the Australian population as a whole. Unemployment rates among university graduate are far lower than for people with no post-secondary qualifications. Table C11 shows the labour force outcomes of the Australian population by highest level of qualifications in 2013.

Table C11: Labour force status by highest level of qualification

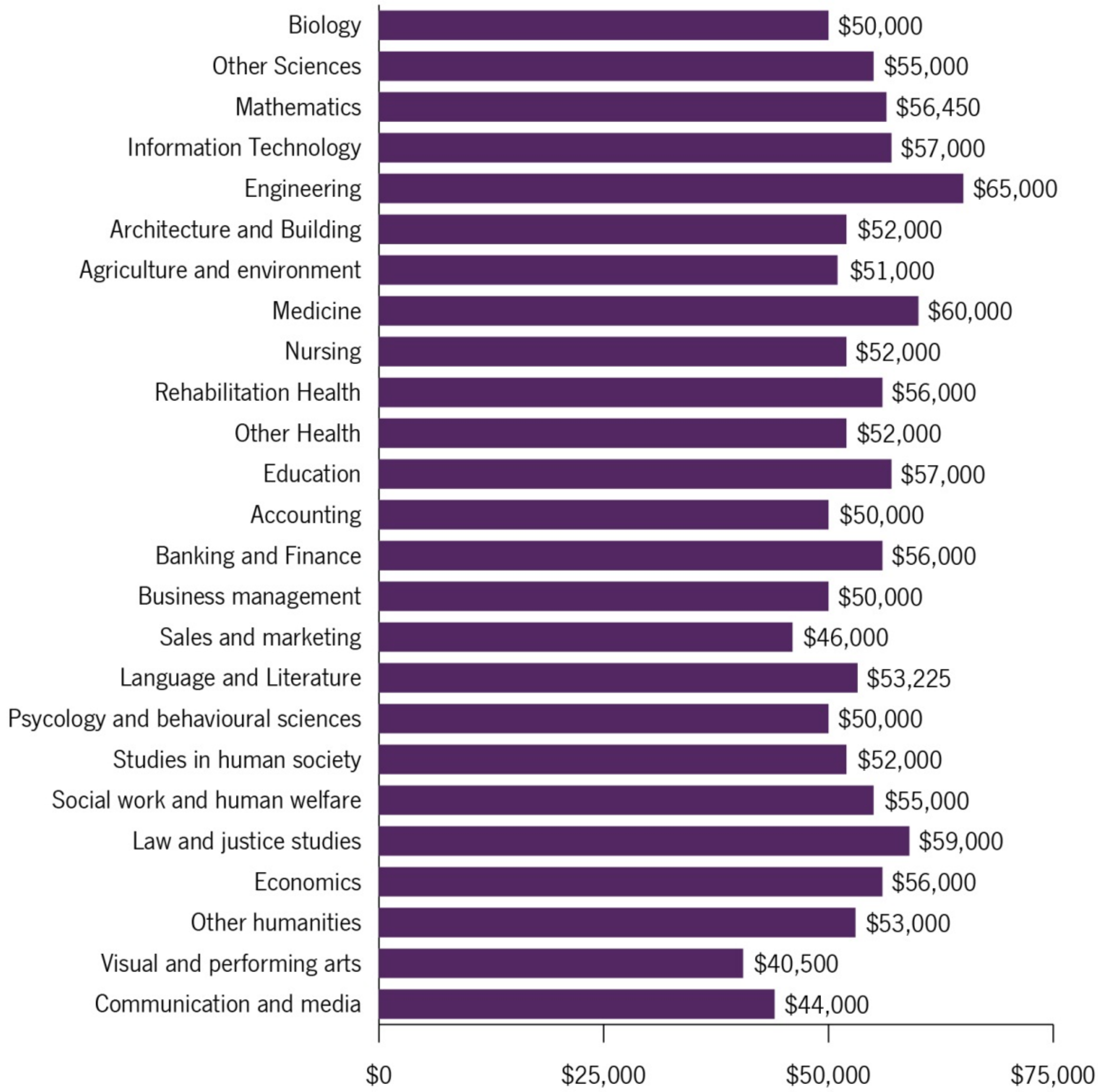
	Graduate	Advanced Diploma/Diploma	Certificate III/IV	No non-school qualification	Australian population
Unemployment Rate	2.9%	3.2%	4.0%	5.2%	4.4%
Not in labour force	12.9%	15.8%	13.8%	34.2%	23.1%

Source: Australian Bureau of Statistics (2013), 'Education and Work, Australia', cat. no. 6227.0, Table 10, May, available here.

Studies on graduate income show that, on average, graduates earn more than non-graduates. This is partly because graduates are more likely to have jobs (as discussed above) and partly because the jobs graduates have tend to be higher paying. The median annual starting salary for new Australian resident bachelor degree graduates aged less than 25 and in their first full-time employment in Australia was $52,750 in 2013. Median salaries of Australian bachelor graduates in full-time jobs in 2013 ranged from $40,500 to $65,000 (see Figure C2.)[60]

[60] Graduate Careers Australia (2014), 'Where Grads Go 2014', available here.

Figure C2: Median salaries of Australian bachelor graduates in full-time jobs in 2013



Source: Graduate Careers Australia (2014), 'Where Grads Go 2014'

The lifetime earnings of bachelor degree graduates are also generally higher than for those with no further education after year 12. The Grattan Institute undertook analysis of 2011 Australian census data to calculate the additional lifetime earnings of university graduates. It found:

- The median male bachelor-degree holder had lifetime additional earnings of $1.4 million compared to the median male who did no further education after Year 12.
- The estimated lifetime earnings premium for women was just under $1 million compared to the median female who did no further education after year 12.[61]

Taking into account the cost of education and income tax reduces the difference in lifetime additional earnings to $900,000 for men and $700,000 for women.

[61] Andrew Norton (2013), 'Mapping Australian higher education 2013 version', January, Grattan institute, p. 71, available here.

Attachment D

Key meetings

Department of Education meetings with Vice-Chancellors, peak bodies and non-university higher education providers, including workshops and roundtables

Throughout June 2014 the Department convened several meetings with peak bodies and representative groups. These were attended by Departmental officials, higher education provider representatives and peak body representatives:

- Australian Technology Network, 6 June 2014
- Regional Universities Network , 10 June 2014
- Group of Eight, 16 May, 10 June 2014
- Universities Australia, 10 June 2014
- Innovative Research Universities, 11 June 2014
- Non-university higher education provider representatives in Melbourne 17 June, Adelaide 18 June, Sydney 19 June, Brisbane 20 June
- Deputy Vice-Chancellors (Corporate), in collaboration with Universities Australia, 26 June 2014.

Department officials had further meetings with peak bodies and representative groups:

- Chief Executive, Universities Australia, 15 May 2014
- Executive Director and other staff, Group of Eight, 16 May and 26 June 2014
- Executive Director, Regional Universities Network, 16 May 2014
- Vice-Chancellors, Regional Universities Network, 22 May 2014
- Vice-Chancellors , Innovative Research Universities, 18 June 2014
- Executive Officer, Australian Council for Private Education and Training, 18 June 2014
- Board members, Council of Private Higher Education, 19 June 2014
- Chief Executive Officer, Council of Private Higher Education, 23 July 2014
- Executive Director, Innovative Research Universities, 31 July 2014
- Chief Executive Officer, Australian Research Council, 7 August.

Department officials had further meetings with universities and other higher education provider representatives:

- Vice-Chancellor, Australian National University, 15 May 2014
- Vice-Chancellor, Victoria University, 15 May 2014
- Vice-Chancellor, Swinburne University, 15 May 2014
- Vice-Chancellor, La Trobe University, 15 May 2014
- Vice-Chancellor, Queensland University of Technology, 19 May 2014
- Vice-Chancellor, The University of Queensland, 19 May 2014
- Vice-Chancellor, James Cook University, 19 May 2014
- Vice-Chancellor, Southern Cross University, 20 May 2014
- Vice-Chancellor, University of Tasmania, 20 May and 25 June 2014
- Vice-Chancellor, The University of Adelaide, 20 May 2014
- Vice-Chancellor, Flinders University, 20 May and 24 July 2014
- Vice-Chancellor, University of Western Sydney, 22 May 2014

- Vice-Chancellor, University of Technology Sydney, 23 May
- Chief Operating Officer, Macquarie University, 23 May 2014
- Vice-Chancellor, Charles Darwin University, 26 May 2014
- Vice-Chancellor, The University of Sydney, 10 Jun 2014
- Vice-Chancellor, Griffith University, 10 June 2014
- Vice-Chancellor, Edith Cowan University, 13 June 2014
- Vice-Chancellor, Murdoch University, 13 June 2014
- Vice-Chancellor, Curtin University, 13 June 2014
- Vice-Chancellor, The University of Western Australia, 13 June 2014
- Vice-Chancellor, The University of Melbourne, 17 and 26 June 2014
- Vice-Chancellor, MCD University of Divinity, 17 June 2014
- Vice-Chancellor, University of South Australia, 18 June 2014
- Chief Executive, University College London, 18 June 2014
- Vice-Chancellor, Torrens University Australia, 18 June 2014
- Executive Director, Carnegie Mellon University, 18 June 2014
- Vice-Chancellor, Charles Sturt University, 19 June 2014
- Vice-Chancellor, Australian Catholic University, 25 June
- Vice-Chancellor, University of Wollongong, 25 June 2014
- Vice-Chancellor, University of South Australia, 24 July 2014
- Vice-Chancellor, Monash University, 31 July 2014
- Vice-Chancellor, University of New South Wales, 1 August 2014.

Working groups

The Quality, Deregulation and Information Working Group met on:

- Friday 16 May 2014 (in person, Sydney)
- Monday 23 June 2014 (teleconference)
- Monday 30 June 2014 (teleconference)
- Friday 11 July 2014 (in person, Canberra, including joint meeting with the Legislation and Financing Working Group).

The Legislation and Financing Working Group met on:

- Friday 23 May 2014 (teleconference)
- Friday 30 May, 12 June 2014 (in person and by teleconference, Melbourne)
- Thursday 12 June (in person and by teleconference, Melbourne)
- Friday 27 June (in person and by teleconference, Melbourne)
- Friday 4 July 2014 (teleconference)
- Friday 11 July 2014 (in person, Canberra, including joint meeting with the Quality, Deregulation and Information Working Group).

At the meeting of the Legislation and Financing Working Group on 30 May 2014 it was proposed that a working party of Chief Financial Officers be convened to supplement the work of Deloitte, specifically to identify the proportion of revenue derived from Commonwealth Grant Scheme funded student load that selected universities spend on (a) research and (b) community obligations specific to universities. This group met on 12 June 2014 and their data form the basis of the final Deloitte paper.

Attachment E

Membership of the Minister for Education's policy advisory Working Groups

Legislation and Financing Working Group

- Professor John Dewar (**Chair**), Vice-Chancellor, La Trobe University
- Professor David Battersby, Vice-Chancellor, Federation University Australia
- Associate Professor Rufus Black, Master of Ormond College, The University of Melbourne
- Ms Claire Field, CEO, Australian Council for Private Education and Training (ACPET) (resigned 3 July 2014) and Dr George Brown, Director, ACPET; and, Group Academic Director, Study Group (Australasia).
- Professor Barney Glover, Vice-Chancellor, University of Western Sydney
- Professor Peter Rathjen, Vice-Chancellor, University of Tasmania
- Mr Martin Riordan, Chief Executive Officer, TAFE Directors Australia (TDA)
- Professor Debbie Terry, Vice-Chancellor, Curtin University
- Professor Ian Young AO, Vice-Chancellor, Australian National University.

Quality, Deregulation and Information Working Group

- Professor Peter Shergold AC (**Chair**), Chancellor, University of Western Sydney; and Chair, NSW Public Service Commission Advisory Board
- Professor Greg Craven, Vice-Chancellor, Australian Catholic University
- The Hon Phil Honeywood, National Executive Director, International Education Association of Australia
- Professor Ian O'Connor, Vice-Chancellor, Griffith University; and Chair, Advancing Quality in Higher Education Reference Group
- Dr Don Owers AM, Principal, Tabor Adelaide; and Chair, Council of Private Higher Education
- Emeritus Professor Alan Robson AO, former Vice-Chancellor, The University of Western Australia; and Chair, Higher Education Standards Panel
- Ms Karen Thomas, Senior Litigation & Managing Partner, Fisher Jeffries.

Attachment F

Implementation timeline

IMPLEMENTATION ACTIVITY TIMELINE