NTEU Submission

Senate Education and Employment Legislation Committee

Inquiry into the Higher Education and Research Reform Amendment Bill 2014

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1. Introduction

The National Tertiary Education Union (NTEU) represents the professional and industrial interests of approximately 28,000 academic, general and professional employees working at Australian universities, research institutes and allied organisations. We welcome the opportunity to comment on the provisions of the *Higher Education and Research Reform Amendment Bill (HERRA) Bill 2014* (the Bill).

The Bill seeks to amend the *Higher Education Support Act (HESA) 2003* (as well as several other pieces of legislation including the *Australian Research Council Act 2001, Education Services for Overseas Students Act 2000* and various associated regulations/guidelines) to implement the government’s proposed changes to higher education, as announced in the 2014-15 Budget.

Passage of this Bill would produce the most radical changes to the way Australian higher education is regulated since the “Dawkins” reforms of the late 1980s. The scale of these changes is also at odds with the commitment given by the then Leader of the Opposition, Tony Abbott, in March 2013, where he stated at the Universities Australia conference that higher education policy would benefit from a period of “masterly inactivity”. This commitment was reinforced during the 2013 Federal Election, when Mr Abbott told the Australian people that his would be a government of “no surprises”.

The Bill will have a range of impacts that can be characterised as follows:

- Reduced public funding for our public universities;
- Increased cost of attaining a university qualification;
- Disproportionate impacts on regional and outer metropolitan universities, students and communities;
- Expanding the scope and contestability of public funding; and
- Introduction of new Commonwealth Scholarships, to be paid for from increased student fees.

Our submission will address the implications of the Bill following a number of introductory remarks that set the broader context in which these policy directions will be set.

However, the NTEU’s strong view is that not only are the combination of funding reforms proposed in this Bill unprecedented, they are also fiscally reckless. Passage of the Bill means Australia will embark on a vast social experiment that may endanger Australia’s capacity to transition into an innovation-led and knowledge-based economy after the mining
boom. Before discussing each of these issues it is important to understand the totality of the government’s policies on the nature and scope of Australian higher education.

2. Broader impacts of government’s higher education policies

The market-based principle underpinning the Bill is that university places should be allocated on the basis of how much a student is willing and able to pay. While complete deregulation of fees will allow institutions to charge much higher fees than currently permitted, the real impact of this change will be to undermine the nature of public higher education in Australia, where entry into an Australian university is currently determined by a student’s academic ability rather than their capacity to pay.

From the NTEU’s perspective any preparedness of the Minister for Education to negotiate changes around interest on student loans, targeted assistance measures for regional universities or other concessions, will not alter the fact that a deregulated market system will continue to have a number of other important public policy consequences.

These include:

- A significant shift in who pays for higher education in Australia resulting in the student contribution exceeding the government contribution for the first time, despite the fact that Australia already has amongst the lowest levels of public investment in tertiary education in the OECD and that Australian students pay amongst the highest fees in the world to attend a public university.

- An increase in the cost of some university degrees to more than $100,000 because of the average 20% cut to government funding per student, the removal of the cap on tuition fees that universities can charge, and the introduction of market-based interest rates on student debt, the combined impact of which will see Australian higher education become the most expensive in the world, except perhaps for the elite US Ivy League universities.

- The threat to the viability of a number of public universities, not only as a direct consequence of the significant cuts to public funding, but also because they will not be able to compete on a level-playing field with for-profit private higher education providers who are under no obligation to offer a broad range of courses, undertake research or meet community-service obligations.

- An even greater reliance on casual and short-term contract staff to deliver higher education programs and undertake research as result of the higher levels of funding uncertainty associated with fully contestable funding.
In summary, the Senate should not lose sight of the bigger public policy issue. The Bill is a slight of hand that transfers the costs and risks associated with the financial sustainability of Australian higher education to students. The reforms will also produce a wide scope of negative effects. In short, this Bill will be bad for prospective students and their families, bad for university staff, bad for the public nature of our universities, and bad for the communities universities serve.

The Bill should be rejected outright.

3. Reduced public investment in our public universities

One aspect of the government’s package of proposed changes announced as part of the 2014-15 Federal is the extent of significant cuts to public funding for our universities as part the government’s fiscal consolidation strategy. The major cuts announced on Budget night included:

- An average 20% cut to funding per Commonwealth supported place (CSP),
- A 10% cut to Research Training Scheme (RTS) funding,
- Cuts to the Higher Education Participation and Partnerships Programme (HEPPP),
- The abolition of grand-parented Student Start-Up Scholarships and some Relocation Scholarships, and
- Changing the indexation arrangements for higher education grants from the current Higher Education Grants Index (HEGI) to the less generous Consumer Price Index (CPI).

These funding cuts, along with other savings the government will achieve by lowering the income threshold at which students begin to repay HELP debts, and the imposition of market based interest rates on HELP debts, will save the government in excess of $5billion over the four years of 2014-15 to 2017-18.

The first point to note regarding the extent of these savings is that they underestimate the full impact of these cuts, as a number of the major changes will take several years to work their way through the system as a result of the pipeline effect of reduced funding rates for students commencing studies in 2016.

Secondly, these large cuts to public investment in tertiary education are difficult to reconcile when compared to levels of public investment amongst OECD countries. The OECD’s *Education at Glance 2014* shows that while Australia’s total investment in tertiary education (public plus private) was equal to the OECD average of 1.6% of GDP, the only country to
have a lower level of public investment than Australia (at 0.7% of GDP) was Japan (0.5%).

The USA’s public investment in tertiary education at 0.9% of GDP was almost 30% higher than Australia. The only countries to have higher levels of private investment than Australia (at 0.9% of GDP) were Japan, Korea, the USA and Canada, with the later three all having total levels of investment in excess of 2% of GDP because of generous public contributions.

Therefore, if we want Australia’s universities to remain internationally competitive it would seem that what is needed is an increase in public investment, not a decrease as proposed in this Bill.

Alan Ruby, senior fellow in the Graduate School of Education at the University of Pennsylvania said on the release of the 2012-13 Times Higher Education World University rankings, the improvement in Asian universities has been on the "rising tide of public investment". He goes on to say in relation to the decline of western universities that, "These changes in the rankings point to the real impact that budget cuts have had on the institutions that are supposed to drive the improvement in the knowledge economy." He concludes that public funding cuts are "reducing the capacity of institutions to compete for talent - for the best students, the best faculty, the best leaders".

The evidence strongly suggests that improving the strength of national performance around tertiary education is based in increased public investment. The cuts to Australian public funding proposed will have very differentiated effects on individual universities (as discussed below). However, in the first instance, the Senate should consider to what extent these cuts will weaken the of capacity of Australia’s higher education system to continue to offer world-class teaching and research, as well as continue to service the diverse communities they serve.

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1 For a more detailed analysis of Education at Glance refer to NTEU Policy Briefing Note OECD at a Glance 2014 Attachment No. 1)
2 http://www.timeshighereducation.co.uk/world-university-rankings/2012-13/world-ranking/analysis/asia-pacific-universities
4. Viability of regional and outer metropolitan universities, students and communities

Despite the Minister’s original insistence that regional universities and students would be the big winners from his proposed higher education policies, the available evidence indicates that the exact opposite is likely.

NTEU’s policy briefing note, entitled *The Impact of Budget changes on regional and outer metropolitan universities and communities* (Attachment No. 2) shows that in addition to their greater reliance on government funding, the proposed changes to higher education will have a disproportionately negative impact on regional universities for a number of reasons. These include that regional universities are:

- More sensitive to increases in tuition fees because of the size and nature of the student market in which they operate;
- Required to cater for the specific needs of their students who are more likely to come from economically and educationally disadvantaged backgrounds and may be less academically prepared; and
- Are disadvantaged by the inherent inequity built into the design of the new Commonwealth scholarships, which has a greater negative impact on universities with a higher proportion of students from financially disadvantaged backgrounds (discussed in more detail below).

Regional and outer metropolitan universities serve very distinct student cohorts when compared to other universities. Not only do they have far larger numbers of economically disadvantaged students from low SES backgrounds, they also have higher enrolments of Aboriginal and Torres Strait Islander students and those who are from regional and remote areas. It is also worth noting that these universities also have a disproportionately higher number of students who are the first in their family to attend university.

Students and communities served by regional and outer metropolitan universities tend to be more sensitive to increasing the cost of a university education because proportionally many more have a lower socio-economic status. This introduces a level of price sensitivity, in that regional and outer metropolitan universities are more likely to be restricted in how much they can increase tuition fees due of the nature of students and communities they serve. However, they are also likely to face greater “price” competition from non-university for-profit private providers, which evidence from the Victoria VET sector suggests will target popular low-cost programs. These universities have traditionally used such programs as a source of income to cross-subsidise research and community service obligations.
That the Minister has signalled his preparedness to negotiate a ‘targeted’ regional assistance package is in itself acknowledgement of the disproportionate and adverse impacts that his policies will have on regional universities and students. While the NTEU does not know what the nature of the regional package might be, it is clear that it will need to be sizable in monetary terms just to compensate universities for the proposed reduction to public funding associated with the 20% cut to funding per student. Drawing from this reasoning, Table 1 shows that the size of the compensation package needed would be in excess of $400m per annum (approaching $1.8b over the four year forward estimates from 2019).

**Table 1: Estimated Loss of Commonwealth Grants Scheme (CGS) and Related Funding as a Result of 20% Cut to Funding per Student**

<table>
<thead>
<tr>
<th>University</th>
<th>Estimated Loss of CGS Funding (Full Impact - Pipe Line Effect)</th>
<th>Four Year Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Full Impact 2019 ($m)</td>
<td></td>
</tr>
<tr>
<td>Charles Darwin University</td>
<td>17.4</td>
<td>71.9</td>
</tr>
<tr>
<td>Charles Sturt University</td>
<td>43.5</td>
<td>179.1</td>
</tr>
<tr>
<td>Deakin University</td>
<td>51.8</td>
<td>213.2</td>
</tr>
<tr>
<td>James Cook University</td>
<td>34.6</td>
<td>142.5</td>
</tr>
<tr>
<td>La Trobe University</td>
<td>47.2</td>
<td>194.3</td>
</tr>
<tr>
<td>Southern Cross University</td>
<td>20.0</td>
<td>82.2</td>
</tr>
<tr>
<td>The University of New England</td>
<td>31.9</td>
<td>131.4</td>
</tr>
<tr>
<td>The University of Newcastle</td>
<td>53.0</td>
<td>218.5</td>
</tr>
<tr>
<td>University of Ballarat</td>
<td>18.0</td>
<td>74.2</td>
</tr>
<tr>
<td>University of Southern Queensland</td>
<td>28.6</td>
<td>118.0</td>
</tr>
<tr>
<td>University of Tasmania</td>
<td>39.1</td>
<td>161.0</td>
</tr>
<tr>
<td>University of the Sunshine Coast</td>
<td>17.4</td>
<td>71.9</td>
</tr>
<tr>
<td>University of Wollongong</td>
<td>33.1</td>
<td>136.6</td>
</tr>
<tr>
<td>TOTAL REGIONAL UNIVERSITIES</td>
<td>435.7</td>
<td>1,794.9</td>
</tr>
</tbody>
</table>

Source: NTEU (2014) The Impact of Budget changes on regional and outer metropolitan universities and communities

The NTEU estimates the size of funding needed to compensate various universities would vary from about $70m over four years for Charles Darwin University and the University of the Sunshine Coast to more than $150m for a number of the larger regional universities. The
University of Tasmania, which is unique in that it is the only university in that state, would need at least $40m per annum just to make-up for lost public investment.

5. Increased cost of attaining a university qualification

The NTEU rejects the Government’s arguments that fee deregulation (removing existing caps on how much universities can charge students) is a way of ‘freeing’ universities to meet the challenges of increased international competition. The *realpolitik* behind fee deregulation is that it is the only way to allow universities to recover the lost revenue that they would suffer as result of the considerable cuts to public funding as outlined in Section 3.

This proposition is clearly demonstrated by the decision to allow universities to charge for the first time higher degree research (HDR) students a tuition fee of up to $3,990 per year. The rationale for this decision is based on allowing universities to be compensated for the decision to cut the Research Training Scheme (RTS) funding by 10%. However, it does raise the question as to why postgraduate education is being treated in a different manner to undergraduate - why isn’t the Minister ‘freeing’ universities to offer (by his logic) the best research training and education in the world as a result of allowing them to charge research students whatever they like, and by allowing these students to repay this debt through HELP? Is it possible that the Minister is concerned that the Australian government would face universal condemnation for making the cost of undertaking research education and training in Australia the most expensive in the world?

In stark contrast, however, the Minister is arguing that by *not* setting a new maximum fee for undergraduate programs, he believes he is absolving his Government of any responsibility for the very significant increases in fees that will result as a direct result of their policies including:

- Removing the cap on fees university are allowed to charge students;
- Imposing market interest rates (set at the ten year Treasury bond rate of up to 6%) on outstanding student loans, which significantly increases the cost of servicing student loans and is highly inequitable;
- Setting the income threshold at which students start to repay their HELP debts at 90% of current threshold (indexed for inflation); and
- Cessation of HELP benefits which provide incentives for graduates of particular courses to take up related occupations or work in specified locations.
5.1 $100,000 Degrees

Analysis undertaken by the NTEU found that the cost of attaining a university degree in Australia will rise substantially as a result of these changes and there will be cases where the cost of a degree at some Australian universities will exceed $100,000. The NTEU’s latest analysis\(^3\), shows that the cost of attaining a five year medical degree, for example, would rise from about $50,000 at present, to well over $90,000 as a direct result of government cuts to funding per student and the imposition of interest rates on student debt. The analysis shows that universities would only need to increase fees by as little as 10% above that necessary to compensate for cuts to funding for there to be $100,000 degrees.

By contrast the Group of Eight (Go8) is arguing that deregulated fees and income contingent loans means that “all degrees remain free at the point of sale”\(^4\). The NTEU believes that students and their families will take into account, not only the price but the interest costs of investing in a university degree, just like they would when assessing mortgage repayments when investing in a new house.

While the Minister and others in the sector have dismissed claims of $100,000 degrees as being exaggerated or exorbitant, this political argument is undercut by the comments of many highly respected higher education experts whose opinions are consistent with that of the NTEU.

Professor Bruce Chapman, who was instrumental in the design of the Higher Education Contribution System (HECS), has said “(I)n the high-demand courses at established institutions you are very likely, over time, to have fees that are double or more.”\(^5\)

Professor Glenn Withers, ANU economist and former CEO of Universities Australia, when asked to comment on the $100,000 degree slogan used by opponents of deregulation said, “(I)f it exists, it is possible — (the private) Bond University has most degrees including arts and business at around $97,000. Its law and actuarial degrees are around $130,000 and its medical degrees are $317,000.”\(^6\)

Finally, the NTEU argues that Australia’s vice-chancellors could put all of the speculation about the likely costs of university degrees to rest by categorically ruling out the possibility of

\(^3\) See NTEU Policy Briefing Note University Fees, Funding and $100,000 Degrees (Attachment 3)
\(^4\) Group of Eight Media Release 11 September 2014 NTEU estimates laughable
\(^5\) Julie Hare and Andrew Trounson (3 September 2014) HECS designer Bruce Chapman calls for action to limit fee rises.
\(^6\) Julie Hare and Andrew Trounson (17 September 2014) Price and quality ‘will be confused’ by deregulation of university fees, The Australian
$100,000 degrees as a result of the government’s higher education policies. They have not yet done so.

5.2 Interest rates on student HELP loans

There is no doubt that the imposition of the ten-year Treasury bond rate (capped at 6%) on outstanding student Higher Education Loans Program (HELP) debt is highly regressive and will impact unfairly on graduates who earn lower incomes as well as those who take career breaks (who are predominantly women with carer obligations).7

While the Minister continues to claim that the ten-year bond rate should be used because it gives students an incentive to repay their HELP debts more quickly, it is becoming apparent that this position is unsustainable and he will be forced to come up with an alternative policy. The most likely alternatives to the highly regressive ten-year bond rate are:

- The imposition of a 25% upfront surcharge on HELP loans as proposed by Chapman and Higgins;8 or
- Only charging students the ten year bond rate if their income exceeds the minimum repayment threshold, and in the instance where this doesn’t occur, charging students the Consumer Price Index, which we have referred to as the ‘Hybrid’ model.

In order to give Senators a sense of how different options for the imposition of interest on HELP debts will impact on students, Figure 1 shows the level of outstanding HELP debt under the three different interest rate scenarios. It also compares these three scenarios to that of a student undertaking the same degree prior to any deregulation of fees or imposition of interest rates (Current HELP).

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7 Analysis undertaken by NTEU (see Attachment 1), NATSEM and others including Chapman and Higgins (2014) HELP Interest Rate Options: Equity and Costs – 10 July 2014
8 Chapman and Higgins (2014) op cit
This analysis is based on early analysis presented in the NTEU analysis of the impacts of the Budget on higher education\(^9\) and relates to a person undertaking a three year accounting degree who takes a career six year break eight years after graduation and transitions back into full time employment over three years (as indicated by INCOME). All of the analysis is undertaken using 2014 values (that is, assumes zero inflation) and assumes the ten year bond rate is 2% higher than the inflation. While the maximum amount a student under existing arrangements can be charged is $30,255 we have assumed that the tuition fees paid under deregulation in this scenario to be at $75,000.

As expected, the data presented in Figure 1 confirms that students would be better off if the Government were to adopt either of two interest rates scenarios outlined above (labelled as 25% surcharge and Hybrid) compared to the original proposal (2% Bond Rate). The data clearly demonstrates that students taking a career break under the government’s original proposal are disadvantaged by the cumulative effects of compounding interest when their income is below the income repayment threshold.

\(^9\) A Degree Shouldn’t Cost a Mortgage: NTEU Analysis of Higher Education Changes in the 2014 Federal Budget (Attachment 4)
Adopting either alternative proposal would have the effect of reducing both the length of time it would take to repay HELP debts and also the total amount repaid. Instead of taking 36 years under the original proposal according to our analysis the repayment period would be reduced to 31 years under the 2% surcharge arrangements and 32 years under the hybrid model.

More importantly however, the data clearly demonstrates that the combined impacts of fee deregulation and the imposition of a variable rate of interest on student loans will severely disadvantage future students compared to the current situation where fees are capped and there is no real (after inflation) interest charged on HELP debt. Therefore, while the imposition of a 25% upfront surcharge or the hybrid interest rate arrangements might be a more equitable way of imposing interest on people with HELP loans, this still has a very high cost, when compared to that of current students. Unlike more equitable and well-designed public policy measures, it seems that the Government is seeking to introduce policies that impose greater cost and debt upon future generations of Australians and in particular those who repay their HELP debt. The fiscal motivation for this measure is clearly to offset the ever increasing costs associated with bad and doubtful HELP debts which will grow ever larger as fees rise under a deregulated fee market. In this regard, the imposition of interest on student loans is not unlike the proposal for new Commonwealth Scholarships as discussed below.

Finally, it should be noted that while the government is arguing that some of the cost increases will be offset by the removal of the existing upfront surcharges of 20% on VET-FEE HELP loans 20% and 25% on some FEE-HELP (undergraduate students) loans. In reality, however, as the analysis above demonstrates, they are simply replacing the way students are charged “interest” on HELP loans from one (upfront administrative surcharge) to another (imposing the ten-year bond rate) on outstanding loans.

5.3 Retrospectivity

The proposed changes to the way interest is charged on outstanding HELP means that anyone with an existing HELP debt will incur additional interest costs in repaying that debt. Given that the many people will have made a choice to invest in a university education under conditions when there was no real (above the CPI) interest on student debt, then the decision to charge these provisions retrospectively is inherently inequitable, changes the
nature of their HECS-HELP loan contract between the individual and government, and thus sets a dangerous precedent.

5.4 Abolition of FEE-HELP

A further significant concern contained within the Bill is the Government’s decision to replace FEE-HELP assistance with HECS-HELP. Many of the amendments contained within the Bill simply replace references to FEE-HELP with references to HECS-HELP. However, because of the complexity of the proposed amendments, it is not immediately apparent from reading the amendments, or the explanatory memorandum, what will happen to those students with existing FEE-HELP debts.

Is it the government’s intention to ‘grandparent’ existing FEE-HELP debts so that they are repaid under existing arrangements? Or will these debts simply be treated as HECS-HELP debt, as seems to be implied by Item 190 of SCHEDULE 1 Division 3 - Savings and transitional provisions? If this is the case, that debt will be subject to the new interest rate regime (as discussed above). However, there are some students with FEE-HELP debts (for example, undergraduate students who enrolled as full fee-paying domestic students between 2006 and 2009) whose FEE-HELP debt includes a 25% administrative surcharge. Are these students going to be expected to pay interest on top of the 25% surcharge? If this is the case, will students in these circumstances be paying double compared to all other students?

6. Expanding the scope and contestability of public funding

As part of the government’s broader deregulation agenda and blind faith in the market the Bill includes:

- Expanding CSP funding to sub-degree higher education qualifications, and
- Giving non-universities higher education providers, including for-profit private providers, access to CSP at a rate of 70% of universities.

While the NTEU ‘in principle’ supports to the extension of Commonwealth supported places (CSPs) to sub-degree higher education qualifications, we do not believe that this should occur before the anomalies and inconsistencies between the way VET and higher education
are regulated and funded are eliminated, particularly if government is to prevent distortions in the delivery of tertiary education, as a whole, in Australia.

In a similar vein, we cannot at this time support the extension of CSPs to public non-university higher education providers, (e.g. TAFE colleges or institutes), until these regulatory and funding anomalies and inconsistencies have been resolved.

Furthermore, the NTEU remains strongly opposed to allowing private non-university providers access to CSP funding. The NTEU’s analysis of the case against government funding of private non-university higher education providers (See Attachment 4 – Chapter 3) uses evidence from Victorian TAFE, the USA and the United Kingdom to demonstrate the very real risks and dangers associated with a fully contestable funding regime where private for-profit providers have access to public funding. These include budget blowouts, an undermining of the financial viability of public educational institutions, and the exploitation of students through false and misleading advertising.10

Rather than replicate the information outlined in the NTEU analysis, we will let the words of others involved in the tertiary education speak for themselves. In The Australian, former CEO of Chisholm TAFE and deputy vice-chancellor of Swinburne University, Virginia Simmons is reported as having “lambasted the Victorian government’s skills and training strategy saying quality training is compromised, non-traditional students ignored, government money wasted and TAFE’s community service obligations crippled by short-term, pseudo-market ideology.”11

Ms Simmons also highlighted the dangers associated with an open access policy where private for-profit providers undermine the viability of public TAFEs through cherry picking, where she says “as a result of this use of the training market for profit-making purposes, expensive, resource-intensive and technical training was being pushed onto TAFEs as for-profit colleges colonised low-cost areas such as transport, warehousing, retail and administration.”

Further warnings of the likely impacts of deregulation were highlighted by Professor Leo Goedegebuure from Melbourne University’s LH Martin Institute in saying that “It is an inevitable consequence of deregulation and it will lead to a very untransparent market. It will be a case of buyer beware.” He then goes on to say that, “There is an incentive for –

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10 The case against government funding of private non-university higher education providers (Attachment 4 – Chapter 3)
11 The Australian TAFE and the damage done, 15 September 2014
institutions to ensure the market isn't transparent because it strengthens their market position."12

The significant risks associated with deregulation of higher education are also reflected in the words attributed to Claire Field, former CEO of the Australian Council of Private Education providers (ACPET):

Ms Field said she would tell the government that it was very difficult to second guess a market response to any change in government policy settings. “What’s really crucial, and what we should learn from the Victorian VET funding changes, is that government needs to be able to react quickly.13

Even Michael Gallagher, outgoing CEO of the Group of Eight, who in promoting the merits of a deregulated US-style higher education market for Australia, also concedes that a new market driven system will result in failure when he said: “The thing about the US enterprise culture, unlike Australia’s, is a willingness to accept learning from failure as a step to success.”14 15

This view is not shared by Professor Joseph Stiglitz, dual Nobel Economics Prize recipient, who said on a recent trip to Australia that, "Trying to pretend that universities are like private markets is absurd. The worst-functioning part of the US educational market at the tertiary level is the private for-profit system," he said. "It is a disaster. It excels in one area, exploiting poor children."16

It is becoming increasing clear that the introduction of a fully-contestable market in the Australian higher education system raises many unanswered questions and risks associated with its operation. The supporters of the government’s agenda argue that what is required to mitigate the risks is a strong regulator. Under these circumstances it is therefore both regrettable and hypocritical that the Federal Budget included a 40% cut to the operating budget of the Tertiary Education Quality and Standards Agency (TEQSA). The government has justified this cut because of it intends to remove TEQSA’s quality assurance functions. The operation of the market will apparently ensure “quality”.

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12 The Australian Deregulation of university fees ‘to hide’ real price, 16 September 2014
13 John Ross, The Australian “Dewar group looks south” 19 June 2014
14 This was highlighted by Professor John Quiggin, Three misguided beliefs of the Group of Eight universities, The Conversation, 12 September 2014
15 Group of Eight Micro-economic reform of the Australian higher education industry: Implications of the Abbott Government’s Budget of 13 May 2014
16 Peter Martin, Nobel prize-winning economist Joseph Stiglitz says Abbott government budget changes are ‘a crime’ The Age, 3 July 2014
Before agreeing to the introduction of a fully-contestable higher education market in Australia, there are serious questions that need to be asked, not only about the impact of the operation of for-profit providers, but also in relation to the potential pricing policies of all providers. For example:

- Will students enrolling in a four-year course be guaranteed that the price for their whole degree will remain fixed or could the price change considerably on a year to year basis?
- Is it equitable that providers be allowed to charge different students different prices (engage in price discrimination) for the same degree?
- Would the Government be concerned if some new entrants into the higher education market were to charge tuition fees below the cost of delivery (e.g. engage in predatory pricing or ‘dumping’) at the expense of existing public providers?
- What happens to students who are enrolled at providers who are forced to cease operating due to financial or other reasons, or midway in courses that institutions decide to cut?

As the issue of concern will be the market behaviour of providers, rather than the quality of education being delivered, will the Australian Consumer and Competition Commission (ACCC) become a the more important regulator of higher education in Australia? This is an important question, given that there isn’t a Student Ombudsman or other independent office of regulation or appeal that domestic students may contact in situations regarding their education.

7. Introduction of new Commonwealth Scholarships

Part of the Government’s higher education policies included the introduction of what are being (highly inappropriately) called ‘new Commonwealth’ scholarships. Under this proposal, any higher education provider with more than 500 students must dedicate one dollar in every five (that is 20%) of revenue from fee increases (above that necessary to compensate for reductions to government funding) for ‘new Commonwealth’ scholarships for disadvantaged students.

While the Minister claims this policy will lead to record levels of scholarships for disadvantaged students, the Government’s commitment to this objective is questionable
considering that the HERRA Bill 2014\textsuperscript{17} allows the government to prescribe (through the Commonwealth Grants Scheme Guidelines) a smaller proportion of increased revenue (eligible amount) than 20% (one dollar in five) to these scholarships. The government therefore needs to explain why it needs this provision in the Bill and the circumstances under which less than 20% of increased fees revenue should be dedicated to scholarships? One might also ask why the provision doesn’t contemplate possibly increasing the proportion to more than 20%.

The NTEU believes that the new Commonwealth scholarship scheme should be strongly opposed on the following grounds:

- They put the onus on the universities through increased student fees to compensate for government cuts to other equity programs, including HEPPP and Student Start-Up and Relocation Scholarships, as outlined in Section 1;
- The scholarships will be funded directly from increased student fees, which means all students will be negatively impacted through higher tuition fees and increased debt levels, in order to support their disadvantaged classmates; and
- There are inherent inequities built into the design of the program given that the average value of scholarships offered by universities with the largest numbers of disadvantaged (low SES) students will be lower and, in many cases, not even sufficient to offset the increase in fees.\textsuperscript{18}
- The very real likelihood that universities with relatively low numbers of disadvantaged students (which tend to Group of Eight universities) will use the inequities in the new Commonwealth scholarships to offer more and better funded scholarships, thus attracting the very best students away from regional and outer metropolitan and increasing the perception of a tiered system (in both quality and resourcing).\textsuperscript{19}

\section*{8. Conclusion}

The higher education policy changes announced as part of 2014-15 Federal Budget and contained within the \textit{Higher Education and Research Reform Amendment Bill (HERRA) Bill 2014} represent the most radical changes to the regulation and funding for Australian universities and their students in over a quarter of a century.

\begin{flushleft}
\textsuperscript{17} Schedule 2 – New Commonwealth Scholarships – Item 1 (4) (b) page 56
\textsuperscript{18} NTEU Policy Briefing Note (2014) The Simple Arithmetic of Inequity (Attachment 5)
\textsuperscript{19} \textit{ibid}
\end{flushleft}
If passed by the Parliament, the proposals will have significant negative impacts on students and the nature of public higher education in Australia.

The introduction of fee deregulation and all that is associated with this signals the end of a public higher education system. The reality will be that access to university will be determined by a student's capacity to pay rather than on their academic merit. Furthermore, what a student studies may be directed more by the level of debt they are willing to incur rather than their aptitude for a profession or academic merit - noting that it is accepted by most in the sector that the cost of some university degrees will exceed $100,000.

The proposal to charge market-based interest rates on student (HELP) loans debt will also substantially increase the cost and length of time it takes students to repay their debts. This will impact most heavily graduates with lower incomes and those who take career breaks, predominantly women. Furthermore, the added compounding interest (together with deregulation of fees) may see students weighing up the total likely cost of their loan against the benefits of their degree, and use this as a basis for deciding on study. In the very least, such an outcome would certainly undermine effectiveness of the HECS-HELP scheme, which to date has not been linked to debt-aversion in the mainstream student cohort.

Our public universities will be required to compete against non-university providers, including for-profit private providers. This is not a level playing field because public universities are expected to offer a broad range of courses and research and engage in community service.

Our universities’ capacity to compete will be further undermined by the far-reaching cuts to public expenditure. While the 20% cut to funding per government-supported student will have a huge negative impact, other significant cuts to public funding include the abolition of student start-up scholarships and changes to relocation scholarships and other equity programs ($800m), a 10% cut to research training funding ($170m), the cessation of reward funding ($120m), substantial reduction in indexation of university grants ($200m), as well as the undermining of the Tertiary Education Standards and Quality Agency (TEQSA) by some 40% ($31m).

The universities who will be most disadvantaged by these cuts are those most reliant on public funding, which are mostly located in regional Australia, including Tasmania and Darwin, and in outer metropolitan areas. Furthermore, as shown in this submission, the Minister’s claims that regional universities and their students will be advantaged by record levels of new ‘Commonwealth’ Scholarships cannot be sustained. To begin with, the new scholarships are directly funded from increased student fees. Regional and outer
metropolitan universities are also significantly hampered by the new scholarships because they will be spread more thinly across larger numbers of disadvantaged students.

Not only are the proposed changes a direct breach of the Coalition’s election promises of ‘masterly inaction’ and that there would be ‘no cuts to education’ and ‘no surprises’ the changes to higher education are being introduced with very little consultation with those who will be directly affected by these changes, including students and staff. Despite numerous requests, the Minister has refused to meet with the NTEU directly to discuss the proposed changes. Instead, the Minister seems to be determined to push his changes through the Senate by offering his package of radical policies as a fait accompli with only the possibility of tinkering at the edges.

The reality is that the whole premise of the government’s proposed higher education policy is fundamentally flawed and as such, should be rejected by the Senate. Furthermore, any process of genuine policy reform should commence with broad ranging community and stakeholder engagement and consultation.
Attachments

NTEU Submission

Senate Education and Employment Legislation Committee

Inquiry into the Higher Education and Research Reform Amendment Bill 2014

1. NTEU Policy Briefing Note: OECD Education at a Glance 2014

2. NTEU Policy Briefing Note: Impact of Budget changes on regional and outer metropolitan universities

3. NTEU Policy Briefing Note: University Fees Funding and $100,000 Degrees

4. A Degree Shouldn't Cost a Mortgage: NTEU Analysis of Higher Education Changes in the 2014 Federal Budget

5. NTEU Policy Briefing Note: The Simple Arithmetic of Inequity. The New Commonwealth Scholarship Scheme
Attachment 1

NTEU Policy Briefing Note: OECD Education at a Glance 2014
NTEU Policy Briefing Note

2014 OECD Education at a Glance 2014

Public and Private Investment in Tertiary Education


One of the clear intentions of Minister Pyne’s higher education policy is to shift the burden of who pays for higher education away from the government and on to the shoulders of students. This will be achieved through 20% cut to funding per student and the deregulation of higher education fees, which will result in some degrees costing more than $100,000.

However, as the data in Chart 1 shows, while Australia’s total investment in tertiary education (public + private) was equal to the OECD average of 1.6% of GDP in 2011;

- the only country to have a lower level of public investment in tertiary education than Australia (at 0.7% of GDP) was Japan (0.5%). The USA’s public investment in tertiary education at 0.9% of GDP is almost 30% higher than Australia.
- the only countries to have higher levels of private investment than Australia (at 0.9% of GDP) were Japan, Korea, the USA and Canada, with the later three having total levels of investment in excess of 2% of GDP because of generous public contributions.

This data strongly supports the NTEU’s contention that what is needed to ensure that Australia’s higher education system remains internationally competitive is an increase in public investment, and not the massive increase in private investment which the current government is trying to engineer through the deregulation of fees and cuts to public funding per student.

The following highlights a number of other important features revealed by the OECD data.

**Private expenditure on educational institutions**

The OECD reports finds (see Chart 2) that the proportion of expenditure on tertiary institutions covered by individuals, businesses and other private sources, including subsidised private payments, ranges from less than 6% in Denmark, Finland and Norway (where tuition fees charged by tertiary institutions are low or negligible in these countries) to more than 40% in Australia, Canada, Colombia, Israel, Japan and the United States, and to nearly 70% or more in Chile, Korea and the United Kingdom.
An examination of the data in Chart 2 indicates those countries with a greater number of private tertiary institutions such as Korea, Japan, and the US also have the highest relative private contributions.

Given the proposal by Minister Pyne to extend public funding to non-university, private providers and encourage their expansion through other policy measures (such as the controversial “earn or learn” policy, whereby young adults under 30yrs will be expected to be
either in full employment or fulltime study), it is interesting that he expects market forces to drive down tuition fees when it would appear that overseas, the opposite had occurred. If anything, the opening of the public purse to for-profit private providers will see less government funding available for all, and in turn, place further pressure on increases in tuition fees and the proportion paid for by students.

**Public and Private Rates of Return**

Much has been made by Minister Pyne and the supporters of the university reforms with respect to the private return to students who successfully undertake tertiary studies, and in particular, and it being used to both justify the deregulation of fees and the cost of student loans by imposing market based interest rates of HELP debt.

Not surprisingly the OECD data verifies that while graduates (on average) do earn more over a lifetime than individuals who have not undertaken tertiary studies, it also provides analysis on public and private rates of return.

The latest OECD data on the private costs and benefits of attaining a tertiary education found that found that:

- for an Australia man the internal rate of return at 9.0% was considerably less than the OECD average of 13.9%, and
- for an Australian woman the internal return of return was 8.9% also well under the OECD average of 13.2%.

On the other hand, in terms of the public rates of return, the latest OECD data show that:

- for an Australia man the public return was 12.9%, above the OECD average of 11.9%) and,
- for an Australian woman the public rate of was 13.5%, considerably higher than the OECD average of 10.5%.

The economic logic of this analysis is that the investment of Australia’s scarce resources should be invested in into areas where they receive the highest rates of return. That is, public policy should be aimed at increasing public investment (with a higher rate of return) compared to private investment which the direct opposite to the government’s policy proposals.

**Private Investment in tertiary education**

The OECD *Education at a Glance* (2014) notes that private investment costs for tertiary education, including direct and indirect costs, are very high in some countries, with individuals investing approximately (on average) USD $50 000 to earn a tertiary degree. Across OECD countries, direct costs, such as tuition fees, generally constitute about one-fifth of the total investment made by a tertiary graduate. Australia is already amongst those with the highest costs, but (together with Canada) has one of the lowest levels of grants to assist students, who are instead are reliant upon the student (HECS-HELP) loans scheme, which subtracts from the private benefit to an individual:

Data shows, however, that countries that have the highest direct costs of tertiary education, notably Australia, Canada, the United Kingdom and the United States, provide grants in small amounts compared to the direct costs. In Australia and Canada, grants cover less than 5% of the direct costs of tertiary education. In Japan and Korea,
the direct costs of tertiary education are also among the highest, but there is no information about grants. (OECD Education at a Glance 2014, p 155)

Student loans and graduate debt

The OECD report includes a new section relating to student loans, which is not surprising given the dramatic increase in student graduate debt internationally (particularly in the US and UK). The OECD notes that investing in tertiary education on average provides individuals with better prospects in the labour market as well, decreases their risk of unemployment and may result in high private and public returns. However, the use of loans also presents potential problems.

Student loans, which complement grants and scholarships, are intended to help students cover the cost of their tertiary studies (tuition fees and/or living costs). Public loan systems were developed relatively recently, mainly between the 1960s and 1980s, during a period of massive growth in enrolments in tertiary education, and also in tandem with increasing tuition fees. However, the debt burden that students accumulate is one factor that may impact on their decision to invest in tertiary education. The size of the debt burden depends on the level of tuition fees and living expenses as well as the interest incurred on the loan (which may be subsidised). (OECD Education at a Glance 2014, p 267)

The OECD notes that, in considering education as an investment – in both a private and public sense - the impact of student loans on the net returns of education need to be considered:

Private returns (for students) of education depend on the costs related to the interest rate associated to the loans and benefits resulting from remission (on top of the possibility to access education and its associated benefits). The net public returns (for government) decrease according to the costs related to subsidising lower interest rates for student loans and related to the remission of loans. (OECD Education at a Glance 2014, p268)

It also warns that in the case of income contingent loans, the higher the interest rate, the less likely student is to pay the debt off:

The prevalence of income-contingent or fixed-repayment systems affects the net returns of education, as the remission rate is larger with income-contingent systems (implying larger costs for government but larger benefits for students). Among countries with available data, Canada and the United Kingdom are reporting the highest debt forgiveness and are also among countries with the high interest rate charged on loans. (OECD Education at a Glance 2014, p268)

Currently, Australia has one of the lowest repayment periods:

...the repayment period varies among countries, ranging from less than 10 years in Australia, Belgium (French Community), Finland, New Zealand, Spain and Turkey, to 20 years or more in Iceland and Sweden. (OECD Education at a Glance 2014, p268)

However, Minister Pyne’s plan to deregulate university fees, coupled with the charging of real interest on HELP loans, are likely to see far higher rates of non-repayment of student loans as student debt skyrockets. Indeed, the OECD has flagged student debt at graduation to be a growing concern internationally, particularly in an employment market this is in contraction:
In time of economic crisis involving potential difficulties for young graduates to find a job, the level of debt at graduation becomes a concern. When the labour market opportunities decrease, many graduates may tend to go back to studies, which makes them running even more into debt. In several countries, most students are in debt at graduation. Countries whose tertiary institutions charge high tuition fees are also those whose students have the highest levels of debt at graduation. By contrast, in countries with a relatively small proportion of graduates in debt, the debt burden is also lighter. For instance, in Turkey, one in five students is in debt at graduation for an average of about USD 5 200, while in the United States, two out of three graduates have debt from loans of an average of USD 25 400. (OECD Education at a Glance 2014, p269)

Table B5.3 of the OECD report gives an overview of the different types of loan schemes for various OECD countries including Australia, noting the average graduate debt (although this has not been supplied for Australia). The debt levels relate not only to tuition fees but also include debt incurred to cover living expenses etc. It is worth noting that the US has the highest graduate debt level at $25,400; in Australia, the current average four-year bachelor degree costs between $24,000 and $40,000, (noting the fee can rise to more than $66,000 for a six-year medical degree, or $53,000 for a five-year veterinary degree), according to the Australian Scholarship Group (ASG). However, should university fees be deregulated (together with a proposed cut in public funding) then the average graduate debt will increase substantially, and is likely to be far higher than the US average.
## Table B5.3. Public loans to students in tertiary-type A education (academic year 2010/11)

### National students, in USD converted using PPPs

<table>
<thead>
<tr>
<th>Repayment system</th>
<th>Annual minimum income threshold (in USD)</th>
<th>Duration of typical amortisation period (in years)</th>
<th>Average annual amount of repayment (in USD)</th>
<th>Percentage of graduates with debt (in %)</th>
<th>Average debt at graduation (in USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Australia</strong>&lt;sup&gt;1, 2&lt;/sup&gt;</td>
<td>Income contingent</td>
<td>29,355</td>
<td>7.9</td>
<td>m</td>
<td>55% (domestic graduates)</td>
</tr>
<tr>
<td><strong>Belgium (Fr.)</strong></td>
<td>p</td>
<td>a</td>
<td>a</td>
<td>a</td>
<td>a</td>
</tr>
<tr>
<td><strong>Belgium (Fl.)</strong></td>
<td>Mortgage style</td>
<td>-</td>
<td>5</td>
<td>276</td>
<td>m</td>
</tr>
<tr>
<td><strong>Canada</strong>&lt;sup&gt;4&lt;/sup&gt;</td>
<td>Mortgage style</td>
<td>-</td>
<td>10</td>
<td>30.9</td>
<td>m</td>
</tr>
<tr>
<td><strong>Denmark</strong>&lt;sup&gt;2&lt;/sup&gt;</td>
<td>Mortgage style</td>
<td>-</td>
<td>7 to 15</td>
<td>1,975</td>
<td>45</td>
</tr>
<tr>
<td><strong>Estonia</strong>&lt;sup&gt;5&lt;/sup&gt;</td>
<td>Mortgage style</td>
<td>a</td>
<td>m</td>
<td>m</td>
<td>m</td>
</tr>
<tr>
<td><strong>Finland</strong>&lt;sup&gt;6&lt;/sup&gt;</td>
<td>Mortgage style</td>
<td>-</td>
<td>5-10 years, estimation based on the duration of studies and the average amount of study loans</td>
<td>1,953</td>
<td>38%</td>
</tr>
<tr>
<td><strong>Hungary</strong>&lt;sup&gt;6&lt;/sup&gt;</td>
<td>Income contingent</td>
<td>None</td>
<td>10-15 years expected</td>
<td>1,029</td>
<td>27.4</td>
</tr>
<tr>
<td><strong>Iceland</strong></td>
<td>A fixed part and a part that is income contingent</td>
<td>-</td>
<td>22</td>
<td>3.75% of income</td>
<td>m</td>
</tr>
<tr>
<td><strong>Israel</strong>&lt;sup&gt;7, 8&lt;/sup&gt;</td>
<td></td>
<td>m</td>
<td>m</td>
<td>m</td>
<td>m</td>
</tr>
<tr>
<td><strong>Japan</strong>&lt;sup&gt;9&lt;/sup&gt;</td>
<td>Mortgage style</td>
<td>-</td>
<td>15</td>
<td>1.1%</td>
<td>m</td>
</tr>
<tr>
<td><strong>Mexico</strong>&lt;sup&gt;8&lt;/sup&gt;</td>
<td></td>
<td>m</td>
<td>m</td>
<td>m</td>
<td>m</td>
</tr>
<tr>
<td><strong>Netherlands</strong>&lt;sup&gt;10&lt;/sup&gt;</td>
<td>Income contingent</td>
<td>18,685</td>
<td>15</td>
<td>m</td>
<td>m</td>
</tr>
<tr>
<td><strong>New Zealand</strong>&lt;sup&gt;2&lt;/sup&gt;</td>
<td>Income contingent for those resident in New Zealand. Fixed amounts depending on size of loan for those resident overseas</td>
<td>12,579</td>
<td>6.7</td>
<td>m</td>
<td>12% of income above income threshold plus voluntary repayments. Approx. USD 1615</td>
</tr>
<tr>
<td><strong>Norway</strong>&lt;sup&gt;2&lt;/sup&gt;</td>
<td>Mortgage style (with exceptions)</td>
<td>-</td>
<td>39.4</td>
<td>1,987</td>
<td>m</td>
</tr>
<tr>
<td><strong>Poland</strong>&lt;sup&gt;5&lt;/sup&gt;</td>
<td>Mortgage style</td>
<td>-</td>
<td>m (twice as long as benefiting period)</td>
<td>1,987</td>
<td>m</td>
</tr>
<tr>
<td><strong>Spain</strong></td>
<td>Mortgage style</td>
<td>-</td>
<td>4.43</td>
<td>4,390</td>
<td>m</td>
</tr>
<tr>
<td><strong>Sweden</strong>&lt;sup&gt;9&lt;/sup&gt;</td>
<td>Mortgage style (with exceptions)</td>
<td>6,735</td>
<td>25</td>
<td>1,131</td>
<td>m</td>
</tr>
<tr>
<td><strong>Turkey</strong></td>
<td>Mortgage style</td>
<td>-</td>
<td>1-2</td>
<td>2,576</td>
<td>20</td>
</tr>
<tr>
<td><strong>United Kingdom</strong>&lt;sup&gt;10&lt;/sup&gt;</td>
<td>Income contingent</td>
<td>25,341</td>
<td>14-15</td>
<td>9% of income amount above income threshold</td>
<td>79%</td>
</tr>
<tr>
<td><strong>United States</strong>&lt;sup&gt;11, 12&lt;/sup&gt;</td>
<td>Mortgage style and income contingent</td>
<td>-</td>
<td>10 to 25</td>
<td>m</td>
<td>67.1</td>
</tr>
</tbody>
</table>

1. Including Commonwealth countries.
2. All tertiary students.
3. Loan made to the parents of the student, and only parents have to pay back the loan.
4. Loan outside Quebec. In Quebec, there are only private loans guaranteed by the government.
5. Loan guaranteed by the state rather than public bank.
6. Annual amount of loan refers to all public and private loans.
7. Reference year 2004/05. Average amount of loan for students in ISCED 5A first qualification programme.
8. Average amount of loan for students in tertiary education.
9. Average annual amount of repayment for tertiary level of education.
10. Annual gross amount of loan refers to students in England.
12. First-degree undergraduates at ISCED level 5 only. Includes Parent Loans for Undergraduate Students (PLUS) and other loans made directly to parents. Total borrowed excludes loans from family and friends. Average annual gross amount of loan available to each student refers to full-time, full-year students. Academic year 2011/12, except column 4 referring to 2013/14.


Please refer to the Reader’s Guide for information concerning the symbols replacing missing data.

Statlink: [http://dx.doi.org/10.1787/888933117763](http://dx.doi.org/10.1787/888933117763)
Spending per student

The OECD data (see Table 1) shows that, at the tertiary level, spending per student increased between 1995 and 2011 in most countries. The exceptions to this case were Brazil, the Czech Republic, Hungary, Israel and Switzerland.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>-3.2%</td>
<td>-2.9%</td>
</tr>
<tr>
<td>Austria</td>
<td>11.7%</td>
<td>-8.3%</td>
</tr>
<tr>
<td>Belgium</td>
<td>n.a</td>
<td>-6.4%</td>
</tr>
<tr>
<td>Chile</td>
<td>12.3%</td>
<td>14.7%</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>-9.8%</td>
<td>11.4%</td>
</tr>
<tr>
<td>Denmark</td>
<td>33.5%</td>
<td>9.2%</td>
</tr>
<tr>
<td>Estonia</td>
<td>29.7%</td>
<td>25.1%</td>
</tr>
<tr>
<td>Finland</td>
<td>32.4%</td>
<td>10.2%</td>
</tr>
<tr>
<td>France</td>
<td>n.a</td>
<td>0.8%</td>
</tr>
<tr>
<td>Germany</td>
<td>19.3%</td>
<td>-2.5%</td>
</tr>
<tr>
<td>Hungary</td>
<td>-28.0%</td>
<td>13.1%</td>
</tr>
<tr>
<td>Iceland</td>
<td>n.a</td>
<td>-19.6%</td>
</tr>
<tr>
<td>Ireland</td>
<td>59.2%</td>
<td>-9.6%</td>
</tr>
<tr>
<td>Israel</td>
<td>-0.7%</td>
<td>7.4%</td>
</tr>
<tr>
<td>Italy</td>
<td>42.8%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Japan</td>
<td>41.4%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Korea</td>
<td>n.a</td>
<td>12.6%</td>
</tr>
<tr>
<td>Mexico</td>
<td>8.3%</td>
<td>-5.9%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>3.9%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Norway</td>
<td>10.6%</td>
<td>-4.8%</td>
</tr>
<tr>
<td>Poland</td>
<td>19.7%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Portugal</td>
<td>30.3%</td>
<td>-8.2%</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>10.1%</td>
<td>17.2%</td>
</tr>
<tr>
<td>Slovenia</td>
<td>n.a</td>
<td>9.4%</td>
</tr>
<tr>
<td>Spain</td>
<td>84.1%</td>
<td>-4.3%</td>
</tr>
<tr>
<td>Sweden</td>
<td>9.7%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>-14.5%</td>
<td>0.9%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>56.9%</td>
<td>5.7%</td>
</tr>
<tr>
<td>United States</td>
<td>21.0%</td>
<td>-9.0%</td>
</tr>
<tr>
<td>OECD average</td>
<td>17.7%</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

However, as Table 1 also shows that since the global financial crisis of 2008, expenditure per tertiary student has decreased in about a third of countries. As the data shows the decrease in funding per student was being driven by enrolments growing faster than expenditure. This was certainly the case in Australia, with the former Rudd-Gillard government’s removal of the caps on student numbers. Iceland was the only country where there was an actual cut to total spending on tertiary education.
Earn and Learn not Earn or Learn

Finally, one aspect of the Abbott government’s broader Budget policies which the OECD reports help shed some light on is in relation to government’s so called earn or learn initiatives, which include withholding unemployment benefits for Australians under 30 for a period of up to 6 months at a time.

The data in Table 2 shows the proportion of 20-24 year olds for each country either in education or not undertaking studies. The data shows that on average 10% of 20-24 year olds are unemployed across the OECD and a further 6.7% are not actively engage in either education or seeking work. By contrast only about half (5.5%) of Australians in this age group were unemployed and 5.2% inactive. Only five of the 32 countries reported in Table 2 had fewer 20-24 year olds in these categories.

As such, the question must be asked, what is to be gained by the ‘earn or learn’ policy? Given the relatively low proportion of 20 – 24yrs olds who are not employed or in education, is it as serious an issue as is being made out? Or is this a mechanism to increase support for private, non university providers, by forcing young people who are unable to find work and cannot access university places, into potentially sub-standard and overpriced private providers?

The data also shows that on average in the OECD, 44% of all 20-24 year olds are engaged in education, and that one in three (33%) of these are also working. While only 41% of Australians of this age were engaged in education, the proportion of those who are working while studying is double the OECD average, with two in three (66%) were also employed. While this will include people undertaking apprenticeships and other forms of training, it probably also reflects the relatively poor level of income support available for 20-14 year old Australians in education, with many having to engage in part-time studies in order to support themselves while working. This data underscores ongoing concerns that Australia’s current inadequate student income support arrangements have resulted in a situation where students are being forced earn just so they can learn. However, working while studying does nothing to decrease the existing levels of debt upon graduation, which are already high (and set to become far more extreme under Minister Pyne’s changes).

Clearly, the question of student income support is something that urgently needs to be addressed. While the government has claimed that its ‘new Commonwealth scholarships’ will address issues around equity and support for disadvantaged students, NTEU’s own analysis shows this is not be possible without at the same time imposing considerable additional costs on all students, through substantially higher debt that will take longer to repay, impacting on women in particular.
Table 2: Education / Labour Force Status of 20-24 year olds

<table>
<thead>
<tr>
<th>Country</th>
<th>All (% of Total)</th>
<th>Employed (% of those in Education)</th>
<th>Employed</th>
<th>Unemployed</th>
<th>Inactive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Israel</td>
<td>24.1%</td>
<td>41%</td>
<td>60.2%</td>
<td>6.4%</td>
<td>9.3%</td>
</tr>
<tr>
<td>Mexico</td>
<td>29.6%</td>
<td>43%</td>
<td>61.0%</td>
<td>5.0%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Austria</td>
<td>32.8%</td>
<td>45%</td>
<td>55.2%</td>
<td>5.4%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Italy</td>
<td>33.1%</td>
<td>9%</td>
<td>35.8%</td>
<td>15.9%</td>
<td>15.3%</td>
</tr>
<tr>
<td>Norway</td>
<td>33.5%</td>
<td>40%</td>
<td>54.5%</td>
<td>4.9%</td>
<td>5.7%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>34.2%</td>
<td>40%</td>
<td>47.6%</td>
<td>13.1%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Turkey</td>
<td>34.7%</td>
<td>40%</td>
<td>42.0%</td>
<td>9.8%</td>
<td>13.5%</td>
</tr>
<tr>
<td>New Zealand</td>
<td>36.1%</td>
<td>51%</td>
<td>51.1%</td>
<td>6.0%</td>
<td>6.8%</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>37.4%</td>
<td>5%</td>
<td>40.6%</td>
<td>19.2%</td>
<td>2.6%</td>
</tr>
<tr>
<td>United States</td>
<td>37.4%</td>
<td>49%</td>
<td>46.6%</td>
<td>7.6%</td>
<td>8.4%</td>
</tr>
<tr>
<td>Canada</td>
<td>38.5%</td>
<td>46%</td>
<td>45.2%</td>
<td>8.4%</td>
<td>7.9%</td>
</tr>
<tr>
<td>Belgium</td>
<td>38.8%</td>
<td>11%</td>
<td>44.7%</td>
<td>9.1%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Portugal</td>
<td>40.1%</td>
<td>13%</td>
<td>38.0%</td>
<td>16.7%</td>
<td>5.2%</td>
</tr>
<tr>
<td>France</td>
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<td>23%</td>
<td>39.9%</td>
<td>13.0%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Chile</td>
<td>40.1%</td>
<td>27%</td>
<td>43.7%</td>
<td>6.9%</td>
<td>9.3%</td>
</tr>
<tr>
<td>Sweden</td>
<td>41.0%</td>
<td>24%</td>
<td>45.2%</td>
<td>9.4%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Australia</td>
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<td>66%</td>
<td>48.3%</td>
<td>5.5%</td>
<td>5.2%</td>
</tr>
<tr>
<td>Ireland</td>
<td>41.4%</td>
<td>25%</td>
<td>29.6%</td>
<td>21.0%</td>
<td>7.9%</td>
</tr>
<tr>
<td>Spain</td>
<td>42.6%</td>
<td>11%</td>
<td>26.0%</td>
<td>24.9%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Estonia</td>
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<td>38%</td>
<td>40.2%</td>
<td>11.2%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>42.8%</td>
<td>63%</td>
<td>43.1%</td>
<td>7.3%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>43.7%</td>
<td>14%</td>
<td>44.3%</td>
<td>9.2%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Poland</td>
<td>44.3%</td>
<td>26%</td>
<td>37.7%</td>
<td>12.1%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Finland</td>
<td>44.5%</td>
<td>39%</td>
<td>38.8%</td>
<td>9.2%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Korea</td>
<td>46.0%</td>
<td>18%</td>
<td>30.7%</td>
<td>3.6%</td>
<td>19.7%</td>
</tr>
<tr>
<td>Hungary</td>
<td>46.9%</td>
<td>5%</td>
<td>31.3%</td>
<td>12.4%</td>
<td>9.0%</td>
</tr>
<tr>
<td>Germany</td>
<td>49.7%</td>
<td>50%</td>
<td>39.9%</td>
<td>6.0%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Denmark</td>
<td>52.2%</td>
<td>59%</td>
<td>33.8%</td>
<td>7.0%</td>
<td>7.1%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>59.4%</td>
<td>62%</td>
<td>34.4%</td>
<td>2.7%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>61.5%</td>
<td>12%</td>
<td>26.8%</td>
<td>7.9%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Slovenia</td>
<td>62.8%</td>
<td>30%</td>
<td>26.6%</td>
<td>7.7%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Greece</td>
<td>72.3%</td>
<td>23%</td>
<td>14.0%</td>
<td>10.8%</td>
<td>2.8%</td>
</tr>
<tr>
<td>OECD AVE</td>
<td>44.0%</td>
<td>33%</td>
<td>40.1%</td>
<td>10.0%</td>
<td>6.7%</td>
</tr>
</tbody>
</table>
Attachment 2

NTEU Policy Briefing Note: Impact of Budget changes on regional and outer metropolitan universities

Impact of Budget changes on regional and outer metropolitan universities and communities

The consensus is that rural and regional communities will be hardest hit by the Budget’s higher education changes. This understanding is shared amongst higher education experts and by universities, their communities and their local politicians.

Highly respected higher education expert, former University of Melbourne Vice-Chancellor Professor Kwong Lee Dow recently concluded:

...let’s simply say that whatever finally emerges from the political machinations with the Senate, students will be paying significantly more, and rural and regional students will be disproportionately affected (28/7/14).

The Minister for Education, Christopher Pyne is increasingly isolated in his claim;

Regional students and their communities will be among the big winners from the Abbott Government's higher education reforms introduced in this year’s Budget.

Pyne’s position

The Minister argues that regional universities and students will be the great beneficiaries of government policy through the (1) expansion of Commonwealth Supported Places (CSPs) for sub-degree programs, (2) the introduction of “Commonwealth scholarships” for disadvantaged students, and (3) by allowing non-university providers’ access to CSPs for higher education courses.

He claims that regional universities will benefit in attracting students by keeping prices low and selling the benefits of lower living costs and regional lifestyles, as well as exploiting their strengths in learning and teaching especially for less well academically-prepared students. While Mr Pyne, with his often repeated admiration for the US model of higher education, might believe that there are advantages in being the Walmart of higher education (that is, with a business model based on keeping costs and prices low and keeping volume of throughput high) regional universities, their students and communities are unlikely to share this view.

1 out of 3 students study at our regional and outer metro universities

According to the latest student data (refer to Table 2 at end of paper) Australia’s regional universities educated 232,132 full time equivalent (FTE) students in 2013, which was 26.3% of all university enrolments in that year. A further 74,269 (8.4%) were enrolled in what we have labelled ‘outer metropolitan universities’, namely Victoria University, University of Western Sydney and University of South Australia. This means one out of every three university students enrolled in 2013 was either at a regional or outer metropolitan university.

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1 As cited by Stephen Matchett in Campus Morning Mail, Monday 28 July 2014.
2 Christopher Pyne (13 May 2014) Expanding Opportunities for regional and students Media Release
3 Regional universities include all universities not based in Canberra, Sydney, Melbourne, Brisbane, Perth or Adelaide except La Trobe, which has a large proportion of its students studying outside of Melbourne). Note The University of Tasmania and Charles Darwin University (Darwin) are included as regional universities for the purposes of the analysis. See Table 2 for list of all universities.
Also, the composition of the student cohort attending regional and outer metropolitan universities differs significantly from other universities. As the data in Chart 1 shows, regional universities enrol well above the sector average when it comes to the proportion of domestic students who are Indigenous, who come from a low SES background and who are from regional and rural areas. Outer metropolitan universities have above average enrolments of low SES students.

Chart 1

Greater reliance on government grants

The data in Table 2 shows that on average Australian government grants accounted for 44% of total revenue for all universities in 2012. By contrast 47% of regional universities and 45% of outer metropolitan university revenues came from Australian government grants compared to only 42% of other universities. This means that regional and outer metropolitan universities will feel the effects of reduced government funding, especially the 20% cut to the Commonwealth grants scheme and cuts to equity funding, far more acutely than other universities.

Negative impact on regional universities

In addition to their greater reliance on government funding, the proposed changes to higher education will have a disproportionately negative impact on the delivery of higher education at regional and outer metropolitan for a number of other reasons.

Regional universities:
• are more **price sensitive** because of the size and nature of the market in which they operate;
• need to **cater for the specific needs of their students** who are more likely to come from disadvantaged backgrounds and many tend to be less well academically prepared; and
are disadvantaged by the inherent inequity built into the design of the new Commonwealth scholarships which impact more unfairly on universities with a higher proportion of students from financially disadvantaged backgrounds.

Price sensitivity
The average size of a regional university in 2013 was about 16,600 students, compared to 24,700 for outer metropolitan universities and 27,300 for other universities. The main reason that regional universities are smaller is because the number of potential students (student catchment) wishing to study there is smaller compared to that of city universities.

Not only do regional universities operate in smaller student markets, the markets in which they operate are also much thinner. That is, the number of applicants a regional university receives for each offer it makes will be considerably less than that of their city counterparts. The offer rates made by regional universities are considerably higher than other universities. According to Department of Education data contained in the Undergraduate Applications and Offers, in February 2014 the overall offer rate (proportion of offers made per applicant) for all Australian universities in 2014 was 82%.

This varied considerably between different groups of universities where the offer rate was:
- 69% for Group of Eight (Go8) members,
- 75% for Australian Technology Network (ATN) members,
- 86% for Innovative Research Universities (IRU) members, and
- 108% for Regional University Network (RUN) members.

An offer rate of 100% or higher means that the number of places a university is prepared to offer is equal to or exceeds the number of students wishing to take up those places. In the current capped tuition fee environment this translates into lower ‘cut-off’ entry scores, but in a market operating without any price caps this is likely to mean lower prices or tuition fees.

Government subsidies to private competitors
The Minister argues that the extension of CSP funding to higher education pathway and sub-degree programs will be of significant benefit to regional and outer metropolitan universities as they can offer potential students a wider choice of options in gaining entry into university. However, the advantage is threatened by the Minister’s further privatisation policy, which means that public colleges and universities will face competition for these students from private providers who will also have access to CSP funding.

No one should be under the illusion that private for-profit providers are competing on an equal footing with our public universities. The reason private providers will be able to compete on price is because they do not face the same financial overheads as our public universities who have obligations to their communities, student and staff to offer a broad range of courses, promote and support research across a range of disciplines and engage in community service. To fully understand the potentially devastating impacts of private providers on public tertiary education institutions one only needs to look at the impacts of the open market approach to vocational education and training (VET) in Victoria (refer to Chapter 3 of Analysis of Higher Education Changes in 2014 Federal Budget on www.nge.org.au/degreemortgage).

Given the 40% cut to funding for the Tertiary Education Quality and Standards Agency, the appropriate regulation of publically subsidised private providers remains a major unanswered question.
Keeping university affordable for students from low income backgrounds

Finally, and perhaps most importantly, in addition to the market constraints which regional and outer metropolitan universities face they will also be under considerable community pressure to keep fees low.

As shown in Table 1 below, regional universities enrol greater numbers of students who come from backgrounds where participation in higher education is below the Australian average. Therefore, they will be under enormous community pressure to make fees as low as possible, as any increase in fees might be seen as a disincentive for members of their communities to study at that university. However, because the government has also cut funding per (CSP) student by 20% on average, universities will have to increase fees by about 30% simply to compensate for the loss of public funding.

Universities are faced with an enormous dilemma. Fees will need to increase to cover the costs of providing a high quality higher education experience for their students, but potential students will be deterred by the increased fees.

If universities cannot maintain their income, their long term competitiveness will be undermined by not having the financial capacity to offer the range and quality of education, research and community service expected of a public university.

The NTEU agrees wholeheartedly with the Chair of the Regional Universities Network (RUN), Professor Peter Lee, when recently said:

Regional universities have a fundamental mission to enrich their communities through the excellence of their graduates and the quality of their teaching and research.4

Student cohort

The student cohort, including those from low SES, remote and Indigenous backgrounds, of regional and outer metropolitan universities also puts them at a competitive disadvantage in a deregulated higher education market.

While regional and outer metropolitan universities provide greater opportunities for disadvantaged students who have traditionally been underrepresented in higher education, the opportunity to participate also means that it presents universities with particular challenges. Students from these disadvantaged backgrounds are often less well prepared for university study, which is reflected in the higher student attrition rates. Chart 2 shows that attrition rates tend to be considerably higher in outer metro and regional universities. This means regional and outer metropolitan universities might well be caught in a Catch-22 situation where potential students are likely to be discouraged if they increase fees, but where they will not have the resources to meet the additional educational needs of their students if they do not increase fees.

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4 Regional Universities Network Media Release 22 July 2014, Research Vital to Regional Universities
Chart 2

Commonwealth Scholarships

Minister Pyne has claimed that his proposed new “Commonwealth” scholarships will produce record levels of scholarships for disadvantaged students and that this will be of particular benefit to regional students and regional universities.

Chapter 2 of the NTEU booklet entitled *Analysis of Higher Education Changes in 2014 Federal Budget* demonstrates that the Budget not only includes considerable cuts to equity funding (including the abolition of start-up scholarships and some re-location scholarships), but the operation of the Commonwealth scholarship itself operates at considerable disadvantage to those universities with the largest proportion of disadvantaged students.

The new Commonwealth scholarship scheme is basically funded by an internal 20% tax on increased student fees. The simple arithmetic shows that an increase in fees for any university where more than 20% of its student cohort comes from a disadvantaged (low SES) background, will be more than the average value of the Commonwealth scholarship. That is, if the university wanted to award every low SES student a Commonwealth scholarship, this would less than the increase in fees used to fund them. The universities in this appalling position are predominantly regional and outer metropolitan universities as shown in Table 1 (below).
By contrast the universities with the lowest levels of disadvantaged student enrolments will be in a position to offer more generous scholarships and attract the best students from regional and outer metropolitan areas. That is, regional and outer metropolitan universities might be unable to compete to keep the best students from their own communities.

**Table 1**

<table>
<thead>
<tr>
<th>University</th>
<th>Indigenous</th>
<th>Low SES</th>
<th>Regional + Remote</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outer Metro Universities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>University of Western Sydney</td>
<td>1.5%</td>
<td>25.3%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Victoria University</td>
<td>0.7%</td>
<td>22.6%</td>
<td>11.4%</td>
</tr>
<tr>
<td>University of South Australia</td>
<td>1.9%</td>
<td>29.9%</td>
<td>17.5%</td>
</tr>
<tr>
<td><strong>Outer Metro Unis (Average)</strong></td>
<td>1.3%</td>
<td>25.9%</td>
<td>11.3%</td>
</tr>
<tr>
<td><strong>Regional Universities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charles Sturt University</td>
<td>4.1%</td>
<td>23.3%</td>
<td>51.3%</td>
</tr>
<tr>
<td>Southern Cross University</td>
<td>3.8%</td>
<td>25.3%</td>
<td>59.1%</td>
</tr>
<tr>
<td>University of New England</td>
<td>3.4%</td>
<td>26.6%</td>
<td>48.8%</td>
</tr>
<tr>
<td>University of Newcastle</td>
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<td>31.0%</td>
<td>13.3%</td>
</tr>
<tr>
<td>University of Wollongong</td>
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<td>23.4%</td>
</tr>
<tr>
<td>Deakin University</td>
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<td>23.0%</td>
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<tr>
<td>Federation University Australia</td>
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<td>26.1%</td>
<td>68.3%</td>
</tr>
<tr>
<td>Central Queensland University</td>
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<td>41.2%</td>
<td>60.0%</td>
</tr>
<tr>
<td>James Cook University</td>
<td>5.3%</td>
<td>21.8%</td>
<td>24.6%</td>
</tr>
<tr>
<td>University of Southern Queensland</td>
<td>2.5%</td>
<td>35.3%</td>
<td>53.1%</td>
</tr>
<tr>
<td>University of the Sunshine Coast</td>
<td>2.2%</td>
<td>17.2%</td>
<td>33.1%</td>
</tr>
<tr>
<td>Charles Darwin University</td>
<td>7.3%</td>
<td>19.6%</td>
<td>63.0%</td>
</tr>
<tr>
<td>University of Tasmania</td>
<td>1.6%</td>
<td>31.5%</td>
<td>40.3%</td>
</tr>
<tr>
<td>La Trobe University</td>
<td>0.6%</td>
<td>21.6%</td>
<td>35.9%</td>
</tr>
<tr>
<td><strong>Regional Unis (Average)</strong></td>
<td>3.0%</td>
<td>25.6%</td>
<td>42.7%</td>
</tr>
<tr>
<td><strong>Other Universities</strong></td>
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</tr>
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<td>Macquarie University</td>
<td>1.2%</td>
<td>8.4%</td>
<td>5.9%</td>
</tr>
<tr>
<td>The University of Sydney</td>
<td>0.7%</td>
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<td>5.9%</td>
</tr>
<tr>
<td>University of New South Wales</td>
<td>1.0%</td>
<td>10.3%</td>
<td>7.3%</td>
</tr>
<tr>
<td>University of Technology, Sydney</td>
<td>0.9%</td>
<td>11.1%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Monash University</td>
<td>0.4%</td>
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<td>RMIT University</td>
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<td>Swinburne University of Technology</td>
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<td>16.4%</td>
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<tr>
<td>The University of Melbourne</td>
<td>0.8%</td>
<td>9.6%</td>
<td>15.9%</td>
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<td>Griffith University</td>
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<td>17.5%</td>
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</tr>
<tr>
<td>Queensland University of Technology</td>
<td>1.9%</td>
<td>16.0%</td>
<td>13.4%</td>
</tr>
<tr>
<td>The University of Queensland</td>
<td>0.9%</td>
<td>15.5%</td>
<td>17.8%</td>
</tr>
<tr>
<td>Curtin University of Technology</td>
<td>1.6%</td>
<td>13.8%</td>
<td>16.8%</td>
</tr>
<tr>
<td>Edith Cowan University</td>
<td>1.4%</td>
<td>11.5%</td>
<td>20.1%</td>
</tr>
<tr>
<td>Murdoch University</td>
<td>1.4%</td>
<td>21.6%</td>
<td>23.2%</td>
</tr>
<tr>
<td>The University of Notre Dame Australia</td>
<td>0.6%</td>
<td>8.5%</td>
<td>7.7%</td>
</tr>
<tr>
<td>The University of Western Australia</td>
<td>1.3%</td>
<td>7.7%</td>
<td>14.2%</td>
</tr>
<tr>
<td>Flinders University of South Australia</td>
<td>1.4%</td>
<td>26.5%</td>
<td>21.0%</td>
</tr>
<tr>
<td>The University of Adelaide</td>
<td>1.2%</td>
<td>19.6%</td>
<td>15.2%</td>
</tr>
<tr>
<td>The Australian National University</td>
<td>0.8%</td>
<td>5.2%</td>
<td>14.8%</td>
</tr>
<tr>
<td>University of Canberra</td>
<td>1.7%</td>
<td>8.1%</td>
<td>19.3%</td>
</tr>
<tr>
<td>Australian Catholic University</td>
<td>1.9%</td>
<td>13.0%</td>
<td>11.7%</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>1.2%</td>
<td>13.3%</td>
<td>13.5%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>1.6%</td>
<td>18.4%</td>
<td>20.1%</td>
</tr>
</tbody>
</table>
The financial threat to communities

Any threat to the future viability of our regional and outer metropolitan universities will not only have a serious impact on the nature of higher education in Australia, but represents a serious risk to the economic and social health of the communities these universities serve.

Professor Andrew Vann, Vice Chancellor of Charles Sturt University wrote:

The … concern I have is with the impacts on workforce supply. In the existing system we have been able to boost the supply of skilled professionals in regional areas. I worry that this may be undermined by these changes as regional students are put off studying.\(^5\)

In addition to enrolling about one third of all of Australia’s university students, our regional and outer metropolitan universities are important contributors to their local economies and communities. As the data in Table 2 (below) shows, regional universities generated $5.6b in revenue and employed over 31,000 FTE employees who were paid almost $3b in employee benefits. From outer metropolitan universities the equivalent data is 7,876 FTE staff, $1.6b in total revenue and almost $1b in employee benefits.

Universities are a key social, cultural and economic part of their local and regional communities. Considerable public investment has been put into establishing universities where people live and work in regional Australia. It would be highly regressive to the prosperity of our country if our regional universities and campuses closed down or were reduced to cut price, cut rate competition with private companies who have no long term investment in the community.

---

\(^5\) Federal Budget Update, Vice Chancellors’ blog, Charles Sturt University, 28 May 2014.
Table 2

Australian University Summary Statistics 2013

<table>
<thead>
<tr>
<th>University</th>
<th>Total FTE</th>
<th>Estimate FTE</th>
<th>Total EFTSL</th>
<th>Overseas %</th>
<th>Total Revenue (TR) $m</th>
<th>Australian Government Grants %TR</th>
<th>Fees and Charges %TR</th>
<th>Total Expenses (TE) $m</th>
<th>Employee benefits %TE</th>
<th>Operating Result $m</th>
<th>Operating Margin %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outer Metro Universities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>University of Western Sydney</td>
<td>31,351</td>
<td>9.5%</td>
<td>3,948</td>
<td>26%</td>
<td>627.1</td>
<td>52% 12%</td>
<td>572</td>
<td>59.2%</td>
<td>55.2%</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td>Victoria University</td>
<td>19,713</td>
<td>31.5%</td>
<td>1,714</td>
<td>26%</td>
<td>467.0</td>
<td>38% 19%</td>
<td>473</td>
<td>69.4%</td>
<td>46.5%</td>
<td>-1%</td>
<td></td>
</tr>
<tr>
<td>University of South Australia</td>
<td>27,265</td>
<td>5.8%</td>
<td>3,114</td>
<td>19%</td>
<td>549.9</td>
<td>46% 20%</td>
<td>512</td>
<td>61.9%</td>
<td>92.4%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>University of Technology</td>
<td>74,269</td>
<td>19.7%</td>
<td>7,876</td>
<td>23%</td>
<td>1,639.0</td>
<td>49% 17%</td>
<td>1,558</td>
<td>87%</td>
<td>81.1%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td><strong>Regional Universities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charles Sturt University</td>
<td>21,722</td>
<td>16.1%</td>
<td>6,235</td>
<td>19%</td>
<td>444.7</td>
<td>44% 20%</td>
<td>422</td>
<td>58.6%</td>
<td>23.1%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Southern Cross University</td>
<td>9,034</td>
<td>15.2%</td>
<td>1,182</td>
<td>29%</td>
<td>146.8</td>
<td>47% 15%</td>
<td>355</td>
<td>59.3%</td>
<td>57.4%</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>University of New England</td>
<td>11,487</td>
<td>6.5%</td>
<td>1,285</td>
<td>10%</td>
<td>194.2</td>
<td>55% 10%</td>
<td>190</td>
<td>63.5%</td>
<td>4.0%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>University of Newcastle</td>
<td>25,552</td>
<td>16.7%</td>
<td>3,114</td>
<td>17%</td>
<td>295.5</td>
<td>59% 13%</td>
<td>250</td>
<td>57.4%</td>
<td>45.3%</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>University of Wollongong</td>
<td>22,996</td>
<td>38.0%</td>
<td>2,537</td>
<td>22%</td>
<td>498.3</td>
<td>44% 26%</td>
<td>481</td>
<td>56.6%</td>
<td>17.6%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Deakin University</td>
<td>32,970</td>
<td>17.4%</td>
<td>3,548</td>
<td>22%</td>
<td>268.7</td>
<td>37% 32%</td>
<td>207</td>
<td>52.0%</td>
<td>59.6%</td>
<td>22%</td>
<td></td>
</tr>
<tr>
<td>Federation University Australia</td>
<td>9,290</td>
<td>48.1%</td>
<td>1,489</td>
<td>29%</td>
<td>759.1</td>
<td>49% 25%</td>
<td>652</td>
<td>60.7%</td>
<td>107.4%</td>
<td>14%</td>
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<tr>
<td>Central Queensland University</td>
<td>11,458</td>
<td>27.4%</td>
<td>1,137</td>
<td>9%</td>
<td>250.9</td>
<td>38% 36%</td>
<td>276</td>
<td>47.4%</td>
<td>-24.6%</td>
<td>-10%</td>
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</tr>
<tr>
<td>James Cook University</td>
<td>16,251</td>
<td>35.1%</td>
<td>2,597</td>
<td>13%</td>
<td>437.8</td>
<td>48% 15%</td>
<td>397</td>
<td>53.8%</td>
<td>21.0%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>University of Southern Queensland</td>
<td>13,761</td>
<td>21.1%</td>
<td>1,520</td>
<td>23%</td>
<td>159.1</td>
<td>61% 10%</td>
<td>134</td>
<td>61.3%</td>
<td>24.8%</td>
<td>16%</td>
<td></td>
</tr>
<tr>
<td>University of the Sunshine Coast</td>
<td>7,263</td>
<td>10.3%</td>
<td>909</td>
<td>26%</td>
<td>268.6</td>
<td>53% 18%</td>
<td>231</td>
<td>65.9%</td>
<td>38.1%</td>
<td>14%</td>
<td></td>
</tr>
<tr>
<td>University of Tasmania</td>
<td>18,307</td>
<td>20.8%</td>
<td>2,712</td>
<td>14%</td>
<td>530.5</td>
<td>55% 12%</td>
<td>497</td>
<td>60.2%</td>
<td>33.7%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Charles Darwin University</td>
<td>5,599</td>
<td>14.6%</td>
<td>656</td>
<td>22%</td>
<td>255.8</td>
<td>42% 9%</td>
<td>230</td>
<td>55.3%</td>
<td>25.5%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>La Trobe University</td>
<td>26,542</td>
<td>21.4%</td>
<td>3,173</td>
<td>21%</td>
<td>597.4</td>
<td>40% 20%</td>
<td>563</td>
<td>62.8%</td>
<td>34.3%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td><strong>Regional Universities</strong></td>
<td>232,132</td>
<td>22.2%</td>
<td>31,054</td>
<td>19%</td>
<td>5,585.1</td>
<td>47% 19%</td>
<td>5,114</td>
<td>58%</td>
<td>471.1%</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td>Share of Total</td>
<td>26.3%</td>
<td>23.4%</td>
<td>3,848</td>
<td>13%</td>
<td>83.556</td>
<td>25.2%</td>
<td>82.7</td>
<td>75.3%</td>
<td>22.2%</td>
<td>75.3%</td>
<td></td>
</tr>
</tbody>
</table>

Higher Education and Research Reform Amendment Bill 2014
Submission 111
Attachment 3

NTEU Policy Briefing Note: University Fees Funding and $100,000 Degrees
University Fees, Funding and $100,000 Degrees

The Minister for Education Christopher Pyne and other supporters of his proposed changes to higher education funding and regulation have dismissed claims of $100,000 university degrees as exorbitant.

The Vice Chancellors who are supporting the government’s policy agenda could simply come out and declare that their university will not be charging $100,000 for any of its degrees should the government’s higher education bill be passed.

However, as the NTEU’s analysis below shows, the interaction of the government’s

- proposed 20% average cuts to funding per Commonwealth supported student,
- the imposition of real interest (or 25% surcharge) on student (Higher Education Loan Program) HELP loans,
- the current underfunding of higher education, and
- the impacts of inflation

means that $100,000 university degrees will be a reality before the end of this decade.

20% cut to government funding per student and interest on HELP loans

The 20% cut to public funding per student and the imposition of interest on student HELP loans will exert upward pressure on university fees without delivering one extra dollar in funding for our universities (referred to as the Break Even analysis).

Table 1 shows the impact of these two policies on the cost of a degree. In order to calculate student tuition fees (which replace existing student contributions in the proposed legislation) we have firstly added the change in government funding per student (Column III) from the exiting student contribution amounts (Column II) and adjusted that amount by 3% per annum to get the 2016 student tuition fee (Column IV). The total cost of the degree (tuition fees only – Column V) was calculated by multiplying the 2016 tuition fee by the length of degree and adjusting for 3% inflation.

Rather than trying to calculate the cost of indexing outstanding HELP debt at the ten-year bond rate as in the government’s original proposal, our analysis uses a 25% surcharge as proposed by Professor Bruce Chapman. This means that the analysis is not distorted by the length of time it takes different graduates to repay their loan depending on income levels, including career breaks. It does however afford a reasonably good approximation of the cost of the proposed ten year bond rate proposal.
The results presented in Table 1 (Column VI) show that the average cost of a university degree will be $47,366 which represents a real (inflation adjusted – Column VII) increase of 54%. According to this analysis, the cost of degree funded by a HELP loans is likely to vary from anywhere between $22,000 for a three year degree in humanities (8% real decrease) to almost $94,000 (70% real increase) for a five year medical, dental or veterinary science degree.

The degrees that will suffer from the largest real increase in costs are science and engineering (109%) and social studies (99%) because they experience the largest proportional cut in funding per student in proposed package. Under this scenario the cost of mathematics and statistics degree would fall in real terms by 11%.

The real point of this analysis is to show that, should universities charge fees to only compensate for changes to public funding per student, (and omitting any increase to support real resourcing), when combined with the imposition of a 25% surcharge on HELP loans, the cost of a five year medical degree would be fast approaching $100,000.

Real increase in university funding

The recent pleas from vice-chancellors for senators to support the government package should be understood within the context of an ongoing decline in government funding. Instead of pressing that issue, the universities seem to have decided that fee deregulation is the only way to access to the necessary resources needed to offer a high quality, education and resources. Therefore, it is not unreasonable to assume that most, if not all, universities will increase fees by more than that which is necessary to break even.
Table 2 shows a number of alternative scenarios for various percentage fee increases above the breakeven fees shown in Table 1 (Column IV).

Table 2: Tuition Fees - % Increase in tuition fees above breakeven.

<table>
<thead>
<tr>
<th>Degree</th>
<th>Break Even (Table 1)</th>
<th>10%</th>
<th>25%</th>
<th>50%</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting, commerce, economics, administration</td>
<td>$41,936</td>
<td>$46,130</td>
<td>$52,420</td>
<td>$62,904</td>
<td>$83,872</td>
</tr>
<tr>
<td>Law</td>
<td>$72,032</td>
<td>$79,235</td>
<td>$90,040</td>
<td>$108,048</td>
<td>$144,064</td>
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<tr>
<td>Humanities</td>
<td>$22,306</td>
<td>$24,537</td>
<td>$27,883</td>
<td>$33,459</td>
<td>$44,613</td>
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<tr>
<td>Computing, Built Environ, Other Health</td>
<td>$50,859</td>
<td>$55,944</td>
<td>$63,573</td>
<td>$76,288</td>
<td>$101,717</td>
</tr>
<tr>
<td>Mathematics, Statistics</td>
<td>$34,148</td>
<td>$37,563</td>
<td>$42,685</td>
<td>$51,222</td>
<td>$68,296</td>
</tr>
<tr>
<td>Behavioural science</td>
<td>$27,045</td>
<td>$29,749</td>
<td>$33,806</td>
<td>$40,567</td>
<td>$54,089</td>
</tr>
<tr>
<td>Social studies</td>
<td>$39,395</td>
<td>$43,334</td>
<td>$49,243</td>
<td>$59,092</td>
<td>$78,789</td>
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<tr>
<td>Education</td>
<td>$38,753</td>
<td>$42,628</td>
<td>$48,441</td>
<td>$58,129</td>
<td>$77,506</td>
</tr>
<tr>
<td>Clinical psychology, foreign language</td>
<td>$32,117</td>
<td>$35,329</td>
<td>$40,147</td>
<td>$48,176</td>
<td>$64,235</td>
</tr>
<tr>
<td>Visual and performing arts</td>
<td>$36,075</td>
<td>$39,682</td>
<td>$45,093</td>
<td>$54,112</td>
<td>$72,149</td>
</tr>
<tr>
<td>Allied health</td>
<td>$46,370</td>
<td>$51,007</td>
<td>$57,963</td>
<td>$69,555</td>
<td>$92,741</td>
</tr>
<tr>
<td>Nursing</td>
<td>$29,356</td>
<td>$32,292</td>
<td>$36,696</td>
<td>$44,035</td>
<td>$58,713</td>
</tr>
<tr>
<td>Engineering, science, surveying</td>
<td>$73,955</td>
<td>$81,351</td>
<td>$92,444</td>
<td>$110,933</td>
<td>$147,910</td>
</tr>
<tr>
<td>Dentistry, medicine, veterinary science</td>
<td>$93,576</td>
<td>$102,934</td>
<td>$116,970</td>
<td>$140,364</td>
<td>$187,153</td>
</tr>
<tr>
<td>Agriculture</td>
<td>$48,445</td>
<td>$53,290</td>
<td>$60,556</td>
<td>$72,668</td>
<td>$96,890</td>
</tr>
<tr>
<td>Average</td>
<td>$47,366</td>
<td>$52,103</td>
<td>$59,208</td>
<td>$71,050</td>
<td>$94,733</td>
</tr>
</tbody>
</table>

Table 2 shows that a 10% increase in tuition fees above that which is necessary to compensate for cuts to public investment is all that is required to achieve $100,000 degree.

So what might we expect fees to increase by? The Bradley Review of Australian Higher Education (2008) recommended a 10% increase in funding per student in order to address the chronic underfunding of the sector. This recommendation was further supported by research undertaken for the Base Funding Review (2011) which analysed the ratio of costs (teaching, scholarship and research) to the level of funding for different discipline groups, which varied from a little as about 5% for education to almost 50% for health, agriculture and management and commerce. The average across the universities included in the analysis was about 20% (see Figure 3.3 page 50).

Therefore, based on the available evidence it is not unreasonable to predict that the cost of some courses at some universities will increase by between 10% and 50% above the rises needed just to compensate for reduced government funding. According to Professor Bruce Chapman: “In the high-demand courses at established institutions you are very likely, over time, to have fees that are double or more” [Julie Hare and Andrew Trounson (3 September 2014) HECS designer Bruce Chapman calls for action to limit fee rises.]

Table 2 gives an idea of the possible scope of cost of a university degree should Mr Pyne’s package make it through the Senate. The table shows that it would only require a very modest 10% increase in fees above that which is necessary to offset changes to government funding for the $100,000 cost to be realised.
The NTEU is not claiming that the cost of every university degree at every university will cost $100,000. However, as the analysis presented above clearly demonstrates, degrees costing students $100,000 or more will be a reality.

Mr Andrew, the National Party Member of Mallee, Victoria, said in the second reading speech on the Higher Education and Research Reform Amendment Bill 2014 said:

“I want to state very clearly that it is not going to cost you a $100,000 to do a course.”

We need to see the government’s costings that support this assertion, as the current evidence clearly contradicts this statement.

The reality is that the price students pay for degrees will go up in order to breakeven, due to the cut to Government funding and increased interest rate on HELP loans. If a university wants to compensate for the existing funding gap and improve on quality and innovate, then they will have to charge students even more. Conversely, if universities cut prices they may risk the quality of education, students’ prospects of successful completion and reputation of Australia’s universities more broadly.

One final point is that these costings do not account for a progression to postgraduate studies, double degree offerings or the US-style, combined generalist undergraduate degree followed by postgraduate professional studies, adopted by the University of Melbourne and the University of Western Australia. In all cases, it is highly likely that these studies will be well in excess of $100,000.

FOR FURTHER INFORMATION AND QUERIES CONTACT

JEANNIE REA, NATIONAL PRESIDENT
PAUL KNIEST, POLICY AND RESEARCH COORDINATOR,

www.nteu.org.au/degreemortage
Attachment 4

A Degree Shouldn't Cost a Mortgage: NTEU Analysis of Higher Education Changes in the 2014 Federal Budget
A DEGREE SHOULDN’T COST A MORTGAGE

NTEU ANALYSIS OF HIGHER EDUCATION CHANGES IN THE 2014 FEDERAL BUDGET

nteu.org.au/degreemortgage
A degree shouldn't cost a mortgage: NTEU analysis of higher education changes in the 2014 Federal Budget

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Authorised by Grahame McCulloch, General Secretary

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The changes to higher education regulation and funding announced as part of the 2014–15 Federal Budget herald the end of the Australian public higher education system as we have known it. It is the biggest shake-up to higher education since the introduction of the Unified National System (UNS) in 1989, essentially sounding the death knell for a public higher education system where students gain entry into a Commonwealth Supported Place (CSP) at an Australian university based on their academic merit.

It could be argued that these are the biggest changes since Australia’s first public universities started in the 1850s. For the first time the Government is planning to hand over CSPs to private higher education providers, at the expense of the public system.

The Federal Budget makes a 20 per cent funding cut to the government funded component of the CSPs. For the first time the average student contribution per CSP will be more than the government contribution. Universities will be allowed to charge whatever they like for an undergraduate degree and the average size of student debt will skyrocket as fees rise and the cost of servicing HELP debts increases.

NTEU analysis concluded that if the funding cuts went through and the costs shifted to students, the cost of some degrees would be more than $100,000. The move to a market interest rate would escalate students’ debts and they would be repaying for years longer. The debt would run further out of control if the graduate was not earning above the repayment threshold. This scenario is particularly chilling for prospective women students as they realise that they could still be paying their student debt in their fifties, just as their children want to go to university.

The NTEU represents the industrial interests of 28,000 academic, professional and general staff in higher education and research. Our members are highly committed to their university jobs, their students and their research. Many staff in universities will lose their jobs and careers if these changes are implemented in universities. The NTEU rejects competition from private providers based on lowering wages and conditions. Like other ordinary Australians and their families, many higher education staff will no longer be able to afford quality higher education for themselves or their children.

The NTEU is calling upon the Australian Parliament to reject the whole package.

In this booklet we have brought together three of the briefing papers published on the NTEU’s campaign website www.nteu.org.au/degreemortgage focusing on the future cost of an undergraduate degree, the inequities in the proposals and the case against government funding of private providers. We have not covered the impacts arising from the ten per cent cut to postgraduate funding and other adverse changes to research and research training. Watch our website for more information and analysis.

Jeannie Rea
NTEU National President
11 July 2014
CHAPTER 1
THE COST OF A DEGREE

Currently, the level of funding a university receives for each CSP is made up of a government and student (capped) contribution, as shown in Table 1.

However, should the new deregulated higher education market come into being from January 2016, there will be no real limit on the amount a university or other provider can charge a CSP student. This would result in universities and other providers charging students whatever they think the market will bear from 1 January 2016 (noting that students enrolling from 14 May under the current regime will also be charged under the new arrangements from 2016 – except at those universities who have guaranteed mid-year enrolments they will not be charged the new fees come 2016.)

CHANGES TO GOVERNMENT CONTRIBUTIONS AND SCHOLARSHIPS

There is no doubt that average university tuition fees will increase as result of the changes announced in the Budget. To begin with, universities will almost certainly be forced to increase student fees to compensate for a 20% reduction in the level of government funding per CSP.

The minimum or breakeven changes in fees as a consequence of these changes are summarised in Figure 1, which shows that on average universities will need to increase student fees by $2,120 (27.5%) simply to maintain the same level of funding (government contribution and student contribution) per CSP.

Table 1. Commonwealth and student contribution amounts 2014

<table>
<thead>
<tr>
<th>Funding Cluster</th>
<th>Maximum student contribution</th>
<th>Government contribution</th>
<th>Total</th>
<th>Student Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Law, Accounting, Commerce, Administration</td>
<td>$10,085</td>
<td>$1,951</td>
<td>$12,036</td>
<td>84%</td>
</tr>
<tr>
<td>Humanities</td>
<td>$6,044</td>
<td>$5,419</td>
<td>$11,463</td>
<td>53%</td>
</tr>
<tr>
<td>Computing, Built Environ, Other Health</td>
<td>$8,613</td>
<td>$9,587</td>
<td>$18,200</td>
<td>47%</td>
</tr>
<tr>
<td>Maths, Statistics</td>
<td>$8,613</td>
<td>$9,587</td>
<td>$18,200</td>
<td>47%</td>
</tr>
<tr>
<td>Behavioural Science</td>
<td>$6,044</td>
<td>$9,587</td>
<td>$15,631</td>
<td>39%</td>
</tr>
<tr>
<td>Social Science</td>
<td>$6,044</td>
<td>$9,587</td>
<td>$15,631</td>
<td>39%</td>
</tr>
<tr>
<td>Education</td>
<td>$6,044</td>
<td>$9,974</td>
<td>$16,018</td>
<td>38%</td>
</tr>
<tr>
<td>Clinical Pyschology, Foreign Languages</td>
<td>$6,044</td>
<td>$11,790</td>
<td>$17,834</td>
<td>34%</td>
</tr>
<tr>
<td>Visual And Performing Arts</td>
<td>$6,044</td>
<td>$11,790</td>
<td>$17,834</td>
<td>34%</td>
</tr>
<tr>
<td>Allied Health</td>
<td>$8,613</td>
<td>$11,790</td>
<td>$20,403</td>
<td>42%</td>
</tr>
<tr>
<td>Nursing</td>
<td>$6,044</td>
<td>$13,163</td>
<td>$19,207</td>
<td>31%</td>
</tr>
<tr>
<td>Engineering, Science, Surveying</td>
<td>$8,613</td>
<td>$16,762</td>
<td>$25,375</td>
<td>34%</td>
</tr>
<tr>
<td>Medicine, Dentistry, Vet Science</td>
<td>$10,085</td>
<td>$21,273</td>
<td>$31,358</td>
<td>32%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>$8,613</td>
<td>$21,273</td>
<td>$29,886</td>
<td>29%</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>$7,700</strong></td>
<td><strong>$10,600</strong></td>
<td><strong>$18,300</strong></td>
<td><strong>42%</strong></td>
</tr>
</tbody>
</table>
Figure 1 shows that the increase in student contributions (tuition fees) will be by as much as 59% for students undertaking a social studies degree, which in 2014 values would equate to an increase of just over $10,000 for a 3 year degree. Other disciplines that will experience significant increases in fees (just to compensate for these regulatory changes) include:

- Engineering and surveying (54.9%) or an extra $20,200 over four years.
- Visual and performing arts (45.6%) or $8,300 over three years.
- Agricultural studies (37.2%) or $9,600 over three years.
- Medicine, dentistry and vet science (31.8%) or $16,000 over five years.

In some cases there has been a substantial increase in the government contribution, with the most notable example being for mathematics and statistics where the funding changes would make it possible for universities to reduce fees by almost 30% and still retain the same level of total funding. Clearly, the Government does not believe lower fees will attract students to these degrees, noting that the previous Labor Government also discontinued discounts for these degrees in 2012 on the premise that these were not a cost-effective way of increasing enrolments.

**GOVERNMENT COST SHIFTING AND CUTS — A NEW APPROACH TO STUDENT SCHOLARSHIPS**

The Government’s plan to address the inherent inequity in their proposed system is to create what they have misleadingly named ‘Commonwealth scholarships’. These will be funded by the increased student fees, with $1 out of every $5 to be allocated to the scholarship program. However, these are in themselves highly inequitable, effectively forcing a 25% levy onto all other students (with interest) and cost-shifting what has always been, since the Menzies era, a responsibility of government to encourage and support those from disadvantaged backgrounds into higher
education. Furthermore, under the current proposal, those universities with the highest proportion of students from disadvantaged backgrounds will be in the worst position to offer scholarships, yet are the ones who would need to support these students the most.

This cost shifting of government support is in addition to cuts to existing student scholarship schemes, resulting in two of the largest ‘savings’ in the Budget. The Government will pocket over $800 million by abolishing existing Student Start-up Scholarships ($509m) and cutting out Relocation Scholarships for students moving between or within capital cities ($290m). This act will deny tens of thousands of students annual payments of about $2,000 for Start-up Scholarships and almost $5,000 for relocation scholarships. While the previous Government had made a decision to cease Start-up Scholarships for students commencing studies from 2014, the Budget announcement abolishes the start-up payments for students eligible for these payments prior to 2014. The previous government’s proposal to abolish the Start-up Scholarships and convert them to loans has yet to pass the Senate, meaning – should these cuts be successful – there will be nothing. Despite these dramatic cuts, the Minister for Education has continually referred to a ‘massive increase’ in scholarships for disadvantaged students – a statement that, at best, can be described as political spin.

IMPACT OF FEE DEREGULATION AND COMPETITION

In addition to deregulation of university fees and other regulatory changes outlined above, there will be further factors likely to influence the cost of a university degree from 2016 onwards. This includes competition from new higher education providers, such as public TAFE colleges and private non-university providers including for profit providers.

While it is impossible to know what the impact of unregulated prices and competition will be exactly, estimates can be made based upon factors like:

- **The relative popularity of different degrees** – the more popular the degree, the higher the price.
- **The levels of income students expect to earn from different types of qualifications** – the higher the expected income, the higher the price.
- **The likely level of competition from non-university providers** (based on the costs of delivering a degree and the need to obtain professional accreditation) – the greater the level of competition, the lower the increase in price.

Given that independent reviews of university funding (Bradley and Base Funding Review) have acknowledged that the level of funding is already insufficient, it is highly likely that, as a minimum, universities will seek to offset the reduction in public subsidies. Should an individual university not necessarily increase all fees for all courses in line with the changes shown in Figure 1, it would most likely seek to cross-subsidise less popular courses with larger increases in more popular courses.

RELATIVE DEMAND AND SUPPLY

Under a market model the primary factor determining price is relative demand and supply. That is, the more popular a particular course is, relative to the number of places available, the higher the price.

A ‘proxy’ for relative demand and supply is what is called the ‘offer’ rate, which is the percentage of applicants that receive an offer. That is, if a course has an offer rate of 100% this means that every applicant received an offer of a place, whereas a course with an offer rate of 50% means that one in every two applicants receives an offer.
Table 2 shows the offer rates by field of education for all Australian universities for the period 2009 to 2014. Generally speaking, those fields of education with the lowest offer rates would be those courses expected to attract the highest fees.

Table 2 clearly shows how universities have responded to the introduction of the demand driven system, with offer rates in management and commerce, and society and culture, improving significantly since 2009. This is due to universities responding to increased demand with additional places. This so called supply response will be another important determinant of relative prices in a deregulated higher education market.

INCREASED COMPETITION

According to the Minister, the magic of the market would not only provide students with greater choice, but would also drive down fees. The level of market driven competition for certain degrees and qualifications, however, will largely be determined by whether private universities and other private providers find the extension of public subsidies enough of an incentive for them to enter the market. For-profit providers will only be attracted to those courses which have high volume and low costs, effectively ‘cherry picking’ what they consider to be profitable courses.

The courses that will be most attractive are likely to be those with high levels of student demand and with relatively low costs and entry barriers. These are more likely to be in society and culture (or at least parts thereof) and management and commerce. Conversely, new competition in areas such as science, engineering, agriculture or health is most likely to be specialist niches (e.g. allied health areas) because of high costs and high barriers to entry.

### Table 2: Offer rates by field of education, 2009-2014

<table>
<thead>
<tr>
<th>Field of Education</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, Enviro. &amp; related studies</td>
<td>95%</td>
<td>97%</td>
<td>97%</td>
<td>99%</td>
<td>101%</td>
<td>98%</td>
</tr>
<tr>
<td>Natural &amp; Physical Sciences</td>
<td>105%</td>
<td>105%</td>
<td>104%</td>
<td>100%</td>
<td>99%</td>
<td>98%</td>
</tr>
<tr>
<td>Management &amp; Commerce</td>
<td>80%</td>
<td>84%</td>
<td>87%</td>
<td>88%</td>
<td>91%</td>
<td>92%</td>
</tr>
<tr>
<td>Society and Culture</td>
<td>84%</td>
<td>84%</td>
<td>89%</td>
<td>93%</td>
<td>93%</td>
<td>90%</td>
</tr>
<tr>
<td>Education</td>
<td>74%</td>
<td>72%</td>
<td>79%</td>
<td>81%</td>
<td>81%</td>
<td>85%</td>
</tr>
<tr>
<td>Engineering &amp; related techs</td>
<td>84%</td>
<td>84%</td>
<td>84%</td>
<td>86%</td>
<td>85%</td>
<td>85%</td>
</tr>
<tr>
<td>Information Technology</td>
<td>80%</td>
<td>87%</td>
<td>90%</td>
<td>88%</td>
<td>83%</td>
<td>84%</td>
</tr>
<tr>
<td>Architecture &amp; Building</td>
<td>65%</td>
<td>66%</td>
<td>67%</td>
<td>70%</td>
<td>72%</td>
<td>74%</td>
</tr>
<tr>
<td>Creative Arts</td>
<td>66%</td>
<td>67%</td>
<td>69%</td>
<td>72%</td>
<td>73%</td>
<td>74%</td>
</tr>
<tr>
<td>Health</td>
<td>62%</td>
<td>60%</td>
<td>61%</td>
<td>64%</td>
<td>63%</td>
<td>66%</td>
</tr>
<tr>
<td>Medical Studies</td>
<td>21%</td>
<td>22%</td>
<td>21%</td>
<td>21%</td>
<td>n.a</td>
<td>n.a</td>
</tr>
<tr>
<td>Nursing</td>
<td>75%</td>
<td>70%</td>
<td>72%</td>
<td>76%</td>
<td>n.a</td>
<td>n.a</td>
</tr>
<tr>
<td>Dental Studies</td>
<td>30%</td>
<td>31%</td>
<td>27%</td>
<td>28%</td>
<td>n.a</td>
<td>n.a</td>
</tr>
<tr>
<td>Veterinary Studies</td>
<td>29%</td>
<td>30%</td>
<td>28%</td>
<td>26%</td>
<td>n.a</td>
<td>n.a</td>
</tr>
<tr>
<td>Health Other</td>
<td>78%</td>
<td>74%</td>
<td>78%</td>
<td>81%</td>
<td>n.a</td>
<td>n.a</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>77%</strong></td>
<td><strong>77%</strong></td>
<td><strong>79%</strong></td>
<td><strong>81%</strong></td>
<td><strong>82%</strong></td>
<td><strong>82%</strong></td>
</tr>
</tbody>
</table>

A degree shouldn’t cost a mortgage

How high might fees go?

Supporters of deregulation have dismissed NTEU’s claims of $100,000 degrees as either an exaggeration or only likely to occur at the highest ends of the fee range, in select, high prestige and high demand courses. However, an examination of current fees being paid by domestic students to undertake degrees within Australia shows NTEU’s predictions to be far from outlandish. Bond University, for example, currently charges domestic undergraduate students $317,000 for a medicine (surgery) degree, $127,000 for law and $95,000 for 3 year arts-commerce or similar degree. Based on NTEU analysis, approximately $100,000 is the entry level fee for a 3 year degree at Bond.

The multi-national, private education provider Navitas operates a number of pathway or alternative first year programs in Australia for students who fail to gain direct entry into a university. It runs these courses in conjunction with a number of universities including Curtin, Edith Cowan, Adelaide, South Australia, Macquarie, Newcastle and Griffith. The fees charged to students to enrol into one of Navitas’ pathway programs are between $20,000 and $23,000.

Therefore, course fees of between $60,000 to $100,000 simply reflect what is already occurring in the private delivery of higher education degrees in Australia. Taking these factors into account, the NTEU’s estimates of the range of fees for different degree programs are shown in Figure 2, and are an indicative guide (all in 2014 values) of the range of prices students might expect to pay in the new, deregulated higher education market.

It is clear that prices will differ between universities and within disciplines, and there may be some small pockets of specialisation within some courses (eg health, engineering or information technology) where prices will differ considerably from other programs in the same broader discipline group.

The relatively high increases in law, medicine and engineering are not only a direct result of the potential earning power of graduates, but also because universities are not likely to face an
immediate increase in competition from other providers due to costs and the difficulty in obtaining professional accreditation.

**STUDENT DEBT**

The changes to higher education funding and regulation will not only impact on the tuition fees students for a degree but also on the cost of servicing that debt if they choose to take advantage of the income contingent Higher Education Loans Program (HELP), still commonly referred to as HECS. The changes announced to HELP were not limited to lowering the threshold at which students need to start repaying their debt by about $5,000, but more importantly imposing a market determined rate of interest (10 year government bond rate) on outstanding HELP loan balances. These changes together with the anticipated increase in student fees as discussed above will have a dramatic impact on the cost of obtaining a university education in Australia after 2016.

In order to understand the full extent of these changes, the NTEU has undertaken modelling to demonstrate the financial impacts of these changes. The modelling compares the cost of servicing HELP debts for a student completing an accounting degree enrolled under the existing capped price ($30,255) that is indexed by increases in the CPI (no real interest) to that of the same student doing the same degree but paying $75,000 (the midpoint of range shown in Figure 2) and paying interest rates on their outstanding HELP debts.¹

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¹ The modelling is undertaken using 2014 prices and therefore a zero rate of inflation. The income assumptions (based on Graduate Careers Council of Australia) are that an accounting graduate commences on average salary of $45,000 which to low $90,000s after about a decade in the workforce. The income trajectory is shown in Chart 2. The real rate of interest (interest rate less inflation rate) for the 10 year government bonds is assumed to be a very conservative 2%.
Figure 3 shows in real 2014 values (ignoring the effects of inflation) that for someone who enrols in a three year accounting degree under the current (pre-Budget arrangements) he/she would pay a total of $30,255 in tuition fees (capped) and take 10 years to repay their debt with no real interest paid on that debt. However, the same student enrolling in the same three year accounting degree from 1 January 2016 might expect to pay (in real 2014 values) $75,000 in tuition fees, and take over 23 years to repay a total of $99,000, which includes $24,000 in interest.

The inequity of these changes cannot be overlooked. While students from better off families might be in a position to pay their fees upfront and avoid the interest charges, students from disadvantaged backgrounds are unlikely to have the same advantage, and instead be burdened with higher levels of long term debt.

The highly unfair and pernicious nature of the new HELP arrangements are even more starkly demonstrated when you take into account the impact they will have on graduates who take a break in their career or fall below the repayment threshold. The results which are depicted in Figure 4 show that, for a graduate with the same degree and broad income trajectory, but who takes a break of eight years and transitions back into work over another three via part-time employment, will take 36 years to repay their HELP debt. They will pay a total of $120,000 in HELP repayments and pay in the order of $45,000 in real interest (noting, however, that these figures are in 2014 values, so likely to be highly conservative).

It is clear that the introduction of real interest rates on outstanding HELP debts not only significantly increase the cost of servicing student debt, but that it is patently unfair on those who have (for any number of reasons) career breaks. This means the new arrangements have a built in bias against graduates with carer responsibilities, which will be mainly women.
Women graduates are already disadvantaged with lower earning levels (even in the same industries as their male counterparts), with the Gender Pay Equity Gap stuck at around 17%. This combined with women more likely to take career breaks and work part-time to take on carer roles (be it for children, elderly relatives or other family members) creates a situation that will only see the levels of gender inequity and economic disadvantage increase over time.

INDIGENOUS STAFF AND STUDENTS

The flagged increase in student fees is not going to serve Indigenous students well, due to the increased likelihood of low-SES status. The cutting of the Start-up Scholarships has already increased the amount of debt Indigenous students will accumulate after graduation, so an increase in fees is merely going to serve as another deterrent to entering higher education studies. This will therefore impact the Indigenous staffing numbers both immediately, and in the future as students will be less likely to take on Research by Higher Degree then move into the sector as academic staff.

AMERICANISATION OF THE AUSTRALIAN UNIVERSITY SYSTEM

Figure 5 below shows the average and range of fees charged by universities who are included in the QS World University Ranking Top 500 for 2013 (noting that it only includes countries with at least three universities in the top 500). The entries for Australia relate to both the current arrangements as well as what might happen should the proposed deregulation of student fees proceed.

The first thing to note about the data in Figure 5 is even under current regulated fees Australian university students pay amongst the highest fees in the world. The data also shows that there are a large number of European countries where an undergraduate university education is free, or fees are regulated to keep them well below $US5,000 per annum. Another noticeable feature is that, with the exception of the USA, Japan and South Korea, there is very little variation in the fees charged for universities in the top 500. This is because in most of these countries, and especially in Europe, the fees charged are regulated by government.

Figure 5 also clearly shows that the USA not only has the highest average fees but also has the greatest variation in fees between institutions. In order to get a better understanding of the different types of institutions, the data has been broken up between the elite private universities (Ivy League) and other universities in the top 500. If you exclude the elite private universities, the NTEU’s predictions of both the average levels and range of fees that might be charged by Australian universities under a deregulated market would not be dissimilar to those charged by other top US universities, which include a number of very prestigious state universities, such as the University of Chicago and UCLA, for example.

Put simply, the proposed changes to higher education in Australia will result in an Australian system that looks more American than anything in Europe or even Asia. The question Australians need to ask is: do we want the high fees and high levels of student debt which are two of the distinguishing features of the US system?

SUMMARY

The analysis presented above shows that the changes to the funding and regulation of higher education will result in:

- A minimum average increase in university tuition fees of about 40% just to compensate for reductions in government funding and the introduction of the new student funded ‘Commonwealth’ Scholarship scheme.
A DEGREE SHOULDN’T COST A MORTGAGE

- The lifting of the cap on university fees could see the tuition fees for some degrees reach or exceed $100,000, especially in degrees like medicine, law, engineering and management and commerce.
- The introduction of interest on HELP debts is highly inequitable because students from disadvantaged backgrounds will not be in a position to pay their fees upfront.
- The changes to HELP are especially unfair for students who take career breaks, resulting in a strong bias against female graduates, and the size and cost of servicing students loans will be the equivalent of a second mortgage.

* NTEU Estimates of fees in a deregulated market

Figure 5: Average annual tuition fees by country for universities in QS Top 500
Domestic undergraduate students, $US, 2012/2013

Source: QS World University Rankings with tuition fee information, www.university-list.net/rank/univ-110066.html
CHAPTER 2
A NEW AGE OF INEQUITY

It is clear that the changes to higher education announced as part of the 2014–15 Coalition Budget are consistent with other measures in the Budget that will result in an increase both social and economic inequity. In addition to the abolition of the Student Start-up Scholarships ($509m) and the Relocation Scholarships for students moving within and between major cities ($290m) (see Chapter 1), other measures include:

• Abandoning the target to have 20% of all university enrolments from low SES backgrounds by 2020.
• Cutting Higher Education Participation and Partnership Program (HEPPP) funding by $51m.
• Ceasing Higher Education Reward funding from 2014 ($121m).
• Removing the price limit on fees for Commonwealth supported students.
• Lowering the income threshold and imposing real interest rates on outstanding student loans.

AXING EQUITY TARGETS

Minister Pyne described Labor’s 20% participation target for students from low SES backgrounds as having a target for target’s sake. However, setting a target to increase low SES student participation is an important accountability measure as to the effectiveness of government policy in addressing what has been a long standing problem in education inequity. Abandoning the target will do nothing to lift low SES participation, just simply absolve the government of its responsibility and accountability to address this long term problem.

Cuts to HEPPP and Reward Funding will make it harder for universities to develop partnerships with local communities and to provide services, such as learning support, to attract and retain disadvantaged students.

IMPACT ON EQUITY

The Government’s suite of proposed policy intersects in such a manner that it will see the university sector fundamentally altered, in almost every respect. As outlined, in the new deregulated higher education market, universities and other providers will be allowed to charge students whatever they think the market will bear.

At the same time, the Government is cutting its funding (on average) by 20% per CSP. While Minister Pyne has attempted to assert that neither he nor the Government will increase fees and that it is entirely up to universities what they do, the policy framework effectively forces institutions to increase their fees just to maintain their existing levels of funding. In addition, the requirement that $1 in every $5 of income from fee increases must be put aside for new ‘Commonwealth’ scholarships creates additional pressure to further increase fees, noting that there isn’t any other funding available for the resourcing of these scholarship students other than what is collected.

Taking all these factors into account, it will be virtually impossible for universities not to increase fees in most courses, just to break even. According to the NTEU analysis (see Chapter 1) the very
minimum fee increases (to break even) will be about 33% on average, but this will vary with some disciplines, including engineering being well over 50%.

But the current levels of funding for the sector are not sustainable. Independent research undertaken for the Lomax-Smith Base Funding Review of Australian higher education in 2012 clearly demonstrated that current funding rates (government plus student contributions) were not sufficient to cover the costs of educating CSP students. While the gap between funding and costs varied between disciplines, the Report’s finding were not inconsistent with the need for a minimum 10% increase in real funding.

However, the Coalition Government’s solution – to lessen the public funding of universities and to shift even greater debt to students – creates an inherently inequitable system. Leaving aside for a moment the impact on students, the NTEU has concerns that these changes will result in a two (or three) tiered system in terms of education quality. While the Government has argued that increased competition from non-university providers might act to keep downward pressure on tuition fees increases, the reality is that if universities are not in a position to recover the full cost of educating a student through higher tuition fees (because of competition from private for-profit non-university providers that do not have the same research and community service obligations) then they will be forced to cut costs.

The largest component of university learning and teaching costs is staff. This probably means universities will be forced to rely even more heavily on casual teaching staff, larger class sizes and lower levels of student support. Enrolling in a university degree might well become like buying a burger from a well-known fast food outlet with student being asked whether they would like lectures and tutorials with their degrees.

Students from reasonably well off backgrounds might be in a position to pay extra for a fully serviced degree, but students from disadvantaged backgrounds might believe it is in their best interest to accept a lower price degree without fully understanding they are paying for an inferior educational experience. Under this scenario higher education will be as much regulated by the ACCC as it is TEQSA.

INEQUITY IN STUDENT DEBT

Australia’s income contingent loans scheme, called the Higher Education Loans Programme (HELP) was designed so that no student would be prevented from accessing university because they could not pay their fees upfront. It also ensured that graduates were not burdened with repayments until they earned a reasonable income, and that the level of debt did not increase other than with CPI.

However, as outlined above, Minister Pyne’s proposal will see graduates hit with substantially higher HELP debts than is currently the case. These debts will also be more expensive in terms of servicing, when, from 2016, the Government abandons the link to CPI and instead imposes a real rate of interest on outstanding student loan debts by indexing them at the 10 year government bond rate (capped at 6%).

The impact of these changes can be exemplified by NTEU estimates (in 2014 values) that:

a. Someone enrolled in a three year accounting degree under pre-Budget arrangements will graduate with a debt of $30,255 and take about 10 years to repay it without paying any real interest on that debt,

b. Someone enrolling in a three year accounting degree under post-Budget arrangements could graduate with a $75,000 debt, take 22 years to repay it, and end up repaying almost $100,000 including $25,000 in real interest payments.
These changes are highly inequitable on a number of grounds:

1. People from low SES backgrounds are generally more averse to debt than those on higher incomes and therefore increased fees might have a greater deterrent on disadvantaged students pursuing a university education, and

2. Students from wealthier backgrounds are more likely to pay their tuition fees up front and therefore avoid having to pay real interest on HELP debts.

A number of vice-chancellors, including Dr Michael Spence of the University of Sydney, have expressed concerns that the changes announced may well price middle and lower class Australian students out of higher education. The analysis above confirms why this is likely to be the case.

NEW ‘COMMONWEALTH’ SCHOLARSHIPS

Mr Pyne has claimed that, under his proposed changes to higher education regulation and funding, the introduction of new ‘Commonwealth’ scholarships will result in a ‘massive expansion’ which will result in a record level of scholarships. This can only be true if there is to also be both a massive expansion and increased level of student fees. If universities do not increase fees, or only increased their fees to cover the 20% cut in public funding per student, there would not be one cent towards new Commonwealth scholarships. The Minister must reveal how much he thinks the massive increase in fees will be to fund his anticipated record level of scholarships.

The labelling of these scholarships as ‘Commonwealth’ is at best described as Orwellian, as no funding is provided by the commonwealth, but comes directly out of the pockets of students in the form of higher fees, paid through HELP and with real interest charged on those loans. In effect, the Minister is forcing students to put the funding of these scholarships on their credit cards, again increasing the levels of debt.

The structure of the new ‘Commonwealth’ scholarships is also fundamentally unfair on those universities with relatively high levels of students from low SES backgrounds. Figure 6 shows the relationship between the proportion of low-SES students enrolled in each university and the value of a Commonwealth scholarship per low SES student enrolled.

For reasons of comparison between universities, the calculations underlying Figure 6 assume that each university will increases its fees on average by $2,500 meaning that it would be required to put aside $500 for new ‘Commonwealth’ scholarships. This demonstrates the inherent unfairness of these scholarships because, all other things being equal, universities with the highest proportion of disadvantaged students will have the lowest average low-SES scholarship value. Not surprisingly, the data shown in Table 3 also shows that those universities with the lowest average scholarships are made up of regional universities and outer metropolitan universities, such as Victoria University and the University of Western Sydney. Those with the highest average scholarship value are dominated by members of the Group of Eight.

The simple arithmetic is that for any university where low SES students make up more than 20% of their domestic student cohort, the average value of a Commonwealth scholarship will be less than the increase in fees. That is, disadvantaged students would be worse off because any increase in fees will be more than the average value of the scholarship.

The irony of the new ‘Commonwealth’ scholarship is that rather than using a legislative instrument to introduce equity scholarships for disadvantaged students so that levels of inequity in the system can be reduced, it will instead use this instrument to entrench existing levels of inequity and cement structural unfairness within the higher education sector.
This presents a major dilemma for universities with high numbers of low SES students, which includes all regional universities and those located in outer metropolitan areas. Universities including CQU, USQ, UWS and Victoria University will be under the most pressure from their communities and their current and potential student cohort to keep fees low, but this means they will not be in a position to offer scholarships to match those offered by universities at the other end of the spectrum.

An equity scholarship system which disadvantages universities with the highest proportion of disadvantaged students is, in policy terms, nothing less than an oxymoron.

**DEBT SHIFTING ON A GRAND SCALE**

It is clear that Joe Hockey wants to be portrayed as the Treasurer who saved Australia from a fiscal crisis. He wants to be seen as applying tough spending cuts to bring the Budget back into surplus, and thus reducing the level of government borrowings and net government debt.

However, the higher education policies announced as part of the Budget, seem to be less about reducing costs and debt, and more about shifting costs and debt away from the government and onto students. NTEU has shown the ‘savings’ to be made in cutting government funding per CSP by 20% (or about $2,120 per student per year), and abolishing the government funded Student Start-up Scholarships and some relocation scholarships will also take out a further $8000m over four years. Some of this funding hole would be filled by new student funded Commonwealth scholarships, but the amount of these depends entirely on how much universities increase their fees. The NTEU analysis has shown that, as a minimum, universities will be forced to increase their fees on average by about 40% just to ensure they maintain the same level of resourcing per CSP as is
NTEU analysis of higher education changes in the 2014 Federal Budget

currently the case. The only difference is that the Government will have also shifted its share of the total resourcing from about 60% to about 45%.

It is clear from NTEU’s analysis that the level of outstanding HELP debt owed by students will skyrocket over the next decade. Based on pre-Budget projections, the level of HELP debt was forecast to exceed $50 billion by 2016 (see www.mystudentdebt.com.au). Higher levels of individual debt (as a result of higher fees) and an increasing number of students incurring debt (as result of extending HELP to sub-degree qualifications) means that the level of outstanding HELP debt is likely to accelerate.

The NTEU’s estimates of outstanding HELP debt levels are shown in Figure 7, which projects the increase of debt from about $53 billion in 2016–17 to over $200 billion by the mid 2020s.

According to the 2014 Budget papers, the level of government net debt is predicted to peak at about $270 billion in 2019–20 and begin to decline after that date as the Budget moves towards surplus. The NTEU’s estimates of the levels of government debt are also shown in Figure 1. These are based on data contained in Statement 7 of Budget Paper No.1 2014–15.

As Figure 7 clearly shows, the level of debt students will owe the Government will exceed the Government’s net debt sometime in the early 2020, effectively debt shifting on a grand scale.

Figure 7: Total Commonwealth debt vs Outstanding student HELP debt

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2 Net debt figures for 2013-14 to 2017-18 are based on government estimates published in Budget Paper No.1 Statement 7 Table 3: Liabilities and assets included in net debt from 2013-14 to 2017-18. Our estimates of net debt for the period 2017-18 to 2024-25 are based on the percentage changes to the value of Commonwealth Government Securities underlying the data contained in Chart 1: Total face value of CGS on issue 2013-14 MYEFO vs 2014-15 Budget. www.budget.gov.au
### Table 3: Proportion of domestic students from low SES backgrounds

<table>
<thead>
<tr>
<th>Higher Education Provider</th>
<th>Share of low SES students (SA 1) %</th>
<th>Domestic students</th>
<th>Value of scholarship Pool ($500 per Student)</th>
<th>Average value of scholarship per low SES</th>
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<td>36.87</td>
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<td><strong>$431,212,000</strong></td>
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NTEU ANALYSIS OF HIGHER EDUCATION CHANGES IN THE 2014 FEDERAL BUDGET

CHAPTER 3

THE CASE AGAINST GOVERNMENT FUNDING OF PRIVATE NON-UNIVERSITY HIGHER EDUCATION PROVIDERS

One of the major changes to higher education included in the 2014–15 Federal Budget is the decision to extend funding for Commonwealth Supported Places (CSPs) to non-university public and private providers (NUHEPs), including for-profit providers.

According to the latest student data there were about 1.1 million higher education students enrolled in Australian higher education institutions in 2012. As shown in Figure 8, over 94% of these students were enrolled at public Australian universities compared to only about 70,000 (6%) enrolled at a private university or other provider.

![Figure 8: Number and composition of higher education students in public universities, private universities and other providers in Australia, 2012](image)

Figure 8 also shows that there are considerable differences in the composition of the student cohort between public universities and other providers, with 95% of students being enrolled at postgraduate or bachelors level whereas 27% of private and other providers are at the sub-degree level.

THE CASE FOR OPENING-UP CSPS TO PRIVATE PROVIDERS

Private providers argue that extending CSPs to their operations ensures that all students, no matter where they choose to study, are entitled to the same level of public support. Private and other providers, including TAFEs, also make the case that they are more attuned to dealing with students at the sub-degree level as is indicated in Figure 8. They argue that extending public subsidies to all providers is not only equitable for students, but that it will increase access and opportunities for students who might not otherwise participate in higher education.

The NTEU supports greater access and equitable treatment of students, but moving to a fully contestable market oriented model as is being proposed is not the way to achieve these outcomes.
The NTEU does support the extension of CSPs to sub degrees in higher education courses – in public institutions. Such courses are best delivered by public universities and TAFE institutions, which have the expertise and infrastructure to provide students with a quality and well supported education.

The major argument for opening up CSPs to NUHEPs advanced in the report of the Kemp Norton Review of the Demand Driven System (2014) is that the exclusion of NUHEPs is inconsistent with the access objectives of the demand driven system (p. 72). However, the rapid expansion in the number of higher education places offered by Australian universities would indicate that the introduction of the demand driven system had gone a long way to achieving the access objectives.

The Kemp Norton report also claims that the distinction between public universities and private providers that existed in the 1980s has disappeared (p. 72). As institutions established by Acts of various Australian governments, Australia's public universities are not-for-profit autonomous public institutions that, in addition to educating students and undertaking research, have public service obligations which includes the protection and promotion of freedom of intellectual inquiry.

In a recent speech at ANU, Nobel laureate, economist Joseph Stiglitz said 'Trying to pretend that universities are like private markets is absurd' (The Age, 3 July 2014). Stiglitz concluded that the Australian Government’s plans to deregulate universities were a ‘crime’.

The Kemp Norton report stated that ‘(l)In submissions, there was little opposition to the idea of opening up the demand driven system’ (p. 72). It notes that the NTEU was the only major interest group that expressed a strong view for explicitly excluding private non-university providers access to CSPs. The NTEU may have been alone in this view because it was not one of the terms of reference for the inquiry and so others may not commented.

However, since the Budget announcements tied a 20% reduction in government funding per CSP in order to fund the extension of CSP funding to private providers and for sub-degree places, a number of universities and university groups, including Universities Australia, have expressed concerns about this fundamental change in policy direction.

The Kemp Norton report correctly noted that ‘(T)he NTEU’s opposition appeared to be partly on concerns that the outcome may resemble the Victorian vocational education market. It notes that TAFEs have lost market share to private vocational education providers.’

**THE CASE AGAINST OPENING-UP CSPS TO PRIVATE PROVIDERS**

Ms Field [CEO of the Australian Council of Private Education and Training (ACPET)] said she would tell the Government that it was very difficult to second guess a market response to any change in government policy settings. ‘What’s really crucial, and what we should learn from the Victorian VET funding changes, is that government needs to be able to react quickly.


The NTEU agrees with Claire Field on one account, and that is, that a fully contestable market for the allocation of VET places has been a spectacular failure in Victoria. It has required numerous changes to government policy and funding, including the most recent cuts to public subsidies to which ACPET responded with a media release entitled ‘ACPET calls for an end to constant Victorian VET funding changes’.

While ACPET believes that the failed Victorian experiment provides valuable lessons for the application of such an approach to higher education, the NTEU believes that the lesson to be learned is that a fully contestable market-oriented approach to the allocation of higher education is too risky and should not be proceeded with. We would argue that a policy which requires the
government to continuously react to unforeseen or unanticipated circumstances is a clear admission of policy failure.

**CONTESTABLE FUNDING IN VICTORIAN VOCATIONAL EDUCATION AND TRAINING**

In 2008 the Brumby Labor Government introduced its Securing Jobs for Your Future reforms which, amongst other things, made all public VET funding fully contestable between TAFE institutes and private VET providers. These reforms led to a massive increase in VET student enrolments, jumping to 31% in Victoria compared to only 7.3% for the rest of Australia over the period 2008 to 2012 (NCVER Student and Course data). The growth in enrolments was predominantly in private Registered Training Organisations (RTOs) which ballooned from 201 in 2008 to 421 by 2013 and whose share of total enrolments increased from 14% to 48% over the same period (Victorian Training Market Reports).

However, impressive growth in student enrolments is not in itself a testimony to the success of the policy. The Victorian Essential Services Commission concluded in 2012 that, under this deregulated market system, ‘it is the student who ultimately decides what (if any) training they will undertake. If students’ training choices do not align with the skills needed by the economy, there will be an under- or over-supply of skills in particular sectors.’

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

The Productivity Commission Report on Government Services 2014 shows that between 2008 and 2012 recurrent government VET expenditure in Victoria grew by 79.6% which was more than 3 times higher than for the rest of Australia (26%). The vast bulk of this additional expenditure in Victoria went to non-TAFE providers, who accounted for almost 80% of the $863m increase in expenditure between 2008 and 2012.

This policy framework not only caused an unexpected $400m blow-out in Victoria’s budget, it also meant that a lot of Victorians had undertaken courses which would neither get them jobs nor fill the skills gaps.

In 2012, the Baillieu Liberal National Coalition Government responded to the blow-out in VET expenditure by announcing a $300m per annum funding cut, which was directly targeted at public TAFEs. The impact of these cuts had a devastating impact on Victoria’s TAFEs and included:

- closed campuses and courses especially in regional areas,
- thousands of staff cuts, especially in areas of student learning and support, and
- substantially increased student fees.

The policy framework has undermined and threatened the financial viability of many of Victoria’s TAFE colleges, with over half recording financial losses in 2013. The Northern Melbourne Institute of TAFE (NMIT), for example, recorded a loss of $30m. The Victorian Government has been forced to respond with its ‘Refocusing Vocational Training in Victoria’ policy which includes investing $200m in a TAFE restructuring fund, leading to the amalgamations of a number of rural TAFE institutes.

The latest policy change announced in June 2014 was to cut public funding rates to a number of non-apprenticeship courses by 30%, presumably because of larger than expected enrolments.
GAMING BY PRIVATE RTOS
The obvious gaming of public funding by predominantly private RTOs has aroused concerns about the operation of tertiary education markets in Australia. The Australian Skills Quality Agency (ASQA) 2013 report, ‘Marketing and advertising practices of Australia’s registered training organisations’ showed that, amongst other things, the marketing practices of up to half the RTOs it examined were potentially misleading to consumers, including numerous examples of:

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

The Victorian experiment of opening places to private providers has failed the economy, the community and students and employers. The capacity of the once comprehensive network of public TAFE colleges, which were a cornerstone of Victorian suburbs and towns, has been devastated.

From the NTEU’s perspective, the lesson to be learned from this failed experiment is that it represents far too great a risk for students, the community and public education institutions and should not be spread into higher education.

IMPACT ON UNIVERSITIES
The NTEU anticipates that the introduction of a fully contestable funding framework for higher education will undermine the viability of our public universities just like the failed experiment in Victoria has undermined the viability of that state’s public TAFE institutions.

Universities need to be able to make a surplus on popular and relatively low cost courses to allow them to cross subsidise less popular higher cost courses, such as in science and foreign languages, which the community expects them to offer as essential contributions to our economic and cultural development. A contestable market model will allow private providers to ‘cherry pick’ by competing in popular low cost (profitable) courses which will undermine existing university business models and take away their capacity to fund a broad range of popular and less popular courses. Like many of Victoria’s TAFEs the financial viability of some our universities will be significantly compromised by their community service obligations to continue to offer broad range courses. Private providers will be under no such obligation.

OVERSEAS EXPERIENCE – USA AND UK
A two-year investigation by the US Senate Committee on Health, Education, Labor, and Pensions investigating the rapid expansion of for-profit college enrolments in the USA, found that 75% of enrolments are in colleges owned by either a company traded on a major stock exchange or a college owned by a private equity firm. In addition, the report found that, for-profit colleges:

- Targeted students from low income backgrounds who were eligible for federal student aid.
- Received $32 billion (25%) of all federal student aid, including Pell grants, but only account 10% of all students.
- Charged higher than average tuition fees.
Students have higher than average debts.
Graduated less than half of their students.
Spent considerable resources on recruitment and marketing but little on student support.

The report concluded that for-profit colleges are more interested in generating profits than they are on the education or welfare of their students. Consequently President Obama is seeking to change regulations so that funding is more closely tied to student outcomes.

A recent story in The Guardian, ‘Private sector and students profit at the college they call ‘the ATM’” revealed that recent changes in the United Kingdom that allowed private for-profit colleges to enrol students eligible for government supported tuition loans has resulted in what they have termed ‘cashpoint’ (ATM) colleges.

Students are encouraged to enrol into these colleges because they can get access to up to £11,000 of student income support, while the college collects the student tuition fees from the government who lends it to them on behalf of the students, in a scheme similar to HELP in Australia.

While this has led to a substantial increase in the level of student debt, it has also raised serious concerns about the quality of education students at these colleges receive, given that there seems to very little regard paid to whether students attend classes or complete assessment.

The USA and UK experiences demonstrate that there will be private for-profit providers eager to enter the higher education market where public subsidies are available. These businesses target the most disadvantaged students with persuasive marketing. The NTEU is concerned that similar circumstances might arise in Australia if the Abbott Government’s strict ‘Earn or Learn’ policy proceeds, which would deny Australians under 30 access to unemployment benefits for six months.

Role of a strong regulator

The Government and those proposing wholesale deregulation of higher education argue that all of the problems outlined above could be avoided so long as there is a strong and effective regulator, which in the case of Australian higher education is the Tertiary Education Quality and Standards Agency (TEQSA). However, there are already high levels of concern as to whether TEQSA will have the resources to thoroughly ‘vet’ all applicants for existing and new providers, and the Government’s attitude to strengthening regulation was revealed with the $30m Budget cut to TEQSA over the next four years.

The Victorian VET, USA and UK examples clearly demonstrate that when for-profit providers gain access direct public funding, businesses more interested making a buck than in providing students with a quality education will flood the market.

To quote Professor Stiglitz again, ‘Countries that imitate the American model are kidding themselves. It seems some people here would like to emulate the American model. I don’t fully understand the logic’. He said that Australia had an education ‘system that is a model for the rest of the world.’ (Peter Martin, The Age, 3/7/14)

Given the very real and high risks associated with a move to a more market oriented approach to the delivery of higher education, including the full contestability of public funding between public and private providers, the NTEU questions who this policy would benefit and concludes that it is not students and their communities.
CONCLUSION

The Abbott Government has been on the defensive since the Budget release in May 2014. It is not surprising that there has been such adverse reaction from across Australian society, with even close allies of the Coalition expressing concern about the harsh impacts of Budget measures on not only the poor, but also the aspirational middle income families, who the Coalition claims to speak for.

This is an austerity budget, deeply unfair and biased towards big business, mining and the richest in our society. It is also a budget that seeks to assert a neo-conservative agenda, winding back government expenditure and services, allowing for the expansion of the private, for-profit sector through deregulation and increased syphoning of public funds, whilst at the same time implementing an extreme conservative social ideology that, for example, denies climate change, winds back industrial rights, restricts Indigenous rights, and halts reforms to gender equality.

In terms of education, this Government’s broken promises litter the policy landscape. Just prior to the election, the now-Minister for Education, Mr Pyne ruled out fee deregulation. In Opposition, Tony Abbott promised that his government would have a ‘light touch’ approach to higher education, and that it would be ‘business as usual’ for universities once he was Prime Minister. Both promised ‘no cuts’ to education funding, and certainly no-one in Coalition ranks floated the idea of an American style university system prior to the election, or even prior to the release of the Budget – probably with the knowledge that such a suggestion would have been torpedoed and sunk very quickly.

But the range, depth and sheer audacity of these policy proposals mean that they have been in the minds of their creators for some time, hidden from public view, examination and debate. Knowing that these ‘reforms’ would be unpopular, Tony Abbott, Joe Hockey, Christopher Pyne and others instead chose to obfuscate and obstruct, mislead and misinform, until after they were elected.

It is no wonder, therefore, that people are angry. The changes to universities that the Coalition Government seeks to impose were never mandated, and people know that they were lied to. NTEU polling has shown that 70% of Australians oppose the university fee increases for students, and that the higher education changes are one of the most unpopular measures in the Budget. Australians do not want an American style education system, and crippling debt for their children.

What they do want is a higher education system that trains students for high skilled jobs, promotes research and critical thinking, and is equal and accessible. Above all, they want universities that will both prepare and shape the country’s future. Cutting public investment in universities, while burdening the next generation with high personal debt and cementing inequality within the higher education framework, does not set Australia up for a secure and prosperous future. Undoubtedly, it would have the exact opposite effect.

It is therefore vital that the higher education changes proposed in the Budget are opposed and rejected, in their entirety, now. Instead, we need to implement policy that invests in Australia’s future by supporting a strong, appropriately funded, internationally recognised and equitable higher education system. That should be our vision for our universities, not what is currently proposed by this Budget.
Attachment 5

NTEU Policy Briefing Note: The Simple Arithmetic of Inequity. The New Commonwealth Scholarship Scheme
NTEU Policy Briefing Note
19 September 2014

The Simple Arithmetic of Inequity

Christopher Pyne's 'new Commonwealth Scholarships'

In his address to the national Press Club on Wednesday 6 August, the Minister for Education, Christopher Pyne, claimed that:

Under the Government's reforms, students from disadvantaged backgrounds including from regional Australia will have access to the new Commonwealth Scholarship scheme. Their higher education institution will help them with their costs of living while they study. The scholarships will also be able to cover fee exemptions and mentoring, tutorial support and even relocation and living expenses.

The problem as the following simple example shows is that Minister's claims simply do not add up.

Let's take a simple example of two universities, University A and University B. Both universities have 16,000 domestic undergraduates who all currently (before the effect of any of the government's proposed changes take effect) pay the maximum tuition fee of $8,000 per annum.

The one major difference between the two universities is in terms of the number of students from disadvantaged backgrounds they enrol. University A, a well-established inner city university has a total of 1,600 (10% of total) students from disadvantaged backgrounds. University B located in regional Australia has 4,000 (25% of total) students from disadvantaged (low SES) backgrounds.

Funding Cuts and Deregulation of University Fees

Let's assume that the effect of the government's policy changes are to:

1. cut the funding per student by $2,400 which is 20% of government's 60% ($12,000) contribution - not to be confused with the student's 40% ($8,000) contribution or tuition fee, and
2. remove the cap on how much universities can charge domestic undergraduate students (currently set at $8,000).
For purpose of direct comparison let us further assume that both University A and University B now react in exactly the same way. With the cut in funding and the removal of the cap we assume that both universities decide to increase their fees to $13,000. Of this $5,000 (62.5%) increase keep in mind that almost half ($2,400) is simply to compensate both universities for the 20% cut to government funding per student.

**New Commonwealth Scholarships**

The government’s ‘new Commonwealth’ Scholarship Scheme requires each university to set aside $1 in every $5 of increased student fees (above that necessary to compensate for funding cuts - $2,400 in our example) to be put aside to fund scholarships for disadvantaged students. In other words, in the scenario outlined above Universities A and B would both be required to allocate 20% of additional $2,600 increase in fees into a Commonwealth Scholarship fund. That is, each university would be required to put $520 per student into the Scholarship fund. Given that both universities have 16,000 domestic undergraduate students this means they would both have a Commonwealth Scholarship fund worth a total of $8,320,000.

As the Minister has made it clear, it will be up to the discretion of each university to determine what the scholarships will cover and how they will be distributed. However, if we assume that as a starting point, each university awards each of its disadvantaged students a scholarship of equal value. That means that value of scholarships at:

- University A would be $5,200 ($8.32m/1,600) per student.
- University B would be $2,080 ($8.32m/4,000) per student.

In other words, the value of an average scholarship for a disadvantaged student studying at University A would be $5,200 per student which barely covers the $5,000 increase in fees that all students will have to pay to fund the scholarships. At University B the average value of the scholarship would be $2,080 which goes nowhere near covering the $5,000 increase in fees. That is, on average disadvantaged students at University B will be $2,920 worse off per year.

**How does this look when applied to Australia’s universities**

According to the latest data, the proportion disadvantaged (low SES) student attending Australia’s universities varies from a low 5% at ANU to over 40% at Central Queensland University. As Chart 1 shows, the higher the proportion of disadvantaged students a university has, the greater the gap between the increase in fees and the average value of scholarships.
In other words, the scheme has an inbuilt structural flaw which disadvantages those universities with high proportions of disadvantaged students, which are predominately regional and outer metropolitan universities.

**Figure 1**

![Graph showing value of average Commonwealth Scholarship based on proportion of disadvantaged students.](image)

**How are universities to respond?**

The example above also highlights a major dilemma that universities with large numbers of disadvantaged students face. The irony of Mr Pyne’s new Commonwealth scholarships is that disadvantaged students at University B (or any university where there are more than 20% disadvantaged students) would be better off without any Commonwealth scholarships because the increase in fees needed to offset the cut in public funding ($2,400) is less than the increase in fees of $5,000 less the value of the Scholarship ($2,920).

University B of course could elect to be highly selective and not offer all of its disadvantaged students a new Commonwealth scholarship. For example, if it only offered 1,000 scholarships (to one in four of its disadvantaged students) the average value of the scholarship would be $8,320. While this would make the 1,000 lucky recipients better off, it would make 3,000 other students considerably even worse off.
A further dilemma faced by universities, like University B, is if they do the right thing by their students and limit fee increases to the amount need to compensate for cuts to public funding ($2,400 in our example) this might not be in the universities best interests of because it would deprive itself of much needed funding ($4 of the $5 increased fees) to improve the quality of the educational experience and its research and community engagement.

**Scholarships to cover more than fee increases**

In trying to sell his new higher education package, the Minister has claimed that new Commonwealth Scholarships will lead to record levels of scholarships for disadvantaged students despite the fact that his policies also include abolishing about $800m worth of existing student start-up and relocation scholarships. Mr Pyne has also suggested that scholarships could cover not only tuition fees but also include living and other expenses as well.

So the question is how much would fees have to rise in order for universities to be in a position to offer scholarships that would not only cover increased fees but also name a contribution to living and other expenses?

The answer to this depends on a number of factors including how many scholarships a university will (or be required) to offer.

Using the data from our earlier example, were fees increase by $5,000 or 62.5% we know that:

- For University A the average value of a new Commonwealth Scholarship would be $5,200 if it awarded to every one of its 1,600 disadvantaged students, and
- For University B the average value of a new Commonwealth Scholarship would be $2,080 if it awarded to every one of its 4,000 disadvantaged students.

Let’s assume that each university would like to award scholarships which not only cover the increase in tuition fees but also provide each scholarship awardee with an additional $10,000 in funding to help cover living and other expenses.

**University A** could achieve this by keeping the fee increase to $5,000 but only awarding scholarships to just over a third (about 550) of its disadvantaged students.

If however, University A wanted at award all of its disadvantaged students such a scholarship it would have to increase its fees close to three fold (200%) to achieve this outcome as shown in Table 1.
The task for University B however is much more difficult. In order to keep its fee increase to only $5,000 or 62.5%, it would also have limit the number of scholarships to about one in seven (13.2%) of its disadvantaged students. Putting this another his means that about 3,350 of University B's 4,000 disadvantaged students (86%) would miss out on a scholarship.

Unfortunately, University B cannot award all of its disadvantaged students a scholarship which would deliver them $10,000 more than the increase in student fees. As Table 2 shows the more University B increases it fees the worse off all disadvantaged students would be.

So what is the situation for an average Australian university, where 16% of its students come from low SES backgrounds? The situation is summarised in Table 3 shown below, which shows that if Pyne's new Commonwealth Scholarships were to deliver every disadvantaged students a scholarship which cover the increase in fees (still have to pay the original $8,000) and a $10,000 allowance to go toward living and other expenses, would require fees on average to increase to $60,000 per year.
The NTEU is not suggesting that fees will increase by 600%. The purpose of undertaking this exercise is simply to demonstrate that:

1. Pyne’s new scholarship scheme and claims of record number of levels of scholarships which will not only cover fees but also living other costs just do not add up, and

2. The design of scheme is structurally flawed because universities with the highest proportion of disadvantaged students cannot offer the same value or number of scholarships as universities with lower numbers of disadvantaged students.

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<th>New Fee</th>
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<th>% Increase</th>
<th>Average Value of Scholarship</th>
<th>Net Gain for Student</th>
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