

**Driving Innovation,
Fairness and Excellence
In Australian
Higher Education**

May 2016

ACPET Submission

July 2016

Introduction

The Australian Council for Private Education and Training (ACPET) welcomes the opportunity to provide a submission in response to the Australian Government's May 2016 discussion paper, *Driving Innovation, Fairness and Excellence in Australian Higher Education*.

Established in 1992, ACPET is the national industry association for private providers of tertiary education and training. ACPET has over 1,000 members who deliver a range of higher education, VET and English language courses across all states and territories and internationally. Seventy-eight (78) of these members are higher education providers (HEPs).

ACPET's mission is to enhance quality, choice and innovation in Australian tertiary education and works with governments, industries and other stakeholders to ensure higher education and training services are well targeted, accessible and delivered to a high standard.

With the impacts of globalisation and technology sweeping through the economy and workforce it is important that Australia's higher education sector has the flexibility and capability to respond to the increasingly diverse needs of industry and students. Australia's HEPs are demonstrating an ability to respond to these needs, with programs that are often tailored to the particular needs of their students and industry sectors.

The future of higher education in Australia must be based on policy and funding arrangements that support these providers and their students. The current settings that largely only recognise university delivery cannot continue if innovation, fairness and excellence are to be achieved.

Recognising Higher Education Providers

While Australia's higher education policy and funding arrangements (and the discussion paper) have a focus on public university delivery it is worth noting that HEPs are performing an increasing role in supporting students undertaking higher education.

The most recent statistical report from the Tertiary Education Quality and Standards Agency (TEQSA) indicates 178 registered providers delivering higher education in Australia. This comprises 135 HEPs and 43 universities¹.

Departmental data indicates HEPs delivered higher education services to around 110,000 of the 1.373 million domestic and international students in 2014. Some 71,000 were domestic students out of a 1.026 million domestic student total². This data also indicates HEP domestic total enrolments grew by 6.9 per cent compared to 3.9 per cent by public universities. Domestic HEP commencements grew by 10.9 per cent compared to 3.9 per cent for the public universities.

Whereas all but four universities reported more than 5,000 equivalent full-time students, no HEP had this many students in 2014. Ninety-nine (99) HEPs had less than 1,000 students with half of those (47) having less than 100 students³. Their smaller size provides real alternatives and choices for students seeking to access higher education.

The inclusion of some HEPs in the Quality Indicators for Learning and Teaching (QILT) has, for the first time, detailed their diversity and the strong levels of student satisfaction. HEPs received overall satisfaction levels on par with universities⁴. This is a significant achievement given the lack of government support for them and their students.

ACPET strongly supported the Government's proposed higher education reforms that were announced as part of the 2014-15 Budget that would have provided greater recognition and support of HEPs and their students. Those reforms included access to Commonwealth Supported Places for HEPs, extending CSPs to sub-degree programs and eliminating the FEE-HELP loan administration fee.

These measures would have addressed the current discrimination faced by students enrolled with HEPs that excludes their access to CSPs and imposes a 25 per cent administration fee on FEE-HELP student loans that is not incurred by university students. There needs to be equitable funding support and fee arrangements regardless of the provider, university of HEP.

Features of a future Higher Education Sector

ACPET welcomes the discussion paper's articulation of the features of Australia's future higher education system and the focus on students. Much of the recent commentary has been focused on the funding needs of universities and the deregulation of fees.

The discussion paper identifies the need, for all Australians with the ability and motivation to succeed in tertiary education, to be supported - there should be no perverse incentives for students to choose a VET course over a higher education course or vice-versa. Unfortunately, the funding and governance arrangements for Australia's tertiary education system features some very strong perverse incentives that are evident in the relative performance of the VET and higher education sectors.

The Mitchell Institute has starkly outlined the failings of current VET funding arrangements that has seen funding and enrolments stagnate, at the same time as higher education funding has grown significantly⁵. The Productivity Commission has highlighted a 31 per cent decline in real recurrent funding over the last decade⁶.

Clearly, this widely acknowledged failure in VET sector governance and funding needs also to be addressed in order to have a tertiary education sector that best meets of the needs of students, industry and the Australian economy and avoid perverse incentives. Indeed, the future arrangements for higher education should not be considered in isolation of the VET sector. As the Mitchell Institute and others have argued there is a need for a coherent overarching tertiary education policy and funding framework.

The goal of not wishing to preclude students because they have not had prior opportunity or preparation is also supported. This barrier is not addressed, however, by simply lowering tertiary admissions standards. This simply runs the risk of setting students up for failure and undermining the integrity of admissions processes which, of course, have been under recent scrutiny with the Higher Education Standards Panel (HESP) considering measures to improve transparency⁷.

Rather, there needs to be greater recognition of the legitimate role of other targeted programs to support disadvantaged students to succeed. This entails a greater recognition of fit-for-purpose pathway programs and VET, in preparing students, and of their articulation into higher education.

There are clear incentives to enrol students in bachelor degree programs supported by the demand driven system while pathway programs places are limited and allocated on the basis of historical delivery patterns. Similarly, the lack of CSP funding for sub-degree programs also distorts the decisions made by students. These programs should also be brought into line with the demand driven system.

There needs to be a greater focus on recognition of outcomes and these should be much more transparent to prospective students and other stakeholders. ACPET welcomed the QILT initiative reforms that have included HEPs and provided enhanced information on providers and their outcomes to inform student choices. These measures should also help ensure that the investment by students and government more closely align to the needs of the labour market and economy.

It needs to go further and ACPET looks forward to the outcomes of the HESP's consultations on ways to improve transparency in admissions processes to ensure students choices are well informed.

The need for new kinds of institutions and modes of delivery is self-evident given the impacts of technology and the growing diversity of the student cohort and their expectations. These new arrangements need to be recognised and supported. Unfortunately, the funding and policy frameworks still largely acknowledge public universities only. This is most evident of course, in the lack of access to CSPs for students studying with HEPs.

Opportunity and choice

The best options for students

The discussion paper indicates the wider range of student social and economic backgrounds that have come with increased participation in higher education. The paper also notes that the achievement for some equity groups has not matched overall improvements.

There have been some concerns with the lowering of ATARs to enhance participation by disadvantaged groups. ACPET strongly supports the use of sub-degree and pathways programs, to ensure students are well prepared to complete their study and undertake a program that meets their career needs and aspirations. Of course many sub-degree programs also provide for very effective career and job outcomes in their own right.

At the same time the greater diversity in the student cohort means that university attendance may not suit all students. The growth in students studying with HEPs, despite the financial penalties, is testament to the demand for alternative delivery arrangements. These arrangements should be supported, not punished. Accordingly, ACPET strongly supports extending subsidies for undergraduate courses to HEPs.

This extension of support would particularly benefit students from low SES and other disadvantaged backgrounds enrolled with HEPs. A number of ACPET members have a long and proud history of delivering quality tailored sub-degree programs that provide educational pathways and skilled job outcomes for migrants, the mature-aged and other disadvantaged learners.

For ACPET and its members, these key measures will partially address the fundamental inequity faced by higher education students enrolled with HEPs and open up new opportunities for more students to undertake higher education that best meets their needs and circumstances and those of industry and the broader Australian economy.

Postgraduate places to support innovation

As the discussion paper notes, there has been recent strong demand for postgraduate places. This growth has also been recorded with HEPs. These providers had 15,457 domestic postgraduate coursework commencements in 2014 up 21.3 per cent over the previous year⁸.

As with the undergraduate courses, there is a strong case for extending subsidies to students undertaking postgraduate programs with HEPs on a basis consistent with universities. Students undertaking postgraduate coursework with HEPs should have the same access to supported places.

Given the strong growth in postgraduate commencements and the policy imperatives encapsulated in the Government's innovation agenda, the reallocation of existing places would be inadequate. These places should be demand driven. This would make Commonwealth funding consistent across different course levels. It is acknowledged that funding levels would need to be carefully managed to contain the budget impact.

Fairness and equity

Improving support for disadvantaged students

The disparity in persons from disadvantaged backgrounds accessing higher education has not been adequately addressed by the growth in bachelor degree places. As noted earlier in this submission, there is a need for a range of program responses to meet the increasing diversity of students wishing to access higher education.

There is a need to increase the availability of pathway and other programs that provide the tailored support that is required in order to maximise the chances of successful higher education participation. Similarly, these programs need to be delivered by providers that have the capacity to respond to student needs. As noted earlier in this paper, HEPs are generally much smaller in scale than universities making them well placed to offer this tailored support.

To support improved access to enhanced program responses, the inequitable 25 per cent administration fee on FEE-HELP loans for those students enrolled with HEPs also needs to be addressed. There needs to be equitable loan fee arrangements regardless of the provider, university or HEP.

Supporting the regional presence of universities

The discussion paper seeks to present to solution to enhanced regional higher education delivery in terms of strategies that improve university delivery and then highlights the dependence of regional universities on capital grants for infrastructure investment.

Rather than variations on the 'usual' infrastructure solutions for universities that are outlined in the discussion paper, consideration needs to be given to a broader range of regional delivery mechanisms. These need to include consideration of the role that HEPs can provide in responding to regional and other smaller student cohort needs. Working with industry and their communities, HEPs have the flexibility to respond to regional learning needs.

With appropriate mechanisms to guide and protect public investments, there should also be the capacity for a broader range of infrastructure solutions, which extend beyond universities, to be supported. Once again, funding that supports a broader range of partnerships with industry and communities should be considered.

Excellence in quality

Flexibility to innovate

Acknowledging the Government's policy position that there not be a total deregulation of course fees, a proportion of flagship course enrolments would provide a means for providers, not just universities, to develop world class course options and differentiate their offerings in an increasingly competitive market. Limiting these enrolments to a proportion of total enrolments would contain excessive growth of such courses and support the Government's commitments regarding fee deregulation.

Given these programs are expected to be world class and innovative, a maximum of 10 per cent of the proportion of total enrolments at the provider level would be appropriate. To limit the Government's financial commitment and provide a further check on excessive growth in such programs, the CSP funding should be consistent with other courses in the funding cluster or other revised funding arrangements.

Sophisticated definitions and complex measures of a flagship courses would be difficult to administer and, given the rapid changes in technology and an increasingly global higher education market, may prove counterproductive to their intent. The consideration of most relevance is ensuring broad student choice is not significantly impacted.

Similarly, the benefits of monitoring flagship course fees are unclear and likely to also bring significant administrative complexity. Provided broad student choice is maintained, the fees for such programs should be matters for students and their providers.

More information for students

The recent enhancements to QILT highlighted in the discussion paper are most welcome. These enhancements ensure that students have a richer source of information on a broader range of institutions that can meet their needs. ACPET would support further enhancements that provide additional key information to students.

First and foremost, however, is the need to ensure that existing information is clear, complete and accurate. There have been recent concerns that the admissions processes of some universities lack transparency, particularly in relation to the use of ATARs.

Almost all HEPs do not hold Self-Accrediting Authority. Their adherence to the Standards that govern admissions processes is regulated by TEQSA. All providers, including universities, need to detail and be held accountable for complete, accurate and transparent information regarding their admissions processes.

It is important that the integrity of admissions processes is maintained. Consideration of the HESP's recommendations following its recent consultations on ways to improve transparency should be a priority.

To further assist prospective students, the publication of provider course admission, completion and graduation data should also be considered. The use of QILT or another platform to provide some key provider and course performance information (as canvassed in the HESP consultation paper) should complement, and not replace, a requirement for clear, complete and accurate admissions processes information in all relevant provider materials and web sites.

Affordability

A fair share from taxpayers and graduates

The current funding of higher education in Australia reflects a policy framework that ignores the decades of microeconomic reform that has occurred in most other sectors of the economy. Essentially it recognises the role of the publicly-funded universities and not that provided by the HEPs that are playing an increasing role in the sector.

ACPET would welcome the opportunity to work with the Government and other sector stakeholders to better understand the relative costs of delivery of higher education. The opportunity to consider the range and benefits (including fiscal) of various contemporary delivery models needs to be included and not simply the traditional university delivery arrangements.

In relation to the merits of adjusting the Government's contribution and increasing the maximum capped student contribution, ACPET would support a transparent approach that reinforces the price 'signals' to students so they are making informed choices about their study and choices.

An affordable loan scheme

The current HELP arrangements reflect ad-hoc decisions in response to the development of a more diverse market and lack coherence and consistency. That students accessing FEE-HELP incur a 25 per cent loan administration fee not paid by their university counterparts is inequitable and punishes students because of the choice of provider. It also sends an unfortunate 'signal' to students about the Government's higher education provider preferences.

It is also unclear how the 25 per cent FEE-HELP loan administration fee (and 20 per cent for VET FEE-HELP) can reasonably be related to the cost of administering these loans.

To the extent that these loan administration fees are simply another means by which to recover some of the Government's loan subsidy costs (and not the cost of processing a loan) it would be more appropriate for them to be abolished and adjustments made to the repayment arrangements. This would at least be more transparent, simple and defensible than the current ad-hoc loan administration fee arrangements.

Changes to repayments and rates

The recent work by Norton⁹ and the Parliamentary Budget Office¹⁰, in particular, have highlighted the need for reform of the current HELP arrangements that reflect labour market and higher education policy settings of three decades ago. The structural changes to the workforce, together with moderating graduate career outcomes and incomes, means lower HELP repayments that are likely to add significantly to the Government's cost of servicing an increased loan portfolio over the next decade.

These structural changes also mean, for an increasing proportion of students, the price 'signals' that influence decisions to undertake higher education versus other study and career options have also been weakened.

Noting the income repayment threshold of the United Kingdom and New Zealand, minimum wage rates and the income thresholds for persons receiving social security benefits, the Norton proposal to reduce the income threshold to around \$42,000 per annum, along with a lower initial contribution rate, has merit.

The use of Average Weekly Earnings (AWE) to index HELP income repayment thresholds is also contributing to the falling rate of HELP repayments. Norton notes that the use of AWE has resulted in thresholds 17 per cent higher than they would have been if indexed to the Consumer Price Index (CPI)¹¹. Norton also notes that CPI is used index other government benefits. Accordingly, the use of the CPI to index income thresholds to the CPI would address this anomaly and contribute to the sustainability of HELP.

Once again noting the significant changes to the composition of the workforce that have occurred since HECS was introduced nearly 30 years ago it would seem appropriate to reflect these changes with a household income test as proposed by Norton.

The rapid changes in the labour market mean that the need to undertake further study and re-training will grow in the coming years. Accordingly, HELP arrangements need to cater for this need. Given the concerns with maintaining the sustainability of HELP arrangements and setting reasonable student loan limits, the establishment of a renewable loan limit for all students is supported.

¹ Tertiary Education Quality and Standards Agency (TEQSA), *Statistics Report on TEQSA Registered Higher Education Providers, 2016*, p5

² Department of Education and Training, *Selected Higher Education Statistics - 2014 Student Data*

³ TEQSA, *op cit*, p6

⁴ Quality Indicators for Learning and Teaching, *2015 Student Experience Survey National Report*, February, 2016, p16.

⁵ Noonan, P and Pilcher, S, *Financing Tertiary Education in Australia - the reform imperative and rethinking student entitlements*, Mitchell Institute Issues Paper, February 2015, p11.

⁶ Productivity Commission, *Report on Government Services 2016*, Vol B, p5.32

⁷ Higher Education Standards Panel, *Consultation on the Transparency of Higher Education Admissions Processes*, Department of Education and Training, 2016

⁸ Department of Education and Training, *ibid*

⁹ Norton, A, *HELP for the future – fairer repayment of student debt*, Grattan Institute.

¹⁰ Parliamentary Budget Office, *Higher Education Loan Programme - Impact on the Budget*, Report no 02/2016, Commonwealth of Australia.

¹¹ Norton, A, *op cit*, p44