27 February 2015

The Committee Secretary
Senate Education and Employment Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Secretary

Inquiry into the principles of the Higher Education and Research Reform Bill 2014 and related matters

Swinburne University of Technology welcomes the opportunity to make a submission to the Senate Education and Employment Committee into the principles of the Higher Education and Research Reform Bill 2014 and related matters.

Like other universities, Swinburne does not support the proposed 20% reduction in Commonwealth Grant Scheme funding which is central to the proposed package of reforms.

By international standards, Australia's public investment in the university sector is low and falling. OECD comparisons are particularly telling. Australia ranked 30 out of 31 OECD countries for public investment in (university equivalent) tertiary education as a percentage of GDP in 2011, down from 25 (out of 30) in 2010; and in 2011, Australia's public investment in tertiary education was 0.74 per cent of GDP, compared to OECD average of 1.13 per cent.[1]

A decrease in public funding of higher education would place Australia at a further disadvantage relative to other OECD countries and undermine Australia's long-term economic future.

In Swinburne's earlier submission to the Senate Committee inquiring into the *Higher Education and Research Reform Amendment Bill*,[2] Swinburne expressed serious concerns about the inflationary aspects of the proposed reforms. These pose a risk both to students and taxpayers.

[1] *Universities Australia, Pre-Budget Submission, 2015.*
[2] *Swinburne's submission to the Senate Committee inquiring into the Higher Education and Research Reform Amendment Bill 2014, available at:* *http://www.swinburne.edu.au/chancellery/submissions/docs/swinburne-higher-ed-reform-submission-sep2014.pdf*

These inflationary risks are now more widely understood and a number of different policy approaches have been advanced to address this issue. These include:

- **Maximum HELP loan limits:** This approach, which has been Swinburne's favoured approach, should fee deregulation proceed, would place a sensible upper limit on the annual amount that students could borrow through HELP to fund their studies. An annual loan limit would allow universities to set their own fees but create an effective price signal which would cause universities to exercise restraint in setting prices above the maximum annual loan limit. This option is further discussed in Swinburne's submission to the Senate Committee inquiring into the *Higher Education and Research Reform Amendment Bill 2014*.[3]

- **New maximum fee limits:** New maximum student contribution limits would allow universities to recover the value of any reduction in public funding and to increase fees to new maximum limits determined by the Australian Government.

- **An opt-in fee deregulation model:** Recommendation 34 of the Bradley Review of Higher Education proposed that "the Australian Government could implement an approach to tuition fees in which maximum student contribution amounts (price caps) apply for any domestic undergraduate or coursework postgraduate students for whom the provider receives a public subsidy for their course".[4] While this is not Swinburne's preferred approach, one option open to the Australian Government would be to trial fee deregulation in one or more fields of education such as business and law for which the Commonwealth Grant Scheme subsidy is already low.

- **A 'University Subsidy Contingent Scheme':** Professor Bruce Chapman has most recently proposed that higher education providers could be subject to an escalating series of levies imposed on those charging fees above thresholds determined by the Australian Government. Although Swinburne has concerns regarding this approach, we recognise that Professor Chapman's suggestions are directed at addressing the same problem that we have highlighted, namely the inflationary effects of a set of policies in which both fees and loans are potentially without limit. This option would benefit from further examination, including the administrative imposts on market participants and the likely pricing outcomes.[5]

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[3] *Ibid.*

[4] *Bradley, Denise; Noonan, Peter; Nugent, Helen; Scales, Bill; Review of Australian Higher Education, available at http://www.voced.edu.au/content/ngv32134*

[5] *Professor Bruce Chapman, Submission to the Senate Inquiry on Higher Education Reform, 20 February 2015.*

Swinburne's earlier submission also recommended:

- protecting quality and reducing funding risk by staging the entry of non-university higher education providers into the CSP market;

- providing additional funding support to the Tertiary Education Quality and Standards Agency to ensure that it is equipped to effectively regulate the more competitive higher education market which the reform process establishes;

- designing the new Commonwealth Scholarship Scheme to allow national pooling of funds and a simple model of distribution to eligible providers based on the number of low-SES students enrolled at each; and

- considering the introduction of a national tuition assurance scheme for domestic students, modelled on the scheme already in place to protect international students in instances of provider failure, and funded by market participants proportionate to the risk of provider failure.

Should the Senate agree to an amended package of reforms, the introduction of any change should be deferred until calendar year 2017. Many universities have already determined their international fees for 2016. Any future domestic fee setting would need to align with institutions' international pricing strategies. To align domestic and international fee-setting, changes would need to be timed for the 2017 calendar year at the earliest. Implementation in 2017 would also allow universities to implement change with the minimal disruption to domestic students and ensure that prospective students are properly equipped to make informed higher education choices.

We would welcome the opportunity to provide further information to the Committee.

Yours sincerely

Professor Linda Kristjanson
Vice-Chancellor & President