Opening Statement to Senate Education and Employment Committee
Inquiry into the Higher Education and Research Reform Amendment Bill 2014
Andrew Dempster, Head of Corporate and Government Affairs

SWINBURNE UNIVERSITY OF TECHNOLOGY

Thank you for the opportunity to be heard by the Committee today.

May I start by lending Swinburne's support to the submission made by Universities Australia, particularly those elements which appeal for reconsideration of the 20% cut to CGS funding and reconsideration of the change to indexation of HELP debt.

Swinburne's main contribution to the debate has been around what we have described as the unintended inflationary effects of the Bill.

The success of this reform package rests on the creation of a thriving competitive market in higher education in which participants compete on the basis of price.

As our submission outlines, the higher education market has unique characteristics which make it very different to normal markets. Products are often priced at a premium to signal their quality. We've already seen this in the language used by the University of Western Australia in announcing its proposed 2016 pricing structure.

It is likely that fee increases in 2016 will be exacerbated by the design of the Higher Education Loan Program, which ensures that students incur no costs for their tuition at the point of purchase. The fact that students can defer their payments for many years means that students are less sensitive to price at the time they commence their studies.

Another feature of the Bill which will exacerbate inflationary outcomes is that there will be no upper limit on the amounts that students can borrow either for undergraduate or postgraduate degrees from 2016.

Effectively, this will be a bit like giving young people access to a credit card without a credit limit.

A number of policy options have been proposed to moderate likely fee increases. Swinburne has proposed an annual student loan limit as one means of exerting downward pressure on price.

Other options that have been canvassed include an advisory committee, a pricing regulator and the establishment of new maximum student contributions.

To assist the Committee, we have provided an analysis of how each option could work, its advantages and disadvantages and whether each option is consistent with the government's deregulatory objectives. I table that analysis for the Committee.

There are of course no easy answers in this debate and no single perfect solution.

However, our proposed policy response, the introduction of an annual HECS-HELP loan limit, would:

- achieve the government's objective to deregulate price as well as volume;
- give higher education providers the freedom to set prices at any level for which there is market demand;
- benefit consumers by exerting downward pressure on prices; and
- provide more certainty for taxpayers about the growth of outlays under the HELP scheme.

Higher education providers would be free to charge more than, the same as or less than the annual loan limit.

Such a loan limit would be effective in exerting downward pressure on price as providers would be under pressure to minimise the amount of any 'gap' fee payable by their students.

Universities would be able to use their Commonwealth Scholarship funds to provide scholarships and bursaries to assist low-SES students in reducing or eliminating any 'gap' payments, for those universities that decide to price above the loan limit.

Our Vice-Chancellor, Professor Linda Kristjanson recently summed up the case for such a mechanism when she said:

"It's very easy – too easy – to charge students too much if all they need to do is to 'put it on HELP'. Having to explain to students that they can't put it all on the Commonwealth credit card is where the pricing decision gets hard – and that is exactly why an annual loan limit would be so effective in keeping prices down."

Swinburne has made a number of other suggestions in its submission. These include staging the entry for private providers into the market and pooling of funding for Commonwealth scholarships, however in the interests of time I will not expand on them here.

I would be pleased to respond to questions from the Committee.

Friday 10 October 2014