



## Response To The Australian Universities Accord Interim Report

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Independent Tertiary Education  
Council Australia



## Summary

# Australian Universities Accord Interim Report Response

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The Independent Tertiary Education Council Australia (ITECA) welcomes the opportunity to provide this response to the Australian Universities Accord Interim Report. The critical issues highlighted address the inherent disparities between public and independent institutions that have not been covered adequately in the Interim Report.

ITECA Higher Education emphasises the urgent need to put students at the heart of reforms, creating an integrated tertiary education system that supports lifelong learning. Importantly, reforms should be agnostic when it comes to institution type, creating a level playing field for independent institutions and public institutions, along with their students.

### **Competitive Neutrality In Higher Education ~**

An unfortunate hallmark of Australia's higher education system is the disparity between the policy-level treatment of public and independent institutions that compromises student's ability to access the higher education institution of their choice. The Accord reforms should end the inequities in funding, regulation, and research grant access and allocation.

### **An Integrated Tertiary Education System ~**

The Australian Universities Accord reform process offers the opportunity to transform tertiary education by improving student access and removing red tape. A reform priority should be to create an integrated tertiary education system, where the higher education system and skills training system operate as one yet retain their separate strengths and identities.

### **A Genuine Universal Learning Entitlement ~**

ITECA Higher Education acknowledges and is broadly receptive to the proposed 'Universal Learning Entitlement' as highlighted in the interim report. However, ITECA Higher Education argues that the scope and breadth of the approach merit further expansion to become student-centric thus ensuring that it is genuinely universal in scope and can genuinely be called an entitlement.

### **Ending The Student Loan Tax ~**

There must be an end to the unjust nature of the FEE-HELP loan fee – the student loan tax – that results in two students undertaking the same degree program at separate institutions facing substantially different financial outcomes based solely on their choice of institution.

### **Strengthening The Sector's Research Capability ~**

For Australia's higher education sector to realise its full potential, it's crucial that independent institutions are neither sidelined nor stifled in access to research funding. Independent institutions should be granted the same opportunity to access research funds as their public counterparts.

### **Supporting A Sustainable International Education Sector ~**

A central point of contention in the Australian Universities Accord Interim Report is the proposal to introduce an 'international student levy.' Such a proposal has not only been met with broad scepticism but has been firmly rejected as a tax on learning.

ITECA Higher Education welcomes the opportunity to further engage in the development of the Australian Universities Accord to improve the quality, accessibility, affordability, and sustainability of higher education, to achieve long-term security and prosperity for the sector and the nation.

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## Section I

# Competitive Neutrality In Higher Education

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An unfortunate hallmark of Australia's higher education system is the disparities between the policy-level treatment of public and independent institutions. These disparities compromise students' ability to access the higher education institution of their choice and the provision by institutions of high-quality outcomes. This uneven and inequitable playing field is most prominent in regulation, student funding and research grant allocation.

Public universities in Australia benefit significantly from taxpayer funding, including through the financial support provided to students and other ways such as research grant allocation. However, independent higher education institutions, and the students themselves, aren't afforded the same financial support and benefits. This disparity allows public institutions to entice a larger student body by offering degrees at heavily subsidised rates, unattainable by students wanting to study with independent institutions. Such unequal funding provision obstructs the free operation of an educational marketplace, going against the grain of the Australian Government's competitive neutrality principles and hampering the birth of a genuinely competitive and innovative education sector. To put this another way, inequitable and disparate provision of taxpayer investment to support students which is based on their choice of institution, and not their choice of course or the outcome they are seeking that might perhaps linked to nationally informed priorities, is a cause of student discrimination.

Regulatory approaches are a significant point of contention for the ITECA Higher Education membership. Although private and public institutions are bound by the *Tertiary Education Quality and Standards Agency Act 2011 (Cth)* and associated guidelines, independent institutions are often burdened with more onerous compliance obligations than public institutions. Despite adhering to shared quality norms, the governance regulations independent institutions face differ starkly, giving public universities certain legislative benefits that their independent counterparts miss out on.

Students should be placed at the heart of Australia's higher education system, and this should be a guiding principle for the Accord. The ability of students to access quality higher education will be found when government funding and regulatory policy are agnostic concerning institution type – removing the delineation that currently exists between public and independent institutions needs to be an urgent priority.

When it comes to research grants, public universities are the primary beneficiaries, limiting students with independent institutions from engaging in ground-breaking research. This dearth of resources effectively curbs their potential to drive Australian innovation. This is even though regulatory arrangements require all higher education institutions to undertake research, but limit access to taxpayer support for that research to only a small number of sector participants (universities accounting for less than 25% of institutions in the sector).

Competitive neutrality in the context of Australian higher education funding seeks to ensure that public and independent educational institutions compete on a level playing field, devoid of any inherent advantages or disadvantages arising from their ownership status. This means that public institutions should not receive preferential treatment, through subsidies or other means, that would distort the competitive balance between them and independent institutions.

The overarching reform goal is to ensure that funding decisions and policies promote fair competition, allowing institutions to thrive based on the quality and relevance of their offerings, rather than any financial or regulatory advantages the government provides.



## Section 2

# An Integrated Tertiary Education System

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The Australian Universities Accord reform process offers the ability to transform tertiary education. For students, employers, and the broader economy to thrive, it is paramount that we cultivate an integrated tertiary education system. Such a system would meld the strengths of the skills training and higher education sectors into a cohesive whole while ensuring each sector maintains its unique identity.

Reform is more than supporting coexistence, but delivering a synergy, where navigating through higher education and skills training becomes an effortless continuum rather than a daunting maze for students of discrete and disparate funding avenues, loan schemes, and microcredential approaches. It would also serve to reduce duplicative regulated compliance and reporting obligations for institutions that support higher education students and skills training students.

Today's tertiary education system, with its compartmentalised sectors, poses undue challenges for both students and tertiary education institutions. A student's journey often requires navigation through myriad policies, making pursuing lifelong learning, where students access both higher education and vocational training, cumbersome. Instead of persisting with the siloed approaches of the past, every policy, and every decision must be gauged by its potential impact on the student's holistic educational experience. Achieving this necessitates a unified reform spanning funding, loan programs, regulation, and re-evaluating the Australian Qualifications Framework (AQF) across the entire tertiary education sector.

A reform priority should be to create an integrated tertiary education system, where the higher education system and skills training systems, operate as one yet retain their separate strengths and identities.

An integrated tertiary education system will cut the red tape that independent higher education institutions face. An Accord reform priority should be to embark on a process of regulatory convergence between TEQSA and ASQA. This will introduce a harmonised approach, trimming bureaucratic redundancies while maintaining high standards and student protections. Such convergence would advocate for shared oversight responsibilities, ensuring consistency and promoting trust. Moreover, creating a unified lifelong learning account, and assimilating the funding models of both the higher education sector and skills training sector would eliminate the need for students to grapple with diverse funding avenues and loan structures. This not only simplifies the process but also reiterates the commitment to a student-centric approach.

Alongside these changes, it's imperative to commit to the AQF reform, emphasising endorsing microcredential recognition within the framework of the *National Microcredentials Framework* published by the Australian Government. These strategically important and essential reforms would ensure students and employers alike can seamlessly transition between skills training and higher education throughout their careers, supporting lifelong learning.

Historically, Australia has adeptly identified the issues plaguing the higher education and skills training sectors and identified the need for closer alignment of the two sectors. However, lasting reform and holistic solutions remain elusive. The critical misstep has been a siloed approach to reform, with governments undertaking an isolated examination of each sector rather than viewing the tertiary education system in its totality. The solutions, though well-intentioned, often neglect the primary stakeholders – the students.



## Section 4

# A Genuine Universal Learning Entitlement

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ITECA Higher Education acknowledges and is broadly receptive to the proposed 'Universal Learning Entitlement' as highlighted in the interim report. However, ITECA Highlights argues that the scope and breadth of the approach merit further expansion to better serve the diverse Australian student population.

Central to ITECA Higher Education's advocacy regarding comprehensive student-centred reforms is the prioritisation of student choice in higher education funding. Every student should have the autonomy to enrol in the institution of their choice, whether this be a public or independent one. Such a shift necessitates a considerable overhaul of the current funding framework, enabling students to select independent higher education institutions based on their individual choices and educational aspirations.

The notion of a 'Universal Learning Entitlement' is intrinsically appealing. This entitlement would not just be mere top-up funding for access to a higher education program, but a guarantee that individuals can acquire the qualifications they seek and need from across the entire tertiary education system, including microcredentials and the skills training sector. Moreover, this would act as an assurance that the tertiary education system aligns with evolving skills demands as well as supporting a culture of lifelong learning.

A cornerstone of the 'Universal Learning Entitlement' is its ability to improve access to tertiary education. A glaring disparity exists in the current allocation and dispensation of taxpayer funding between public and independent higher education institutions. While public universities in Australia are beneficiaries of substantial government funding encompassing learning, teaching, and student assistance, independent institutions often find themselves at a disadvantage in this area.

To achieve the desired outcomes the 'Universal Learning Entitlement' policy framework must be agnostic to institution type, backing a student's decision to study with either public or independent institutions. Only in this way could it be called both universal and an entitlement.

Financing such an entitlement would likely comprise a blend of public subsidies, student contributions channelled through an income-contingent loan (akin to the existing HELP scheme), and for specific lifelong learning modules, a suitable employer contribution. This structure intends to cultivate a societal ethos of elevated aspirations, setting a precedent that every Australian has the potential and opportunity to achieve a tertiary qualification.

Lasting generational reform is possible by establishing the 'Universal Learning Entitlement'. It offers the potential to underpin an individual's commitment to lifelong learning, helping them to access higher education and skills training programs throughout their working life.



## Section 4

# Ending The Student Loan Tax

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Australia's tertiary education framework harbours a significant disparity. This is because students applying for a FEE-HELP Loan for undergraduate studies incur an additional student loan tax. This tax, applied discriminatorily and largely contingent on a student's choice of institution, lacks a direct correlation to students or their outcomes.

In 2021, the higher education sector saw 62,500 students at independent institutions access a FEE-HELP loan, constituting 40% of that year's total. Yet, these students bear the additional burden of a 20% loan tax on their borrowings, a measure that generated over \$56 million for the government in 2021 according to an analysis undertaken by ITECA Higher Education.

Distinctly, FEE-HELP borrowers – the students – at independent establishments emerge as the lone group in the higher education realm shouldering this additional tax. Without the advantage of government-subsidised courses, their borrowing propensity is naturally higher. The Australian Government's punitive policy stance on their decision to seek external funding is notably inequitable. ITECA Higher Education's research further emphasises this discrepancy, pointing out that this results in an average added tax burden of \$3,100 atop their principal loan amount.

The status quo is troublingly inequitable. FEE-HELP borrowers at independent institutions – the sole higher education cohort subjected to an added loan tax – are, paradoxically, also those without access to government-subsidised places. These students are therefore predisposed to larger borrowings and are inexplicably penalised for this very necessity.

The unjust nature of the student loan tax is evident. Two students undertaking identical degree programs at separate higher education institutions face starkly different financial outcomes based solely on their choice of institution.

At its core, the FEE-HELP tax, ostensibly aims at recovering some costs borne by the government in extending these loans to all students. However, its design is fundamentally flawed. If cost recovery was the primary goal, a direct cost-recovery method would be more appropriate. A loan tax, especially when limited to a minority (less than 10% of all loan beneficiaries), runs counter to a broader equitable principle that is widely promoted as a positive attribute of Australia's higher education system.

The current system's bias is obvious. Comparable students, enrolled in identical degree programs but at differing institutions, face drastically divergent financial obligations based purely on their choice of institution. Consequently, independent institutions grapple with an environment where their students are, in essence, penalized by the government for their institutional selection.

Analysis of Government data by ITECA Higher Education indicates that these government policies can result in the cost of the same degree costing students significantly more owing to the preferential distribution of subsidies and the additional tax on students at independent institutions. For example, the same computing and IT course can cost a student over 100% more at an independent institution. This penalty is over 180% more in science and mathematics, over 50% more in psychology, and over 40% more in engineering. This is the cost that government policy places, through the student loan tax, places on student choice.

ITECA Higher Education, while endorsing Australia's income-contingent loan system at large, finds it challenging to rationalise the present fragmented, inconsistent, and unfair approach to tertiary financing. Such a model scarcely seems conducive for students, employers, or Australia's long-term economic prosperity.



## Section 5

# Strengthening The Sector's Research Capability

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Australia prides itself on its robust higher education system, which not only caters to domestic students but attracts a considerable international student population. However, a significant issue mars this educational landscape: the unequal access to research funding between public universities and independent higher education institutions.

ITECA Higher Education and its members have a strong commitment to supporting quality research. For students, it fosters critical thinking, and innovation, preparing students for real-world challenges. When independent institutions are left out of research funding programs, as is often the case given current Australian Government policy settings, their students miss out on these invaluable experiences. This not only limits their learning but also makes them less competitive in the job market, where research experience is increasingly becoming a valued asset.

The paradox is that the *Higher Education Threshold Standards 2021 (Cth)* obligate independent higher education institutions to undertake research. Yet, while placing legislated obligations on these institutions to undertake research – just as public institutions are obliged to – government policy simultaneously constrains independent institutions from meeting this obligation by preventing access to investment support through access to government research funding.

The disparity in accessing research funding has broader economic implications. Independent institutions often focus on niche areas, supporting students in specialised courses or targeting specific industries. Their research can provide unique insights, drive innovation, and lead to breakthroughs in areas that might be overlooked by larger, more generic research projects at public universities. By depriving these institutions of funding, the Australian Government potentially rob the Australian economy of innovative solutions and advancements.

For Australia's higher education sector to realise its full potential, it's crucial that independent institutions and their students are neither sidelined nor stifled in access in research funding. Independent institutions and their students should be granted the same opportunity to vie for research funds as their public sector counterparts.

Furthermore, the inability to access equal research funding creates a vicious cycle for independent institutions. Without adequate funding, they can't undertake significant research. The lack of research affects their reputation, making them less attractive to high-calibre academics and researchers. Over time, this can lead to a decline in the quality of education they offer, making them even less competitive and further widening the gap between public and independent institutions. The Accord offers the opportunity to address this challenge.

There's also a philosophical argument to be made about the nature of education and its democratisation. If education is truly a right and not a privilege, shouldn't all institutions, irrespective of their funding model, have equal opportunities to excel and provide the best for their students? By creating a hierarchy where public institutions have an inherent advantage in terms of research opportunities, the system perpetuates inequality.

The unequal access to research funding for independent higher education institutions in Australia is not just a problem for these institutions; it's a problem for the entire higher education sector. It stymies innovation, creates educational inequities, and potentially deprives the country of diverse research outputs. The reforms in the Accord provide an opportunity for lasting and generational reform in higher education research.



## Section 6

# Supporting A Sustainable International Education Sector

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A central point of contention in the Australian Universities Accord Interim Report is the proposition of introducing an 'international student levy'. Such a proposal has not only been met with scepticism but has been firmly rejected as a tax on learning.

While the proposal to establish a specific fund for future infrastructure and national priorities is commendable in its intent to bolster the higher education sector, the method of sourcing these funds, specifically through a levy on international student fee income, is problematic and potentially counterproductive.

Australia competes in a global marketplace for international students. Instituting additional financial burdens on these students, in the form of a levy, may weaken Australia's position relative to other countries. As other nations continue to invest in their higher education systems and offer competitive fee structures, Australia risks alienating a significant source of talent and revenue.

International students already face substantial costs when studying abroad, including tuition, living expenses, and travel. Imposing an additional levy could render Australian education inaccessible for many potential students, pushing them to seek alternatives in other countries.

As one ITECA Higher Education member said, if the proposed international student levy looks like a tax and smells like a tax, let's call it what it is ... an international student tax.

By placing the financial burden primarily on international students through the levy, we risk creating a scenario where those contributing most to the fund (international students) may not be the primary beneficiaries of the infrastructure or national priorities the fund supports. Furthermore, ITECA Higher Education highlights that an across-the-board levy on international students could inadvertently and disproportionately affect those associated with independent skills training and higher education institutions. Considering these institutions support a substantial portion - around 55% - of international student enrolments across the entire tertiary education sector, the repercussions for Australia could be extensive and far-reaching.

The implication of an additional financial burden upon international students could have the unintended consequence of diminishing the reputation as a destination of choice for international students. If Australia seeks to retain its competitive edge in the global educational arena, such fiscal strategies could prove detrimental.

A levy on international student fee income presents several challenges. It's crucial to weigh the immediate financial gain against the long-term ramifications, including potential reductions in international enrolments, strain on institutions, and the overall global competitiveness of Australia's higher education system. Alternatives, such as broader-based funding mechanisms or more significant government co-investment, should be considered to achieve the desired outcomes without compromising the position and attractiveness of Australia as an international destination of choice for international students.





Within the Independent Tertiary Education Council Australia (ITECA) membership are leading providers in the skills training, higher education, and international education sectors. **ITECA Higher Education** provides a specialist focus on the issues unique to this sector, supporting member institutions and their students.

**ITECA Higher Education** is a united, informed, and growing community of independent higher education institutions with a shared commitment to excellence. They are empowered with the information to make sound business decisions and the influence to drive reform.

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