

Ref: N4.11.7 – 17 August 2020

Hon Dan Tehan MP
Minister for Education
PO Box 6022 – House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Minister

RE: Independent Tertiary Education Sector Comment – JobReady Legislative Package

The Independent Tertiary Education Council Australia (ITECA) is the peak body representing independent providers in the higher education, vocational education, training and skills sectors. In the higher education sector, independent providers deliver to approximately eight per cent of all domestic higher education students and approximately 15% all overseas students studying a higher education qualification in Australia.

While independent providers do not represent the largest cohort of providers in the sector, independent providers fulfil a critical role, responding to student and employer demand and one that is often left vacated by large public institutions.

ITECA recognises the direction the Government is taking to significantly reform aspects of the Australian higher education funding and policy framework. The proposed *Higher Education Support Amendment (Job Ready Graduates and Supporting Regional and Remote Students) Bill 2020* (the Bill) is a substantial reform and one that is broadly supported by the ITECA membership

While noting aspects of the Bill may raise concern for some stakeholders, ITECA expects its passage and implementation will have limited direct effects on independent providers. On the issues raised below we would very much appreciate the opportunity to continue our engagement with you regarding implementation issues and future reform directions.

**Reform 1 —
Reduction of the FEE-HELP Loan fee**

The proposed measure in the Bill to reduce the existing FEE-HELP loan fee from 25% to 20% is one ITECA supports. Further, ITECA thanks the Government for its constructive engagement with us on this issue.

This reduction will align the FEE-HELP fee with that payable under the VET Student Loans program, consistent with ITECA's advocacy for an interim solution as the Australian Government moves toward a solution that removes both these taxes on learning.

The Parliament recently passed legislation giving effect to a range of measures including a waiver of both the FEE-HELP loan tax and the VET Student Loans loan tax (the Education Legislation Amendment (2020 Measures No. 1) Act). This was a positive move by the Government that ITECA had advocated for and which ITECA has suggested should be extended into next year as the COVID-19 pandemic response continues.

Importantly, the Explanatory Memorandum to that legislation notes that the rationale for providing the waiver is:

...to reduce the financial burden on students...’ and that ‘...an exemption from loan fees may provide an incentive for these students to continue or commence semester two study, despite the financial effects of COVID-19.

These well-founded comments have raised a number of issues among independent providers, including the important of not removing a tax from one cohort of students (or students at one point in time) only to reapplying it at a later date; as well as questions as to *why* some students should be taxed for making their choice of learning and provider while others are tax-free.

It is manifestly unreasonable and inequitable to tax students in this way to begin with; to reinstate it having only just removed it seems pernicious.

In the current environment, the only remedy is to have a clear and public plan for the removal of the tax.

ITECA is firmly of the view that following implementation of the measures in the Bill and the reduction in the FEE-HELP loan tax to align with the VET Student Loans loan tax, Government must announce and pursue a staged approach to eliminating both taxes by 2025, or sooner.

Reform 2 —

Proposed changes to cluster funding and contribution rates

As a broad principle, ITECA supports the notion of bringing the arrangements for public subsidies more closely into line with the established cost of delivery. It is noted that public higher education has had the benefit of three exhaustive cost of delivery exercises to inform reforms of this nature and discussions on these issues have not been sudden and are far from new; rather they are a regular feature of Australian higher education.

While changes to subsidy levels and student contributions in particular disciplines at universities overwhelmingly do not have a material effect on independent providers, there are some issues that bear mentioning with respect to the proposed reforms. The combination of cluster funding and student contribution rates dictate – to greater and lesser degrees – the behaviour of universities with respect to the disciplines being taught and the number of enrolments they may be willing to take in a given year.

Under the proposed reforms, it is clear that some disciplines will become more expensive to teach than under current arrangements for each full-time equivalent student. It is also apparent that, as a result, some universities will make strategic decisions about whether to enroll more or fewer students in those programs. This comes despite the well-known price inelasticity that the Higher Education Loan Program (on its own) has on undergraduate places. So, while there may be relatively consistent demand from students (or an increase during the pandemic), the cost per student for institutions in delivering some programs may make it less attractive to meet that demand.

Given these possible consequences of the proposed changes, ITECA will seek to continue our engagement and discuss the concerns of members regarding the possible downstream effects on the independent sector that may arise from changes to supports for universities.

In particular, where changes are apparent and independent providers are to meet an expected increase in demand, ITECA will seek to work with Government on the best ways to proactively meet that demand through high quality program delivery.

Reform 3 — Student protections

Proposed measures in the Bill to enhance student protections are focussed at prospective students considering a higher education study option at university. While these will not have a direct impact on independent providers, these are measures modelled on these provisions under which independent provider operate today.

In that context, the inclusion of these measures is welcome. Indeed, were they not included in the Bill and should they not pass, the uneven playing field in the sector and competitive disadvantage for independent providers would have continued. While it is accurate to say that the provisions proposed in the Bill with respect to marketing had their genesis through quality problems and a very poorly designed and implemented funding scheme in the vocational education and training sector, the importance of all higher education providers ensuring their marketing materials and related statements are accurate cannot be overstated.

Further, it is reasonable that all providers ensure their students are genuine about their engagement in higher education and the opportunities that education can afford them; not using university as a de facto series of gap years.

While there may be some questions as to the utility of powers regarding the genuineness of students more broadly and possible over-reach of powers relating to successful completion of more than 50% of their study load, these can be viewed through the prism of what is largely standard practice. That is to say, institutions are required to have – and do have in place – substantial mechanisms to support students at risk of failure and disengagement.

While there may be some risk of these mechanisms not operating effectively, perhaps the obvious desired outcome from the Bill might be achieved through the more effective and judicious deployment of publicly funded support mechanisms so that students do not have course support removed.

Still, while these mechanisms are available across all institutions, those mechanisms and the proposed measure in the Bill represent only one side of the coin; the other side remains sadly blank.

Reform 4 — Need for a cohesive tertiary education strategy

It is widely recognised that some students enter a fully subsidised higher education environment (at a public institution) without clear direction as to course preference and future career path. That is not to suggest in any way, of course, that students doing so do not benefit from higher education.

Rather, some students take the safety and security of a university path with a partly subsidised place and a deferred loan for other fees until their income reaches a sufficient level when, with the benefit of clearer and more accurate information on what is available to them across all provider types in the tertiary sector, they may have made a very different decision. A significant aspect to this student support; students studying at university have things overwhelmingly weighted in their favour in comparison to almost all other post-school options.

Critically, Australia lacks a coherent strategy for post-school education in terms of – at a minimum – the information available to prospective students as well as the support they may access in seeking to achieve their goals as well as what opportunities their choices may deliver in the labour market. This is the currently blank side of the coin.

At an Australian Government level there are disparate initiatives across higher education and also in vocational education and training but nothing that brings it all together as part of a single tertiary strategy that is capable of assisting prospective students accessing the options that best suit them.

So, where we have students that are not able to pass more than 50% of their study load at university, we have no overarching strategy that offers direction and that can usefully inform the future choices for both institutions and prospective students alike.

Many of these issues have been highlighted in the final report of the *Review of the Senior Secondary Pathways into Work, Further Education and Training* by Professor Peter Shergold AC. Critically, one issues highlighted by Professor Shergold is the need to ensure that all pathways to work are equally respected and that in doing so, all students are encouraged to pursue their passions and interests when considering their post-secondary options. This is relevant to the Bill in that a measure to suggest removing Australian Government support (via subsidy or income contingent loan) is unhelpful and possibly punitive if two vital elements are not also in place:

- institutions must be delivering on the requirement for **early and proactive intervention for at-risk students**; and
- a comprehensive **strategy for tertiary education** must be developed and implemented that covers critical issues including, but not limited to: educational access; provider-agnostic student support in the form of subsidies and loans relevant to the sector; availability of curated, coherent information that gives clarity for prospective students; and alignment with labour market outcomes.

Of the points listed above, the most significant and long-term reform is the development of a new funding model that is provider agnostic, allowing a student to access Australian Government support in the form of a funded place or student loan on the same basis irrespective of their provider choice. In its most basic sense, students should be able to access the same Australian Government support when studying at an independent quality higher education provider or a public university.

Overall, ITECA supports the Australian Government’s intent as outlined in the Bill and in particular insofar as it relates to independent providers directly. More broadly, ITECA looks forward to work with the Australian Government on the possible downstream consequences of proposed changes

to cluster funding as well as student contributions that will likely arise from university behaviours in response to the combinations of these changes.

ITECA welcomes further engagement with your office and the Department on this matter. In the first instance, the primary point of contact is the ITECA Director – Policy and Research, Felix Pirie, who can be contacted via email at policy@iteca.edu.au or by telephone on 1300 421 017.

Yours faithfully



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