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Prof. Mary O’Kane AC
Chair, Australian Universities Accord Panel
Department of Education
GPO Box 9880
CANBERRA ACT 2600

Dear Professor O’Kane

RE: Australian Universities Accord Development – Competitive neutrality

As you will be aware, the Independent Tertiary Education Council Australia (ITECA) is the peak body representing independent providers in the higher education, skills training and international education sectors. Conversations among our higher education membership concerning the development of the Australian Universities Accord have identified a specific issue that ITECA believes merits closer review. Plainly, this is focused on competitive neutrality issues that currently affect independent higher education providers within Australia.

ITECA notes that the disparity in the treatment between public and independent higher education institutions at the policy level undermines independent providers’ ability to effectively support students in several areas. ITECA highlights these issues and offers recommendations for rectifying these disparities to ensure an even playing field for all providers, and ultimately for students and their experience of the tertiary system.

There are three critical areas where competitive neutrality issues are creating an uneven playing field: funding, regulation, and research grants.

Funding Inequities —

One of the most significant issues is the disparity in the availability and delivery of public (i.e. taxpayer) funding between public and private higher education providers. Public universities in Australia receive considerable government funding for learning and teaching as well as for student support, which is not usually the case for independent providers. The current funding models allow public institutions to offer degree programs at lower tuition fees than private institutions due to the intervention of subsidy arrangements that are not available to students at the vast majority of independent institutions. This is a factor in attracting more students to public institutions, retarding effective competition and student choice and monopolising the student market.

This inequity in funding can put private institutions at a disadvantage, effectively skewing the operation of the market. This runs counter to the principles of competitive neutrality and curtails the development of a genuinely competitive education sector.

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Regulatory Burdens —

Private institutions are subject to the same quality and compliance requirements as public institutions under the *Tertiary Education Quality and Standards Agency Act 2011*. However, they often face more complex and expensive compliance obligations, constraining their resources and creating an unlevel playing field.

Regulatory Discrepancies —

Regulatory discrepancies also present a significant competitive neutrality issue. For instance, while both public and private institutions are subject to the same quality and compliance requirements under the *Tertiary Education Quality and Standards Agency Act 2011*, their governance regulations differ substantially. Public universities are created and governed by state legislation, giving them certain privileges and immunities that private institutions do not enjoy. Consequently, private institutions may face more complex and expensive compliance obligations, creating an uneven playing field.

Research Grants —

Government-allocated research and innovation grants are assigned almost exclusively to public universities, restricting the ability of independent institutions to engage in impactful research, and containing – by regulation – the ability of these institutions and their students to contribute to Australian innovation.

Fee For Service Programs —

Public institutions are provided with a strategic advantage, or rather independent institutions are at a strategic disadvantage when offering courses in the competitive fee-for-service market. Public universities, buoyed by significant government investment incentives directed either exclusively or overwhelmingly to those institutions, compete with independent providers in the fee-for-service market. Lower (heavily subsidised) tuition fees and a disproportionate share of research grants give public universities an unfair advantage. In addition, differing regulatory burdens can unduly disadvantage private institutions.

Following extensive consultation with ITECA's higher education membership, the following recommendations are tendered to you, aimed at achieving a more equitable higher education sector that best supports all students.

Equitable Funding Models —

ITECA recommends a reassessment of the current funding models to ensure a more balanced distribution of resources. This could involve implementing a demand-driven funding model or a type of voucher system, allowing investment to follow students to their chosen institution, whether that be public or private.

This change would not only uphold the principles of competitive neutrality but also empower students to make decisions that best suit their educational needs and career goals.

Uniform Regulatory Framework —

Regulatory burdens placed on private institutions should be reviewed. ITECA recommends the adoption of a more uniform regulatory framework that offers equal treatment for both public and independent institutions. This could involve streamlining compliance procedures or granting independent institutions the same privileges currently enjoyed by public universities.

Fair Distribution of Research Grants —

We urge the government to reconsider the allocation of research and innovation grants. The introduction of a more balanced distribution model would enhance the research capabilities of independent providers, promoting innovation and diversity within the sector.

Creating A Level Playing Field —

When competing in the fee-for-service market, public universities must properly determine the direct cost of delivery, as well as indirect costs such as administrative overheads, capital costs (including depreciation and cost of capital), taxation equivalents, and regulatory compliance costs. These are the same basis requirements on which independent institutions must operate.

To create an environment in which public universities and independent institutions are able to best support students on the same basis, several reforms are needed. As noted above, equitable funding and investment models, such as a demand-driven system where funds follow the student, uniform regulatory frameworks reducing compliance complexity for independent providers; and fair distribution of research grants to enable all institutions to contribute to research and innovation.

ITECA has previously provided advice to the Panel and the Minister for Education on the designation of the framework. The designation “Australian Universities Accord” is not inclusive and, to many in the tertiary education sector it appears to deliberately disenfranchise the majority of institutions in the sector. It is noted that TEQSA lists only 42 universities, 5 university colleges and 2 overseas universities in addition to 143 institutes of higher education. In this context, the designation ‘Australian Universities Accord’ may suggest the document has the potential to be irrelevant to around three-quarters of the higher education institutions around Australia. In this context, the framework should be designated.

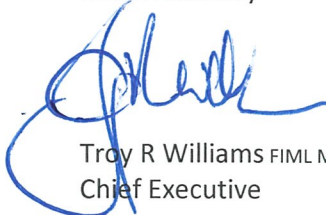
An Inclusive Forward-thinking Framework —

ITECA recommends that the framework be referred to as the ‘Australian Higher Education Accord’, which would suggest a broader remit rather than just one for universities. Furthermore, the reference to ‘higher education’ rather than ‘universities’ creates a more student-centric document, taking the emphasis away from the institution to include the system in its totality (i.e. institutions and students).

By addressing the abovementioned issues, the Australian government can cultivate a higher education sector with a broader range of choices for students, increased competition, and improved quality of education. The proposed recommendations would ensure a more equitable landscape and optimise independent higher education institutions' potential to contribute significantly to Australia's educational and economic development.

ITECA welcomes the engagement to date on the development of the Accord and we look forward to discussing these matters with you further.

Yours faithfully



Troy R Williams FIML MAICD
Chief Executive