

# **Phillips Curran**

Phone 02 6680 7864  
Facsimile 02 6680 7863  
ABN 56 076 442 147  
PO Box 1345  
Byron Bay NSW Australia 2481



Suite 10, 150 Chestnut Street  
Richmond 3121  
Telephone 9428 8600  
Facsimile 9428 8699  
Website [www.kpac.biz](http://www.kpac.biz)  
ABN 38 100 205 365

## **Principals:**

**David Phillips  
Lenore Cooper  
Chris Eccles  
Deborah Lampard  
Geoff Noblett  
Peter Wade**

# **INDEPENDENT STUDY OF THE HIGHER EDUCATION REVIEW: STAGE 2 REPORT**

## **Volume 2 – Potential Impact of the Higher Education Review**

**June 2003**

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## **EXECUTIVE SUMMARY**

Volume 1 of this Report provides analysis of the current situation in Australian Higher Education. This Volume analyses the outcomes of the Higher Education Review, as announced in the Ministerial Statement, *Our Universities Backing Australia's Future*.

In overview, the *Backing Australia's Future* package provides new opportunities for universities to raise revenue from fees and charges, increases the number of 'fully funded' places but phases out over-enrolment, and provides some additional targeted funding for learning and teaching and equity initiatives. It contains no new measures in relation to student assistance and has only indirect impacts for the vocational education and training sector.

### **Impact on Participation**

The following elements of the package will have an impact on Commonwealth-subsidised student numbers, as opposed to fee-paying places:

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- Cessation of funding to Marcus Oldham College of Farm Management
- Provision of nursing places to regional campuses
- Phasing out of marginal funding for over-enrolment
- Phasing in of new fully subsidised places
- New medical places
- Growth from 2007 and 2008.

There will be a significant increase in the number of 'fully funded' places as a result of *Backing Australia's Future* but over-enrolment will be phased out. The net change resulting solely from *Backing Australia's Future* is a reduction in HECS-liable places of 1175 EFTSU in 2008 compared with 2002.

However there is some growth in the system from existing policy. When existing policy and the new changes are taken together, 'fully funded places' will grow from 393,255 in 2002 to 429,447 in 2008, an increase of 36,192 EFTSU or 9.2%. Total Commonwealth subsidised places (and therefore places for which HECS applies rather than fees) are likely to decline initially as over-enrolment falls, before growing slightly to 429,447 in 2008 (assuming 0 over-enrolment), a net increase of only 3,460 EFTSU or 0.8% over 2002.

This will not keep pace with projected population growth. Without further growth the number of Commonwealth subsidised places per 1,000 people aged 15 and over will fall from 27.2 in 2002 to 24.8 in 2011 and 22.6 in 2021. The provision of 'fully-funded' places runs ahead of population growth in 2006, but also falls short by 2011.

We believe that there could be an increase in the ratio of undergraduate fee-paying to 'fully-funded' students to 5 or 10 per cent by 2008, representing growth of between 15,000 and 30,000 fee-paying places. This would add between one and two extra higher education places per 1,000 of the 15+ population.

When undergraduate and postgraduate fee-paying and HECS places are considered together, there will be no significant decline in the ratio of higher education places to the 15+ population until after 2011.

There will be an increase in 'fully funded' places of between 8.3 and 12 per cent in each State and Territory between 2002 and 2008. When the phase out of over-enrolment is taken into account, the change in total Commonwealth subsidised places varies from a reduction of 2.4% in New South Wales between 2002 and 2008, to an increase of 8% in Tasmania. The ratio of subsidised places (including over-enrolment) to the 15+ population falls in all States and Territories other than Tasmania and the ACT.

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The key point is that the main factor acting to sustain the level of opportunities is the projected growth in fee-paying places. If there were to be no growth in fee-paying places, the ratio of higher education places to the population would fall between 2002 and 2011 in all States except Tasmania.

### **Impact on Resources**

The impact of *Backing Australia's Future* on resources will be complex, determined by the interaction of a large number of new funding measures and institutional and student behaviour. Estimation of the funding impact of the new Commonwealth Grants Scheme requires complex analysis and data which is not published, pointing to problems of complexity and lack of transparency.

The total revenue implications for the sector are significantly positive, especially when estimates of potential additional contributions from students are included. We estimate that total additional annual revenue for the sector could be between \$0.9 and \$1.4 billion in 2008. This compares with total sector revenue in 2001 of \$10.2 billion, an increase in dollar terms of between 9 and 14 per cent. Overall, between 29% and 53% of the additional revenue in 2008 will come from students through extra HECS and fees. This will continue the trend toward an increasing proportion of university funding coming from students and a diminishing share from the Commonwealth.

The rate of base funding per subsidised student place will rise roughly in line with the anticipated inflation rate if institutions charge standard HECS.

In individual States and Territories the estimated increases vary from a range of \$5 million to \$7 million for the Northern Territory to a range of between \$270 million and \$436 million for Victoria in 2008. Victoria and New South Wales are projected to attract between 56% and 60% of the additional revenue.

### **Impact on Nursing and Teaching**

The probable impacts of the *Backing Australia's Future* initiatives for nursing and teaching include:

- Enhanced opportunities for States and Territories to provide advice to the Commonwealth on their workforce needs, but no explicit opportunities to establish

ongoing national frameworks and strategies for workforce planning and the supply of nurses and teachers

- A marginal increase in the number of nursing graduates up to 2010, but continuing high levels of unmet demand and only a partial reversal of a long term decline in nursing graduates
- A marginal increase in the number of teacher education places, but continuing high levels of unmet demand and no focused strategies for addressing shortfalls in particular specialisations (though these may emerge from the impending report of the Review of Teaching and Teacher Education)
- Reduced financial strain on institutions associated with the costs of clinical practice in nursing courses and the practicum component in teacher education courses, but limited incentive for institutions to increase places in these fields as the supplementary funding is fixed regardless of the number of places offered
- Containment of student HECS debt compared with other fields of education that have not been exempted from the partial de-regulation of fees
- Some financial support for a very small percentage of disadvantaged nursing and teacher education students via the Commonwealth Scholarships Scheme
- The possible need for some students, particularly those undertaking teacher training after a four year degree, to complete courses on a fee-paying basis after consuming their Learning Entitlement
- Possible increased debt pressures on teacher education students undertaking postgraduate pre-service training and nurses undertaking specialist postgraduate courses.

### **Impact on Access and Equity**

The *Backing Australia's Future* package could have a range of impacts on access and equity for Australians in general, and particularly for disadvantaged Australians.

With respect to the general population, the package offers little increase in access or participation. It may also:

- Serve to restrict some students' effective access to the institution and course of their choice, due to differential fee levels operating across universities and courses
- Lead to an increase in the HECS deferral rate due to the potential 30% increase in fees
- Constrain access for some students due to the time limit within the Learning Entitlement
- Have some regressive impacts as a consequence of certain aspects of the new undergraduate fees policy.

Policy alternatives worth considering including setting a cap on the level of fees as well as the level of HECS, removing the cap on the debt under the FEES-HELP program, and replacing the real interest rate with a surcharge on the debt.

With respect to disadvantaged students, the package introduces substantial enhancements to targeted equity programs, new scholarship provisions, and increases access to fee-paying places by removing the up front payment requirement. Counterbalancing those measures, a number of the reforms within the Backing Australia's Future package have the potential to reduce or inhibit student access and participation, including:

- Fewer HECS-liable places per head of population
- Increased levels of debt aversion among disadvantaged groups due to increased fees

- Potential reduction in access due to the limits imposed on Learning Entitlements
  - Highly competitive access to Commonwealth Scholarships, and adverse interaction with income support schemes
  - No changes to student income support schemes despite evidence of their deficiencies.
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**June 2003**

## TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	1
<u>1</u> <u>Introduction to Volume 2</u> .....	5
<u>2</u> <u>Overview of key aspects of the reform package</u> .....	6
<u>2.1</u> <u>Summary of the package</u> .....	6
<u>2.2</u> <u>Important features of the policy package</u> .....	7
<u>2.2.1</u> <u>Commonwealth Grants Scheme</u> .....	7
<u>2.2.2</u> <u>Regional loading</u> .....	9
<u>2.2.3</u> <u>Funding Agreements</u> .....	10
<u>2.2.4</u> <u>Under- and over-enrolment</u> .....	10
<u>2.2.5</u> <u>“Conversion” of marginally funded places</u> .....	11
<u>2.2.6</u> <u>Additional funding for teaching and nursing</u> .....	12
<u>2.2.7</u> <u>Private institutions</u> .....	13
<u>2.2.8</u> <u>Growth places</u> .....	13
<u>2.2.9</u> <u>Learning and teaching measures</u> .....	13
<u>2.2.10</u> <u>Scholarships</u> .....	14
<u>2.2.11</u> <u>Equity measures</u> .....	14
<u>2.2.12</u> <u>Other Commonwealth funding measures</u> .....	15
<u>2.2.13</u> <u>Changes to HECS</u> .....	15
<u>2.2.14</u> <u>Changes to undergraduate fees policy</u> .....	17
<u>2.2.15</u> <u>Learning Entitlement</u> .....	18
<u>2.2.16</u> <u>Voluntary student unionism</u> .....	19
<u>2.2.17</u> <u>Research</u> .....	19
<u>2.3</u> <u>What the package does not contain</u> .....	20
<u>2.3.1</u> <u>Student assistance</u> .....	20
<u>2.3.2</u> <u>Cross-sectoral issues</u> .....	20
<u>2.3.3</u> <u>Indexation</u> .....	22
<u>3</u> <u>Impact on participation</u> .....	23
<u>3.1</u> <u>The position in 2002</u> .....	23
<u>3.2</u> <u>Elements of <i>Backing Australia’s Future</i> with an impact on Commonwealth-subsidised student numbers</u> .....	24
<u>3.3</u> <u>Participation impact of changes in Commonwealth subsidised places</u> .....	27
<u>3.4</u> <u>Elements of <i>Backing Australia’s Future</i> with an impact on fee-paying student numbers</u> .....	28
<u>3.5</u> <u>Participation impact of changes in undergraduate fee-paying student places</u> .....	29
<u>3.6</u> <u>Overall impact on participation</u> .....	30
<u>3.7</u> <u>Participation impact on States and Territories</u> .....	32
<u>3.7.1</u> <u>Changes in Commonwealth subsidised places</u> .....	32
<u>3.7.2</u> <u>Changes in fee-paying places</u> .....	35
<u>3.7.3</u> <u>All student places</u> .....	38
<u>4</u> <u>Impact on resources</u> .....	39
<u>4.1</u> <u>Elements in <i>Backing Australia’s Future</i> with an impact on Commonwealth funding</u>	39
<u>4.1.1</u> <u>Commonwealth Grants Scheme</u> .....	41
<u>4.1.2</u> <u>Regional loading</u> .....	42
<u>4.1.3</u> <u>“Conversion” of marginally funded places</u> .....	42
<u>4.1.4</u> <u>Increased funding for nurse and teacher education</u> .....	44
<u>4.1.5</u> <u>Growth places</u> .....	45

4.1.6	<a href="#">Learning and teaching measures</a>	46
4.1.7	<a href="#">Equity measures</a>	47
4.1.8	<a href="#">Other Commonwealth funding measures</a>	48
4.2	<a href="#">Elements in <i>Backing Australia's Future</i> with an impact on funding from students</a>	49
4.2.1	<a href="#">Changes to fees policy</a>	49
4.2.2	<a href="#">Partial de-regulation of HECS</a>	52
4.3	<a href="#">Overall revenue impact</a>	54
4.3.1	<a href="#">Total revenue implications</a>	54
4.3.2	<a href="#">Funding per student</a>	56
5	<a href="#">Impact on the supply of nurses and teachers</a>	57
5.1	<a href="#">Allocation of Commonwealth subsidised growth places</a>	57
5.1.1	<a href="#">Nursing</a>	57
5.1.2	<a href="#">Teacher education</a>	60
5.1.3	<a href="#">Other possible measures to increase Commonwealth subsidised nursing and teaching places</a>	60
5.2	<a href="#">Funding for clinical practice and teacher practicums</a>	61
5.3	<a href="#">Student contributions and HECS-HELP loans</a>	62
5.4	<a href="#">Commonwealth Learning Scholarships</a>	63
5.5	<a href="#">Learning Entitlements</a>	64
5.6	<a href="#">The lifting of the prohibition on offering full fee postgraduate places and replacement of the PELS scheme</a>	64
5.7	<a href="#">National coordination and Commonwealth/State joint planning</a>	65
6	<a href="#">Impact on access and equity</a>	66
6.1	<a href="#">Little growth in Commonwealth subsidised places</a>	66
6.1.1	<a href="#">General impact</a>	66
6.1.2	<a href="#">Impact on disadvantaged Australians</a>	67
6.2	<a href="#">Increased student contributions</a>	67
6.2.1	<a href="#">Levels of student fees and debt</a>	67
6.2.2	<a href="#">International comparisons</a>	68
6.3	<a href="#">Changes to HECS</a>	69
6.3.1	<a href="#">Institutional responses to partial de-regulation and impact on students</a>	69
6.3.2	<a href="#">Increases to the HECS minimum repayment threshold</a>	71
6.3.3	<a href="#">The true costs of the new HECS arrangements for different students</a>	72
6.3.4	<a href="#">The impact of the HECS changes on disadvantaged Australians</a>	72
6.4	<a href="#">New policies relating to the enrolment of domestic full fee-paying undergraduate students</a>	73
6.4.1	<a href="#">Contentious issues in the new policies for fee-paying students</a>	73
6.4.2	<a href="#">The true cost of the new fees policy for different students</a>	74
6.4.3	<a href="#">Impact on disadvantaged Australians</a>	75
6.5	<a href="#">Replacement of the PELS scheme with the FEE-HELP scheme</a>	75
6.6	<a href="#">Learning Entitlements</a>	76
6.6.1	<a href="#">General impact</a>	76
6.6.2	<a href="#">Impact on disadvantaged Australians</a>	78
6.7	<a href="#">Commonwealth Learning Scholarships</a>	79
6.7.1	<a href="#">Distribution of the scholarships</a>	81
6.8	<a href="#">No change to student income support schemes</a>	82
6.9	<a href="#">Increased funding to the Government's equity programmes</a>	82



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- Potential reduction in access due to the limits imposed on Learning Entitlements
  - Highly competitive access to Commonwealth Scholarships, and adverse interaction with income support schemes
  - No changes to student income support schemes despite evidence of their deficiencies.
-

# 1 Introduction to Volume 2

Volume 1 of this Report provides analysis of the current situation in Australian Higher Education, with particular reference to the four key areas of concern to State and Territory Governments:

- The size of the higher education sector in terms of student and staff numbers and resources from different sources
- The allocation of publicly funded opportunities (both student places and resources) between States/Territories and between different types of institutions
- The supply of teachers and nurses
- The capacity of Australians to access higher education – key issues affecting access to higher education for different groups.

This Volume analyses the outcomes of the Higher Education Review, as announced in the Ministerial Statement, *Our Universities Backing Australia's Future*. Again the focus is on the four areas of concern noted above. Wherever relevant the analyses include differentiation on a State by State basis.

It is clear that significant parts of the *Backing Australia's Future* package will be opposed in the Senate. The final outcome at the time of writing (June 2003) is therefore uncertain. This Volume examines the proposals as they stand, without attempting to guess at the changes that may be introduced following Senate debate.

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## 2 Overview of key aspects of the reform package

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### 2.1 Summary of the package

*Backing Australia's Future* sets out a wide-ranging package of reforms. The full paper is available at [www.backingaustralia'sfuture.gov.au](http://www.backingaustralia'sfuture.gov.au). The key elements of the reform package are:

- A new Commonwealth Grants Scheme (CGS) to replace operating grants with a specified Commonwealth course contribution set in 12 discipline bands
- Growth in the Commonwealth course contribution per student in real terms from 2005 to 2007, subject to a number of conditions relating to compliance by institutions with new National Governance Protocols and the Commonwealth's workplace relations policies
- Additional funding for teaching practicum and nursing clinical practice
- A loading on the Commonwealth course contribution for students enrolled at regional campuses
- New penalties for under- and over-enrolment
- Some extension of public funding to private higher education providers and access to the new loans scheme for domestic fee-paying students in those institutions
- Phasing out of the current system of marginal funding for over-enrolment over four years from 2005
- Phasing in of about 25,000 new places attracting the Commonwealth course contribution over four years from 2005
- Additional places for nursing and medicine from 2004
- New commencing places from 2007
- Flexibility for institutions to set their own charges for students in Commonwealth subsidised places, up to a ceiling specified by the Commonwealth (set at 30% above 'standard' HECS levels)
- An increase in the minimum repayment threshold for HECS, and other changes to the HECS repayment arrangements (to be known as HECS-HELP)
- An increase in the proportion of domestic undergraduate students in any course for which an institution may charge fees, from 25% to 50% (10% for medicine)
- A new loans scheme, based on HECS but with a real interest rate of 3.5% p.a. for the first 10 years and a cap on borrowings of \$50,000, for fee-paying domestic students, both undergraduate and postgraduate (to be known as FEE-HELP)
- Limitation of Commonwealth subsidies for an individual to a period of five equivalent full-time years of study, with a provision for extension for longer courses, starting in 2005
- A new set of scholarship programs for low SES and Indigenous students and for students from rural and regional areas
- Additional funding and other mechanisms to promote the quality of teaching and learning

- A fund to foster collaboration and structural reform
- A new accountability framework and a new Higher Education Information Management System, including a new national student number which will stay with the student throughout their academic life
- Several reviews of policy and administrative arrangements for research
- Separate legislation to ensure that membership of student organisations is optional and universities do not collect fees that are not directly related to course provision.

In overview, the package provides new opportunities for universities to raise revenue from fees and charges, increases the number of ‘fully funded’ places but phases out over-enrolment, and provides some additional targeted funding for learning and teaching and equity initiatives.

It should also be noted that the Budget contained a range of other measures affecting higher education institutions, in particular changes to fees and charges relating to international students. These measures are not addressed in this Report.

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## 2.2 Important features of the policy package

### 2.2.1 Commonwealth Grants Scheme

The proposed new Commonwealth Grants Scheme (CGS) represents a significant departure from current arrangements. Perhaps the most important change is that the Commonwealth’s contribution to course costs will be set independently of HECS revenue. At the moment, a maximum sum is identified for operating purposes (under Section 17 of the Higher Education Funding Act) and the Commonwealth’s contribution is reduced to the extent that HECS receipts rise. That is, student contributions may be substituted for Commonwealth funding. The most notable example of this substitution was in 1996 when HECS rates were sharply increased while university operating grants were reduced.

Under the new arrangements HECS fees will be fully additional to the Commonwealth contribution. This does not prevent the Commonwealth from reducing its contribution in future, but it will make the process more transparent. The Commonwealth has stated its intention to increase its contribution rates over the period 2005 – 2007.

The Commonwealth will provide a specified contribution per student place in each of 12 different groupings of disciplines (referred to as discipline clusters). A full time student in the same discipline cluster will attract the same amount of Commonwealth contribution regardless of the university in which they are enrolled. The amount of the Commonwealth contribution per student place in each funding cluster in each year will be specified in legislation, as will the maximum student contribution. The final figures for a calendar year will be known following the Commonwealth Budget the year before.

The estimated Commonwealth course contribution schedule for 2005 has been set essentially to replicate the status quo. This means that there will be no change to the base funding for an institution which is not over-funded or under-funded relative to the average (given its student load and mix of disciplines).



More technically, the Commonwealth contribution rates have been set so that, when they are added to the established HECS rates, the total funding per student place will replicate the existing Relative Funding Model (RFM). If this had not been done, then there could have been a substantial redistribution of revenue between universities. This derivation of the Commonwealth contribution rates can be seen in Table 2.1.

**Table 2.1 Estimated Commonwealth contribution rates 2005<sup>1</sup>**

Discipline cluster	1 Estimated Commonwealth Course Contribution \$	2 Standard HECS \$	3 Total course funding (1+2) \$	4 Implied relativities	5 RFM
Law	1509	6427	7936	1.0	1
Accounting, admin, eco, comm	2481	5490	7971	1.0	1
Humanities	4180	3854	8034	1.0	1
Maths, stats	4937	5490	10427	1.3	1.3
Behav sc, soc sc	6636	3854	10490	1.3	1.3
Computing, built env, health	7392	5490	12882	1.6	1.6
languages, vis and perf arts	9091	3854	12945	1.6	1.6
Eng, science, surveying	12303	5490	17793	2.2	2.2
Dent, med, vet sc	15422	6427	21849	2.8	2.7
Ag	16394	5490	21884	2.8	2.7
Education	7278	3854	11132	1.4	1.3
Nursing	9733	3854	13587	1.7	1.6

Source: Phillips Curran. Derived from *Backing Australia's Future*

Because the Commonwealth contribution rates have been set to replicate the status quo, they build in the policy anomalies that have arisen through the accumulation of past decisions, especially the introduction of differential HECS rates. These anomalies are evident in a cursory examination of the Commonwealth contribution rates for each discipline cluster shown in Table 2.1. The Commonwealth contributions vary by a factor of three between a low of \$1,509 for a full-time law student and a high of \$16,394 for a full-time student in agriculture. The Commonwealth will provide a subsidy of \$7,392 for a student place in computing, 1\_ times the subsidy it will provide for a student place in mathematics. Clearly, there is no link between the rates and either the costs of the courses or their public benefit.

Because the CGS will fund all eligible load in a discipline cluster at the same rate, regardless of institution, there will no longer be any over- or under-funding. This means that currently over-funded institutions will lose Commonwealth funding and under-funded institutions will gain. The effect of this will be cushioned by the fact that the balance of each institution's course funding derived through HECS will not be affected by this adjustment and will be determined by the institution itself. The adjustments will also be cushioned by the foreshadowed increases in the Commonwealth course contribution.

<sup>1</sup> Note: There is also a loading on student places in courses leading to provisional registration as a medical practitioner. This will replace the current Teaching Hospitals Program.



The Commonwealth contribution rates shown in Table 2.1 are the maximum subsidy rates that may apply. They comprise a base rate, plus two other components. The first is an amount of 1.5% available without conditions, notionally to replace the current Workplace Reform Program funding. In practice the 1.5% component falls well short of the funding through that program. The second component is the first of three 2.5% increments scheduled for 2005, 2006 and 2007. These increments will be provided only if an institution satisfies certain controversial conditions. Specifically, the increments “will be provided once an institution has adhered to the National Governance Protocols and has demonstrated compliance with the Commonwealth’s workplace relations policies. In particular, enterprise agreements should not preclude the option of negotiating Australian Workplace Agreements”. (BAF p15)

Another new program, the Workplace Productivity Program, involving \$55.2 million over 2006 and 2007, will also be contingent on “universities demonstrating a commitment to workplace reform” (BAF p37).

The practical implications of these conditions remain to be tested. Significantly for State Governments the National Governance Protocols developed by the Commonwealth may require legislative change to the governing Acts of universities.

### 2.2.2 Regional loading

The one explicit exception to the common Commonwealth contribution rates for all universities relates to students at regional campuses. Internal student load at regional campuses will attract a loading depending on the location of the campus and the size of the institution. The largest loading (30%) will apply for the two higher education institutions in the Northern Territory. These institutions currently receive higher than average subsidy rates in recognition of their additional costs. Much smaller loadings, between 2.5% and 7.5%, will apply to designated regional campuses in other States, depending on their proximity to a mainland capital city and the size of the institution.

Three points are worth noting here. First, the loading will apply only to internal students at regional campuses, so the large proportion of external students at institutions such as the University of Southern Queensland and the University of New England will not attract any loading. Second, the applicable subsidy is reduced if the institution, not the campus, is larger than 10,000 EFTSU. The public documentation with the Ministerial Statement was misleading in this respect. Third, the concept of ‘regional campus’ has been defined principally by reference to distance from a mainland capital, so universities that consider themselves to have a particular mission in respect of regions within or close to these cities, such as the University of Western Sydney, will not be eligible for the regional loading.

The Minister’s media release on this issue contained an “indicative” list of regional campuses. The release states that “public higher education institutions will be given an opportunity to nominate specific regional campuses for consideration in the allocation of 2004 funding”. Subsequent media reports indicate that the list is already being varied following lobbying from individual universities.

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### 2.2.3 Funding Agreements

Under current arrangements, universities are required to enrol sufficient students to meet a student load target in order to receive the full amount of their operating grant. The Commonwealth has been concerned principally with the total number of students enrolled, not the mix of disciplines. Under the new arrangements, Universities will be required to enter into a funding agreement with the Commonwealth, specifying both the number of places and the discipline mix the Commonwealth will support. This is because under the new arrangements, shifts in profile toward more expensive disciplines will have immediate cost implications for the Commonwealth, unlike the current system whereby institutions must absorb the cost. There is a risk that this process could be more limiting on institutional autonomy than the current process.

### 2.2.4 Under- and over-enrolment

The Ministerial statement refers to consequences for funding of “consistent” under- or over-enrolment, but does not give full detail of the intended mechanisms. The arrangements are expected to be as follows:

- Institutions will be paid according to the actual discipline/load mix up to a dollar total no greater than 1 per cent more than the total that would have been payable according to the agreed discipline/load mix. There will be no Commonwealth contribution in excess of this 1 per cent cap.
- Institutions will retain the student contributions for all load up to 2 per cent above the total load target agreed with the Commonwealth.
- Institutions that, in two consecutive years, enrol non fee-paying load beyond 2 per cent above agreed load, will be penalised. The penalty will be the amount of load in excess of 2 per cent multiplied by the highest HECS rate charged by the institution.
- Institutions that, in two consecutive years, enrol load more than 2 per cent under the agreed total target load will lose the amount of under-enrolment in excess of 2 per cent. This load will be “redistributed to other universities according to Commonwealth priorities” (BAF p14).

The precise mechanics of these arrangements remain to be clarified. In general terms they are much more rigorous than current policy. Few institutions, especially those that draw students on the basis of second and lower preferences, will be able to plan their load consistently to within 1 per cent or 2 per cent of target.

The penalty for over-enrolment appears to be aimed at ensuring that universities enrol fee-paying students rather than accept unfunded load. It is worth noting that this is a complete reversal of previous Commonwealth policy under which institutions were funded (albeit at marginal rates) to enrol students beyond their quota. Under the new policy they will be penalised for so doing, unless the additional students are charged fees. The logic of the former policy was that there was a public benefit if universities could provide extra opportunities at little or no cost to the taxpayer. The logic of the new policy appears to be that all places should be ‘fully funded’, either through fees or a combination of HECS and government subsidy, in order to safeguard quality.

## 2.2.5 “Conversion” of marginally funded places

*Backing Australia’s Future* states that “approximately 25,000 new Commonwealth supported places will replace marginally funded places from 2005” (BAF p 17). It is important to understand that this is not a “conversion” that will occur at an institutional level.

Under current policy the Commonwealth effectively returns the HECS it collects from domestic students enrolled at an institution in excess of the places funded by the Commonwealth. The amount paid to the institution for each over-enrolled student is equal to the minimum HECS level, less the discount for up-front payment. In 2003 this is \$2,760. This is referred to as marginal funding because it is substantially less than the full average funding per student place.

Under the new policy, this arrangement will be phased out over four years starting in 2005. Each institution will progressively lose marginal funding until it reaches zero in 2008<sup>2</sup>. In 2002 over-enrolment stood at 32,732 EFTSU.

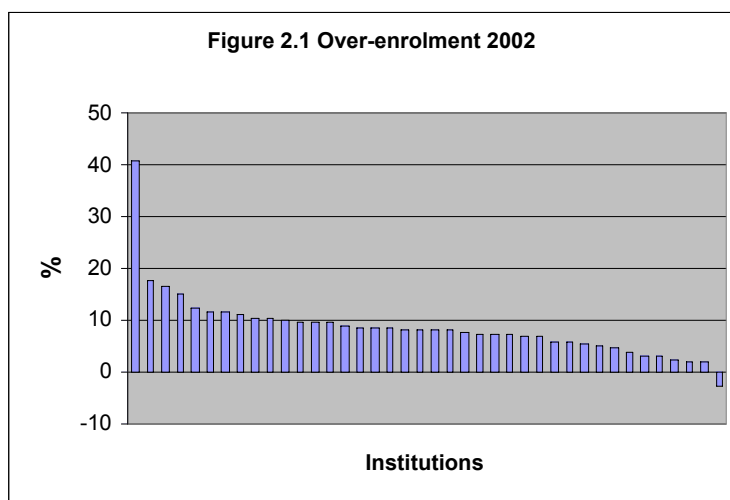
Over the same time period, 2005 to 2008, almost 25,000 new fully subsidised places will be phased in, but not necessarily at the institutions that are currently over-enrolled. The new fully-subsidised places will “be distributed throughout the sector ... according to Commonwealth priorities, taking into account the outcomes of discussions on labour market needs with States and Territories”. It is likely that these places will be distributed between States and Territories taking at least some account of current participation and demand levels and demographic outlook. The participation impacts of the change are explored in Chapter 3.

At the system level, the stated policy objective is to move away from marginal funding because of concerns about quality of education. At an institutional level the impact will depend on how much marginal funding is lost and how many fully subsidised are gained.

Some institutions are currently much more over-enrolled than others, as is apparent from Figure 2.1. Indeed it is clear that some universities have developed deliberate strategies to support particular aspects of their operations through marginal funding. The stand out example is Charles Sturt University in which domestic non-research student load was 40% above target in 2002. Of this over-enrolment, 3,011 EFTSU was part of a special arrangement for police training in conjunction with the State Government. If this load is excluded, over-enrolment at CSU stood at 9% in 2002. We understand that CSU is seeking Commonwealth agreement to continue this arrangement. Another well known example is Swinburne University which was 18% over-enrolled in 2002 as part of a planned strategy to support its Lillydale campus. Unless special arrangements are made, such high levels of over-enrolment in individual institutions will not be “converted” into corresponding numbers of fully-subsidised places.

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<sup>2</sup> The one exception we have assumed to this in our modelling is for Charles Sturt University, which undertakes police training using marginally funded load with the NSW State Government as industry partner. In 2002 there were 3,011 EFTSU in this program. We have assumed this arrangement will continue.



Source: Phillips Curran. Derived from DEST Higher Education Funding Report for the 2003-2005 Triennium

## 2.2.6 Additional funding for teaching and nursing

The package contains three measures that will directly provide additional funding for teaching and nursing:

- Extra funding of \$81.4 million for existing teaching places over three years starting in 2005, directed toward the costs associated with the teaching practicum
- Extra funding of \$40.4 million for existing nursing places over four years starting in 2004, directed toward the costs associated with the clinical practice
- An additional 210 nursing places in regional campuses from 2004, rising to 574 by 2007.

There may also be additional places for teaching and nursing flowing from the extra 745 places to be provided to private higher education institutions and the 1400 new places from 2007.

An unresolved issue at the time of writing is whether or not the extra funding for the costs of the teaching practicum and nursing clinical practice is built into the announced Commonwealth contribution rates for education and nursing. The presentation of *Backing Australia's Future*, including the funding table in Attachment A to the Statement, indicates that the funding is additional. However institutions have recently been informed that it has been incorporated into the Commonwealth contributions. For the purposes of the analysis of resource impacts in Chapter 4 we have assumed that the recent advice to institutions is correct.

Education and nursing are separately categorised as “National Priorities” under the new Commonwealth Grants Scheme. Students in these courses will face the lowest rate of HECS and universities will not be able to charge above the standard HECS rates.

The potential impact of the package for nursing and teacher education is explored in Chapter 5.

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### 2.2.7 Private institutions

*Backing Australia's Future* will continue the somewhat arbitrary current arrangements under which some courses in some private institutions receive public subsidies, but others do not. Up to 1400 publicly funded places will be provided to a limited number of private institutions (an increase of 745 EFTSU).

Under the new arrangements students in some private higher education institutions will be eligible for the FEE-HELP loans. This change should be of significant benefit to those private providers who qualify<sup>3</sup>. It is likely to strengthen the competitiveness of those institutions and may contribute to a longer term increase in the role played by private institutions in Australian higher education.

### 2.2.8 Growth places

In addition to the new fully subsidised places from 2005, the Government has announced growth of 1400 new commencing places from 2007 to be “allocated on the basis of Commonwealth priorities, taking into account the outcomes of discussions with States and Territories on labour market needs” (BAF p17). Since the release of *Backing Australia's Future*, the Government has provided further advice that an additional 1800 new commencing places are planned for 2008. The impact of these changes on participation and resources are analysed in Chapters 3 and 4.

### 2.2.9 Learning and teaching measures

A new Learning and Teaching Performance Fund will commence in 2006 with a total of \$54.7 million, increasing to \$83.8 million in 2007. To be eligible, institutions must meet a range of criteria in order “to demonstrate a strong strategic commitment to learning and teaching” (BAF p29). Few universities would currently meet these criteria, but most should be able to satisfy them within a few years. The new fund will therefore provide a significant incentive for reform in this area.

The funds will be allocated between eligible institutions on the basis of “a range of indicators, including student progress and graduate employment outcomes”. These indicators are not yet determined and “will be developed in negotiation with the sector” (BAF p29).

This will not be straightforward. Many of the possible indicators suffer from methodological problems, are negatively correlated one with another, or do not differentiate strongly between institutions.

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<sup>3</sup> To be eligible an institution must be listed as a higher education institution on the AQF register, be subject to audit by AUQA, and meet additional quality assurance and reporting requirements as specified by the Commonwealth. Few private higher education providers will meet these criteria.

A new National Institute for Learning and Teaching in Higher Education will commence in 2004. This would mean that the Institute could be given the responsibility to develop the criteria for the Learning and Teaching Performance Fund. The Institute will also have an allocation of \$19.4 million for “grants and other activities”.

The number of Australian Awards for University Teaching will be increased by \$2.7 million per annum from 2006.

The Commonwealth has also announced seed funding of \$35.5 million for four “international centres of excellence” in Asia Pacific Studies and Diplomacy, Mathematics Education, Water Resources Management, and Sports Science and Administration. Part of the funding will also be used to support the international activities of the Cooperative Research Centre for Sustainable Tourism.

### 2.2.10 Scholarships

The package provides for three new categories of scholarships:

- Commonwealth Education Costs Scholarships (CECS) to support low SES and Indigenous students in meeting education costs
- Commonwealth Accommodation Scholarships (CAS) to assist isolated students with accommodation expenses where they have to move to attend a higher education institution
- International scholarships “under which high-performing students from around the world will be able to study in Australia” (BAF p27).

The awards under each of these scholarship programs will be paid to the student, not the enrolling institution. They will be treated as taxable income and will be counted for the purposes of the Youth Allowance means test, thereby reducing their effective value significantly for many students. The impact of the scholarship programs is analysed in Chapter 6.

The number of Australian Postgraduate Awards will rise by only 31 from 4500 to 4531 between 2002 and 2007. This will fall well short of the demand for this program.

An additional \$1 million over four years will be provided “to enable young researchers (doctoral or postdoctoral) to participate with industry members in overseas specialist forums in their field” (BAF p27).

### 2.2.11 Equity measures

In addition to the Commonwealth Scholarships, *Backing Australia's Future* announces several other measures relating to equity and access for disadvantaged groups.

Funds under the Higher Education Equity Program (HEEP) will be increased by \$2.3 million per year from 2005 (up from \$6 million in 2003). All funds will be



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performance based and there will be some threshold tests for institutional eligibility. The Students with a Disability Program will also be increased by \$1.1 million per year from 2005.

There are two new funding measures for Indigenous education.

The first is an increase of \$10.4 million over three years to the Indigenous Support Fund (ISF) (currently \$24.3 million in 2003). Eligibility requirements for the ISF will be strengthened and revised, but the distribution formula will remain unchanged. The second new funding measure is a program of five Indigenous Staff Scholarships per year.

An Indigenous Higher Education Advisory Council will be established to advise the Minister and the Department on strategy and the allocation of scholarships.

## 2.2.12 Other Commonwealth funding measures

There are two other significant Commonwealth funding programs.

A new Workplace Productivity Program will be introduced in 2006 under which funding will be “contingent on universities demonstrating a commitment to workplace reform, through the implementation of flexible working arrangements and a focus on direct relationships with employees and improved productivity and performance.” (BAF p37)

A new Collaboration and Structural Reform fund will replace and extend the existing Higher Education Innovation Program. It will be application based and discretionary. An additional \$20 million will be provided over three years 2005 to 2007. The initial priorities will relate to collaboration between universities, between universities and vocational education and training providers, and between universities and their business, professional and regional communities.

## 2.2.13 Changes to HECS

Under the new arrangements from 2005, universities will be able to set their own HECS levels up to a ceiling specified by the Government. With the exception of nursing and education the ceilings will be 30 per cent higher than the projected ‘standard’ HECS levels in that year. No higher charges above the standard rates will be allowed for nursing and education.

### Increases in HECS charges

If this change is implemented, there are many good reasons to believe that HECS charges will increase substantially over the next few years:

- There will be increasing competition for HECS places, as the total number of places available fails to keep pace with population growth, as explained in Section 3.3 below.

- All universities have some high demand programs in which they could confidently lift HECS rates without adversely affecting the size or quality of student intakes.
- Because HECS revenue will be fully additional to the Commonwealth's contribution, increases in HECS will become one of the principal mechanisms whereby universities can meet increasing costs, including for salary increases arising from enterprise bargaining.
- Increases in HECS represent direct additional net income, because no additional students need to be recruited and taught. In this respect it is an easier and more effective source of income than recruiting and teaching additional fee-paying students.
- Only the Commonwealth contributions will be increased by the three increments of 2.5% over the period 2005 – 2007. If universities wish to secure an overall 2.5% increment in their base funding, they must also increase their HECS charges by 2.5% in real terms.
- In terms of student demand, what matters is what one university charges relative to others, more than the actual charge itself. If all universities increase their charges by a similar amount there will be little impact on relative demand. This is likely to mean that there will be an increase in the 'floor price' across the board in all universities in a relatively short period of time.
- There is a high level of communication between a limited number of providers in the sector, so there is likely to be consistent patterns of increase, even in the absence of direct collusion or price fixing.
- Because the HECS charge does not have to be paid up front and is repayable on an income-contingent basis, students discount the size of the charge in their decision making. This is evident in the very limited demand impact of previous large increases in HECS. This means that universities can increase charges, at least up to a point, without a commensurate effect on demand.
- Finally, there is substantial evidence that price is perceived by potential students as a proxy for quality. Courses that require a high entry standard and/or charge high fees are assumed to be of high quality. It is possible to increase the price for a course and experience an increase in demand.

All of these reasons point to the likelihood of significant increases in HECS, if not immediately then in the short term. There may well be some reductions in HECS as well, but most probably as targeted measures for certain individuals or groups of individuals, eg for equity or scholarship reasons, or as part of a marketing strategy, rather than as permanent, widespread changes in response to competition.

#### The size of the student contribution

*Backing Australia's Future* states that "under the higher education reforms, the average student contribution ... is expected to rise to approximately 26.8% in 2005" (BAF p 23). This does not mean that the HECS charge, on average, will represent 26.8% of the funding for a course. The figure of 26.8% is calculated by "determining the actual value of student contributions through HECS-HELP as a percentage of the total funding for educational costs provided by the Commonwealth to higher education institutions" (BAF p 23).

Table 2.2 shows the projected 2005 HECS charges and the funding per EFTSU for courses in each discipline cluster. Column 4 shows that at the standard HECS rates projected for 2005, students will contribute between 25.1 per cent and 81.0 per cent of the funding for their place in a course. Column 7 shows that, if universities charge the



maximum of 30 per cent above the current standard rates, students' relative contributions will be between 30.3 per cent and 84.7 per cent. It is also worth noting that, at the maximum of 30 per cent above standard HECS, law students will be paying \$8,355, which is more than the total per student funding for the course at standard HECS rates (\$7,936).

The majority of students will be contributing at least one third of the funding for their course, and in some of the largest discipline groups (humanities, business and law), the students' contribution will represent between 48 per cent and 85 per cent of the course funding.

**Table 2.2 Students' Relative Contribution**

Discipline	1	2	3	4	5	6	7
	Estimated Commonwealth Course Contribution	Standard HECS	Total course funding (1+2)	Students' share of course funding at 'standard' HECS rates	HECS+30%	Total course funding (1+5)	Students' share of course funding at maximum HECS rates
	\$	\$	\$	%	\$	\$	%
Law	1509	6427	7936	81.0	8355.1	9864.1	84.7
Accounting, admin, eco, comm	2481	5490	7971	68.9	7137	9618	74.2
Humanities	4180	3854	8034	48.0	5010.2	9190.2	54.5
Maths, stats	4937	5490	10427	52.7	7137	12074	59.1
Behav sc, soc sc	6636	3854	10490	36.7	5010.2	11646.2	43.0
Computing, built env, health	7392	5490	12882	42.6	7137	14529	49.1
languages, vis and perf arts	9091	3854	12945	29.8	5010.2	14101.2	35.5
Eng, science, surveying	12303	5490	17793	30.9	7137	19440	36.7
Dent, med, vet sc	15422	6427	21849	29.4	8355.1	23777.1	35.1
Ag	16394	5490	21884	25.1	7137	23531	30.3
Education	7278	3854	11132	34.6	na	11132	34.6
Nursing	9733	3854	13587	28.4	na	13587	28.4

Source: Phillips Curran

The implications of the probable increase in HECS for institutional revenue are explored in Chapter 4. The increased charges will combine with the other changes in the repayment arrangements to have a differential impact on different types of students. These changes and their impacts are analysed in Chapter 6.

### 2.2.14 Changes to undergraduate fees policy

Two significant changes to policy in relation to undergraduate fees will be introduced.

- First, students will no longer be required to pay their fee up-front. A HECS-type loan will be available (to be called FEE-HELP), but with a real rate of interest on the debt for the first ten years. The interest rate will be 3.5% on top of inflation, a total rate in the order of 7%. There will also be a limit of \$50,000 on the total debt that may be accrued.
- Second, the current limits on the proportion of fee-paying domestic undergraduate students in any course will be eased. The limit will be raised from 25% to 50% of the domestic undergraduate load in all courses except medicine, where it will be raised from 0% to 10%.

Again there are many reasons to believe that the number of fee-paying undergraduates will rise significantly following these changes.

- As noted above there will be little growth in HECS-liable places so the competition for high demand courses will remain intense.
- The differential between full fees and HECS will be reduced as institutions choose to increase their HECS levels. Indeed in some courses it is conceivable that the difference could be very small indeed.
- Availability of deferred, income-contingent loans will remove the up-front payment barrier and will mean that potential students will tend to discount the size of the fee in their decision-making.
- Institutions may be more inclined to offer full fee places in a more de-regulated environment and because the availability of loans will diminish equity concerns.
- The increase in the cap on the proportion of fee-paying domestic students from 25 per cent to 50 per cent will increase the capacity of some courses to enrol fee-paying students. The 10% cap in medicine will be easily filled if institutions choose to do so.
- Penalties will apply to institutions that over-enrol beyond 2% above their agreed load without charging fees.

The implications of the changes to fees policy for participation and resources are analysed in Sections 3.5 and 4.2.1 respectively.

In overview, the analysis in those sections indicates that the changes to fees policy, when combined with the changes to HECS, will further shift the balance of funding for higher education on to the individual, even though the package does include significant increases in Commonwealth funding.

### 2.2.15 Learning Entitlement

The five year Learning Entitlement will be introduced from 1 January 2005, presumably only for students commencing a course after this date. A five year entitlement is a restriction on the current entitlement which is open-ended. There are many potential problems with a five year limit which are yet to be worked through in detail. These include:

- The differential impact on students undertaking programs with a normal equivalent full-time enrolment period of three, four and five years, notably including double degree students
- The definition of “normal enrolment period” and how the entitlement will be extended for students in programs with a normal enrolment period of greater than five years
- Definition of the entitlement for a student who changes between courses with different normal enrolment periods
- Definition of the circumstances in which entitlements may be extended for students prevented from completing in minimum time by circumstances beyond their control (this is a potential issue for all students, not just those who would otherwise exceed their entitlements). It would be desirable to have consistent approaches across all universities. Individual institutions will have the responsibility for handling these issues.

One consequence of the Learning Entitlement time limit is that universities will need to make provision for students whose entitlement has been exhausted. If they are to continue, these students will need to be shifted to a fee-paying place, even if the institution chooses to reduce or waive the normal fee, in which case the institution will bear the cost.

Notably, the Learning Entitlement will apply only in those higher education institutions eligible for Commonwealth subsidised places. That is, the entitlement is not cross-sectoral and does not extend to private higher education institutions other than those in receipt of Commonwealth subsidies. It is not therefore a general life-long learning entitlement, although the Commonwealth Minister has flagged an intention to develop arrangements whereby “individuals will also receive an additional entitlement after a specified number of years” (BAF p19).

Implementation of the Learning Entitlement will require each individual student to be tracked throughout their lifetime from the point at which they first commence higher education, regardless of changes in course or institution. For this purpose “the Commonwealth will provide students with an additional student number which will stay with the student throughout their academic life, allowing eligibility to Commonwealth support to be facilitated and monitored” (BAF p42). This will be part of a new Higher Education Information Management System, the implementation of which will entail considerable cost for both the Commonwealth and institutions. Public higher education institutions will receive approximately \$200,000 each in 2003-04 for this purpose, but the actual costs are likely to substantially exceed this amount.

### 2.2.16 Voluntary student unionism

Separate legislation will be introduced to “ensure that membership of student organisation is optional and universities do not collect fees that are not directly related to course provision” (BAF p45). If implemented such a policy could have significant financial and organisational implications for universities in relation to the provision of services currently supplied by student organisations.

### 2.2.17 Research

The policy package contains nothing specifically new on research funding, although it does foreshadow some significant moves and reviews:

- Evaluation of the measures in *Backing Australia's Ability* starting in 2003-04
- A taskforce to “develop a nationally integrated research infrastructure strategy, which will apply to public higher education institutions and all publicly funded research agencies” (BAF p32)
- A taskforce to “examine scope for greater collaboration between universities and major Publicly Funded Research Agencies” (BAF p32)
- A “comprehensive evaluation of the effectiveness of the *Knowledge and Innovation* reforms” (BAF p33).

Membership and terms of reference for the steering committee for the ‘Review of Closer Collaboration between Universities and Major Publicly Funded Research

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Agencies' were announced on May 26, 2003. The evaluation of the Knowledge and Innovation reforms will include examination of the Research Training Scheme which has been the subject of strong criticism by some universities.

*Backing Australia's Future* announces that "the ARC will be directed by the Minister for Education, Science and Training to use some of the increase in funds received under *Backing Australia's Ability* to cover some of the costs of Chief Investigator salaries in some research grants" (BAF p33). The impact of this measure is not clear at this stage.

There will be an affiliation between James Cook University and the Australian Institute of Marine Science.

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## 2.3 What the package does not contain

### 2.3.1 Student assistance

*Backing Australia's Future* contains no changes to student assistance arrangements. Issues associated with the adequacy of current student assistance are examined in Volume One of this Report.

### 2.3.2 Cross-sectoral issues

Despite the extensive focus on cross-sectoral issues in the *Crossroads* process, *Backing Australia's Future* contains little new for the higher education-vocational education and training interface. In some ways this is surprising given the degree of policy attention devoted to this issue during the earlier period of the Review.

There was a full issues paper, *Varieties of Learning*, prepared to examine the sectoral interface. In that issues paper the Commonwealth noted that the extent of the interface is growing "due to a number of factors including the changing nature of work,... a growing diversity in the population seeking entry to tertiary education, ... efficiencies associated with cooperation between the sectors, (and) the fact that Australia is a world leader in lifelong learning."<sup>4</sup>

The issues paper went on to identify a number of significant policy issues, including:

- Continuing barriers in credit transfer arrangements
- The absence of a coordinated policy framework for cross-sectoral collaboration
- The overlap between the sectors in the provision of degree programs and technical/professional education more generally
- Anomalies in the level and nature of student contributions
- A possible national pilot program to encourage the development of joint university/VET provider courses

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<sup>4</sup> *Varieties of Learning: The Interface between Higher Education and Vocational Education and Training*, August 2002, p ix

- A possible expanded trial of graded assessment in VET and other measures to enhance credit transfer
- The sharing of infrastructure between the sectors, including through multi-sector campuses.

None of these issues is directly addressed in *Backing Australia's Future*.

However, there are some potential downstream implications for the VET sector that are not articulated.

For example, the FEE-HELP loans will apply only to higher education institutions (including some private institutions). This perpetuates the anomaly that students undertaking higher education courses in VET sector institutions do not have access to income-contingent loans. There is no policy reason why FEE-HELP loans could not be applied to any accredited higher education course, in which case students undertaking higher education courses in VET institutions could have access to the loans.

As noted above, the Learning Entitlement concept has been limited only to higher education. However it is based for the first time on the concept of an entitlement to a specified period of public subsidy, a concept which could potentially cross the sectoral boundaries.

The time restrictions under the Learning Entitlement, increasing HECS rates and very limited growth in non fee-paying places will all act to increase the relative attractiveness of undertaking a higher education qualification in the VET sector, where possible, or of undertaking a VET sector qualification with a view to articulating into a higher education program. For example, by undertaking one or two years study in TAFE then transferring with credit to a university, a student could reduce both the cost of their degree and the draw down on their Learning Entitlement. This will create some further anomalies and inequities within the system. It may provide some incentives for universities to seek better articulation arrangements with the VET sector and for VET sector institutions to offer higher education courses or courses designed to articulate with higher education programs. It is likely to increase the demand for such programs in TAFE colleges and could add to pressures on TAFE resources.

For example, a number of universities offer advanced standing to applicants with relevant TAFE qualifications of up to one third of the units in a three year degree and one quarter of the units in a four year degree – the equivalent of one year's study. Such advanced standing would typically be considered for a student with a relevant TAFE diploma. To take the case of New South Wales, the 2004 full annual fee for a diploma will be \$1,000. This compares with a likely annual HECS charges in 2004 of \$3,767 (band 1) and \$5,366 (band 2). Depending on the amount of study required to complete the diploma, a student who gained advanced standing could therefore achieve both a diploma and a degree for a nominal cost in the order of two to four thousand dollars less than the cost of a degree for a student entering university directly. The extent of this difference may increase as universities increase their HECS charges. In addition, the TAFE graduate would use up one year less of their higher education Learning Entitlement than the direct university entrant.

The exact comparison would depend on an individual's circumstances, and there are other factors that need to be considered, including the absence of an income-

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contingent loan scheme in TAFE and the foregone income for any additional time spent in total as a student. Nevertheless, it is possible that an increasing number of individuals may seek to enrol in TAFE as an alternative to direct entry to university.

*Backing Australia's Future* does introduce one measure with a potential focus on the sectoral interface. A new Collaboration and Structural Reform Fund, to be established for three years beginning in 2005, will provide competitive funds to foster collaboration between universities and other bodies and to encourage innovation in higher education. The fund will absorb the current Higher Education Innovation Programme (HEIP) worth \$16.6 million, and will total \$36.6 million over the three years of funding.

National priority areas for collaboration will be identified for each round of funding, and the initial four priorities include collaboration “between vocational education and training provider/s and an institution in course provision or an area related to teaching and learning”.

### 2.3.3 Indexation

*Backing Australia's Future* is silent on the issue of indexation. At the moment, operating grants are indexed, albeit in a way that has substantially lagged real cost movements in the sector. Under the new arrangements, indexation will apply only to the Commonwealth contribution, using the existing cost adjustment factor (75% safety net adjustment, 25% CPI). The foreshadowed growth in the Commonwealth contribution from 2.5 per cent to 7.5 per cent from 2005 to 2007 will be on top of that, as will the regional loading.

Because universities will determine their own student contributions within the limits specified by the Commonwealth, there will be no indexation per se for that component of institutional income. If universities wish the student contributions to keep pace with inflation or university costs, they will need to increase their HECS charges by the relevant amount each year. The maximum HECS levels will be set by the Government in the year before they apply. It is likely that the maximum HECS rates will be increased broadly in line with inflation.

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### 3 Impact on participation

#### 3.1 The position in 2002

In 2002 there were 498,304 domestic higher education equivalent full-time students (711,563 enrolments) captured in the DEST statistics. This includes all domestic students at all levels of study, whether HECS-liable or fee-paying. This represents 31.8 places (EFTSU) for every 1,000 Australian residents aged 15 and over.

Of the total domestic student load in 2002, 393,255 EFTSU was ‘fully funded’ non-research places<sup>5</sup>, representing 25.1 EFTSU per 1,000 of the population aged 15 and over. If over-enrolment is included, there were 425,987 places that were subsidised by the Commonwealth, either ‘fully’ or marginally, equivalent to 27.2 places for every 1,000 of the 15+ population. The State breakdown is shown in Table 3.1.

**Table 3.1 Higher education places per 1,000 of the 15+ population, 2002**

State	All domestic student places	Fully-funded' non-research places	Commonwealth subsidised places (inc over-enrolment) (non-research)
<b>NSW</b>	30.2	22.8	25.5
<b>Vic</b>	32.8	25.7	27.4
<b>Qld</b>	33.1	27.1	29.3
<b>WA</b>	31.5	25.3	27.2
<b>SA</b>	28.5	24.2	25.8
<b>Tas</b>	28.4	24.2	25.1
<b>NT</b>	23.7	20.9	22.3
<b>ACT</b>	60.1	45.3	46.6
<b>Australia</b>	31.8	25.1	27.2

*Sources: Derived from ABS 3201.0, DEST Selected Student Statistics 2002, DEST Higher Education Funding Report 2003-2005*

This provides a snapshot of the participation levels by State in 2002 which can be used as the basis for comparison with the changes anticipated as a result of *Backing Australia's Future*.

It should be noted that the analyses in this Chapter focus on the publicly funded higher education institutions. Where there are Commonwealth funded places in private institutions, such as the University of Notre Dame Australia, these are included in the analyses, but the fee-paying students at Notre Dame, Bond University and all other

<sup>5</sup> Including Marcus Oldham and Avondale



private higher education providers are excluded. This needs to be borne in mind especially when interpreting the overall participation data.

### 3.2 Elements of *Backing Australia's Future* with an impact on Commonwealth-subsidised student numbers

The following elements of the package will have an impact on Commonwealth-subsidised student numbers, as opposed to fee-paying places:

- The provision of additional funded places to private institutions
- Cessation of funding to Marcus Oldham College of Farm Management
- Provision of nursing places to regional campuses
- Phasing out of marginal funding for over-enrolment
- Phasing in of new fully subsidised places
- New medical places
- Growth from 2007.

As noted above, since the release of *Backing Australia's Future*, the Government has provided further advice that an additional 1800 new commencing places are planned for 2008. We have also taken this into account in our analysis.

These various changes are summarised in Table 3.2 excluding the impact of the phasing out of over-enrolment.

**Table 3.2 Change in 'fully funded' student places as a result of *Backing Australia's Future***

	2004	2005	2006	2007	2008
Places to private providers		273	478	631	745
Marcus Oldham (funding ends)		-65	-65	-65	-65
Priority places to regional campuses	210	368	486	574	574
Extra 'fully funded' places		9100	15925	21044	24883
New medical places	234	468	702	936	1170
Growth from 2007				1400	2450
Growth from 2008					1800
<b>Total change in 'fully funded' places</b>	<b>444</b>	<b>10144</b>	<b>17526</b>	<b>24520</b>	<b>31557</b>

Source: *Backing Australia's Future*

Table 3.2 shows that there will be a significant increase in the number of 'fully funded' places as a result of *Backing Australia's Future*. However there will also be a reduction in the number of marginally funded over-enrolled places. The new policy will phase out marginal funding for over-enrolment and introduce new penalties for institutions that over-enrol by more than 2%. As a consequence, it is reasonable to assume that over-enrolment will be reduced to zero by 2008<sup>6</sup>.

In 2002 there were 32,732 over-enrolled places across the system. Thus, relative to 2002, the new policy will see a reduction in HECS-liable opportunities by 32,732,

<sup>6</sup> Note: It is possible that some over-enrolment may remain in the system after the policy changes which permit over-enrolment up to 2% without direct penalty.



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offset by the increases shown in Table 3.2. On its own, *Backing Australia's Future* provides 31,557 additional places in 2008. The net change resulting from this combination is therefore a reduction in HECS-liable places of 1175 EFTSU in 2008 compared with 2002.

However this is not quite the full picture, because there is some funded growth in the system between 2002 and 2005 (4735 EFTSU) announced before the implementation of *Backing Australia's Future*. This needs to be taken into account in calculating the difference in the number of Commonwealth subsidised places relative to 2002. With this taken into account the net change in Commonwealth subsidised places between 2002 and 2008 will be an increase of 3460 EFTSU (assuming over-enrolment is reduced to zero).

To get a full picture for each year we also need to make an assumption about the level of over-enrolment in 2003 and 2004. Over-enrolment was unusually high in 2002 and there is anecdotal evidence to suggest that the level will be lower in 2003. In 2001 over-enrolment stood at 25,296 EFTSU. A reasonable assumption is that over-enrolment in 2003 and 2004 will be around 25,000 and then will be phased out altogether when the new policy comes into effect from 2005. We have also assumed that the current arrangement continues whereby police training at Charles Sturt University is conducted using marginally funded load (3,011 EFTSU in 2002) in conjunction with the New South Wales State Government.

With these assumptions, the full picture is summarised in Table 3.3.

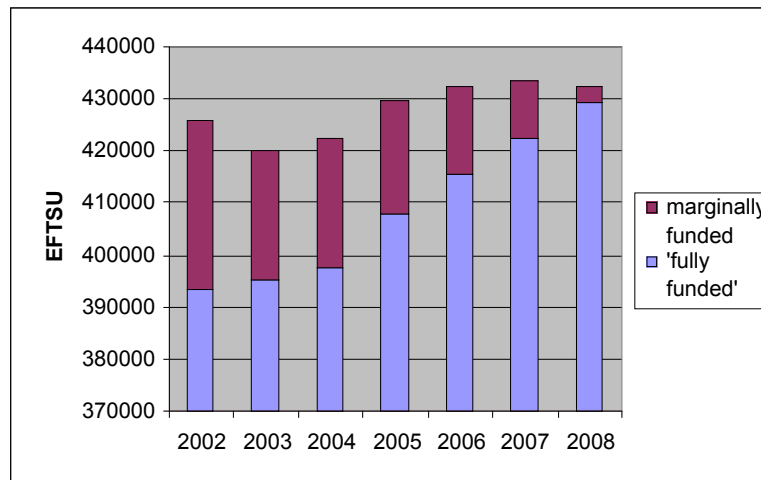
**Table 3.3 Summary of Commonwealth subsidised student places as a result of *Backing Australia's Future* and current policy**

Table 3.3 Summary of Commonwealth-subsidised student places as a result of <i>Backing Australia's Future</i> and current policy							
	2002	2003	2004	2005	2006	2007	2008
"Fully funded" places on basis of current policy	393255	395270	396955	397890	397890	397890	397890
Over-enrolment (actual 2002, assumed 25,000 in 2003 and 2004, pipelined to 0 by 2008)	29721	21989	21989	18596	14072.96	8042	0
Police training load at Charles Sturt University	3011	3011	3011	3011	3011	3011	3011
Commonwealth subsidised places on basis of current policy and assumed changes to over-enrolment	425987	420270	421955	419497.4	414974	408942.7	400901
<b>Changes from <i>Backing Australia's Future</i></b>							
Places to private providers				273	478	631	745
Marcus Oldham (funding ends)				-65	-65	-65	-65
Priority places to regional campuses			210	368	486	574	574
Extra 'fully funded' places				9100	15925	21044	24883
New medical places			234	468	702	936	1170
Growth from 2007						1400	2450
Growth from 2008							1800
Total change in 'fully funded' places from BAF			444	10144	17526	24520	31557
TOTAL 'FULLY FUNDED' PLACES	393255	395270	397399	408034	415416	422410	429447
Change in 'fully-funded' places relative to 2002	0	2015	4144	14779	22161	29155	36192
TOTAL COMMONWEALTH SUBSIDISED PLACES	425987	420270	422399	429641	432500	433463	432458
Change in Commonwealth subsidised places relative to 2002	0	-5717	-3588	3654	6512.96	7476	6471

Sources: DEST Higher Education Funding Report 2003-2005, *Backing Australia's Future*  
 Note: Base includes places for Marcus Oldham College and Avondale College, excludes medical rural bonded scholarships and research student places funded through the Research Training Scheme.

In summary, when existing policy and the new changes are taken together, 'fully funded places' will grow from 393,255 in 2002 to 429,447 in 2008, an increase of 36,192 EFTSU or 9.2%. However, total Commonwealth subsidised places (and therefore places for which HECS applies rather than fees) are likely to decline initially as over-enrolment falls, before growing slightly to 432,458 in 2008 (assuming 0 over-enrolment other than police training at CSU), a net increase of only 6,471 EFTSU or 1.5% over 2002. This is shown graphically in Figure 3.1.

**Figure 3.1 Combined effect of changes in Commonwealth subsidised load, 2002 to 2008**



Source: Phillips Curran

As noted in Section 2.2.5, over-enrolment is not evenly distributed between institutions and States, so the impact of this change will vary quite considerably, depending on the current level of over-enrolment and the way in which the new 'fully funded' places are distributed. This issue is explored further in Section 3.7 below.

It should be noted that this analysis assumes over-enrolment will fall to 0 (except for police training at CSU). It is possible that some over-enrolment will remain in the system, because universities will not be able to meet targets precisely and because the new policy allows institutions to retain the student contribution for over-enrolment of up to 2%.

### 3.3 Participation impact of changes in Commonwealth subsidised places

The outlook for Commonwealth subsidised places described in the previous section can be compared with projected population growth to gauge whether opportunities to enter higher education in a HECS liable (non full fee) place will increase or decrease. As would be expected, the net increase in subsidised places of only 1.5% between 2002 and 2008 does not keep pace with projected population growth.

Table 3.4 assumes that the growth announced in *Backing Australia's Future* for 2007 and 2008 will be fully pipelined and all of the other additional places will remain in the system, but that there will be no further growth beyond that. On that basis, the number of Commonwealth subsidised places per 1,000 people aged 15 and over will fall from 27.2 in 2002 to 25.0 in 2011 and 22.7 in 2021.

**Table 3.4 Commonwealth subsidised places per 1,000 of the 15+ population 2002 – 2021, taking into account *Backing Australia's Future*, prior growth in 'fully funded' places and projected population growth**

	2002	2006	2011	2021
<b>"Fully funded" non-research places (EFTSU)</b>	25.1	25.1	24.8	22.6
<b>Commonwealth subsidised places (EFTSU) (including over-enrolment)</b>	27.2	26.2	25.0	22.7

Sources: Derived from Table 3.3 and ABS 3222.0 (series 2)

From this we can calculate how many additional Commonwealth subsidised places would be required in each year to maintain the level of opportunities to access a HECS-liable place that applied in 2002. This is shown in Table 3.5.

**Table 3.5 Additional Commonwealth subsidised places required to maintain 2002 ratio of places to people in the 15+ population**

	2002	2006	2011	2021
<b>"Fully funded" non-research places (EFTSU)</b>	0	-1102	5202	47996
<b>Commonwealth subsidised places (EFTSU) (including over-enrolment)</b>	0	16299	38762	85118

Sources: Derived from Table 3.3 and ABS 3222.0 (series 2)

In summary, because of the anticipated reduction in over-enrolment, there will be a shortfall<sup>7</sup> in Commonwealth subsidised places of around 16,300 in 2006, growing to almost 39,000 in 2011, unless there is further funded growth. The provision of 'fully-funded' places keeps pace better with population growth, actually running ahead of it in 2006, but still falling short by 2011.

### 3.4 Elements of *Backing Australia's Future* with an impact on fee-paying student numbers

*Backing Australia's Future* introduces new policies designed to increase the number of fee-paying domestic undergraduate students, as outlined in Section 2.2.14.

In 2002 there were 6,536 undergraduate full fee-paying places (EFTSU) in public universities, representing 1.6 places for every 100 of total domestic undergraduate load

<sup>7</sup> Relative to the number required to maintain the 2002 ratio of subsidised places to population aged 15 and over. The shortfall relative to the number needed to maintain 2002 age participation rates may be less because of the ageing of the population.

and 1.7 per 100 of all ‘fully-funded’ load. In 2008, after the changes from *Backing Australia’s Future* and other measures, there will be around 430,000 ‘fully-funded’ places, so each one percent will represent about 4,300 EFTSU. Thus, if the ratio of undergraduate fee-payers to funded load increased to, say, 2 per 100, there would be around 8,600 EFTSU of domestic undergraduate fee-paying students.

In our view, the increase is likely to be considerably greater than this, for the reasons set out in Section 2.2.14. We believe that an increase in the ratio of fee-paying to ‘fully-funded’ students to 5 per cent by 2008 is entirely credible. At this level, there would be around 21,700 full fee-paying places (EFTSU) in 2008. This represents an increase of about 15,000 EFTSU over 2002. It is conceivable that the growth could be higher still, even as much as double this level.

For modelling purposes, we have assumed continuing linear growth in undergraduate fee-paying load in 2003 and 2004, followed by an acceleration in growth commencing in 2005 when the new policy takes effect, until fee-paying load stabilises at 5% of ‘fully funded’ load in 2008 and thereafter. The outcomes of this scenario are shown in Table 3.6, along with an alternative scenario in which fee-paying load reaches 10% of ‘fully funded’ load.

**Table 3.6 Scenarios for undergraduate fee-paying load (EFTSU)**

	<b>2002</b>	<b>2006</b>	<b>2011</b>	<b>2021</b>
<b>5% scenario</b>	6536	18731	21709	21709
<b>10% scenario</b>	6536	34856	43418	43418

*Source: Phillips Curran*

As noted previously this analysis focuses only on the number of fee-paying undergraduates in the public higher education institutions.

### 3.5 Participation impact of changes in undergraduate fee-paying student places

The increase in fee-paying students will have only a minor impact on higher education participation rates on these scenarios, because the great majority of student places continue to be subsidised and HECS-liable. The 5% scenario outlined in Table 3.6 adds just under 1 place per 1,000 people aged 15 and over. The 10% scenario adds around 2 places per 1,000 (See Table 3.7).

**Table 3.7 Participation impact of changes in undergraduate fee-paying places**

	2002	2006	2011	2021
Increase in student places over 2002				
<b>5% scenario</b>	0	12195	15173	15173
<b>10% scenario</b>	0	28320	36882	36882
Participation rate increase (places per 1,000 of the 15+ population)				
<b>5% scenario</b>	0	0.7	0.9	0.8
<b>10% scenario</b>	0	1.7	2.1	1.9

Source: Phillips Curran

### 3.6 Overall impact on participation

We can combine the preceding analyses to assess the potential impact of *Backing Australia's Future* and current policy on higher education participation overall. In order to do so we need to incorporate an assumption about change in student numbers in the remaining categories. For this purpose we have assumed that:

- Until 2005, postgraduate fee-paying load will increase linearly in line with the trend from 1999 to 2002. After 2005, when the real interest rate is introduced on student loans and the market is more mature, the rate of growth will slow so that postgraduate fee-paying load increases in line with 'fully funded' load
- All other categories of student load, mainly research students funded through the Research Training Scheme, remain at 2002 levels.

The results are summarised in Table 3.8. It shows that, on our assumptions, there will be no decline in the ratio of higher education places to the 15+ population until after 2006 on the 5% scenario for undergraduate fee-paying places. There will be no decline in the ratio until after 2011 on the 10% scenario.

**Table 3.8 Overall participation impact of *Backing Australia's Future* and current policy**

	2002	2006	2011	2021
Commonwealth subsidised places	425,987	432,500	437,192	437,192
Undergraduate fee paying (5% scenario)	6536	15961	21709	21709
Postgraduate fee-paying	34717	46158	48243	48243
Other (mainly research)	31,064	31,064	31,064	31,064
<b>TOTAL DOMESTIC STUDENT LOAD (EFTSU)</b>	<b>498,304</b>	<b>525,682</b>	<b>538,208</b>	<b>538,208</b>
<b>PARTICIPATION (EFTSU per 1,000 people 15+)</b>	<b>31.8</b>	<b>31.8</b>	<b>30.7</b>	<b>28.0</b>
<i>Undergraduate fee paying (10% scenario)</i>	6536	26711	43418.1	43418.1
<i>TOTAL STUDENT LOAD (10% scenario)</i>	498,304	536,432	559,917	559,917
<i>PARTICIPATION (EFTSU per 1,000 people 15+)</i>	31.8	32.5	32.0	29.1

Source: Phillips Curran

The level of participation remains relatively stable despite the declining ratio of subsidised places to population shown in Table 3.5. This is because of the projected growth in fee-paying places. In 2002, undergraduate and postgraduate fee-paying places accounted for 8.3% of total domestic student load. By 2011 we project that fee-paying places will have increased to 13% (under the 5% undergraduate fees scenario) or 16.5% (under the 10% scenario). Fee-paying places increase by 70% between 2002 and 2011 under the 5% scenario, compared with a 2% increase in subsidised places.

While the overall level of participation does not fall for some time (depending on the take up of fee-paying places), it also is not projected to rise. This stable short term outlook in all likelihood means that Australia will go backwards relative to other OECD countries, given the patterns described in Volume 1 of this Report and the emphasis being placed on human capital investment (see Vol 1, section 3.5). It also means that it is unlikely that Australia will move far toward the target for tertiary education proposed by New South Wales (that 60% of Australians should have a tertiary education qualification by 2010 – see Vol 1, section 3.6).

It should also be noted that this analysis has compared the growth in higher education places with the growth in the population. An additional consideration is the potential growth in demand for higher education. It is possible that school retention rates could increase, lifting the demand for higher education among school leavers. It is also possible that demand from non school leavers will grow significantly, driven by already established trends toward increasing sophistication in the workplace, demands for higher skill levels, frequent changes in employment during an individual's working life, growth in industries that recruit heavily from those with higher education qualifications, and the development of new, high skill industry sectors. These factors suggest that total demand levels for higher education could outstrip the rate of population growth (unless dampened by constraints on the supply of places or the cost of entry) and even further outstrip the projected marginal growth in Commonwealth subsidised places.

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## 3.7 Participation impact on States and Territories

### 3.7.1 Changes in Commonwealth subsidised places

We can model the potential impact of the changes on participation in each State and Territory only by making a series of assumptions about the implementation of each of the elements in the package. For this report we have made the following key assumptions:

1. Each university will maintain its 2002 share of over-enrolment as the total level of over-enrolment declines
2. The new nursing places for regional campuses will be distributed in line with current shares of nursing enrolments on regional campuses
3. The new medical places will be distributed as outlined in the media release by the Minister for Health and Ageing on 5 June 2003<sup>8</sup>
4. All other places from Backing Australia's Future will be distributed in line with the allocation of 2005 target load as specified in the Higher Education Funding Report 2003-2005. This includes the extra 25,000 'fully funded' places, the additional places for private providers, and the growth places from 2007 and 2008.

It is important to note that this last assumption has been made for illustrative purposes and is unlikely to be the final outcome. As noted previously, the Commonwealth has stated that it intends to allocate the places according to Commonwealth priorities and following discussion with the States and Territories. Therefore the actual distribution of the places to States and Territories is likely to reflect judgements about factors such as relative participation levels, demand, demography, labour market requirements and so on, rather than simply following the existing pattern of distribution.

The results of the modelling are summarised in Table 3.9. On the assumptions in this report, there will be an increase in 'fully funded' places of between 8.3 and 12 per cent in each State and Territory between 2002 and 2008, though as indicated above, it is probable that the faster growing States will receive higher shares of the places than shown in Table 3.9<sup>9</sup>.

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<sup>8</sup> There will be 94 new commencing places for the ACT and NSW. For the purposes of modelling we have assumed that 55 will go to the new ANU medical school.

<sup>9</sup> Note: In this analysis places at the Australian Catholic University are distributed between New South Wales, Queensland, Victoria and the ACT in proportion to the current distribution of enrolments.



**Table 3.9 Summary of 'fully funded' places by State as a result of *Backing Australia's Future* and current policy**

	2002	2003	2004	2005	2006	2007	2008	Change 2002 - 2008 %
<b>New South Wales</b>								
Total	121064	121745	122312	125563	127790	129901	132035	
Change relative to 2002	0	681	1248	4499	6726	8837	10971	9.1
<b>Victoria</b>								
Total	100634	100793	101113	103628	105464	107199	108939	
Change relative to 2002	0	160	480	2994	4830	6565	8305	8.3
<b>Queensland</b>								
Total	79262	79859	80499	82887	84394	85821	87253	
Change relative to 2002	0	598	1237	3625	5133	6560	7991	10.1
<b>Western Australia</b>								
Total	38710	39005	39276	40403	41147	41855	42573	
Change relative to 2002	0	295	566	1693	2437	3145	3863	10.0
<b>South Australia</b>								
Total	29795	29915	30026	30726	31274	31794	32320	
Change relative to 2002	0	120	231	931	1479	1999	2525	8.5
<b>Tasmania</b>								
Total	9070	9175	9300	9589	9785	9970	10150	
Change relative to 2002	0	105	230	519	715	900	1080	11.9
<b>Northern Territory</b>								
Total	3070	3070	3085	3169	3232	3289	3342	
Change relative to 2002	0	0	15	99	162	219	272	8.9
<b>Australian Capital Territory</b>								
Total	11651	11708	11788	12068	12330	12581	12835	
Change relative to 2002	0	57	137	418	679	930	1185	10.2

Source: Phillips Curran

Table 3.9 relates only to 'fully funded' places. We can construct a similar table looking at the potential change in Commonwealth subsidised places (including over-enrolment). It shows a wider variation of change, from a reduction of 0.2% in New South Wales between 2002 and 2008, to an increase of 8% in Tasmania. The differences are largely explained by the current distribution of over-enrolment.

**Table 3.10 Summary of Commonwealth subsidised places by State as a result of *Backing Australia's Future* and current policy**

	2002	2003	2004	2005	2006	2007	2008	Change 2002 - 2008 %
<b>New South Wales</b>								
Total	135318	135643	136210	137781	137769	136893	135046	
Change relative to 2002	0	324	891	2463	2451	1575	-272	-0.2
<b>Victoria</b>								
Total	107070	105709	106029	107785	108610	108997	108939	
Change relative to 2002	0	-1361	-1041	716	1540	1927	1869	1.7
<b>Queensland</b>								
Total	85649	84738	85378	87013	87517	87606	87253	
Change relative to 2002	0	-911	-272	1364	1867	1956	1603	1.9
<b>Western Australia</b>								
Total	41550	41174	41445	42237	42535	42648	42573	
Change relative to 2002	0	-376	-105	687	985	1098	1023	2.5
<b>South Australia</b>								
Total	31724	31388	31499	31972	32217	32333	32320	
Change relative to 2002	0	-336	-225	248	493	609	596	1.9
<b>Tasmania</b>								
Total	9413	9437	9562	9811	9953	10066	10150	
Change relative to 2002	0	24	149	398	540	653	737	7.8
<b>Northern Territory</b>								
Total	3278	3229	3244	3303	3333	3347	3342	
Change relative to 2002	0	-49	-34	25	55	69	64	1.9
<b>Australian Capital Territory</b>								
Total	11985	11963	12043	12284	12493	12674	12835	
Change relative to 2002	0	-22	59	299	508	689	851	7.1

Source: Phillips Curran

These potential outcomes can be compared with projected population growth in each State and Territory to assess the availability of HECS-liable places per head of population. Again we have used the projected population aged 15 and over. It should be acknowledged here that the ABS population projections by State need to be treated with caution as actual population outcomes do vary significantly from those projected by the ABS from time to time.

**Table 3.11 'Fully funded' and Commonwealth subsidised places per 1,000 of the 15+ population, 2002 – 2021, taking into account *Backing Australia's Future*, prior growth in 'fully funded' places, and projected population growth**

		2002	2006	2011	2021
<b>New South Wales</b>					
	"fully funded'	22.8	23.0	22.8	21.0
	subsidised	25.5	24.8	23.3	21.0
<b>Victoria</b>					
	"fully funded'	25.7	25.8	25.7	24.0
	subsidised	27.4	26.5	25.7	24.0
<b>Queensland</b>					
	"fully funded'	27.1	26.8	25.6	22.0
	subsidised	29.3	27.8	25.6	22.0
<b>Western Australia</b>					
	"fully funded'	25.3	24.8	24.0	21.0
	subsidised	27.2	25.6	24.0	21.0
<b>South Australia</b>					
	"fully funded'	24.2	24.9	25.3	24.5
	subsidised	25.8	25.6	25.3	24.5
<b>Tasmania</b>					
	"fully funded'	24.2	25.9	27.0	27.4
	subsidised	25.1	26.4	27.0	27.4
<b>Northern Territory</b>					
	"fully funded'	20.9	19.8	18.9	16.3
	subsidised	22.3	20.4	18.9	16.3
<b>Australian Capital Territory</b>					
	"fully funded'	45.3	46.6	46.8	43.5
	subsidised	46.6	47.2	46.8	43.5

Source: Phillips Curran

In summary, the number of 'fully funded' places roughly keeps pace with growth in the 15+ population out to 2011 in most States, although there is a decline in the ratio for Queensland, Western Australia and the Northern Territory. The ratio of subsidised places (including over-enrolment) to the 15+ population falls in all States and Territories other than Tasmania and the ACT. In the absence of further growth the ratios will decline in all jurisdictions except Tasmania by 2021.

This outlook should be considered in the context of the already high levels of unmet demand in many States, as outlined in Volume 1 of this Report

### 3.7.2 Changes in fee-paying places

The potential growth in fee-paying places discussed above can also be analysed on a State by State basis, if we make some assumptions about the distribution of the growth between universities. For postgraduate fee-paying students, a reasonable assumption is that universities will retain their current shares. For undergraduate fee-paying students, the policy environment will change substantially and it is likely that all or most universities will begin to offer fee-paying places, especially from 2005 when the fees

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can be deferred and repaid on an income contingent basis. The current distribution of undergraduate fee-paying places therefore will not be a good indicator of their likely distribution in future.

Universities vary in their capacity and willingness to enrol fee-paying undergraduate students. The new policy environment will disproportionately benefit those institutions that are:

- in highest demand
- most active in the fee-paying market.

There is no simple way of predicting which institutions will fit these two criteria. For the purposes of modelling, we have assumed that the best indicator for demand from domestic fee-paying students is an institution's share of domestic fee-paying postgraduate load. As an indicator both of demand and willingness to enrol fee-paying undergraduates we have used each institution's share of domestic undergraduate fee-paying load. Combining these two measures enables us to "predict" a share for each institution of the market for undergraduate fee-payers after the policy change.

The outcome of these assumptions are shown in Tables 3.12 and 3.13.

The tables show that by far the largest numbers of undergraduate fee-paying places are projected for New South Wales and Victoria, although the percentage growth is higher in the smaller States where the increases come from a comparatively low current base of fee-paying numbers. New South Wales and Victoria together are projected to recruit 77% of the additional undergraduate fee-paying load in 2008. All States are assumed to share equally in the continuing growth in postgraduate fee-paying places.

**Table 3.12 Summary of potential undergraduate fee-paying places (5% scenario)**

	2002	2003	2004	2005	2006	2007	2008	Change 2002 - 2008 %
<b>New South Wales</b>								
Total	1774	2443	3112	4066	5021	5975	6929	
Change relative to 2002	0	669	1339	2293	3247	4201	5155	291
<b>Victoria</b>								
Total	2924	3744	4564	5733	6901	8070	9239	
Change relative to 2002	0	820	1640	2808	3977	5146	6314	216
<b>Queensland</b>								
Total	297	508	719	1019	1319	1620	1920	
Change relative to 2002	0	211	421	722	1022	1323	1623	546
<b>Western Australia</b>								
Total	68	153	238	359	481	602	723	
Change relative to 2002	0	85	170	291	413	534	655	964
<b>South Australia</b>								
Total	26	74	122	190	258	326	394	
Change relative to 2002	0	48	96	164	232	300	368	1415
<b>Tasmania</b>								
Total	351	420	490	589	688	787	885	
Change relative to 2002	0	69	139	238	337	436	534	152
<b>Northern Territory</b>								
Total	0	2	3	5	8	10	12	
Change relative to 2002	0	2	3	5	8	10	12	
<b>Australian Capital Territory</b>								
Total	26	65	104	160	216	272	328	
Change relative to 2002	0	39	78	134	190	246	302	1158

Source: Phillips Curran

**Table 3.13 Summary of potential postgraduate fee-paying places**

	2002	2003	2004	2005	2006	2007	2008	Change 2002 - 2008 %
<b>New South Wales</b>								
Total	12470	13760	15051	16341	16641	16924	17209	
Change relative to 2002	0	1291	2581	3872	4171	4454	4739	38
<b>Victoria</b>								
Total	10567	11660	12754	13848	14101	14341	14583	
Change relative to 2002	0	1094	2187	3281	3534	3774	4016	38
<b>Queensland</b>								
Total	5560	6136	6711	7287	7420	7546	7674	
Change relative to 2002	0	575	1151	1726	1860	1986	2113	38
<b>Western Australia</b>								
Total	2570	2836	3102	3368	3430	3488	3547	
Change relative to 2002	0	266	532	798	860	918	977	38
<b>South Australia</b>								
Total	1519	1676	1833	1991	2027	2062	2096	
Change relative to 2002	0	157	314	472	508	543	577	38
<b>Tasmania</b>								
Total	247	273	298	324	330	335	341	
Change relative to 2002	0	26	51	77	83	88	94	38
<b>Northern Territory</b>								
Total	55	61	66	72	73	75	76	
Change relative to 2002	0	6	11	17	18	20	21	38
<b>Australian Capital Territory</b>								
Total	1217	1343	1469	1595	1624	1652	1680	
Change relative to 2002	0	126	252	378	407	435	463	38

Source: Phillips Curran

### 3.7.3 All student places

Finally, we can combine the above analyses to provide a State by State picture of total higher education opportunities, as shown in Table 3.14.

**Table 3.14 Total higher education places per 1,000 of the 15+ population, 2002 – 2021, taking into account *Backing Australia's Future*, prior growth in 'fully funded' places, projected increase in fee-paying places and projected population growth**

	2002	2006	2011	2021
<b>New South Wales</b>	30.2	30.6	29.3	26.9
<b>Victoria</b>	32.8	33.6	33.1	31.0
<b>Queensland</b>	33.1	32.3	29.9	25.8
<b>Western Australia</b>	31.5	30.4	28.6	25.0
<b>South Australia</b>	28.5	28.8	28.6	27.7
<b>Tasmania</b>	28.4	30.8	31.9	32.4
<b>Northern Territory</b>	23.7	21.9	20.3	17.4
<b>Australian Capital Territory</b>	60.1	62.4	62.0	57.6

Source: Phillips Curran

When both fee-paying and subsidised places are considered together, the ratio of higher education places to the population aged 15 and over will increase between 2002 and 2011 in Victoria, South Australia, Tasmania and the ACT (given the scenarios outlined above). The ratio will fall over that period in New South Wales, Queensland, Western Australia and the Northern Territory. Again the key point is that the main factor acting to sustain the level of opportunities is the projected growth in fee-paying places. As shown previously in Table 3.11, if there were to be no growth in fee-paying places, the ratio of higher education places to the population would fall between 2002 and 2011 in all States except Tasmania and the ACT and in all States except Tasmania by 2021.

Full summary tables of the projected level of places in each State and Territory are provided in Appendix A.

Finally, it should be noted that the preceding analysis takes as its starting point the participation rates in 2002. This is not to imply that the 2002 participation rates are necessarily the most desirable for Australia. It also does not imply that participation rates should be the only yardstick for public policy in this respect. As noted previously, there are additional considerations relating to the desirable levels of national investment in human capital and of the potential growth in demand for higher education from the Australian population.

## 4 Impact on resources

The impact of *Backing Australia's Future* on resources will be complex, determined by the interaction of a large number of new funding measures and institutional and student behaviour. The funding implications can be divided into two categories for analysis: those arising from changes to Commonwealth funding and those arising from changes to the contribution made by students. Section 4.1 deals with changes to Commonwealth funding. Section 4.2 deals with changes to HECS and student fees. Section 4.3 brings both sets of changes together.

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### 4.1 Elements in *Backing Australia's Future* with an impact on Commonwealth funding

The policy elements in the package with a potential impact on funding from the Commonwealth can be divided into four groups, depending on whether the funding will flow directly or indirectly to institutions, students, or other agencies. There is also some other Commonwealth funding associated with the new loans scheme and the costs of implementation. The funding elements are summarised in Table 4.1 showing the costings as set out in *Backing Australia's Future* plus some further detail subsequently provided by DEST.

One point of note in Table 4.1 is that the new HELP programmes represent a saving to the Commonwealth of \$15.7 million in 2005 rising to \$37.2 million in 2007.



**Table 4.1 Commonwealth funding elements in *Backing Australia's Future***

	2004 \$m	2005 \$m	2006 \$m	2007 \$m
<b>Funding to institutions</b>				
Commonwealth Grant Scheme				
including increased contribution per student place		61.6	133.5	209.2
Extra Commonwealth subsidised places for private institutions	0	7.2	7.4	7.5
Learning Entitlements	0	0	0	0
Transitional funding	0	12.6	0	0
Increased funding for nurse education	9.8	10	10.2	10.4
Increased funding for teacher education	0	26.6	27.1	27.7
Additional nursing places	2.1	3.8	5.1	6.1
'Conversion' of marginally funded places	0	64.8	118.7	164.1
Marcus Oldham	2.1	0	0	0
Growth places from 2007	0	0	0	10.9
Growth places from 2008	0	0	0	0
Regional loading	27.9	30.3	31.5	32.9
Learning and Teaching Performance Fund	0	0	54.7	83.8
New Australian Awards for University Teaching	0	0	2.7	2.7
International Centres of Excellence	0	0	0	35.3
Increased funding for the Higher Education Equity Program	0	2.3	2.3	2.3
Increased funding for the Students with Disabilities Program	0	1.1	1.1	1.1
Indigenous Support Fund	0	1.7	3.4	5.4
Workplace Productivity Program	0	0	27.3	27.9
Collaboration and Structural Reform Fund	0	6.5	6.7	6.8
<b>Sub-total</b>	<b>41.9</b>	<b>228.5</b>	<b>431.7</b>	<b>634.1</b>
<b>Funding to students and staff</b>				
Commonwealth scholarship program	11.2	30	49.8	70.8
Indigenous Staff Scholarships	0.3	0.3	0.3	0.3
<b>Sub-total</b>	<b>11.5</b>	<b>30.3</b>	<b>50.1</b>	<b>71.1</b>
<b>Funding to other agencies</b>				
National Institute for Learning and Teaching in Higher Education	0	0	21.9	21.9
Indigenous Higher Education Council	0	0.1	0.3	0.3
Additional quality related measures	0	0.9	0.9	0.9
<b>Sub-total</b>	<b>0</b>	<b>1</b>	<b>23.1</b>	<b>23.1</b>
<b>Other</b>				
Higher Education Information Management System	4.3	5.4	5.1	5.3
HELP programs	0	-15.7	-23.4	-37.2
Implementation on-costs	10.2	0	0	0
<b>Sub-total</b>	<b>14.5</b>	<b>-10.3</b>	<b>-18.3</b>	<b>-31.9</b>
<b>TOTAL</b>	<b>67.9</b>	<b>249.5</b>	<b>486.6</b>	<b>696.4</b>

Source: derived from Attachment B to Backing Australia's Future

Note: Totals above differ from the table in Attachment B in Backing Australia's Future - additional elements are included here.

#### 4.1.1 Commonwealth Grants Scheme

The Commonwealth Grants Scheme will replace the existing system of operating grants. A Commonwealth contribution per EFTSU will be specified for each of twelve discipline bands. Each institution's student load in each band will be multiplied by the relevant contribution rate and added to give the total Commonwealth contribution to the institution in each year.

The Commonwealth also intends to increase the rates for its contribution above the specified 2005 rates by 2.5%, 5% and 7.5% in 2005, 2006, and 2007 respectively, provided that certain conditions are met (See Section 2.2.1 above).

We can compare the funding that would result from this approach with the funding that would otherwise have been received under current policy, assuming that student numbers remain unchanged. It is worth noting that this requires a complicated piece of analysis using data which is not published, pointing to problems of complexity and lack of transparency in both the current and proposed funding arrangements.

Table 4.2 shows our estimate of the increase or decrease in 'base' funding in each State as result of the new Commonwealth Grants Scheme, including all the growth increments, the regional loading, and the additional funding for nursing and teaching, but before the "conversion" of marginally funded places and any growth<sup>10</sup>.

**Table 4.2 Estimate of the difference between 'base' funding through the Commonwealth Grants Scheme and operating grants under current policy (outturn prices)**

	2004	2005	2006	2007	2008
	\$m	\$m	\$m	\$m	\$m
New South Wales	8	-3	16	37	38
Victoria	7	23	40	60	61
Queensland	10	26	40	56	57
Western Australia	1	29	36	45	46
South Australia	1	6	11	17	17
Tasmania	4	0	2	4	4
Northern Territory	6	-1	0	1	1
Australian Capital Territory	0	-3	-1	1	1
Multi-State	1	-1	0	2	2
<b>Australia</b>	<b>38</b>	<b>76</b>	<b>144</b>	<b>220</b>	<b>225</b>

Source: Phillips Curran

All States and Territories are better off by 2008 in dollar terms than they would have been under current policy, although the ACT is marginally behind in 2005 and 2006. These variations are against a total operating grant of over \$4.7 billion and so are

<sup>10</sup> This table compares projected operating grant in each year less Indigenous Support Funding plus Workplace Reform Program plus Teaching Hospital Grants with projected Commonwealth Grants Scheme funding in the corresponding year including all growth increments to the Commonwealth course contribution, the regional loading, the medical loading and funding for nursing clinical training and the teaching practicum. It assumes that the nursing and teaching funds are built into the announced Commonwealth contribution rates from 2005. Funding for the Australian Catholic University has been distributed between NSW, Vic, Qld and the ACT in proportion to ACU enrolments in those States.

relatively small in percentage terms (5% or less). The relatively minor variations reflect the fact that the new Commonwealth contribution rates have been set to replicate the status quo, as explained in section 2.2.1.

#### 4.1.2 Regional loading

Funding for the regional loading is incorporated in calculations underlying Table 4.2. The loading will apply to internal student places only on regional campuses. The loadings will be:

- 30% for the Northern Territory
- 7.5% for campuses more than 300 kilometres from a mainland capital city where the institution has fewer than 10,000 EFTSU
- 5% if the campus is either more than 300 kilometres from a mainland capital city or the institution has fewer than 10,000 EFTSU
- 2.5% if the campus is neither more than 300 kilometres from a mainland capital city nor does the institution have fewer than 10,000 EFTSU

The loading will be paid as a percentage of an agreed average student funding rate. Details for determining this rate have not yet been released. For modelling purposes we have imputed a standard rate that yields the correct national expenditure total as shown in Attachment B to *Backing Australia's Future*.

**Table 4.3 Regional loading funds**

	2004	2005	2006	2007	2008
	\$m	\$m	\$m	\$m	\$m
New South Wales	4.8	5.2	5.4	5.7	5.8
Victoria	4.0	4.3	4.5	4.7	4.8
Queensland	8.3	9.0	9.3	9.8	10.0
Western Australia	0.5	0.6	0.6	0.6	0.6
South Australia	0.1	0.1	0.1	0.1	0.1
Tasmania	3.9	4.2	4.3	4.5	4.6
Northern Territory	6.1	6.7	6.9	7.3	7.4
Australian Capital Territory	0.0	0.0	0.0	0.0	0.0
Multi-State	0.2	0.2	0.3	0.3	0.3
Australia	27.9	30.3	31.5	33.0	33.7

Source: Phillips Curran

#### 4.1.3 "Conversion" of marginally funded places

In Section 3.3 we presented a scenario in which over-enrolment falls from its 2002 level of over 32,000 places to 25,000 in 2003 and 2004 before reducing to zero over the next four years as a result of the new policies.

If this scenario transpires then institutions will be receiving \$71 million in marginal funding in 2004 compared with \$88 million in 2002. Table 4.4 shows the loss of

funding for over-enrolment as it is then phased out from the assumed level of 25,000 EFTSU in 2004.

**Table 4.4 Phase out of marginal funding for over-enrolment (relative to an assumed level of 25,000 EFTSU in 2004)**

	2004	2005	2006	2007	2008
	\$m	\$m	\$m	\$m	\$m
New South Wales	0.0	-3.4	-8.2	-14.7	-23.7
Victoria	0.0	-2.1	-5.1	-9.1	-14.7
Queensland	0.0	-2.1	-5.0	-9.1	-14.6
Western Australia	0.0	-1.0	-2.3	-4.1	-6.7
South Australia	0.0	-0.7	-1.6	-2.8	-4.5
Tasmania	0.0	-0.1	-0.3	-0.5	-0.8
Northern Territory	0.0	-0.1	-0.2	-0.3	-0.5
Australian Capital Territory	0.0	-0.1	-0.2	-0.4	-0.7
Multi-state	0.0	-0.2	-0.5	-0.9	-1.5
Australia	0.0	-9.8	-23.4	-42.1	-67.8

*Source: Phillips Curran*

The phasing out of marginal funding for over-enrolment will be matched in timing by a phasing-in of almost 25,000 ‘fully funded’ places. In Section 3.3 we analysed a scenario in which these places are distributed between States and institutions in the same shares as 2005 target load. The financial implications of such a scenario are shown in Table 4.5. The figures include the HECS contributions that would be paid by the students in the new places if institutions charge the standard HECS rates.

As noted earlier, the final allocation of these places to States and Territories is likely to reflect judgements about factors such as relative participation levels, demand, demography, labour market requirements and so on, rather than simply following the existing pattern of distribution. It is therefore probable that the faster growing States will receive higher shares of the places and revenue than shown in Table 4.5.

**Table 4.5 Phase in of new fully subsidised places (based on State shares of 2005 target load)**

	2004 \$m	2005 \$m	2006 \$m	2007 \$m	2008 \$m
New South Wales	0.0	32.7	59.3	81.2	98.2
Victoria	0.0	27.7	50.3	68.9	83.3
Queensland	0.0	21.9	39.8	54.5	65.9
Western Australia	0.0	11.3	20.5	28.0	33.9
South Australia	0.0	8.4	15.3	21.0	25.3
Tasmania	0.0	2.6	4.7	6.4	7.8
Northern Territory	0.0	0.8	1.5	2.0	2.5
Australian Capital Territory	0.0	3.0	5.4	7.3	8.9
Multi-State	0.0	1.6	3.0	4.1	5.0
Australia	0.0	110.0	199.7	273.5	330.5

Source: Phillips Curran

#### 4.1.4 Increased funding for nurse and teacher education

Additional funding will be provided from 2004 for nursing clinical practice and from 2005 for teaching practicum. It is likely that these funds will be distributed in line with nursing and teaching student load. For the purposes of our analysis, we have assumed that the additional funding is built into the Commonwealth contribution for nursing and education students from 2005, so its impact is included in the totals for the Commonwealth Grants Scheme shown above in Table 4.2. In total there will be \$26.6 million for teaching and \$10.0 million for nursing in 2005. In 2002 there were about 43,200 EFTSU in education and 15,700 EFTSU in nursing. If there is no change in these numbers, this would imply an effective loading of around \$620 to \$630 per EFTSU.

The extra funding for nursing clinical practice commences in 2004 before the introduction of the Commonwealth Grants Scheme and so will be paid separately in that year. Its estimated distribution is shown in Table 4.6.

**Table 4.6 Additional funding for nursing clinical practice, 2004**

	2004
	\$m
New South Wales	2.8
Victoria	2.5
Queensland	1.6
Western Australia	0.8
South Australia	0.9
Tasmania	0.3
Northern Territory	0.2
Australian Capital Territory	0.1
Multi-State	0.5
<b>Australia</b>	<b>9.8</b>

Source: Phillips Curran

#### 4.1.5 Growth places

Once again we have analysed the distribution of revenue for the growth places from 2007 and 2008 on the assumption that they are distributed in line with State shares of 2005 target load (See Table 4.7). As noted above, in practice the final allocation is likely to take into account a range of factors and will vary significantly from the current allocation pattern.

**Table 4.7 Commonwealth funded growth places from 2007 (based on State shares of 2005 target load) – revenue from the Commonwealth contribution and HECS**

	Growth places from 2007		Growth places from 2008	Total 2008
	2007	2008	2008	
	\$m	\$m	\$m	\$m
New South Wales	5.4	9.7	7.1	16.8
Victoria	4.6	8.2	6.0	14.2
Queensland	3.6	6.5	4.8	11.3
Western Australia	1.9	3.3	2.5	5.8
South Australia	1.4	2.5	1.8	4.3
Tasmania	0.4	0.8	0.6	1.3
Northern Territory	0.1	0.2	0.2	0.4
Australian Capital Territory	0.5	0.9	0.6	1.5
Multi-State	0.3	0.5	0.4	0.8
<b>Australia</b>	<b>18.2</b>	<b>32.6</b>	<b>23.9</b>	<b>56.5</b>

Source: Phillips Curran

The figures in Table 4.7 include the HECS contributions that would be paid by the students in the new places if institutions charge the standard HECS rates.

#### 4.1.6 Learning and teaching measures

We have modelled a possible distribution of the new Learning and Teaching Performance Fund on the assumptions that all institutions will be eligible and that the allocations will be broadly in line with the share of target load in 2005. These may or may not turn out to be reasonable assumptions. There have been indications from DEST that the Commonwealth's intention may be to concentrate this funding in a minority of universities that are somehow judged to be outstanding learning and teaching institutions.

We have assumed that the new Australian Awards for University Teaching will be allocated in line with a three year average (2000 – 2002) of funding through the existing Australian Universities Teaching Committee.

The possible distribution of new funding for learning and teaching on these assumptions are shown in Tables 4.8 and 4.9.

**Table 4.8 Learning and Teaching Performance Fund**

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
	\$m	\$m	\$m	\$m	\$m
New South Wales	0.0	0.0	16.5	25.3	25.3
Victoria	0.0	0.0	13.6	20.9	20.9
Queensland	0.0	0.0	10.9	16.7	16.7
Western Australia	0.0	0.0	5.4	8.3	8.3
South Australia	0.0	0.0	4.1	6.3	6.3
Tasmania	0.0	0.0	1.3	2.0	2.0
Northern Territory	0.0	0.0	0.4	0.6	0.6
Australian Capital Territory	0.0	0.0	1.5	2.4	2.4
Multi-State	0.0	0.0	0.9	1.3	1.3
<b>Australia</b>	<b>0.0</b>	<b>0.0</b>	<b>54.7</b>	<b>83.8</b>	<b>83.8</b>

Source: Phillips Curran



**Table 4.9 New Australian Awards for University Teaching**

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
	\$m	\$m	\$m	\$m	\$m
New South Wales	0.0	0.0	0.6	0.6	0.6
Victoria	0.0	0.0	0.3	0.3	0.3
Queensland	0.0	0.0	0.7	0.7	0.7
Western Australia	0.0	0.0	0.6	0.6	0.6
South Australia	0.0	0.0	0.4	0.4	0.4
Tasmania	0.0	0.0	0.1	0.1	0.1
Northern Territory	0.0	0.0	0.0	0.0	0.0
Australian Capital Territory	0.0	0.0	0.0	0.0	0.0
Multi-State	0.0	0.0	0.0	0.0	0.0
<b>Australia</b>	<b>0.0</b>	<b>0.0</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>

Source: Phillips Curran

#### 4.1.7 Equity measures

The two principal equity funding measures in the package are the additional resources for the Higher Education Equity Program (HEEP) and the Indigenous Support Fund (ISF).

For modelling purposes we have assumed that the new HEEP funds will be distributed in line with a three year average (2000 – 2002) of funding under HEEP, and that the new ISF funds will be distributed in line with 2005 shares of ISF funding. On those assumptions, the additional funds would be distributed as shown in Tables 4.10 and 4.11.

**Table 4.10 Additional funding for the Higher Education Equity Program**

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
	\$m	\$m	\$m	\$m	\$m
New South Wales	0.0	0.7	0.7	0.7	0.7
Victoria	0.0	0.5	0.5	0.5	0.5
Queensland	0.0	0.5	0.5	0.5	0.5
Western Australia	0.0	0.2	0.2	0.2	0.2
South Australia	0.0	0.2	0.2	0.2	0.2
Tasmania	0.0	0.1	0.1	0.1	0.1
Northern Territory	0.0	0.0	0.0	0.0	0.0
Australian Capital Territory	0.0	0.1	0.1	0.1	0.1
Multi-State	0.0	0.1	0.1	0.1	0.1
<b>Australia</b>	<b>0.0</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>

Source: Phillips Curran

**Table 4.11 Additional funding for the Indigenous Support Fund**

	2004 \$m	2005 \$m	2006 \$m	2007 \$m	2008 \$m
New South Wales	0.0	0.5	0.9	1.5	1.5
Victoria	0.0	0.2	0.4	0.6	0.6
Queensland	0.0	0.4	0.7	1.1	1.1
Western Australia	0.0	0.3	0.5	0.9	0.9
South Australia	0.0	0.1	0.2	0.3	0.3
Tasmania	0.0	0.1	0.1	0.2	0.2
Northern Territory	0.0	0.2	0.3	0.5	0.5
Australian Capital Territory	0.0	0.0	0.1	0.1	0.1
Multi-State	0.0	0.1	0.1	0.2	0.2
Australia	0.0	1.7	3.4	5.4	5.4

Source: Phillips Curran

The package also provides an additional \$1.1 million per annum for the Students with Disabilities Program from 2005. These funds are likely to be distributed in line with current shares of funding under the program as shown in Table 4.12.

**Table 4.12 Students with Disabilities Program (additional funding)**

	2004 \$m	2005 \$m	2006 \$m	2007 \$m	2008 \$m
New South Wales	0.0	0.3	0.3	0.3	0.3
Victoria	0.0	0.3	0.3	0.3	0.3
Queensland	0.0	0.2	0.2	0.2	0.2
Western Australia	0.0	0.1	0.1	0.1	0.1
South Australia	0.0	0.1	0.1	0.1	0.1
Tasmania	0.0	0.0	0.0	0.0	0.0
Northern Territory	0.0	0.0	0.0	0.0	0.0
Australian Capital Territory	0.0	0.0	0.0	0.0	0.0
Multi-State	0.0	0.0	0.0	0.0	0.0
Australia	0.0	1.1	1.1	1.1	1.1

Source: Phillips Curran

#### 4.1.8 Other Commonwealth funding measures

Details of the allocation criteria for the proposed Workplace Productivity Program and the Collaboration and Structural Reform Fund are not yet available. For modelling purposes we have assumed that the funds will be distributed broadly in line with the size of the institution (as measured by 2005 target load). On this basis the distribution of additional funds<sup>11</sup> under these programs would be as shown in Tables 4.13 and 4.14.

<sup>11</sup> The Collaboration and Structural Reform Fund will absorb the existing Higher Education Innovation Program, so the additional funding is only \$6.5 million in 2005, \$6.7 million in 2006 and \$6.8 million in 2007

**Table 4.13 Workplace Productivity Program**

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
	\$m	\$m	\$m	\$m	\$m
New South Wales	0.0	0.0	8.3	8.4	8.4
Victoria	0.0	0.0	6.8	6.9	6.9
Queensland	0.0	0.0	5.4	5.6	5.6
Western Australia	0.0	0.0	2.7	2.8	2.8
South Australia	0.0	0.0	2.1	2.1	2.1
Tasmania	0.0	0.0	0.6	0.7	0.7
Northern Territory	0.0	0.0	0.2	0.2	0.2
Australian Capital Territory	0.0	0.0	0.8	0.8	0.8
Multi-State	0.0	0.0	0.4	0.4	0.4
<b>Australia</b>	<b>0.0</b>	<b>0.0</b>	<b>27.3</b>	<b>27.9</b>	<b>27.9</b>

Source: Phillips Curran

**Table 4.14 Collaboration and Structural Reform Fund**

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
	\$m	\$m	\$m	\$m	\$m
New South Wales	0.0	2.0	2.0	2.1	2.1
Victoria	0.0	1.6	1.7	1.7	1.7
Queensland	0.0	1.3	1.3	1.4	1.4
Western Australia	0.0	0.6	0.7	0.7	0.7
South Australia	0.0	0.5	0.5	0.5	0.5
Tasmania	0.0	0.2	0.2	0.2	0.2
Northern Territory	0.0	0.1	0.1	0.1	0.1
Australian Capital Territory	0.0	0.2	0.2	0.2	0.2
Multi-State	0.0	0.1	0.1	0.1	0.1
<b>Australia</b>	<b>0.0</b>	<b>6.5</b>	<b>6.7</b>	<b>6.8</b>	<b>6.8</b>

Source: Phillips Curran

## 4.2 Elements in *Backing Australia's Future* with an impact on funding from students

### 4.2.1 Changes to fees policy

In Chapter 3 we analysed two scenarios for an increase in the number of domestic undergraduate fee-paying students. Scenario 1 is for an increase in the ratio of fee-paying to 'fully-funded' students to 5% by 2008. Scenario 2 is for an increase in the ratio to 10% by 2008.

In order to model the financial implications of these scenarios we need to make some assumptions about how many fee-paying undergraduate students each institution might

enrol. Again we have used a composite index of each institution's current shares of undergraduate and postgraduate fee-paying load, as explained in section 3.7.2 above.

We have assumed the same average fee, \$12,000 per EFTSU in 2003 prices, would apply in all universities. This assumption has been used for simplicity given the uncertainties about the overall number of fee-paying places. In practice of course it is expected that the fee levels for similar courses will differ significantly between institutions, with the highest demand universities able to set the highest prices. The greater the differentiation in fees and the larger the number of fee paying places, the greater will be the differential in revenue derived from this source between different types of universities. The highest demand universities in the largest populations will be able to attract the most fee-paying students and set the highest prices for their courses. Universities in areas of smaller population and/or in lower demand will attract fewer fee-paying students and will not be able to sustain those numbers at high fee levels.

The possible distribution of revenue from the additional fee-paying undergraduate students projected under the two scenarios can be calculated as shown in Table 4.15 and 4.16.

**Table 4.15 Revenue from additional domestic undergraduate fee-paying students, 5% scenario**

	2004	2005	2006	2007	2008
	\$m	\$m	\$m	\$m	\$m
New South Wales	0.0	26.8	38.0	49.1	60.3
Victoria	0.0	33.0	46.8	60.6	74.3
Queensland	0.0	8.2	11.5	14.9	18.3
Western Australia	0.0	3.5	5.0	6.4	7.9
South Australia	0.0	2.0	2.8	3.6	4.4
Tasmania	0.0	2.9	4.0	5.2	6.4
Northern Territory	0.0	0.1	0.1	0.1	0.1
Australian Capital Territory	0.0	1.5	2.1	2.7	3.3
Multi-State	0.0	2.0	2.8	3.7	4.5
Australia	0.0	79.9	113.1	146.3	179.6

Source: Phillips Curran

**Table 4.16 Revenue from additional domestic undergraduate fee-paying students, 10% scenario**

	2004	2005	2006	2007	2008
	\$m	\$m	\$m	\$m	\$m
New South Wales	0.0	48.5	81.3	114.1	146.9
Victoria	0.0	59.7	100.2	140.6	181.1
Queensland	0.0	14.7	24.7	34.7	44.7
Western Australia	0.0	6.3	10.6	14.9	19.2
South Australia	0.0	3.5	6.0	8.4	10.8
Tasmania	0.0	5.2	8.6	12.1	15.6
Northern Territory	0.0	0.1	0.2	0.3	0.4
Australian Capital Territory	0.0	2.7	4.5	6.3	8.1
Multi-State	0.0	3.6	6.1	8.5	11.0
Australia	0.0	144.4	242.1	339.8	437.6

Source: Phillips Curran

These scenarios project that the large majority of the additional revenue from undergraduate fee-paying students - almost 77% - will be raised in New South Wales and Victoria. This is consistent with what we already know about the relative scale of demand for higher education places generally and fee-paying places in particular. Similarly, in these scenarios, 47.7% of the additional revenue is captured by the Group of Eight universities which comprise the highest demand mainland universities. The actual share of additional fee revenue for these universities could be higher still if they levy higher than average fees.

The projected State shares of the additional fee revenue are shown in Table 4.17. For comparison, the table also shows the State shares of 2005 target load (fully-subsidised places) under current policy.

**Table 4.17 State shares of projected revenue from additional domestic undergraduate fee-paying students and 2005 target load**

	Share of revenue	Share of 2005 target load
New South Wales	33.6%	30%
Victoria	41.4%	25%
Queensland	10.2%	20%
Western Australia	4.4%	10%
South Australia	2.5%	8%
Tasmania	3.6%	2%
Northern Territory	0.1%	1%
Australian Capital Territory	1.8%	3%
Multi-State	2.5%	2%
Australia	100.0%	100%

Source: Phillips Curran

## 4.2.2 Partial de-regulation of HECS

### Scenarios for increased HECS

In order to model the revenue impact of the partial de-regulation of HECS we have assumed that institutions that are seen as more “prestigious” will, on average, set higher HECS rates for higher proportions of their students than will institutions seen to be of lower “prestige”. For this purpose we have used the Good University Guide one to five star prestige rankings and identified four possible scenarios:

- A low impact scenario in which one star institutions do not charge any premium for any of their students and five star institutions charge an average of 20% extra for 30% of their students
- A high impact scenario in which one star institutions charge an average of 20% extra for 5% of their students and five star institutions charge an average of 20% extra for 75% of their students
- A differentiated scenario in which all institutions raise the floor price by increasing the average charge by 10% for all their students, and in addition five star institutions charge an average of 20% more for 50% of their students
- An across the board increase of 10% for all students in all institutions.

Details of these scenarios are provided in Appendix B.

Current HECS students and HECS students commencing in 2004 will be able to study under the current HECS student contribution rates until the end of 2008, unless they discontinue their enrolment. This means that the full revenue impact of HECS increases will not flow until 2009. We have taken these grandfathering arrangements into account in our analysis.

At a national level the additional annual revenue arising from the four scenarios reach totals between \$65 million and \$290 million in 2008 as shown in Table 4.18.

**Table 4.18 Additional annual revenue from HECS 2004 -2008**

	2004 \$m	2005 \$m	2006 \$m	2007 \$m	2008 \$m
Low impact scenario	0	23	40	54	65
High impact scenario	0	57	101	136	162
Differentiated scenario	0	103	182	243	290
Across the board increase	0	70	124	165	197

Source: Phillips Curran

Of the four scenarios, our judgement is that the differentiated scenario is the most credible, i.e. an across the board increase of 10% plus differential premiums above that. It is also the scenario which involves the greatest average increase in HECS for students and the greatest revenue gain for institutions.

The share of the revenue between States and Territories varies slightly between the four scenarios but only by one or two percentage points. The approximate State shares of the additional HECS revenue is shown in Table 4.19.

**Table 4.19 Approximate State and Territory shares of additional HECS revenue**

	Approx share
New South Wales	31% - 32%
Victoria	26% - 29%
Queensland	18% - 20%
Western Australia	9% - 10%
South Australia	8%
Tasmania	1% - 2%
Northern Territory	0% - 1%
Australian Capital Territory	3%
Australia	100%

Source: Phillips Curran

Institutions in New South Wales and Victoria are projected to raise between 57% and 61% of the extra HECS revenue nationally. This indicates that the additional HECS revenue is likely to be more evenly distributed between the States and Territories than the additional undergraduate fee revenue.

The additional HECS revenue will be skewed in favour of the highest demand institutions, generally the older universities in the mainland capital cities. The extent of the variance between universities will depend on how much there is an across the board increase as opposed to premium rises in high demand programs. For example, we estimate that the Group of Eight universities will generate 60% of the additional HECS revenue under the high impact scenario compared with 45% under the differentiated scenario and 34% from an across the board increase.

#### A scenario for reduced HECS

The Joint Committee on Higher Education asked for analysis of a scenario in which some universities find it necessary to reduce their average HECS rates in order to sustain student demand levels. For this purpose we examined the impact of 5% reduction in average HECS rates for the six universities given one star on the Good Universities Guide prestige scale<sup>12</sup>.

The extent of the loss of revenue depends heavily on whether or not the reduction in HECS would apply only for new students, or would need to be extended to all students. If applied only to new students from 2005, the loss of revenue for the six universities would start around \$3 million in 2005 and would rise to \$8 million by 2008. If the cut in HECS applied to all students, the loss of revenue would start at around \$10 million and would rise to \$10.5 million. (See Table 4.20.)

These falls in revenue would more than wipe out the collective gain to the six universities through the regional loading (although the balance would still be slightly positive for Southern Cross University, the University of Ballarat and the University of the Sunshine Coast).

<sup>12</sup> Southern Cross University, University of Ballarat, Victoria University, University of the Sunshine Coast, Edith Cowan University and the Australian Catholic University.



Of course if some universities do reduce their average HECS rates while others are able to increase their rates significantly, this will contribute to a widening of the revenue differential between these groups of institutions.

**Table 4.20 Revenue impact of a 5% reduction in average HECS rates for the six '1 star' universities, and comparison with regional loading**

	2005 \$m	2006 \$m	2007 \$m	2008 \$m
<b>Revenue change from a 5% reduction in average HECS rates</b>				
for new students only	-2.9	-5.1	-6.8	-8.0
for all students	-9.9	-10.1	-10.4	-10.5
<b>Revenue from regional loading</b>	5.1	5.2	5.5	5.6

*Source: Phillips Curran*

## 4.3 Overall revenue impact

### 4.3.1 Total revenue implications

Table 4.21 provides a consolidated summary of the estimated revenue implications of the main measures in *Backing Australia's Future* for higher education institutions nationally. It incorporates our estimates of the potential additional revenue from undergraduate fees and de-regulated HECS as well as all other aspects of the package that will directly affect institutional revenue. Consolidated summaries for each State and Territory are provided in Appendix C.

**Table 4.21 Consolidated estimate of revenue impact of *Backing Australia's Future*, all institutions**

	2004 \$m	2005 \$m	2006 \$m	2007 \$m	2008 \$m
Change in 'base' funding	38	76	144	220	225
Regional nursing places	3	5	7	8	9
"Conversion" of over-enrolment					
phase out of marginal funding	0	-10	-23	-42	-68
phase in of "fully funded" places	0	110	200	274	331
Growth places from 2007	0	0	0	18	33
Growth places from 2008	0	0	0	0	24
Other programs					
Learning and Teaching Performance Fund	0	0	55	84	84
New Australian Awards for University Teaching	0	0	3	3	3
Increased funding for the Higher Education Equity Program	0	2	2	2	2
Indigenous Support Fund	0	2	3	5	5
Workplace Productivity Program	0	0	27	28	28
Collaboration and Structural Reform Fund	0	7	7	7	7
Students with Disabilities Program	0	1	1	1	1
De-regulated HECS					
Low Impact Scenario	0	23	40	54	65
High impact Scenario	0	57	101	136	162
Differentiated Scenario	0	103	182	243	290
Across the board increase	0	70	124	165	197
Undergraduate fees					
Scenario 1 (5% of funded load)	0	80	113	146	180
Scenario 2 (10% of funded load)	0	144	242	340	438
<b>TOTAL</b>					
minimum	40	295	579	808	927
maximum	40	440	849	1191	1410

Source: Phillips Curran

Excludes funding for new medical places

The total revenue implications for the sector are significantly positive. They are much higher than the figure of \$1.5 billion over four years quoted in *Backing Australia's Future*, because that amount relates to the additional Commonwealth contribution only and does not include the extra HECS and fees revenue.

We estimate that total additional annual revenue for the sector could be between \$0.9 and \$1.4 billion in 2008. This compares with total sector revenue in 2001 of \$10.2 billion, an increase in dollar terms of between 9 and 14 per cent.

In individual States and Territories the estimated increases vary from a range of \$5 million to \$7 million for the Northern Territory to a range of between \$270 million and \$436 million for Victoria in 2008. Victoria and New South Wales are projected to attract between 56% and 60% of the additional revenue. (See Appendix C)

Students will contribute to these increases through the additional HECS on the new 'fully funded' places and on the regional nursing and growth places, plus increased charges from the partial de-regulation of HECS, plus the extension of undergraduate fees. Overall, between 29% and 53% of the additional revenue in 2008 will come from students through extra HECS and fees. This will continue the trend analysed in Volume

1 of this Report of an increasing proportion of university funding coming from students and a diminishing share from the Commonwealth.

This point needs to be considered alongside the fact that higher demand universities will have greater capacities to raise revenue from students. This means that the rate of revenue growth is likely to be higher for higher demand universities. In turn this means that they are likely to be better placed than lower demand universities to invest in facilities and staff – the latter being of particular significance given the ageing of the academic labour force and the increasingly competitive academic labour market. In turn this may mean that these universities are better placed to attract students and hence charge higher prices. This represents a potentially virtuous cycle for some universities and a potentially vicious one for others. The scale of this effect should not be overstated given that the largest single source of institutional income will continue to be Commonwealth funding provided at standard rates per student regardless of institution. Nonetheless, over time the pattern of resourcing described above is likely to lead to increasing differentiation between the resource levels of universities.

### 4.3.2 Funding per student

Overall, the rate of base funding per subsidised student place (Commonwealth contribution plus HECS) will rise roughly in line with the anticipated inflation rate if institutions charge the standard HECS rates. This is shown in Table 4.22. The rate of increase will be greater if HECS charges rise as we anticipate. Put another way, the real rate of funding per student will not rise significantly unless universities choose to increase HECS.

**Table 4.22 Projected base funding per subsidised student place (Commonwealth contribution plus HECS) if institutions charge standard HECS**

	2003	2004	2005	2006	2007	2008
Commonwealth subsidised places as a result of Backing Australia's Future and prior	420270	422399	429641.4	432500	433462.7	432458
New base funding (\$m)	4548	4692	4847	5020	5204	5318
\$/EFTSU	10821	11107	11281	11607	12005	12298
Annual change		3%	2%	3%	3%	2%

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## 5 Impact on the supply of nurses and teachers

In this Chapter we discuss the possible impacts of *Backing Australia's Future* on the supply of nurses and teachers. In particular, we discuss the impacts of policy changes relating to:

- The allocation of Commonwealth subsidised growth places
- Funding for clinical practice and teacher practicums
- Student contributions and HECS-HELP loans
- Commonwealth Learning Scholarships
- Learning Entitlements
- The offering of full fee postgraduate places and the replacement of the PELS scheme.

We also refer to issues concerning national coordination and Commonwealth/State planning.

It should be noted that the Government is awaiting the final report of the Review of Teaching and Teacher Education due for release mid-year, and this may lead to other initiatives for addressing the current shortage of teachers in particular specialisations, though the Government has not flagged this possibility in *Backing Australia's Future*.

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### 5.1 Allocation of Commonwealth subsidised growth places

The *Backing Australia's Future* package includes a number of measures aimed at reducing the current labour shortages and levels of unmet demand for nursing and teaching courses.

#### 5.1.1 Nursing

The Government's reform package provides an additional 210 new nursing places in 2004, pipelining to 574 places by 2007, to be provided to regional campuses. The Commonwealth has undertaken to provide these places in the expectation that States and Territories will improve working conditions and remuneration for nurses to achieve an improvement in the workforce retention rates in the profession.

The Commonwealth has indicated its intention to consult with States and Territories about their labour market needs and presumably this will influence the Government's decisions about the allocation of additional nursing places. Given that the growth places for public institutions are to be targeted at regional campuses, it seems reasonable to anticipate that the Government will take particular account of those

regions across Australia experiencing the most critical shortages. For the purposes of our modelling in this study, however, we have assumed that these places will be distributed on the basis of the current spread of nursing enrolments on regional campuses (See Section 6.7 and Appendix A). Table 5.1 summarises the distribution of the growth places by State and Territory<sup>13</sup>.

**Table 5.1 Distribution of new regional nursing places by State and Territory**

<b>State/Territory</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
New South Wales	41	72	96	113
Victoria	68	120	158	187
Queensland	53	93	123	145
Western Australia	6	10	14	16
South Australia	7	12	16	19
Tasmania	19	33	44	52
Northern Territory	15	27	35	41
Australian Capital Territory	0	0	0	0
<b>Australia</b>	<b>210</b>	<b>368</b>	<b>486</b>	<b>574</b>

While the allocation of growth to regional campuses will address some of the concerns relating to rural and remote nursing highlighted in the National Review of Nursing Education, it will not alleviate the possibly higher numbers of nursing vacancies being experienced in capital cities and other metropolitan centres and the levels of unmet demand at city campuses with large nursing courses. Also, in 2002, 32% of the student load in pre-registration courses was found in regional campuses, exceeding the percentage of the Australian population living in rural and isolated areas (28.8%<sup>14</sup>).

The Australian Nursing Federation has argued that under-resourced rural hospitals will be placed under considerable pressure due to the need to provide clinical placements for additional students. The Federation believes that it would be preferable to allocate new places across the board, and develop strategies for encouraging graduates to work in rural areas<sup>15</sup>.

The Government has also committed a growth of 745 places in areas of national priority by 2008 to be allocated to private institutions. These places will be on top of the 655 places already funded in the private sector, principally in the teacher education and nursing fields of study, though the Government has flagged its intention to rationalise the current arrangements with particular reference to their alignment with national priority areas. There is a high probability that at least some of the additional 745 places will be directed to nurse education, though the exact quantum is not clear.

<sup>13</sup> Figures may not add to totals due to rounding.

<sup>14</sup> Unpublished DEST data and *Higher Education at the Crossroads: An Overview Paper*, DEST, 2002. Table a11.

<sup>15</sup> Australian Nursing Federation Media Release 29 May 2003 'ANF appalled by Nelson's debt plan for nurses'

In addition, the Government has flagged that some of the 1400 new places to be introduced from 2007 to cater for population growth may be directed to nursing places if demand exists. If so, graduates will not enter the workforce until 2010 at the earliest.

While the quantum of new or re-directed nursing places is not yet clear, we have applied some very generous assumptions to estimate possible nursing intakes and course completions. We have estimated the **maximum** possible number of new intakes to nursing courses on the following (somewhat arbitrary) basis:

- The 210 new places to regional campuses, pipelining to 574 places
- An assumption that all of the 745 new places to be allocated to private providers by 2008 will be directed to nursing and teaching courses, with 2 in 3 of those places being allocated to nursing (in light of the wider general nursing shortage)
- An assumption that 400 of the 1400 new population growth places will be directed to nursing and teaching courses, with 2 in 3 of those places being allocated to nursing.

Table 5.2 provides estimates of possible new places and associated course completions<sup>16</sup>.

**Table 5.2 Possible growth in nursing places and course completions**

New places	2004	2005	2006	2007	2008	2009	2010
New places for regional campuses	210	368	486	574			
Possible share of new places for private providers		181	317	419	495		
Possible share of new population growth places				267	467	617	730
<b>Total</b>	<b>210</b>	<b>549</b>	<b>803</b>	<b>1260</b>	<b>962</b>	<b>617</b>	<b>730</b>

Course Completions	2004	2005	2006	2007	2008	2009	2010
New places for regional campuses			118	207	207	207	207
Possible share of new places for private providers				102	178	178	178
Possible share of new population growth places						150	273
<b>Total</b>	<b>0</b>	<b>0</b>	<b>118</b>	<b>309</b>	<b>385</b>	<b>535</b>	<b>658</b>

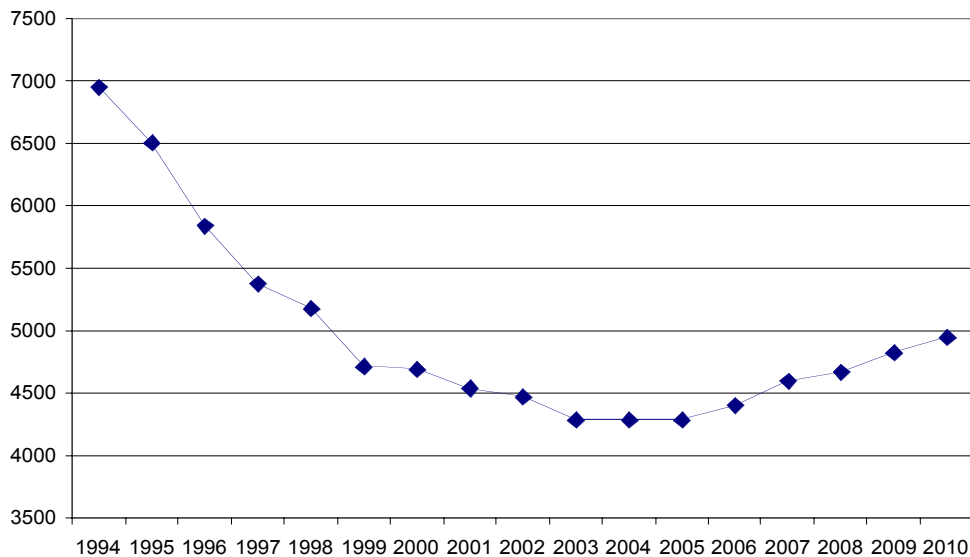
Under this scenario, the new places will result in 118 students completing their courses in 2006 and being available to the labour market in 2007, rising to 658 students completing courses in 2010.

In Figure 5.1 we have charted actual basic nursing course completions for 1994 to 2000 and estimated basic nursing completions for 2001 to 2010 after taking into account the possible growth in nursing places<sup>17</sup>.

<sup>16</sup> We have estimated course completions by applying the standard DEST pipelining methodology that assumes a 75% retention rate over 4 years for full-time students.

<sup>17</sup> We have estimated 2001, 2002 and 2003 completions on the basis of the 2000 completions:1998 commencements ratio (0.589). We have then taken the estimated number of completions in 2003 as the base for

**Figure 5.1 Estimated maximum increase in basic nursing graduates due to growth in places**



It is estimated that the maximum number of new nursing places likely to result from the *Backing Australia's Future* package will generate an increase of 15% in course completions between 2003 and 2010. This will only go some of the way towards reversing the 32% decline recorded between 1994 and 2000.

### 5.1.2 Teacher education

We have not attempted to model the possible growth in teacher education places as the situation is less clear cut, with shortages being experienced in particular specialisations rather than across the board. The *Backing Australia's Future* package also does not include the explicit allocation of new places for teacher education. It is inferred, however, that the 745 new places to be allocated to private institutions by 2008 will be targeted at national priority areas such as teaching. The Government has also indicated that the 1,400 new places being made available in 2007 to cater for population growth may be directed to teaching courses should demand exist.

### 5.1.3 Other possible measures to increase Commonwealth subsidised nursing and teaching places

As discussed in Section 3.2, the *Backing Australia's Future* package provides for only a small 0.8% increase in Commonwealth subsidised places between 2002 and 2008, including the targeted nursing and National Priority places. There is consequently no

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future years, and added on the estimated completions from new places to derive the total number of estimated completions. If the completion ratio were to increase over the time period, the number of completions may be marginally higher than estimated.

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prospect of general growth in the overall higher education system providing any additional relief to the current levels of unmet demand and workforce shortage.

Within the new package, however, the Commonwealth has a number of additional opportunities, if it chooses to use them, for shifting existing places into nursing and teaching courses if current labour market shortages and student demand persist into the future. The Government could choose, for example, to specify that a proportion of the 25,000 new fully subsidised places will be directed to nursing and teaching. It also has an opportunity under the new Commonwealth Grant Scheme to negotiate load and discipline mix with institutions. Through this process, it could require institutions to shift load from low demand areas to high demand areas such as nursing and teaching.

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## 5.2 Funding for clinical practice and teacher practicums

The Commonwealth Government's reform package has responded to concerns about the funding associated with the clinical practice component in nursing courses and the practicum component in teacher education courses, though increased funding levels do not match those envisaged by the National Review of Nursing Education or suggested by estimates undertaken by the Australian Council of Deans of Education, as discussed in Sections 5.1.3 and 5.2.3 of Volume 1 of this report.

The package includes \$40.4 million over 4 years from 2004 to provide additional funding for existing nurse education places for the purposes of clinical practice programs. Based on the 2002 student load in the discipline category of nursing (15,727), this represents a payment of around \$636 per EFTSU. Based on the 2002 student load in courses required for initial registration as a nurse (18,456 EFTSU), this represents a payment of approximately \$536 per EFTSU.

The *Backing Australia's Future* package has also provided \$81.4 million for existing teaching places over 3 years from 2005, to be directed to the practicum component of courses. Based on the 2002 student load in the discipline category of education (43,196), this represents a payment of around \$616 per EFTSU. Based on 2002 student load in courses required for initial registration as a teacher (47,966 EFTSU), this represents \$566 per EFTSU.

The Government has stated that the funding premium is being applied to existing student load, presumably meaning that there will be no increase in the total funding available if new places are allocated by the Commonwealth or designated by institutions. If this is the case, the \$ per EFTSU loading will be less than the amounts indicated above if student numbers rise. The additional funding will reduce one of the former barriers discouraging institutions from offering more teaching and nursing places, but this may diminish over time as the average funding supplementation per place reduces.

The estimated distribution of funding by State and Territory has been discussed earlier in Section 4.1.

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## 5.3 Student contributions and HECS-HELP loans

The Commonwealth has exempted nursing and education from the broader policy that enables institutions to charge up to 30% above the standard HECS fee. The Government claims that fees for nursing and teacher education students may even go down in some institutions, with the new student contribution range initially being set at \$0-\$3,854 for 2005.

As outlined in Table 2.2, a nursing student will contribute 28% of the total funding an institution receives for their place, while teacher education students will contribute 35%. Students in a number of other disciplines will contribute lower percentages of the funding for their courses:

- Languages, visual and performing arts (30% with 'standard' HECS)
- Engineering, science and surveying (31% with 'standard' HECS)
- Dentistry, medicine, veterinary science (29% with 'standard' HECS)
- Agriculture (25% with 'standard' HECS).

The capping of student contributions for nursing and teaching students is a policy measure designed to attract students to those courses, though the unmet demand figures indicate that universities have not had difficulty in finding applicants in recent years. The capping of fees will act to constrain student debt levels compared with other fields of study and contain any widening of the gap between the costs of educational investment and the earnings potential of graduates that might otherwise have eventuated.

It needs to be noted, however, that the capping of fees will presumably apply only to the nursing or education discipline subjects undertaken within courses. Subjects taken in other disciplines such as chemistry and computing may, at the discretion of the institution, attract higher HECS fees per EFTSU.

The benefits derived from the cap on fees for nursing and teaching courses, in terms of student demand, will depend in part on institutional responses to the new student contribution policy that allows an increase in fees up to 30% above the notional HECS level. If institutions act to increase fees for other HECS Band 1 disciplines, for example, it will create a relative financial incentive for students to choose nursing or teaching over other disciplines such as humanities, arts and behavioural sciences.

The reforms also replace the current HECS scheme with the new HECS-HELP scheme, which is essentially the same as the former scheme, but with:

- An increased minimum repayment threshold (rising from \$24,365 in 2002-03 to \$30,000 in 2005-06)
- Removal of the two bottom repayment bands
- Addition of a new maximum repayment band of 8% where income exceeds \$64,999
- Reduction in the up-front discount rate from 25% to 20%
- Reduction in the voluntary repayment discount rate from 15% to 10%.

The raising of the minimum repayment threshold from \$24,365 to \$30,000 for HECS loans may offer some financial relief for part-time teaching and nursing students earning over the current threshold amount, or graduates who are employed on a part-

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time basis. It is unlikely to offer any benefits, however, to graduates employed full-time as graduate starting salaries typically exceed \$30,000.

The impact of the new HECS-HELP arrangements on access and equity more generally are discussed in Chapter 6.

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## 5.4 Commonwealth Learning Scholarships

The *Backing Australia's Future* package includes 17,630 Commonwealth Education Costs Scholarships (CECS) of \$2,000 per year for up to 4 years to be targeted at full-time students from low socio-economic backgrounds and full-time Indigenous students. It also includes 7,550 Commonwealth Accommodation Scholarships (CAS) valued at \$4,000 per year for up to four years to be targeted at students from rural and isolated areas, particularly those from low socio-economic and/or Indigenous backgrounds. Nursing and teacher education students within the specified categories will be eligible to apply.

The possible impact of the new scholarships scheme needs to be assessed with the context of the current situation for disadvantaged nursing and education students, as discussed in Section 5.3 of Volume 1 of this report.

For example, while the capping of student contributions will act to contain the relative financial disadvantages of nursing and teaching students, it will not remove the immediate financial pressures faced by a significant minority of students. Almost 13% of Education and Health students are required to rely on repayable loans, on top of HECS, in order to finance their living and study costs. For full-time Education students the average loan taken out in any year is \$3901, while for full-time Health students the average loan is \$4298<sup>18</sup>.

In 2002, there were 66,422 domestic student EFTSU in initial registration teaching and nursing courses, suggesting that around 10,000 students had to rely on repayable loans<sup>19</sup>. The *Backing Australia's Future* package includes 17,630 Commonwealth Education Costs Scholarships (CECS) and 7,550 Commonwealth Accommodation Scholarships (CAS) to cover eligible students across all fields of study.

These scholarships will consequently provide some assistance to some nursing and teaching students, though the number and value of the scholarships fall short of need as indicated by the recent research findings discussed in Volume 1 of this report. Competition for scholarships will be tight, and only a subset of disadvantaged students can expect to receive assistance, with many of those students still facing the need to take out additional loans in order to continue their studies. For students receiving income support benefits from the Commonwealth, the real value of scholarships will be eroded, as they will count as income for this purpose. This is discussed further in Chapter 6.

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<sup>18</sup> Long, M. and Hayden, M. *Paying their way: A survey of Australian undergraduate university student finances, 2000*. AVCC, 2001.

<sup>19</sup> Based on 2001 data indicating 1.23 enrolments per EFTSU.

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## 5.5 Learning Entitlements

The Government is proposing to limit access to HECS-liable places to the equivalent of five years full-time study via a new system of Learning Entitlements.

The Learning Entitlements may have some impact on students who undertake degrees before entering postgraduate courses required for registration as a teacher. Some undergraduate programs required for entry to particular teaching specialisations are of four years' duration (e.g. human movement studies). Postgraduate courses for teacher registration are typically at least one year in duration.

This essentially means that some students will use up their entire Learning Entitlement if they progress, without any subject failures, through a 4+1 pathway into teaching. Students who fail any subjects on their way through their courses, will need to make up the additional subjects on a fee-paying basis.

The issue of Learning Entitlements and their potential impacts on students is discussed more fully in Chapter 6.

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## 5.6 The lifting of the prohibition on offering full fee postgraduate places and replacement of the PELS scheme

Under the new arrangements, the Government will lift its prohibition on the offering of full fee-paying places in postgraduate courses that lead to initial nurse and teacher registration. At the same time, it will replace the current real interest-free Postgraduate Education Loans (PELS) scheme with a new FEE-HELP scheme that attracts, on top of CPI adjustments, a real rate of interest of 3.5% for the first ten years of the loan, after which the rate falls to zero in real terms.

The Commonwealth has remained silent in *Backing Australia's Future* about the extent to which it will continue to subsidise existing places in postgraduate pre-registration courses. It has stated that it will enter into Funding Agreements with institutions that specify the total number of places to be provided, including the number of postgraduate coursework places 'in negotiated fields'. Given the Government's other policy commitments in the areas of national priority, it would seem likely that the Government will choose to include at least a proportion of existing postgraduate nursing and teaching pre-registration places within the scope of Funding Agreements. If it does not, then students will face fees and FEE-HELP loans with real interest rates.

The consequences of the latter would be extremely significant for teacher education, as a high percentage of new enrolments in pre-service teacher education courses are in postgraduate courses. In Victoria, for example, the figure is as high as 48%<sup>20</sup>. The areas of national shortage in teachers, including science, mathematics and technology, are commonly serviced through graduates continuing on to postgraduate teacher education courses.

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<sup>20</sup> Review of Teaching and Teacher Education. *Discussion Paper: Strategies to Attract and Retain Teachers of Science, Technology and Mathematics*. DEST, 2002.

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Under a full fee system for postgraduate study, these graduates would face the prospect of a maximum HECS debt of \$21,411 for a three year degree and \$28,548 for a four year degree (based on 2005 fee levels)<sup>21</sup>, plus an estimated \$8,000 to \$10,000 fee for a 1 year postgraduate diploma, taking their full debt on course completion to a possible \$38,548. Under the new arrangements, graduates would be required to pay off their HECS debts before making repayments on FEE-HELP loans that attract a real rate of interest of 3.5% per annum plus CPI increases. The FEE-HELP debts of graduates in this situation will consequently continue to grow for the period of time it takes them to pay off their HECS loans.

It was noted in the Review of Teaching and Teacher Education that the teaching profession may find it difficult to compete with other industries for new science, mathematics and technology graduates in terms of long-term salary progression. Under a full fee and real interest rate loan scenario, graduates in these fields will increasingly weigh up the financial costs and benefits associated with entering teacher education courses compared with other career options.

The replacement of the interest-free PELS scheme with the FEE-HELP scheme may also have implications for skill shortages in the nursing profession. While there is a national shortage of general Registered nurses, there is also a national shortage in most nursing specialisations such as aged care, midwifery, operating theatre, oncology and accident/emergency. Many of these specialisations require postgraduate study that may not offer financial rewards commensurate with the debt incurred by students.

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## 5.7 National coordination and Commonwealth/State joint planning

Both the National Review of Nursing Education and the Australian Council of Deans of Education have emphasised that it would be in the national interest for a more coordinated workforce planning and policy development approach to be taken to ensuring the supply of nurses and teachers. While the Commonwealth has given a commitment within the *Backing Australia's Future* package to consulting with States and Territories about their workforce needs, it has not proposed any specific new strategies or mechanisms to address the concerns that have been raised about the lack of a national whole-of-government approach.

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<sup>21</sup> Based on HECS band 2 for relevant disciplines.

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## 6 Impact on access and equity

In this Chapter we discuss the possible impacts of the *Backing Australia's Future* reforms on access and equity for all Australians, and in particular, for disadvantaged Australians.

In summary, the *Backing Australia's Future* reforms of most relevance to access and equity are:

- Growth in Commonwealth fully subsidised student places
- The freedom of institutions to charge up to 30% above the 'standard' HECS rate and changes to the HECS scheme
  - The increasing of the minimum HECS repayment threshold from \$24,365 to \$30,000
  - The reduction in the up-front HECS discount rate from 25% to 20%, and the lowering of the bonus for voluntary repayments from 15% to 10%
- New policies relating to the enrolment of domestic full fee-paying undergraduate students
  - Lifting the current 25% restriction on the enrolment of domestic fee-paying undergraduates within courses to 50%
  - The introduction of the FEE-HELP scheme
- Replacement of the PELS scheme with the FEE-HELP scheme
- The introduction of Learning Entitlements
- The new Commonwealth Learning Scholarships Program
- Increased funding for the Government's equity programs

Each of these developments is discussed below.

While a range of factors impacting on access and participation are discussed in the following sections, it is important to emphasise that in relative terms their collective impact on overall rates of university participation is likely to be less significant than the issues of the overall size of the sector and the geographic distribution of places according to population and demand as analysed in Chapter 3.

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### 6.1 Little growth in Commonwealth subsidised places

#### 6.1.1 General impact

The overall impact of the growth in Commonwealth subsidised places was discussed in detail earlier in the report. As outlined in Section 3.3, the actual number of Commonwealth subsidised places available in the system will not keep pace with population growth so the relative level of opportunity to enter higher education in a



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HECS-liable place will fall at the national level. This will act to increase competition for subsidised places.

A key issue in determining the impact of the package on access and participation for the Australian community in general will be the approach adopted by the Government in distributing the 25,000 fully subsidised places by State and Territory, as discussed earlier.

### 6.1.2 Impact on disadvantaged Australians

The increased competition for Commonwealth subsidised places may have a greater impact on disadvantaged Australians. As noted earlier, for example, students from Government schools are far less likely than those from non-Government schools to enter university direct from school, and disadvantaged students will be concentrated in the former.

The Government's policy framework is built on an assumption that overall participation rates will be maintained by freeing institutions to offer more full fee places. Disadvantaged students are less likely than other students, however, to elect to pay full fees (discussed further below) so their levels of access are correspondingly more reliant on the provision of HECS-liable places.

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## 6.2 Increased student contributions

### 6.2.1 Levels of student fees and debt

#### Levels of student fees and debt

In Table 6.1 we have provide some examples of the level of debt that Australian students could face under the new arrangements. We have included the maximum subsidised student contribution payable in 2005 together with some approximate fees for relevant postgraduate courses<sup>22</sup>.

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<sup>22</sup> The latter is based on full fees charged for these courses in 2003 at randomly selected universities, inflated by 2.2% per annum. It should be noted that there will be some institutions charging higher fees than those listed, and some charging lower fees.

**Table 6.1 Examples of estimated student debt for undergraduate and postgraduate study**

<b>Undergraduate</b>	<b>Maximum HECS  (1995)</b>	<b>Postgraduate</b>	<b>Approximate fees  (1995)</b>	<b>Total Debt (excluding interest on FEE-HELP loans)</b>
Medicine (6 years)	\$50,130			
Law (4 years)	\$33,420	Master of Laws	\$12,534	\$45,954
Commerce (3 years)	\$21,411	MBA	\$30,081	\$51,492
Engineering (4 years)	\$28,548	Master of Engineering	\$11,489	\$40,037
Law and commerce double degree (5 years)	\$38,731	MBA	\$30,081	\$68,812
B Arts (3 years)	\$15,030	Master in International Studies	\$11,280	\$26,310
B Nursing (3 years)	\$11,562	Master of Nursing	\$10,654	\$22,216

*Source: Phillips Curran*

Students completing undergraduate courses that are subsidised by the Commonwealth will face debts ranging from about \$50,000 for medicine to about \$28,500 for engineering and \$11,500 for nursing. Students continuing on to postgraduate studies could face total debts of around \$68,000 for an undergraduate double degree followed by an MBA to around \$22,000 for a nursing graduate completing a Master of Nursing program. These latter figures do not take into account the real rate of interest payable on FEE-HELP loans.

Students completing undergraduate full fee courses will pay substantially more again for their education.

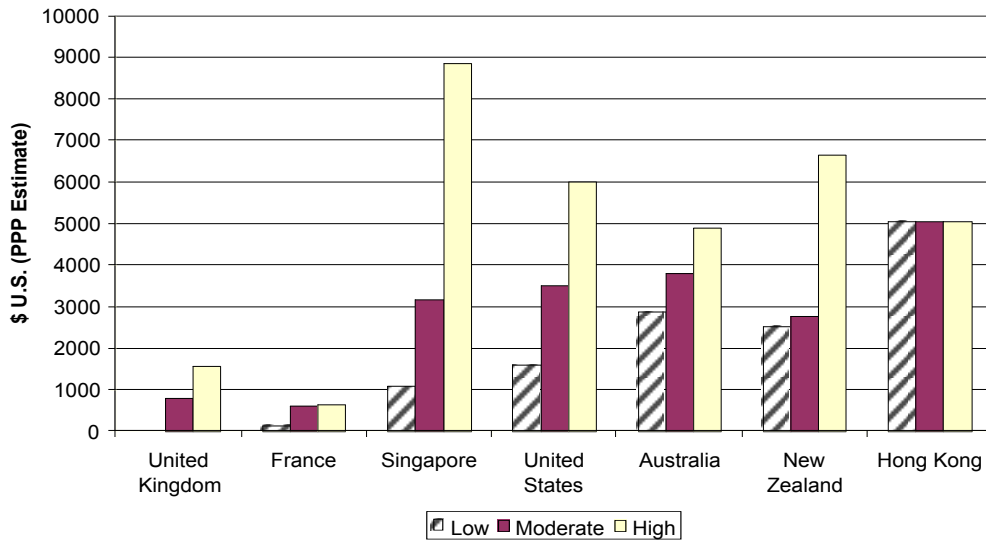
Increases in student fees and debt levels may act to further exacerbate the social impacts of the growing indebtedness of students and graduates (e.g. delaying entry to higher education, lower levels of house ownership) as discussed in Section 6.6.5 of Volume 1.

## 6.2.2 International comparisons

As discussed in Section 6.6 of Volume 1, the minimum cost of entry to Australian higher education is already high by international public university standards, and a further increase in HECS, particularly if it is of the order of 30%, will serve to expand the gap between Australia and other comparable countries. Figure 6.1 reproduces the comparative chart presented in Figure 6.2 of Volume 1, with an additional 30% added to Australian fees.



**Figure 6.1 Comparative tuition and other fees in public universities by country (including 30% "top-up" fees in Australia)**



With a 30% top-up of fees, Australians in HECS Bands 1 and 2 will pay more than students in low-cost and medium-cost courses in all the countries represented in Figure 6.1, except Hong Kong. With respect to high-cost courses such as Medicine and Dentistry, Australians will pay less than students in a number of countries, about the same as students in Hong Kong and substantially more than students in the UK and France. This comparison does not take account of any increases in fee levels that may have been introduced in other countries since the data was originally captured.

## 6.3 Changes to HECS

### 6.3.1 Institutional responses to partial de-regulation and impact on students

In Section 2.2.13 we argued that there are many reasons to believe that HECS charges will increase substantially over the next few years, and in Section 4.2.2 we presented a range of possible scenarios for how institutions may respond to the partial de-regulation of HECS.

If the majority of institutions elect to increase charges marginally for a large percentage of their courses, experience with previous HECS changes suggests that demand and access might not be greatly affected. On the other hand, there are growing signs that students are feeling the financial strain of study and HECS debt levels, and the sector could find itself facing a new level of price sensitivity that will deter some students from study. Students may also be deterred from undertaking postgraduate study, being fearful that total debt levels will accumulate beyond their level of comfort.

If universities elect to differentiate themselves in price terms, it will change the nature of university access in a number of ways. Student choice of university is currently based on broadly conceived course and institutional reputations, with course entry scores often serving as a proxy for quality in prospective students' eyes<sup>23</sup>. With differentiated price levels, the cost of the course will enter into decisions, and it is highly probable that cost will serve as an additional proxy for quality. Those students who are undeterred by fee levels may be increasingly attracted to perceived "high cost high quality" institutions. For others who are more sensitive to fee levels, however, cost will increasingly have an impact on their choice of institution and may serve to restrict their access to some universities.

Student response to increases in fee levels will also be significantly influenced by the state of the economy. Increases in interest rates, for example, will place heavily geared families under financial pressure, reducing the accessibility of ready cash to support students while studying and raising general levels of concern about accruing debt. Availability of part-time work is also a crucial ingredient in students' decisions to study or continue studying, though there are current prospects for strong growth.

Students who pay their HECS fees fully or partially up-front will experience additional pressure in sustaining cash flow to cover living expenses, and may need to generate more income through part-time work. It is conceivable that partial de-regulation of HECS could result in a further increase of the deferral rate beyond the all time high of 79% recorded in 2001, thus increasing the debt that needs to be serviced by students and underwritten by the Government. The *Backing Australia's Future* package does not include any enhancements to student income support provisions (discussed further below), and with increased fees, this will also act to push up deferral rates and increase pressure on students to work while studying.

With respect to debt levels, Chapman<sup>24</sup> has noted that those choosing to repay HECS through the tax system rather than up-front, pay 33.33% more in nominal terms, given that there is a 25% discount for an up-front payment (to be reduced to 20% in 2005), and that HECS therefore could be said to have a real rate of interest greater than the rate of inflation. Thus, students who are pressured by fee increases to shift from up-front to deferred payment will experience a greater real cost burden than suggested by the fee increase alone.

Students may increasingly experience a financial "catch-22". Students in receipt of income support benefits who feel pressured to work in order to cover growing fees and living expenses, will increasingly confront the dilemma of losing benefits after working the annualised equivalent of one day a week.

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<sup>23</sup> James, R., Baldwin, G. and McInnis, C. *Which University? The factors influencing the choices of prospective undergraduates*. DETYA, 1999.

<sup>24</sup> Chapman, B. *A Submission on Financing Issues to the Department of Education, Science and Training Inquiry into Higher Education Reform*. July 2002. (Crossroads Submission 317)

### 6.3.2 Increases to the HECS minimum repayment threshold

The true impact of the new HECS arrangements will be determined not only by the level of the charges, but also by the changes to the repayment arrangements, especially the proposed increase to the minimum repayment threshold.

The Committee on Higher Education Funding (The Wran Committee), in their proposed design for the HECS system, recommended that:

*The threshold above which payment would be required should be around the annual average earnings of all employees... People would not be required to pay their tax debit until their personal incomes reach that level, which means that they would be in the top 37% of all wage and salary earners and the top 22% of all income earners<sup>25</sup>.*

The minimum repayment threshold for HECS in the 2002/03 financial year is \$24,365 only 66% of the average earnings of all employees (\$36,644<sup>26</sup>). Many students, especially part time and mature age students, earn incomes in excess of this threshold and hence must commence repayment of their debt while studying.

The Wran Committee recommended that at average weekly earnings, an individual should commence to repay their debt at the rate of 2% of taxable income. At present, a HECS debtor on average weekly earnings must repay two and a quarter times that much: 4.5% of taxable income.

The *Backing Australia's Future* reform package includes provision for raising the minimum repayment threshold to \$30,000, a figure substantially less than both the average weekly earnings and the average starting salary of graduates<sup>27</sup>. The two bottom repayment bands are to be removed (currently 3.0% for incomes from \$24,365 - \$25,694 and 3.5% for incomes from \$25,695 - \$27,688). This will mean that graduates earning over \$30,000 will commence payments at the currently applicable rate of 4.0%. The package also includes provision to raise the maximum repayment rate to 8% for incomes above \$64,999, which will increase the repayment burden for graduates who are earning above this amount.

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<sup>25</sup> Report of the Committee on Higher Education Funding, April 1988, p57.

<sup>26</sup> Australian Bureau of Statistics Catalogue No: 6302.0 Average Weekly Earnings, Australia

TABLE 1. Average Weekly Earnings Of Employees, Australia (Dollars) – Trend, November 2002.

<sup>27</sup> In this context it is worth noting that a further increase in the HECS repayment thresholds to average weekly earnings or average graduate starting salaries would almost certainly have no impact on the formal Federal Budget deficit/surplus. This is because the official estimate of the deficit/surplus currently excludes HECS loan disbursements (implicitly assuming that the debts will be fully repaid). If this budgetary convention remains in place, changes to the thresholds will not have a recorded impact on the Budget bottom line.

### 6.3.3 The true costs of the new HECS arrangements for different students<sup>28</sup>

It is not possible to generalise about the implications of the new HECS arrangements for all students. The reason for this is that different graduates have different patterns of lifetime earnings and therefore face different repayment obligations. Because there is no real interest rate on HECS debts, graduates implicitly receive a subsidy for each period in which the debt remains, and the size of the subsidy depends on the income profile.

In order to examine the likely impacts of the new HECS arrangements, Professor Bruce Chapman has developed an economic model based on a hypothetical graduate who begins study at age 18, completes a science degree in four years, and begins work at age 22. The model uses cross-sectional data from the 1995 ABS Housing and Income Distribution Survey to project graduate incomes over a lifetime, with earnings adjusted for inflation so that they reflected the likely 2005 experience. This was done separately for men and women. A number of scenarios were then examined in order to illustrate the diversity of the true financial effect of the new HECS arrangements on graduates with varying work experiences.

In summary, Chapman finds that the changes to the HECS repayment thresholds have relatively little impact for all groups of men because, in general, the hypothetical male graduates in his model earn over \$30,000 on graduation. As a consequence, they will bear effectively the full cost of any increase in the HECS charge.

For women the outcomes are more varied. For two groups - relatively poor graduates working full-time and those who leave the workforce to have children then return part-time - the increased repayment threshold will deliver important financial benefits. The poorest graduates benefit the most, to the extent that they face little additional true cost even from a 30% increase in the HECS charge. For other groups of females, other than the 'richest' group, the raising of the threshold also provides some benefits, reducing the true cost to them of a 30% increase in the charge to around 19%.

Further detail is provided in Appendix D.

### 6.3.4 The impact of the HECS changes on disadvantaged Australians

Disadvantaged students in the higher education system are more likely to support themselves while studying, defer their HECS debts and take out additional loan(s) to cover living and ancillary study expenses. Given evidence of a greater sensitivity to debt aversion, disadvantaged students may be further discouraged from entering higher education if student contributions are increased. Variable fee regimes at different institutions and in different courses may also act to further restrict disadvantaged students' effective choice of university and course.

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<sup>28</sup> This section draws substantially on unpublished economic modelling undertaken by Professor Bruce Chapman of the Centre for Economic Policy Research, Australian National University.

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As noted earlier, changes to HECS arrangements (lowering of the threshold, changes in discount rates) will offer substantial benefits to ‘poor females’ and females who move in and out of the workforce, but little benefit to ‘poor males’.

It is not clear from the Government’s budget announcements whether institutions will be able to set different HECS levels for disadvantaged students compared with other students in the same course. Even if this is not allowable, a similar effect could be achieved if institutions were to provide scholarships to disadvantaged students. We are aware that several universities are already exploring these options.

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## 6.4 New policies relating to the enrolment of domestic full fee-paying undergraduate students<sup>29</sup>

### 6.4.1 Contentious issues in the new policies for fee-paying students

The introduction of the FEE-HELP scheme will go some way towards addressing anomalies in the current system, whereby income-contingent loan facilities are available to domestic postgraduate students but not to domestic undergraduate students. It will also help to reduce inequities since students will no longer be required to pay their fees up front. As noted in Section 2.2.14, we anticipate that the number of fee-paying places will rise significantly as the result of the *Backing Australia’s Future* changes, creating additional higher education opportunities (although with a limited impact on overall participation rates).

However, there are several contentious aspects of the proposed arrangements that have potential implications for access and equity.

The first of these concerns the capping of the FEE-HELP loan at \$50,000. Presumably the loan cap has been set to minimise the likely costs to the Commonwealth of non-repayments of debt, and perhaps to provide some downward pressure on fee levels. It is unlikely to have this latter effect because universities will not know whether or to what extent students have pre-existing debts. It is certainly likely that some students will exceed the \$50,000 debt limit.

Fees for some courses are already in excess of this amount<sup>30</sup>. There is a real possibility that some students will have exhausted their loan limit before graduation, and will face the possibility of paying for the completion of their courses with up-front fees. This will be particularly relevant to postgraduate students who may already have a FEE-HELP debt for their first degree. The private capital market will not provide loans to cover this situation, and students may consequently be forced to discontinue their courses, or delay graduation while they work part-time to cover fees.

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<sup>29</sup> This section draws substantially on economic analysis undertaken by Professor Bruce Chapman of the Centre for Economic Policy Research, Australian National University.

<sup>30</sup> For example, 2003 fee levels at one of the Group of Eight universities would result in total course fees of \$80,000 (Bachelor of Laws), \$51,440 (Bachelor of Music), \$54,000 (Bachelor of Science), \$71,600 (Bachelor of Engineering).

The second contentious aspect relates to the application of a real rate of interest on the FEE-HELP loan. This means that those who take the longest to repay will repay the highest amounts. In general, this will be those graduates who enter lower paid work, experience unemployment, illness or other separation from the workforce. This regressive aspect of the new policy is in contrast to the current HECS arrangements under which no real interest rate applies to the debt. Instead, a discount is offered for up-front payment, so that students who defer are effectively contracting to pay back a higher amount than those who pay up-front. While this effective surcharge is similar to a real interest rate, it does not have the regressive characteristic of growing in real terms. For this reason, a surcharge on the debt is a better mechanism than a real interest rate.

The third contentious aspect relates to the degree of price flexibility and restrictions on competition. Because there are a limited number of providers in the market and because the number of fee-paying places is limited (to 50% of domestic load in most courses and 10% in medicine), the price asked of students will not reflect the free operation of market forces. Instead it is likely that universities, especially those in the strongest demand position, will have the capacity to set fees that substantially exceed the costs of provision and the fees that would be set in an open market.

This provides a case to consider capping the fees for all students, in the same way as the Government has chosen to cap the fee for HECS-liable students. One conceivable model that has substantial benefits for equity and simplicity would be to cap all undergraduate fees (both HECS and 'full' fees) at the same level. If the Government were also to establish the same loan repayment arrangements for all domestic students by removing the real interest rate, then all domestic students would be treated in exactly the same way and the category of fee-paying Australian students would disappear.

#### 6.4.2 The true cost of the new fees policy for different students

Again, Professor Bruce Chapman has undertaken economic modelling to analyse the true costs of FEE-HELP debt repayment.

His results show that any particular fee will have different true costs for different types of students and graduates, if they take out a FEE-HELP loan, depending on their income profile. The true financial cost will generally be highest for the highest income earners and lowest for the lowest earning graduates. However the situation is reversed if we look at the true present value of the fee as a proportion of lifetime income. In this instance the poorest group of females pays about twice as large a share of their lifetime incomes as the richest group of males. In other words, for any given level of charge, the richest graduates will pay the most in absolute terms, but the least compared with their lifetime incomes.

Further detail is provided in Appendix D.



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### 6.4.3 Impact on disadvantaged Australians

Prospective students from disadvantaged backgrounds are more likely to be deterred by the cost of higher education and there is international evidence to suggest that disadvantaged groups are more debt averse than others.

The increased availability of fee-paying domestic undergraduate places therefore will not generate any significant shift in the participation rates of disadvantaged students, even with the availability of income-contingent loans. This will presumably result in some marginal widening of the current gap in participation rates between disadvantaged and non-disadvantaged students, all other things being equal. This effect could be partly offset if universities offer substantial numbers of fee-waiver and reduced-fee scholarships to students from disadvantaged backgrounds.

Students taking out a FEE-HELP loan face the prospect of repaying in real terms a higher debt than they anticipate, particularly if they are unable to make repayments for periods of time (e.g. through unemployment, or earning below the minimum repayment threshold) as a consequence of the real interest rate on the debt. Students who experience education or labour market difficulties, such as non-graduation, being employed in low paid jobs or being unemployed will be most adversely affected.

The cap on the FEE-HELP loan of \$50,000 will increase the risk involved in entering more expensive and longer courses. This will have an impact on the choices made by potential students from disadvantaged backgrounds, who appear to be typically more debt averse (see section 6.2.1 of Volume 1 of this Report).

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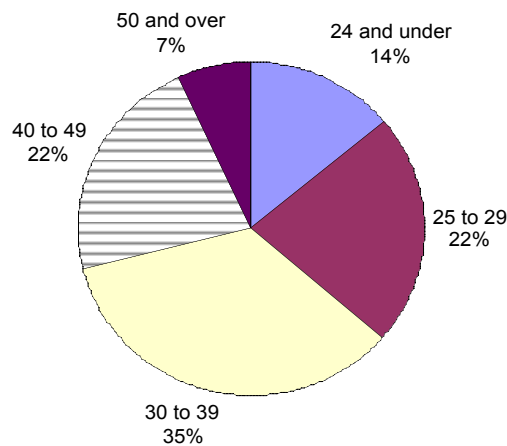
## 6.5 Replacement of the PELS scheme with the FEE-HELP scheme

Under the new arrangements, PELS will be replaced with the FEE-HELP scheme and students will pay a real rate of interest of 3.5% per annum for 10 years on top of CPI adjustments. Furthermore, under the new policy graduates must fully repay their HECS debts before commencing repayments on FEE-HELP loans, but their FEE-HELP loans will be accumulating interest while this is done.

Given the lack of experience in Australia with interest-bearing student loans, it is difficult to predict how these factors will impact on demand for postgraduate courses. Given the general disquiet about the impact of HECS debts on graduates and the high rate of borrowings in the community in general, it is probable that prospective students will think more carefully before deciding to undertake postgraduate study. It is likely that the increased rate of take up of postgraduate courses evident after the introduction of PELS will at least be slowed when the new arrangements come into effect.

It is worth noting that postgraduate students are typically in the age group when they are facing life choices including decisions on buying a home and starting a family. In 2002, fifty-seven per cent of domestic postgraduate coursework students were aged between 25 and 39 (see Figure 6.2).

**Figure 6.2 Age distribution of domestic postgraduate coursework students, 2002**



## 6.6 Learning Entitlements

### 6.6.1 General impact

The new system of five year Learning Entitlements could have some implications for student access. Under the new arrangements, students will be allocated 5 equivalent full-time years that presumably do not need to be consumed within any given timeframe (though the Government has not explicitly stated this). The Learning Entitlement policy will be introduced from 1 January 2005.

We can gain some insights into the potential impact of the new policy by examining the current numbers of students who commence a higher education course having already spent some time in higher education. In 2002, 22% of students commencing a course at Bachelor level or below had partially completed or completed prior higher education courses. Table 6.2 provides more detailed figures by State and Territory.

**Table 6.2 Domestic students commencing a course at bachelor level or below with prior higher education, 2002**



State/Territory	% Incomplete higher education course	% Completed higher education course
New South Wales	10.8	9.8
Victoria	11.8	9.1
Queensland	16.0	10.2
Western Australia	15.6	6.3
South Australia	7.8	10.1
Tasmania	14.5	8.9
Northern Territory	12.9	7.9
Australian Capital Territory	17.9	8.7
Multi-State	14.9	8.4
<b>Australia</b>	<b>12.8</b>	<b>9.3</b>

Source: DEST Higher Education Student Statistics, 2002

The figures indicate that, under the new arrangements, 13% of commencing students will already have used up at least some of their entitlement, and a further 9% will have used up a significant proportion of it. Research suggests that 17% of students change their course in the first or second years of study<sup>31</sup> and that 20% of first year students hope to change to a different course after their first year<sup>32</sup>.

There is a complex range of legitimate reasons why students study for a second degree, change courses or re-enter higher education after dropping out of a course at an earlier time, including: an inability to find suitable employment on graduation; an opportunity to upgrade to a more challenging course of choice after proving their capacity in their first year of study; or personal circumstances such as parenting responsibilities or illness that prevented successful course completion on their initial attempt. Factors such as the choice of course students make when first entering higher education can impact on their probability of not completing the course. Research indicates, for example, that completion rates vary dramatically across fields of study, ranging from approximately 92% in veterinary science degrees to 58% in arts degrees<sup>33</sup>.

Subject failure rates will also have a significant impact on the adequacy of Learning Entitlements for some students. In 2000, the commencing student progress rate was 84% and the continuing student progress rate was 88%<sup>34</sup>. This means that for commencing students, 16% of the EFTSU attempted did not result in a successful completion, and for continuing students 12% of the EFTSU attempted did not result in a successful completion. Students failing subjects will need to repeat them or replace

<sup>31</sup> McInnis, C., Hartley, R., Polesel, J. and Teese, R. *Non-Completion in Vocational Education and Training and Higher Education: A Literature Review Commissioned by the Department of Education, Training and Youth Affairs*, Centre for the Study of Higher Education, University of Melbourne, May 2000.

<sup>32</sup> McInnis, C., James, R. and Hartley, R. *Trends in the First Year Experience in Australian Universities*, Department of Education, Training and Youth Affairs, July 2000.

<sup>33</sup> Martin, Y., Maclachlan, M. and Karmel, T. *Undergraduate Completion Rates: An update*, Commonwealth Department of Education, Science and Training, December 2001.

<sup>34</sup> *Characteristics and Performance Indicators of Australian Higher Education Institutions*, Commonwealth Department of Education, Science and Training, December 2001.

them, thus eating further into their Learning Entitlement. It is important to note that student progress rates vary dramatically across institutions. For example, commencing student progress rates in 2000 ranged from 90% in some Go8 universities to 73% in some regional universities, and thus the extent to which student failure will erode Learning Entitlements may vary considerably across institutions and regions.

The Learning Entitlements scheme may consequently introduce some inequities into the system. For high performing students who are clear about their career choice and gain immediate entry to their course of choice, the Learning Entitlement may not have any detrimental impact on access to higher education. However, for students who take some time to find their niche, have to discontinue studies for a range of personal reasons, and/or confront challenges in progressing through their courses, the Learning Entitlement scheme may act to restrict their access in the longer term.

Students choosing to study double degrees may face particular challenges, as their Learning Entitlement may only cover them for the time necessary to complete their course without any subject failures. Students in this category are not an insignificant minority in the student body, and the popularity of double degrees continues to grow. Students undertaking double degrees will already face HECS debts of up to \$40,000<sup>35</sup>.

The Commonwealth has indicated that it will encourage lifelong learning by allocating an additional entitlement after a specified number of years to be determined by the Government. The details of this provision, however, have not yet been determined and presumably will not be included in the package put before the Senate. The nature of these provisions will be critical in determining whether the Learning Entitlement scheme acts to promote or limit lifelong learning.

The Government has also indicated that the five-year Learning Entitlement may be extended where a student is undertaking an initial undergraduate course or pathway in which the normal enrolment period is longer than five years (e.g. medicine at undergraduate or graduate degree levels or double degrees with honours). Detailed specifications of the criteria to be applied in extending the Learning Entitlement will be required, particularly given that the appeal mechanisms will be the responsibility of individual institutions.

## 6.6.2 Impact on disadvantaged Australians

The issues discussed above will be exaggerated for disadvantaged students. Course completion rates, for example, are considerably lower for Indigenous, low socio-economic students and students living in rural and isolated areas<sup>36</sup>. It can reasonably be assumed that subject failure rates will also be higher for these categories of students. This means disadvantaged Australians will be more likely to significantly erode their Learning Entitlement and build a HECS debt without receiving the potential benefits of a graduate-level income.

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<sup>35</sup> Based on the maximum student contribution for a double degree combining a Band 3 discipline (e.g. Law) and a Band 2 discipline (e.g. commerce, science, computing, health).

<sup>36</sup> Martin, Y., Maclachlan, M. and Karmel, T. *Undergraduate Completion Rates: An update*, Commonwealth Department of Education, Science and Training, December 2001.

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Similarly, disadvantaged students will be more likely to exhaust their full Learning Entitlement and therefore face the requirement to pay fees if they wish to continue. This could increase the probability of disadvantaged students being forced to drop out of courses.

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## 6.7 Commonwealth Learning Scholarships

The Government proposes two categories of scholarships:

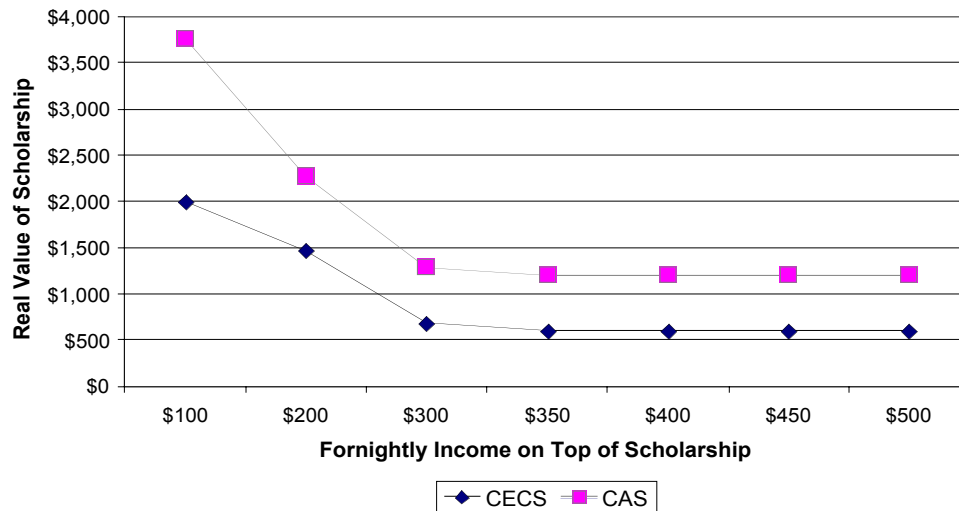
- Commonwealth Education Costs Scholarships (CECS), worth \$2,000 per year for up to 4 years, to assist full-time undergraduate students from low socio-economic and/or Indigenous backgrounds (2,500 new scholarships in 2004, rising to 17,635 in total by 2007)
- Commonwealth Accommodation Scholarships (CAS), worth \$4,000 per year for up to 4 years, to assist full-time undergraduate students from rural and regional areas who have to move from home to undertake higher education (1,500 new scholarships in 2004, rising to 7,550 in total by 2007).

There are a number of issues that flow from the details of the arrangements and the quantum and value of the scholarships.

First, it seems somewhat inconsistent that Learning Entitlements are for 5 years, but scholarships are only funded for a maximum of four years. This may result in some students confronting the double impost of losing their scholarship after four years and then having to switch to full fees because they have consumed their Learning Entitlement. This will particularly affect students who may have earlier attempted a course without successful completion, and had returned to the system at a later point to re-commence their higher education. As noted earlier, this is likely to be a more common situation for disadvantaged students.

Second, while scholarships do not count as income for tax purposes, the *Social Security Act* currently dictates that scholarships will count as income for the purposes of Youth Allowance, Abstudy and Austudy. After students earn more than about \$236 per fortnight (gross), their Youth Allowance or Austudy is reduced by 50 cents in the dollar. Income above \$316 per fortnight attracts a deduction of 70 cents in the dollar. Consequently, for students in receipt of income support payments, the real values of scholarships will be rapidly eroded when their total income, including the scholarship, exceeds \$236 per fortnight. Figure 6.3 charts the real value of scholarships after the consequential reductions in income support payments.

**Figure 6.3 Real value of scholarships after reductions in Youth Allowance or Austudy**



A scholarship worth \$2,000 rapidly drops to a real value of only \$683 when a student earns the equivalent of \$300 (gross) per fortnight, while a scholarship worth \$4,000 drops to a real value of only \$1,283. Consequently, rather than supplementing the income received through income support schemes, the scholarships merely replace a significant percentage of it.

The Long and Hayden study<sup>37</sup> discussed in Volume 1 found that full-time students are, not surprisingly, more likely to receive income support if they:

- Depend on support from people with low incomes
- Are from low socio-economic backgrounds
- Are Indigenous
- Had to move in order to attend university.

These are the very students the scholarships are intended to assist.

It is clear that many of the students receiving scholarships will be in a double ‘catch-22’ due to the income test applied to income support payments. Scholarship payments will push many students into the higher brackets that trigger heavily reduced income support payments, and this will act as a disincentive for students to earn additional income while at the same time providing only a marginal real increase in income.

In addition, these categories of students were found by Long and Hayden to be most likely to have to borrow money (on top of HECS) in order to continue studying, with an average loan of \$4,000. For some of the most disadvantaged students, therefore, scholarships will at best reduce the size of their additional debt, rather than provide sufficient income to cover their study and living expenses.

<sup>37</sup> Long, M. and Hayden, M. *Paying their way: A survey of Australian undergraduate university student finances, 2000*. AVCC, 2001.

Third, the quantum of scholarships provided by the Government will assist only a small percentage of disadvantaged students. The Government reports in its *Commonwealth Scholarships* Fact Sheet released as part of the *Backing Australia's Future* package that 26,000 full-time students from low SES backgrounds and 2,500 full-time Indigenous students commence university studies each year. By 2007, the Government will be offering 5,075 new CECS scholarships each year, representing 18% of eligible students.

It also reports that around 10,000 students from rural and isolated areas, many of whom are from low socio-economic and/or Indigenous backgrounds, move away from home each year to commence higher education. By 2007, the Government will be offering 2,030 new CAS scholarships each year, representing 20% of eligible students.

Fourth, the scholarships are to be allocated on the basis of academic merit. Depending on how this is interpreted it could constrain institutions from making judgments based on the dual evidence of student potential (versus performance) and extent of real financial need, and could consequently work against equity objectives. It will also mean that scholarships will be targeted at students who would have made it into the university system in any case, rather than those who might not otherwise have participated.

Finally, only full-time students are eligible for scholarships, and this will prevent students who are only able to study part-time from accessing scholarship support. Single parents and sole care providers, for example, may find it impossible to study full-time.

Given the debt aversion of disadvantaged students, and the erosion of the value of scholarships in real terms due to the *Social Security Act* provisions, the provision of partial or full HECS exemption scholarships may be more effective in encouraging participation by disadvantaged Australians.

### 6.7.1 Distribution of the scholarships

The Government has stated that Commonwealth Learning Scholarships will be distributed to institutions on the basis of their proportion of full-time low SES students, taking into account their ability to increase the number of low SES students attending their institution.

We have modelled the possible distribution of scholarships by State and Territory based on the total low SES student population in 2001. This data is readily available in the public domain and provides a reasonable basis for estimating the likely distribution of scholarships by State and Territory.

**Table 6.3 Estimated distribution of Commonwealth scholarships by State and Territory**

State	Non-overseas low SES student enrolments 2001	Share of CECS scholarships 2007	Share of CAS scholarships 2007
New South Wales	21,270	3983	1705
Victoria	21,956	4111	1760
Queensland	25,570	4788	2050
Western Australia	10,676	1999	856
South Australia	8,636	1617	692
Tasmania	3,781	708	303
Northern Territory	598	112	48
Australian Capital Territory	609	114	49
Multi-State	1,085	203	87
Australia	94,181	17,635	7,550

Source: Phillips Curran

## 6.8 No change to student income support schemes

The issues surrounding the Government's new scholarships scheme are clearly not separable from the wider issue of student income support. As noted earlier, however, the *Backing Australia's Future* package remains silent on this issue, as did the *Crossroads* discussion papers.

Disadvantaged students may face a growing set of pressures that will act to bring deficiencies in student income support schemes into sharper relief: higher HECS debts, restricted access through Learning Entitlements, continuing pressures to work while studying and/or borrow money to cover living expenses. As noted above, scholarships will only assist a small percentage of disadvantaged students and will offer very modest additional income for those in receipt of income support.

Students who cannot access income support at all due to the family income and assets tests applying to the Youth Allowance, but who cannot rely on parental support to assist with educational and living expenses, will be continue to face particular financial difficulties.

In addition, the *Backing Australia's Future* package does not address the concerns that have been frequently raised with respect to the Abstudy scheme.

## 6.9 Increased funding to the Government's equity programmes

The *Backing Australia's Future* package includes provisions to:

- Review current equity groups to ensure that they are properly identified and that funding remains focused on groups experiencing significant educational disadvantage
- Increase HEEP funding by \$2.3 million per year from 2005 (a growth of about 38%), with allocations determined by a performance based formula to be developed

- 
- Increase ISF funding by a total of \$10.4 million over 3 years to 2007 (a growth of about 14%), with allocations continuing to be determined by a performance based formula
  - Increase funding to the Students with Disabilities Program by \$1.1 million per year from 2005 (a growth of about 64%).

We have estimated the distribution of the additional resources by State and Territory in Section 4.1.7.

The additional funding represents significant percentage increases for the equity schemes, particularly for the HEEP and Students with Disabilities Programs. However, these two schemes offer only modest funding support to institutions. For example, the highest amount of HEEP funding allocated to an institution in 2003 was \$177,000.

Under the new system, institutions eligible for HEEP funding will include those that:

- Run an outreach program to attract equity group students to higher education
- Offer specialised support for equity group members to assist their progression through higher education
- Manage the Commonwealth Learning Scholarships Program
- Establish an institutional equity scholarship program to complement the Commonwealth Learning Scholarships Program.

Most institutions will be able to comply with these eligibility criteria, however, the management of the Commonwealth Learning Scholarships Program will create new administrative overheads that institutions will be required to absorb.

In addition, it should be noted that while many institutions have an equity scholarship program of some kind, the number of scholarships on offer is generally very small, and the scholarships are subject to the same *Social Security Act* provisions as the Commonwealth scholarships.

Nevertheless, the increase in funding to the equity programs will assist universities to enhance their outreach and student support services, though the quantum of funding is not likely to be sufficient to generate any significant growth in the access and participation of equity groups.

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**APPENDIX A**

<b>Summary of Commonwealth-subsidised student places as a result of <i>Backing Australia's Future</i> and current policy - New South Wales</b>											
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2021</b>
"Fully funded" places on basis of current policy	121,064	121,745	122,231	122,526	122,526	122,526	122,526	122,526	122,526	122,526	122,526
Over-enrolment (actual 2002, current share of 25,000 in 2003 and 2004, pipelined to 0 by 2008)	14254.04	13898	13898	12218	9979	6993	3011	3,011	3,011	3,011	3,011
Commonwealth subsidised places on basis of current policy and assumed changes to over-enrolment	135,318	135642.6	136,129	134745	132505	129519	125,537	125,537	125537.4	125537	125537
<b>Changes from <i>Backing Australia's Future</i></b>											
Places to private providers				84	147	194	229	229	229	229	229
Marcus Oldham (funding ends)				0	0	0	0	0	0	0	0
Priority places to regional campuses			41.277206	72	96	113	113	113	113	113	113
Extra 'fully funded' places				2802	4904	6480	7662	7662	7662	7662	7662
New medical places			39	78	117	156	195	234	234	234	234
Growth from 2007						431	754	997	1179	1179	1179
Growth from 2008							554	970	1282	1516	1516
Total change in 'fully funded' places from BAF			80	3,037	5,264	7,375	9,508	10,206	10,699	10,933	10,933
<b>TOTAL 'FULLY FUNDED' PLACES</b>	<b>121,064</b>	<b>121745</b>	<b>122312</b>	<b>125563</b>	<b>127790</b>	<b>129901</b>	<b>132035</b>	<b>132732</b>	<b>133226</b>	<b>133460</b>	<b>133460</b>
Change in 'fully-funded' places relative to 2002	0	681	1248	4499	6726	8837	10971	11668	12162	12395	12395
<b>TOTAL COMMONWEALTH SUBSIDISED PLACES</b>	<b>135,318</b>	<b>135642.6</b>	<b>136,210</b>	<b>137781</b>	<b>137769</b>	<b>136893</b>	<b>135046</b>	<b>135743</b>	<b>136237</b>	<b>136471</b>	<b>136471</b>
Change in Commonwealth subsidised places relative to 2002	0	324	891	2463	2451	1575	-272	425	919	1152	1152
<b>TOTAL fee-paying load</b>	<b>14243</b>	<b>16203</b>	<b>18163</b>	<b>20408</b>	<b>21661</b>	<b>22899</b>	<b>24138</b>	<b>24265</b>	<b>24358</b>	<b>24402</b>	<b>24402</b>
Other places (RTS etc)	10664	10664	10664	10664	10664	10664	10664	10664	10664	10664	10664
<b>TOTAL HIGHER EDUCATION PLACES</b>	<b>160226</b>	<b>162510</b>	<b>165037</b>	<b>168853</b>	<b>170094</b>	<b>170456</b>	<b>169848</b>	<b>170672</b>	<b>171259</b>	<b>171536</b>	<b>171536</b>



<b>Summary of Commonwealth-subsidised student places as a result of <i>Backing Australia's Future</i> and current policy - Victoria</b>											
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2021</b>
"Fully funded" places on basis of current policy	100,634	100,793	101,035	101,170	101,170	101,170	101,170	101,170	101,170	101,170	101,170
Over-enrolment (actual 2002, current share of 25,000 in 2003 and 2004, pipelined to 0 by 2008)	6436.3	4915.908	4915.908	4157.454	3146.181	1797.818	0	0	0	0	0
Commonwealth subsidised places on basis of current policy and assumed changes to over-enrolment	107,070	105709.3	105950.91	105327	104316.2	102968	101170	101170	101170	101170	101170
<b>Changes from <i>Backing Australia's Future</i></b>											
Places to private providers				69	122	160	189	189	189	189	189
Marcus Oldham (funding ends)				-65	-65	-65	-65	-65	-65	-65	-65
Priority places to regional campuses		68.3465497		120	158	187	187	187	187	187	187
Extra 'fully funded' places				2314	4049	5351	6327	6327	6327	6327	6327
New medical places			10	20	30	40	50	60	60	60	60
Growth from 2007						356	623	823	973	973	973
Growth from 2008							458	801	1058	1251	1251
Total change in 'fully funded' places from BAF			78	2,458	4,294	6,029	7,769	8,322	8,730	8,923	8,923
<b>TOTAL 'FULLY FUNDED' PLACES</b>	<b>100,634</b>	<b>100793</b>	<b>101113</b>	<b>103628</b>	<b>105464</b>	<b>107199</b>	<b>108939</b>	<b>109492</b>	<b>109900</b>	<b>110093</b>	<b>110093</b>
Change in 'fully-funded' places relative to 2002	0	160	480	2994	4830	6565	8305	8859	9266	9459	9459
<b>TOTAL COMMONWEALTH SUBSIDISED PLACES</b>	<b>107,070</b>	<b>105709.3</b>	<b>106029.255</b>	<b>107785</b>	<b>108610</b>	<b>108997</b>	<b>108939</b>	<b>109492</b>	<b>109900</b>	<b>110093</b>	<b>110093</b>
Change in Commonwealth subsidised places relative to 2002	0	-1,361	-1,041	716	1540	1927	1869	2422	2830	3023	3023
Projected fee-paying undergraduate load (5% scenario)	2924	3744	4564	5733	6901	8070	9239	9277	9311	9327	9327
Projected fee-paying postgraduate load	10567	11660	12754	13848	14101	14341	14583	14664	14719	14745	14745
<b>TOTAL fee-paying load</b>	<b>13491</b>	<b>15405</b>	<b>17318</b>	<b>19580</b>	<b>21002</b>	<b>22411</b>	<b>23821</b>	<b>23941</b>	<b>24030</b>	<b>24072</b>	<b>24072</b>
Other places (RTS etc)	7831	7831	7831	7831	7831	7831	7831	7831	7831	7831	7831
<b>TOTAL HIGHER EDUCATION PLACES</b>	<b>128392</b>	<b>128945</b>	<b>131178</b>	<b>135197</b>	<b>137444</b>	<b>139239</b>	<b>140591</b>	<b>141264</b>	<b>141761</b>	<b>141996</b>	<b>141996</b>

<b>Summary of Commonwealth-subsidised student places as a result of <i>Backing Australia's Future</i> and current policy - Queensland</b>											
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2021</b>
"Fully funded" places on basis of current policy	79,262	79,859	80,396	80,791	80,791	80,791	80,791	80,791	80,791	80,791	80,791
Over-enrolment (actual 2002, current share of 25,000 in 2003 and 2004, pipelined to 0 by 2008)	6387.576	4878.694	4878.6936	4125.981	3122.364	1784.208	0	0	0	0	0
Commonwealth subsidised places on basis of current policy and assumed changes to over-enrolment	85,649	84738.02	85274.294	84917	83912.96	82575	80790.6	80790.6	80790.6	80791	80791
<b>Changes from <i>Backing Australia's Future</i></b>											
Places to private providers				55	97	128	151	151	151	151	151
Marcus Oldham (funding ends)				0	0	0	0	0	0	0	0
Priority places to regional campuses		53.2174793		93	123	145	145	145	145	145	145
Extra 'fully funded' places				1848	3234	4273	5052	5052	5052	5052	5052
New medical places			50	100	150	200	250	300	300	300	300
Growth from 2007						284	497	657	777	777	777
Growth from 2008							365	640	845	999	999
Total change in 'fully funded' places from BAF			103	2,096	3,604	5,031	6,462	6,946	7,272	7,426	7,426
<b>TOTAL 'FULLY FUNDED' PLACES</b>	<b>79,262</b>	<b>79859</b>	<b>80499</b>	<b>82887</b>	<b>84394</b>	<b>85821</b>	<b>87253</b>	<b>87737</b>	<b>88062</b>	<b>88216</b>	<b>88216</b>
Change in 'fully-funded' places relative to 2002	0	598	1237	3625	5133	6560	7991	8475	8801	8955	8955
<b>TOTAL COMMONWEALTH SUBSIDISED PLACES</b>	<b>85,649</b>	<b>84738.02</b>	<b>85377.5111</b>	<b>87013</b>	<b>87517</b>	<b>87606</b>	<b>87253</b>	<b>87737</b>	<b>88062</b>	<b>88216</b>	<b>88216</b>
Change in Commonwealth subsidised places relative to 2002	0	-911	-272	1364	1867	1956	1603	2087	2413	2567	2567
Projected fee-paying undergraduate load	297	508	719	1019	1319	1620	1920	1930	1938	1943	1943
Projected fee-paying postgraduate load	5560	6136	6711	7287	7420	7546	7674	7716	7745	7759	7759
<b>TOTAL fee-paying load</b>	<b>5857</b>	<b>6644</b>	<b>7430</b>	<b>8306</b>	<b>8739</b>	<b>9166</b>	<b>9593</b>	<b>9646</b>	<b>9684</b>	<b>9702</b>	<b>9702</b>
Other places (RTS etc)	5384	5384	5384	5384	5384	5384	5384	5384	5384	5384	5384
<b>TOTAL HIGHER EDUCATION PLACES</b>	<b>96891</b>	<b>96766</b>	<b>98191</b>	<b>100703</b>	<b>101640</b>	<b>102156</b>	<b>102230</b>	<b>102767</b>	<b>103130</b>	<b>103302</b>	<b>103302</b>

<b>Summary of Commonwealth-subsidised student places as a result of <i>Backing Australia's Future</i> and current policy - Western Australia</b>											
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2021</b>
"Fully funded" places on basis of current policy	38,710	39,005	39,225	39,375	39,375	39,375	39,375	39,375	39,375	39,375	39,375
Over-enrolment (actual 2002, current share of 25,000 in 2003 and 2004, pipelined to 0 by 2008)	2840	2169.131	2169.1311	1834.465	1388.244	793.2822	0	0	0	0	0
Commonwealth subsidised places on basis of current policy and assumed changes to over-enrolment	41,550	41174.13	41394.131	41209	40763.24	40168	39375	39375	39375	39375	39375
<b>Changes from <i>Backing Australia's Future</i></b>											
Places to private providers				27	47	62	74	74	74	74	74
Marcus Oldham (funding ends)				0	0	0	0	0	0	0	0
Priority places to regional campuses			5.95242112	10	14	16	16	16	16	16	16
Extra 'fully funded' places				901	1576	2083	2462	2462	2462	2462	2462
New medical places			45	90	135	180	225	270	270	270	270
Growth from 2007						139	242	320	379	379	379
Growth from 2008							178	312	412	487	487
Total change in 'fully funded' places from BAF			51	1,028	1,772	2,480	3,198	3,455	3,613	3,688	3,688
<b>TOTAL 'FULLY FUNDED' PLACES</b>	<b>38,710</b>	<b>39005</b>	<b>39276</b>	<b>40403</b>	<b>41147</b>	<b>41855</b>	<b>42573</b>	<b>42830</b>	<b>42988</b>	<b>43063</b>	<b>43063</b>
Change in 'fully-funded' places relative to 2002	0	295	566	1693	2437	3145	3863	4120	4278	4353	4353
<b>TOTAL COMMONWEALTH SUBSIDISED PLACES</b>	<b>41,550</b>	<b>41174.13</b>	<b>41445.0835</b>	<b>42237</b>	<b>42535</b>	<b>42648</b>	<b>42573</b>	<b>42830</b>	<b>42988</b>	<b>43063</b>	<b>43063</b>
Change in Commonwealth subsidised places relative to 2002	0	-376	-105	687	985	1098	1023	1280	1438	1513	1513
Projected fee-paying undergraduate load	68	153	238	359	481	602	723	727	731	732	732
Projected fee-paying postgraduate load	2570	2836	3102	3368	3430	3488	3547	3567	3580	3586	3586
<b>TOTAL fee-paying load</b>	<b>2638</b>	<b>2989</b>	<b>3340</b>	<b>3727</b>	<b>3910</b>	<b>4090</b>	<b>4270</b>	<b>4294</b>	<b>4311</b>	<b>4319</b>	<b>4319</b>
Other places (RTS etc)	4009	4009	4009	4009	4009	4009	4009	4009	4009	4009	4009
<b>TOTAL HIGHER EDUCATION PLACES</b>	<b>48197</b>	<b>48172</b>	<b>48794</b>	<b>49974</b>	<b>50455</b>	<b>50747</b>	<b>50852</b>	<b>51132</b>	<b>51308</b>	<b>51391</b>	<b>51391</b>

<b>Summary of Commonwealth-subsidised student places as a result of <i>Backing Australia's Future</i> and current policy - South Australia</b>											
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2021</b>
"Fully funded" places on basis of current policy	29,795	29,915	30,005	29,980	29,980	29,980	29,980	29,980	29,980	29,980	29,980
Over-enrolment (actual 2002, current share of 25,000 in 2003 and 2004, pipelined to 0 by 2008)	1929	1473.329	1473.3289	1246.015	942.9305	538.8174	0	0	0	0	0
Commonwealth subsidised places on basis of current policy and assumed changes to over-enrolment	31,724	31388.33	31478.329	31226	30922.93	30519	29980	29980	29980	29980	29980
<b>Changes from <i>Backing Australia's Future</i></b>											
Places to private providers				21	36	48	56	56	56	56	56
Marcus Oldham (funding ends)				0	0	0	0	0	0	0	0
Priority places to regional campuses		6.97992239		12	16	19	19	19	19	19	19
Extra 'fully funded' places				686	1200	1586	1875	1875	1875	1875	1875
New medical places			14	28	42	56	70	84	84	84	84
Growth from 2007						105	185	244	288	288	288
Growth from 2008							136	237	314	371	371
Total change in 'fully funded' places from BAF			21	746	1,294	1,814	2,340	2,515	2,636	2,693	2,693
<b>TOTAL 'FULLY FUNDED' PLACES</b>	<b>29,795</b>	<b>29915</b>	<b>30026</b>	<b>30726</b>	<b>31274</b>	<b>31794</b>	<b>32320</b>	<b>32495</b>	<b>32616</b>	<b>32673</b>	<b>32673</b>
Change in 'fully-funded' places relative to 2002	0	120	231	931	1479	1999	2525	2700	2821	2878	2878
<b>TOTAL COMMONWEALTH SUBSIDISED PLACES</b>	<b>31,724</b>	<b>31388.33</b>	<b>31499.3088</b>	<b>31972</b>	<b>32217</b>	<b>32333</b>	<b>32320</b>	<b>32495</b>	<b>32616</b>	<b>32673</b>	<b>32673</b>
Change in Commonwealth subsidised places relative to 2002	0	-336	-225	248	493	609	596	771	892	949	949
Projected fee-paying undergraduate load	26	74	122	190	258	326	394	396	398	399	399
Projected fee-paying postgraduate load	1519	1676	1833	1991	2027	2062	2096	2108	2116	2120	2120
<b>TOTAL fee-paying load</b>	<b>1545</b>	<b>1750</b>	<b>1955</b>	<b>2180</b>	<b>2285</b>	<b>2387</b>	<b>2490</b>	<b>2504</b>	<b>2514</b>	<b>2519</b>	<b>2519</b>
Other places (RTS etc)	1753	1753	1753	1753	1753	1753	1753	1753	1753	1753	1753
<b>TOTAL HIGHER EDUCATION PLACES</b>	<b>35022</b>	<b>34891</b>	<b>35207</b>	<b>35906</b>	<b>36255</b>	<b>36473</b>	<b>36563</b>	<b>36752</b>	<b>36883</b>	<b>36945</b>	<b>36945</b>

<b>Summary of Commonwealth-subsidised student places as a result of <i>Backing Australia's Future</i> and current policy - Tasmania</b>											
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2021</b>
"Fully funded" places on basis of current policy	9,070	9,175	9,260	9,295	9,295	9,295	9,295	9,295	9,295	9,295	9,295
Over-enrolment (actual 2002, current share of 25,000 in 2003 and 2004, pipelined to 0 by 2008)	343	261.976	261.97605	221.5569	167.6647	95.80838	0	0	0	0	0
Commonwealth subsidised places on basis of current policy and assumed changes to over-enrolment	9,413	9436.976	9521.976	9517	9462.665	9391	9295	9295	9295	9295	9295
<b>Changes from <i>Backing Australia's Future</i></b>											
Places to private providers				6	11	15	17	17	17	17	17
Marcus Oldham (funding ends)				0	0	0	0	0	0	0	0
Priority places to regional campuses			19.0973511	33	44	52	52	52	52	52	52
Extra 'fully funded' places				213	372	492	581	581	581	581	581
New medical places			21	42	63	84	105	126	126	126	126
Growth from 2007						33	57	76	89	89	89
Growth from 2008							42	74	97	115	115
Total change in 'fully funded' places from BAF			40	294	490	675	855	926	964	981	981
<b>TOTAL 'FULLY FUNDED' PLACES</b>	<b>9,070</b>	<b>9175</b>	<b>9300</b>	<b>9589</b>	<b>9785</b>	<b>9970</b>	<b>10150</b>	<b>10221</b>	<b>10259</b>	<b>10276</b>	<b>10276</b>
Change in 'fully-funded' places relative to 2002	0	105	230	519	715	900	1080	1151	1189	1206	1206
<b>TOTAL COMMONWEALTH SUBSIDISED PLACES</b>	<b>9,413</b>	<b>9436.976</b>	<b>9562.0734</b>	<b>9811</b>	<b>9953</b>	<b>10066</b>	<b>10150</b>	<b>10221</b>	<b>10259</b>	<b>10276</b>	<b>10276</b>
Change in Commonwealth subsidised places relative to 2002	0	24	149	398	540	653	737	808	846	863	863
Projected fee-paying undergraduate load	351	420	490	589	688	787	885	889	892	893	893
Projected fee-paying postgraduate load	247	273	298	324	330	335	341	343	344	345	345
<b>TOTAL fee-paying load</b>	<b>598</b>	<b>693</b>	<b>788</b>	<b>912</b>	<b>1017</b>	<b>1122</b>	<b>1226</b>	<b>1232</b>	<b>1236</b>	<b>1238</b>	<b>1238</b>
Other places (RTS etc)	651	651	651	651	651	651	651	651	651	651	651
<b>TOTAL HIGHER EDUCATION PLACES</b>	<b>10662</b>	<b>10781</b>	<b>11001</b>	<b>11374</b>	<b>11621</b>	<b>11839</b>	<b>12028</b>	<b>12104</b>	<b>12145</b>	<b>12165</b>	<b>12165</b>

<b>Summary of Commonwealth-subsidised student places as a result of <i>Backing Australia's Future</i> and current policy - Northern Territory</b>											
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2021</b>
"Fully funded" places on basis of current policy	3,070	3,070	3,070	3,070	3,070	3,070	3,070	3,070	3,070	3,070	3,070
Over-enrolment (actual 2002, current share of 25,000 in 2003 and 2004, pipelined to 0 by 2008)	208	158.8659	158.86594	134.3552	101.6742	58.09954	0	0	0	0	0
Commonwealth subsidised places on basis of current policy and assumed changes to over-enrolment	3,278	3228.866	3228.8659	3204	3171.674	3128	3070	3070	3070	3070	3070
<b>Changes from <i>Backing Australia's Future</i></b>											
Places to private providers				2	4	5	6	6	6	6	6
Marcus Oldham (funding ends)				0	0	0	0	0	0	0	0
Priority places to regional campuses			15.1290704	27	35	41	41	41	41	41	41
Extra 'fully funded' places				70	123	162	192	192	192	192	192
New medical places			0	0	0	0	0	0	0	0	0
Growth from 2007						11	19	25	30	30	30
Growth from 2008							14	24	32	38	38
Total change in 'fully funded' places from BAF			15	99	162	219	272	288	301	307	307
<b>TOTAL 'FULLY FUNDED' PLACES</b>	<b>3,070</b>	<b>3070</b>	<b>3085</b>	<b>3169</b>	<b>3232</b>	<b>3289</b>	<b>3342</b>	<b>3358</b>	<b>3371</b>	<b>3377</b>	<b>3377</b>
Change in 'fully-funded' places relative to 2002	0	0	15	99	162	219	272	288	301	307	307
<b>TOTAL COMMONWEALTH SUBSIDISED PLACES</b>	<b>3,278</b>	<b>3228.866</b>	<b>3243.99501</b>	<b>3303</b>	<b>3333</b>	<b>3347</b>	<b>3342</b>	<b>3358</b>	<b>3371</b>	<b>3377</b>	<b>3377</b>
Change in Commonwealth subsidised places relative to 2002	0	-49	-34	25	55	69	64	80	93	99	99
Projected fee-paying undergraduate load	0	2	3	5	8	10	12	12	12	12	12
Projected fee-paying postgraduate load	55	61	66	72	73	75	76	76	77	77	77
<b>TOTAL fee-paying load</b>	<b>55</b>	<b>62</b>	<b>70</b>	<b>77</b>	<b>81</b>	<b>84</b>	<b>88</b>	<b>88</b>	<b>89</b>	<b>89</b>	<b>89</b>
Other places (RTS etc)	152	152	152	152	152	152	152	152	152	152	152
<b>TOTAL HIGHER EDUCATION PLACES</b>	<b>3485</b>	<b>3443</b>	<b>3466</b>	<b>3533</b>	<b>3566</b>	<b>3584</b>	<b>3582</b>	<b>3599</b>	<b>3612</b>	<b>3618</b>	<b>3618</b>

<b>Summary of Commonwealth-subsidised student places as a result of <i>Backing Australia's Future</i> and current policy - Australian Capital Territory</b>											
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2021</b>
"Fully funded" places on basis of current policy	11,651	11,708	11,733	11,683	11,683	11,683	11,683	11,683	11,683	11,683	11,683
Over-enrolment (actual 2002, current share of 25,000 in 2003 and 2004, pipelined to 0 by 2008)	334.08	255.1631	255.16314	215.7951	163.3044	93.31681	0	0	0	0	0
Commonwealth subsidised places on basis of current policy and assumed changes to over-enrolment	11,985	11962.81	11988.163	11899	11846.3	11776	11683	11683	11683	11683	11683
<b>Changes from <i>Backing Australia's Future</i></b>											
Places to private providers				8	14	19	22	22	22	22	22
Marcus Oldham (funding ends)				0	0	0	0	0	0	0	0
Priority places to regional campuses			0	0	0	0	0	0	0	0	0
Extra 'fully funded' places				267	468	618	731	731	731	731	731
New medical places			55	110	165	220	275	330	330	330	330
Growth from 2007						41	72	95	112	112	112
Growth from 2008							53	92	122	145	145
Total change in 'fully funded' places from BAF			55	385	647	898	1,152	1,270	1,317	1,339	1,339
<b>TOTAL 'FULLY FUNDED' PLACES</b>	<b>11,651</b>	<b>11708</b>	<b>11788</b>	<b>12068</b>	<b>12330</b>	<b>12581</b>	<b>12835</b>	<b>12953</b>	<b>13000</b>	<b>13022</b>	<b>13022</b>
Change in 'fully-funded' places relative to 2002	0	57	137	418	679	930	1185	1303	1350	1372	1372
<b>TOTAL COMMONWEALTH SUBSIDISED PLACES</b>	<b>11,985</b>	<b>11962.81</b>	<b>12043.1631</b>	<b>12284</b>	<b>12493</b>	<b>12674</b>	<b>12835</b>	<b>12953</b>	<b>13000</b>	<b>13022</b>	<b>13022</b>
Change in Commonwealth subsidised places relative to 2002	0	-22	59	299	508	689	851	968	1015	1038	1038
Projected fee-paying undergraduate load	26	65	104	160	216	272	328	330	331	332	332
Projected fee-paying postgraduate load	1217	1343	1469	1595	1624	1652	1680	1689	1695	1698	1698
<b>TOTAL fee-paying load</b>	<b>1243</b>	<b>1408</b>	<b>1573</b>	<b>1755</b>	<b>1840</b>	<b>1924</b>	<b>2008</b>	<b>2019</b>	<b>2027</b>	<b>2031</b>	<b>2031</b>
Other places (RTS etc)	2203	2203	2203	2203	2203	2203	2203	2203	2203	2203	2203
<b>TOTAL HIGHER EDUCATION PLACES</b>	<b>15431</b>	<b>15574</b>	<b>15819</b>	<b>16242</b>	<b>16536</b>	<b>16801</b>	<b>17046</b>	<b>17175</b>	<b>17230</b>	<b>17256</b>	<b>17256</b>

**APPENDIX B**

**DE-REGULATED HECS SCENARIOS**

The scenarios are based on the prestige ratings of universities as assessed by the 2002 Good Universities Guide. They allow for two layers of HECS premium, a ‘basic premium’ that could apply to all students in an institution and an ‘extra premium’ that would be charged to a subset of students. The elements of the four scenarios are as follows:

	Basic premium	Share of students charged basic premium	Extra premium	Share of students charged extra premium
<b>Low Impact Scenario</b>				
Prestige rating				
5 star	0	0	20%	30%
4 star	0	0	20%	20%
3 star	0	0	20%	10%
2 star	0	0	20%	5%
1 star	0	0	0%	0%
<b>High impact Scenario</b>				
5 star	0	0	20%	75%
4 star	0	0	20%	50%
3 star	0	0	20%	25%
2 star	0	0	20%	10%
1 star	0	0	20%	5%
<b>Differentiated Scenario</b>				
5 star	10%	100%	20%	50%
4 star	10%	100%	20%	25%
3 star	10%	100%	20%	10%
2 star	10%	100%	20%	5%
1 star	10%	100%	0%	0%
<b>Across the board increase</b>				
	10%	100%	0%	0%



**APPENDIX C**

**CONSOLIDATED REVENUE IMPACT SUMMARIES**

**NEW SOUTH WALES**

	2004 \$m	2005 \$m	2006 \$m	2007 \$m	2008 \$m
Change in 'base' funding	8	-3	16	37	38
Regional nursing places	1	1	1	2	2
"Conversion" of over-enrolment phase out of marginal funding	0	-3	-8	-15	-24
phase in of "fully funded" places	0	33	59	81	98
Growth places from 2007	0	0	0	5	10
Growth places from 2008	0	0	0	0	7
Other programs					
Learning and Teaching Performance Fund	0	0	17	25	25
New Australian Awards for University Teaching	0	0	1	1	1
Increased funding for the Higher Education Equity Program	0	1	1	1	1
Indigenous Support Fund	0	0	1	2	2
Workplace Productivity Program	0	0	8	8	8
Collaboration and Structural Reform Fund	0	2	2	2	2
Students with Disabilities Program	0	0	0	0	0
De-regulated HECS					
Low Impact Scenario	0	7	13	17	20
High impact Scenario	0	18	32	42	50
Differentiated Scenario	0	32	57	76	90
Across the board increase	0	22	38	51	61
Undergraduate fees					
Scenario 1 (5% of funded load)	0	27	38	49	60
Scenario 2 (10% of funded load)	0	48	81	114	147
<b>TOTAL</b>					
minimum	8	65	149	216	251
maximum	8	111	236	340	407

## VICTORIA

	2004 \$m	2005 \$m	2006 \$m	2007 \$m	2008 \$m
Change in 'base' funding	7	23	40	60	61
Regional nursing places	1	2	2	3	3
"Conversion" of over-enrolment phase out of marginal funding phase in of "fully funded" places	0	-2	-5	-9	-15
Growth places from 2007	0	28	50	69	83
Growth places from 2008	0	0	0	5	8
Other programs					
Learning and Teaching Performance Fund	0	0	14	21	21
New Australian Awards for University Teaching	0	0	0	0	0
Increased funding for the Higher Education Equity Program	0	1	1	1	1
Indigenous Support Fund	0	0	0	1	1
Workplace Productivity Program	0	0	7	7	7
Collaboration and Structural Reform Fund	0	2	2	2	2
Students with Disabilities Program	0	0	0	0	0
De-regulated HECS					
Low Impact Scenario	0	6	11	15	18
High impact Scenario	0	16	29	39	47
Differentiated Scenario	0	27	48	65	78
Across the board increase	0	18	31	42	50
Undergraduate fees					
Scenario 1 (5% of funded load)	0	33	47	61	74
Scenario 2 (10% of funded load)	0	60	100	141	181
<b>TOTAL</b>					
minimum	7	92	169	234	270
maximum	7	140	260	363	436

## QUEENSLAND

	2004 \$m	2005 \$m	2006 \$m	2007 \$m	2008 \$m
Change in 'base' funding	10	26	40	56	57
Regional nursing places	1	1	2	2	2
"Conversion" of over-enrolment phase out of marginal funding phase in of "fully funded" places	0	-2	-5	-9	-15
Growth places from 2007	0	22	40	55	66
Growth places from 2008	0	0	0	4	6
Other programs					
Learning and Teaching Performance Fund	0	0	11	17	17
New Australian Awards for University Teaching	0	0	1	1	1
Increased funding for the Higher Education Equity Program	0	0	0	0	0
Indigenous Support Fund	0	0	1	1	1
Workplace Productivity Program	0	0	5	6	6
Collaboration and Structural Reform Fund	0	1	1	1	1
Students with Disabilities Program	0	0	0	0	0
De-regulated HECS					
Low Impact Scenario	0	4	8	10	12
High impact Scenario	0	11	19	25	30
Differentiated Scenario	0	20	35	46	55
Across the board increase	0	14	24	32	38
Undergraduate fees					
Scenario 1 (5% of funded load)	0	8	12	15	18
Scenario 2 (10% of funded load)	0	15	25	35	45
<b>TOTAL</b>					
minimum	11	62	115	158	178
maximum	11	84	156	214	247

## WESTERN AUSTRALIA

	2004 \$m	2005 \$m	2006 \$m	2007 \$m	2008 \$m
Change in 'base' funding	1	29	36	45	46
Regional nursing places	0	0	0	0	0
"Conversion" of over-enrolment phase out of marginal funding phase in of "fully funded" places	0	-1	-2	-4	-7
Growth places from 2007	0	11	20	28	34
Growth places from 2008	0	0	0	2	3
Other programs	0	0	0	0	2
Learning and Teaching Performance Fund	0	0	5	8	8
New Australian Awards for University Teaching	0	0	1	1	1
Increased funding for the Higher Education Equity Program	0	0	0	0	0
Indigenous Support Fund	0	0	1	1	1
Workplace Productivity Program	0	0	3	3	3
Collaboration and Structural Reform Fund	0	1	1	1	1
Students with Disabilities Program	0	0	0	0	0
De-regulated HECS					
Low Impact Scenario	0	2	4	5	6
High impact Scenario	0	5	10	13	15
Differentiated Scenario	0	10	18	23	28
Across the board increase	0	7	12	16	20
Undergraduate fees					
Scenario 1 (5% of funded load)	0	3	5	6	8
Scenario 2 (10% of funded load)	0	6	11	15	19
<b>TOTAL</b>					
minimum	1	46	73	95	106
maximum	1	57	93	122	139

## SOUTH AUSTRALIA

	2004 \$m	2005 \$m	2006 \$m	2007 \$m	2008 \$m
Change in 'base' funding	1	6	11	17	17
Regional nursing places	0	0	0	0	0
"Conversion" of over-enrolment phase out of marginal funding phase in of "fully funded" places	0	-1	-2	-3	-5
Growth places from 2007	0	8	15	21	25
Growth places from 2008	0	0	0	1	2
Other programs					
Learning and Teaching Performance Fund	0	0	4	6	6
New Australian Awards for University Teaching	0	0	0	0	0
Increased funding for the Higher Education Equity Program	0	0	0	0	0
Indigenous Support Fund	0	0	0	0	0
Workplace Productivity Program	0	0	2	2	2
Collaboration and Structural Reform Fund	0	0	1	1	1
Students with Disabilities Program	0	0	0	0	0
De-regulated HECS					
Low Impact Scenario	0	2	3	5	5
High impact Scenario	0	5	9	11	14
Differentiated Scenario	0	8	14	19	22
Across the board increase	0	5	9	12	15
Undergraduate fees					
Scenario 1 (5% of funded load)	0	2	3	4	4
Scenario 2 (10% of funded load)	0	4	6	8	11
<b>TOTAL</b>					
minimum	1	19	39	55	63
maximum	1	26	53	74	86

## TASMANIA

	2004 \$m	2005 \$m	2006 \$m	2007 \$m	2008 \$m
Change in 'base' funding	4	0	2	4	4
Regional nursing places	0	0	1	1	1
"Conversion" of over-enrolment phase out of marginal funding phase in of "fully funded" places	0	0	0	-1	-1
Growth places from 2007	0	3	5	6	8
Growth places from 2008	0	0	0	0	1
Other programs					
Learning and Teaching Performance Fund	0	0	1	2	2
New Australian Awards for University Teaching	0	0	0	0	0
Increased funding for the Higher Education Equity Program	0	0	0	0	0
Indigenous Support Fund	0	0	0	0	0
Workplace Productivity Program	0	0	1	1	1
Collaboration and Structural Reform Fund	0	0	0	0	0
Students with Disabilities Program	0	0	0	0	0
De-regulated HECS					
Low Impact Scenario	0	0	0	1	1
High impact Scenario	0	1	1	2	2
Differentiated Scenario	0	2	3	4	5
Across the board increase	0	1	3	4	4
Undergraduate fees					
Scenario 1 (5% of funded load)	0	3	4	5	6
Scenario 2 (10% of funded load)	0	5	9	12	16
<b>TOTAL</b>					
minimum	4	7	14	20	23
maximum	4	11	21	31	37

## NORTHERN TERRITORY

	2004 \$m	2005 \$m	2006 \$m	2007 \$m	2008 \$m
Change in 'base' funding	6	-1	0	1	1
Regional nursing places	0	0	0	1	1
"Conversion" of over-enrolment phase out of marginal funding phase in of "fully funded" places	0	0	0	0	0
Growth places from 2007	0	1	1	2	2
Growth places from 2008	0	0	0	0	0
Other programs					
Learning and Teaching Performance Fund	0	0	0	1	1
New Australian Awards for University Teaching	0	0	0	0	0
Increased funding for the Higher Education Equity Program	0	0	0	0	0
Indigenous Support Fund	0	0	0	1	1
Workplace Productivity Program	0	0	0	0	0
Collaboration and Structural Reform Fund	0	0	0	0	0
Students with Disabilities Program	0	0	0	0	0
De-regulated HECS					
Low Impact Scenario	0	0	0	0	0
High impact Scenario	0	0	0	0	0
Differentiated Scenario	0	0	1	1	1
Across the board increase	0	0	1	1	1
Undergraduate fees					
Scenario 1 (5% of funded load)	0	0	0	0	0
Scenario 2 (10% of funded load)	0	0	0	0	0
<b>TOTAL</b>					
minimum	7	1	3	5	5
maximum	7	1	4	6	7

## AUSTRALIAN CAPITAL TERRITORY

	2004 \$m	2005 \$m	2006 \$m	2007 \$m	2008 \$m
Change in 'base' funding	0	-3	-1	1	1
Regional nursing places	0	0	0	0	0
"Conversion" of over-enrolment phase out of marginal funding phase in of "fully funded" places	0	0	0	0	-1
Growth places from 2007	0	3	5	7	9
Growth places from 2008	0	0	0	0	1
Other programs					
Learning and Teaching Performance Fund	0	0	2	2	2
New Australian Awards for University Teaching	0	0	0	0	0
Increased funding for the Higher Education Equity Program	0	0	0	0	0
Indigenous Support Fund	0	0	0	0	0
Workplace Productivity Program	0	0	1	1	1
Collaboration and Structural Reform Fund	0	0	0	0	0
Students with Disabilities Program	0	0	0	0	0
De-regulated HECS					
Low Impact Scenario	0	1	1	2	2
High impact Scenario	0	2	3	4	5
Differentiated Scenario	0	3	6	8	9
Across the board increase	0	2	4	5	6
Undergraduate fees					
Scenario 1 (5% of funded load)	0	1	2	3	3
Scenario 2 (10% of funded load)	0	3	4	6	8
<b>TOTAL</b>					
minimum	0	2	10	16	19
maximum	0	6	17	26	31



## APPENDIX D

### THE TRUE COSTS OF HECS-HELP AND FEE-HELP

Professor Chapman examined seven different scenarios for different types of male and female graduates with varying work experiences:

- i. Males expecting to work full-time and earn the average income by age for full-time male graduates [referred to below as “Average Males”].
- ii. Males expecting to work full-time and earn an income by age which is 15 per cent lower than the income for average male graduates [referred to below as “Poor Males”].
- iii. Males expecting to work full-time and earn an income by age which is 100 per cent higher than the income for average male graduates [referred to below as “Very Rich Males”].
- iv. Females expecting to work full-time and earn the average income by age for full-time female graduates [referred to below as “Average Females”].
- v. Females expecting to work full-time and earn an income by age which is 15 per cent lower than the income for average female graduates [referred to below as “Poor Females”].
- vi. Females expecting to work full-time and earn an income by age which is 100 per cent higher than the income for average female graduates [referred to below as “Very Rich Females”].
- vii. Females expecting to work full-time and earn the average income by age for full-time female graduates until the age of 25, then leave the labour force until age 28 before re-entering, working part-time earning \$28,000 per annum until the age of 33, then working full-time earning the average income by age for the average full-time female graduate [referred to below as “Females out of the workforce”].

Table 1 presents the results for the hypothetical scenarios described above. It shows the change in the true financial cost to each type of graduate under the new HECS-HELP arrangements compared with current HECS re-payment provisions. The first column shows the change if there is no increase in the HECS charge. The second column shows the change if a full 30% HECS premium is charged.

**Table 1 Percentage change in true HECS-HELP costs**

	No Fee Change	Fee Increase 30%
Average Males	-1%	29%
Poor Males	-1%	28%
Very Rich Males	2%	37%
Average Females	-1%	19%
Poor Females	-15%	0%
Very Rich Females	2%	35%
Females out of the workforce	-13%	25%

*Source: Chapman, B, unpublished  
Discount rate of 0.5*

Table 2 shows the true cost of FEE-HELP, and the size of this debt burden as a percentage of lifetime incomes for each of the hypothetical groups if they undertake a fee-paying course that costs \$16,000 each year for a three-year degree, or \$48,000 in total<sup>38</sup>.

**Table 2 The true effects of FEE-HELP: various scenarios**

	The present value of the charge	Present value of the charge relative to lifetime incomes
Average Males	\$42,143	3.8%
Poor Males	\$38,117	4.1%
Very Rich Males	\$44,826	2.1%
Average Females	\$31,944	4.1%
Poor Females	\$21,708*	3.3%*
Very Rich Females	\$44,178	3.1%
Females out of the workforce	\$24,174*	3.7%*

\* Note: Debt remains unpaid

*Source: Chapman, B, unpublished*

<sup>38</sup> This is higher than the average fee level of \$12,000 used in the resource analysis in Chapter 4, but none of the results are very sensitive to this.

