# Consultation on draft CRIS

## Cost recovery activities for the HECS-HELP and FEE-HELP programs

**23 November 2018**

# Executive Summary

The University of Melbourne welcomes the opportunity to respond to the Department of Education and Training's consultation on the Draft Cost Recovery Implementation Statement (CRIS) relating to new provider charges intended to recover costs associated with administering the Higher Education Loan Program (HELP).

The CRIS outlines two new charges the Government is seeking to impose on higher education providers:

- an annual tax on providers whose students are eligible for HELP loans; and
- an application fee for higher education providers seeking approval for enrolling students eligible for FEE-HELP assistance.

Since the application fee does not apply to the University of Melbourne, the following comments are limited to the proposed annual tax.

The University of Melbourne has major concerns with the proposal to impose a new tax on universities and other providers whose students benefit from the loan program. In view of these concerns, we strongly oppose the introduction of the tax. We refer to the University's submission[1] to the Senate Education and Employment Legislation Committee inquiry into the legislation that would enable the cost recovery measures. The following comments expand upon those made in the submission to the Senate Inquiry.

The University has identified  four problems with the proposed tax on higher education providers:

1. There is no clear rationale for the tax
2. The level of consultation with the sector has been inadequate
3. There are issues with the scope of activities for which the Department is seeking to recover costs
4. There is significant unpredictability relating to the level of tax to be paid

The first two of these problems are general issues with the nature of the proposal itself and the approach taken to its implementation. The final two problems address detail revealed in the CRIS, which was available only two days before the closing date for submissions to the Senate inquiry. The activities which will be cost-recoverable under the proposal raise serious concerns for the University.

For further information, or to discuss this submission, Dr Julie Wells, Vice-Principal Policy & Projects can be contacted at julie.wells@unimelb.edu.au or on (03) 8344 2639.

[1]https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Education_and_Employment/HigherEdCostRecovery/Submissions (Submission #13)

# Comment on proposed tax on providers

**The rationale for the tax**

The CRIS suggests three justifications for seeking to recover the costs associated with these activities:

i) the new tax will 'promote equity';
ii) it will reduce the number of enquiries HELP debtors make to the Department; and
iii) it will make the Department's own internal administrative processes more efficient.

These justifications are unconvincing.

*i. "Recovering the costs of these regulatory activities promotes equity, as the recipients of the activity meet the cost of its delivery"*

HELP has been a key component of the funding architecture for higher education in Australia for decades, supporting access by removing the need for domestic students to make upfront payments. Access to HELP loans is guaranteed through legislation (*Higher Education Support Act*) and is appropriately understood as a publicly-funded entitlement that promotes participation in the higher education system.

Given the nature of the loan program, there is no obvious rationale for taxing the institutions that provide the education to students eligible for HELP borrowing. The University of Melbourne acknowledges that there are costs associated with administering HELP loans. However, these costs have always been regarded as part of the public investment in our higher education system – an investment that is more than outweighed by returns to the Australian community in the form of well-trained graduates, economic growth and increased tax revenue.

The proposed tax would involve the Government taking back part of the financial allocation made to higher education institutions for the purposes of teaching. Funding to meet the costs of teaching domestic students is provided by the Department of Education and Training to higher education providers in the form of Commonwealth Grants Scheme (CGS) payments and HELP advances. In the Second Reading speech, the Minister suggested that institutions could meet the costs of the new tax through "revenues they raise from students". Since public universities are prohibited by law from charging tuition fees to their domestic students, the apparent suggestion is that universities return a portion of the funding received for student education in the form of a tax. Clearly this would represent a cut to teaching funds and would introduce a layer of administrative complexity with additional administrative costs.

*ii. "It is expected that cost recovery will encourage higher education providers to offer more comprehensive information for students to reduce the volume of enquiry services required by providers"*

Through our website and through student support services, the University of Melbourne already seeks to ensure that its students are properly informed about key aspects of the loan program, such as borrowing eligibility settings and obligations relating to repayment. Naturally, the information we provide to students is itself drawn from that provided by the Government, and part of the job of ensuring that students are fully informed involves directing them to the Government's own material. There is a straightforward reason for this: HELP is a Commonwealth Government-run program. It is critical that the information we provide directly mirrors that provided by the Government itself, and that students are able to locate and contact the relevant arm of the Government if they need to.

Moreover, it is not clear how a tax aimed at recovering the cost of student enquiries incentivises individual institutions to offer more comprehensive information to students. The level of tax paid will in no way depend upon the number of enquiries made by students from a given institution. Consequently, even if an institution was able to reduce the number of enquiries through improved information, this would have no discernible effect on the quantum of tax that institution would be charged.

*iii. "Charging, via cost recovery, can also increase the efficiency, productivity and responsiveness by the department, as service levels can be streamlined where possible"*

Nothing in the existing arrangements prevents the Department from pursuing administrative improvements, such as 'streamlining service levels'. There is no need to first impose a tax on universities in order to implement such improvements.

As noted above, the proposed measures undermine (rather than support) administrative efficiency. The tax would introduce a new set of administrative activities beyond those already involved in administering HELP e.g. determining the level of tax to be charged to each provider, reconciling the amount charged in view of actual enrolment numbers, continuously reviewing tax levels to ensure the charges are aligned with costs, and so on.

**Inadequate public consultation on the measures**

The level of consultation prior to the introduction of the enabling legislation to Parliament and to the release of the CRIS has been inadequate. Having announced the proposed tax in the 2018 May Budget, the Government only released the CRIS on October 31, 2018, i.e. two days before the close of submissions to the Senate Inquiry. A proper evaluation of the proposed changes would have been aided by the Government releasing the CRIS prior to the Bills being introduced to Parliament, so that all interested parties could make an informed assessment of the proposals. The lateness of this release has not allowed the sector nearly enough time to work through the detail contained in the CRIS, thus making it difficult to assess the merits or impact of the proposed tax.

We note further that the submission deadline for the Department's consultation on the CRIS is November 23 – the same day that the Senate Education and Employment Committee is due to report on its inquiry. It is difficult to see how the Parliament can make an informed assessment of the changes when the Committee's report will not benefit from the public consultation carried out by the Department.

**The scope of activities**

Some of the activities listed in the CRIS whose costs are to be partially recovered are highly questionable. As noted in the Universities Australia submission to the Senate Committee Inquiry, a number of these activities are unnecessary, since the intended outcomes are already achieved through other means. The CRIS indicates that the tax will recover costs relating to assessing the financial viability of institutions. The financial viability of universities is already made transparent through routine financial reporting to State Parliaments, and through the activities of the Auditors-General. There is no need for the Department to undertake additional checks on universities to assess their ongoing eligibility for HELP loans.

Similarly, some of the cost-recoverable activities identified in the CRIS duplicate the work of the Tertiary Education Quality and Standards Agency (TEQSA). The requirements listed under the 'Desktop review of Provider Policies and Procedures' – e.g. 'fair treatment and equal opportunity procedures', ‘student grievance procedures’ – are set out in TEQSA’s *Higher Education Standards Framework*. Compliance with these is therefore a condition of operating as a higher education provider in Australia and is already assessed by TEQSA. The proposal for the Department to recover the costs associated with these activities is particularly problematic given that TEQSA is moving to a full cost recovery model. The CRIS essentially proposes that universities will be taxed twice for different arms of the Commonwealth Government undertaking the same tasks.

**Unpredictability relating to the amount of tax to be paid**

Given the nature of some of the activities listed in the CRIS, there is a high level of unpredictability relating to the amount of tax institutions would be subject to from one year to the next. Clearly, universities have no control over the Department of Education’s administrative processes, and therefore little control over the costs of the activities in question.

Further to the comments above, costs associated with responding to student enquiries about HELP have little to no relationship to the activities of universities. The number of student enquiries is presumably driven by Government policy changes and the quality and comprehensiveness of the material provided via Government channels. Consequently, universities would be subject to an increased tax burden exclusively owing to changes in Government decisions.