6 November 2018

Committee Secretary
Senate Education and Employment Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Secretary,

The University of Melbourne welcomes the opportunity to provide input into the Committee's Inquiry on the *Higher Education Support (Charges) Bill 2018* and the *Higher Education Support Amendment (Cost Recovery) Bill 2018*.

The Bills propose two measures intended to partially recover the costs of administering the Higher Education Loan Program (HELP):

- an annual tax on higher education 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.

The following comments are limited to the first of these cost recovery measures: the proposed annual tax on higher education providers.

The University of Melbourne has significant concerns with the proposal to tax universities and other providers whose students have access to the loan program, and endorses the comments provided by both Universities Australia and the Group of Eight to this Inquiry. In view of these concerns, we do not support the Bills. Broadly speaking, there are two problems with changes proposed in the Bills:

1. There is no clear rationale for the tax, which constitutes a further funding cut to the sector that is already addressing the challenge of managing $2.8b in cuts over forward estimates handed down in the 2018 MYEFO release.
2. There is a lack of transparency on key aspects of the Bills, and there has been no public consultation prior to the Bills being introduced to Parliament. The principle of asking universities to meet the costs of Government administration is an unfortunate precedent and one which should be, at the very least, interrogated, particularly given the constraints placed by Government on universities' capacity to raise revenue.

The following comments address each of these issues in turn.

The rationale for the tax

The Department of Education and Training released the draft 'Cost Recovery Implementation Statement' (CRIS) on October 31, revealing some of the detail of the proposed tax along with the Government's justification for it. The CRIS indicates that the tax is intended to recover costs associated with 'Stakeholder engagement and Enquiries', 'NUHEPs and Table C provider management and compliance', 'NUHEPs and Table C providers financial viability', and 'University provider management, compliance and financial viability' (see p.14).

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 (see p.4). These justifications are not convincing.

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 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 level 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 apply 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.

Lack of transparency and public consultation

There is significant uncertainty relating to key aspects of the changes proposed in the Bills. The Financial Impact Statements contained in the Bills indicate that the Government expects to save $13.8m over the forward estimates. This figure is significantly lower than the estimated savings of $30.7m over three years that were included in the 2018 Budget statements when the policy change was announced. There is a need for clarity on the financial impact of the Bills, so that the Senate can make an informed assessment.

Having announced the proposed tax measure in the Budget in May, the Government did not conduct a public consultation on the measures prior to the Bills being introduced to Parliament. A public consultation was initiated through the Department of Education and Training releasing the CRIS on October 31, 2018 i.e. two days before the close of submissions to this 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 is November 23 – the same day that the Education and Employment Committee is due to report on this 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.

Recommendation

The University of Melbourne recommends that the Senate not support the Bills, in view of:

- *the redirection of funding intended to support education back to Government;*
- *the increased administrative burden in compliance time and cost; and*
- *the cost burden it would impose on universities;*
- *the lack of detail contained in the Bills which limits assessment of costs and impacts.*

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.

Kind regards,

Julie Wells

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