

The Secretary  
Senate Education and Employment Committees  
PO Box 6100  
Parliament House  
**CANBERRA ACT 2600**

ABN: 39 070 265 734

**National Secretariat**  
Sydney Institute of TAFE NSW  
Turner Hall Ultimo College BG.01  
731-695 Harris Street Ultimo  
PO Box 707 Broadway NSW 2007  
Australia

Ph: 02 9217 3180

Fax: 02 9281 7335

Web: [www.tda.edu.au](http://www.tda.edu.au)

22 September 2014

Dear Secretary

**Re: Inquiry into the Higher Education and Research Reform Amendment Bill 2014**

TAFE Directors Australia (TDA) is pleased to present our submission to the Committee's inquiry into Higher Education and Research Reform Amendment Bill 2014 (the Bill).

Over five years ago, TDA put forward a detailed case for legislative reform to expand Commonwealth Supported Places (CSP) funding to higher education students studying at technical and further education (TAFE) Institutes. We have strongly advocated that funding support be extended to students who choose to study 'work-ready' higher education qualifications at TAFE such as diplomas, advanced diplomas, associate degrees and bachelor degree programs.

During the 2013 Federal election campaign, TDA released a policy position paper which provides further detail on this position (Attachment 1).

In this submission, TDA makes three recommendations:

1. The Committee support the expansion of the demand driven system to non-university higher education providers and sub-bachelor degree programs in order to address funding inequities in the current system. This reform will have significant flow on effects for Australia's industries, workforce productivity and Australia's standing in international tertiary education markets;
2. The Committee support the establishment of a Commonwealth Scholarship Scheme based on clear principles that stipulate how scholarship monies will be distributed;
3. The Committee review the implications to students should the 10 year government bond rate be applied to their Higher Education Loan Program (HELP) debt. TDA prefers alternatives approaches such as the hybrid of indexation and a loan surcharge on HELP loans proposed by Professor Bruce Chapman and Timothy Higgins.

The recommendations, outlined in detail in the following pages, respond to the following schedules in the Bill:

Schedule 1 - The expansion and deregulation of the demand driven system;

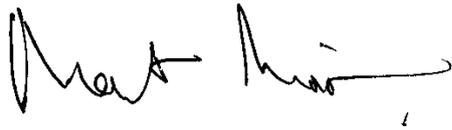
Schedule 2 - The establishment of a Commonwealth Scholarship Scheme;

Schedule 3 - The change to the indexation rate of HELP debts.

TDA is currently undertaking a national survey of higher education students in TAFE to obtain their views on higher education reforms as well as their level of satisfaction with TAFE. Preliminary results will be available for the Senate Committee hearings.

We look forward to addressing the Senate Education and Employment Legislation Committee to further discuss these critical reforms for our sector.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Martin Riordan', with a stylized flourish at the end.

**MARTIN RIORDAN**

Chief Executive Officer

TAFE Directors Australia

## **Schedule 1 – The expansion and deregulation of the demand driven system**

### ***Industry-led higher education***

The implementation of the demand driven system has raised significant questions about the mismatch of graduate supply and labour market requirements. Major business and industry groups are overwhelmingly calling for ‘work ready’ higher education graduates to meet the demands for higher applied and technological skills in the workforce. The specialised and ‘work ready’ qualifications offered by TAFE are responding to this demand. Some 23 of Australia’s 58 TAFE institutes are delivering approximately 130 higher education qualifications across a range of niche industry disciplines (Attachment 2) and across a broad spread of geographical locations throughout Australia.

TAFE’s delivery is growing as students increasingly choose to pursue higher education in TAFE and other non-university higher education providers (NUHEPs). This can be attributed to TAFE’s commitment and capacity to meet industry and student demand across a broad spectrum of occupations including building and construction, hospitality and tourism, allied health and nursing and creative design and ICT industries, to mention a few. The integration of work and learning, high levels of academic and career support, smaller class sizes, innovative delivery models and strong job opportunities on graduation make TAFE higher education programs attractive to an increasingly diverse student population.

### ***Equity and access***

Extending the demand driven funding system to TAFE and other NUHEPS and to sub-bachelor qualifications will address inequities for students that exist in the current system in two ways:

1. Firstly, as many TAFE students are first in family to undertake higher education, and are often from lower SES and disadvantaged backgrounds, TAFE offers an accessible alternative to university. Domestic and international research demonstrates that the prospect of university education can be intimidating and a ‘step too far’ for many of these students. Greater choice in higher education provider, along with more equitable funding arrangements, may ease barriers to participation and will be welcomed by many students and parents as a result;
2. Secondly, the opportunity for students to remain at TAFE (or other non-university higher education providers) as they undertake higher qualifications is a key benefit of the reforms. Students who respond well to TAFE’s applied and supportive learning environments can continue to study through supported sub-bachelor pathways to bachelor and post graduate level study in TAFE or university. This is important as TAFE has a high percentage of students who progress from VET to higher education. Holmesglen<sup>1</sup> for example reports 60% of commencing domestic students in 2012 with prior VET qualifications. There is clear evidence<sup>2</sup> that these pathways in TAFE can reduce the attrition rates of under-prepared higher education students (see also Attachment 3 - case studies of TAFE higher education graduates). Given the fastest growth (153%) in university admissions has been at lower ATAR ranks (30 – 49), the supportive learning environments provided by TAFE also contribute to reduced student drop-out rates and the impact on public expenditure.<sup>3</sup>

---

<sup>1</sup> Holmesglen (2013). Submission to the review of the demand-driven funding system.

<sup>2</sup> Kemp, D. and Norton, A. (2014). Review of the Demand Driven Funding System, Final Report.

<sup>3</sup> Go8 Submission to the Demand Driven Review, (2014).

Pathway programs in TAFE also play an increasingly important role in the international inbound higher education market.

### ***CSP rate***

TDA notes the Bill proposes a rate of 70% for Commonwealth Supported Places (CSP) for NUHEPs as well as for sub-bachelor and bachelor qualifications. This rate appears to be partly based on Dr Jane Lomax Smith's argument in the 'Base funding review of higher education' (2013) that CSP funding may cross-subsidise university research. While TDA may accept the 70% rate, it is our preferred position that, at the earliest opportunity, the Government separates CSP funding for teaching and learning (across all HEPs) from funding devoted to the cost of research and ARC grants.

### ***International environment***

TDA's international experience indicates that Australia is slow to support the emergence of integrated tertiary providers, such as TAFE. Australia lags in comparison with our counterparts in the United Kingdom, United States, Hong Kong, China, Indonesia, the European Union and Canada. For example:

- In China, the Ministry of Education is currently transferring 600 polytechnics into applied technology universities to address the 25% of undergraduates currently unemployed after graduation;
- In Hong Kong, the Vocational Training Council has established a dedicated Technological and Higher Education Institute (THEi) to deliver specialist vocational degrees;
- In Indonesia, several of the 34 polytechnics are now offering degrees, with government HELP-style funding support;
- In the United States, 18 of the 52 states have expanded the remit of Community Colleges to deliver Baccalaureate degrees;
- In the United Kingdom, Further Education Colleges now offer two year Foundation Degrees;
- In the European Union, Danish Academies of Higher Professional Education, Flemish Belgium Centres of Adult Education and French Technological University Institutes have been established.

The rapid development in industry-focused higher education qualifications in these institutions highlights Australia's vulnerability to international competition when universities are the only recipients of CSP funding.

It was in 2008 that the Bradley Review of higher education (2008) identified the need for greater diversity in the Australian tertiary sector. The Gillard government then intensified investment in the university sector which has increased the urgency in the need for reform. Most recently, the Commonwealth government released the draft 'Competition Policy Review' which identifies health and education as the two sectors ripe for competition.

## **Schedule 2: The establishment of a Commonwealth Scholarship Scheme**

### ***Scholarships linked to pathways***

TDA supports the allocation of 20% of additional revenue raised by higher education providers (500 students and over) to support disadvantaged students. TDA further proposes that universities be encouraged to allocate significant portions of scholarship monies to support pathways programs in partner institutions. TDA notes that the Go8 had advocated some time ago that, given the low attainment rates in universities of under-prepared students, monies spent on low ATAR students in universities might be allocated to pathway programs provided by long term partner institutions, such as TAFE. In the context of the new higher education legislation, TDA believes that this approach could be applied to the Commonwealth Scholarship Scheme to overcome concerns about how scholarship monies might be distributed by universities.

## **Schedule 3 – Change to the indexation rate of Higher Education Loan Program (HELP) debts.**

### **Bond rate concerns**

TDA is also concerned about the impact of the cost of student debt if the CPI indexation of the HELP is replaced with the 10 year government bond rate. Our students are often from disadvantaged backgrounds, or they may take time from careers to raise children or may enter professions with lower income brackets after they graduate. These students will clearly be disadvantaged under this amendment in the Bill. In effect, they will pay more in real terms for higher education tuition when they repay their debt when compared with students who go on to enter high income professions. This hardship will be compounded if tuition fees rise in response to the uncapping of fees from 2016. TDA supports the alternative approaches to this provision proposed by Professor Bruce Chapman and Timothy Higgins of a hybrid of indexation and a loan surcharge on HELP loans.

### **Summary**

If supported, the reforms proposed in the Bill will not only address the current inequitable situation that blocks Commonwealth subsidies to TAFE students, they will stimulate broader choice, innovation and diversity across the tertiary sector. This will have significant flow on effects for Australia's industries, enterprises and workforce productivity and importantly, will enhance the relevance of Australia's tertiary education in our Asia-pacific region. The reforms will also bring greater alignment with many of our major international higher education competitors.

### ***For further information:***

*Martin Riordan*

[\*mriordan@tda.edu.au\*](mailto:mriordan@tda.edu.au)

*Melinda Waters*

[\*mwaters@tda.edu.au\*](mailto:mwaters@tda.edu.au)

*Office 02 9217 3180*

[\*memberservices@tda.edu.au\*](mailto:memberservices@tda.edu.au)