Higher Education Base Funding Review

Consultation

March 2011
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A. Introduction

Established in 1992, the Australian Council for Private Education and Training (ACPET) is the national industry association for private providers of post-compulsory education and training. ACPET has over 1,100 members nationally delivering a full range of higher and vocational education and training (VET) and English language courses across all States and Territories.

Part B of this Submission provides a profile of private higher education institutions in Australia.

ACPET’s mission is to enhance quality, choice, innovation and diversity in Australian education and training for individual, national and global development. It represents a range of private providers, including commercial and not-for-profit entities, community groups, and industry and enterprise-based organisations. ACPET works with governments, education and training institutions, industries, and community organisations, to ensure vocational and higher education and training services are well-targeted, accessible, and well-delivered with courses of high quality, and providing for choice and diversity.

As the peak body for private providers, ACPET is committed to ensuring that its policies, products and service contribute to an inclusive tertiary education system.

ACPET would like to acknowledge the efforts of the Panel established to review Base Funding in Higher Education and welcomes the opportunity to respond.

This submission has been developed in consultation with members of ACPET’s High Education Committee and representatives of numerous ACPET member private higher education providers. ACPET wishes to recognise their valuable and important contribution.

PART B of this submission responds to the key consultation questions asked by the Panel in the Higher Education Base Funding Review Consultation Paper.

Following the announcement of the Higher Education Base Funding Review, on 17 December 2010, representatives of ACPET attended a forum with the Higher Education Base Funding Review Panel. The forum provided an opportunity for ACPET and its members to provide advice on the realities of the private higher education sector, a healthy and rapidly growing sector, and to discuss with the Panel members issues related to the Review.

During the discussion, Panel members showed particular interest in specific issues related to the private HE sector. PART C of this Submission therefore aims to provide feedback on the issues raised by the Panel. It will provide a brief overview of the private Higher Education sector, focusing on the following aspects:
1. Profile of the private higher education institutions in Australia
2. Profile of students who choose private higher education
3. Staff who teach at private higher education institutions
4. Measures of learning outcomes
5. Student completion/attrition
6. Follow-up with students who have graduated
7. Community and industry links
8. Work experience/work integrated learning programs
9. Teaching & other budget costs for the private HE sector

PART D provides a brief commentary on issues related to the current context of the private higher educational sector, in light of the imminent establishment of the new National Regulator.
PART B: Key Consultation Questions

1. General principles governing the level and distribution of government investment in higher education learning and teaching

Q1.1 Government investment in higher education has been justified in terms of delivering benefits to the economy, benefits to society and equity of access for students from all socioeconomic backgrounds. Should these principles continue to be applied, and if so how should they be used to determine the appropriate level of government subsidy for the cost of universities’ learning and teaching activities?

The Bradley Review was established to address the question of whether higher education is financed, as well as structured and organised, to position Australia to compete effectively in the new globalised economy. While recognising a number of strengths within the existing system the review recommended major reforms to financing and regulation.

In Australia, both public and private organisations provide higher education. On the basic question of ownership, not all ‘public’ institutions are government owned, and not all ‘private’ institutions are privately owned.¹ The Australian Catholic University, for example, is a private company. Australian public universities have always been self-governing: this feature makes them ‘private institutions’ in the OECD definition². In certain respects public universities are more ‘private’ than the private institutions because they are self-accrediting, public universities do not need to have their courses approved by the government, as private institutions must, under state and territory law.

Australian public universities are increasingly encouraged by the Federal government to be more responsive to the demands of business, to have greater involvement of business in higher education programs, have more business-oriented and professional first degrees. Education is a business and institutions must be run in a business-like manner. Numerous activities and teaching programs currently run by faculties within ‘public’ institutions are therefore delivered for-profit, and it is not unusual for universities to cancel courses, majors and teaching programs if they do not make a profit³. In other words, ‘public’ institutions increasingly think and act for profit, like private institutions.

Though ‘public’ and ‘private’ are terms used for convenience, the distinction commonly made is blurred, unclear, and at times incorrect.

¹ http://www.deewr.gov.au/HigherEducation/Programs/Quality/HEPS/Pages/ApprovedHEPs.aspx
Accessed 15 February 2011
Australia’s higher education system has evolved over many years in response to particular problems or government initiatives. Accreditation and funding policy have developed largely in isolation from each other, partly reflecting responsibilities divided between the States and the Commonwealth. Institutions that received public funding in the 1970s and 1980s have preserved funding entitlements generally denied to other higher education institutions.

This ‘evolved’ rather than ‘designed’ system contains significant inconsistencies that policymakers have not adequately justified. No clear policy rationale explains why different categories of higher education institutions are treated in very different ways. No clear policy rationale explains why students receive very different funding support depending on which institution they choose. The question of the level of public subsidy is a political decision made for a variety of reasons that need to be placed on the table.

Almost by accident, we have ended up with a system that lacks competitive neutrality, limits diversity, and constrains student choices. These are the consequences, though not necessarily the intended outcomes, of the policies now in place. These policies have wide funding ramifications which are unfair and discriminatory for the non government contribution to the tertiary education system.

It is widely acknowledged that the public tertiary education sector makes a major contribution in terms of delivering benefits to the economy, benefits to society and equity of access for students from all socioeconomic backgrounds. It is upon these criteria that the public sector justifies its level of public funding. These principles should continue to be applied. It needs to be noted that ‘private’ tertiary institutions also contribute major benefits to the economy, to society and in terms of access equity and diversity.

One common rationale for public provision of services is to make them available to low socioeconomic status groups. The National Protocols state that higher education institutions receiving significant public funds are expected to ‘provide for equitable access to, and opportunities to successfully participate in, higher education’. It is true that all Higher Education Support Act 2003 Table A institutions have equity programs and receive special equity funding. But students from low socioeconomic backgrounds also choose to attend private higher education institutions. In 2008, 12.5% of students at private higher education institutions were from low SES backgrounds, compared to 15.1% of students at public institutions. Given the funding that universities receive these proportions are remarkably similar. Private higher education institutions however receive no funding for this activity.

According to the National Protocols, research is the defining feature of a ‘university’. At Table A universities, 96% of their full-time equivalent staff with teaching responsibilities are identified as having teaching and research functions. However, the recently released Excellence in Research for Australia report revealed that the elite Group of Eight universities achieved results superior or as good as world standards, and a long tail of 23 public universities whose average performance is ranked below, or well below, world standards. The consequences that may flow from this report are still under consideration. It is clear however,
that, apart from the G8 universities which have demonstrated to be ‘winners’ in research, the majority of Australian universities that have been receiving funding for research for many years, have not performed at an adequate level in this area. Once again, private institutions of Higher Education receive no funding for this activity. This raises the question, should student-driven funding be broken up into teaching, research and community service components? This would ensure that higher education institutions are only paid for what they deliver at a high level, and reduce the total cost of expanding higher education access.

The National Protocols also state that institutions receiving significant public funds are expected to ‘engage with the community to enhance material, human, social and/or environmental wellbeing of the community’. University legislation typically includes functions such as these among the university’s objects. The private sector engages regularly, and closely interacts with business and the community, and as a result is responsive, adaptable, innovative, flexible, in order to achieve greater competitiveness. Yet government continues this distinction between public and private through the presence of a dual funding model, investing less in private institutions than in public institutions. This discriminates against private higher education institutions, denying them tuition subsidies and providing them with a less favourable income-contingent loan system.

No clear principles justify the regulatory and funding distinctions that exist in Australia’s higher education system. An alternative system should be based on clear principles, with its distinctions reflecting policy-relevant aspects of institutions or their students rather than institutional history. A funding system based on fair and consistent principles would treat all students in the same way, whether they enrol in public universities, private higher education institutions or TAFEs offering degrees. For the future, it would create more choice for all students by reducing course costs and helping more diverse institutions to enter the market.

The Australian Government wishes to foster a more diverse sector, much like the USA and UK. Many commentators lament the fact that higher education in Australia is homogeneous. As Professor Glyn Davis, Vice Chancellor of the University of Melbourne stated:

“Shaped by funding policies and regulation, our public universities have much in common. They all aspire to be research universities, with research now written into the legal definition of a university. They all offer courses in a wide array of disciplines, and degree levels from bachelor to PhD. They are all large, with an average of 27,000 students each, usually spread over several campuses. All have similar administrative structures, with faculties, academic boards, governing councils or senates, and vice-chancellors.”

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6 Excellence in Research for Australia ratings 2011.
8 The 2010 Boyer Lectures - The Republic of Learning, Lecture 6, ABC radio National, 19 December 2010
The Bradley Review noted the lack of diversity of study programs and institutions in Australia. It pointed to a hindrance to the growth of the higher education sector in Australia due to the current model of government funding, recommending:

- the removal of caps on Commonwealth supported places to enable institutions to better respond to student demand by granting them the freedom to enrol as many eligible students as they wish
- provide students with the choice of where to study (at recognised institutions)
- allow government funding to follow the student.

This demand-driven funding model is aimed at increasing the diversity of programs of study and institutions in Australia, and allowing institutions the flexibility to decide the courses they will offer and the number of eligible students they will admit. However, at this time, the proposed new funding model is restricted to public higher education institutions. Government funding is a ‘closed shop’ with only existing universities able to offer Commonwealth Supported Places (CSPs) to students. There are now 140 non-university higher education institutions in Australia and yet the current funding regime effectively locks their students out from a CSP place. The most significant consequence is that higher education institutions with Commonwealth-supported places enjoy price advantages over those that do not.

The strong correlation between funding policy and diversity of education institutions and student choice is clear.

If we take into consideration that

- the government’s financial outlay for funding each full-time equivalent (FTE) domestic undergraduate student for one year at a public university in 2010 was $20,3349;
- at a private college the cost per student is roughly three-quarters of the cost at a public institution, as government does not subsidise tuition fees nor fund infrastructure at private institutions;
- it is estimated that to meet the target of 40% for all 25-34 year olds to hold a bachelor level qualification or above by 2025, 639,000 places will be required, a 37% increase on the 466,022 places currently provided;
- while students have increased by 80% since 1966, the number of teachers has only increased by 6% (Source DEEWR statistics). Consequently student-teacher ratios in universities have increased from 29 students per teacher in 1996, to 41 students per teacher in 2009;
- one of the flow-on effects of the removal of the caps on CSPs for a select group of institutions is the definite risk of undermining the recent strong growth in the private sector by reducing the competitiveness of private institutions of higher education as students enrol in the cheaper courses at established public universities, at a significant cost to the Australian government. This trend has already become evident in the 2011 enrolments as universities have overenrolled, in preparation for the full removal of caps.

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9 Report prepared for ACPET by ‘Access Economics’ in March 2010 titled Increasing Australia’s productivity through the effective delivery of the Government’s higher education attainment policy
The forecast possible consequences of the above are:

- the likely shift in demand to public universities will cost the government an estimated $2.5 billion;
- public universities may become overloaded, compromising the quality of education in Australia as they cope with increased demand;
- the stressed nature of the current and future university system may lead to increased drop-out rates (currently 28%), lower quality learning outcomes, insufficient flexibility in the system to cope with swings in student-driven demand for different courses;
- a shift in demand from private to public institutions risks undoing the growth in the private sector in the last five years by forcing private institutions out of the market due to an inability to attract sufficient numbers of students to make their courses viable. This will decrease diversity of student choice across the whole higher education sector.

Already in 2011 the decrease in numbers of international students across Australia has impacted heavily on an inflexible university sector, with over 300 staff being made redundant from one Australian university alone (Monash University). How will an inflexible university system cope with the inability to plan for student-driven demand? With the government’s long term intentions unclear about the extension of demand-driven funding it is difficult to assess the long term impact of these risks.

Relying on the existing framework, a framework which stifles efficiency and innovation will clearly not be adequate in the decades ahead. Unless a significant increase in public resources is provided and/or other institutions are utilised to share the demand, the Government risks compromising the quality and diversity of higher education in Australia.

Therefore, the general principles governing the level and distribution of government investment in higher education should continue. However, all higher education institutions, public and private, should be treated equally according to these principles and rules and not on the basis of history or lobbying.

A reformed system would significantly increase fairness for the students who currently, by their choice of institutions other than those which historically receive public funding, pay a significant premium for their education. At the same time, it would create a more modern and efficient system of industry regulation based on clear public policy goals where funding follow the student, rather than the historical funding of public institutions.

**Q1.2 What principles should determine the appropriate balance of resources contributed by:**
- Government;
- students; and
- other sources

**towards the cost of undergraduate and postgraduate education?**

ACPET supports the Government’s vision which is founded on the outcomes of the Bradley Review. This vision is based on the powerful ideas that:
• student choice should drive the system
• diverse programs of study and institutions should flourish
• access and opportunity must widen
• quality should underpin delivery.

ACPET believes that these ideas should be embedded in principles that should be transparently fair and consistent, and reflecting policy-relevant support for students as opposed to institutions.

ACPET supports the following principles:

• **Provide a fair and even playing field**, without discriminating on the basis of ownership, qualifications offered or student composition:
  - Regulation should not discriminate on the basis of ownership, qualifications offered or student composition;
  - Regulation to be consistent across the tertiary education sector;
  - The aim of regulation should be to preserve the desired standards for quality in higher education learning outcomes and be complementary to business regulation.

• **Increase student choice to promote greater responsiveness in the education market**, enabling learning to be tailored to the diverse needs of individuals to make informed choices:
  - Every citizen has an opportunity to acquire knowledge and skills through tertiary education, to better enable them to gain meaningful employment;
  - Government has a responsibility to ensure public funding to support the national interest;
  - Individual choice is enhanced by a diversity of supply.

• **Improve quality and performance of all professional staff** to underpin greater quality and accountability of service provision to students:
  - Professional development to be supported by government for all institutions (public and private) to the level of public benefit;
  - Professional staff in the private sector to be supported to train students with equity and access needs.

ACPET notes that the Business Council of Australia’s recent report also acknowledges the need for improved quality in teaching and learning outcomes, and for greater recognition and rewards for the effective teaching performance of academics10.

• **Encourage enterprises to invest in knowledge and skill development** of their existing and future workforce education and training, in order to increase national capability:
  - Public funding support for workforce capability development to be applied at an enterprise level;

Enterprises to be encouraged to co-invest with individuals and governments where the enterprise accrues some of the benefits.

ACPET supports the position of the Business Council of Australia, calling for closer collaboration between higher education institutions and industry. ACPET also agrees with BCA’s proposal that Skills Australia lead annual consultations with industry, higher education and government regarding national higher education priorities\(^1\). ACPET will be able to provide significant input into such a process.

- **Advance structural separation to promote the efficient use of public funds** through better transparency, increased competition and clearer incentives:
  - All funding should be contestable by private institutions.
  - Funding should be based on full cost of delivery.
  - There should be functional separation between infrastructure and service provision to promote equal access to infrastructure and/or infrastructure funding.

These principles would ensure that:

- students are treated the same way, whether they enrol in public universities, private higher education institutions or TAFEs offering degrees;
- more choice for all students is created in the future by reducing course costs and helping more diverse institutions to compete in the market;
- diversity and quality of higher education institutions is encouraged.

In March 2010, ACPET commissioned ‘Access Economics’ to undertake a study entitled *Increasing Australia’s productivity through the effective delivery of the Government’s higher education attainment policy*. The research focussed on the higher education sector. This work concluded that a demand-driven higher education model that allows publicly-funded students to attend private higher education institutions will help the Australian Government meet its undergraduate higher education attainment target in a more efficient and effective manner than the current policy settings allow.

One of the benefits of the private higher education sector has been the wide diversity in courses and offerings, pioneering successful innovations such as pathways programs to increase opportunities for students to undertake tertiary education while maintaining a completion rate superior to public institutions of over 80%\(^2\) as opposed to public at 72%\(^3\).

ACPET believes that a reformed tertiary system would significantly increase fairness for the students who currently, by their choice of institutions other than those which historically receive public funding, pay a significant premium for their undergraduate education. At the same time, it would create a more modern and efficient system of industry regulation based on clear public policy goals, rather than the industry’s historical structure, that artificially segregates public and private provision of higher education delivery.

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\(^1\) *Lifting the quality of teaching and learning in higher education*, Business Council of Australia, March 2011, p16.

\(^2\) The aggregate findings of the ACPET Benchmarking system reveal that 85% of private higher education institutions have a pass rate higher than 80%.

\(^3\) The completion rate for tertiary type-A studies was 72% in 2005 (OECD 2009, p76)
Q1.3 What other principles, if any, should influence the level and distribution of government subsidies for tuition costs in higher education?

ACPET supports the following additional principles which would influence government subsidies for tuition costs in higher education:

- Student-driven funding should be broken up into teaching, research and community service components. This would ensure that higher education institutions are recognised and supported by government for what they deliver, thus reducing the total cost of expanding higher education access.

- All higher education institutions should be given control over what fees they charge their students.

- All higher education institutions and their students should be eligible for funds to promote teaching and learning. The current mix of affordability and market failure considerations are the right basis for a Commonwealth supported system. This means that government funding should continue to differentiate between disciplines, as opposed to systems based on a flat amount per student or a fixed percentage of nominal cost per place. A permanent body is needed, perhaps to be incorporated within the planned Tertiary Education Quality and Standards Agency, to monitor relevant indicators such as the costs of higher education institutions, student demand, and graduate earnings. This body would then advise the government on appropriate tuition subsidy levels.

- There should be closer links between higher education institution accreditation and funding eligibility.

3. The relative costs of quality teaching and student engagement at the undergraduate level

Q3.3 What are the costs of engaging low SES students in undergraduate education? Should such costs be a factor in determining base funding? How might support for low SES students be maintained in the future?

ACPET is not aware of any study that identifies the costs of providing undergraduate education to low SES students. There are general statements arising from research about the need for investment for 'marginalised' or 'disadvantaged' individuals, particularly those facing multiple barriers.
In any policy discussion, questions of resourcing are central. Dealing with problems of cumulative disadvantage can be lengthy and costly. Years of investment may be needed to re-engage marginalised groups and encourage their learning. Some programs/initiatives which are not economically viable in the short term and which only appear to prioritise social outcomes may be economically justified in the long run. This is particularly the case for groups like homeless youth or prisoners. Similarly, there are other groups whose access to institutional avenues is very limited. Only community-based initiatives - which emphasise social outcomes - stand much chance of engaging these groups. The initiative related to women in the Claymore public housing estate is an example. For both these examples, a strong case can be made for resourcing learning initiatives whose real achievements lie somewhere in a more distant future.

Some of the costs associated to engaging low SES students in undergraduate education involve investment in:

- aspiration building on a long term basis, such as in low SES schools (from as early as primary school)
- professional development of teachers, particularly trained to deal with the enabling needs of low SES students
- outreach programs and partnerships between higher education institutions and schools; as well as with agencies, eg Smith Family etc
- support staff - enrolment, pre-enrolment and post enrolment. Research shows that support specifically designated to low SES students in the 1st semester will have significant impact for retention; and that good relationships form the basis for academic success
- some curriculum adjustments may be required, eg more tutorials, access to staff etc
- broadening research and evaluation into innovative learning and teaching strategies benefiting low SES students
- types of support such as:
  - mentoring
  - peer support
  - academic support
  - disability support
  - career guidance
  - personal / financial support
  - family and community engagement activities
  - cultural support

Costs to be considered include specialist or dedicated support (disability - interpreters note-takers, capital works), counselling, mentoring, case management, tutors, PD for teachers/trainers, providing pathways courses (Cert I and II and foundation skills).

ACPET recommends that appropriate funding should be made available to both public and private higher education institutions to meet the costs of achieving the above support.
Q3.4 What additional costs are involved in the provision of work integrated learning and should these be considered in setting the level of base funding?

Due to their close links with industry and their ‘private business’ culture, most private institutions regularly incorporate work integrated learning into their degree programs and courses (see Section C, part 8).

Q3.5 What proportion of a higher education teacher’s time should be spent on scholarly activity and how could the costs of scholarship be included in the base funding model?

Private HEPs currently receive no funding for scholarly and research activity

Private institutions in Australia generally operate differently to public universities. Apart from a small number of exceptions, they are mainly ‘teaching only’ education institutions. Some work on a semester basis, others on a trimester basis, and they tend to see their small size and student focussed approach to teaching as highly beneficial and particularly suited to the educational needs of their students. Private institutions see these specific facets of their teaching environment differentiate them in a positive way from the university-style provision of higher education traditionally offered in Australia.

However, the private higher education sector acknowledges that teaching, scholarly activity and research are all complementary, and hence have mutually supportive roles. It is generally acknowledged that scholarly activity accompanies quality in teaching. This activity also supports staff development, institutional image and reputation, and student recruitment. It assists to create a positive environment, most conducive to learning\(^\text{14}\). Given access to funding for the scholarship of learning and teaching, private institutions would welcome the opportunity to make a greater contribution in this regard.

Private institutions are committed to scholarly activity, in particularly scholarly inquiry that relates to, and supports teaching.

The aggregate findings of ACPET’s Higher Education benchmarking research show that scholarly activity in private higher education institutions includes the following:

- publication of books and articles in academic and industry journals;
- staff involved in peer review of research manuscripts submitted for journal publication;
- papers presented at conferences;
- textbooks written or edited;
- relevant academic and industry conferences attended by staff;
- collaborative, applied research undertaken with other institutions;

• research in undertaken on student- and course-related issues, and projects on classroom based activity;
• sabbatical leave.

Private higher education institutions do not receive government funding or subsidies. Therefore it is difficult to give priority to research over teaching. Accordingly, the time spent on scholarly activity by staff is a point of negotiation between employer and employee.

Q3.6 Should any research activity continue to be supported by base funding?

Research, teaching, and community engagement components of student funding rates should be identified separately, and paid according to the activities of the higher education institution.

Many of the Table A universities, as well as the non-Table A institutions currently enrolling Commonwealth supported students in 'national priority' places receive the same funding rate as the Table A institutions that are in the top band of the 2011 ERA research ratings, yet they have demonstrated much lower levels of research activity and quality. Identifying a research component in teaching funding would enable it to be removed from funding for non-research or performing institutions. In the long term, a separate teaching-only student funding rate could save the government money. The ambitious plans to increase education levels in the Australian community will be more costly than necessary if students are all taught at institutions funded for teaching and research. These long-term savings could offset some or all of the expense of bringing non-Table A institutions into the demand-driven funding system.

Q3.7 Should infrastructure investment continue to be supported by base funding?

Currently private higher education institutions receive no funding for infrastructure investment. ACPET calls for a functional separation between infrastructure and service provision to promote equal access to infrastructure and/or infrastructure funding.

ACPET believes that structural separation between purchasers, owners and regulators within the industry may be achieved through the adoption of the following policy actions:

• The cost of publicly funded infrastructure to be made transparent within service delivery costs.
• Publicly funded infrastructure such as libraries and classrooms to be made available to public and private enterprises at cost recovery.
• Ownership of publicly funded infrastructure should be vested in a separate statutory authority.
Q3.8 What other factors, if any, should be taken into account in determining base funding for teaching and learning in higher education?

ACPET believes that:

- all funding should be contestable by public and private education institutions.
- funding should be based on full cost of delivery. Activity based costing should be utilised to reveal real costs of delivery.
- funding should be provided in a timely and consistent manner aligned to costs incurred and outcomes achieved.
- financial benchmarking should be introduced, based on the cost of services to all education institutions (public and private).

The base funding review should recommend funding rates reflecting the different activities of higher education institutions. Some would be funded for teaching only, while others would receive funding for research and community service. Without the current distinctions between students, a single income-contingent loan scheme could be made available to support all higher education students.

A higher education institution's eligibility for public subsidy should reflect its activities rather than its history. All higher education institutions and their students should be eligible for teaching and learning funding. The current mix of affordability and market failure considerations are the right basis for the teaching subsidy system. This means that government funding should continue to differentiate between disciplines, as opposed to systems based on a flat amount per student or a fixed percentage of nominal cost per place. A permanent body is needed, perhaps to be incorporated within the planned Tertiary Education Quality and Standards Agency, to monitor relevant indicators such as the costs of higher education institutions, student demand, and graduate earnings. This body would then advise the government on appropriate tuition subsidy levels.

Community engagement and research funding should be contingent on education institutions receiving approval through an open and transparent process. Community engagement is regarded in the National Protocols as a characteristic of public institutions, but there is no logical reason for excluding private higher education institutions. To gain community engagement funding, an applicant institution should demonstrate that it had existing community engagement activity. To maintain eligibility, all institutions receiving community engagement funding would need to demonstrate how they used these funds.
5. The appropriate level of student contribution towards the cost of Higher Education tuition

Q5.1 Are there general principles that should determine the maximum contribution a student should make towards the cost of their education in a publicly funded higher education system?

We are moving more and more towards the model of a competitive national market. Competition is taking an increasingly economic form, rather than just the competition for prestige and certain forms of resources. Demand is playing a greater role, and that is generally the world-wide trend. Despite all of that, supply factors are still relevant. Government is still regulating and providing support based on historic reasons.

A new price-setting mechanism is an essential element of a reformed funding system. The most obvious replacement is to allow all student fees to be set in a market, regulated by competition rather than by government. More than 45% of the students recorded in DEEWR’s 2009 student statistics already pay market-set fees. Government contributions would reduce those fees for eligible courses and students. The system would be similar to what occurs already for people using non-bulk-billing doctors. Government helps make these services more affordable, but does not, by capping fees, second-guess individual spending decisions of clients of the system or compromise the services offered by institutions. An alternative or intermediate option is to have the body that recommends subsidy levels also propose upper limits on student contributions, but limits sufficiently high to permit institutional diversity.

If a price-capped system is preserved, higher education institutions should be allowed to opt in or out of the Commonwealth-supported place system for individual courses. Some courses may be economic at the Commonwealth rate while others are not. An all-course in or out system would either endanger courses that cannot be sustained on the price-capped rate, or deny students more affordable fees for courses that are viable within the Commonwealth rate.

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PART C: Understanding the Private Higher Education Sector

This section of the Submission provides a brief overview of private higher education institutions in Australia.

1. Profile of Australia’s higher education sector

ACPET commissioned Dr Peter Ryan to undertake an analysis of the Australian Higher Education sector in June 2009.

Dr Ryan’s analysis revealed that as of June 2009, the Australian higher education sector comprised 187 institutions with approval to issue higher education qualifications as defined by the Australian Qualifications Framework. Of these, 42 were self accrediting institutions (predominantly universities), 2 were foreign universities (which are partially self-accrediting) and 143 were non self-accrediting institutions (NSAIs).

While there are 143 unique NSAIs, 23 operate across multiple jurisdictions. As a result, the number of higher education approvals totals 205 and is distributed across the various jurisdictions as shown in table 1 below.

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<th>Jurisdiction</th>
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<th>%</th>
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<td>New South Wales</td>
<td>56</td>
<td>27</td>
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<tr>
<td>Victoria</td>
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<tr>
<td>Northern Territory</td>
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<td>1</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>205</strong></td>
<td><strong>100%</strong></td>
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Dr Ryan’s analysis highlighted significant statistics that can be derived about NSAIs are:

- 16% (23) operate in more than one jurisdiction.
- 50% (72) have gained approval to offer FEE-HELP support to their students since March 2005. (As of November 2010 there are 79 FEE-HELP approved Higher Education Providers)
Over half (81) are also Registered Training Organisations (RTOs) delivering vocational training as well as higher education courses.

60% (85) offer courses at post graduate level.

14% (20) offer research degrees.

63% (91) are approved to deliver courses to overseas students.

Analysis of DEEWR and ACPET data suggests that NSAIs are delivering to approximately 11.3% equivalent full time student load (EFTSL) of the market. This figure of 11.3% of total EFTSL demonstrates the growth in the proportion of higher education delivered by the private sector compared with previous estimates of 3.5% proposed by Watson in 1999 and the ‘anecdotal estimate’ of between 5 and 6% suggested by ACPET in 2002. It is clear that the non self-accrediting higher education sector has exhibited considerable growth during the 21st century, albeit form a low base.

2. Profile of students who choose private higher education

Due to the great variety of courses taught at private institutions, some attract predominantly domestic students, others attract overwhelmingly international students.

International students tend to be multinational, mainly mid to late 20’s in age, mid level socio-economic background, and medium to upper academic ability level.

A number of students attending a private higher education institution have already completed a VET course at a private institution, and articulate into the degree program offered at the same institution. They decide to continue their studies in private institutions because they know, feel comfortable in, appreciate and understand the environment.

Feedback from students at private higher education institutions have shown that universities are perceived by them as large, impersonal institutions. Large institutions can have a daunting aspect.

Private higher education institutions are generally perceived as smaller, more caring and personalised places of learning, where staff have an ‘open door’ policy, and are seen more and more as a viable alternative to universities.

By and large, initial student enquiries to private higher education institutions are driven more by an interest in the institution’s areas of specialised study (e.g. design, public safety, music, digital media, natural therapies, counselling and psychotherapy, theology) rather than any preconceptions about private vs public education. Often they will also make similar enquiries to public institutions offering similar courses, if available.

Students attend Open Day events, during which time they are shown around the campus and introduced to the institution’s philosophy and approach. Often students decide, on this basis, that the private institution is their preferred choice.
Common deciding factors include:

- private higher education institutions offer high quality specialised courses that public institutions don’t;
- branding and reputation;
- the combination of quality academic and applied/practical learning;
- strong focus on job outcomes;
- vocationally-oriented curriculum with an applied focus;
- lecturers are often also practising professionals in industry;
- high quality resources (e.g. latest computer and multimedia equipment);
- access to FEE HELP;
- highly personalised and student focussed service;
- small class sizes, supportive teaching environment;
- often the lecturer is also the tutor, students build a good relationship with their lecturers and feel that someone has a personal interest in their academic success;
- provide intimate and caring services where students are closer to academic & support services staff, feel better supported and more closely looked after;
- efficient additional support provided, e.g. mentoring by students and staff.

3. Profile of academic staff working in higher education private institutions

The staff at private higher education institutions are combination of full-time and part-time staff. Generally, like universities, there is a reliance on part-time sessional academic staff.

The sessional nature of employment enables staff to pursue their own business or professional practice (e.g. accounting practice) and/or research concurrently with their teaching – considered preferable by many staff and by the private institution, as a way of ensuring currency of knowledge in fields traditionally characterised by rapid change.

As well as those involved in professional practice, many academic staff are also employed by other higher education institutions – often public universities. This suggests a less definitive split between those who work in private institutions and those who work in publically funded institutions. In these cases the choice to work in private higher education is secondary to the desire simply to teach in a particular specialist area.

Reasons why academic staff seek employment in the private higher education sector include:

- Some staff prefer the corporate environment rather than the public sector:
  - private institutions have flatter institutional structures, which result in more inclusive decision making practices;
  - private institutions are more agile, flexible and quicker in responding to market trends and applying innovations;
  - private institutions are more effective in responding to changing needs of students;
  - staff feel that they have a voice in decision making, ‘real’ responsibility, and are able to make a direct impact on the teaching programs and/or sector,
o staff prefer less bureaucratic environment;
• ‘adjunct teachers’, and retired academics from universities, working part-time, enjoy the flexibility of p/t employment
• retired senior managers from industry wish to contribute to the education sector (this increases institution’s links with industry);
• alumni continue to maintain their relationship with the institution from which they graduated by teaching in it.

In general, there appears to be little difference in academic qualifications of staff working in public and private HE institutions.

Private higher education institutions with large cohorts of international students tend to engage multinational staff with a high degree of cultural competence.

Private higher education institutions are also highly focused on teaching. The quality of their teaching staff is taken very seriously, and staff are encouraged, and financially supported to enhance their academic profile and undertake scholarly activity. The aggregate findings of ACPET’s Higher Education benchmarking research reveal that in private higher education institutions, more than 75% of all academic staff have obtained postgraduate qualifications.

Teaching quality is promoted in numerous ways, including:

• presentations at national and international conferences;
• publication of books and articles in academic and industry journals;
• textbooks written or edited;
• relevant academic and industry conferences attended by staff;
• collaborative, applied research undertaken with other institutions;
• research is undertaken on student- and course-related issues, and projects on classroom based activity;
• peer observation and feedback on teaching effectiveness through team-teaching approaches;
• staff are encouraged to become active members of relevant professionals associations;
• staff encouraged to attend conferences, workshops, seminars, and access subscriptions and journals;
• provision of educational leave;
• staff are encouraged to pursue further study, enhancing academic qualifications;
• findings from student satisfaction surveys are presented to staff and developing strategies and where appropriate development strategies are implemented.
4. Measures of student learning outcomes

Measures of learning outcomes at private higher education institutions are the same as those used at Australian universities. These include:

- performance in assessment (measured by individual teaching staff via the assessment process, and by broader teaching cohorts via moderation and discussion during general staff meetings and meetings between Program Coordinators and associated teaching staff);
- student surveys – eg. once per semester for every unit undertaken by every student: such end-of-unit surveys provide feedback for further staff and course development. Some institutions use an additional mid-semester survey to identify and address student concerns with the ongoing delivery or content of their unit. Surveys are generally analysed by the Course Advisory Committee, which reports to the Academic Board;
- external feedback and/or recognition (eg. reports from Professional Practice Placement, Industry Advisory Panels, student success in competitions, selection for exhibitions etc);
- Graduate Destination Surveys and Employer Satisfaction Surveys (success in relevant career/study path), analysed by the subcommittees of the Academic Board.

Other measures of student learning outcomes used include:

- pass rates;
- attrition rates;
- grade distributions;
- efficient processes for dealing with grievances;
- student feedback on teaching and on lecturers;
- student satisfaction surveys;
- intervention strategies, based on student performance.

ACPET is committed to maintaining and improving the quality of effective teaching and learning in private institutions. In order to support private institutions in assessing their teaching and learning performance, ACPET has developed a Benchmarking system. We note that the Business Council of Australia has also highlighted the importance of benchmarking in its recent report.

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**ACPET’s Benchmarking System**

A number of Australian private Higher Education institutions elect to participate in ACPET’s Benchmarking process.

The ACPET Benchmarking process provides private Higher Education institutions with the opportunity to be benchmarked against other non self-accrediting institutions, all of whom are ACPET members. The Benchmarking Report provides quantitative data analysis and a summary of the qualitative data that has been collected.
The first ACPET Benchmarking assessment was undertaken in mid 2010, with 19 private HE institutions participating. In late 2010, 20 private institutions participated, some for the first time, others for the second time, demonstrating a longitudinal commitment to benchmarking and constantly improving and reviewing institutional processes and policies.

5. Student attrition

Most private higher education institutions have relatively high completion rates (and therefore, low attrition rates). The aggregate findings of the ACPET Benchmarking system reveal that 85% of private higher education institutions have a pass rate higher than 80%.

Case study

A high ranking Design College in Melbourne prides itself on its a completion rate of over 90% – a higher-than-average figure reflecting the institute’s strong commitment to encouraging a supportive learning environment (eg via small class sizes) and early intervention in cases where a student is identified as potentially ‘at risk’.

The high pass rates can be attributed to several factors such as students receiving a higher level of support by committed and dedicated staff, which in turn is one of the reasons why students select private institutions (refer to point 2 above). Another reason appears to be that students (and their families) are typically paying higher fees than they would at university, and therefore have a stronger personal and family commitment to successfully complete their course.

ACPET and its members do not advocate that student ‘drop out’ and attrition rates are to be avoided at all costs. Clearly they may suggest that students are unable to cope with the academic rigour required to undertake and complete a higher education qualification. In addition, attrition rates are affected where students realise that they have selected the wrong course, it is unsuitable for their requirements or needs, or students’ circumstances change and they lose their commitment to that particular course.

Students may be identified as ‘at risk’ either due to unsatisfactory achievement or unsatisfactory attendance.
Case Study

The attendance policy of one well known private higher education institution requires teaching staff to issue notices reminding students who are at risk of being ineligible for assessment due to failure to meet the attendance requirements.

At the unit level, a student who receives a Fail grade in their first project is asked to attend an interview with a representative of the Student Progress Committee, to address the issues that led to the unsatisfactory result and develop strategies so that the unit’s other assessments are successfully completed and an overall Pass result will be attained.

The institution is also in the process of developing a series of levels of ‘escalating risk and intervention strategies’ at the course level, including Academic Probation and the option of having a student exit after two years with an Associate Degree if they appear unlikely to successfully complete the Bachelor degree course.

Private higher education institutions are highly committed to following up quickly on students considered ‘at risk’ and actively monitor the progress of their students. Some or all of the following measures are typically adopted across ACPET’s membership:

- good mentoring programs in place;
- close monitoring of attendance;
- regular interviews with students when progress is poor;
- ‘early intervention strategy’ put in place to monitor ‘at risk’ student performance;
- ‘learning contracts’ with students.

Where pass rates are considered low, private higher education institutions are beginning to implement longitudinal measures to identify ‘at risk’ students early, and deal with them effectively.

Students who fail to re-enrol or attend classes receive a phone call or email asking for confirmation that they have abandoned their studies and the reasons why. Counselling is provided for either academic matters or personal matters that have brought about the decision.

Some private institutions financially support Alumni groups to hold student activities in order to create closer bonds with students, and thus decrease student drop-out rate.
6. Follow-up with students who have graduated

Private higher education institutions regularly and rigorously follow up with their graduate cohorts, as they are considered a valuable resource for the institution. This is generally done by:

- Alumni networks are widely and efficiently used by private higher education institutions. An Alumni Newsletter is circulated; success stories are used for the institution’s national and international marketing.

- Annual surveys of all graduates are undertaken in most private higher education institutions. These surveys are conducted primarily by phone or email. The survey includes questions about the graduate's current employment or further study. Amongst ACPET members it is typical to find that responses are received from more than 55% of alumni. Typically responses are analysed by the institution’s Course Advisory Committee and findings are reported to the Academic Board.

7. Community and industry links

Community and industry links are very active amongst private higher education institutions, and are considered of great importance for them. Engagement between business organisations and higher education contributes to the relevance of teaching programs. It also ensures an alignment between the requirements of industry and graduate numbers and types. Private higher education institutions develop and maintain these important links with industry and the community\(^\text{16}\) by:

- Inviting prominent members of community or industry
  - to become member of institution’s governing body or Academic Board;
  - to become members of industry advisory groups, which actively participate in regular teaching and learning meetings semester/s, informing the curriculum advisory committee;
  - as guest lecturers, or sessional staff eg members of Institute of Chartered Accountants are invited to address students about work integrated learning placement opportunities in sector.

- Interacting with Government and non-government entities so institution premises can be used to host events

- Allowing guests the opportunity to attend advertised monthly lectures that are delivered by staff

- Supporting students and staff participation at community events

- Curriculum which includes community engagement activities which are mandatory for students and are formally incorporated into the subject assessment criteria and the student’s assessment regime

\(^{16}\) \textit{Lifting the quality of teaching and learning in higher education, Business Council of Australia, March 2011, p.16}
**Case study**

The Australian Academy of Design (AAD) has strong community ties to the professional artistic/design community, maintained via the guest speaker program, AAD’s competitions and the AAD’s Clement Meadmore Gallery. The gallery also provides a contact point with the wider community, as all exhibitions are open to the public during AAD business hours, and the AAD is engaged in developing a collection of public art.

Other groups such as More Than Opera, the Port Melbourne Artists’ Group, and Penguin Publishers/Books Illustrated have made use of the gallery or the AAD’s Paul Cox theatre, and the AAD has run exhibitions in partnership with cultural organizations such as the Goethe Institute.

Further links with the professional design community are fostered through the AAD’s Professional Practice Placement units and Industry Advisory Panels.

Links with the international design community are being developed through student and staff exchange programs – which are also intended to develop a global perspective in educational and broader community values – and via interaction with organizations such as Cumulus (the International Association of Universities and Colleges of Art, Design and Media).

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**8. Work experience/work integrated learning programs**

Private higher education institutions offer a variety of cadetships, internships and paid/unpaid work integrated learning placements, and have full-time staff responsible for managing work placements. Students at most private higher education private institutions undertake at least one unit of professional practice.

**Case study**

*Navitas offers a “Professional Internship Program”*  
(http://www.navitas.com/workforce_careers_internships.html). The Navitas “Professional Year” program is an initiative of Navitas, the Department of Immigration and Citizenship (DIAC) and Australian professional bodies. This program has positive results: 43% of Navitas Professional Year participants are employed by their internship host company after completing their Professional Year, and 66% of Navitas Professional Year graduates were employed within 12 months of completing their Professional Year.
How students are placed varies between institutions: some institutions will organise the student placement. Some other institutions offer an Industry-based action research program, a work integrated module that is offered as part of their course, coordinated by a dedicated member of staff. In other institutions, students will identify and approach relevant prospective employers, and organise the terms of the placement. This process is supported by a series of on-campus guest speakers from the industry, and classes throughout the study period, in which students are briefed on expected outcomes and strategies for successfully organising and completing the unit, and may discuss concerns or problems students are having. Insurance is organised for students during their placement period.

Costs for work integrated learning placement/internship programs vary, as some institutions offer a free service while other institutions offer this service as an option, charging extra fees for students wishing to undertake placement. If placement is a compulsory part of a course, charges may be built into the total course fees.

9. Budget costs

As with public institutions, fees in private higher education institutions vary according to discipline. The budget of most private higher education institutions is spent primarily on lecturers’ fees and other salary items – by far the greatest single expense. The second largest expenditure item relates to premises, including ongoing maintenance and infrastructure development. The expansion of private higher education institutions has been substantially assisted by the ability to provide FEE-HELP – the payment option chosen by over 85% of students when FEE HELP is available.

Case Study A

The budget and projected statements of operations of Institution A are included in this section.

The total delivery cost per student at Institution A is $10,736 pa. (This is based on 2010 figures, dividing 2010 expenditure by the EFTSL total for that year. The same calculations generate a similar figure for the previous two years, suggesting it is reasonably accurate/stable.)

<table>
<thead>
<tr>
<th>Item</th>
<th>%age of total budget</th>
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<tbody>
<tr>
<td>Salaries, on-costs and benefits</td>
<td>60%</td>
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<tr>
<td>Building rental, Facilities/infrastructure (including equipment and furniture)</td>
<td>6.1%</td>
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</tbody>
</table>
Technology-related expenses (mainframe, software licensing fees etc) | 5.9%
---|---
Advertising and Promotion | 3.5%
Staff PD, Conferences etc | 2.7%
Fees and purchased services | 2.6%
Utilities and taxes | 1.8%
Insurance | 1.4%
Communications and Travel | 1.2%
Materials and supplies | 0.8%
Student services and support | 0.8%
Scholarships | 0.8%
Library | 0.6%

Case Study B

The budget and projected statements of operations of Institution B are included in this section.

The total delivery cost per student at Institution B is $8,600

**Expenditure for teaching undergraduate students**

<table>
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<tr>
<th>Item</th>
<th>%age of total budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, on-costs and benefits</td>
<td>48%</td>
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<tr>
<td>Building rental, Facilities/infrastructure</td>
<td>15%</td>
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<tr>
<td>(including furniture)</td>
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<tr>
<td>Fees and purchased services</td>
<td>6%</td>
</tr>
<tr>
<td>Materials and supplies</td>
<td>3%</td>
</tr>
<tr>
<td>Utilities and taxes</td>
<td>3%</td>
</tr>
<tr>
<td>Scholarships</td>
<td>3%</td>
</tr>
<tr>
<td>Advertising</td>
<td>8%</td>
</tr>
<tr>
<td>Commission</td>
<td>3%</td>
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<tr>
<td>Equipment</td>
<td>3%</td>
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<tr>
<td>Student services and support</td>
<td>2%</td>
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<tr>
<td>Communications and Travel</td>
<td>2%</td>
</tr>
<tr>
<td>Insurance</td>
<td>2%</td>
</tr>
<tr>
<td>Technology-related expenses (mainframe, software licensing fees etc)</td>
<td>2%</td>
</tr>
<tr>
<td>Library</td>
<td>0.01%</td>
</tr>
</tbody>
</table>
PART D: Maintaining quality in higher education

ACPET strongly supports the establishment of the new National Regulator, TEQSA. The establishment of TEQSA serves to alleviate concerns relating to the issues that have impacted on the quality of higher education in New Zealand.

In New Zealand, since 1989, higher education has grown considerably and, as an industry, has become a significant element of New Zealand's post-compulsory education scene.

One characteristic of the NZ education and training sector in the 1990s was the growth of Private Training Enterprises (PTEs) that moved very substantially into the sub-degree sector of post-school education, as well as into the provision of degree programs and even MBAs. By 2003 there were 49,897 formal enrolments in PTEs in New Zealand, the bulk of these being at the sub-degree level. It appears that the partial deregulation of the New Zealand tertiary sector has greatly assisted both the growth of the provision of tertiary education and the diversification of qualifications, programs and institutions.

This rapid growth however, led to instability and an increased risk of third-party losses in tertiary education markets. The collapse of two major private institutions (Carich and Modern Age) in 2003-04 caused adverse publicity, in particular for overseas students, raising serious concerns about the quality of private institutions, as well as the effectiveness of the NZ regulatory authority.

The New Zealand experience, together with issues transpiring in the US education market, demonstrates the need for a strong and effective regulatory system for higher education. The regulatory system however must also provide recognition of the outstanding history of many private higher education institutions in delivering world-leading educational opportunities to learners.

ACPET supports core principles of excellence, choice, self-management and accountability within the private higher education sector. It supports the establishment of TEQSA as a regulator which will introduce balanced and equitable quality assurance mechanisms for the full tertiary education sector.

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