



VICE-CHANCELLOR

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Panorama Avenue
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27 February 2018

Senator Lucy Gichuhi
Chair
Senate Standing Committees on Education and Employment – Legislation Committee
Parliament House
CANBERRA ACT 2600

Dear Senator Gichuhi

HIGHER EDUCATION SUPPORT LEGISLATION AMENDMENT (STUDENT LOAN SUSTAINABILITY) BILL 2018

I write regarding the Australian Government's student loan sustainability policy position and proposed enabling amendments to the *Higher Education Support Act 2003*, as set out in the *Higher Education Support Legislation Amendment (Student Loan Sustainability) Bill 2018*. I understand that the purpose of this Bill is to improve the sustainability of the Higher Education Loan Program (HELP) and debt recovery of the Student Financial Supplement Scheme (SFSS) by:

- setting new repayment thresholds for HELP from 1 July 2018, starting with a lower minimum repayment threshold of \$45,000 with a one per cent repayment rate, with a further 17 thresholds and repayment rates, up to a top threshold of \$131,989 at which ten per cent of income is repayable;
- aligning the indexation of the HELP repayment thresholds to the Consumer Price Index (CPI) instead of Average Weekly Earnings (AWE);
- bringing repayment thresholds for SFSS managed by the Social Services portfolio in line with the HELP repayment thresholds from 2019–20, and making changes to the order of repayment of student loan debts with consequential implications for Student Start-up Loans and Trade Support Loan debt repayment;
- retaining the current three-tier repayment threshold for SFSS, with the existing indexation, for 2018–19; and,
- introducing a new combined loan limit to how much students can borrow under HELP to cover their tuition fees from 1 January 2019. The combined limit is \$150,000 for students studying medicine, dentistry and veterinary science courses, and \$104,440 for other students.

As Australia's largest regional university, with more than 43,000 students, with a reach that spreads from the mid-north coast of New South Wales in Port Macquarie, down into Victoria, with a concentration in the regional cities, rural towns and remote communities of central and central western regions of New South Wales we have many concerns with the Bill.

Firstly, I would like to draw the Committee's attention to our submission of 8 June 2018 regarding the *Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017*, see http://www.csu.edu.au/_data/assets/pdf_file/0009/2821905/Higher-Ed-Bill-Submission-49.pdf.

In our submission we highlighted, that as Australia's largest rural and regional university, we believe that the Government's higher education policy settings and proposed legislative amendments puts at risk the quality of our work and the global reputation of our higher education sector.

Given the need for Australia to remain internationally competitive and to deliver employment and economic growth for our regional cities, rural towns and remote communities, it is vital that the proposed Bill be amended to reflect the immediate and future needs of Australians living and working in non-metropolitan Australia. Australia cannot afford to risk our economic future and jeopardise the potential of our students by undermining the capability of our higher education sector and the opportunity for all regional, rural and remote Australian's to access it.

We would like the Committee to revisit and consider the recommendations we put forward in our submission of 8 June 2018, and in particular with regards student loan sustainability:

1. Recalibration of the Costs of Higher Education

a) Increased Student Share of Higher Education Funding

- *That the Bill in its current format be amended to delete all sections relating to increasing student share of higher education funding.*
- *In amending the Bill or determining findings relating to proposed Bill, the Committee examine any modelling of the combined impacts of these measures particularly upon women and equity groups.*

b) Medical, Dental and Veterinary Science Loading

- *That the proposed amendment to the Act detailed in the Bill proceed.*

2. Reforms to the Commonwealth Grants Scheme

a) New Arrangements for Sub-Bachelor Courses

- *That the proposed change to new arrangements for Sub-Bachelor courses set out in the Bill proceed, with amendments to establish criteria for approved courses.*

b) New Arrangements for Enabling Courses

- *That the proposed Bill be amended to remove the new arrangements for Enabling Courses.*

c) Scholarship System for Postgraduate Coursework Places

- *That the proposed Bill in its current form not proceed in relation to the scholarship system for postgraduate coursework places.*

d) Expansion of Support for Work Experience in Industry Units

- *That the proposed Bill in its current form proceed in relation to the arrangements for work experience in industry units.*

3. Changes to HELP Eligibility and Repayment Arrangements

- *That the proposed Bill not proceed in its current form in relation to reducing the repayment threshold for HELP Repayment.*

Secondly, in the context of the Committee's inquiry into the *Higher Education Support Legislation Amendment (Student Loan Sustainability) Bill 2018*, I would like to provide the following commentary as our submission to the Committee's deliberations on the Bill:

On equity grounds a reduction in repayment thresholds for student loans is likely to have a far greater impact on regional, rural and remote graduates as starting salaries in non-metropolitan Australia are far lower than in our large cities.

Further opportunities for career development and subsequent salary increases are often lower too. It is highly likely that prospective regional, rural and remote students will take these two disincentives into account when deciding to pursue higher education.

It is likely that a reduction in student loan thresholds will lead to a decrease in higher education participation by regional Australians. Regional Australian's from underperforming cohorts such as low SES and Aboriginal and Torres Strait Islanders will be particularly disadvantaged by the lower repayment thresholds provided for in the Bill.

We do, however welcome the move to CPI indexation as salaried wages rise more slowly in regional Australia compared to our metropolitan cities, meaning that overtime graduates obtaining employment in metropolitan areas will repay more of their student debt faster, that is a greater percentage of their income will be hypothecated to reduction of their student loan balance.

Charles Sturt University supports the elements of the Bill addressing order of repayment of debts with regards student loan balances. We believe that implementing these elements of the Bill would appear to be a constructive initiative that will not only minimise the Commonwealth's concurrent and future financial burden but would also ensure that graduates can reduce their student loan liability to the Government as a matter of priority.

As with the proposed reduction of loan repayment thresholds in the Bill, we hold grave concerns regarding the implications of the HELP loan limits contemplated in the Bill for future regional, rural and remote Australian's participation in higher education and vocational training. In its current form the Bill will:

- disadvantage low SES, vocational education and training (VET) graduates who will be forced to seriously consider entering into an additional student loan agreement to continue studies by way of upgrading their qualifications through higher education, that is the Bill undermines the policy outcomes sought from the 2010-2012 tertiary education and training reforms;
- have negative participatory impacts well beyond higher education, including senior secondary school study choices that are most likely to impact STEM, disruption of the VET system (including the flow of students to State-funded programs over those supported by Commonwealth student loans) and self-directed continuing professional development;
- see a substantial decrease in student participation in high-cost courses, for example aviation, medicine, engineering, nursing and veterinary science (regardless of AQF qualification level, noting an Advanced Diploma Aviation Commercial typically attracts fees of \$120,000 before aircraft time and licence certification), that will in turn lead to a decrease of graduates and consequently decrease in workforce in these crucial high-value professions for Australia's future international competitiveness;
- further drive and entrench inequality in Australia and particularly between regional and metropolitan Australia, as education and training providers will move towards full-fee, upfront payment models (regardless of current legislative blocks) which will place lower SES cohorts at a distinct disadvantage;
- reduce participation in higher degrees, particularly at the professional masters level, thereby undermining the good work of the university sector in working with industry to introduce micro-credentialling for professional development of Australia's future workforce.

Finally, we believe addressing our concerns with regards the Australian Government's higher education policy settings and in particular the Government's student loan policy settings, as set out in the *Higher Education Support Legislation Amendment (Student Loan Sustainability) Bill 2018* would further underwrite the success of higher education in regional, rural and remote Australia to deliver better economic, social and environmental outcomes for students and our communities across New South Wales and Victoria, as well as the rest of non-metropolitan Australia.

I would be delighted to provide further information to the Committee and would be available to provide evidence at any proposed hearings that you may undertake in relation to considering the merits of enhancing the sustainability of Australia's tertiary education and training student loans.

Yours sincerely

Professor Andrew Vann
Vice-Chancellor