



BUDGET

2014-15

Higher Education

13 May 2014

© Commonwealth of Australia 2014

ISBN 978-0-642-74981-9

This publication is available for your use under a Creative Commons Attribution 3.0 Australia licence, with the exception of the Commonwealth Coat of Arms, third party content and where otherwise stated. The full licence terms are available from <http://creativecommons.org/licenses/by/3.0/au/legalcode>.



Use of Commonwealth of Australia material under a Creative Commons Attribution 3.0 Australia licence requires you to attribute the work (but not in any way that suggests that the Commonwealth of Australia endorses you or your use of the work).

Commonwealth of Australia material used ‘as supplied’

Provided you have not modified or transformed Commonwealth of Australia material in any way including, for example, by changing the Commonwealth of Australia text; calculating percentage changes; graphing or charting data; or deriving new statistics from published Commonwealth of Australia statistics — then Commonwealth of Australia prefers the following attribution:

Source: *The Commonwealth of Australia*

Derivative material

If you have modified or transformed Commonwealth of Australia material, or derived new material from those of the Commonwealth of Australia in any way, then Commonwealth of Australia prefers the following attribution:

Based on Commonwealth of Australia data

Use of the Coat of Arms

The terms under which the Coat of Arms can be used are set out on the It’s an Honour website (see www.itsanhonour.gov.au).

Other Uses

Inquiries regarding this licence and any other use of this document are welcome at:

Manager
Communications
The Treasury
Langton Crescent Parkes ACT 2600
Email: medialiasion@treasury.gov.au

Internet

A copy of this document is available on the central Budget website at: www.budget.gov.au.

Printed by CanPrint Communications Pty Ltd

Contents

Higher education initiatives	V
Building a world class higher education system	1
Opportunity and choice for all	2
The current situation	3
Australia must not be left behind	4
Strengthening the higher education system	5
Expanding opportunities and providing support for students	6
A sustainable higher education system	7
Expanding opportunities for regional and rural students	8
Investing in research excellence	9
Upholding quality	10

The Government's higher education reforms:

- expand opportunities for students
- ensure Australia is not left behind in global competition at a time of rising performance by universities around the world
- offer more support for disadvantaged students through a new scholarship scheme
- support more courses, greater diversity and more skills for our workforce
- ensure that Australia's higher education system is sustainable into the future.

Building a world class higher education system

The Government has a plan to ensure that our students enjoy the best higher education choices in the world and that Australia is not left behind by global competition.

Our reforms will build a higher education system that stands amongst the world's best

Key initiatives include:

Expanding opportunities and providing support for students

- For the first time ever, the Commonwealth will provide direct financial support to all students studying higher education diplomas, advanced diplomas and associate degree courses, as well as those studying bachelor degrees, at all approved higher education institutions.
- The Government will establish a Commonwealth Scholarship scheme to assist students from disadvantaged backgrounds so they don't miss out.
- Undergraduate students will no longer have to pay fees to access FEE-HELP and VET FEE-HELP.
- Graduates will begin to repay their HELP debt when they start earning over \$50,638* from 1 July 2016.
- The Government will lend to students at a rate that reflects the cost of Government borrowings to fund their student loans, with a maximum rate of 6 per cent.

Strengthening the higher education system

- The availability of Higher Education Loan Programme (HELP) loans means that students do not have to pay a dollar upfront.
- Universities will be able to set their own tuition fees for the courses they offer. This gives universities autonomy and freedom to improve educational quality. \$1 of every \$5 of additional revenue raised by higher education providers from fees will be used to set up Commonwealth Scholarships.
- Rebalance the Commonwealth's contribution towards course fees for new students, with a reduction of 20 per cent on average, with effect from 1 January 2016. This ensures the system remains fair and sustainable.

Investing in research excellence

- Funding for the National Collaborative Research Infrastructure Strategy research facilities.
- Future Fellowship Scheme, awarding 100 four-year research fellowships each year from 2015.

Upholding quality

- Universities and higher education providers will need to meet high quality standards. We will continue to work with the Tertiary Education Quality and Standards Agency to ensure that our higher education system remains one of the world's best.
- A new website to allow students and parents to compare information about employment outcomes and student satisfaction, and higher education providers.

* Estimate only.

Opportunity and choice for all

The Government has a plan to ensure that Australia has one of the best higher education systems in the world

Our reforms will expand funding to more students whilst ensuring no student pays a dollar upfront

Our goal is to ensure that Australia has one of the world's best higher education systems.

This means:

- students being able to choose a high quality course that is right for them
 - affordable access for all through the Higher Education Loan Programme (HELP)
 - world class teaching and research
 - having universities respected among the very best in the world
 - universities and colleges free to pursue their goals and cater to their communities in cities, towns and regional locations across Australia, and online.
- A world leading higher education and research system for Australia will:
- expand opportunities for all students, from all backgrounds
 - provide more help to students in need
 - equip students for the jobs of the new economy, wherever they may be
 - share costs fairly between students — who benefit from a university education — and the taxpayers who support them
 - help ensure Australia isn't left behind
 - promote world class research in Australia to benefit the community
- let universities, colleges and researchers focus on what they do best — providing excellent teaching and research
 - enhance quality of higher education and cut red tape
 - flexibly respond to student demand and the skills needs of our workforce.

The Government's major higher education initiatives include:

- Supporting alternative pathways to higher education by providing direct financial support to all students studying diplomas, advanced diplomas and associate degree courses at approved institutions.
- Rebalance the Commonwealth's contribution towards course fees for new students.
- Universities will be able to set their own course fees, and are required to spend \$1 of every \$5 of additional revenue on Commonwealth Scholarships which will support access for disadvantaged students.
- Removing loan fees for FEE-HELP and VET FEE-HELP, meaning equal access to loans for all students.
- \$150 million for the National Collaborative Research Infrastructure Strategy in 2015-16, which provides Australian researchers with access to national, strategically important research facilities.
- 100 four-year Australian Research Council Future Fellowships for mid-career researchers each year.

The current situation

The higher education system as it stands is unsustainable, remains highly regulated, and limits access for students

Unsustainable and rising costs

The uncapping of Commonwealth supported places has seen a sharp rise in student numbers, which has also led to increased costs for higher education incurred by the Government. Uncapped student places are now estimated to cost an additional \$7.6 billion over the five years from 2013-14.

The cost of maintaining quality in our higher education institutions is rising at unsustainable rates.

The cost of student support needs to be sustainable.

Over their lifetime on average graduates earn 75 per cent more than school leavers. Graduates do not currently begin to pay back a dollar toward the cost of their degree until they earn over \$51,309 a year.

Limited access

Current Government funding is limited to students in only one group of our higher education providers, with TAFEs, colleges and private providers generally not receiving funding.

This means limited access for students. Our plan is to change this.

More options are needed to make sure that less well prepared students as well as those from disadvantaged backgrounds can succeed at university and college, by providing access to alternative pathways to bachelor degrees, such as diplomas and advanced diplomas.

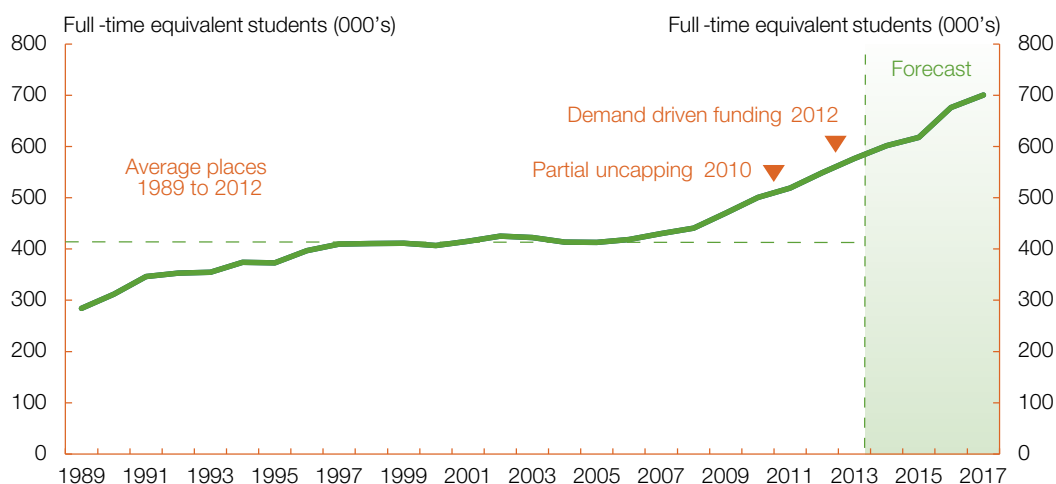
Constraints and uncertainty

Currently, our universities have limited prospects of competing with the best in Europe and North America and the fast developing universities of Asia.

Excessive regulation is constraining diversity, innovation and quality in the sector.

Critical research programmes have been left unfunded by the previous Government. Schemes like the National Collaborative Research Infrastructure Strategy keep high performing Australian researchers in Australia and allow universities to share high cost equipment that no one team can afford.

Commonwealth-supported full-time equivalent students



Australia must not be left behind

In an increasingly competitive environment, Australia's universities cannot afford to stand still.

We need to do more now to keep up with the rest of the world

Australia's universities cannot compete with the best in the world with the current constraints of an outdated funding system.

The rest of the world is adapting to change, now its our turn.

Higher education is one of the most successful new export industries in Australia. Higher education comprises two thirds of education exports. Education is now our fourth largest export earner.

Countries in our region are focussed on making rapid improvements to their universities.

We are vying for students in a fiercely competitive international market. Over the past decade, the number of foreign students worldwide has more than doubled.

Year	No. of foreign students worldwide
2000	2.1 million
2011	4.3 million

We are seeing rapid investment in the capacity of institutions in Asia to conduct sophisticated research.

The market for intellectual talent around the world is becoming tougher, with all countries seeking to secure top business leaders, innovators and researchers.

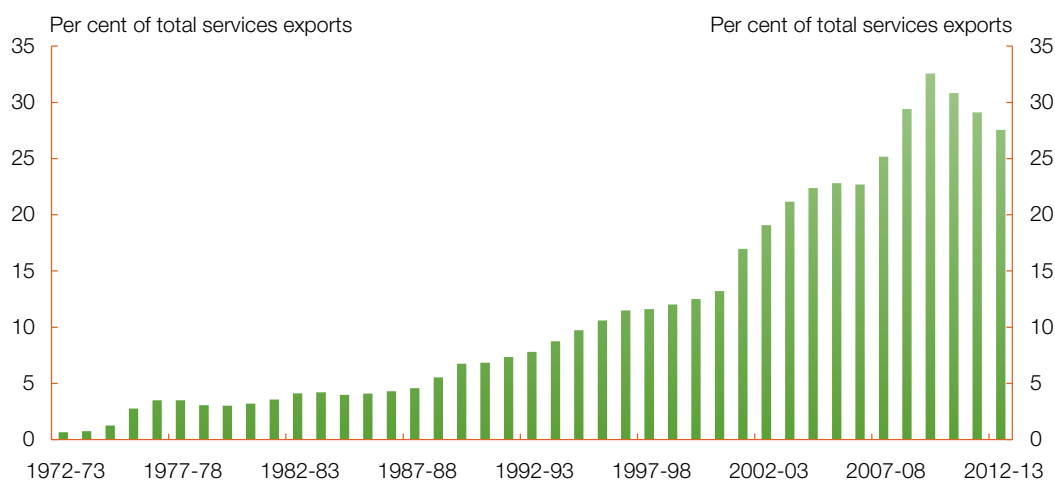
In 2014, *The Times* Higher Education Reputation Rankings listed only 5 Australian universities in the top 100, compared to 6 the previous year.

Country/region	Universities in top 100
United States	46
Asia	16
Europe	16
United Kingdom	10
Australia	5
Canada	3

This is a timely reminder of the need for a relentless focus on the quality and impact of our higher education institutions so that they can compete with the established universities in the United States and Europe and the emerging universities in Asia.

We must now work to ensure Australian graduates are able to compete on the world stage.

Education is a major service export for Australia



Strengthening the higher education system

From 1 January 2016 higher education providers such as universities, TAFEs and colleges in Australia will be able to set their own tuition fees for the courses that they offer.

Fees will remain the responsibility of higher education providers. With these changes, some course fees may rise and some course fees may fall, as education providers compete for students and as Government funding increases for some courses.

HELP loans will continue to be available to students to ensure that they don't pay a dollar upfront.

Commonwealth Scholarships

To keep things fair, higher education providers will be required to direct 20 per cent of the additional revenue raised to Commonwealth Scholarships, supporting access for disadvantaged students.

This will deliver participation initiatives including scholarships and bursaries.

It will also provide other support, including outreach activities, assistance with the costs of living and fee exemptions.

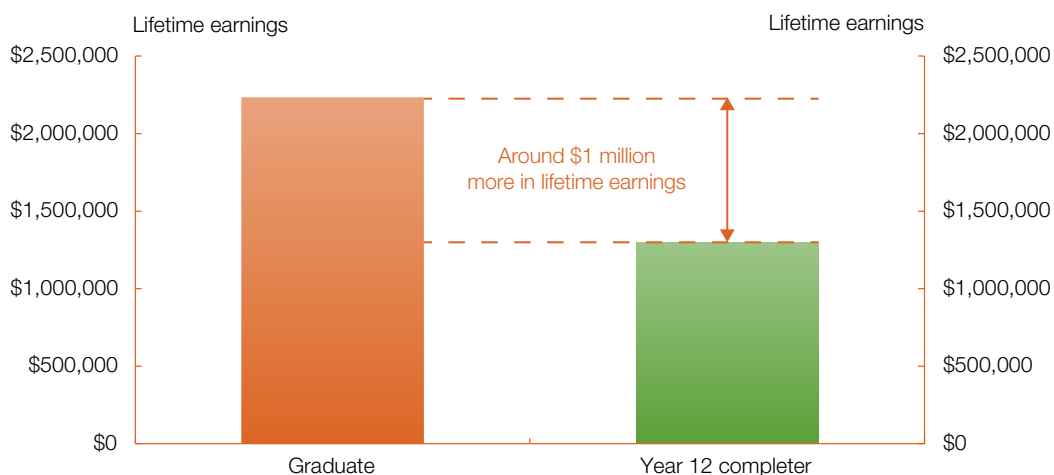
For students already studying, existing arrangements will remain until the end of 2020. This includes those who have commenced a course, or deferred commencement, on or before 13 May 2014.

Taxpayers will continue to fund upfront the entire cost of university courses. On average, students currently only pay back \$4 out of every \$10 after they begin earning a decent wage.

Changes in this budget rebalance the Commonwealth's contribution towards a new student's course fees with a reduction of 20 per cent on average with effect from 1 January 2016.

Over their lifetime graduates earn on average around \$1 million more than school leavers

Median gross lifetime earnings by level of education



Australian university graduates on average earn 75 per cent more than school leavers.

Source: Department of Education estimates, based on Graduate Winners, Grattan Institute, August 2012, p51

Expanding opportunities and providing support for students

\$820 million to expand access to higher education

For the first time ever, the Australian Government will support, through direct financial grants, students studying:

- at any registered Australian higher education provider, such as a public university, private university, TAFE or college
- any accredited undergraduate course, including higher education diplomas and advanced diplomas, as well as associate degrees and degrees.

By 2018, these reforms will see the Australian Government supporting over 80,000 more students as they pursue the best course for them.

This will increase options and pathways for students less prepared for university, while funding a wide range of qualifications that lead straight to jobs.

It will encourage innovative partnerships, especially in outer-metropolitan and regional areas where universities and TAFEs can work together to offer the skills and knowledge that local employers are looking for.

From 1 January 2016, the Government will provide \$820.4 million over three years for these initiatives.

* Estimate only.

A more sustainable HELP system

The Government will continue to help students defer the cost of their study until they reach a point where it is fair that they begin to repay their loan.

To help to ensure the HELP loan scheme will be sustainably and fairly funded into the future:

- graduates will begin to repay their HECS debt only once they start earning over \$50,638* from 1 July 2016
- the interest rate applied to HELP loans will be changed from an interest rate equivalent to the inflation rate to an interest rate that broadly reflects the cost of Government borrowings, with a maximum rate of 6 per cent.

Building better pathways to higher education

Maria wants to study a Diploma of Business Studies before she attempts a degree.

For the first time, under the Government's changes, Maria is guaranteed a Commonwealth-supported place for a much wider range of public or private institutions.

Further, Maria will be able to use her diploma for credit if she chooses to go on to university.

Maria will not need to pay a dollar upfront, as she can access a taxpayer funded loan from the Government.

Maria may also get a new Commonwealth Scholarship to help support her while studying.

A sustainable higher education system

Our higher education system will be placed on a strong and sustainable financial footing, sharing fairly the cost of higher education between students — who benefit from having tertiary qualifications — and taxpayers

The Government is undertaking a range of further initiatives to ensure that the higher education system is sustainable. These include:

Consolidated indexation of programmes As part of a Government-wide decision to streamline and simplify indexation for programmes, the CPI will be applied to all grants and student contribution amounts under the *Higher Education Support Act 2003* (this will save \$202.8 million over three years from 1 January 2016).

A fair contribution from research students Research Training Scheme (RTS) doctoral students will be required to make a modest contribution towards the cost of their degree through a small reduction in Government funding for the RTS. HELP loans will be available so that

RTS students do not have to meet these costs up front. Universities may choose to offer scholarships to cover these costs (saving \$173.7 million over three years).

Reward Funding Universities will no longer receive Reward Funding payments for the achievement of enrolment targets. Competitive pressures driven by the higher education reforms in this Budget will provide incentives for universities to enrol students, including from disadvantaged backgrounds, as will the Higher Education Participation Programme (saving \$121.1 million over five years).

Australian Research Council A one-off efficiency dividend will be applied to the ARC, consistent with the approach adopted to generate savings for Australian Government

departments and statutory agencies (saving \$74.9 million over three years).

Establishing the Medical Research Future Fund which will grow to \$20 billion and provide a sustainable increase in medical research funding, including for Australian universities.

Employment outcomes by level of education (May 2013)

	Degree	Diploma	Certificate	School leaver	Australian population
Unemployment rate	3.3	3.8	5.8	7.8	5.7
Participation rate	87.1	84.2	83.8	65.8	76.9

Note. Degree includes bachelor and higher degrees. Diploma includes advanced diploma. School leavers are those without non-school qualification. Source: ABS Cat. 6227.0 Education and Work, Australia, May 2013, Table 10.

Expanding opportunities for regional and rural students

The reforms will unshackle universities, colleges and TAFEs in regional Australia, helping them to grow local economies.

Regional Australians have too often missed out on high quality education due to narrowly focussed government policy.

Expanding access to higher education

For the first time the Government will provide support to:

- all undergraduate students, whether studying at universities, TAFEs or private colleges
- all students studying diploma, advanced diploma and associate degree courses, as well as those studying bachelor degrees.

Not only will this provide a boost to regional economies by ensuring there are more skilled workers, but education institutions themselves will be able to grow, to employ more people and invest more back into their local communities.

Supporting access for more students

Over 80,000 students will be provided additional support in 2018. This includes an estimated:

48,000 students in diploma, advanced diploma and associate degree courses

35,000 additional students undertaking bachelor courses

New Commonwealth Scholarship scheme

The Government will also introduce new Commonwealth Scholarships at Australia's universities to ensure students from disadvantaged backgrounds don't miss out.

Institutions will be required to spend \$1 of every \$5 of additional revenue on these scholarships.

Removing FEE and VET FEE HELP loan fees

The existing loan fee of 25 per cent for FEE-HELP and 20 per cent for VET FEE-HELP will be removed for undergraduates, as will the lifetime limits. This will level the playing field for students.

Supporting our rural and regional students

A number of universities have forged partnerships with regional TAFEs to develop new courses. The new initiatives announced in the Budget will allow more of these productive arrangements to flourish such as:

- Charles Sturt University (CSU), in partnership with the North Coast TAFE and Wodonga TAFE, is establishing two Regional University Centres in Northern Victoria and the mid-north coast of NSW. In collaboration with the TAFEs, CSU will deliver programmes locally to new, underserved regional markets where there are poor higher education attainment rates but good Vocational Education and Training (VET) preparation to Diploma level.
- In North-West Tasmania, the University of Tasmania's Cradle Coast campus has formed links with TasTAFE and other providers to offer pathway programs in areas relevant to local industry (primarily mining and manufacturing), such as engineering pathway, pathways for up-skilling, and new management qualifications.
- Federation University Australia (formerly the University of Ballarat) has partnerships with a range of TAFEs in regional Victoria to provide pathways to higher education for people who might not otherwise get the opportunity.

Investing in research excellence

If Australia is to continue to produce ground-breaking research outcomes, scientific discoveries and more Nobel Laureates, then a strong and sustained investment in research is needed

Maintaining and building world class research capacity in Australia

The Australian Government will invest \$11 billion over four years in research in Australian universities. This includes protecting the future of some of our most successful programmes, which the previous Government had left without funding certainty.

\$139.5 million over four years for the Future Fellowships scheme, awarding 100 four-year fellowships each year from 2015 through the Australian Research Council (ARC). Future Fellowships fund mid-career researchers to ensure we have internationally competitive research in Australia, now and in the future.

\$150 million in 2015-16 to continue the National Collaborative Research Infrastructure Strategy, to ensure that the nation secures the benefits of the \$2.5 billion investment in state-of-the-art research infrastructure since the Strategy was created by the Howard Government in 2004.

\$3.3 million for an extension of the Australian Institute of Aboriginal and Torres Strait Islander Studies programme to preserve important Indigenous cultural items in digital form.

Delivering our priorities

This Budget also implements the Government's commitment to direct resources to a number of key research priorities, including:

\$200 million to accelerate research into dementia, including \$26 million through the ARC, providing hope for the 320,000 Australians and their families who suffer from dementia.

\$42 million through the ARC to expand the Australian Institute of Tropical Health and Medicine at James Cook University for research into tropical diseases such as dengue fever.

\$24 million through the ARC to support the Antarctic Gateway Partnership as part of the strategy to enshrine Tasmania's position at the centre of Antarctic research.

Establishing the Medical Research Future Fund

which will grow to \$20 billion and provide a sustainable increase in medical research funding, including for Australian universities.

The importance of investing in Australia's research capacity

- To successfully compete internationally, Australia must maintain and build its research capacity.
- World class research allows industry to innovate, grow and generate exports and income.
- Research-led teaching builds the innovators of tomorrow, providing the opportunity to work in the fields, laboratories and offices of the best researchers in Australia and the world.
- Australia has a reputation for excellent research of international standing.
- The Government has committed to maintaining this standing through key investments in Australian research and research capacity.

Upholding quality

A key element of the Government's plan for higher education is to give universities and colleges the freedom to do what they do best – provide excellent teaching and research

Australia's higher education system is underpinned by quality assurance arrangements including a national quality agency, the Tertiary Education Quality and Standards Agency (TEQSA). But quality assurance must not come at the cost of constraining universities and colleges with unnecessary red tape and reporting.

With greater choice comes a need to provide better and more accurate information. Giving students and their families sound information on which to base their choices is critical to their success as a student.

The Government's initiatives include:

Better information for student choice — this will provide a new source of information for students and their families on higher education institutions in Australia.

It will comprise a suite of surveys that will cover students from commencement to employment, including the University Experience Survey, the Graduate Outcomes Survey and development of a new Employer Satisfaction Survey.

Information from these surveys will be presented in an accessible web-based format, with an initial version of the website available later this year, and full implementation by August 2015.

Streamlining TEQSA — the Government has directed TEQSA to focus on its core quality assurance activities of registration and accreditation and conduct its activities in keeping with the principles of necessary, proportionate and risk-based regulation.

The Government is also looking to decrease the administrative overheads of the agency and has therefore reduced its funding commencing on a staged basis from 1 July 2014. (saving \$31.1 million over four years)

Better information for student choice

- The Government is enhancing the quality of information available to students and parents on higher education institutions in Australia.
- More information can be found at the Department of Education website: www.education.gov.au