



Regional Universities Network (RUN)

Submission to Driving Innovation, Fairness and Excellence in Australian Higher Education

Executive Summary

- Regional Australia needs more highly skilled, university-trained professionals to drive the innovative industries of the future. The inequity in representation by Indigenous, regional and remote Australians at university must be addressed in the national interest. Given that much more targeted policy attention and effort needs to be directed at redressing the participation by regional Australians at university, the Regional Universities Network (RUN) suggests that the new expert advisory panel should contain members who have a deep understanding about regional and rural higher education issues. Any changes to sector funding and policy will need to be referenced against whether such changes will ameliorate or exacerbate the inequalities in higher education participation in Australia.
- A 20 per cent cut to the Commonwealth Grant Scheme would be a major blow for regional universities if there was no alternative other than through flagship courses to recover the funds. Flagships will not help regional universities raise significant revenue. A major reduction in funding would severely impact on the ability of regional universities to serve their students, communities and regional Australia for the national good.
- RUN strongly supports the retention of the demand driven system for bachelor places at universities, and its extension to sub-bachelor places, including diploma, advanced diploma and associate degree courses, at universities. It will take more than a few years to facilitate the major, generational change required to overcome the significant educational disadvantage in the regions. Rather than the growth of the demand driven system being out of control, it is now in line with population growth, thereby easing financial pressure on the system. The restriction in the number of sub-bachelor places is a major impediment to allowing regional universities to respond to the needs of our students and communities.

- A reformed set of criteria for the allocation of new Commonwealth supported postgraduate places is required. Commonwealth supported postgraduate places should be directed to areas of specific skills shortage and student demand.
- RUN does not support a time-limited learning entitlement for Commonwealth subsidies (for example seven years), given that many regional students are part time and mature age, and may take a significant period of time to complete their degrees.
- RUN supports a review of the Higher Education Participation Program, as we are of the view that both the quantum of funding, and the targeting of the program, should be revisited. Funding from the program needs to be concentrated in universities which have a significant proportion of regional and low SES students. Our universities use the funding to support those who will largely stay in the regions to work, and drive regional economic growth.
- We support a new infrastructure fund or loan facility to enable regional and outer metropolitan universities to undertake transformative infrastructure investments.
- Another review of regional loading is required. Universities with a “substantial” regional student base should receive the loading. It is timely to assess the effectiveness and scope of the loading in the context of broader policy reforms. A particular issue for RUN is that regional universities only receive half the regional loading funding for supported, external students as opposed to on-campus students, even though the former students receive some face-to-face tuition.
- While funding for infrastructure and a review of regional loading will be important to support the regional presence of universities, the formal recognition of the role of regional universities in regional development policy would significantly contribute to boosting economic reform in regional Australia. A holistic approach to funding and policy should be adopted across Government portfolios with respect to the support for regional students, regional communities and regional universities.
- Depending on the form of the reforms to higher education funding in the future, some sort of Competitive Regions Fund, as previously proposed by RUN in the context of the debate around the higher education reforms in 2014, may be required. This type of fund would be specifically targeted to those providers whose total proportion of domestic undergraduate students from regional and remote areas is higher than the mean for all providers. Such a fund would recognise that not all universities are positioned equally to absorb any potential government funding cuts and recover costs through flagship courses.
- RUN endorses the principle that base funding to universities supports both the scholarship and research than underpins teaching and learning. Under current funding arrangements, regional universities also use base funding to support regional development as our institutions are not eligible for regional development funding.

- In an environment where the student contribution to university fees may be increased, it is important that regional students are given additional support to attend university. RUN welcomes the Government's commitment to a reduction in the time regional Australians will need to work to prove financial independence to be eligible for Youth Allowance and Ab Study, and provision of new money for scholarships for regional students to study STEM subjects at the undergraduate, postgraduate and VET level.
- Many students at RUN universities are mature-aged and part-time, and care needs to be taken to ensure that the threshold for Higher Education Loan Program (HELP) repayments isn't set so low that it is triggered while students are studying. The interest repayment rate should be low for those earning just over the threshold, and could be higher for higher income earners.
- RUN would support the indexation of HELP repayment thresholds to CPI rather than average weekly earnings, as well as introduction of a household income test for HELP repayments. We would also support the recovery of debts from deceased estates.
- A renewable lifetime limit on HELP loans could be considered. People who have left the workforce should be eligible to receive loans under the scheme. Any rule that prevents people from obtaining loans if they have left the workforce disadvantages retirees who might want to undertake a degree.
- The timeline in the discussion paper for the policy reform process is reasonable, with finalisation of the reform package later this year, changes legislated by mid-2017 and implementation at the beginning of 2018. However, any collapse or compacting of the timeline would have adverse consequences.

Introduction

In its discussion paper, *Driving Innovation, Fairness and Excellence in Australian Higher Education*, the Government states that higher education is more important to the future of Australia's industry, businesses and families than ever before. A strong higher education system should be driven by innovation, fairness and excellence, and must be affordable and provide a return on the investment for the student and the nation. Further, it is stated that it is not acceptable that Indigenous Australians and people from regional and remote locations remain under-represented in higher education despite the opportunities provided for them. The paper indicates that "the proportion of people from regional and remote Australia who participate in higher education continues to decline in real terms", even with the demand driven student system.

The six regionally-based universities (CQUniversity, Federation University Australia, Southern Cross University, University of New England, University of Southern Queensland, University of the Sunshine Coast) of the Regional Universities Network (RUN) support the principles outlined in the paper, and agree that the inequity in representation by Indigenous, regional and remote Australians at university must be addressed.

The demand driven student system must be retained and the Higher Education Participation Program refocussed and funding at least restored to the pre-2016 Budget levels. If caps had not been lifted on students places, fewer regional Australians would have participated in higher education than is currently the case. It will take more than a few years to facilitate the major, generational change required to overcome the significant educational disadvantage in the regions. There is no point in raising the aspiration of regional Australians to study at university if there are no places to accommodate them, and insufficient funding to support them to succeed. Regional universities provide the only realistic option for many regional students to attend university. These students are tied to their communities for reasons of personal, family and work commitments, and financial circumstance. If regional universities are not adequately supported, many students will be disenfranchised.

It is in the national interest to provide adequate support to regional universities and students to address educational inequality.

Around 30 per cent of Australians live outside capital cities, and four and a half million live in Australia's small cities. Regional city population growth has been robust with rates ranging from 1.5-2.0 per cent per annum from 2002 to 2013. Every additional 100,000 Australians who choose small cities over big ones release an extra \$50 billion into the national economy through avoided housing and congestion costs.¹

The Australian economy is moving from a heavy reliance on mining and manufacturing to a new era in which skills, knowledge and ideas will become our most precious commodities. By improving opportunities for people to access higher education, RUN universities help unlock the full human and innovative potential of regional Australia for the national good. The jobs and industries of the future will need highly skilled university graduates who can connect regional Australia with the global, innovative economy. We need to generate new jobs and industries through innovation to make regional economies more resilient. Through university study and research, students become more highly skilled, and are better prepared to be creative, entrepreneurial and flexible to meet future job challenges.

The majority of students at RUN universities do not come straight to university from school. Many have worked and/or undertaken post-school education prior to enrolling in undergraduate study. Many balance part-time university study with work and/or family commitments.

People who study in the regions largely stay in the regions to work. A study undertaken for RUN demonstrated that 60 – 80 per cent of employed, recent graduates of RUN universities were employed in regional Australia.² A report by Cadence Economics for Universities Australia has estimated that for every 1000 university graduates entering the workforce 120 new jobs are created for people without a university degree.³ Regional universities therefore boost regional employment more broadly than just through their graduates.

¹ Regional Australia Institute, 2016, *Deal or No Deal? Bringing Small Cities into the National Economic Agenda*.

² RUN, 2013, *Economic Impact of the Universities within the Regional Universities Network*, page 10. Available from http://www.run.edu.au/cb_pages/news/Economic_Impact_Study.php.

³ Cadence Economics, 2016, *The Graduate Effect: Higher Education Spillovers to the Australian Workforce*. Report for Universities Australia. Available from <https://www.universitiesaustralia.edu.au/Media-and-Events/commissioned-studies/The-graduate-effect--higher-education-spillovers-to-the-Australian-workforce>

Further information about RUN is given in the policy document *Clever Regions, Clever Australia – Policy Advice to an Incoming Government 2016*.⁴

The Minister has proposed appointing an expert advisory panel to provide advice on the content and implementation of the final reform package. Given that much more targeted policy attention and effort needs to be directed at redressing the participation by regional Australians at university, the advisory panel should contain members who have a deep understanding about regional and rural higher education issues. Any changes to sector funding and policy need to be referenced against whether such changes will ameliorate or exacerbate the inequalities in higher education participation in Australia.

The timeline in the discussion paper for the policy reform process is reasonable, with finalisation of the reform package later this year, changes legislated by mid-2017, and implementation at the beginning of 2018. However, any collapse or compacting of the timeline would have adverse consequences.

Opportunity and Choice

Demand Driven Student Places

Regional Australia is characterised by lower rates of higher education participation than in our capital cities. This is an important equity issue for the individuals concerned and has implications for the economic development of their communities.

The gap has started to narrow a little in recent years with the introduction of the demand driven system, particularly with respect to the participation of low socio economic status students, which increased by around 1.5% from 2009 to 2014.

However, the proportion of the working age population with Year 12 and bachelor degree or higher attainment levels still remains significantly lower in regional and remote areas when compared to major cities.⁵ In 2014, about 15-19 per cent of working age Australians living in regional and remote areas held a bachelor degree or above (there are lower levels of attainment with increasing distance to major cities) compared with around 33 per cent of the population in major cities.

In 2015, the proportion of persons aged 25-34 years with Year 12 or above was above 80 per cent in major cities and between around 61 to 64 per cent in regional Australia.⁶ The proportion of 25-34 year olds with a bachelor degree or above in major cities was about 42 per cent compared to around 21 to 18 per cent in regional Australia (becoming lower further away from major cities). Significantly, the proportion of regional Australians with a bachelor's degree or above in inner and outer regional areas has marginally declined from 2014 to 2015.⁷

⁴ RUN, 2016, *Clever Regions, Clever Australia – Policy Advice to an Incoming Government 2016*. Available from <https://www.run.edu.au>

⁵ Australian Bureau of Statistics, 2014, *Education and Work 2014* Cat no. 6227 – analysis based on data downloads.

⁶ Australian Bureau of Statistics, 2015, *Education and Work Australia*, May 2015. Analysis based on data cubes 2 and 7.

⁷ Australian Bureau of Statistics, 2015, *Education and Work Australia*, May 2015. Analysis based on data cubes 2 and 7.

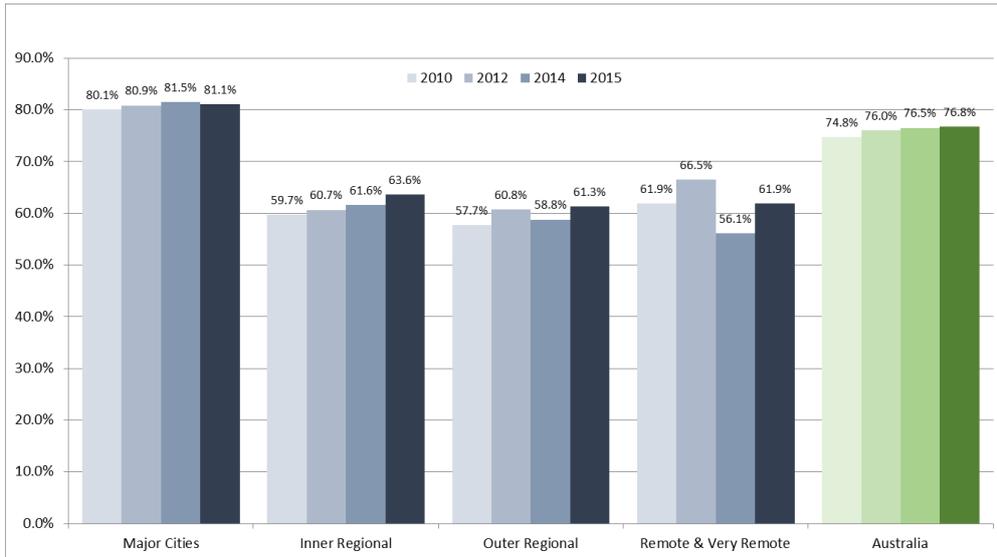


Fig. 1 The proportion of persons aged 25-34 years with Year 12 or above, by remoteness area, year (based on Australian Bureau of Statistics data)

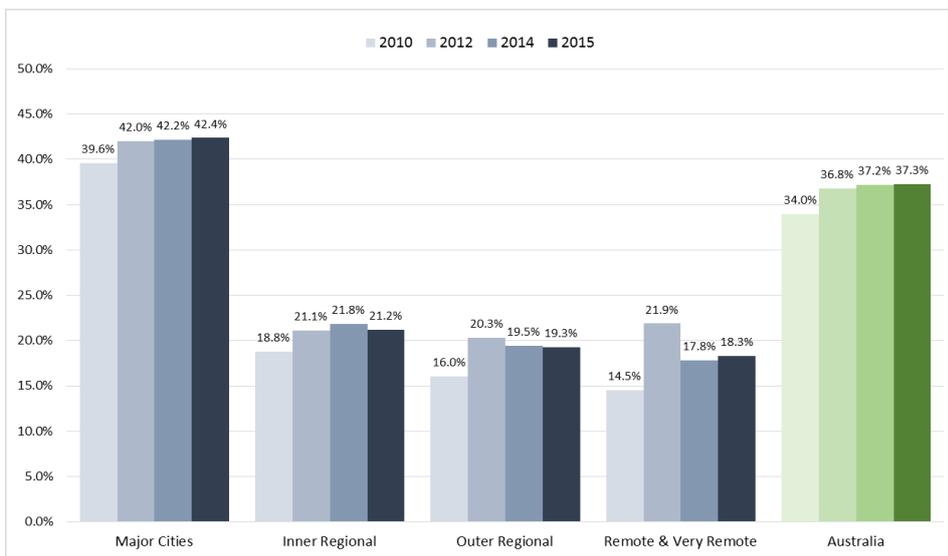


Fig. 2 The proportion of 25-34 year olds with a bachelor degree or above, by remoteness area, year (based on Australian Bureau of Statistics data)

Clearly, more needs to be done to improve the educational attainment of regional Australians.

Increasingly, there will be the need for more highly skilled workers who are university graduates as automation takes over more low skilled jobs. Within two decades, more than 40 per cent of Australian jobs that exist today may disappear as technology reshapes entire industries, professions and work practices.⁸ Regional Australia will be the worst affected part of the nation, due to the high proportion of low skilled jobs. The regions need more highly skilled, university-trained professionals to drive the innovative industries of the future.

⁸ Durrant-Whyte, H, McCalman, I, O’Callaghan, S, Reid, A, & Steinberg, D, 2015, “The impact of computerisation and automation on future employment”, in Committee for Economic Development of Australia, Australia’s Future Workforce?, CEDA, Melbourne, p.58.

It is therefore vital that increased Year 12 completion and university participation continue to be priorities in regional Australia, and that regional universities are adequately supported in the task of supporting the success of regional students in their studies.

Despite calls to reintroduce caps on student places, RUN strongly supports retaining the demand driven student system. Many more low SES and regional students have attended university because caps on places have been removed. More than a few years of the demand driven student system is needed to solve the problem.

RUN universities have seen a significant growth in students from low SES and regional backgrounds due to the demand driven system. At RUN universities in 2013, 32 per cent of RUN universities' commencing, domestic, undergraduate students were from low SES backgrounds and their enrolments had increased by 26 per cent between 2009 and 2013. Enrolments by students from regional and remote backgrounds at our universities grew by 18.5 per cent between 2009 and 2013 (RUN, 2014).⁹

The demand driven system has also allowed regional universities to establish new courses which are important to their communities, e.g. allied health and engineering.

Rather than the growth of the demand driven system being out of control, it is now in line with population growth, thereby easing financial pressure on the system. The February 2016 Applications and Offers data issued by the Department of Education and Training shows that offers were up 1.2 per cent, compared to the same time in 2015.

We oppose any capping of demand driven places, either by imposing a system of "hard caps" on places (the Commonwealth determining the number of Commonwealth Supported Places a university may have in various courses) or by the introduction of "soft caps". (Soft caps would constitute an agreement between the Commonwealth and a university on growth in student places, negotiated through compacts. They could include restrictions on the Australian Tertiary Admission Rank (ATAR) of students accepted for study, or limitations on growth in student numbers in various courses as informed by the labour market.)

We oppose a scenario where the demand driven system was retained for students with high ATARs, and soft caps applied to others. This would run counter to the long held proposition that universities themselves are in the best position to judge who should enter universities. To allow any government a role in selection of students by any means creates very dangerous precedents.

As well as strongly supporting the retention of the demand driven system for bachelor places at universities, RUN supports its extension to sub-bachelor places, including diploma, advanced diploma and associate degree courses at universities.

The restriction in the number of sub-bachelor places is a major impediment to allowing our universities to respond to the needs of our students and communities. It discriminates against disadvantaged students who are more likely to gain from a supported learning environment and perpetuate a pattern of directing a disproportionate share of funding towards high and medium SES students. The funding of sub-bachelor places should therefore be entirely demand driven to fully address the need among less well prepared students, and maximise their chances of success when undertaking bachelor degrees. Associate degrees also have value in and of themselves.

⁹ RUN, 2014, unpublished, from Department of Education student data.

Given financial constraints, and the fact that enrolments at non-university higher education providers have continued to grow despite the absence of Commonwealth funding, we do not support the extension of the demand driven system to non-university providers at the present time, including with respect to sub-bachelor places.

Postgraduate places

We agree with the view put in the discussion paper that the allocation of postgraduate places has long required attention.

RUN considers that it is important to address inequities in the distribution of Commonwealth supported postgraduate coursework places that have developed over time. The allocation of these places is a function of historic circumstance and lacks transparency and coherence. At the national level, in 2014 around 40 per cent of domestic postgraduate coursework places were supported by the Commonwealth, but the proportion of domestic supported coursework places at individual institutions ranged from about 14 per cent to around 91 per cent.¹⁰

There is currently no effective mechanism to address the current situation which disadvantages postgraduate students at universities with a low share of supported postgraduate places. The lack of such places means these universities are less attractive to students and the universities' capacity to undertake systematic long-term planning, pending the outcome of negotiations with the Commonwealth over places, is compromised. The current inflexibility regarding the allocation of postgraduate places funded by the Commonwealth remains a major impediment to allowing universities to respond to the needs of their students, regional communities and other stakeholder groups.

A reformed set of criteria for the allocation of new Commonwealth supported postgraduate places is required. This would see a gradual evening out of historical differences in the number of places.

As a matter of principle, RUN considers that Commonwealth supported postgraduate places should be directed to areas of specific skills shortage and student demand, noting that regional Australia may have specific skills needs that are not necessarily reflected at a national level. We would also support targeting areas where graduate salaries may be comparatively lower. While we consider that a demand driven system for these courses should be considered, we acknowledge the current financial constraints, and recognise that a step-by-step approach to reform to post-graduate places may be more practical in the present environment.

RUN does not support a time-limited learning entitlement for Commonwealth subsidies (for example seven years), given that many regional students are part time and mature age, and may take a significant period of time to complete their degrees. A time-limited learning entitlement will work against improving student success at regional universities.

Opportunity and Choice

Improving student support for disadvantaged students

RUN agrees with the proposition that more needs to be done to raise student aspiration and reduce the barriers that regional and remote students face to enter the higher education system.

¹⁰ Department of Education and Training data, 2014, provided to RUN.

The Higher Education Participation Program (HEPP), designed to increase and support the participation in higher education of students from low SES backgrounds at university, has assisted both regional students and regional universities. Outreach activities to schools and community groups have been funded to raise aspiration for university study, and a range of activities, including special projects, funded to support improved student outcomes, engaging with students and enhancing the student experience. However, major change cannot be achieved in a few years when addressing significant, inter-generational, multi-faceted, educational disadvantage.

RUN supports a review of the HEPP as suggested in the consultation paper, as we are of the view that both the quantum of funding, and the targeting of the program, should be revisited.

HEPP was cut by about 20 per cent over the forward estimates in the 2016 Budget. We strongly support reinstatement of the funding lost from the program to at least the pre-2016 Budget level, and the consideration of options to focus it more effectively to make a significant difference in higher education participation by regional and low SES students.

Regional universities provide the only realistic option for many regional students to attend university. These students are tied to their communities for reasons of personal, family and work commitments, and financial circumstance. RUN argues that funding from the program needs to be concentrated in universities which have a significant proportion of regional and low SES students.

In our submission to the Senate Education and Employment Legislation Committee Inquiry on the Higher Education and Research Reform Amendment Bill¹¹, we proposed that a threshold be applied to the program to ensure that funding is allocated to those universities with relatively high proportions and significant catchments of low SES students. The program's scope could also be focussed on regional students. Elite universities commonly use the funding from the program for a few scholarships for a relatively small number of excellent students. RUN uses the funding to support those who will largely stay in the regions to work, thereby building regional economies.

Supporting the regional presence of universities

Infrastructure Funding

RUN supports a new infrastructure fund or loan facility to enable regional and outer metropolitan universities to undertake transformative infrastructure investments notwithstanding issues relating to the disposal of infrastructure at the state level.

Smaller universities have difficulty in generating sufficient cash surpluses to invest in larger scale infrastructure projects to assist them in adapting to local market conditions, improve their long-term viability and enhance the student experience. Finding funding to address deferred maintenance is also an issue. Coupled with this, less "elite" and younger universities are less able to attract substantial philanthropic funding, either to fully fund or co-invest in major teaching and/or research projects. The Education Infrastructure Fund (EIF) and the Structural Adjustment Fund (SAF) provided significant infrastructure funding to regional universities which would not have been otherwise available.

¹¹ Regional Universities Network 2014, Submission to Senate Education and Employment Legislation Committee Inquiry on the Higher Education and Research Reform Amendment Bill

Increasingly, universities need to invest in their IT infrastructure. This is partly to meet student expectations about flexible modes of delivery, as well as multiple locations and a substantial number of students studying externally. Investment in IT infrastructure is a regular call on an institution's funds, and can be exacerbated by uncertainty of future teaching methods. It can be difficult to obtain external borrowings for this type of investment as there is no physical asset to back the security.

The non-financial benefits of the SAF/EIF infrastructure reflect the important social and community engagement roles regional universities play in their local communities. Regional universities have a strong commitment to addressing educational and other disadvantage many rural communities face.

Regional loading

While the Geraldton Universities Centre, and the Cooma Universities Centre, are examples of collaboration between different universities to deliver higher education in regional Australia, regional loading does not fully reward the model of distance students studying with some face-to-face support, such as that delivered at university study centres. Some face-to-face support for distance students improves retention, but comes at a cost.

The regional loading to assist regional universities deliver teaching and learning in regional Australia was last reviewed in 2013.

We need a better thought-out regional loading system, where the funding is directed to universities with a "substantial" regional student base. The only option many regional students have is to attend regional universities, and our institutions must be adequately supported in the task of educating these students.

RUN universities service diverse regions using a range of delivery models. We note that not all universities with a regional student base are considered eligible for regional loading under the current arrangements. It is now timely to assess the effectiveness and scope of the loading in the context of broader policy reforms.

A particular issue for RUN is that regional universities only receive half the regional loading funding for supported, external students as opposed to on-campus students. In many instances, our universities support distance learning with face-to-face support at study centres in a variety of locations. Supported, external students are costly to teach and universities should receive the same regional loading for these students as they do for on-campus students.

The issue of supporting campuses with relatively small student numbers needs further consideration. Some regional towns e.g. Moreton Bay and Wyong are taking the lead in encouraging the presence of a university campus in their community, and others, such as Warrnambool, are actively lobbying for small campuses to stay open. There must be recognition and support for higher education delivery models that work in these communities.

Regional universities and regional development

While funding for infrastructure and a review of regional loading will be important to support the regional presence of universities, the formal recognition of the role of regional universities in regional development policy would significantly contribute to boosting economic reform in regional Australia.

Australia's regional universities play a key role in developing regional economies, and contributing to the social and cultural development of their regions.

They are one of the largest and most visible assets in their regions, and make a significant contribution through their teaching and learning activities, research and innovation, and service functions.

Given the fundamental role regional universities play in the development of the regions, a holistic, joined-up approach should be adopted with respect to relevant government policy and funding.

While the current approach to regional development brings together various players in the regions, RUN calls for a more strategic and integrated policy which includes more formal recognition of the key role that regional universities play.

The Regional Australia Institute¹² has advocated for "City Deals", which would include regional cities, similar to a UK initiative.¹³ City Deals are negotiated agreements between a government and a city that give the city the means to: take charge and responsibility for decisions that affects its area; take action to help businesses to grow; create economic growth; and decide how public money should be spent. City Deals are an agreed set of coordinated actions across governments and other key local players. They are focused on growth and development outcomes, and come with the resources needed to drive these ambitions.

The Government has announced a "city deal" for Townsville (and more are expected to be rolled out), and we look forward to seeing how the role of universities is incorporated into the concept.

Another model that has been applied in the UK is Local Enterprise Partnerships which are partnerships between business and local authorities in a region¹⁴. They are led by business and have mandatory, high level university representation.

Either model, or both in combination, would provide a flexible framework for individual cities or regions. Both models recognise the key role of regional universities, and the integration of their activities into a future plan for development.

Excellence and Quality

Flexibility to Innovate

In its consultation paper, the Government has proposed that universities are given the flexibility to attract additional revenue in a limited number of Flagship Courses "where they have developed particular expertise that would enable them to innovative and differentiate themselves and pursue their individual mission for higher education excellence." It suggests that universities could be given the freedom to set fees for a small cohort of their students enrolled in identified, high quality, innovative courses. Previously, the Base Funding Review¹⁵ suggested that innovative, flagship

¹² Regional Australia Institute, 2016, *Deal or No Deal? Bringing Small Cities into the National Economic Agenda*.

¹³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/221009/Guide-to-City-Deals-wave-1.pdf.

¹⁴ <http://www.lepnetwork.net/>

¹⁵ Lomax-Smith J, Watson L, Webster B, 2011, Higher Education Base Funding Review, Department of Tertiary Education, Skills, Jobs, and Workplace Relations

courses could be offered at higher cost, met through a matched increase in government and student contributions.

RUN is of the view that Flagship Courses as proposed in the discussion paper could not work to any significant extent in regional universities. Such a scheme may be viable for a few, high demand courses, particularly in elite universities. However, in an environment where there is a significant reduction in Commonwealth Grant Scheme (CGS) funding, and no other source of funding to replace this, regional universities would not be able to recoup significant funds via flagships.

Depending on the form of the reforms to higher education funding in the future, some sort of Competitive Regions Fund, as previously proposed by RUN in the context of the debate around the higher education reforms in 2014¹⁶, may be required. This type of fund would be specifically targeted to those providers whose total proportion of domestic undergraduate students from regional and remote areas is higher than the mean for all providers. Such a fund would recognise that not all universities are positioned equally to absorb any potential government funding cuts and recover costs through flagship courses. The duration of funding would depend on the nature of the reforms and their impact.

If fee-deregulated, flagship courses were to be introduced, we would support the Australian Competition and Consumer Commission monitoring fees, or an independent body reviewing proposed fee increases before approval. Reducing the Government subsidy as fees increase above the maximum student fee under the current arrangements would be another reasonable option.

Affordability

A fair share from taxpayers and graduates

The 2011 Higher Education Base Funding Review¹⁷ confirmed the principle that base funding is provided to support universities in their fundamental role of providing teaching and learning informed by scholarship and a base capability in research, within appropriately resourced facilities. It found that some disciplines, including accounting, administration, economics, commerce, medicine, dentistry, agriculture, veterinary science, visual and performing arts, law and humanities were underfunded. It considered that there was no conclusive evidence that any disciplines were overfunded.

RUN endorses the principle that base funding to universities supports both the scholarship and research than underpins teaching and learning. Under current funding arrangements, regional universities also use base funding to support regional development activities as they are not directly eligible for regional development funding.

Regional universities could not withstand a 20 per cent cut in funding.

We recognise that a moderate increase in the maximum capped student contribution across the board is an option to maintain the current funding level where there is reduced government funding.

¹⁶ Regional Universities Network 2014, Submission to Senate Education and Employment Legislation Committee Inquiry on the Higher Education and Research Reform Amendment Bill

¹⁷ Lomax-Smith J, Watson L, Webster B, 2011, Higher Education Base Funding Review, Department of Tertiary Education, Skills, Jobs, and Workplace Relations.

However, we are concerned that any significant increase in student contribution would potentially have a negative effect on the participation of regional Australians at university without other measures to counter any potential impact.

Regional students should be given adequate financial support to attend university. Youth Allowance and the Higher Education Loans Program (HELP), with its deferrable loan repayment system, are fundamental to achieving this goal. It is important that, in an environment of rising doubtful debt¹⁸, the integrity of the HELP scheme is maintained, and the access of regional students to the scheme is encouraged. We note that a significant proportion of the recently accumulated doubtful debt has been from loans to the Vocational Education and Training sector.¹⁹

The announcement during the 2016 election campaign of a reduction in the time regional Australians will need to work to prove financial independence to be eligible for Youth Allowance and Ab Study from 18-14 months, and new money for scholarships for regional students to study STEM subjects at the undergraduate, postgraduate and VET level, are helpful.

An Affordable Loan Scheme

If a loan fee arrangement was to be introduced for HELP loans, RUN would support a modest amount of say 5 per cent.

The Government has canvassed views as to whether repayments should start at a lower threshold of \$40,000 - \$45,000. Many students at RUN universities are mature-aged and part-time, and care needs to be taken that the threshold isn't so low that it is triggered while students are studying. The interest repayment rate should be low for those earning just over the threshold, and could be higher for higher income earners.

If a new threshold is introduced, the effect of any threshold change on demand for university education amongst regional Australians should be monitored, and the issue addressed as appropriate.

Additional repayments could be achieved through the indexation of HELP repayment thresholds to CPI rather average weekly earnings – RUN would support this change, as well as introduction of a household income test for HELP repayment (given that many individuals who do not fully repay their loans are in dual income families, and are relatively well-off²⁰). We would also support the recovery of debts from deceased estates as proposed.

A renewable lifetime limit on HELP loans could be considered. However, RUN considers that people who have left the workforce should be eligible to receive loans under the scheme. Any rule that prevents people from obtaining loans if they have left the workforce disadvantages retirees who might want to undertake a degree. They have paid taxes during working life. The more active people in retirement the healthier they are, and the less cost to the health system.

¹⁸ Andrew Norton, 2015, Doubtful debt: the rising cost of student loans. Grattan Institute.

¹⁹ Parliamentary Budget Office additional report, 2016, HELP: Impact on the Budget.

²⁰ Andrew Norton, 2015, Doubtful debt: the rising cost of student loans. Grattan Institute.

Conclusion

The new higher education policy framework must support increasing the aspiration, participation and success of regional and remote, and Aboriginal and Torres Strait Islander Australians, at university. Given that regional universities are the only option for many in regional Australia to participate in higher education, the institutions must be adequately supported and their contribution to regional development recognised. Regional Australia needs more highly skilled, university-trained professionals to drive the innovative industries of the future in the national interest. Any changes to sector funding and policy need to be referenced against whether such changes will ameliorate or exacerbate the inequalities in higher education participation in Australia.