



INDEPENDENT
HIGHER EDUCATION
AUSTRALIA

IHEA SUBMISSION

TEQSA fees and charges consultation

25 September 2023

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Independent Higher Education Australia (IHEA) appreciates the opportunity to comment on the Consultation paper: ***TEQSA Fees and charges Consultation August 2023***.

Introduction

IHEA acknowledges the recent release of the Tertiary Education Quality and Standards Agency (TEQSA) Cost Recovery Implementation Statement, which outlines how TEQSA plans to implement cost recovery for quality assurance and regulation of higher education from 2023.

In a general sense, IHEA does not support the rigid application of the Government's cost recovery approach to higher education. A sector that contributes a significant component of Australia's largest service industry export market, bringing \$37.6 billion into the Australian economy, already adequately raises the costs of regulating quality and administering the sector.

Recovering the cost of regulation from education providers ultimately means increased operational costs. As operational costs rise, more revenue needs to be raised and inevitably, students pay more, either through direct charges or indirectly through the opportunity cost of having money spent on regulation rather than student services.

IHEA understands the need to regulate the sector and welcomes the protection to students and the industry that quality regulation brings. However, the cost of the regulator's operations should not be recouped from the entities being regulated, especially when these entities have no control over the cost drivers of the regulator's activities.

The independent higher education sector, a significant contributor to Australia's largest service industry export market, already adequately raises costs for regulating quality and administering the sector. Implementing cost recovery from education providers will inevitably lead to increased operational costs, resulting in higher fees for students, either directly or indirectly.

Need for a more appropriate Service Obligation Charter

TEQSA has fallen short in its responsibility to embed a suitable service obligation charter within the framework of cost recovery. This shortcoming is disconcerting when considering the considerable surge in fees imposed on the independent education sector. The crucial role that TEQSA plays necessitates the utmost efficiency, accountability, transparency, and punctuality in its operations.

In the face of these heightened costs, the independent education sector, along with the students it serves, deserves a commitment from TEQSA that it will uphold these values and perform its duties in a timely and accountable manner. Thus, the Service Charter needs to contain realistic and enforceable statutory timelines, ensuring that TEQSA operates within an agreed timeframe, providing predictability and stability for education

providers.

Moreover, it is not enough to merely state these timelines. There needs to be a legislative or regulatory mechanism in place that encourages TEQSA to adhere to its obligations. This could take the form of penalties for non-compliance or rewards for consistent adherence. Such a mechanism would serve to incentivise TEQSA to meet, and exceed, its obligations, instilling confidence in the higher education sector.

TEQSA's current service charter, while comprehensive in its detailing of the Agency's service commitments and standards, falls short in the provision of practical, enforceable measures to hold the Agency accountable. The inclusion of statutory timelines and a legislative mechanism to ensure compliance would not only enhance the charter but would also add a layer of assurance for independent providers.

The adoption of a comprehensive and robust service obligation charter would demonstrate TEQSA's commitment to fairness and accountability. It would highlight the agency's dedication to serving the higher education sector with transparency and efficiency. Furthermore, it would ensure that fee increases are not just arbitrary but justified and proportionate to the service provided, thereby enhancing trust and credibility in the sector.

It is crucial that TEQSA amends its proposal to include these provisions and consider the adoption of a service obligation charter. This amendment would not only serve to protect the independent sector from unfair fee increases but also reinforce TEQSA's commitment to serve the higher education sector with transparency, accountability, and efficiency. It is a necessary step towards a fairer, more accountable higher education system in Australia.

Inefficiencies and Cost Recovery

It became evident during dialogue with officials that the motive behind Cost Recovery appears to be, at least in part if not principally, a desire to locate savings under the efficiency dividend. If this is true, it represents a profoundly unsatisfactory practice. This is because it is not discovering efficiencies, but rather shifting the burden of inefficiencies onto higher education providers. This would be counter to the primary objective of Cost Recovery of the Australian Government, which involves charging the non-government sector some or all the efficient costs associated with a specific government function.

In keeping with the spirit of the mandate of Cost Recovery, we believe that it is crucial for TEQSA to focus on improving its efficiency rather than passing the cost of its inefficiencies to higher education providers. This approach not only undermines the principle of Cost Recovery but also places an unfair burden on these providers, potentially affecting the quality of education and widening the gap of educational equality.

Implications on Independent Providers

The proposed implementation of cost recovery commencing from the 2023-24 financial year could profoundly impact Australia's globally recognised independent higher education sector. This new policy intends to impose uniform fees on providers, irrespective of their size, which could potentially pose a substantial threat to the viability of small, niche independent higher education establishments.

These independent providers often cater to unique disciplines, offer tailored learning experiences, and contribute to the diversity of the Australian education sector. Hence, their sustainability is crucial for maintaining a vibrant and multi-faceted higher education landscape in Australia.

The proposed fees and charges have been designed oblivious to the economic realities of these providers. Large public universities, which are multi-billion-dollar organisations, have the financial resources to absorb these new costs with relative ease due to their scale. They have large student populations, substantial governmental funding, and other varied revenue streams.

In contrast, independent providers, often being smaller establishments, cater to small student cohorts and do not have access to the same level of funding. For them, any non-scalable set fees can prove particularly burdensome. The implementation of such a policy leads to the creation of an uneven playing field, favouring larger institutions while potentially pushing smaller providers to the brink of financial instability.

The proposed fees could also impact the affordability of education for students enrolled in these independent institutions. As these providers grapple with higher operating costs, there is a risk that they may pass on these additional expenses to their students, thereby increasing the financial burden on them. This could potentially deter prospective students from enrolling, leading to a decrease in student numbers and further exacerbating the financial pressure on these providers.

It is essential for the policy to reflect an understanding of the diversity in the higher education sector, and particularly the critical role that independent providers play in this landscape. Uniform fees and charges do not account for the operational differences between large public universities and small independent providers.

Considering this, it is imperative that the fee structure be revised to ensure it is scalable and reflects the size and capacity of the provider. A more equitable fee structure would not only help safeguard the financial viability of independent providers but also uphold the diversity and competitiveness of the Australian higher education sector.

Moreover, the implementation of such a fee structure would demonstrate TEQSA's commitment to ensuring a fair, sustainable, and vibrant higher education landscape in Australia. It is crucial that any new policy initiatives consider the potential consequences for all stakeholders in the sector, ensuring the continued provision of quality and accessible higher education for all Australian students.

Lack of Provision for External Review

TEQSA's current cost recovery framework, as it stands, lacks a clear mechanism for external review of prospective increments in the fee schedules. This omission raises significant questions about the transparency and accountability of the proposed system.

Given the potentially far-reaching implications of this proposal, it is essential that any increase in fees and charges be subject to rigorous scrutiny to ascertain its justification and fairness. Universities and other higher education providers operate under tight budgetary constraints; any arbitrary or unjustified increase in costs can have serious repercussions on their financial stability and sustainability. Moreover, these costs could be

indirectly passed on to students, either through increased tuition fees or reduced investment in teaching and learning resources. This could potentially create a financial burden for students and their families and widen the educational inequality gap.

The lack of a provision for external review essentially means that decisions about fee increases will be made without any checks and balances. This could lead to a situation where decisions are made without proper consideration of their impacts on the higher education sector, students, and the broader community. It also creates a risk of perceived or actual conflicts of interest, as TEQSA could be seen as both a service provider and a regulator.

Including a mechanism for external review would not only enhance the transparency and accountability of the cost recovery framework, but it would also contribute to maintaining the integrity and trust in Australia's higher education sector. It would ensure that fee increases are fair, justified, and proportionate to the services provided. Further, it would provide an opportunity for all stakeholders, including higher education providers, students, and families, to have their voices heard and their concerns addressed.

Thus, it is crucial that TEQSA's proposal be amended to include a provision for external review. This would bolster confidence in the cost recovery framework and ensure that it is implemented in a manner that is fair, accountable, and efficient. The adoption of an effective service obligation charter, as previously suggested, could provide a suitable framework for such a review.

Recommendations

IHEA strongly recommends:

1. TEQSA refines its Service Obligation Charter. The refined charter should include enforceable statutory timelines and a legislative or regulatory mechanism to ensure TEQSA's adherence to these obligations. This would promote greater accountability, transparency, and efficiency in TEQSA's operation, providing stability for independent education providers. The charter should also clearly articulate TEQSA's commitment to serving the independent higher education sector with fairness, thereby ensuring that fee increases are proportionate to the services provided. This revision is not just essential to protect independent providers from unjust fee hikes, but also crucial for reinforcing TEQSA's pledge to uphold transparency and accountability in the Australian higher education sector.
2. TEQSA reassess its approach towards Cost Recovery. It should aim to identify and address its inefficiencies internally rather than transferring these costs to higher education providers. The operational capacity to monitor TEQSA's operational efficiency and cost-effectiveness could fall under the remit of a future Tertiary Education Council.
3. TEQSA revise the proposed fee structure to reflect the diversity of higher education providers. Recognising the unique circumstances and operational differences of independent providers is essential. The implementation of a scalable fee structure, based on the size and capacity of the institution, would help maintain the financial viability of these small, niche establishments. This approach would ensure a level playing field, fostering diversity and competitiveness within the sector.

Additionally, it would reflect TEQSA's commitment to a fair, sustainable, and vibrant higher education landscape in Australia, demonstrating consideration for all stakeholders and the potential impact on the affordability of education for students.

4. TEQSA to revise its proposal and include a clear provision for external review in its cost recovery framework. This provision is vital to ensure transparency, accountability, and fairness in setting and adjusting fee schedules. An external review mechanism will offer an avenue for all stakeholders to voice their concerns and contribute to the decision-making process. We propose the establishment of an effective service obligation charter, which could offer a suitable framework for this review. This inclusion will uphold the integrity of Australia's higher education sector, bolster confidence in the cost recovery framework, and ensure a fair and efficient fee implementation.

Conclusion

The independent higher education sector plays a crucial role in providing a diverse, world-class education environment in Australia. It is essential that any changes to fees and charges consider the broader impacts on these providers, their students, and the wider community.

IHEA urges TEQSA and the Government to consider these recommendations and to engage in a fair and transparent decision-making process. We are committed to working with all stakeholders to ensure that any changes to the fees and charges structure support the continued success of Australia's independent higher education sector.

Who We Are

Independent Higher Education Australia Ltd. (IHEA) is a peak body established in 2001 to represent Australian independent (private sector) higher education institutions. Our membership spans independent universities, university colleges and other institutes of higher education all of which are registered higher education providers accredited by the national higher education regulator, TEQSA or associate members seeking registration.

Our Vision is that: students, domestic and international, have open and equitable access to world class independent higher education in Australia, built on the foundations of equity, choice, and diversity.

Our Mission is to represent independent higher education and promote recognition and respect of independent providers as they contribute to Australian education, the Australian economy, and to society in general. We achieve this by promoting continuous improvement of academic and quality standards within member institutions, by advocating equity for their staff and students, and by delivering services that further strengthen independent providers' reputations as innovative, sustainable, and responsive to the needs of industry and other relevant stakeholders in both higher education and vocational education and training. IHEA's commitment is to excellence, productivity and growth in independent higher education being delivered through a trusted Australian education system underpinned by equity, choice, and diversity.

IHEA members have different missions, scales, and course offerings across the full AQF range (Diplomas to Doctorates). Members comprise:

- Four private universities (Bond University, Torrens University, University of Divinity, Avondale University),
- Four University Colleges (Alphacrucis University College, Moore Theological College, Australian College of Theology and Sydney College of Divinity), and
- Seventy-two not-for-profit and for-profit Institutes of Higher Education; and related corporate entities.

IHEA members teach 74 percent of the students in the independent sector (i.e., more than 130,000 students) and educate students in a range of disciplines, including law, agricultural science, architecture, business, accounting, tourism and hospitality, education, health sciences, theology, creative arts, information technology, and social sciences. A list of our full membership is provided in Appendix A.

IHEA holds a unique position in higher education as a representative peak body of higher education providers. Membership in IHEA is only open to providers registered with the Australian regulator – TEQSA. However, some IHEA members are dual and multi-sector providers who also deliver VET and/ or English Language Intensive Courses for Overseas Students (ELICOS) courses.

Contacts

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Appendix A



IHEA Member Institutions

Avondale University	Le Cordon Bleu Australia
Bond University	Leaders Institute
Torrens University	Lyons College
University of Divinity	Marcus Oldham College
Alphacrucis University College	Melbourne Institute of Technology
Australian College of Theology: Australian University College	Morling College
Moore Theological College: Australian University College	National Academy of Professional Studies - NAPS
Academies Australasia Polytechnic	National Institute of Organisation Dynamics Australia
Academy of Interactive Technology	Navitas
Adelaide Central School of Art	Australian College of Applied Professions
AIBI Higher Education	College of Business and Technology
APEX Institute of Higher Education	Educational Enterprises Australia
Australasian College of Health and Wellness	Melbourne Institute of Business and Technology
Australian College of Christian Studies	Navitas Bundoora
Australian College of Nursing	Queensland Institute of Business and Technology
Australian College of Physical Education	SAE Institute
Australian College of the Arts (COLLARTS)	South Australian Institute of Business and Technology
Australian Institute of Business	Sydney Institute of Business and Technology
Australian Institute of Business and Management	Perth Institute of Business and Technology
Australian Institute of Management	Western Sydney University International College
Australian Institute of Music	Oxford Institute of Higher Education
BBI – The Australian Institute of Theological Education	Perth Bible College
Campion College Australia	Photography Studies College
Christian Heritage College	Polytechnic Institute Australia
Eastern College Australia	Sheridan Institute of Higher Education
Education Centre of Australia	SP Jain School of Global Management
Asia Pacific International College	Sydney College of Divinity
Higher Education Leadership Institute	Sydney Institute of Higher Education
Endeavour College of Natural Health	Sydney International School of Technology and Commerce
EQUALS International	Tabor College Australia
Excelsia College	The College of Law
Governance Institute of Australia	The MIECAT Institute
Holmes Institute	The Institute of Creative Arts and Technology
ICHM	The Tax Institute Higher Education HEPCO
Ikon Institute of Australia	Torrens Global Education Services
Institute of Health and Management	Think: Colleges
Institute of Internal Auditors - Australia	Universal Business School Sydney
International College of Management, Sydney	Universal Higher Education
Kaplan Business School	UOW College
LCI Melbourne	Wentworth Institute of Higher Education