



THE ROLE OF PRIVATE UNIVERSITIES

Submission of Bond University to the National
Commission of Audit

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Executive Summary

Bond University strongly supports the Coalition Government's plans to build world class Education and Research and build education sector exports as outlined in "Our Plan - Real Solutions for All Australians".

However, current policy in higher education does not address a significant structural weakness in Australia's higher education system which, unless addressed, will make it increasingly difficult to achieve international benchmarks. The system is overwhelmingly public and lacks the diversity and competitiveness needed to become world class.

In this submission we address the following issues against the Commission's Efficiency and Effectiveness of Government Expenditure Terms of Reference:

1. A diverse Higher Education sector that supports competition and student choice
2. Equitable access to student support

World class higher education systems must embrace diversity, both in mission and structure, to create a national learning environment where the personal attributes, aptitude and goals of each individual are cultivated.

Some of the world's best university systems have a larger and more vibrant private sector. This encourages competition. Australia needs a more diverse and competitive university system to attract the best international students and staff, international academic and corporate partners and international research funds.

We propose that the Commission of Audit address the student support funding anomalies by recommending the following changes in respect of Australian-based, not-for-profit universities:

1. remove barriers that prevent Australian students who choose a private university education benefiting from any Commonwealth tuition subsidy;
2. exempt students from the from the 25% FEE-HELP loan fee;
3. remove the FEE-HELP limit;
4. enable equal access to OS-HELP, Aboriginal and Torres Strait Islander student support funding and students with a disability support funding; and
5. enable access to youth allowance start up payments at the commencement of each trimester.

These changes would create fairer competition among Australian universities. In such an environment, private universities like Bond would have a role in growing a larger, more diverse and more vibrant private sector that is better aligned to international best practice. This would deliver a more efficient sector and accelerate progress towards the Coalition's goal of world-class Education and Research.

Background

The creation of universities in Australia has historically been almost exclusively government business. Prior to the establishment of Bond University in 1987, every previous Australian university was established by either a State or Federal Government. Bond is Australia's first private University and it remains the only university in Australia that is independent of direct government funding for tuition. It is also the only University in Australia where no undergraduate students receive any direct Commonwealth contribution towards their tuition.

While private education is the norm in other countries such as the USA and our own secondary school system, the initial establishment of Bond University created considerable debate, controversy and opposition among student unions, academic unions, some building unions and even from the then Federal Education Minister. Concerns included that private education was elitist or that Bond University might put at risk the high reputation of the Australian university system.

Gradually attitudes towards the University have changed. Today the University attracts considerable goodwill and support. The University has graduated over 20,000 students including 12,000 domestic students. The University operates within the TEQSA regulatory framework and has received excellent assessments from the Australian University Quality Agency. It delivers accredited professional qualifications, maintains a strong relationship with Australian industry, and is an active participant in Australia's peak university body, Universities Australia.

However, Bond still stands apart from the crowd. Despite growth in non-government higher education in Australia over the last few years our higher education system remains overwhelmingly (over 90 per cent) public. This is completely, and increasingly, out of step with demand for private education more broadly in Australia and overseas.

Demand for private education in Australia is demonstrated by the proportion of enrolments in private secondary schools which is above 30 per cent and growing. In the United States, 30 per cent of higher education students are in private institutions. Private higher education providers can and should play a much more significant role in Australia's changing higher education scene.

The private model provides very good value for money for the taxpayer. Since its establishment Bond has provided over 12,000 domestic award course completions. Those graduates have gone on to deliver a public benefit to the nation that is at least the equivalent of their colleagues from the public universities. Further, Bond students deliver savings to the Commonwealth of around \$20 million per annum in tuition (based on the current rate of CSP funding per place in the public universities).

Grattan Institute research¹ shows that University graduates are generally more willing to volunteer, more tolerant of different groups in society, and less likely to participate in activities that harm others. They show that the median female graduate will pay around \$240,000 more in tax over her lifetime than the median female who finished their education at Year 12. For males this figure is around \$360,000. A simple calculation predicts future

¹ Norton, A, 2012, "Graduate Winners: Assessing the public and private benefits of higher education", www.grattan.edu.au

tax revenue from Bond's existing graduates at \$3.6 billion. This is a significant public benefit that has been delivered with very little contribution from the public purse.

Like in all industries that have a choice of public and private options, private tertiary education is demonstrating its value for money. Bond students enjoy a great student experience – small classes, an accelerated program (facilitating entry into the workforce, and hence income, a lot sooner), high retention and great graduate outcomes. Course Experience Questionnaire data confirm that graduate satisfaction and graduate outcomes for Bond are consistently rated above the sector average.

The results of completing an accelerated degree in two years rather than the traditional three have proven to be a financial advantage. Bond students completing an undergraduate degree incur living expenses for only two years instead of three, and start earning a graduate salary one year earlier than their public counterparts.

The cost versus value equation is a complex one. Bond's tuition fees are set in order for it to continue to offer its unique learning experience, providing highly qualified staff, good infrastructure and a student to staff ratio that is the best in Australia. The student staff ratio is a good indicator of overall educational quality. It can be daunting for new students to find themselves in a lecture theatre of 500 students as reportedly happens frequently in many other universities.

Being not-for-profit, Bond's return is re-invested in the University for the benefit of students. The funds are used for optimal student services, new and improved buildings, library and IT resources, and scholarships. Bond aims to provide the very best student experience of any university.

This requires the University to maintain efficient and effective financial management.

Bond University has a much higher Return on Notional Assets (RONA) than the public universities². This has substantially been achieved through more efficient processes and better asset utilisation such as having three full semesters per year.

As has been recognised by successive Government's both here and around the world, systems that are only public tend to be bureaucratic and inefficient whilst purely private systems don't necessarily address the needs of lower socio economic groups.

The solution is to implement the sort of public/private vision proposed by the Bradley Review³ that would provide students with an entitlement that enabled them to choose for themselves what and where they will study. This would be a truly demand driven and high quality system that would prepare Australia for the challenges ahead.

² Phil Ruthven, Chairman IBISWorld, "The University Challenge", Presentation to 2011 Higher Education Conference, Universities Australia, 2 March 2011 Slide 61

³ Australian Government, 2008, "Review of Australian Higher Education: Final Report", www.innovation.gov.au

What is Special about Bond and why it is worth preserving?

The establishment of Bond University, under an Act of the Queensland Parliament in 1987 was, and still remains, a significant milestone in the history of higher education in Australia. Despite the well-established role of private education in Australia's primary and secondary schools, it was not until the arrival of Bond University that a fully-fledged private university was established in Australia.

Bond remains the only university in Australia which is independent of direct government funding for tuition. It is the only university in Australia whose undergraduate students do not receive a cent in Commonwealth subsidy towards their tuition. Its funding arrangements are more like that of many US universities, and Bond has used its independence to pioneer a distinctive approach to higher education:

- The University is **not-for-profit** and any surplus generated by the University is reinvested in the student experience including capital expenditure, IT infrastructure and scholarships.
- With a current enrolment of only 4,200 (6,300 EFTSL), Bond University is small by Australian standards where the average size of universities is in excess of 20,000 students. Bond's smallness enables truly **personalised student services**.
- With a **low student to staff ratio** of 10:1 (compared to the public universities 23:1) the University can offer a high quality student experience.
- The University's **genuine three-semester-per-year** operating model gives students an opportunity to enter employment 12 months ahead of the mainstream offering in our public universities.
- The University provides an **outstanding student experience** as is evidenced by achievement of the highest possible ratings for all three student experience measures in the Good Universities Guide for each the last 8 years and placing 5th in the world and 1st in Australia for student experience in the International Student Barometer for 2012.

A diverse Higher Education sector that supports competition and student choice

Australia's policy on universities is out of step with demand for greater diversity and choice, and for private education more broadly in Australia and overseas. Despite the Government's policy of competitive neutrality, the current funding model provides a positive advantage to the public sector and an active disincentive to students who are considering study at a private university. Without a rebalancing of these settings, public universities will continue to dominate the sector and its reliance on Government funding will continue to grow.

A diverse and competitive sector will engender higher quality. The best universities in the world are private. For example, 6 out of the top 10 universities in the current Times Higher Education World University Rankings are private. The USA, which is dominant in this ranking, has 30% of students enrolled in private universities.

There seems to be uniform support for increasing higher education opportunities with regular commentary that we, as a nation, will struggle to meet this need. Indeed, the policy introduced by the previous Labor Government aims to increase the percentage of the population aged 25-34 with bachelor degree qualifications to 40 per cent by the year 2025.

It is increasingly apparent that the Government / taxpayer does not have the resources to continue to fund the expansion and that society's demands can only be met by utilising private providers better.

The Bradley Review in 2008 recommended that to support the expansion of the system, Commonwealth Supported Places (CSPs) should be uncapped and made available to private providers. Whether it be through the adoption of a model along the lines recommended by Bradley or through some other approach, a mechanism must be created that removes the disincentive for students to choose to study at a private university. A true demand-driven system cannot be achieved by denying student choice.

Equitable access to student support

Domestic graduates from private universities, such as Bond, deliver the same public benefit to our nation as those from the public university sector, yet their access to Commonwealth-sponsored tuition loans is limited and the conditions are less favourable.

Irrespective of the considerable saving to the public purse, the access of Bond students Commonwealth-sponsored tuition loans (FEE-HELP) is limited and the conditions are less favourable than for their public sector colleagues. Approximately 80% of Bond students do benefit from FEE-HELP, yet the terms of their loan are unfavourable when compared with their HECS-HELP counterparts. For example:

- Loan fee on FEE-HELP - the 25% loan fee on FEE-HELP for Bond undergraduates is an extra cost imposition on Bond students which does not apply to other categories of the HELP loan scheme.
- Loan limits on FEE-HELP – the limits do not allow Bond students to defer the full cost of most Bond courses whereas students in the public universities may defer the full cost of their courses.
- The lack of access to OS-HELP loans for Bond students - OS-HELP is only offered to students in Commonwealth Supported Places (CSP). This policy position excludes our students from key elements of the New Colombo Plan.

There are other areas of legislative anomaly and policy inconsistency that could be readily addressed at minimal cost to the Commonwealth:

- Aboriginal and Torres Strait Islander students and students with a disability who choose Bond do not benefit from the full range of targeted support funding that is provided for their counterparts in public universities. This makes it harder for these students to

attend Bond University where they would benefit from the small class sizes and personalised attention.

- Youth allowance start up payments are only available for two semesters per year, whereas Bond students have three semesters per year – thus Bond students are eligible for 30% less in terms of youth allowance start up payments simply for choosing a private university.

The key arguments here relate to equity and competitive neutrality. Income contingent loans across the HELP scheme should carry equivalent loan conditions.

In view of financial challenges facing the Commonwealth, it is recognised there is a need to balance sound policy with an affordable position that can be readily imposed within the current legislative framework. Accordingly it is suggested that new measures to correct the above should be restricted to universities that are Australian-based and not-for-profit. This would ensure that the students who are accessing public funds are enrolled in institutions that, like Bond, are expanding the educational infrastructure and intellectual capital of our nation.