



11 December 2013

The Hon Dr David Kemp
Senior Review
Review of the Demand Driven Funding System

Email: DDSreview@education.gov.au

Dear Dr Kemp

I am pleased to respond to your invitation to make a submission to the review of the demand-driven funding system. As Vice-Chancellor and President of Torrens University Australia, I wish especially to address point 3 of the reference terms for this review.

Torrens was approved for establishment in Australia in 2011, and was subsequently registered as a university by the Tertiary Education Quality and Standards Agency in 2012. As such, it was the first new university established in over 20 years, following Bond University in 1987 and Notre Dame University Australia in 1989. It will commence teaching its first cohort of students in January 2014, both online and on campus. A hallmark of education at Torrens will be small class sizes and internationalisation. Classes, for example, will be limited to 25 students, and all undergraduate students will be required to spend a trimester overseas with airfares and tuition fees at an overseas institution included in the cost of their degree at Torrens.

- **Torrens University Australia is very concerned about the impact of the demand-driven funding system on its ability to compete in Australia**

As one of only a handful of private universities in a system dominated by publicly funded institutions, this University is very concerned about the impact of the demand-driven funding system. In essence, the removal of the enrolment caps has resulted in a very significant expansion in subsidised undergraduate places in the public universities making it very difficult for private universities to compete.

This seems at odds with the expressed intention of successive federal governments to increase the diversity of opportunity for students in the higher education sector in this country, and to improve competition.

Australia is unusual for a developed country having a higher education sector so dominated by publicly funded universities. These universities have been funded by reference to a similar set of criteria and, not surprisingly, giving rise to many common features and restricting domestic competition. This seems inconsistent with the need for a competitive, innovative higher education sector that competes on diversity of degree programs, modes of study, flexibility, quality positioning, student experience and in other areas. Private providers have far greater incentives to be competitive than public universities, and it can be argued that the demand-driven funding system has simply increased the supply of undergraduate places at the expense of diversity and competitiveness.

As private universities in Australia are relatively new and have been on an unlevel playing field, there is a perception that they are of low quality, which is very different to the situation in other countries with a much more open and competitive higher education sector. For example, in the 2013/2014 OS ranking of universities in the US, 17 of the top 20 ranked universities are private, and only three public.

- **The current policy seems in direct conflict with the Competitive Neutrality Policy and Principles Agreement unanimously agreed to by the Federal, State and Territory Governments, specifically clause 3(1).** *[The Objective of competitive neutrality policy is the elimination of resource allocation distortions arising out of public ownership of entities engaged in significant business activities. Government businesses should not enjoy any net competitive advantage simply as a result of their public sector ownership. These principles only apply to the business activities of publicly owned entities, not to the non-business, non-profit activities of these entities.]*

In a higher education sector that is changing rapidly on a global scale as innovations in technology and communication dramatically change the way students learn, Australia needs a healthy and adaptive higher education sector where public and private universities can compete. This needs to happen without the distortions created by an open scheme of subsidised undergraduate places at the public universities. Moreover, private universities bring private investment and reduce the burden on taxpayers to fund ever increasing capital requirements.

Historically, there has been a strong bias towards public universities in Australia, and it is difficult to understand why this continues to be the case. Graduates of universities, irrespective of whether they graduate from a public or private university, will pay taxes on their life time income. However, those who graduate from a public university will have benefited from a subsidised place, while those from a private university bear the full cost of their undergraduate degree.

This inequity in treatment is reflected in another barrier to competition, HELP loans. If a student is enrolled at a public university they can access HECS HELP to assist with the funding of the student contribution to their education. If enrolled in an undergraduate degree at a private university, they are required to pay a 25% administrative fee on top of their FEE-HELP assistance. Consequently, not only do undergraduate students at a private university miss out on receiving a subsidy, they also have to pay more to access the government provided loan scheme. Moreover, this administrative fee does not apply to students enrolled in postgraduate programs at private universities.

Healthy competition between public and private institutions is important to ensure that this country has a competitive and innovative higher education sector. In a global environment of disruptive and transformational change, and growing competition in education on a global basis, innovation will be key to survival. It is important that the Government, assisted by the recommendations of this review, take the necessary steps to address the competitive imbalance in higher education that currently exists.

Torrens University Australia is committed to providing quality higher education to students. It does not seek any special consideration – just a level playing field with other universities in Australia. Ideally, this should extend to contestability of all government supported places at the nation's universities.

Yours sincerely



Professor Fred McDougall
Vice-Chancellor and President