

Commission of Audit: initial comment

The Commission of Audit produced no surprises in its recommendations for higher education and research. Indeed it was almost restrained.

The Commission estimates that higher education is the 11th largest Government program, after the significant increases of recent years, but due to slip back to 13th with long term growth consistent with growth in nominal GDP. Higher education is not a major pressure on Government expenditure.

The main focus will be on the proposals for changes to student charges and the repayment of Higher Education Loans. The main suggestion is that the proportion of the base funding that comes from students should rise from about 41% now to 55%. There is also support for Government working towards uncapping the charges students pay.

These two ideas are in some tension. I think the Commission is arguing for the percentage to be achieved first and that subsequently universities (and others in the system) would vary charges up and down from there so that the Government dollars remain at the same value but the percentage could change.

However it is possible to read it as meaning that the Government would fund 45 cents for each 55 cents the student pays. This would mean that if a university pushes up the charge then Government expenditure would head up again since the higher the charge the more the Government pays; the lower the charge the less it pays. While the reaction is to treat the 55% rule as achieving a saving, associated with an opening up of charges it could increase expenditure.

For the IRU it is interesting to calculate that our proposal for all students to pay the same maximum amount, set at the top \$10,500 amount now paid by students of business accounting as well as law and medicine, would go most of the way (53%) to reaching the Commission's 55% target if all the extra amount paid were used to reduce the Government's contribution. The IRU has not proposed for the money to go back to Government but we do accept that some of it would.

It is also useful to reflect on that figure. Those arguing for opening up charges can blithely talk of fees of \$15,000, \$20,000, even \$30,000 – these would very significantly increase the revenue to those institutions and justify little to no Government investment.

The changes to the HELP arrangements are a mix of useful tightenings, already put forward by Andrew Norton, and some harsher measures that reduce the value of the income contingent essence of the scheme. The one with the most immediate bite is to reduce the HELP threshold back down to the minimum wage level with a low percentage repayment. I cannot say precisely but that was roughly where the Howard Government set it in 1997 with Amanda Vanstone as the Minister. It is tough but we have to acknowledge that students lived with it previously.

The worse proposal for the long term is to move to a recovery of the full cost of the loan to Government, removing the original assumption that the scheme would cost Government but still save compared with funding the whole cost of higher education. This all tends to make not repaying the loan because of lack of income a fault of the person rather than the accident of life it is for many.

The various proposals for research funding need to be thought through. There is much to be said for rolling together programs with similar aims. It would be a concern were Government to pull back from supporting university working on industry driven research. The incentives for this are already much lower than the incentives for traditional big ideas research. We need to work through why if students can pay for most of their education we cannot create a better basis for the users of research to contribute.

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