Keeping higher education fees in check: the options

Experts have predicted that the price of degrees will increase significantly from 2016.[1] The proposed flat fee of $16,000 per year announced by the University of Western Australia for 2016 represents an increase over 2014 prices, ranging from +56% (Bachelor of Commerce) to +166% (Bachelor of Arts).[2]

Any price rises from 2016 are likely to be compounded by the operation of the HELP scheme, which ensures that price signals are weak for consumers at the time of purchase.[3] There will be no upper limit on the amounts that students can borrow either for undergraduate or postgraduate degrees from 2016.[4]

A number of mechanisms have been proposed to moderate likely fee increases from 2016. Swinburne University of Technology has proposed an *annual student loan limit* (a 'soft cap') as one means of exerting downward pressure on price from 2016.[5] Other options that have been canvassed include an *advisory committee*, a *pricing regulator* and the establishment of *new maximum student contributions* for higher education (a 'hard cap').

This resource presents how each of these four policy options would work and how strongly each would operate to produce downward pressure on prices set by higher education providers from 2016.

Mechanism	Advisory committee	Annual student loan limit	Price regulator	Maximum student contributions
How it would work	An advisory committee would be established to monitor the implementation of the reform package and advise the government on any policy changes that are required.	The Government would set an annual HECS-HELP loan limit that students may borrow towards an undergraduate degree. Higher education providers would be free to charge more than, the same as or less than the loan limit.	A body such as TEQSA or the ACCC would be tasked with monitoring prices for degrees offered by higher education providers and disallowing inappropriate or excessive prices on the basis of clear and objective criteria.	The Government would continue to set the maximum student contributions payable by students for undergraduate degrees. New maximum contribution amounts would allow universities to raise sufficient revenue to at least offset the 20% funding cut.
Advantages	Least intrusive mechanism for sector No additional regulatory burden	Would give higher education providers freedom to set prices at any level for which there is market demand Would be effective in exerting downward pressure on price as providers would be under pressure to minimise the amount of any 'gap' fee payable by students	Would have legal authority to disallow inappropriate or excessive fee increases	Would limit fee increase to the new maximum student contribution determined by the government
Disadvantages	Unlikely to produce downward pressure on price from 2016	Universities setting fees above the loan limit may need to use *Commonwealth Scholarship* funding to eliminate gap payments for low-SES students	Significant additional regulatory burden Difficulty in establishing transparent, objective critera on which to base regulatory decisions Significant bureaucracy required to evaluate prices set by 180 higher education providers	Would likely result in prices set by universities converging on the maximum student contribution Inconsistent with the government's objective to encourage higher education providers to compete on price
Type of mechanism	Advisory mechanism	Market mechanism	Regulatory mechanism	Regulatory mechanism
Consistency with government purpose	**Yes.** Higher education providers would be free to set any price for any degree. The advisory committee would not have any capacity to affect particular pricing decisions. Both volume and price would be deregulated.	**Yes.** Higher education providers would be free to set any price for any degree. Student choice would operate to moderate excessive fee increases. Both volume and price would be deregulated.	**No.** The price regulator, not the market, would limit prices set by higher education providers. Volume would be deregulated but price would not.	**No.** Higher education providers would only be permitted to charge the maximum fee determined by the government. Volume would be deregulated but price would not.
Strength of mechanism	Weakest	Moderate	Moderate	Strongest

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[1] Julie Hare and Andrew Trounson, *HECS designer Bruce Chapman calls for action to limit fee rises, The Australian*, 14 May 2014
[2] University of Western Australia, submission 45
[3] Dr Timothy Higgins and Professor Bruce Chapman, submission 83
[4] Australian Department of Education, submission 98
[5] Swinburne University of Technology, submission 109