



## *Policy: Higher Education*

[www.ldp.org.au](http://www.ldp.org.au) / [info@ldp.org.au](mailto:info@ldp.org.au)

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PO Box 773, DICKSON ACT 2602

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The Liberal Democrats will deregulate and privatise higher education, while retaining loans for tuition fees.

### **Policy**

The Liberal Democrats support:

- removing tuition subsidies;
- abolishing student income support like Austudy and Abstudy;
- maintaining income-contingent loans for tuition fees, provided that:
  - a commercial rate of interest is charged,
  - the income threshold at which repayments start is reduced to the level at which recipients lose eligibility for unemployment benefits);
  - liability for payments continues while the debtor is overseas (as per private debts), and
  - outstanding debts are claimed from deceased estates;
- removing government funding for tertiary education institutions to undertake research, while approving of private funding for this;
- letting tertiary education institutions determine their own mix of research and teaching, the number of students they teach in various courses, and their fees and charges;
- repeal of the Tertiary Education Quality and Standards Agency legislation; and
- privatisation of universities and other higher education institutions established by government.

## Discussion

It is unfair for those without the benefit of higher education to pay for the higher education of others.

The benefits of higher education accrue to the student. There is little evidence to suggest that an individual's higher education enhances the productivity of others, or makes others more 'cultured'.

There is no role for government to encourage people to undertake more higher education than they would choose to do in the absence of subsidies – governments do not know better than individuals about the prospective benefits of higher education.

And not all higher education is beneficial. Where employers erroneously place value on a qualification that fails to either improve productivity or distinguish superior from inferior workers, then the costs of the qualification represent a waste.

The Liberal Democrats' significant tax reductions will improve the capacity of prospective students and their parents to save so as to fund higher education. They will also increase the after-tax returns of higher education.

Government should intervene less in higher education, and when it does intervene should do so in ways that do not 'pick winners' among students or higher education providers.

Current government tuition subsidies go almost entirely to public universities. This biases the system against the 130 other higher education providers and their students. It makes it more difficult to set up new higher education providers offering different kinds of higher education or lower fees.

Most government tuition subsidies end up supporting students who would study without them. Removing these subsidies would reduce costs to taxpayers and create a more competitive higher education market.

The government should not set tuition fees. An open and competitive market in higher education services would serve to keep fees down.

While the Liberal Democrats recognise that Income-contingent loans assist young people from poor families to invest in their future, the current HELP scheme unnecessarily subsidises interest costs once a student is earning an income. In addition, the death write-off will cost taxpayers a great deal without any evidence that it delivers equivalent benefits.

The Liberal Democrats support changes to bankruptcy laws that would remove impediments to private lenders offering unsecured loans to students.

Government does not need to support higher education institutions to undertake research. The commercial benefits of research accrue to the researcher, particularly given the effect of intellectual property. Businesses that fund research receive tax concessions for doing so. Private philanthropy can support research that does not generate commercial benefits, particularly when taxes are reduced on potential donors.

The centralisation of regulation through the Tertiary Education Quality and Standards Agency puts too much power in the hands of the Commonwealth minister for education. The TEQSA Act means that the federal minister power sets uniform standards for all higher education providers in Australia. This narrows the types of higher education provider allowed in Australia, in contrast to the flourishing of new institutions in the United States. It is making it too difficult to establish a new higher education provider, and creating unnecessary bureaucracy for existing higher education providers. Potentially, centralisation of power could lead to a national university curriculum in place of the current diversity of curricula. TEQSA has also led to a substantial increase in red tape.

Universities are notoriously inefficient as their boards have little incentive to drive efficiency improvements. Currently, the only avenue for accountability is through annual reports to parliament. In contrast, privatisation would lead to private shareholders who would demand that boards drive efficiencies and improve services to students.