



INDEPENDENT  
HIGHER EDUCATION  
AUSTRALIA

# CRICOS COST RECOVERY CONSULTATION

11 February 2020



**Submission to: Department of Education**

**Response to: *CRICOS Cost Recovery***

## **Independent Higher Education Australia**

IHEA represents the majority of Australia's registered and accredited independent higher education providers (including independent universities) with campuses across Australia. IHEA members educate students in a range of disciplines including Law, Engineering, Agricultural Science, Architecture, Business, Accounting, Tourism and Hospitality, Education, and Health Sciences, Theology, Creative Arts, Information Technology and Social Science. IHEA members are higher education institutions with both for-profit and not-for-profit models and educate domestic and international students in undergraduate and postgraduate programs.

The Australian independent higher education sector comprises more than 130,000 students and 120 institutions, with independent providers variously accredited to offer courses across the full AQF range (Diplomas to Doctorates).

Membership of IHEA is only open to providers that are registered with the Australian regulator – Tertiary Education Quality Standards Authority (TEQSA). Membership is also conditional on continued compliance with IHEA's Code of Good Practice.

**IHEA's primary goal is promoting equity, choice and diversity for all Australian higher education students.**

## **IHEA's comments on CRICOS Cost Recovery**

In a general sense, IHEA does not support the rigid application of the Government's cost recovery approach to higher education. IHEA's view is that a sector that contributes a significant component of Australia's largest service industry export market, bringing \$37.6 billion into the Australian economy,<sup>1</sup> already adequately raises the costs of regulating quality and administering the sector.

Recovering the cost of regulation from education providers ultimately means increased costs of operating. As operational costs rise, more revenue needs to be raised and ultimately, that means students pay more, either through direct charges or indirectly through the opportunity cost of having money spent on regulation rather than student services.

IHEA understands the need to regulate the sector and welcomes the protection to students and the industry that quality regulation brings. The cost of the regulator's operations, however, should not be recouped from the entities being regulated, especially when these entities have no control over the cost drivers of the regulator's activities.

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<sup>1</sup> Australian Government Department of Education Research Snapshot Infographic, December 2019.

IHEA members are facing charges from at least two different sources for CRICOS – having some charges from the Department and then some from TEQSA - and our dual sector providers will also have CRICOS costs to pay through ASQA. This will result in an increase in administrative burden for providers and is contrary to the government stated commitment to reducing red tape and administrative burden on Australian businesses.

Further, these cost recovery charges are being proposed whilst a significant imbalance in the principles of competitive neutrality remain in Australian higher education. Independent higher education providers continue to be disadvantaged through a Loan Tax applied to FEE-HELP recipient students based on their choice of provider. IHEA's view is that competitive neutrality principles need to be applied across the sector to ensure a level playing field for students before further costs are added to providers.

IHEA understands that the government is committed to cost recovery and its application to the education sector. In relation to the proposed CRICOS cost recovery, there are several areas of concern to IHEA and our members.

### **1. Unclear impacts in the absence of a CRICOS CRIS and the TEQSA CRIS:**

IHEA's CRICOS registered members understand the government's cost recovery principles and acknowledges that CRICOS is an area of regulation where these principles might apply. At present, members are waiting on the process of the cost recovery model development of TEQSA, ASQA, HELP and now CRICOS. The outcomes of the implementation of these cost recovery programs will have a significant impact on independent providers and are interrelated.

The quantum of the impact of these combined charges is unknown, and will only be able to be fully determined when the CRIS for each can be examined. Without that documentation and with an unknown total cost to providers, it is difficult to make specific comment on elements of the cost recovery and to adequately model impact on providers and students. While IHEA appreciates being consulted with on specific elements of cost recovery, it does make it difficult to make specific comment without having an overall picture of the CRISs for each. Commenting on each element separately shields each agency from feedback that truly reflects the impact of the charges on the sector.

The consultation for the Department's CRIS (when it is released) should allow for each of the CRICOS related agencies' CRISs to be examined simultaneously so that a proper understanding of the full impact can be gleaned and understood prior to making comments to the Department and the various CRICOS agencies about them. IHEA believes this would be the only way to ensure genuine consultation with the sector and stakeholders and to provide them with the opportunity to assess the overall impact of the CRICOS Cost Recovery program. Currently, we are only commenting on parts of the program.

### **2. Ensuring an efficient and effective PRISMS:**

A portion of the costs being recovered by the Department are those relating to the provision of the Provider Registration and International Student Management System (PRISMS). If providers are to meet the cost of operating, maintaining and administering this system, then the government should be committed to providing the most efficient and effective IT system possible.

IHEA urges the Department to make some urgent enhancements to PRISMS to reduce duplication of data entry and reporting requirements for providers. The specific changes should be determined in consultation with the sector. There are some key improvements that could be made that would reduce duplication and administrative burden and produce immediate benefits to providers. These enhancements should be made prior to the implementation of cost recovery for its operation.

The system is aged and in need of modernisation in order for it to be the most effective tool for providers' future needs. Therefore, the Department needs to also commit to undertaking a major redevelopment of the PRISMS within a reasonable timeframe. This redevelopment also needs to be undertaken in consultation with the sector to determine the optimal use of the system including how to best streamline data entry, reduce providers' administrative burden and ensure government is collecting quality and reliable data.

Issues such as these need to be addressed prior to providers being charged for this service, to avoid providers unfairly paying costs of antiquated or non-cost effective systems. IHEA's view is that it is unreasonable to charge for a service without meeting reasonable expectations of efficiency in the

provision of those services and allowing stakeholders input into increasing efficiency and improvements in service delivery.

### **3. Costs of the Ombudsman:**

IHEA can understand the justification for charging independent providers for the use of the Overseas Student Ombudsman for its student complaints because students of publicly funded education institutions have access to state-based education Ombudsmen. As the Overseas Students Ombudsman service is currently funded from the Annual Registration Charge (ARC), and this charge is to be retained, if a descreet charge for the Obudsman is levied separately, there should be a corresponding reduction in the ARC. The Department also needs to ensure there is transparency about the actual cost of operating this service and that those costs are monitored, reviewed and reflected in the ongoing charge to independent providers.

There is a general need for the Department to ensure there is no duplication of charges for activities and services delivered. As providers pay a TPS levy, will be paying to the regulator and the Department for cost recovery, it is important that there is no duplicate payments made for services that may be provided by different ESOS agencies.

### **4. Support for scaled price model:**

In the event of implementation of cost recovery, IHEA supports a recovery model that scales fees according to the size of the institution, number of locations that are CRICOS registered, number of courses and number of enrolments. In fairness to smaller providers they should be charged proportionately to their benefit from the systems that are having their costs recovered. This is a sound principle to apply to cost recovery charges for all activities.

### **5. Other comments:**

We look forward to being consulted on the CRIS when it is developed. IHEA expects the Department to consider the other ESOS agencies' cost recovery charges when it develops the detail in the CRIS so that the costs are reasonable when considered in conjunction with one another. Stakeholders also need to be given the opportunity to consider and comment on the CRISs together.

We thank the Department for the opportunity to comment on the CRICOS Cost Recovery proposal.

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