Issues for heads of campus in a competitive and deregulated market
Context

Higher education reforms a.k.a. Pyne Reforms comprise:
1. Fee deregulation
2. Uncapping of sub-degree load
3. Opening of CSPs to NUHEPS

What are the implications of the proposed higher education reforms for heads of campus?
Outline

1. Who do regional campuses serve and how are these market segments affected by higher education reforms?

2. Should fee deregulation go ahead?

3. What are the implications of fee deregulation?

4. Will NUHEPs increase in numbers and enrolments in a given region?

5. Are institutions/campuses prepared for the uncapping of sub-degree places?
Regional universities, and by extension regional campuses, cater to different market segments. 

Indigenous students as a proportion of all domestic undergraduate students

<table>
<thead>
<tr>
<th>ATN</th>
<th>GO8</th>
<th>IRU</th>
<th>No Group</th>
<th>RUN</th>
</tr>
</thead>
</table>

Students from the bottom 3 socioeconomic deciles as a proportion of all domestic undergraduate enrolments

<table>
<thead>
<tr>
<th>ATN</th>
<th>GO8</th>
<th>IRU</th>
<th>No Group</th>
<th>RUN</th>
</tr>
</thead>
</table>

Policies that have differentiated impacts on the options available to different market segments, will have differentiated impacts on regional universities and campuses.

Note: Data is illustrative only.
The proposed higher education reform package has a number of differentiated impacts

Four examples:

1. The prospect of increasing HECs debts will play more heavily on the minds of mature age students than school leavers.

2. Sub-degree pathways will be more attractive to “non-high-ATAR” students.

3. Sub-degree pathways will be of interest to students considering VET qualifications at the equivalent level, and options may be compared on equal basis.

4. Competition from private providers is likely to be more fierce amongst segments that place a higher value on employment outcomes over institutional prestige.
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Is there sufficient competition to justify deregulation?

From the 2014-15 Budget Higher Education Reforms Regulatory Impact Statement:

“Competition between institutions for students will prevent exorbitant fees and the Government will not signal its expectations around fees as this might lead to either collusion or suboptimal market operations.”

One of the areas where insufficient competition was acknowledged was in medicine; options were mooted:

“Given the number of Commonwealth supported medical places will continue to be designated by the Government, the Government would set a new maximum student contribution level for courses in medicine. This would account for the proposed reduction in Commonwealth contribution and provide some scope for price differentiation.”

There is a very high likelihood that competition will be similarly limited in many regions, even if only initially. Alternative approaches to blanket deregulation need to be considered – see for example price deregulation of retail electricity.

Note: See http://www.afr.com/news/policy/education/competition-a-minefield-for-unis-20141012-11cp0g
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If fee deregulation goes ahead…

- Institutions will need to determine the appropriate fee-levels based on (1) what their market segments are willing to pay, and (2) what competitors are charging (not either in isolation).

- Secondary campuses will need to work with the institution to ensure that fees that are set centrally don’t overlook local factors.

- Campuses will need to clearly communicate their value proposition – what are students getting for the extra $?

- Campuses/institutions will need to be mindful of a new range of issues that apply in a competitive market:
  - What about the lessening of competition when campuses change hands?
  - What about collaborations that appear collusive? (AUHCF/AHEHCF)
  - Could actions be construed as an exercise of market power?
What market segments are willing to pay: A note on debt aversion

Three types of debt aversion identified:

- **Risk-based debt aversion**: Associated with uncertainty about the returns to education investment (scepticism about employment prospects after graduation, as well as those who cannot accept the idea of debt ‘hanging over their heads’)

- **Values-driven debt aversion**: Those students who are unwilling to borrow for religious or culture related reasons

- **Sticker price debt aversion**: Students are scared of the total debt accumulated of the period of study, usually stemming from over estimation of costs and under estimation of income.

Students without noticeable debt aversion (a) had already decided to go to university, (b) were predicted to gain high grades and (c) tended to be from higher socio-economic backgrounds.

Source: Finnie (2004), see also Maringe et al 2009
What competitors are charging: A chart on the possible spread

Analysis of the spread of possible deregulated business course fees based on reported international fees (2014)

There is significant overlap and therefore depends on what students would generally weigh up as being possible substitutes – including VET courses.

Source: ACIL Allen modelling of possible domestic fees using Cricos data.
Analysis has shown that with the current capped prices, ATAR entry scores act as de facto prices.

At present, campuses can have different ATAR ranks for the same qualification, in response to local factors.

AAC analysis finds 1 ATAR point = ~$1,500

Price discrimination is (recently) legal, but is likely to be socially and reputationally unpalatable. This will create significant challenges for the pricing of identical products outside primary campuses.

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### Bachelor of Business Administration
**Australian Catholic University (ACU)**

<table>
<thead>
<tr>
<th>Campus</th>
<th>OPRank, ATAR Cutoff</th>
<th>Mid Year Intake?</th>
<th>Study Mode</th>
<th>Entry Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brisbane (McAuley at Banyo)</td>
<td>17/63^</td>
<td>No</td>
<td>Full-time internal, Part-time internal</td>
<td>Year 12 or equivalent; NSW: Prerequisites: English; QLD: Prerequisites: English (4.5A); VIC: Prerequisites: Units 3 &amp; 4: a study score of at least 30 in English (ESL) or 25 in any other English; International students: Equivalent of Australian High School completion plus academic IELTS 6.0 (with a minimum of 6.0 in speaking and writing, and 5.5 in listening and reading)</td>
</tr>
<tr>
<td>Melbourne (St Patrick’s)</td>
<td>59.65^</td>
<td>No</td>
<td>Full-time internal, Part-time internal</td>
<td>Year 12 or equivalent; NSW: Prerequisites: English; QLD: Prerequisites: English (4.5A); VIC: Prerequisites: Units 3 &amp; 4: a study score of at least 30 in English (ESL) or 25 in any other English; International students: Equivalent of Australian High School completion plus academic IELTS 6.0 (with a minimum of 6.0 in speaking and writing, and 5.5 in listening and reading)</td>
</tr>
<tr>
<td>North Sydney (MacKillop)</td>
<td>58.50^</td>
<td>No</td>
<td>Full-time internal, Part-time internal</td>
<td>Year 12 or equivalent; NSW: Prerequisites: English; QLD: Prerequisites: English (4.5A); VIC: Prerequisites: Units 3 &amp; 4: a study score of at least 30 in English (ESL) or 25 in any other English; International students: Equivalent of Australian High School completion plus academic IELTS 6.0 (with a minimum of 6.0 in speaking and writing, and 5.5 in listening and reading)</td>
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*Note: All data is subject to change and should be verified from the official sources.*

Source: Hobsons Course Finder
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Will non-university higher education providers take an interest outside of metropolitan areas?

Change in enrolments and provider numbers in Victorian regions following the opening of the subsidised VET market

Private training delivery exploded when VET was opened to private providers in Victoria in 2011, including uneven growth in the regions.

There is no reason to expect the same growth in higher education per se.

Source: ACIL Allen analysis of 2011 Victorian Training Market Report data
Where Victoria had over 600 contracted RTOs, TEQSA has only 173 higher education providers nationally.

There is slow growth in the number of NUHEPs and the barriers to entry are high. Universities have the advantage of size but must be wary of smaller providers that target niche markets.

Source: TEQSA 2014
Competition will be fiercest in those areas that tend to be favoured by NUHEPs

A similar skew in NUHEP enrolments and enrolment growth towards these fields of education can also be observed.

There was no apparent rush in new accreditations when the Pyne reforms were announced but this could be due to TEQSA lags.

Source: TEQSA 2014
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Depending on historical allocations of sub-degree places, some campuses are more prepared for uncapping.

Those universities that are prepared for growth are those that have the courses, systems, staff and infrastructure in place already.

Dual sectors are in a unique position if they intend to shift students from VET accredited to HE accredited diplomas.

Source: uCube data, excludes VET Diplomas and Advanced Diplomas at dual-sectors.
Summary

1. Institutions and heads of campuses (and policy markers) need to consider the differentiated impacts of reform on different market segments, and therefore campuses.

2. Competition as the pre-condition for fee deregulation may not be satisfied in many regions.

3. Fee deregulation will make pricing a significant challenge where the value proposition at the main and secondary campuses are quite different.

4. Non-university higher education providers will increase and grow, but to what extent is uncertain. Unlike VET, barriers to entry are high and niche providers are likely to be the fiercest competitors initially.

5. Institutions/campuses may not be in a position to take advantage of the significant opportunity presented in the uncapping of sub-degree load if they have not already been geared up to deliver a large number of places (according to historically based allocation).