
**PUBLIC BENEFIT TEST
REPORT**

*HIGHER EDUCATION
(GENERAL PROVISIONS) ACT
1993*

*HIGHER EDUCATION
(GENERAL PROVISIONS)
REGULATION 1996*

EDUCATION QUEENSLAND

25 May 2000

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PUBLIC BENEFIT TEST REPORT *HIGHER EDUCATION (GENERAL PROVISIONS) ACT* 1993 *HIGHER EDUCATION (GENERAL PROVISIONS)* *REGULATION 1996*

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PUBLIC BENEFIT TEST REPORT

HIGHER EDUCATION (GENERAL PROVISIONS) ACT 1993

HIGHER EDUCATION (GENERAL PROVISIONS) REGULATION 1996

EDUCATION QUEENSLAND

1. EXECUTIVE SUMMARY

This review documents the results of a Public Benefit Test on sections 5, 6, 7, 8, 9, 10, 12 and 13 of the *Higher Education (General Provisions) Act 1993* and sections 4, 10, 12, 13, 13A and 16 of the *Higher Education (General Provisions) Regulation 1996*, which were identified as being restrictions on competition because they:

- impose a limitation on the operation of foreign universities in Queensland;
- impose a limitation on the use of the title 'university';
- impose a limitation on the conferring and using of higher education awards;
- provide for the Minister as the accrediting authority for courses offered or proposed to be offered by non-university providers;
- allow universities to self-accredit courses;
- provide for the examination of the operations of non-university providers by the Minister; and
- impose a limitation on the establishment or recognition of universities.

The restrictive provisions were assessed in accordance with the provisions of Clause 5(1) of the Competition Principles Agreement and it was concluded that:

- the benefits of the restriction to the community as a whole outweigh the costs; and
- the objectives of the legislation can only be achieved by restricting competition.

Accordingly the recommendation of this review is that the legislation should be retained unchanged.

For the purposes of this review, the market for higher education awards is defined as the market for the supply and attainment of specific knowledge and general abilities gained by undertaking a course of study that results in the conferring of a higher education award in Australia. It is seen as a quasi-market, affected considerably by factors other than supply and demand.

This market is seen as the Australian rather than just the Queensland market, but Queensland Government legislation affects only Queensland institutions and their students (regardless of their place of origin). The providers in the market are public universities, private universities, non-university providers, foreign universities and institutions approved by the Minister for Education.

Participants in provision are 7 public universities, 2 private universities and 11 other providers. The public universities overwhelmingly dominate the market, serving in 1998 a total of 123 294 students out of a statewide total of 130 425, representing 94.5% of the student body.

Higher education is a major export earner ranking as Australia's fifth largest source of service export income, generating an estimated \$3.2 billion – up from \$2.3 billion in 1995. The Commonwealth Government has provided funding of \$21million over the next four years for international marketing and other activities to promote Australian education and training services overseas.

Market trends include:

- nationwide planning to increase the number of higher education places;
- increased competition for enrolment of domestic students from overseas universities and international consortia;
- the entry of corporate and virtual providers;
- the establishment by domestic providers of off-shore campuses;
- pressure on Australian universities to ensure standards comparable with overseas institutions;
- changes in the composition of the student body; and
- changes in funding arrangements in the public universities.

Government involvement in the higher education sector is justified by the failure of the market in regard to information asymmetry, distortions arising from socio-economic factors, externalities and the need for accountability and standards.

Information asymmetry affects primary consumers (students) who have difficulty in determining the quality of an education course without directly experiencing it. Secondary consumers are employers and clients of professional groups, who can rely only on a formal, transparent process establishing the standard and quality of courses delivered to their employees or professional providers.

The higher education market is distorted by social and economic factors that operate outside the market. For instance, rural and isolated students are under-represented in higher education by 40 percent in comparison with the representation of students from urban areas, and as school completion rates are lower in rural areas, many rural students do not reach the point at which it is meaningful to speak of potential barriers to higher education.

Education generates positive externalities such as increased law and order, public health and safety, economic and regional development, employment opportunities and better quality of life in the community, and consequently government intervention in the higher education market can be justified.

The legislation has a regulatory effect on the market by imposing restrictions and accreditation procedures on non-university providers and foreign universities. The Minister for Education is the accrediting authority and is assisted by the Office of Higher Education in carrying out the accreditation responsibilities.

Policy objectives have been viewed in the context of the Commonwealth/State agreements and frameworks. Commonwealth Government regulation of higher education has the objective of an innovative, high quality, growing sector able to meet the changing needs of society, industry and trade. To gain important spillover effects, the Commonwealth Government heavily subsidises higher education, and its regulation of the sector is to ensure efficient use of funds and the maintenance of the reputation, quality and integrity of the sector.

The objectives of the State and Territory Governments are cognate with those of the Commonwealth Government, and involve taking responsibility for the above processes via the legislative recognition of higher education awards and institutions able to operate as universities.

Four alternatives to the existing legislation have been identified and the viability of these alternatives has been assessed. They are:

- deregulation;
- partial deregulation by removing prohibition on the use of the title "university", but retaining the accreditation scheme for offering higher education awards;
- partial deregulation by retaining restrictions on the use of the title "university" but allowing non-university providers to self-accredit courses for higher education awards; and
- co-regulation.

COSTS/BENEFITS:

- for Students/Parents
From **deregulation**, benefits are possible increases in the number and diversity of courses, flexibility of response to changing demand and increased access (especially regional access).

Costs are of two kinds, namely money and status. The money costs issue from longer and more complicated verification of award quality, course standards and reputation, and financial viability of providers. Further money costs arise from possible reduction of public funding, if governments cannot guarantee performance. If the course standards fail to provide opportunity for employment, because of lack of employer confidence in the value of courses and awards, the money costs to "graduates" could be severe and lifelong. This is also a status cost.

Another cost could be restriction of opportunity for cross-crediting and portability of awards, because of loss of academic status if awards were perceived as sub-standard.

From **partial deregulation** (first model – no restriction on title "university" and retention of accreditation scheme), benefits include a possible increase in the number of providers, and hence in diversity of courses.

The costs are almost identical to those arising from **deregulation**, but complicated by the ability of any institution wishing to call itself a university to do so, regardless of its inability to self-accredit its courses.

From **partial deregulation** (second model – retention of restriction on the use of the title "university", but non-university providers given self-accreditation powers), benefits are closely similar to those from **deregulation**.

Costs are also similar to those from **deregulation**, but less severe because of the retained status of the existing universities with historical self-accrediting status, making selection of provider easier. There is a greater risk of failure of providers, arising automatically from the creation of a two-tiered system.

From **co-regulation** there could be an additional benefit in a wider range of degree level awards, and an additional cost in time taken in selection of course and provider.

- for Course Providers

From **deregulation**, benefits include easier entry to the market, increased opportunity to offer greater diversity of courses, greater scope for responsiveness to market demand and decreased administrative costs.

Their major costs are a possible decrease in demand because of a decline or greater variability in the quality of courses and awards, a decrease in communication and co-operation because of greater competition, a potential division between an elite group of established providers on the one hand and a group of new providers seeking a share of student numbers and public funding, and the possible market-wide loss of academic reputation.

From **partial deregulation** (first model) benefits vary with the current status of the provider. For new providers, or those currently denied access to the title "university", benefits include the ability to attract students by the assumption of that title. No benefit has been identified for the existing universities.

Costs are essentially identical to those stated in relation to **deregulation**, with the additional cost for existing university public providers of loss of status arising both from proliferation of "universities" and from the possibility of sub-standard providers assuming that title.

From **partial deregulation** (second model) benefits are similar to those accruing from the first **partial deregulation** model, but it is conceivable that current public universities would be the greatest beneficiaries because of reputation gained from their historic status as self-accrediting institutions. It is also probable that little benefit would in fact be gained by new self-accrediting institutions, because the title "university" itself carries a cachet in society that delivers a market advantage to providers entitled to use it.

Their costs include the possibility of division among providers, leading to lack of co-operation, and the likelihood of a decline in Queensland's reputation as a source of quality higher education. A further cost could be loss of government funding because of failure to comply with national agreements.

From **co-regulation**, for non-university course providers there could be the benefit of participation in planning of the higher education sector. For all providers, the setting up of an industry/professional organisation would cost time and money.

- for Government

From **deregulation**, benefits include reduced administration costs and greater diversity and flexibility allowing providers to respond to labour market needs.

Their major costs are both social and money costs. These assertions are predicated on two assumptions:

- that students (and especially overseas students) would be unwilling to commit themselves to providers for whom there were no guarantees of competence in preference to providers interstate and overseas by whom such assurances can be made; and
- that the Commonwealth Government would be unwilling to continue funding public universities in a state where the higher education sector operated outside the National Qualifications Framework.

Both would cause significant adverse revenue outcomes for Queensland.

From **partial deregulation** (first model), benefits are identical to those stated in relation to **deregulation**.

Costs, too, are very similar, but government would not lose credibility because it would not cease to be ultimate guarantor of higher education awards in Queensland.

From **partial deregulation** (second model), benefits are almost identical to those arising from **deregulation**, although they would retain the administrative costs of policing the use of the title "university", and of legislation for the establishment of new public or private universities.

Costs are closer to those arising from **deregulation** than to those arising from the first **partial deregulation** model, because there is a strong possibility of adverse public reaction from a perception of government's abrogation of its responsibility for the standard of higher education and higher education awards, and it is highly likely in that Commonwealth funding of higher education would be severely cut in Queensland if the state breached national agreements.

From **co-regulation**, no benefits have been identified for government, but they would have to bear time and money costs for the establishment of and liaison with an industry/professional organisation.

- for Employers

From **deregulation**, benefits include the possibility of greater diversity of courses leading to a greater diversity of employee skills. Providers could more quickly respond to industry needs.

There is a danger of direct money costs in selection processes arising from difficulty in ascertaining standards of qualifications, coping with variability in employee skills and making up for deficiencies by training employees to the required standards.

For professional practices, loss of reputation hence loss of income, and a possible professional labour shortage caused by a graduate shortfall must be considered.

From **partial deregulation** (first model), benefits are similar to those from **deregulation**.

Costs, too, are similar, although standards of professional employees would not be so difficult to assess because higher education awards would not be affected. There would still be a time cost in assessing applicants' credentials, because the title "university" would lose its current meaning.

From **partial deregulation** (second model), benefits are similar to those from **deregulation**, with the added advantage of retaining faith in the title "university".

Costs are similar to those from **deregulation**, but for professional practices, rather less, as they could retain faith in university awards, making staff selection easier.

Co-regulation Benefits to employers are similar to those from **deregulation**, with the added advantage of retaining faith in the title "university".

Costs are similar to those from **deregulation**, but for professional practices, rather less, as they could retain faith in university awards, making staff selection easier.

Education Queensland in consultation with Treasury undertook a reduced review process. A reduced review process was considered appropriate because of the national framework and Commonwealth – State agreements within which the legislation operates.

2. TITLE OF THE LEGISLATION

HIGHER EDUCATION (GENERAL PROVISIONS) ACT 1993
HIGHER EDUCATION (GENERAL PROVISIONS) REGULATION 1996

3. OBJECTIVES OF THE LEGISLATION

3.1 National Context

Commonwealth

The objectives of the legislation are viewed in the context of the Commonwealth/ State agreements and frameworks within which the legislation is intended to operate and the overall Commonwealth objectives for the higher education sector.

The objective of Commonwealth Government regulation of the higher education sector is to have an innovative, high quality, growing sector that can respond to the changing demands of Australian society. The terms of reference for the 1998 West Review of Higher Education Financing and Policy provide an insight into the broad Commonwealth Government objectives for the higher education sector. The Review Terms of Reference state:

...higher education will become an increasingly vital component of the economic and social fabric of advanced industrial societies. A diverse, high quality higher education sector will be one of Australia's most important comparative competitive advantages as manufacturing processes and capital become more mobile.¹

Higher Education produces benefits for society beyond those captured by participants. The spillover effect from higher education relates to factors such as contribution to economic growth and productivity, and social consequences such as improved law and order and improvements in the general quality of society. The Commonwealth Government aims to capture the positive spillover effects that benefit society and therefore heavily subsidises higher education. In view of the substantial financial commitment of public funds to higher education, government has a responsibility to ensure funds are used efficiently, effectively and the **reputation, quality and integrity** of the higher education sector is maintained.

¹ *Learning for Life* [Final Report – Review of Higher Education Financing and Policy] – R. West *et al.*, Department of Employment, Education, Training and Youth Affairs, Canberra, 1998, p.177

State

It is reasonable to assume that the Queensland Government has for the higher education sector similar broad objectives to those of the Commonwealth Government. State Governments are responsible for the legislative recognition of higher education awards, and for the operation of universities in Queensland. Further, the Queensland Government has established seven Government Priorities Outcomes for Queensland, and the legislative effect of any alternative should be consistent with, and support, the Government Priority Outcomes. (Appendix 1 provides a list of Government Priority Outcomes.)

Responsibility for higher education in Australia is shared among State, Territory and Commonwealth Governments, with particular responsibilities of each level of Government set out most recently in an agreement reached in 1992. Under the arrangements for sharing responsibility for higher education between Commonwealth and the States, the Commonwealth Government is primarily responsible for funding higher education in Australia and the development and implementation of policy relating to its funding responsibility, while the State and Territory Governments are responsible for establishing the administrative and policy mechanisms by which higher education institutions operate.

The Queensland legislation containing higher education award recognition, accreditation processes and legislative protection of the use of titles such as "university" and "degree" is similar to that operating in other States. Appendix 2 provides a summary of the legislation operating in other States and Territories.

Since 1995, State and Territory processes have been supported by the Australian Qualifications Framework (AQF), which was introduced by the Ministerial Council on Employment, Education, Training and Youth Affairs (MCEETYA) to support nationally consistent qualifications and learning pathways across the schools, vocational education and training and higher education sectors. The Australian Qualifications Framework provides clear descriptors of awards offered in vocational education and training and higher education and maintains registers of approved programs and providers.

Commonwealth, State and Territory Governments agree that a national system of qualifications is a significant source of competitive advantage for a national education system.

On 31 March 2000, MCEETYA endorsed the introduction of new quality assurance processes in relation to all higher education institutions seeking financial support from the Commonwealth Government. These processes have included the establishment of an Australian Universities Quality Agency in 2000 in cooperation with the States and Territories and in consultation with the higher education sector.

The joint Commonwealth and State framework, legislation and 2000 proposals aim to achieve:

- a consistent national approach to higher education awards and accreditation processes;
- portability of awards and credits for courses between States and also public and private institutions;
- international credibility and recognition of Australian higher education awards and the development of agreements with other countries in the area of mutual recognition of qualifications in higher education; and

- community and global assurance that the quality of Australian higher education is assured through rigorous external quality review processes.

The legislation under review will also underpin the new Commonwealth quality assurance processes.

The State registration process for providers of education to overseas students is reliant on the accreditation processes provided in the *Higher Education (General Provisions) Act 1993* and the *Regulation 1996* to achieve a national regulatory process. The *Education (Overseas Students) Act 1996* and the *Education (Overseas Students) Regulation 1998* provide a framework for the orderly conduct of programs of education and training for overseas students. It was introduced to address problems arising from the information asymmetry that exists in the market whereby providers make representation to potential students overseas with little opportunity for persons to verify the providers' claims. Each State and Territory in Australia has enacted similar legislation. The State overseas students legislation is designed to give effect to the State's participation in a joint or "cooperative" Commonwealth-State regulatory arrangement. A prerequisite to registration pursuant to the *Education (Overseas Students) Act 1996* for non-university providers of higher education awards is that courses have been accredited pursuant to the legislation currently under review.

3.2 State Context

The current legislation continues a legislative regime established in 1965. Universities are authorised by their establishing legislation to set standards for and confer their own awards. Since 1965, Queensland has had consistent legislative provision, which has made it illegal for persons to hold or claim to hold higher education awards not properly authorised, or for persons, other than universities established under legislation, to confer higher education awards, without the express permission of the Minister. In 1993, these provisions were consolidated in the *Higher Education (General Provisions) Act*.

The legislation complements the provisions of the *Vocational Education, Training and Employment Act 1991* which is administered by the Minister for Employment, Training and Industrial Relations, and provides for the accreditation of vocational education and training courses conducted by State (i.e. TAFE Institutes) and other bodies which apply for accreditation of courses deemed to be comparable with them. The accrediting body under this Act is the Vocational Education, Training and Employment Commission.

3.3 Legislative Objectives

The legislative objectives of the legislation as defined in the *Queensland Acts 1993 Explanatory Notes* No.12 (p43) are:

- to protect the standing and reputation of universities in Queensland;
- to protect the standard of higher education awards in Queensland;
- to provide for the accreditation of courses leading to higher education awards; and
- to amend the *Education (General Provisions) Act 1989* by omitting outdated provisions which relate to higher education awards and the use of the title "university".

In the Second Reading Speech of the Higher Education (General Provisions) Bill, The Hon. P. Comben, then Minister for Education stated that:

...It is in the interests of this State to protect the good name of universities and ensure that the name "university" is not misused ... Similarly the public has the right to expect that the integrity of what we have come to expect of degrees and postgraduate qualifications is not demeaned.....With increasing numbers of people seeking to advance themselves through degrees and higher qualifications, it is essential to be able to provide some assurance and regulation of the standards of courses offered."

The overall aim of the legislation is to protect the quality and standard of higher education offered in Queensland. The need to maintain the quality and standard of higher education is driven by agreements and arrangements between the Commonwealth Government and the State and Territory Governments referred to above, as well as social and economic factors and Government Priority Outcomes.

3.4 Social and Economic Factors and State Government Priority Outcomes

3.4.1 Health and Safety

Higher education awards are an essential element of the right to practise in professions and occupations necessary to public health, the social and economic wellbeing of the community and the maintenance and improvement of quality of life. For example, the professions of medicine, dentistry, nursing, engineering and architecture, economics, and education all have a necessary and essential role in the wellbeing and quality of life of the community. New professions and occupations are developing. For example alternative approaches to health care such as homoeopathy, naturopathy and acupuncture have become increasingly popular throughout Australia in recent years, and there is a need to ensure that education in such procedures produces safe, competent practitioners to serve the public. The community recognises the higher education award as an indicator of the minimum standards and competency of the holder and provider of such awards. The standards and accreditation processes involved in the offering of higher education awards are aimed at ensuring the competency of the recipients and providers, and thereby protecting the community from unskilled and incompetent practitioners.

3.4.2 Equity

It is an objective of Commonwealth, State and Territory Governments to remove impediments to participation in higher education. Higher education is a valuable resource which all segments of the community should have the opportunity to share and to use efficiently. Strong government support for higher education stems from recognition of the social and economic benefits higher education delivers and its ability to confer greater understanding, as well as financial advantage, on those that embrace it. A range of factors impedes access to and participation in and efficient use of higher education. One such impediment is the ability to access and assess information on institutions and their products. By providing for the accreditation of courses of non-university providers wishing to confer higher education awards and restricting the use of the title "university" to those providers who can fulfil the role of a university, the Queensland Government is helping to ensure that this impediment is reduced.

3.4.3 Economic and Regional Development

The economic and regional development of Queensland and the nation depends partly on the efficient use of educational resources in a way that increases net benefits within the community. The efficient use of benefits that higher education can bestow on a community is influenced in part by the following:

- the extent of comparability of higher education awards both nationally and internationally;
- the facilities for credit transfer between such awards and other post-secondary programs nationally and internationally; and
- the portability of higher education awards.

A higher education sector offering awards which are portable, and facilities for credit transfer between such awards, not only benefits the individual consumer but also facilitates regional development. Skills and expertise are portable to areas of need and qualifications can be efficiently advanced in accordance with regional and community needs.

From an individual perspective, national and international recognition of the award ensures that the award is portable and individual employment opportunities are not restricted to local recognition areas. Facilitating credit transfer between awards provides for the opportunity for horizontal and vertical advancement of the individual's qualifications. Portability of awards also facilitates this advancement of qualifications.

The legislation provides a regulatory framework which protects the standards of the awards thus enabling portability and comparability of Queensland's higher education awards nationally and internationally, as well as credit-transfer between such awards.

From an international perspective, a higher education sector consisting of reputable universities and non-university providers offering quality higher education awards that have international recognition is a desirable product. The reputation and quality of the Queensland higher education sector has been protected in part by the legislation thereby ensuring the quality, integrity and standing of the providers and products and the recognition and portability of Queensland's higher education awards internationally. An overseas market has emerged and grown strongly such that education, and higher education in particular, has become a major export earner. The economic, social, scientific and cultural benefits that emerge from a strong, reputable and quality international student market contribute to the quality of life in the community.

Business investment in Queensland is determined to a considerable extent by the availability of a quality and skilled workforce. Evidence of a transparent and credible system of quality assurance in the State's higher education awards and providers engenders confidence in the quality and skill of the workforce.

3.4.4 Employment

The employment opportunities of graduates with a higher education award is partly influenced by the recognition of the award in the market and the perceived quality and standing of the award. Queensland graduates compete with interstate and international graduates for employment both within Queensland and Australia and internationally. Without the quality and standards of providers being accredited in accordance with a national framework, the employment opportunities and job security

of graduates from providers of higher education in Queensland could be undermined by the following:

- a provider ceasing to operate;
- a provider lacking recognition in the market place; and/or
- competition from interstate and international graduates with awards from recognised high quality providers

Regulation of the use of the title "university" and restrictions on the conferring of higher education awards protects the awards of graduates from losing value or "currency." The maintenance of award "currency" is essential for upgrading of skills that may be necessary during life and for long-term award recognition.

There are significant numbers of jobs dependent on the higher education sector in Queensland. For example, it has been estimated that there are 5,000 jobs dependent on overseas education alone (Press Release Education Minister, 8 November 1999). The Government has the objective of increasing its market share of overseas students to capture the flow on benefits which include job creation. The regulation of the use of the title "university" and the awarding of higher education awards maintains the quality and standards of providers and courses offered thereby making the sector attractive to overseas students.

3.4.5 Skilling

Skilling is an identified Government Priority Outcome. Skilling encompasses the need to raise general education levels, focusing on whole of life skills. The establishment under the legislation of standards applying to "universities", and regulated higher education awards assures the community that the skills of graduates meet requirements for professional practice in Australia, ensuring the currency and relevance of the skills base of the work force.

4 BACKGROUND

4.1 Other Jurisdictions

See Appendix 2.

5. NATURE OF RESTRICTIONS ON COMPETITION

5.1 The Act

The Act contains provisions which:

- impose a limitation on the operation of foreign universities in Queensland;
- impose a limitation on the use of the title "university";
- impose a limitation on the conferring and using of higher education awards;
- provide for the Minister as the accrediting authority for courses offered or proposed to be offered by non-university providers;
- allow universities to self-accredit courses;
- provide for the examination of the operations of non-university providers by the Minister; and
- impose a limitation on the establishment or recognition of Universities.

Section 5 provides that in determining whether a higher education institution should be established or recognised as a university in Queensland under an Act, the

Minister must have regard to the regulations. This section restricts competition in that it provides a barrier to the establishment of higher education institutions as universities.

Section 6 of the Act provides a barrier to the entry of foreign universities into the market for the provision of higher education by providing that foreign universities must not operate or purport to operate in Queensland without the approval of the Minister.

Section 7 of the Act imposes a limitation on the use of the title "university", such that only providers of higher education that are established as universities, or recognised as being universities or part of a university, may use the title.

Section 8 places a limitation on conferring or using certain higher education awards. A non-university provider, or a person who purports to be a non-university provider, must not confer, or hold out that the provider or person is competent to confer a higher education award unless the provider or person is authorized to so act. Further, a non-university provider must not send, exhibit, print or advertise a document that is likely to induce the belief that the provider in Queensland, or elsewhere, will confer a higher education award, or, is competent to confer such an award unless the person is authorized to confer the award.

"Authorized" is defined in section 3 of the Act as meaning –

- accredited by the Minister under this Act; or
- authorized by, or accredited under, another Act; or
- authorized by, or accredited under, an Act of the Commonwealth, another State or a Territory; or
- authorized by, or accredited under, the law of a foreign country; or
- authorized or accredited by the authority in a foreign country that, in the Minister's opinion, is the competent authority.

The section provides a barrier to entry into the market by restricting non-university providers able to offer higher education awards to those who are authorised to do so.

Section 9 provides for each university to be the accrediting authority for courses that lead to awards that it confers.

At first glance this section would appear to give universities an advantage not given to non-university providers. Competition neutrality principles would suggest that private providers of higher education should be allowed to accredit their own courses. Self-accreditation involves the establishment of rigorous and robust quality assurance frameworks. Universities do not operate in isolation in their accreditation processes and there are a number of branches to the quality assurance framework such as:

- the input of employees, professional and regulatory bodies into the design and review of university courses;
- the role of professional bodies and associations in accrediting professional courses such as health and medicine, law, accounting, engineering and architecture;
- the use of external examiners for most research degrees and some honours degrees;
- the publication of course materials, statistics of the institutions, and graduate employment and satisfaction information; and
- oversight by statutory processes including Freedom of Information and Judicial Review.

The costs of establishing accreditation and quality assurance frameworks are significant as are the associated administrative costs. For example, the quality assurance framework within which universities are now operating has evolved over a number of years and received significant funding in the order of \$198 million dollars for the 1994-1996 years.

The private providers could be disadvantaged if they were compelled to self-accredit because of cost factors. Professional bodies and associations while taking a role in university accreditation may not be disposed to service private providers. Therefore, while at first glance, the section appears to offend competition neutrality principles, in practice this may not be the case.

Section 10 provides for the Minister to be the accrediting authority for courses leading to higher education awards offered, or proposed to be offered, by non-university providers. The Minister makes an assessment, in accordance with predetermined procedures and criteria, to determine if the non-university provider should be authorised to offer the course and higher education award.

This section provides a barrier to entry to and continued operation in the market in that only non-university providers are subject to external accreditation by the Minister. By comparison, a university is authorised to accredit its own courses by internal course approval processes. However, universities are in general subject to a wide range of external review and accountability mechanisms under State legislation and Commonwealth funding arrangements. Their courses are also subject to accreditation by professional associations setting standards for entry to the professions.

From 2000, the Commonwealth, State and Territory Governments have established the Australian Universities Quality Agency, a national accreditation agency which will assure the quality of courses offered by self-accrediting institutions.

Since 1996, there have been 30 domestic applications to the Minister by non-university providers for accreditation of courses leading to a higher education award. Of these, applications 26 were approved, 3 rejected, and 1 was withdrawn. There have been 7 applications by overseas providers to offer courses leading to higher education awards in Queensland. Of these, six were approved and one was rejected.

Section 12 provides for the Minister to examine or cause to be examined the operations (including the financial operations) of a non-university provider. The examination is for the purpose of enabling the Minister to form an opinion as to whether there is justification for a course being accredited under section 10.

Universities are authorised to accredit the courses they offer by internal processes. The system of providing for the examination of provider operations in order to obtain course accreditation applies only to non-university providers wanting to provide courses that result in a higher education award. Consequently it provides a barrier to entry to the market for the provision of higher education.

Section 13 provides that an application for accreditation of a course under section 10 must be made in accordance with approved accreditation procedures and be accompanied by fees prescribed in the Regulation. The approved accreditation procedures and criteria are contained in a publication by the Office of Higher Education dated April 1997.

The section restricts competition by putting in place barriers to entry to the market, in that applications by non-university providers for course accreditation must be in accordance with the predetermined criteria.

5.2 The Regulation

Section 4 and section 10 provide for the Minister to determine whether a higher education institute may be established or recognised as a university in Queensland under an Act.

These sections of the Regulation restrict competition by putting in place barriers to entry to the market for the supply of higher education. Potential entrants to the market who would be affected by this restriction include non-university institutions that are currently able to offer individual courses leading to higher education awards.

Section 12 and section 13 provide for the approval of the Minister for foreign universities to operate as universities in Queensland and such approval may be granted on conditions. The requirement for foreign universities to obtain Ministerial approval in order to operate in Queensland places a barrier to their entry into the market of provision of higher education in Queensland.

Section 13A and section 16 provide for the payment of application and examination fees for accreditation of courses offered by non-university providers. An application fee for accreditation of a course is \$1,500. Examination fees range from \$3,000 for associate degree level courses to \$6,500 for doctorate level courses.

The costs of the accreditation process restrict competition by putting in place a barrier for entry to the market.

6. NATURE OF THE MARKET

The market providers of higher education and higher education awards in Queensland are:

- public universities;
- private universities;
- non-university providers;
- foreign universities; and
- institutions approved by the Minister for Education, Queensland, to operate in Queensland.

"Higher education" is defined in section 3 of the Act as education-

"(a) That is provided by a university; or

(b) that is provided by a non-university provider and-

(i) is accredited by the Minister under this Act; or

(ii) is accredited or otherwise recognized under Act, or an Act of the Commonwealth, another State or a Territory, as being higher education; or

(iii) is accredited or otherwise recognized under the law of a foreign country as being higher education; or

(iv) is accredited or otherwise recognized as being higher education by the authority in a foreign country that, in the Minister's opinion, is the competent authority."

"Higher education award" is defined in section 3 of the Act as meaning

"(a) a degree, status, title or description of bachelor, master or doctor; or

(b) an award of postgraduate diploma or graduate certificate; or

(c) another award prescribed by regulation”.

For the purposes of this review, the market for higher education awards is defined as the market for the supply and attainment of specific knowledge and general abilities gained by undertaking a course of study, that results in the conferring of a higher education award in Australia. The characteristics of specific knowledge and general abilities are reflected in the type and level of award conferred. Higher Education Awards have nationally and internationally recognised meaning, and confer significant benefits (such as access to professional employment) in Australia and overseas.

It has been argued that services such as education do not have all the characteristics of fully developed economic markets, but are in an intermediate zone termed a “quasi-market”. A *quasi-market* has some of the characteristics of a fully developed market, but not all. In higher education the number of student places is affected by factors other than supply and demand such as public funding of tuition costs and the planning of student load.²

6.1 Market Dimension

The geographical dimension of the market is considered to be Australia, rather than Queensland for three reasons:

- Queensland students can be accepted into university or higher education courses at any public or private university or provider in Australia;
- in Queensland, there is national recognition of the qualification awarded upon completion of a course leading to a higher education award due to Queensland’s participation in the Australian Qualifications Framework;
- Queensland universities and institutes offering higher education compete for international full fee paying students with each other and interstate institutions; and
- students from other States and Territories can be accepted into courses offered by providers in Queensland.

6.2 Market Size and Value

Participants in the market include students and potential students and institutions providing higher education awards, including public universities and non-university institutions. Employers also play a significant, if secondary role in the market, as it is the labour market that initially determines the value of a higher education award.

² (Marginson, S *Competition and Contestability in Australian Higher Education, 1987-1997* Australian Universities’ Review Vol 40 No.1 1997)

In Queensland, the providers and consumers of higher education and higher education awards can be summarised as in Table 1:

Table 1

Type of Institution	No. in Queensland	No. of enrolled higher education students <small>*Figures are based on 1998 enrolments</small>
Public universities	7	123 294
Private universities	2	5122
Approved non-University providers	11	2009

There are currently 7 public universities operating in Queensland. They are the University of Queensland, Queensland University of Technology, James Cook University, University of Southern Queensland, Griffith University, University of Central Queensland, The University of the Sunshine Coast.

There are 2 private universities. They are Bond University and the Australian Catholic University. There is a proposal for the establishment of a third private university for Cairns and this proposal has the in-principal support of government, although a specific application has yet to be assessed.

In Queensland there are 11 non-university providers that have been accredited to offer courses leading to a higher education award. They are: Brisbane College of Theology, Christian Heritage College, Nazarene Theological College, Russo Institute of Technology, Queensland Baptist College of Ministries, Queensland Institute of Business and Technology, Australian College of Natural Medicine Pty Ltd., Gestalt Association of Queensland (Gestalt Therapy & Training Centre), Shaftson House College Ltd trading as Shafston International College, the Chartered Institute of Company Secretaries in Australia Inc., the Australian College of Theology. In Queensland, the types of higher education awards that the non-university providers have been accredited to offer range from Diplomas to Masters Degrees. Nationally, there are approximately 68 authorised higher education providers offering 225 accredited degree and postgraduate award courses in niche areas.

From a national perspective the most long-standing of the non-university providers are the theological colleges. This category of private provider has been swelled by the emergence of small Bible colleges catering to a range of denominations. Another category of long-term provider is the range of small but "industry specific" providers who conduct courses at tertiary level to meet the needs of their particular market areas. These commercial providers can be subcategorised into two groups, with a third emerging at the present time. Firstly, the highly specific professional associations such as the Securities Institute, the Institution of Chartered Company Secretaries, and the Royal Australian College of General Practitioners. The second established group of commercial providers is the general business colleges offering programs across a broad range of commercial courses. A third group of private commercial providers now emerging is the rapidly growing area of alternative health providers.

There are six overseas institutions approved by the Minister for Education to offer courses and advertise their courses in Queensland.

The public universities operate throughout Queensland and have established campuses in many centres throughout regional Queensland. There are no non-university providers of higher education awards operating outside the Brisbane metropolitan area.

The market for higher education is dominated by the public universities. The private market in higher education is limited not only in Queensland but throughout Australia. The high level of initial investment required to develop credible higher education courses and adequate arrangements for their delivery makes private provision of higher education a marginal activity commercially, unless the private provider has access to significant commercial backing. Private providers do not have access to government subsidy/funding, nor is HECS based funding available to students undertaking courses offered by private providers. These students are eligible for Austudy payments.

Commonwealth recurrent funding for operation grants for the public university sector in 1999 is over 4.9 billion dollars. Funding for other programs (including capital, equity, and research programs) brings this total to just under 5.6 billion dollars. Total income for the Australian public university sector from all sources is estimated to have been over 8.6 billion dollars in 1999.³

The per annum recurrent cost (excluding capital and research infrastructure) of providing higher education in the public university sector in Australia in 1999 per equivalent full-time student (EFTSU) is approximately \$11,900.

Queensland's share of the operating grants for the public university sector in 1999 was \$900,000 million. Queensland public universities are attracting \$11,200 per EFSTU for a higher education place in 1999.

There is no systemic data collection which would enable the value of the domestic private higher education market in Australia or Queensland to be estimated.

The estimated costs to government of providing a process for accreditation of courses offered by non-university providers and the administration of the legislation is \$150,000 p.a.

6.3 Export Market

Nationally, higher education has emerged as a major export earner. In 1997, 10% (62,974) of all higher education students in Australia were overseas students. Until 1990 most overseas students studying in Australia were subsidised. This is no longer the case and a full fee paying overseas student market has developed, and grown strongly in recent years. Education is now Australia's fifth largest source of service export income, generating an estimated \$3.2 billion – up from \$2.3 billion in 1995. The Commonwealth Government has provided funding of \$21million over the next four years for international marketing and other activities to promote Australian education and training services overseas.

6.4 Market Trends

The *Higher Education Report for the 1999 to 2001 Triennium* (p.24) showed that, nationally, between 1997 and 2001 institutions providing higher education are planning to:

³ (Source: Higher Education Report for the 1999 to 2001 Triennium, DETYA, March 1999:pp10-11)

- increase the overall number of places for domestic students by over 11 800 in 2001 compared to 1997;
- deliver 3,523 or 0.9% more HECS liable undergraduate places in 2001 than in 1997;
- increase places for research students by over 4,000 equivalent full time student units, or 18 %;
- increase the number of domestic fee-paying students by more than 15,000 or 92%; and
- increase the number of fee-paying overseas students from 60,550 in 1997 to 89,850 in 2001 – an increase of 48%.

The Report also identifies some market trends.

Overseas universities and international consortia will increase competition for enrolment of domestic students. The role of traditional universities as the major providers of higher education will be challenged by non-traditional providers such as corporate and virtual providers. Examples of corporate providers are companies such as Colgate, McDonalds, Motorola which have established their own universities to meet industry specific needs. Australian companies and universities are forging alliances where universities deliver specific curricula to company staff. For example, University of Western Sydney runs specific programs for Caltex, ICI and Ford. An increase in this trend can be anticipated. Examples of virtual providers outside Australia include the Virtual Education Corporation and the University of Phoenix. It is likely that virtual providers will seek recognition in Australia and a consumer demand for the product will develop.

There is a need to develop a system of quality assurance that can deal with a virtual university.

Australian providers are establishing off-shore campuses under a variety of arrangements to increase their competitive edge in attracting overseas students

There will be increasing pressures on Australian universities to ensure that their courses and awards are competitive with those offered by overseas institutions.

The composition of the student body will change in response to the need to upgrade workplace skills and the need for lifelong learning. These needs will also contribute to blurring the traditional boundaries between post-compulsory school education, vocational education and training, and higher education and private and public institutions. There will be increasing demands for cross-crediting between courses and institutions and portability of awards.

Major changes in the financing arrangements for funding of the public sector can be expected. Private income – from fees, from industry investment, bequest, and commercial activity will become an increasingly important source of income.

6.5 Market Failure

Government involvement in the higher education sector is justified by the failure of the market in three respects, namely:

1. information asymmetry
2. distortions due to socio-economic factors
3. externalities;

and on the further ground of a need for accountability and standards.

6.5.1 Information Asymmetry

Education is an experience good. It may not be possible for a consumer to determine the quality of an education course without directly experiencing it. While consumers may obtain information about courses from the providers or other students the information is nonetheless asymmetrical. The consumers of higher education can be considered to be of two types: primary consumers and secondary consumers.

Primary Consumers

The primary consumers are the students. It is not possible for students to determine the quality of education without directly experiencing it.

Consequently, students make enrolment decisions about courses and institutions without full information on:

- the standard and quality of the course;
- the financial viability of the provider to deliver the course in the short term;
- the value of the course award in the labour market in the short and long term; and
- the cross-crediting and portability characteristics of the course award, nationally and internationally.

However providers of education have full information prior to delivering the course.

If the quality of the product is unsatisfactory or misrepresented or not what the student expected, there is no recourse other than statutory and civil remedies. The cost of redress using consumer protection legislation, or civil remedies in tort or contract makes these remedies inaccessible by most students.

The extent of the market failure with respect to the provision of information differs for domestic and overseas students. Overseas students will potentially experience increased difficulties in obtaining information about institutions and courses. They have less opportunity to obtain information through informal networks. The costs incurred by an overseas student in undertaking a higher education course in Australia will be greater than the costs faced by a domestic student. Those domestic students from indigenous or low socio-economic background or rural areas are also more significantly affected by imperfect information.

Secondary Consumers

The secondary consumers are those that purchase or rely in some way on the quality and standards represented by the education. These are most likely employers and clients of professional groups. There may also be other providers of higher education in cases where students are seeking to cross-credit courses between providers or upgrade qualifications. It is not possible for employer or professional groups or other providers of higher education to determine the quality or standard of education qualifications or the providers of the qualification in the absence of a formal, transparent process establishing the standard and quality of courses being delivered.

6.5.2 Social and Economic Distortions

The higher education market is distorted not only by asymmetric information but also by social and economic factors that operate outside the market and in many cases before the market comes into play. Consumer options may be shaped by factors beyond their control and some before the question of consumer choice arises. Studies by the Australian Council for Educational Research show that students' decisions about participating in higher education reflect differences in family and community attitudes towards the relevance of education. The effects of these influences are often apparent prior to the conclusion of secondary schooling or eligibility for university entry. According to University of Melbourne studies, rural and isolated students are under-represented in higher education by 40 percent in comparison with the representation of students from urban areas, and as school completion rates are lower in rural areas, many rural students do not reach the point at which it is meaningful to speak of potential barriers to higher education.

6.5.3 Externalities

Education generates positive externalities in a society and consequently government intervention in the higher education sector can be justified. The positive externalities are both social and economic. Higher education contributes to increased law and order, public health and safety, economic and regional development, employment opportunities and better quality of life in the community.

6.5.4 Accountability for Funding and Standards

Successive Australian Governments have acknowledged that higher education performs a range of valuable economic and social functions. To capture the benefits provided to the society and maximise participation, the Commonwealth Government funds higher education institutions. This funding enables Australian students to undertake higher education at a subsidised price.

Government funding also seeks to address equity issues so that all Australians can access higher education and in particular government focus has been on participation by women, indigenous people and those from lower socio-economic groups. These groups are the most likely to be disadvantaged by imperfect market information.

The government has a responsibility to taxpayers to ensure accountability for the funds (in the sum of approximately \$5.6 billion in 1999) that are directed into higher education and that they are used efficiently and effectively and **the reputation, quality and integrity** of the higher education is maintained.

6.5.5 Effect of Legislation on the Market

The legislation has a regulatory effect on the market by imposing restrictions and accreditation procedures on non-university providers and foreign universities which seek to provide higher education courses leading to higher education awards in Queensland. The Minister for Education is the accrediting authority and is assisted by the Office of

Higher Education in carrying out the accreditation responsibilities. The Office of Higher Education also assists the Minister in ensuring compliance with the legislation by investigating alleged breaches of the Act and complaints concerning accredited courses.

7. ALTERNATIVES TO THE EXISTING LEGISLATION

In higher education, any alternatives to the existing legislation should be considered from a national perspective because, for various functions, Commonwealth, State and Territory Governments are interdependent. Further, alternatives should be considered in the light of the proposed national quality assurance processes to be implemented by the year 2000 which include quality assurance processes for self-accrediting institutions, an external review of State accreditation processes and the establishment of an Australian Universities Quality Agency.

It should also be noted that the existing legislation allows for non-accredited courses and training to be offered by private providers. A provider is free to offer a qualification with a different title from those protected by the legislation to participants on completion of a non-accredited course.

Four alternatives to the existing legislation have been identified and the viability of these alternatives has been assessed. They are:

1. **Deregulation**
2. **Partial deregulation** by removing prohibition on the use of the title "university" but retaining the existing accreditation scheme for offering of higher education awards
3. **Partial deregulation** by retaining restrictions on use of the title "university" but allowing non-university providers to self-accredit courses for higher education awards
4. **Co regulation.**

Alternative 1. Deregulation of the market

- Remove the prohibition on offering higher education awards.
- Remove the prohibition on the use of the title "university".

The prohibition on offering higher education awards for non-accredited courses and the use of the title 'university' by institutions other than recognised universities in Queensland could be removed.

Removing these restrictions would make redundant the processes of

- approval of new universities; and
- accreditation and authority to conduct courses leading to higher education awards; and
- approval for operation of foreign universities and institutions in Queensland.

The result would be a deregulated market for the delivery of courses leading to higher education awards in Queensland. In effect, any institution or organisation could

- offer courses leading to higher education awards; and
- use the title "university".

The major issues which are raised by this alternative are as follows:

- Commonwealth funding for universities;
- the reputation of the universities (both State and national);
- information asymmetry, particularly for overseas students and students from lower socio-economic groups;
- portability and cross-crediting of Queensland's higher education awards;
- the value and maintenance of "currency" of Queensland higher education awards; and
- creation of social cultural barriers to entry to the market.

Funding

While the regulatory role for establishment of universities lies with the State Government, the responsibility for the funding of public universities lies with the Commonwealth Government. If the Queensland Government abandoned or significantly reduced its administrative and regulatory role for the operation of institutions offering higher education, the Commonwealth funding of the State's universities would probably be at risk.

Reputation

The reputation, integrity and standing of Queensland universities are protected by the legislation. Removal of this protection exposes the reputation, integrity and standing of the universities to the effects of less reputable and substandard providers.

The Australian Qualifications Framework could be compromised in that there would be no minimum standards for Queensland's higher education awards.

Creation of Social and Cultural Barriers

The existing prestigious institutions have established their reputations through a long period of accumulation of social investment and cultural authority. In a situation where the consumer has no government or other independent assurance as to the quality and standards of providers and/or higher education awards, competition may be directed towards positional advantage. The established prestigious universities may become more prestigious and market immune. Institutions at the lower end of the market, however good the educational programs offered, could be constantly undermined by the popular consensus that institutions with low positional status do not provide good quality education. Therefore, **while regulatory barriers to entry to the market would be removed, social and cultural barriers could be created.**

Information Asymmetry

Consumers and employer groups would be vulnerable to less reputable and substandard providers. Overseas students and those from lower socio-economic groups or regional areas would be particularly vulnerable. Overseas students would probably gravitate to other systems where there was some assurance as to the quality and standards of courses.

Value of Higher Education Awards

The value of the higher education award would be determined by the reputation of the institution conferring the award. The recognition and portability of Queensland's

higher education awards and the ability to cross-credit could be compromised. If these factors are compromised, so too is the value and "currency" of the award.

Ability to meet market failure

This alternative would not redress market failure arising as a result of asymmetric information. It is unlikely that the alternative would assist government in capturing the positive spillovers from higher education because asymmetric information would increase difficulties in potential students accessing higher education particularly those from lower socio-economic groups and regional areas.

Ability to achieve policy objectives

This alternative may be able to achieve broad Commonwealth and State objectives of diversity in the higher education sector given that providers would be able to establish themselves without having to meet minimum standard accreditation procedures and costs. It is doubtful that it could achieve quality assurance. However, horizontal diversity of institutions could be decreased as a result of competition directed towards position.

This alternative would be unlikely to achieve the following policy objectives and government priority outcomes:

- *Legislative objectives:* There is no protection of the standing and reputation of universities or the higher education awards. There is a high level of risk that the integrity of the higher education sector would be demeaned by less reputable and substandard providers.
- *Health and Safety:* As higher education awards are a pre-requisite to the right to practise in professions and occupations such as medicine, engineering, economics, and education, the removal of accreditation processes for awards in these areas exposes the community to unskilled and incompetent practitioners.
- **Government Priority Outcomes:**
 - *Skilling Queensland:* Lack of minimum standards, decrease in award recognition, portability, and the ability to cross-credit awards would make it difficult to raise general education levels, focusing on whole life skills.
 - *More jobs for Queenslanders:* Decrease in the value and currency of higher education awards and lack of minimum standards would probably make Queensland graduates less attractive employees and lead to an increase in graduate unemployment. Employers would gravitate to graduates from recognised institutions. Decrease in the export market of higher education would lead to job losses not only directly from the sector but also from areas dependent on the sector.
 - *Building Regions:* Expanding the export market of higher education would be difficult because of information asymmetry, and uncertainty as to award recognition and portability. The Queensland providers would not be attractive to overseas students. Statewide development might be hindered due to inefficient use of educational resources as a result of lack of portability and recognition of awards and cross-crediting. The negative impact may be offset to a limited extent by the possibility that in that deregulation may increase the number of private providers willing to commence in regional areas.

- *Better Quality of life*: The promotion of full and equitable participation by all Queenslanders in higher education would be hindered by information asymmetry. Those from lower-socio economic groups and rural areas would be most affected.

Costs

There would be no saving to the State Government arising from the loss of the administrative costs of current legislation. On the contrary, any contraction of the higher education sector, especially significant falls in numbers of overseas students lost to overseas and interstate providers, would cause heavy reductions in State revenue, probably amounting to millions of dollars.

Commonwealth Agreements and Frameworks

If Queensland adopted this alternative, the higher education sector would be operating in a manner

- inconsistent with the mechanisms currently operating in other States and Territories,
- outside current Commonwealth policy and objectives for a consistent Australian framework for the recognition of awards and qualifications,
- contrary to the agreed arrangement with other States and Territories for the division of responsibilities in the provision of higher education, and
- contrary to the agreed arrangement with the other States and Territories with respect to the accreditation of providers.

Conclusion: This option cannot meet objectives.

Alternative 2. Partial Deregulation

- **Remove the prohibition on use of the title "university".**
- **Retain existing accreditation processes.**

The existing accreditation processes are that:

- universities established by legislation self-accredit; but
- non-university providers are accredited pursuant to the legislation.

If this alternative were implemented there would be a need to ensure that only universities established pursuant to the legislation are entitled to self-accredit. If this were not done, removing prohibition on the title "*university*" would mean that all institutions could potentially entitle themselves universities and become self-accrediting, thereby making redundant the processes of:

- approval of new universities; and
- accreditation and authority to conduct courses leading to higher education awards; and
- approval for operation of foreign universities and institutions in Queensland.

The intention of this alternative is more to do with terminology than with accreditation of higher education awards. If this alternative were chosen, there would be two kinds of institutions styling themselves "university": the current universities (public and private) and other institutions choosing to use the title "university". The current self-accrediting universities, (and any others established under Act of Parliament on the pattern of the *James Cook University Act 1997* or the *Bond University Act 1987*) would retain (or acquire) the right to self-accreditation of higher education awards. The institutions assuming the title "university" would need to have their higher

education awards accredited pursuant to section 8 of the *Higher Education (General Provisions) Act 1993*.

The major issues which are raised by this alternative are as follows:

- Commonwealth funding for universities;
- the reputation of the universities (both State and national);
- Information asymmetry, particularly for overseas students and students from lower socio-economic groups;
- portability and cross-crediting of Queensland's higher education awards;
- the value and maintenance of "currency" of Queensland higher education awards;
- creation of social cultural barriers to entry to the market; and
- existing Commonwealth, State and Territory agreements.

Funding

While the regulatory role for establishment of universities lies with the State Government, the responsibility for the funding of public universities lies with the Commonwealth Government. If the Queensland Government abandoned or significantly reduced its administrative and regulatory role for the operation of institutions offering higher education and in particular for the establishment of universities, a significant policy question would be raised about the situation of institutions eligible for Commonwealth funding in Queensland.

Reputation

The reputation, integrity and standing of Queensland universities are protected by the legislation, in part by restricting the use of the title "university". Removal of this protection exposes the reputation, integrity and standing of the universities to the effects of less reputable and substandard providers who may use the title "university". There would be no minimum standards for institutions using the title "university".

Information Asymmetry

Consumers and employer groups would be vulnerable to less reputable and substandard providers. Overseas students and those from lower socio-economic groups or regional areas would be particularly vulnerable. Overseas students would probably gravitate to other systems where there would be some assurance as to the quality and standards of universities.

Value of Higher Education Awards

The value of the higher education award would be determined by the reputation of the institution conferring the award. The recognition and portability of Queensland's higher education awards and the ability to cross-credit could be compromised by substandard providers and/or financially unviable providers who do not remain in the market place. If these factors are compromised so too is the value and "currency" of the award.

Creation of Social and Cultural Barriers

The existing prestigious institutions have established their reputations through a long period of slow accumulation of social investment, reputation and cultural authority. In

a situation where the consumer has no government or other independent assurance as to the quality and standards of providers, competition may be directed towards positional advantage. The established prestigious universities may become more prestigious and market immune. The consequences are likely to force consumers with limited social, cultural and financial resources to choose institutions at the lower end of the market. Therefore **while regulatory barriers to entry to the market are removed, social and cultural barriers may be created.**

Ability to meet market failure

This alternative would not redress market failure arising as a result of asymmetric information. Consumers must rely on the providers for information. It is unlikely that the alternative would assist government in capturing the positive spillovers from higher education because asymmetric information would increase difficulties in potential students accessing higher education particularly those from lower socio-economic groups and regional areas.

Ability to achieve policy objectives

This alternative may be able to achieve broad Commonwealth and State objectives of diversity in the higher education sector given that providers would be able to be established without having to meet minimum standard accreditation procedures and costs. It is doubtful that it could achieve quality assurance.

The State Government's health and safety objectives achieved through minimum standards of education for practitioners in professions impacting on the health and safety of the community would still be protected because the accreditation procedures for courses and awards in those disciplines would be retained unchanged.

This alternative would be unlikely to achieve the following policy objectives and government priority outcomes:

- *Legislative objectives:* there is no protection of the standing and reputation of universities, as not all institutions called universities will meet a specified standard. There is a high level of risk that the integrity of the higher education sector would be demeaned by less reputable and substandard providers.
- **Government Priority Outcomes:**
 - *Skilling Queensland:* Lack of minimum standards for the establishment of an institution entitled "university" may cause lack of incentive for the maintenance or further establishment of these types of institutions. The high standards of teaching and research may be compromised, which in turn would impact on general education levels in the community.
 - *More jobs for Queenslanders:* Decrease in the value and currency of higher education awards due to lack of viability of some institutions and lack of minimum standards would probably make Queensland graduates less attractive employees and lead to an increase in graduate unemployment. Employers would gravitate to graduates from recognised institutions. Decrease in the export market of higher education would lead to job losses not only directly from the sector but also from areas dependent on the sector.
 - *Building Regions:* Expanding the export market of higher education would be difficult due to information asymmetry, and uncertainty as to

award recognition and portability from universities not established pursuant to legislation. The Queensland providers would not be attractive to overseas students. Statewide development might be hindered due to inefficient use of educational resources as a result of lack of portability and recognition of awards and cross-crediting. The negative impact may be offset to a limited extent in that there is the possibility that the option may lead to a raising of the level of educational infrastructure as private providers might have more incentive to establish in regional areas if they could use the title "university".

- *Better Quality of life:* The promotion of full and equitable participation by all Queenslanders in higher education would be hindered by information asymmetry. Those from lower-socio economic groups would be most affected.

Costs

There would be no net saving to the State Government costs of approximately \$150,000 p.a. in administrating the legislation. The potential loss of revenue due to any contraction of the sector especially the loss of domestic overseas students to other States and Territories would probably amount to millions of dollars due to the reduction in the number of overseas students studying in Queensland.

Commonwealth Agreements and Frameworks

If Queensland adopted this alternative, the higher education sector would be operating in a manner

- inconsistent with the mechanisms currently operating in other States and Territories,
- outside current Commonwealth policy and objectives for a consistent Australian framework for the recognition of awards and qualifications,
- contrary to the agreed arrangement with other States and Territories for the division of responsibilities in the provision of higher education'
- contrary to the agreed arrangement with the other States and Territories with respect to the accreditation of providers of providers, and
- outside current Commonwealth proposals for national quality assurance processes to be implemented by 2000.

Conclusion: This option cannot meet objectives.

Alternative 3. Partial Deregulation

- **Retain the restriction on the use of the title "university".**
- **Allow non-university providers to self-accredit.**

Competitive neutrality principles could be interpreted as implying that private providers of higher education should be allowed to accredit their own courses.

This alternative is designed to overcome any competitive advantage that universities may have in being self-accrediting by giving non-university providers the opportunity to accredit their own awards.

This alternative has been considered in the 1998 West Review of Higher Education Financing and Policy conducted by the Commonwealth Government (p108). This review made the following recommendation:

"That the (Commonwealth) Government, working with the State and Territory Governments, should ensure that accreditation arrangements enable private providers of higher education to become self-accrediting bodies with the same powers in this respect as universities which operate under their own acts of parliament"

In making this recommendation, West recognised that for this alternative to be viable, it must:

- be implemented by Commonwealth, State and Territory governments co-operatively;
- be dependent on robust, rigorous self-accreditation processes within self-accrediting institutions; and
- involve an external review process to assure students and taxpayers that those self-accreditation mechanisms are rigorous; and
- meet standards expected in the higher education sector.

Ability to meet market failure:

This alternative would address market failure arising as a result of asymmetric information, because a rigorous internal review process with external quality assurance, if one existed, would provide assurance as to credibility of self-accreditation processes. It is unlikely that the alternative would assist government in capturing the positive spillovers from higher education because asymmetric information would increase difficulties in potential students accessing higher education, particularly if those potential students were from lower socio-economic groups and regional areas.

Ability to achieve policy objectives:

This alternative can only achieve policy objectives if the following conditions apply to its implementation:

- it is adopted by all States and Territories and the Commonwealth Government;
- there are robust, rigorous self-accreditation processes within self-accrediting institutions; and
- there is an external review process or such other process that will ensure that all self-accrediting institutions have robust and rigorous internal review processes.

Provided that the conditions referred to above applied, the following government objectives and Government Priority Outcomes may be satisfied.

- **Broad Commonwealth objectives for a diverse high quality higher education sector.** Alternative 3 has the potential to achieve the objective in that the present accreditation procedures may operate as a barrier to entry to the market. The removal of these restrictions may facilitate the entry of new players and more diversity of courses from existing players. On the other hand, the administrative costs of establishing self-accreditation procedures and establishing quality assurance frameworks may be significantly greater than the existing accreditation costs paid by providers. The costs and administrative burden of self-accreditation may force smaller providers from the market and existing providers to limit the courses on offer. Competition may be directed towards positional advantage. If the latter situation were to

occur, it is unlikely that the broad Commonwealth objectives would be achieved.

- **Legislative objectives.** There is protection for the standing and reputation of universities and the higher education awards where rigorous self-accreditation and external review processes give assurance as to quality. Any risk that the integrity of the higher education sector would be demeaned by less reputable and substandard providers should be minimised by the external review procedures. However, the external review process would need to have power to enforce compliance with minimum standards.
- **Health and Safety.** Similar safeguards to prevent incompetent or unskilled practitioners operating would be present by virtue of the external review process as in the current legislative regime
- **Government Priority Outcomes:**
 - *Skilling Queensland:* A joint Commonwealth, State and Territory approach and the maintenance of the Australian Qualification Framework could stop any decrease of minimum standards. If more diverse high quality providers were able to enter the market, students might have more choices of courses and providers.
 - *More jobs for Queenslanders:* There should be no decrease in the value and currency of higher education awards, and minimum standards should be maintained. Employment of Queensland graduates should not be affected.
 - *Building Regions:* Expanding the export market of higher education should be able to occur as it can under the existing legislation, and there should be no uncertainty as to award recognition and portability. The Queensland providers should not be less attractive to overseas students. Statewide development would not be hindered due to inefficient use of educational resources as portability and recognition of awards and ability to cross-credit courses would be maintained
 - *Better Quality of life:* The promotion of full and equitable participation for all Queenslanders in higher education would be less retarded by information asymmetry. Those from lower-socio economic groups would gain most. However, if any increase in competition does operate towards positional advantage, studies by Glen Postle and colleagues from the University of Southern Queensland suggest that students from lower socio-economic groups would not access the more prestigious institutions, but rather the lower status universities.

Given that:

- the recommendation for non-university providers to self-accredit courses for higher education awards has not progressed at the Commonwealth Government level for determination as a recommendation of the 1998 West Review;
- the Victorian State Government has completed a National Competition Policy Review of its legislation governing the regulation of the higher education and made no similar recommendation for change; and
- the model for a National Quality Assurance Framework to be implemented by 2000 includes a requirement that each State and Territory should have responsibility for recognition of institutions as universities and for accreditation of courses by non-university providers; this option cannot meet objectives.

Conclusion: This option will not be considered further as it clearly cannot meet policy objectives.

Alternative 4. Co-regulation

Typically co-regulation involves an industry organisation or representative of a large proportion of the industry participants formulating a code of practice in consultation with government. The code is designed to ensure that breaches incur enforceable, effective sanctions by government, or by the industry or professional association.

Co-regulation enables the industry to take the lead in the regulation of its members by setting industry standards and encouraging greater responsibility for the performance of its own members. Co-regulation also recognises and uses the expertise and knowledge within the professional or industry association.

The absence of an industry association with broad coverage, which is representative of the higher education sector, outside the universities, would make this option difficult to implement in Queensland.

The number of private providers presently offering higher education awards is relatively small. There is diversity in areas of activity amongst these providers presently, and if this option is to be viable there need to be sufficient expertise and will in existence to establish an industry association which could undertake a co-regulatory role. Given the disparity in size of the private market and the public market in higher education, even expertise and will may not convince private providers that there is merit in whole of industry regulation. Assuming that the preconditions were met, a code of conduct could be developed in conjunction with Commonwealth, State and Territory Governments to operate in place of the existing legislation.

The code of conduct would regulate the following:

- establishment of universities,
- use of the title "university",
- operation of foreign universities,
- conferring of higher education awards, and
- accreditation of courses by non-university providers leading to a higher education award

providing there were legislative penalties or sanctions for non-compliance.

This alternative does not lessen restrictions on entry to the market and theoretically imposes an equivalent level of regulation by a regime of providers working with government.

Provided this alternative could be implemented with the approval of Commonwealth, State and Territory Governments, the outcomes would probably be very similar to those achieved by the existing legislation. It is difficult to find any benefits that would be derived from this change. If this alternative were adopted, it might well be argued that it is a case of "change for the sake of change".

However, as there is no industry-wide body in Queensland, there would probably be significant adverse impact on the achievement of government objectives and Priority Outcomes for the higher education sector generally in Queensland. If one could be established, the experience of the overseas student market is that government must still underpin the co-regulatory model with legal penalties for it to be successful.

Under those circumstances the impacts of co-regulation would be the same as the impacts identified in Alternative 1. In other words, the impacts of introducing co-regulation in the situation which currently exists in Queensland would be the same as those impacts that have been identified as likely if Alternative 1 were adopted.

Conclusion: This option cannot meet objectives.

8. KEY GROUPS AFFECTED

- Queensland universities (public and private)
- non-university providers of higher education in Queensland
- students
- employer groups
- State Government
- Commonwealth Government

9. MAJOR IMPACTS

Major impacts of the alternatives to the existing legislation are summarised in the attached **Major Impacts Table** and have been assessed by a cost/benefit analysis in comparison to current market structure.

10. CONSULTATION

Education Queensland consulted with Treasury and copies of Public Benefit Test report will be made available to stakeholders.

11. CONCLUSION

The first three alternatives, namely deregulation, partial deregulation (by removing the prohibition on the use of the title "university", but retaining the existing accreditation scheme for offering of higher education awards), and partial deregulation (by retaining restrictions on the use of the title "university, but allowing non-university providers to self-accredit) would not achieve the government objectives of protection of the status of higher education in Queensland, and protection against the possibility of less reputable and/or less capable providers and the safeguarding of higher education students' outcomes in relation to standards of instruction and awards.

The fourth identified alternative, co-regulation, has the potential to achieve some of the government objectives, but would be extremely difficult to implement and might not achieve the objective of guaranteed award status which is achieved by the current regime.

Consequently, the alternatives are seen as not providing the same social and financial benefits to the community as the current provisions, which provide those benefits at negligible cost. The objectives of the legislation cannot be achieved by any of the alternatives.

12. RECOMMENDATION

The review recommends that the *Higher Education (General Provisions) Act 1993* and *Higher Education (General Provisions) Regulation 1996* be retained in the present form.

Appendix 1: Government Priority Outcomes

- *More Jobs for Queenslanders*
 - Target a rate of 5% unemployment in 5 years.
 - Assist business and industry to create secure and sustainable jobs.
 - Develop a fair and efficient Industrial Relations System.
- *Building Regions*
 - Increase Statewide development so that Queensland's regions prosper.
 - Raise general education infrastructure to support Statewide development.
 - Expand export markets and encourage value adding industries.
- *Skilling Queensland*
 - Improve workforce skills for current and future needs.
 - Raise general education levels, focusing on whole of life skills.
 - Encourage innovation and flexibility in industry and government to strengthen Queensland's position in the information age.
- *Safer/supportive Communities*
 - Address the social and economic causes of crime through targeted coordination and consultative initiatives.
 - Promote individual, family and community vitality that respects diversity.
 - Work with Aboriginal and Torres Strait Islander people to find practical ways to progress reconciliation and improve wellbeing and quality of life.
- *Better Quality of Life*
 - Deliver education, health and family services that improve people's quality of life.
 - Develop community facilities and provide community services that promote full and equitable participation by all Queenslanders.
- *Valuing the Environment*
 - Ensure the richness of our environment can be enjoyed by current and future generations.
 - Promote responsible and sustainable development of the State's natural and primary resources.
- *Strong Leadership*
 - Lead by example through high standards of accountability, consultation and ethics.
 - Manage Queensland's finances to maintain a State budget surplus, low debt status and AAA credit rating.
 - Encourage active and informed citizenship.

Appendix 2

Summary of Legislation

State	Act	Notes
ACT	Vocational Education Act 1988	Requires the Accreditation Council to advise the Minister on higher education courses. The Accreditation Council policies require accreditation and registration.
NSW	Higher Education Act 1988	Act protects title of "university" and "degree". No specific requirement in Act that courses to which a degree will be conferred must be accredited. However Act permits degrees to be awarded by any official university established by executive order of Australian Government or legislation. Any other institution must be approved to confer degrees by the Director General of Education and Training. The course and resource capacity and other factors influencing course quality are appraised when the institution is assessed, for permission to award degrees.
NT	Northern Territory Education Act 1995	Any organisation other than a university must be approved by the Minister to offer degree level programs and must operate under, and in accordance with, such terms and conditions as the Minister specifies. Exempt from this requirement are universities continued or recognised under law by the NT, the Commonwealth or another State or Territory of the Commonwealth.
Vic	Tertiary Education Act 1993	Prohibits institutions other than recognised universities from conducting courses leading to higher education awards unless the institution has been granted university status by the Minister, or has obtained course accreditation and the authority to conduct a course.
Tas	Tasmanian Universities Registration Amendment Act 1997	Protects title of 'university' and 'degree'. Requires institutions offering a course leading to an award ('degree', 'graduate certificate', or 'graduate diploma') to be registered with the Universities Registration Council (an independent body which is required to inform the Minister of its decisions). Courses must be specified and approved by the Universities Registration Council.
WA		No specific legislation covering higher education. Looking to SA as a possible model for processes for the assessment and approval of courses and providers of degrees. Protection of title "university" via Business Names Registration legislation.

Appendix 3: Major Impacts Table

Option 1 – Deregulation

Key Groups Affected	Benefits in comparison to current market structure	Costs in comparison to current market structure
Students/Parents	<ul style="list-style-type: none"> • Removal of barriers to entry to market may: <ul style="list-style-type: none"> • increase number of course providers; • increase diversity of courses available; • cause fee decreases as providers compete for students; • facilitate greater access to higher education via lower fees and greater number of providers; • increase number of providers in rural and regional areas; and/or • enable course providers to respond to consumer demands for particular courses more readily and students thereby able to respond to labour market demands more readily to maximise employment opportunities. 	<ul style="list-style-type: none"> • Increased costs to ascertain information as to award quality and standards • Increased costs of obtaining information as to reputation, reliability and financial viability of course providers • No enforceable standards on private providers for professional practice or accountability to students • Lack of standards to enable cross-crediting of courses between private and public providers on state, national or international levels • Increased competition between providers possibly leading to decreased collaboration and subsequently a decrease in learning pathways and cross-crediting of courses between providers • Possible restriction of portability of awards leading to decrease in employment opportunities and decrease in ability to continue education vertically or horizontally • Possible decline of quality of awards or greater variability • No assurance of award recognition particularly in long term if providers close down and subsequent loss of employment opportunities and ability to advance education qualifications. • Increased opportunities for course providers to become insolvent or close down and subsequent loss of award "currency" or recognition • Possible decrease in Commonwealth funding to public providers and increased HECS due to Queensland's withdrawal from agreements with other States, Territories and Commonwealth for a nationally consistent awards/qualification framework • Possible decrease in equity in and access to State's higher education sector if any decrease in Commonwealth funding and/or increased HECS

Option 1 – Deregulation (continued),

Key Groups Affected	Benefits in comparison to current market structure	Costs in comparison to current market structure
Students/Parents (continued)		<ul style="list-style-type: none"> • Possible increased demand for providers with established reputations and standards driving increased fees and higher standard entry requirements for these institutions leading to a decrease in access and equity • Increased costs in upgrading skills and qualification where substandard courses undertaken • Decrease in employment opportunities where course provider not recognised or well regarded by employers • Increase in unemployed graduates in Queensland as employers look interstate for graduates from courses with recognised standards and accreditation processes
Course providers	<ul style="list-style-type: none"> • Barriers to entry to market removed • Increased opportunity to offer greater diversity of courses • Able to be more responsive to market demand • Decrease in government administrative and accreditation costs 	<ul style="list-style-type: none"> • Possible decline or increased variation in quality of service may diminish State's reputation and consumer demand for services may subsequently decrease. • Increased competition could mean providers (both public and private) will be less willing to co-operate with one another and share information. • Greater division between providers that have already established a high quality reputation in the pre-existing regulated market and newcomers, so that an elite group of providers emerges attracting a far greater proportion quality students, research grants, and private funding • Possible loss of reputation and standing of private providers already accredited to offer higher education awards • Possible increase in operating costs for self-accreditation procedures and set up and maintenance of quality assurance frameworks for private providers • Possible loss of reputation and standing of Queensland Universities due to variable standards in institutions using the title of 'university'

Option 1 – Deregulation (continued)

Key Groups Affected	Benefits in comparison to current market structure	Costs in comparison to current market structure
Government	<ul style="list-style-type: none"> • Reduced administration costs (\$150,000 p.a.) • Greater diversity of courses to meet labour market needs • Greater flexibility for course providers to respond to labour market needs 	<ul style="list-style-type: none"> • Perception that government is not acting responsibly to protect significant export industry • Perception that government is not acting in the public interest to protect the public from unsafe practitioners in professional areas by not ensuring minimum academic standards • Reduction of government ability to enforce standards and ethical practices • Possible damage to significant State export for overseas education if declining or variable standards • Possible decline in State's reputation as quality course provider • State would be operating outside National Qualifications Framework and therefore would probably be less attractive to domestic and international students. Less demand for the State's higher education awards would mean a significant loss of revenue both direct and indirect as students moved interstate or overseas. • State's eligibility for Commonwealth funding for its public universities may be affected as a result of its non-compliance with Commonwealth objectives and agreements for a nationally consistent framework of qualifications and national regulatory process for provision higher education to overseas students. • The financial viability of the State's universities may be jeopardised if the Commonwealth's contribution of \$900million operating grant is reduced as a result of non-compliance with processes agreed with Commonwealth to maintain national quality and standards of higher education awards and universities.

Option 1 – Deregulation (continued)

Key Groups Affected	Benefits in comparison to current market structure	Costs in comparison to current market structure
Employers	<ul style="list-style-type: none"> • Greater diversity of courses may lead to greater diversity of employee skills. • Employer needs more quickly responded to by providers 	<ul style="list-style-type: none"> • Increased costs to obtain information as to standard of qualifications • Increased variability in quality and skills leading to increased costs in assessment of employee standards • Increased costs in skilling employees to required entry standards • Variability or decrease in professional academic standards may lead to loss of professional reputation. • Any movement of students overseas or interstate in pursuit of award recognition may lead to a shortage of supply of employees.

Major Impacts Table

Option 2 – Partial Deregulation - Remove prohibition on use of title “university”
 - Retain existing accreditation process

Key Groups Affected	Benefits in comparison to current market structure	Costs in comparison to current market structure
Students /Parents	<ul style="list-style-type: none"> • Increase in number of course providers, particularly if providers allowed to use title “university” • Increase in course providers may lead to greater diversity of courses. • Existing course providers may offer greater diversity of courses. 	<ul style="list-style-type: none"> • Increased costs to ascertain information as to award quality and standards as institutions using title “university” not obliged to self accredit • Increased costs of obtaining information as to reputation, reliability and financial viability of course providers • Limited enforceable standards on private providers for professional practice or accountability to students • Lack of standards to enable cross-crediting of courses between private and public providers on state, national or international levels • Increased competition between providers may lead to decreased collaboration and subsequently a decrease in learning pathways and cross-crediting of courses between providers. • Portability of awards may be restricted leading to decrease in employment opportunities and decrease in ability to continue education vertically or horizontally. • Quality of awards may decline or become more variable. • No assurance of award recognition particularly in long term if providers close down and subsequent loss of employment opportunities and ability to advance education qualifications • Increased opportunities for course providers to become insolvent or close down and subsequent loss of award “currency” or recognition • Possible decrease in Commonwealth funding to public providers and increased HECS due to Queensland’s withdrawal from agreements with other States, Territories and Commonwealth for a nationally consistent awards/qualification framework • Any decrease in Commonwealth funding and/or increased HECS may cause decrease in equity in and access to State’s higher education sector.

Option 2 – Partial Deregulation (cont.) - Remove prohibition on use of title "university"

- Retain existing accreditation process

Key Groups Affected	Benefits in comparison to current market structure	Costs in comparison to current market structure
Students /Parents (cont.)		<ul style="list-style-type: none"> • Increased demand for providers with established reputation and standards may drive increased fees and entry requirements for these institutions and decrease access and equity. • Increased costs in upgrading skills and qualification where substandard courses undertaken • Decrease in employment opportunities where course provider not recognised or well regarded by employers
Course Providers	<ul style="list-style-type: none"> • Barriers to entry to market may be lessened due to ability to establish under the title "university". • Non-university providers gain prestige of use of title "university" and more credibility. More incentive to offer greater diversity of courses 	<ul style="list-style-type: none"> • Possible decline or increased variation in quality of service may diminish State's universities' reputation and consumer demand for services may subsequently decrease. • Increased competition could mean providers (both public and private) will be less willing to co-operate with one another and share information. • Greater division between providers that have already established a high quality reputation in the pre-existing regulated market and newcomers, so that an elite group of providers emerges attracting a far greater proportion quality students, research grants, and private funding • Possible loss of reputation and standing of private providers already accredited to offer higher education awards • Possible increase in operating costs for self-accreditation procedures and establishment and maintenance of quality assurance frameworks for private providers • Possible loss of reputation and standing of Queensland Universities due to variable standards in institutions using the title of 'university'

Option 2 – Partial Deregulation (cont.) - Remove prohibition on use of title “university”

- Retain existing accreditation process

Key Groups Affected	Benefits in comparison to current market structure	Costs in comparison to current market structure
Government	<ul style="list-style-type: none"> • Reduced administration costs due to involvement of industry in regulation process • Greater diversity of courses to meet labour market needs • Greater flexibility for course providers to respond to labour market needs 	<ul style="list-style-type: none"> • Perception that government is not acting responsibly to protect significant export industry • Perception that government is not acting in the public interest to protect the public from unsafe practitioners in professional areas by not ensuring minimum academic standards • Government ability to enforce standards and ethical practices is reduced. • Declining or variable standards may damage significant State export for overseas education. • State’s reputation as quality course provider may decline. • State will be operating outside National Qualifications Framework and therefore would most likely be less attractive to domestic and international students. Less demand for the State’s higher education awards would mean a significant loss of revenue both direct and indirect as students moved interstate or overseas. • State’s eligibility for Commonwealth funding for its public universities may be affected as a result of its non-compliance with Commonwealth objectives and agreements for a nationally consistent framework of qualifications and national regulatory process for provision of higher education to overseas students. • The financial viability of the State’s universities may be jeopardised if the Commonwealth’s contribution of \$900million operating grant is withdrawn as a result of non-compliance with processes agreed with Commonwealth to maintain national quality and standards of higher education awards and universities.

Option 2 – Partial Deregulation (cont.) - Remove prohibition on use of title "university"

- Retain existing accreditation process

Key Groups Affected	Benefits in comparison to current market structure	Costs in comparison to current market structure
Employers	<ul style="list-style-type: none"> • Greater diversity of courses may lead to greater diversity of employee skills. • Employer needs more quickly responded to by providers 	<ul style="list-style-type: none"> • Increased costs to obtain information as to standard of qualifications • Increased variability in quality and skills leading to increased costs in assessment of employee standards • Increased costs in skilling employees to required entry standards • Variability or decrease in professional academic standards may lead to loss of professional reputation. • Any movement of students overseas or interstate in pursuit of award recognition may lead to a shortage of supply of employees.

Major Impacts Table

**Option 3 – Partial Deregulation - Retain restriction on use of title “university”
- Allow non-university providers to self accredit**

Key Groups Affected	Benefits in comparison to current market structure	Costs in comparison to current market structure
Students/Parents	<ul style="list-style-type: none"> • Increase in number of course providers due to removal of accreditation barriers to entry to market may <ul style="list-style-type: none"> • facilitate greater access to higher education; • drive fees downwards as providers compete for students; • increase number of providers in rural and regional areas; and • increase diversity of courses as providers have more flexibility to meet student and employer needs. 	<ul style="list-style-type: none"> • Increased costs to ascertain information as to award quality and standards • Increased costs of obtaining information as to reputation, reliability and financial viability of course providers • No enforceable standards on private providers for professional practice or accountability to students • Lack of standards to enable cross-crediting of courses between private and public providers on state, national or international levels • Increased competition between providers may lead to decreased collaboration and subsequently a decrease in learning pathways and cross-crediting of courses between providers. • Portability of awards may be restricted leading to decrease in employment opportunities and decrease in ability to continue education vertically or horizontally. • Quality of awards may decline or become more variable. • No assurance of award recognition particularly in long term if providers close down and subsequent loss of employment opportunities and ability to advance education qualifications • Increased opportunities for course providers to become insolvent or close down and subsequent loss of award “currency” or recognition • Possible decrease in Commonwealth funding to public providers and increased HECS due to Queensland’s withdrawal from agreements with other States, Territories and Commonwealth for a nationally consistent awards/qualification framework • Any decrease in Commonwealth funding and/or increased HECS may cause decrease in equity in and access to State’s higher education sector.

Option 3 – Partial Deregulation (cont.) - Retain restriction on use of title “university”
- Allow non-university providers to self
accredit

Key Groups Affected	Benefits in comparison to current market structure	Costs in comparison to current market structure
Students/Parents (cont.)		<ul style="list-style-type: none"> • Increased demand for providers with established reputations and standards may drive increased fees and higher standard entry requirements for these institutions leading to a decrease in access and equity. • Increased costs in upgrading skills and qualification where substandard courses undertaken • Decrease in employment opportunities where course provider not recognised or well regarded by employers • Increase in unemployed graduates in Queensland as employers look interstate for graduates from courses with recognised standards and accreditation processes
Course providers	<ul style="list-style-type: none"> • Barriers to entry to market removed • Increased opportunity to offer greater diversity of courses • Ability to be more responsive to market demand • Decreased accountability to government leads to decreased costs. • Decrease in government administrative and accreditation costs 	<ul style="list-style-type: none"> • Possible decline or increased variation in quality of service may diminish State's reputation and consumer demand for services may subsequently decrease. • Increased competition could mean providers (both public and private) would be less willing to co-operate with one another and share information. • Greater division between providers that have already established a high quality reputation in the pre-existing regulated market and newcomers, so that an elite group of providers emerges attracting a far greater proportion quality students, research grants, and private funding • Possible loss of reputation and standing of private providers already accredited to offer higher education awards • Possible increase in operating costs for self-accreditation procedures and establishment and maintenance of quality assurance frameworks for private providers • Possible loss of reputation and standing of Queensland Universities because of variable standards in institutions using the title 'university'

**Option 3 – Partial Deregulation (cont.) - Retain restriction on use of title “university”
- Allow non-university providers to self
accredit**

Key Groups Affected	Benefits in comparison to current market structure	Costs in comparison to current market structure
Government	<ul style="list-style-type: none"> • Reduced administration costs • Greater diversity of courses to meet labour market needs • Greater flexibility for course providers to respond to labour market needs 	<ul style="list-style-type: none"> • Perception that government is not acting responsibly to protect significant export industry • Perception that government is not acting in the public interest to protect the public from unsafe practitioners in professional areas by not ensuring minimum academic standards • Government ability to enforce standards and ethical practices is reduced. • Declining or variable standards may damage significant State export for overseas education. • State's reputation as quality course provider may decline. • State will be operating outside National Qualifications Framework and therefore would probably be less attractive to domestic and international students. Less demand for the State's higher education awards would mean a significant loss of revenue both direct and indirect as students moved interstate or overseas. • State's eligibility for Commonwealth funding for its public universities may be affected as a result of its non-compliance with Commonwealth objectives and agreements for a nationally consistent framework of qualifications and national regulatory process for provision of higher education to overseas students. • The financial viability of the State's universities may be jeopardised if the Commonwealth's contribution of \$900million operating grant is reduced as a result of non-compliance with processes agreed with Commonwealth to maintain national quality and standards of higher education awards and universities.

Option 3 – Partial Deregulation (cont.) - Retain restriction on use of title “university”
- Allow non-university providers to self
accredit

Key Groups Affected	Benefits in comparison to current market structure	Costs in comparison to current market structure
Employers	<ul style="list-style-type: none"> • Greater diversity of courses may lead to greater diversity of employee skills. • Employer needs more quickly responded to by providers. 	<ul style="list-style-type: none"> • Increased costs to obtain information as to standard of qualifications • Increased variability in quality and skills leading to increased costs in assessment of employee standards • Increased costs in skilling employees to required entry standards • Variability or decrease in professional academic standards may lead to loss of professional reputation. • Any movement of students overseas or interstate in pursuit of award recognition may lead to a shortage of supply of employees.

Option 4 – Co-regulation

(NB This option has almost the same impacts as Option 1, and the matrix below includes only those impacts that have not already been noted above.)

Key Groups Affected	Benefits in comparison with current structure	Costs in comparison with current market structure
Students/Parents	Possible wider range of courses resulting in degree level awards	Time taken in selecting course and provider
Course Providers	Possible involvement of non-university providers in determining aspects of higher education	Time and money involved in the setting up of an industry/professional organisation
Government	None identified	Time and money involved in the establishment of and liaison with an industry/professional organisation
Employers	Possible broader range of higher education awards held by staff	Possible higher salary range to match qualifications of staff