Chapter 5

HECS

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INTRODUCTION

What follows is an examination of the background to the adoption of the Higher Education Contribution Scheme (HECS). We examine the political issues surrounding its birth, the views and activities of the major political groups engaged in the debate surrounding its development, and touch upon the role of research and the academic input associated with the formulation and development of the policy, including its evolution and promotion. Both authors were engaged heavily in this process, often as adversaries, and the opinions expressed are not always consensual, but they are close.

A BRIEF HISTORY OF HECS

1973 to 1986

Australian universities required students to pay fees until 1973. Even then, the vast majority of students were exempt from fee obligations through the receipt of scholarships awarded on the basis of academic merit. These took two forms: Commonwealth and Teachers' College Scholarships, and covered around 75–80 per cent of students.[1] Fees were abolished in 1973 for all students, meaning that from the early 1970s to the late 1980s Australian universities were financed without any direct contribution from students.

This policy stance changed significantly in 1986 with the institution of the Higher Education Administration Charge (HEAC), a small up-front fee on all university students of $250 in 1987 terms (or about $550 in 2010 terms), a charge which did not vary with respect to either discipline or course load. In symbolic terms, the institution of HEAC was significant in that it represented government endorsement of the charging of fees, and thus set the scene for more radical reforms involving user-pays.

The revenue raised from HEAC was trivial in comparison to the total costs of higher education—amounting to around 3 per cent only of teaching costs. In 1987 it remained the case that taxpayers provided practically all of the finances for higher education. At this time, a conjunction of forces made it inevitable that the government would move financing arrangements towards increased contributions from students. These forces were as follows.

First, over the 1980s there was a significant increase in Year 12 (the final year of high school) completion rates, but there was no commensurate expansion in higher education places. This resulted in the political problem of large and growing queues of qualified prospective students.

Second, while this problem could have been solved with increased Commonwealth budget outlays, the Labor government was intent on fiscal parsimony and was not prepared to spend the additional taxpayer resources necessary to finance additional university places.[2]

Finally, and perhaps most importantly with respect to the political process, at least two Cabinet ministers, John Dawkins and Peter Walsh, were strongly in favour of student fees on grounds of redistribution. Their view was that a system that did not charge higher education students was regressive: after all, universities were paid for by all taxpayers yet students both came from relatively privileged backgrounds, and as graduates they received relatively high personal economic benefits. It is important to record that Peter Walsh and John Dawkins were then respectively in charge of the critical Ministries of Finance and Higher Education.

The Beginnings of HECS

In 1987 John Dawkins invited Bruce Chapman to prepare a report outlining the costs and benefits of different approaches to the introduction of a user-pays higher education system for Australia. The report presented analyses of several financing mechanisms, including up-front fees with scholarships, up-front fees with government-subsidised bank loans, and an income-contingent charge system. The paper recommended the last of these, with repayments to be made via the direct tax system.

The reasons for the support offered for an income-contingent arrangement were essentially related to equity and access, compared to the likely implications of the many other possible alternatives (such as up-front fees with scholarships, or government-guaranteed commercial loans provided by banks). The reasons that this support was qualified was that it was seen to be potentially complex—and perhaps prohibitively so—in administrative terms; the collection agency needed to be aware of debtors' incomes over their lifetimes, and this would seem to necessitate the support and involvement of the income tax authority, the Australian Tax Office. Given that no country had tried this before it was not clear how, or if, it might work. Chapman provided details of how such a system might work, including possible fee levels and repayment parameters.

Dawkins believed that this report would have a difficult reception for three reasons. First, the ALP government had abolished university fees in 1973, and this had happened under the larger-than-life Labor icon, former Prime Minister Gough Whitlam. Second, at that time the Labor Party Platform included a statement to the effect that '... all education should be free of charge'. Third, as noted above, the recommended income-contingent payment system was both radical and untested: there was no similar scheme internationally, and thus no empirical or political basis to assess its likely economic, social and administrative implications.

The Wran Committee

John Dawkins' concerns with the political and policy difficulties associated with including Chapman's report as part of his Green Paper of reforms to higher education led him to rethink the strategy related to the re-introduction of tuition fees. He decided to set up a committee chaired by a popular former NSW Labor premier, Neville Wran, with committee members Professor Bob Gregory, Dr Meredith Edwards and Mr Michael Gallagher, to examine the relative merits of potential options as presented in Chapman's paper. Chapman served as a consultant to the committee. It was clear from the Terms of Reference, written by David Phillips and Chapman, that the government's intent was to re-introduce charges.

Over around five months of meetings the Wran committee decided that the income-contingent scheme was the preferred option and in May 1988 released its report.[3] The Wran committee recommended that all Australian undergraduates should be required to pay a charge, with its amount, determined by course costs, in three bands. Critically, while the fee could be paid up-front, it could instead be deferred with payments made from a debtor's income, and collection being made operational through the income tax system.

The government accepted the basis of the policy recommendation, except that the charge was made uniform for all students, and was set at $1800 per full-time year in 1989 dollars, equivalent to $3400 in 2012. The Higher Education Contribution Scheme thus became policy in 1989. Its income-contingent feature was unique internationally. The first repayment threshold was set at average weekly earnings, which was around $41 000 per annum in 2012 terms.

Labor lost power in 1996, but the new (conservative) government maintained the essence of HECS. However, in 1997, charge levels were increased by about 40 per cent on average, differential charges by course were introduced, and the first income threshold at which graduates began to repay their loans was decreased to $39 000 per annum in 2012 terms, breaking the link with average weekly earnings. This decision was partially reversed in 2005, at which time the government also allowed some price discretion and extended HECS to cover full-fee-paying domestic students.

The Selling of HECS

In all political processes a message has to be sold, and in general the simpler the better. There were several rhetorical themes that contributed significantly to the successful acceptance of HECS. It is important to be reminded that HECS was suggested in an environment in which there were no charges imposed on university students.

This meant that, even if an income-contingent charging system were the most equitable way to go, there would still be an increased impost on students. This necessarily implied that there would be protests and unrest from the group affected. There were three important political themes that helped to minimise student opposition to HECS.

The first involved selling a basic equity message. This was that a no-charge system is essentially regressive, because it must mean that average taxpayers are contributing to a scheme providing large private benefits to those who benefit from the subsidy. Moreover, it was clear that not only do graduates do very well in the labour market, it was also obviously the case that university students, on average, come from relatively advantaged backgrounds. The (arguably derogative, but statistically accurate) term used by Ministers Dawkins and Walsh in the selling of HECS was that not having a charge was 'middle class welfare', that is, a regressive use of government expenditure.

The second political tool employed at the time related to a design aspect of the proposed scheme. This was that the first income threshold of the HECS charge was set at the average earnings of all Australians working in the paid labour market. The import of this was that it neutralised opposition to the scheme on the basis of it being unfair, since no graduate had to repay any of the debt unless they were receiving at least as much income as the taxpayers subsidising most of their education.

Third, when the scheme was proposed, the government said that it would establish a trust fund. This fund was to receive all HECS revenue and the funds were to be used only for higher education purposes. In reality such a fund is not particularly meaningful given that HECS revenues in any given year would not exceed government expenditure on universities. Even so, at the time it probably served the political purpose of implying that HECS was principally a benefit for higher education. In fact, a formal trust fund was not established, though the government adopted the practice of reporting explicitly, on an annual basis, the revenue generated through HECS.

CONCERNS AND PREDICTIONS CONCERNING HECS

In 1988 students were represented at a national level by the National Union of Students (NUS) while academic staff in the then university sector belonged to the Federation of Australian University Staff Associations (FAUSA) and those in CAEs to the Union of Australian College Academics (UACA). In NSW, the Australian Teachers' Federation (now the Australian Education Union) also covered some academic staff in universities and CAEs. These organisations were the main players opposing the introduction of tuition charges, including HECS, in higher education.

As noted, the user-pays principle embodied in HECS was introduced in the context of the historic Whitlam reform that had established free higher education in Australia. In the 1980s the generalised principle of 'free' higher education (that is, free to the student) and the social justice rhetoric surrounding it was warmly embraced by the sector's national student and staff unions. Most people, therefore, might be surprised to learn that, back in 1973, the Australian Union of Students had lobbied in opposition to Whitlam's policy move. Instead, AUS representatives called for the retention of fees, moderated by a universal, means-tested scholarship scheme covering both tuition fees and living costs. Reportedly, AUS had believed that the abolition of fees would redistribute scarce financial resources to many students who did not need them.

Fifteen years later, however, the principle of a no-charge higher education system had become a central tenet of the policies of the National Union of Students and the national academic staff unions. This position was squarely based on equity principles: tuition fees, they asserted, constituted a barrier to participation for less privileged groups and for women. Higher education free of charges, they pointed out, was ALP standing policy and was also embodied as a principle in the ALP–ACTU Prices and Incomes Accord, first agreed in 1983. The Accord's aim was to contain real wages growth in return for the delivery by government of key aspects of the social wage.

The national organisations lobbied jointly under the aegis of the Higher Education Round Table (HERT), which also included the Council of Australian Postgraduate Associations. These bodies had opposed the 1987 introduction of the Higher Education Administration Charge and were vocal in the public debate about the reintroduction of tuition fees engendered by Finance Minister Peter Walsh. HERT established a $300 000 'fighting fund' to finance its cause.

Students and staff conceded that, while the working class and women had increased their share of enrolments since the abolition of fees, Whitlam's move had not led to a radical alteration in the social composition of the student body. They pointed to several mitigating factors here:

1 Fraser government policies had driven student allowances substantially lower than unemployment benefits and reduced their availability (65 per cent of students received allowances in 1974, but only 42 per cent by 1981).
2 The slowing of the Australian economy, they said, had made employment a higher priority than study for school-leavers from less privileged backgrounds.
3 After the abolition of fees, more than 45 000 state teacher education studentships and their relatively generous living allowances, which previously attracted students from poorer backgrounds and from regional areas, were phased out.

Attention was drawn to the significant rise in higher education participation among mature-age female students (a group dubbed by some in the government 'bored north-shore housewives'), and also to growth in the numbers of students from certain migrant groups. Despite the fact that students from middle-class and professional families were over-represented in higher education, by 1983 over 70 per cent of students were nevertheless in the first generation of their families to enrol.

The growth in female enrolments, the student and staff unions alleged, would not have occurred under a fee-paying regime. In 1973 only 37 per cent of students were women; by 1987 this proportion had increased to over 50 per cent[4]; a fact used as support for the proposition that not having a charge had beneficial effects for female student participation.

While the case against HECS was strongly supported by the higher education unions' and students' own memberships, in the end they failed to win the public debate. The staff unions saw the ACTU's view as crucial, both because it was the ACTU that had signed up to the Prices and Incomes Accord, and also because ACTU Deputy Secretary Laurie Carmichael was known to have John Dawkins' ear. Unfortunately for the higher education unions, the blue-collar unions that dominated the ACTU were largely persuaded by the arguments of Peter Walsh and others, essentially that higher education was the domain of social elites and not relevant to the mass of working people, who nevertheless were obliged to pay for it through taxation. The ACTU supported the idea of charges on graduates as part of a package that also included a national business-funded training fund.

In 1986, prior to the introduction by the government of the $250 HEAC charge the following year, the academic unions commissioned nationwide opinion polling by McNair Anderson. This apparently indicated that over 19 per cent of swinging voters would change their vote over the issue, and seemed to suggest that almost 15 per cent of all voters would change their vote. Of respondents aged 18–24, more than 75 per cent opposed the introduction of the charge, as did 55 per cent of ALP voters. Thus the measure was reported to be unpopular and, the survey seemed to suggest, some voters felt strongly about it.

The results of this poll encouraged the student and staff organisations to campaign vociferously against the subsequent proposal to impose a more substantial charge—by whatever means this was to be achieved. For example, when details of the Wran committee's recommendations began to emerge, the National Union of Students issued a statement predicting that the 'graduate tax' plan would cost the Labor government at the next election. NUS Education Vice-President Kiri Evans called the proposal 'shocking' and declared that its implementation would 'reduce student numbers'.

In May 1988, following the release of the Wran committee's report, the Higher Education Round Table again commissioned polling, via McNair Anderson's successor AGB: McNair. A telephone poll was conducted in four marginal electorates including a regional one (Bendigo). The polling cast the recommended scheme as 'a deferred fee in the form of a special additional tax' imposed on graduates. Of those surveyed in marginal electorates, 65 per cent disagreed with the idea of the 'additional tax'. Seventy per cent thought that the ALP should retain its policy supporting fee-free higher education and 40 per cent said the issue was sufficiently important to change their vote.

The education stakeholder groups thus believed that their own opposition to the HECS proposal was shared by voters at large. However, this view turned out to be incorrect. John Dawkins commissioned a critique of the HERT poll by another agency, ANOP, which raised questions about the wording of the questions that had been asked. Importantly Dawkins and his supporters were able to persuade delegates to the 1988 ALP National Conference to abandon the 'principle' of free tertiary education in favour of a policy position that asserted the rights of qualified Australians to have 'access to a tertiary education regardless of their means'. The resolution was seconded on the floor of the Conference by Simon Crean, then President of the ACTU.

At first it seemed that supporters of the HECS plan had some difficulties in describing it clearly and accurately. Terms such as 'graduate tax' and 'tuition fee' were used, giving rise to wrongly based criticisms of the proposal by its opponents. Some argued in the media that the plan would lead to tax avoidance and to graduates' choosing courses leading to low-paid jobs. They also predicted that graduates would leave the country to avoid the 'tax'. (In fact, in the globalised economy of the twenty-first century, a significant number of graduates have indeed left Australia and a suggestion for recouping the HECS debt of those graduates is made in section 6 of this chapter.) Misunderstanding how the 'tax' would apply, some made dire predictions that students would avoid liability for the charge simply by failing to graduate in a formal sense.

When the terminology surrounding HECS became streamlined—with terms including 'deferred payment' and 'income contingent'—public concern apparently began to subside. Since the impost was to become active only once a graduate's income reached average weekly earnings, and since the initial rate of payment was then set at a rate of only 1 per cent of gross earnings[5], the scheme was increasingly seen as fairly benign. The voices of opposition began to lose their resonance.

The organisations representing the universities and colleges themselves—the Australian Vice-Chancellors' Committee and the Australian Committee of Directors and Principals—were pressing for expansion of the sector to accommodate a larger number of students. They drew attention to growth in unmet demand, which by 1986 had apparently reached around 23 per cent of eligible applicants. While these organisations expressed concerns about equity of access, they accepted that the government was not willing to expand the sector through increased public funding. Thus they supported the Wran committee proposal for an income-contingent scheme.

The AVCC and ACDP were concerned, however, about the issue of 'confidentiality': universities and colleges providing data about individual students to the Commonwealth. Many predicted an administrative 'nightmare' in implementation and operation of the scheme.

The print media, on the whole, were supportive of the deferred-payment scheme. They editorialised that the proposal was fair and was designed so that students would not be deterred. The *Australian* and the *Age* both declared their approval on 5 May 1988—the day that the Wran report was released—but, notably, both also called for students' contributions to be augmented by funds from industry. Of the major dailies, only the *Advertiser* demurred: 'It is by no means axiomatic that the user-pays principle should be applied to tertiary education', it said. Fee-free higher education was 'one fine legacy of the Whitlam era'.[6] In an 'ideal world', the *Age* opined, higher education would be free of charge. However, levels of unmet demand by qualified applicants was 'an appalling waste of skill and talent'.[7] HECS revenue must be used to fund expansion of the sector, it said. Others echoed this.

The *Canberra Times* was the only commentator to note that the scheme was 'unique to Australia'. It predicted that the plan 'could get around the dislike of many people in the ALP to tertiary fees'.[8] And that 'dislike' was vehement: Bob Brown, chair of federal Labor's caucus released a critique that called the plan 'anti-intellectual, anti-academic and anti-education'.[9] A delegate to the ALP National Left meeting was quoted as saying: 'You can be sure that this issue is going to become one hell of a brawl.'[10]

The academic unions dubbed the scheme 'the height of Orwellian double-speak'. It would place 'an enormous burden on women graduates', they said, and they predicted 'a massive drop-out [of current students] ... in the next six months'.[11] Kiri Evans from NUS was concerned by the large discount to be offered (originally proposed at 40 per cent) to up-front payers. This, she said, was inequitable in that it provided favourable terms to the well-off.

Without a united voice coming from the higher education sector as a whole, however, the staff and student campaign against HECS began to lose momentum. The unions and student organisation considered a High Court challenge to the scheme, on the basis that it contravened the Australian Constitution. The government planned to use Section 51.xxiiiA—which accorded the Australian parliament the power to provide 'benefits to students'—to underpin its HECS legislation. The staff and student organisations argued that the imposition of a tuition fee, however benign in form, could not be defined as a 'benefit' as intended by the Constitution. Legal advice suggested that this argument would fail: what the Commonwealth planned was in fact a benefit—an interest-free loan with generous terms. The challenge was abandoned.

Despite their opposition, the staff and student groups did play a crucial role in one aspect of the new scheme's design—its name. It is little known that, until the day before John Dawkins released the Wran report and unveiled the details of HECS, the scheme was known by the acronym ACCESS—Australian Contribution to the Cost of Education Students Scheme. The name and acronym were changed at the last minute—presumably amid a great flurry—after a pre-release briefing provided to the higher education unions and student organisations, held in a small, crowded room in the staff club at the ANU. When John Dawkins reached the end of his presentation to the stakeholders and revealed the name 'ACCESS', there was a reaction that could unkindly be labelled as derisory mirth, and this apparently led to a reconsideration of the labelling, and at the release next morning all of the documentation surrounding the scheme the name had been altered: 'ACCESS' was perhaps too provocative.

Opposition to the Wran proposal was, by and large, driven by political ideology—references to the 'principle' of fee-free education abounded.

But it was also driven by predictions of dire consequences that in fact did not eventuate: because of the way the scheme was designed, its deterrent effect was small. Lacking a practical comparator, the scheme was regarded simply as a 'tuition fee': such charges, its opponents thought, were always inequitable.

The National Tertiary Education Union retains formal opposition to university fees. However, HECS as it was originally introduced was seen as preferable to the scheme as modified and extended by the Howard government. The Union, along with NUS, opposed all of the changes to HECS introduced by Howard, along with the expansion of the mechanism into new areas—especially postgraduate education (through PELS, in 2001), private universities (2005), some private tertiary colleges (2005) and parts of vocational education (2010). Pragmatically, however, the Union accepts that fees are in fact imposed through HECS (now known as HELP). The National Union of Students also tacitly accepts the existence of a user-pays regime in higher education, but has also opposed all moves to increase the charge, to introduce less generous repayment provisions, and to extend the scheme into new areas such as income support.

THE EFFECTS OF HECS ON AGGREGATE DEMAND, ACCESS TO HIGHER EDUCATION AND INTERNATIONAL HIGHER EDUCATION REFORM

HECS and the Aggregate Demand for Higher Education

Two approaches have been adopted to assess the impact of HECS on student demand. One has been to estimate its impact on the private returns to investment in higher education. The second has been to explore whether higher education participation changed after either the introduction of HECS or the 1996 variations to its operation.

Chapman and Ryan, and Borland adopt the first approach.[12] Their approaches calculated so-called 'internal rates of return to higher education' using Australian cross-sectional data sources. This research, and subsequent similar exercises,[13] all came to the same conclusion. This is that private rates of return to university degrees rates in Australia are very high on average (around 10–14 per cent per annum in real terms), and virtually unchanged with the imposition of HECS; for example, in the Borland study the difference in returns for a representative male who repaid his post-1996 HECS medium course debt after entering the labour market, and for a no-HECS regime, was only 1.5 percentage points.

If HECS has not affected the return on the investment in a substantial way, it would seem reasonable to expect little change in the aggregate demand for higher education. This is not as straightforward as it seems since the issue requires some background commentary on the different potential meanings of the notion of 'aggregate demand'.

An important point involves the distinction between applications and enrolments. That is, a senior high school student's potential interest in pursuing higher education begins with each making an application for a place. If a place is offered, their next decision concerns whether or not to accept and thus to enrol. The distinction between applications and enrolments is not very interesting if there is an excess supply of places, but this has not been the case in Australia over the last several decades. Indeed, as noted, HECS was motivated in part by the perceived need to diminish the number of 'qualified' students unable to access higher education due to the shortage of places.

There have been several empirical exercises exploring the effects of HECS on applications. The first, from Andrews, used a multiple regression approach attempting to explain changes in the ratio of applicants from Year 12 to the total number of Year 12 students.[14] He included measures of youth job opportunities and allowed the effects of the announcement, introduction and changes to HECS to be estimated separately. He found the introduction of HECS had arguably reduced applications from school leavers, but not mature-aged applicants. However, he estimated that the 1996 changes had no impact on applications from school leavers, but may have had a small negative impact on mature-age applications.

More recent analysis of similar data in Aungles, Buchanan, Karmel and MacLachlan used application numbers, rather than ratios, but found no effect on school-leaver applications following the introduction of HECS. After 1996, however, there was a small yet significant decrease (of less than 10 per cent). The decrease in applications from mature-age people after 1996 was somewhat higher, but neither mattered empirically.[15]

It seems reasonable to conclude from the available evidence that neither the introduction of, nor significant changes to, HECS appreciably affected the private returns to a university degree or the aggregate demand for places (as measured by applications). The behavioural consequences for potential students have been close to nothing.

HECS and Access

There has been considerable research into the effects of HECS on the socioeconomic mix of and access consequences for the student body. This includes work commissioned by the government as part of a political deal struck with the Australian Democrats who were important at the time in the make-up of the Senate. The following broad results have emerged from the many disparate research exercises:

1 The relatively disadvantaged in Australia were less likely to attend university even when there were no student fees. This provides further support for the view that a no-charge public university system (that is, financed by all taxpayers) is regressive.
2 The introduction of HECS was associated with aggregate increases in higher education participation, but this is the result of additional places being provided by the government.
3 HECS did not result in decreases in the participation of prospective students from relatively poor families, although the absolute increases were higher for relatively advantaged students.
4 While there was a small decrease in the aggregate number of applications after the 1997 changes, there were no apparent decreases in commencements of members of low socioeconomic groups, except perhaps with respect to a small number of males for courses with the highest charges.
5 The significant changes to HECS introduced in 1997 were associated generally with increased enrolments of individuals irrespective of their family wealth.

6 One piece of research indicated a small decrease in enrolments of the most expensive courses of relatively poor males after the significant charge increases introduced in 1997, although in two other papers no effect was found for any groups.

These conclusions raise some important points for discussion. The first and most important of these is that with respect to the effects of the scheme on participation, it doesn't follow that HECS per se resulted in an increase in the demand for higher education. Indeed, if this were the case it would constitute a curiosity for economic theory, since the result would suggest that increasing the price of a service increases also the quantity demanded.

Understanding the positive relationship between the introduction of tuition charges and higher education participation is assisted through consideration of the theoretical framework of Finnie and Usher.[16] The critical point they make is that typically many public higher education systems are supply-constrained, and this was certainly the case in Australia at the time of the introduction of HECS. The effect of the introduction of the scheme was to encourage the government to outlay substantially more resources for university places through the promise of higher future revenues.

Second, the apparent finding that neither the introduction of, or changes to, HECS had apparent effects on the access to the system of poorer students should not be interpreted to mean that risk-sharing income-contingent loan schemes have a unique capacity to protect the disadvantaged from any adverse effects of tuition fees. Indeed, an important finding from the disparate case studies examined by Finnie and Usher is that the socioeconomic mix of higher education students seems fairly insensitive to funding regimes.[17]

HECS and International Higher Education Reforms

After HECS was introduced there were similar debates in other countries concerning the introduction of university fees, and how best to do this. A full explanation and analysis of the circumstances involved in the adoption of HECS-type of reforms internationally is not possible here, but the countries that have reformed their systems in this direction are New Zealand (1992), Namibia (1996), England (1997), Ethiopia (2001), Thailand (for 2007 only), Hungary (2003) and South Korea (2011).

Other countries have also introduced, or seem about to introduce, income-contingent loans. These include Chile, Colombia and perhaps Malaysia. A bill was introduced into the US Congress in December 2012 with the aim of replacing the US college loan system with a HECS-type policy.

CONCLUSION AND HOW SHOULD HECS BE CHANGED?

HECS is an interesting example of public policy reform, involving players with strong (and sometimes changing) views and a struggle within the ranks of the party of the reforming government with both critical historical and ideological dimensions. It is also an example in which academic and research input played an important part. We recommend Meredith Edwards detailed analysis of HECS, which adds significantly to and complements our brief examination.[18]

While HECS has apparently worked as its designers hoped, there remain several areas of concern, at least in terms of the basic principles that underlie what might be described as sound economic policy. Some of these are now touched on:

1. The implicit interest rate regime of HECS. Nominal HECS debts are adjusted annually by the consumer price index, which means that over time debtors are subsidised to the tune of the real cost of borrowing by the government. While this can be seen as an advantage of the system in that it is effectively progressive within the group of HECS debtors, there are important reasons to revisit this issue.
2. As pointed out in the recent (2012) 'Base Funding Review', and following Chapman and Lounkaew, the justification for the nature of differential pricing between courses (first introduced in 1997) is not coherent, nor is it based on a well-defined set of economic principles.[19] This is because some courses—such as law and business—are

inexpensive to teach but have the highest charges, and other courses such as nursing are in the opposite category. The changes introduced in 1997 to make HECS based, in part, on the average expected incomes by discipline are arguably poor economics.

3 Debtors are able to avoid repayment through emigration, and Chapman and Higgins have costed this loss since 1989 at around \$400–800 million.[20] The authors argue that this unfairness could be resolved by requiring those leaving Australia with a HECS debt to repay the minimum annual HECS obligation of around \$2000.

Although there are ways in which HECS could be improved, it is likely to be Dawkins' longest-lasting policy legacy. It can and has been adapted to changing policies on setting student charges, distributing student places, and institutional eligibility for public support. It has the support of both major political parties and the acquiescence of most of its initial critics. It has been able to solve both policy and political problems in higher education.

NOTES

1 N Wran, *Report of the Committee on Higher Education Funding*, AGPS, Canberra, 27 April 1988.

2 For more detail, see M Edwards, C Howard and R Miller, *Social Policy, Public Policy: From Problem to Practice*, Allen & Unwin, Sydney, 2001.

3 ibid., for a description of the deliberations of the Wran committee. The critical role of Meredith Edwards, particularly with respect to the role of the Australian Tax Office, should be recognised.

4 However, as pointed out in B Chapman and K Lounkaew, *The Value of Externalities for Australian Higher Education*, 2012, http://www.deewr.gov.au/HigherEducation/Policy/BaseReview/Documents/PublicbenefitsofHEreport.pdf (retrieved 12 August 2013), econometric testing of female higher education student participation showed strong evidence of a trend that was not affected by fee abolition; and as implied, since very few students actually paid fees this should have been no surprise.

5 Bruce Chapman and TT Chia, 'An Economic Analysis of the Higher Education Contribution Scheme of the Wran Report', *Economic Analysis and Policy*, vol. 18, no. 3, September 1988, pp. 171–85.

6 *Advertiser*, 8 May 1988.
7 *Age*, 7 May 1988.
8 *Canberra Times*, 10 May 1988.
9 *Australian*, 17 May 1988.
10 *Australian Financial Review*, 23 May 1988.
11 *Age*, 6 May 1988.
12 Bruce Chapman and Chris Ryan, 'The Access Implications of Income Related Charges for Higher Education: Lessons from Australia', *Economics of Education Review*, vol. 24, no. 5, 2005, pp. 491–512; Jeff Borland, 'New Estimates of the Private Rate of Return to University Education in Australia', Melbourne Institute Working Paper, 2002, no. 14/02.
13 A Daly, P Lewis, M Corliss and T Heaslip, *The Private Rate of Return to a University Degree in Australia*, Centre for Labour Market Research, 2012, http://www.deewr.gov.au/HigherEducation/Policy/BaseReview/Documents/PrivatebenefitsofHEreport.pdf (retrieved 12 August 2013).
14 L Andrews, *The Effect of HECS on Interest in Undertaking Higher Education*, DEETYA, Canberra, 1997.
15 P Aungles, I Buchanan, T Karmel and M MacLachlan, *HECS and Opportunities in Higher Education*, Department of Education Science and Training from Draft, Canberra, 2002, http://www.dest.gov.au/NR/rdonlyres/67F0E451-009F-43D5-837A-7851E2E13973/731/hecs.pdf.
16 Ross Finnie and Alex Usher, 'The Canadian Experiment in Cost-Sharing and its Effects on Access to High Education, 1990–2002', in Pedro N Teixeira, D Bruce Johnstone, Maria J Rosa and JJ Vossensteijn (eds), *Cost-Sharing and Accessibility in Higher Education: A Fairer Deal?*, Springer, Dordrecht, The Netherlands, 2006, pp. 79–105.
17 ibid.
18 Edwards, Howard and Miller, *Social Policy, Public Policy*.
19 J Lomax-Smith, L Watson and B Webster, *Higher Education Base Funding Review, Final Report*, DEEWR, Canberra, 2011; Chapman and Lounkaew, *The Value of Externalities for Australian Higher Education.*
20 Bruce Chapman and Tim Higgins, 'The Costs of Unpaid Higher Education Contribution Scheme Debts of Graduates Working Abroad', *The Australian Economic Review*, (forthcoming, 2013).