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15 December 1997

The Review of Higher Education Financing and Policy

Location Code 728

GPO Box 9880

CANBERRA, ACT 2601

Dear Sir/Madam

Enclosed is the response of the Association of Independent Schools of Victoria to The West Inquiry's Policy Discussion Paper, *Learning for Life*.

Should you wish to discuss any matters arising from these comments, please do not hesitate to contact me.

With best wishes,

Yours sincerely

Fiona Ogilvy-O'Donnell

Chief Executive Officer

encl.

ASSOCIATION OF INDEPENDENT SCHOOLS OF VICTORIA INCORPORATED

AISV RESPONSE

TO THE

REVIEW OF HIGHER EDUCATION FINANCING AND POLICY

*POLICY DISCUSSION PAPER*

*LEARNING FOR LIFE*

December 1997

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*A: AISVINITIAL SUBMISSION TO THE WESTINQUIRY*

*B.: ABS CENSUS DATA*

## 1. INTRODUCTION

The Association of Independent Schools of Victoria provides the following response to the West Inquiry Discussion Paper, *Learning for Life*, as its initial consideration of the issues raised. The Association's membership is not comprised of post secondary providers, and therefore there are some issues which are not addressed in this Response.

Given the Discussion Paper's focus on a student centred, industry based If: approach to post secondary education, a seamless post secondary environment and issues such as information technology, public and private contributions to education and private investment incentives, the Association believes it is important to contribute a perspective on these matters, all of which are issues of relevance in the schooling sector in Australia.

## 2. PRINCIPLES ON WHICH THE FUTURE SHOULD BE BUILT

The Association supports the following principles identified by the West Inquiry as those on which the future should be built:

### · *Enhancing access*

The present arrangements restrict access to those students from a range of socio economic geographical and cultural groups. It is not in Australia's long term interests that this situation be perpetuated.

### · *Maximising the study options of students*

A diversity of post secondary and schooling arrangements is essential for broader access to be achieved. Shifting the resource focus from providers to students will

help facilitate the flexibility and diversity of study options required in the 21 century.

· *Promoting quality and accountability*

An educational outcomes focused approach to quality assessment is necessary in both schooling and post-secondary education. This is in the interests of students, parents and the taxpayer. It will assist in generating world's best practice in both the resourcing and delivery of Australian education.

· *Cost effective community benefits*

Taxpayers, with increasing demands being placed upon them, have a right to expect that their resources are strategically, equitably and efficiently distributed and managed.

*Fair levels of private contribution*

It is noted that there is an expectation that individuals should "contribute to the cost of their education to a greater extent than is appropriate for primary and secondary schooling". Given the compulsory nature of schooling, this is reasonable. The Association believes that levels of private contribution "should be

fair and not represent an excessive burden on students and their families" whether

that be in schooling or post-secondary education. As illustrated in Attachment B. there may well be an argument for reviewing the extent to which fair levels of private contribution are being made in the schooling sector, given the numbers of students from families on incomes over \$78,000 in the government school sector, particularly in view of the public resource constraints.

### 3. AN EDUCATION INDUSTRY FRAMEWORK

The Association of Independent Schools of Victoria established a project *Funding Students ' Learning in the Next Millennium* in May 1996 with a particular focus on the funding of school aged children's learning in the future.

As this Project has developed, it has become more apparent that factors such as global competition, information technology, economic efficiency and life long learning demands, will necessitate a national policy which views and treats education as an industry in its own right.

In the Association's view, the education industry encompasses pre-school, primary and secondary education and post-secondary education and training, taking account of both public and private investment and provision in the domestic and international contexts.

Given the need for an industry based perspective, the Association advocated more equitable and investment return focused treatment of the differing sectors of the education industry in its initial submission to the West Inquiry.

In the first instance, it noted the need for equitable treatment of tax related deductions for schools vis-a-vis TAPE and tertiary institutions. The Association supports the submission by Perpetual Trustees *Securing the Future of Higher Education by Fostering Greater Philanthropy*, but would argue that the need for appropriate tax incentives, particularly for gifts and bequests for recurrent purposes be adopted across the whole education industry, not just for higher education. Such an approach would be consistent with the World Bank studies on return on educational investment, which suggest resourcing primary and secondary education to adequate levels will ensure greater resource efficiency than the

present resourcing and tax arrangements allow (refer to Attachment A). It is noted that this matter is addressed in Professor Ross Williams' commissioned paper to the Inquiry.

## 4. EQUITY

### 4.1 **The Interface Between Schools and Post-Secondary Education**

The West Inquiry notes that students from low socio-economic status (SES) backgrounds continue to be under-represented in higher education, as are students from rural and isolated areas. It goes on to suggest that priority for policy intervention needs to be focused on improving the performance of these groups in primary and secondary schooling and retention to Year 12 and that the arguments for the provision of tightly targeted support for individuals from particular groups e.g. low SES, rural and indigenous students are compelling.

The Association supports these views but would argue that the existing schools based funding model, the Education Resources Index, fails to provide a sufficiently refined and transparent model for doing this. It is, in fact, a system which assesses the capacity, not the willingness of a provider (in this case a non-government school) to raise private income through fees and charges and other sources.

In advocating both an industry focused, student centred policy framework for higher education and the need for intervention for students with low participation rates in higher education, the West Inquiry may wish to make a submission to the present DEETYA Review of Non-Government Schools Funding, highlighting the need for the adoption of a funding

system for primary and secondary schooling which does in fact more effectively target student need.

## 4.2 Funding Students in Private Institutions

The second related issue of equity raised in the West Inquiry Discussion Paper concerns the failure of existing higher education funding arrangements to deal equitably and consistently with public and private providers. It draws on the arguments of funding of non-government schools as a point of inconsistency in government policy in the higher education area.

The Association would agree that it is inequitable for private providers of higher education not to receive public funding for students seeking to enrol. This inequity is a concern, not from the perspective of the private institution being denied funding per se, but rather that some students, in a democratic and market oriented economy are denied a public funding entitlement based on the institution at which they select to study.

This situation persists within the schools sector as well and while it is relevant that the West Inquiry has identified the inequity of the differing funding practices for public and private institutions in the schools and higher education sectors, it is critical that the public subvention received by students attending private higher education institutions is not less than their counterparts in the public higher education industry. Hence the Association strongly supports the importance the West Inquiry has placed on universal, publicly funded access to post-secondary education for all students and the need for a student focused, not a provider controlled, model.

## 5. INFORMATION TECHNOLOGY

The rapid advancement in information technology, including the associated costs, potential for efficiencies, flexibility of delivery and customisation and specialisation, are issues as relevant to the schools sector of the education industry, as to the post-secondary sector.

It is not possible to consider information technology as a "top-down" phenomenon in education, in view of the impact it has on young children and students from birth and through the schooling years.

Many students find post secondary institutions provide a less sophisticated information technology environment than that experienced at school and at home. The challenge of creating compatibility and a continuum of learning opportunities across the education industry will necessitate creative intersectoral partnerships and strategic alliances with the education industry, for profit providers and other industries.

Without some tax incentives, it is difficult to see how the costs of information technology, both recurrent and capital, will be met.

## 6. A NEW FINANCING FRAMEWORK

The provision of universally accessible post-secondary education based on a mix of income contingent loans and public subsidies is a desirable and potentially achievable goal within the next 20 years if the two key principles outlined on page 31 of the Discussion Paper are applied. This approach should not be considered in isolation from 1) the right of students, where they desire it to access full fee paying places, or 2) possible tax reforms which could generate greater industry contributions in the form of scholarships and traineeships for undergraduates.

## 6.1 Tuition Fee Flexibility

In any other area of the economy, flexible pricing policy is taken as an integral and unchallenged feature of the market. In schools, where compulsory fees are charged, this flexibility is considered to be part of the overall marketing strategy of a school and a reflection of the competitive diversity which parents/clients assess before selecting from the available options. This practice should be no different in the post-secondary sector.

## 6.2 Accreditation, Quality Assurance and Accountability

Educational accreditation for institutions and specific courses is essential in protecting the interests of students and the taxpayer. It is essential that there be an independent process, not dominated by providers or governments exclusively but one which also fosters diversity and innovation rather than a "one size fits all" approach.

The concept of a prudential regulator is worthy of exploration, given the potential fallout in both the domestic and international markets should a deregulated market lead to insolvency on the part of a provider. Experience in the schools sector suggests that compliance with corporate law requirements is better than departmental administration of financial accounts, recognising that there is no guarantee that institutions will not fail, where the market is in operation.

## 6.3 Strategies for Better Asset Management

The management and use of publicly funded assets held by post secondary institutions is one which requires further consideration, given the benefit it confers on public providers when compared with private providers. In light

of the application of National Competition Policy to the trading activities of universities, an infrastructure charge could be required.

It is noted in the Discussion Paper that the legislative responsibilities held by the States and the funding responsibility exercised by the Commonwealth complicate these matters. This complication is also experienced in the schools funding debate and has the potential to retard major reform, unless there is a collective will to create a "clever country".

#### 6.4 Student Centred Funding Models

The Association supports the concept of student centred funding models over the existing provider focused approach, on the grounds that such models are more equitable, flexible, transparent and efficient.

Given the Policy Discussion Paper's acknowledgment of the need

for a more sustainable financing policy in post-secondary education and a proposed 20 year time frame incorporating a decade of managed reform, Model 3 has the most to commend it, on the grounds that:

- it creates a more seamless or integrated post-secondary education environment, linking higher education and TAFE through a single student centred funding arrangement;

it allows students in both higher education institutions and TAFE access to equitable funding;

- it recognised the student's entitlement to public findings, regardless of whether the institution chosen is a public or a private provider, with the appropriate proviso that the course selected is accredited as leading to a post-secondary award;

- it limits funding resources from the public purse for each student either through a cash ceiling or an entitlement to a set duration of full time study;

it provides the necessary flexibility for institutions to compete on price through determination of tuition fees, thereby encouraging innovation, diversity and competition;

- it allows students access to income contingent loan arrangements. Despite its advantages, Model 3 also represents the greatest change to existing arrangements and as such will attract the greatest levels of objection, particularly from those most comfortable with the status quo.

In the Association's view, the Policy Discussion Paper is a positive, balanced and forward-looking contribution to the debate on Australia's future needs in post-secondary education. It raises many issues of relevance and applicability in the schooling sector, particularly in relation to sustainability of public resourcing and the need for private contributions and incentives for private investments.

Whether the reforms advocated eventuate in the short or medium term will depend in part on the political process, the health of the Australian economy and ultimately on the sense of fair play within the Australian electorate.

However, creating a vision of what is required and working towards it, is a big advancement on being complacent about the future. Identifying the challenges early provides the opportunity for flexible solutions to be generated, piloted and assessed. Waiting until the challenges are chronic problems restricts the choices available at a later stage. Education is too important to Australia and its students to be put into the "too hard basket" of public policy.

*ATTACHMENT A*

ASSOCIATION OF INDEPENDENT SCHOOLS OF VICTORIA INCORPORATED

SUBMISSION TO THE  
REVIEW OF HIGHER EDUCATION  
FINANCING AND POLICY

APRIL 1997

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20 Garden Street, South Yarra, Victoria

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NEXTMILLENNIUMPROJECT OVERVIEW*

ATTACHMENT II - *EXCERPTS FROM WORLD BANK REPORT,  
PRIORITIES AND STRATEGIES FOR EDUCATION*

## EXECUTIVE SUMMARY

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The Association seeks to provide input into the Review of Higher Education Financing and Policy on three key issues:

1. The relative resource equity between the schools sector and the higher education sector.
2. The relative equity of the taxation arrangements for schools and higher education institutions.
3. The impact of higher education policies on the efficiency and effectiveness of Australian schooling.

Each of these issues is relevant to themes 3 and 4 of the Review.

1. **The relative resource equity between the schools sector and the higher education sector.**

Average per capita expenditure from public sources is significantly greater for tertiary students in Australia compared with school age students, be they in government or in non-government schools, i.e. \$3,983 per school age student compared with \$8,907 per university student.

Evidence from the World Bank suggests that the greatest return on investment in education occurs with primary schooling, followed by secondary, then tertiary. If this evidence is applied to Australia, it would suggest that a radical redistribution of resources between higher education and schooling should occur.

The Association believes that the magnitude of the differential between school and higher education per capita funding requires the Review Committee to make specific comment on this and suggest strategies for reducing this inequity.

2. **The relative equity of the taxation arrangements for schools and higher education institutions.**

In any analysis of the taxation benefits available to universities as compared to schools, it is clear that a level playing field is not in operation. Universities, unlike schools, are able to attract tax deductions for recurrent gifts. Given the significant percentage of expenditure in education which goes towards recurrent purposes, especially teaching salaries, it is an important financial advantage afforded universities over schools.

The Association is strongly committed to increased private investment in both the public and private provision of schooling and higher education. It would argue, therefore, that the concessions available to higher education institutions should not be removed but rather extended to the schooling sectors, both government and non-government.

While it is acknowledged that recent economic reports including the report of the National Commission of Audit has recommended that there be a move away from the use of tax concessions, in order to contain government outlays in this area, this does not preclude an examination of alternative taxation arrangements which would deal equitably with the compulsory and post-compulsory sectors of education.

### **3. The impact of higher education policies on the efficiency and effectiveness of Australian schooling.**

Alternative funding models such as the voucher which have the student, not the institution, as the focus of the resource allocation, open up more diverse opportunities for students to dictate their remaining preferences and to discriminate in their choice of institutional approach.

Given the demonstrated capacity of providers of one type of remaining to expand to meet new markets, especially those which emerge under an increasingly deregulated consumer-oriented market, it is feasible that schools and tertiary institutions will become active competitors for students and their funding.

Such developments would highlight even more starkly the need for an effective competitive neutrality policy between schools, TAFE's and universities in relation to taxation reform and public resource provision.

## THE ROLE OF AISV

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The Association of Independent Schools of Victoria has a membership of 169 Victorian independent schools, enrolling 83,000 students. AISV was established in 1949 to represent and promote the interests of Victorian independent schools.

Each independent school is an autonomous and legally incorporated body, responsible at law and to its school community for its philosophy, structure, management and operation, including the expenditure of private and public income and the employment of staff. As such the Association is not a system authority, rather it is a non profit service organisation to its membership, all of whom pay annual subscriptions for the Associations' services.

The objectives of the Association, as defined in its Statement of Purposes, include the following:

- *To assist, strengthen, represent and promote the interests of independent schools in Victoria in any way whatsoever;*
- *To protect the autonomy of Member Schools. This autonomy includes:*
  - i) *the right of a school community to decide its constitution and form of government;*
  - ii) *the right of a school community through its governing body to determine school policy including school enrolment, staffing, curriculum, co-curricular programs and discipline.*

AISV is a Member Association of the National Council of Independent Schools' Associations.

## INTRODUCTION

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The economic, social and demographic trends facing Australia justify a far reaching, creative and positive review of the higher education sector's funding and policy platforms.

With the ageing of the Australian population, increasing global competition and rapidly developing communications technology, the focus on the role of education and teaching and learning in assisting and managing these changes continues to intensify. However, the expectations of many that governments will provide expanding pools of public resources to meet the growing demands for "free" education, as well as the community's expectations of life long learning opportunities have been dashed over recent years.

Increasingly, the role of governments is being refined, altered and restructured to accommodate changed philosophical, economic and social expectations about government responsibilities. As governments move to become funders rather than providers of a range of community services, the community has to adjust its attitudes and perspectives on the role and responsibilities of the private sector in the provision of services which were once the sole domain of government.

In education, particularly schooling, there has been a colourful history of both public and private provision of schooling in Australia. Despite the fact that State governments still have legislated obligations to provide "free, compulsory and secular education" to school age children, there is a renewed interest in the debate about funding alternatives and delivery mechanisms for schooling.

In part this interest is generated by the Commonwealth Government's review of non-government school funding in particular, the Education Resources Index (ERI). For the Association, however, the interest in the broader questions of funding students' learning has become the focus of its policy and strategy research project *Funding Students ' Learning for the Next Millennium*, launched in May 1996. A copy of the Overview is contained as Attachment I.

The Project has four broad objectives:

- to achieve a more equitable choice-oriented and efficient means of funding students' learning by 2001;
- to expand and enrich the educational opportunities of all students;
- to enhance the collaboration and co-operation within the independent sector and between sectors through the pursuit of mutually beneficial policies in education;
- to improve both the education and the broader community's understanding, appreciation and respect for independent schooling in Australia.

There are a number of factors, apart from a change of Commonwealth Government in

1996, which led the Association to develop these goals and initiate the Project. These include:

- \* devolution and restructuring within the government schools' sector
- calls for Constitutional reform, including the rationalisation of Commonwealth and State powers
- pressure for tax reform
- National Competition Policy and global competitiveness and their relevance to the future role of education
- greater flexibility in teaching and learning opportunities through technological advancements
- increased consumer expectations and vigilance about their rights.

While it is not the intention of this paper to explore each of these issues in detail, it is important to highlight the relevance of tax reform pressures and National Competition Policy because they relate to the key points AISV wishes to make to this Review.

## KEY ISSUES

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The Association seeks to provide input into the Review of Higher Education Financing and Policy on three key issues:

1. The relative resource equity between the schools sector and the higher education sector.
2. The relative equity of the taxation arrangements for schools and higher education institutions.
3. The impact of higher education policies on the efficiency and effectiveness of Australian schooling.

Each of these issues is relevant to themes 3 and 4 of the Review.

### RELATIVE RESOURCE EQUITY BETWEEN THE SCHOOLING AND THE HIGHER EDUCATION SECTORS

According to the ABS publication *Expenditure on Education, Australia, 1994-1995*,

"... approximately 55% of total government outlays on education in 1994-95 was spent on primary and secondary education and 35% on tertiary education. The distribution of government outlays has shifted over the past six years with an increased proportion allocated to tertiary education and less to primary and secondary education. Over the period, outlays on tertiary education rose 45% whilst the corresponding rise for primary and secondary education was 22%." <sup>1</sup>

Average per capita expenditure from public sources is significantly greater for tertiary students in Australia compared with school age students, be they in government or in non-government schools, i.e. \$3,983 per school age student compared with \$8,907 per university student. <sup>2</sup>

While no one would dispute the importance of tertiary education, in terms of both its individual and community benefits, it is important to question the relative equity and merit of providing much greater per capita expenditure at the top end of the education structure, than is provided in primary and secondary schooling.

Complaints sometimes levelled by the higher education institutions at schools about the literacy and numeracy standards, as well as independent living, research and study skills of undergraduates could indicate that schools are not being adequately resourced to meet the expectations of tertiary institutions. Attachment II provides excerpts from a World Bank publication *Priorities and Strategies for Education* which outlines this evidence.

Beyond this observation is evidence from the World Bank which suggests that the greatest return on investment in education occurs with primary schooling, followed by secondary, then tertiary.<sup>3</sup>

If this evidence is applied to Australia, it would suggest that a radical redistribution of resources between higher education and schooling should occur.

Even if it is unacceptable to see an overall reduction in expenditure on tertiary education, it could well be argued that there should be a significant change in the mix between private and public resource contributions in this sector.

Even with the modifications in the Higher Education Contribution Scheme (HECS), it would appear that university students are still receiving subsidies from the public purse of the order of \$4,000- \$14,000 per student per annum. <sup>4</sup>

This level of public subvention, when compared with the average government school recurrent cost of \$4,451 (1993/94 figure) for a government school student and government funding for a non-government school student ranging, for example, from \$752 (Category 1 school) to \$2,731 for a Category 12 school (based on 1997 Commonwealth and Victorian State recurrent grants for a primary student) would appear to be an excessively generous amount.

The Association believes that the magnitude of differential between school and higher education per capita funding requires the Review Committee to make specific comment on this and suggests strategies for reducing this inequity.

## **RELATIVE EQUITY OF THE TAXATION ARRANGEMENTS FOR SCHOOLS AND HIGHER EDUCATION INSTITUTIONS**

Public costs for education are not restricted to the direct financial assistance programs. There are other important sources of income forgone by government, via tax concessions for eligible education expenditure.

In an era when the concept of a level playing field is accepted as a legitimate feature of international trade, it is important that the concept be applied to education delivery.

In any analysis of the taxation benefits available to universities as compared to schools, it is clear that a level playing field is not in operation. Universities, unlike schools, are able to attract tax deductions for recurrent gifts. Given the significant percentage of expenditure in education which goes towards recurrent purposes, especially teaching salaries, it is an important financial advantage afforded universities over schools.

The Association is strongly committed to increased private investment in both the public and private provision of schooling and higher education. It would argue, therefore, that the

concessions available to higher education institutions should not be removed but rather extended to the schooling sectors, both government and non-government.

While it is acknowledged that recent economic reports including the report of the National Commission of Audit has recommended that there be a move away from the use of tax concessions, in order to contain government outlays in this area, this does not preclude an examination of alternative taxation arrangements which would deal equitably with the compulsory and post-compulsory sectors of education.

Such equality would involve creating similar access to taxation concessions or rebates for donations to any registered education institution, regardless of whether the students were school aged or tertiary students.

If Australia is to meet its economic, social and international challenges, reforms to the tax system would seem necessary, in order to promote greater savings and investment. Given the demands for life long learning, coupled with the challenges mentioned above, an investment culture needs to be fostered in the education industry.

To become a leading producer of internationally acclaimed films, documentaries and movies, Australia had to create a film industry which it achieved through a radical tax incentive scheme. This scheme, offering significant tax rebates on investments in the film industry, was a bold, creative and productive initiative.

It would seem sensible then, if we want to promote Australia as "the clever country", that a similarly radical proposal for facilitating and encouraging investment in education should be developed by the key sectors within the education industry.

## **THE IMPACT OF HIGHER EDUCATION POLICIES ON THE EFFICIENCY AND EFFECTIVENESS OF SCHOOLING IN AUSTRALIA**

As reforms occur within the higher education sector, their effects filter downwards into the schooling sector. It is rare that reforms in schooling result in significant changes in the tertiary sector. This hierarchical relationship between tertiary institutions and schools could be altered over time as government policy shifts its focus of resourcing from providers to consumers.

Alternative funding models such as the voucher which have the student, not the institution, as the focus of the resource allocation, open up more diverse opportunities for students to dictate their learning preferences and to discriminate in their choice of institutional approach.

Given the demonstrated capacity of providers of one type of learning to expand to meet new markets, especially those which emerge under an increasingly deregulated consumer-oriented market, it is feasible that schools and tertiary institutions will become active competitors for students and their funding.

For many schools, with modern facilities, extensive pastoral care programs, experienced and committed staff, the attraction of offering tertiary programs has been demonstrated in initiatives such as Year 13.

Equally, universities have seen attraction in entering into secondary programs, in conjunction with schools and in the provision of foundation year programs for full fee paying overseas students.

The challenge for both universities and schools would be making the necessary adjustments that would be associated with the introduction of student focussed funding models, such as vouchers.

Increasingly, under such models, hierarchical relationships between schools, TAFE colleges and universities will be replaced with interdependent strategic alliances, focussed on the needs of the learner. This would represent a significant advance on the existing model.

Such developments would highlight even more starkly the need for an effective competitive neutrality policy between schools, TAFEs and universities in relation to taxation reform and public resource provision.

## REFERENCES

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1. Australian Bureau of Statistics, *Further data on enrolments 1994-95*, Cat. no. Educ.55 10.0, ABS, Canberra, p. 3

2. Australian Bureau of Statistics, *Expenditure on Education Australia 1994-1995*, Cat. no. 5510.1, ABS, Canberra, p.6

and

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3. World Bank, Washington DC 1995, *Priorities and Strategies for Education*, p.22

4. Minister for Employment, Education, Training and Youth Affairs, The Hon. Senator

Amanda Vanstone, *Higher Education Funding Report for the 1997-1999 Triennium*, 1996, DEETYA

AISV SUBMISSION TO THE REVIEW OF HIGHER EDUCATION FINANCING AND POLICY

APRIL, 1997

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