



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

EMPLOYMENT, WORKPLACE RELATIONS, SMALL BUSINESS  
AND EDUCATION REFERENCES COMMITTEE

**Reference: Australia's higher education needs**

WEDNESDAY, 18 JULY 2001

SYDNEY

BY AUTHORITY OF THE SENATE

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**SENATE**  
**EMPLOYMENT, WORKPLACE RELATIONS, SMALL BUSINESS**  
**AND EDUCATION REFERENCES COMMITTEE**

**Wednesday, 18 July 2001**

**Members:** Senator Collins (*Chair*), Senator Tierney (*Deputy Chair*), Senators Brandis, Carr, Crossin and Stott Despoja

**Participating members:** Senators Abetz, Allison, Bartlett, Boswell, Brown, Buckland, Calvert, George Campbell, Chapman, Coonan, Crane, Crowley, Eggleston, Faulkner, Ferguson, Ferris, Gibbs, Gibson, Harradine, Harris, Hutchins, Knowles, Lightfoot, Mackay, Mason, McGauran, O'Brien, Payne and Watson

**Senators in attendance:** Senators Brandis, Carr, Collins, Crossin, Ferris and Tierney

**Terms of reference for the inquiry:**

To inquire into and report on the capacity of public universities to meet Australia's higher education needs, with particular reference to:

- (a) the adequacy of current funding arrangements with respect to:
  - i. the capacity of universities to manage and serve increasing demand,
  - ii. institutional autonomy and flexibility, and
  - iii. the quality and diversity of teaching and research;
- (b) the effect of increasing reliance on private funding and market behaviour on the sector's ability to meet Australia's education, training and research needs, including its effect on:
  - i. the quality and diversity of education,
  - ii. the production of sufficient numbers of appropriately-qualified graduates to meet industry demand,
  - iii. the adequacy of campus infrastructure and resources,
  - iv. the maintenance and extension of Australia's long-term capacity in both basic and applied research across the diversity of fields of knowledge, and
  - v. the operations and effect of universities' commercialised research and development structures;
- (c) public liability consequences of private, commercial activities of universities;
- (d) the equality of opportunity to participate in higher education, including:
  - i. the levels of access among social groups under-represented in higher education,
  - ii. the effects of the introduction of differential Higher Education Contribution Schemes and other fees and charges and changes in funding provision on the affordability and accessibility of higher education,
  - iii. the adequacy of current student income support measures, and
  - iv. the growth rates in participation by level of course and field of study relative to comparable nations;
- (e) the factors affecting the ability of Australian public universities to attract and retain staff in the context of competitive local and global markets and the intellectual culture of universities;
- (f) the capacity of public universities to contribute to economic growth:
  - i. in communities and regions,
  - ii. as an export industry, and
  - iii. through research and development, both via the immediate economic contribution of universities and through sustaining national research capacity in the longer term;
- (g) the regulation of the higher education sector in the global environment, including:
  - i. accreditation regimes and quality assurance,
  - ii. external mechanisms to undertake ongoing review of the capacity of the sector to meet Australia's education, training, research, social and economic needs, and
  - iii. university governance reporting requirements, structures and practices; and
- (h) the nature and sufficiency of independent advice to government on higher education matters, particularly having regard to the abolition of the National Board of Employment, Education and Training.

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**Committee met at 9.07 a.m.****PRATLEY, Professor James Edward, Dean, Faculty of Science and Agriculture, Charles Sturt University**

**CHAIR**—I declare open this public hearing of the Senate Employment, Workplace Relations, Small Business and Education References Committee. On 12 October last year the committee was asked by the Senate to inquire into the capacity of public universities to meet Australia's higher education needs. Over the past 15 years, there have been a number of important policy changes affecting the higher education sector. Most obvious of these has been the increase in dependence of universities on revenue from non-government sources and from the Higher Education Contribution Scheme. The committee's inquiry will focus on the capacity of universities to offer high standard undergraduate and postgraduate education, particularly at a time when the academic profession is under increased pressure to handle higher teaching workloads and when the quality and standards of courses are being questioned in some quarters. The committee notes that various accounts of questionable practice have been reported in the press and in submissions to this inquiry, and it will make an assessment as to whether such practices may result in part from the pressures faced by universities under current funding arrangements and stringencies.

The issue of research funding will also be examined, in particular the extent to which universities are maintaining their capacity to conduct basic and independent research and whether resources are being diverted from such areas of research in response to commercial pressures. The committee will also look at the evolving academic culture of universities and the effect of commercial pressures upon them. It will also consider governance issues and the internal accountability arrangements of university administrations.

Before we commence taking evidence today, I wish to state for the record that all witnesses appearing before the committee are protected by parliamentary privilege with respect to the evidence provided. Parliamentary privilege refers to special rights and immunities attached to the parliament or its members and others necessary for the discharge of parliamentary functions without obstruction and fear of prosecution. Any act by any person which operates to the disadvantage of a witness on account of evidence given before the Senate or any of its committees is treated as a breach of privilege.

I also welcome all observers to this public hearing. I welcome our first witness, Professor Jim Pratley. The committee has before it your submission that we have numbered 213. Are there any changes that you wish to make to it?

**Prof. Pratley**—No.

**CHAIR**—I invite you to make a brief opening statement, and then we will move to questions.

**Prof. Pratley**—Thank you for the opportunity to speak to the committee. Charles Sturt University is Australia's largest rural university. It is a multicampus institution and the largest distance education provider in Australia. Two-thirds of our students come from rural backgrounds, so we are training people in the country for the country.

The issue I want to take up with the committee is the funding cake, and the two components I want to talk about are the size of the cake and the distribution of that cake. Looking at the size of the cake first, I am sure you have been inundated by people who say that the cake is not big enough. I am not going to dwell on that, except to endorse it. From the standpoint of Charles Sturt University, since 1996 there has been a six per cent cumulative reduction in operating grants. That has amounted to about \$25 million over five years. There has also been non-supplementation of three enterprise bargaining agreements worth about \$62 million over the same period. That is, a total of \$87 million since 1996 has been taken out of our budget. That is roughly equivalent to one year's funding from government. The consequence, of course, is very high workloads, which I will return to. The only way we have survived is through the extreme dedication of the staff.

We have a situation now where international students are subsidising the education of Australian students, and I think there are some moral questions in that. Certainly our capacity for creativity has declined and our ability to service community needs has also declined. The multiplier effect of that in a regional community is something like \$0.25 billion over that period.

The second point I want to make is about the distribution of the funding cake. I take you back to 1990 when the new universities were established. They were established on the basis that there would be no transfer of funds from the old university sector to the new university sector. DETYA was given the job of creating a formula to ensure that that funding transfer did not occur. In 1990, a base was established that was indexed, but it was based on the old college of advanced education quota and funding base, and then we were provided with full funding of extra places since 1990. To give you some idea of the size of that impact, if all of CSU students were transferred to the University of Sydney, the University of Sydney would be funded about \$30 million more per year than we are to teach the same students. If our students were transferred to the University of Western Sydney, Western Sydney would be funded about \$10 million more per year than we are to teach the same students. This is largely because a higher proportion of their quota has occurred since 1990.

In 1999, DETYA instituted a review into that relative funding model. They employed a UK consultant and held workshops, but the old university sector lobbied very hard to have that review shut down and in late 1999 or early 2000 DETYA abandoned the review. This also demonstrates the inequity that, under the current arrangements of postgraduate student funding, if we have a biology student completing a PhD at CSU we are told that our completion funding will be about \$75,000 for that student. If the same student did the same project at the University of Sydney, the University of Sydney would get \$104,000 for the same project and the same student—50 per cent more funding. Where is the equity in that? The government has also reduced the number of funded places across the sector for higher degree students; something like a four per cent cut. For CSU it is a 30 per cent cut in total numbers and a 73 per cent reduction in intake of postgraduate students. Most of our students are industry funded and we have established that funding in the marketplace. We are told to go to the marketplace, and when we do we are undercut by the policies of government.

I want to finish by looking at what this has done to workloads. I am using official figures put out by DETYA, which I am sure you have seen, on student-staff ratios across the sector. The sector average in 1996 was 15.6; that has increased to 18.8 for 2000. That is a 20 per cent

increase in workload across the sector. In 1996 our student-staff ratio was 19.6, or 25 per cent above the average. In 2000 our student staff ratio was 27.7, or 41 per cent above the average. That is due simply to the funding cuts in the system—we are funded at a lower base and the percentage cuts have a greater impact, so our workloads are enormously greater than those in the rest of the sector. To reach the sector average, CSU would need to employ an extra 300 academic staff, and to reach the University of Sydney ratio—and I have nothing against the University of Sydney, I am just using it as an example—CSU would need to employ another 530 staff, almost doubling what we have now. The percentage changes impact more on us because we are funded at a lower base.

So we are not looking for special funding; all we are looking for is a fair go. We are certainly not receiving that, and I think rural Australia deserves better. Thank you.

**Senator CROSSIN**—Professor Pratley, are you arguing that institutions are still being funded on the weighting of courses they had prior to 1987?

**Prof. Pratley**—The base year seems to be 1990.

**Senator CROSSIN**—How have you come to that deduction, given the course mixes that have happened?

**Prof. Pratley**—I have not come to that deduction; that is public knowledge.

**Senator CROSSIN**—Can you explain that in terms of a particular course per student place, so we have a better idea of the differences you are presenting to us?

**Prof. Pratley**—When the new universities sector was created, there was a review of the funding model, but the base line was that there was to be no transfer of funds from the old sector to the new sector. The review was held in two parts: they reviewed the old sector and got equity within that, then they reviewed the new sector and got equity within that. Then they had to create a weighting system that ensured that there was no transfer from one to the other. They loaded up the weightings for medicine, vet science, law and postgraduate students—because the new sector had none—and they created these relative weights for universities. The funding was based on those relative weightings. You would have to ask DETYA how they did it because it remains a mystery to most of us. The fact is, that is how it was done. We are not privy to the information on how they arrived at the final weighting.

**Senator CROSSIN**—Are you putting to us that there should be a total review of the weighting of those courses?

**Prof. Pratley**—Absolutely. It was supposed to happen in 1999 and the political processes behind the scene caused that review to stop. I am suggesting that the best thing that could happen for equity across the sector is for that review to be open and fully evaluated so that equity can be there. I cannot accept, as an Australian, that you can pay somebody 50 per cent more to do the same job. That is just not an Australian way of life. But that is how the education system operates.

**Senator CROSSIN**—You have given evidence to us today of a 20 per cent increase in staff workloads. What other examples are there at Charles Sturt that would point to the way in which the funding crisis has impacted on your university?

**Prof. Pratley**—Let me give you an example from my faculty. I employ the academic staff in my faculty. In 1996 I had something like \$1 million discretionary money over and above the appointment of staff to do the teaching. I start 2001 with a \$0.5 million shortfall on salaries. The only way we can actually fund our teaching program is to go out and earn money. The university now gets 39 per cent of its income from government. We are one of the lowest funded universities in Australia. The impact on rural Australia, which people have, by and large, tended to ignore for a long time, through the multiplier effect of the lack of funding is an enormous impediment to regional development. The multiplier effect of the \$87 million cuts since 1996 is \$0.25 billion in those regions—and we are wondering why regional Australia is not moving forward.

**Senator CROSSIN**—Not only have you lost your \$1 million contingency funding, there is a significant shortfall in the funding to pay academic salaries?

**Prof. Pratley**—Absolutely. I cannot pay the academic salaries from government funding. The shortfall has to come from the fees we get in from overseas students. We are talking about overseas students subsidising the education of Australian students. I think there are some ethical questions there.

**Senator CROSSIN**—In regional Australia, where Charles Sturt University is, a severe defunding of the university sector by the government causes a run-down in resources, staff being overstretched and courses being cut. What is the expectation on the communities in regional Australia in that sort of scenario in terms of the provision of the education they would expect and the development of the region?

**Prof. Pratley**—Every dollar that does not come into the region has an impact on employment of people within the region. Every course or place that we cannot provide is another regional student who does not get an opportunity. The answer to regional Australia is to educate the population to help themselves. At the moment the funding base for education in rural Australia is much lower than it is anywhere else. If we take the funding discrepancy in relation to the University of Western Sydney—\$10 million a year over 12 years, amounting to \$120 million—and multiply by three or four, whatever your multiplier is, that gives the impact on the region in terms of employment, development and the facilities in the region.

**Senator CROSSIN**—Regional areas look to the university as an economic hub, basically, for development in the area?

**Prof. Pratley**—Not only an economic hub, but also a cultural hub, an expertise hub and a sporting hub. When you look at the cities of Wagga, Bathurst, Albury and, increasingly, Dubbo, if you took the universities out of those places the stability would go. You have a large amount of salary coming in to people employed in the university, you have the research agenda being focused on regional issues, and you have all the cultural activities that go on—anything from painting to theatre to music. These things are often generated and certainly enhanced by the presence of a tertiary institution there. Increasingly, those institutions cannot deliver that

because they have neither the time nor the funds to do it. It is having a significant social impact on the communities as well as an educational opportunity impact.

**Senator CROSSIN**—Moving now to your capacity as dean of faculty, I think you said that the lack of salary supplementation over the last five or six years had affected the budget of Charles Sturt University by nearly \$87 million.

**Prof. Pratley**—The salary non-supplementation is \$62 million. If you add that to the cut in funding of six per cent cumulatively, it makes \$87 million.

**Senator CROSSIN**—What impact has that had on the range and diversity of research or the quality of teaching that can now be expected from academics?

**Prof. Pratley**—It potentially has enormous impacts. As I said initially, the only way we have got through this is through the enormous dedication of the staff, who have had increases in workloads of between 50 per cent and 100 per cent. They work longer hours to service the students. It impacts on our ability to put PowerPoint technology into all the lecture theatres. It impacts on our ability to run tutorial classes of reasonable sizes. It impacts on our ability to establish facilities and it impacts on staff time to undertake research. It also impacts on our facilities for research. You name it and it has impacted on it. The only way we get through is through the sheer hard work and dedication of the people involved.

**Senator CROSSIN**—In this climate, has Charles Sturt University had to increase its fee paying students or attract resources from private operations in order to survive?

**Prof. Pratley**—Yes, it has. Charles Sturt University is among the top two or three universities in Australia in terms of offshore activity. We have something like 10,000 students offshore in 10 countries who we teach from Australia or in association with other players. That is the only way that we have survived.

**Senator CROSSIN**—What sort of additional pressures does that place on people?

**Prof. Pratley**—It places enormous pressures. In a sense, we tend not to count those workloads because they are not part of the official statistics. However, that has to be done and it has to be done well or you lose your market. We have staff who have to fly over and teach intensive sessions. We have to prepare the material so that it is culturally sensitive and related to the students' own communities and so on. An enormous amount of work is associated with servicing that and we put in a lot of effort to ensure that we service it well, because we would just go down the gurgler without it.

**Senator CARR**—Can I ask you about the university's safety margin? Are you aware of the concept of a safety margin?

**Prof. Pratley**—I can tell you that we use all the money, but things like long service leave and all those staff entitlements are locked away so that we do not owe any money and all our commitments are accounted for. However, we do not have any money left over at the end of the day.

**Senator CARR**—Six institutions recorded a negative safety margin in 1998, whereas two recorded negative safety margins in 1999. Were you one of the six in 1998?

**Prof. Pratley**—I do not think so. I do not know what the safety margin is, but we have certainly accounted for all our staff entitlements in terms of long service leave and recreational leave.

**Senator CARR**—Is there any prospect of the university going broke?

**Prof. Pratley**—If we lose our offshore market there would be a big chance, and yet I think we are one of the better performing universities in terms of where we sit financially.

**Senator CARR**—Thank you.

**Senator BRANDIS**—In answer to a question from Senator Crossin, you said that there were some ethical issues about using income from foreign students to subsidise Australian students. What are those ethical issues?

**Prof. Pratley**—Australia should educate its own, but we do not have enough funding in our institution to fully educate our Australian students. We use overseas money to fund the existing student base from Australia. That is the only way we can do it. I have told you that in my faculty there is a half a million dollar shortfall on salaries before I start doing anything else. The only way I can make that up is through our offshore earnings.

**Senator BRANDIS**—Assuming all that is so, what is wrong with that? Australian universities are generating a revenue stream from exporting educational services and bringing money into their revenues that would not otherwise be there, and that assists in the education of Australians. What is wrong with that?

**Prof. Pratley**—In a sense there is nothing wrong with that if you just look at it from an accounting point of view.

**Senator BRANDIS**—No, let us look at it from an ethical point of view. You are the one who raised it as potentially an ethical issue. From an ethical point of view, what is wrong with that?

**Prof. Pratley**—I think if you looked at the fact that, if that overseas market dried up, we could not teach the Australian students we bring in. My view is that Australia should be looking after its own first. Using other people's money to do what we should be doing is something I have a problem with; you might not and that is fine.

**Senator BRANDIS**—No, hang on. For a start, it is not other people's money; it is your money. You offer a service on the international market for which they pay, so you earn that revenue and it is revenue that comes into your coffers. You in turn use that revenue to supplement your income to provide a wider range or a better quality of service than would otherwise be possible if that revenue weren't there. I cannot for the life of me understand why there is an ethical problem about that.

**Prof. Pratley**—It is not a better range of services; it is to provide the minimum—

**Senator BRANDIS**—It is more money. It is money that would not be coming in otherwise. I could understand if you said that there would be an ethical problem if there were that available revenue and we did not take advantage of it and were accordingly that much poorer in your institution's revenues. That might be an ethical problem. But what on earth is wrong with taking advantage of an opportunity which, incidentally, provides educational services to foreign students at a price which increases your revenues and the amount of money you have to spend on educating people, including Australian students?

**Prof. Pratley**—There is nothing wrong with it.

**Senator BRANDIS**—Then it is not an ethical problem, is it?

**Prof. Pratley**—I think it is, and I guess you and I will have to agree to differ.

**Senator BRANDIS**—I am not sure what I am differing from, though. I have invited you to tell me why it is an ethical problem. You have restated the issue but you have not really explained to me what is wrong with it.

**Prof. Pratley**—I guess the moral dilemma I have is that Australia is not providing enough funding to educate its own students.

**Senator BRANDIS**—Let us assume for the sake of the argument that that is true—and I am not conceding that. Isn't the answer to that to get as much money into the doors of universities as we can so that that problem may be addressed? If that includes raising revenue from a source that is exporting educational services, doesn't that address the ethical problem you identified rather than count against it?

**Prof. Pratley**—It certainly addresses the problem. There is no doubt about that. I just have a view that Australia should be funding its own education. You and I will have to agree to differ.

**Senator BRANDIS**—When you say 'Australia should', presumably by that you do not just mean the Commonwealth government; you also mean Australian institutions. The export of educational services is one of the ways in which your Australian institution is contributing to the funding of Australian educational services.

**Prof. Pratley**—All that is true.

**Senator BRANDIS**—As I read your submission, it is not a submission on behalf of the Charles Sturt University; it is a submission on your own private behalf. Is that right?

**Prof. Pratley**—I am writing it as dean of the faculty. It is not the university's per se, but I am using my capacity as dean to write it.

**Senator BRANDIS**—I understand that, but it is not offered on anybody's behalf other than your own, albeit from your vantage point as the dean.

**Prof. Pratley**—That is true, but I have used university resources to generate it and they are aware of it.

**Senator BRANDIS**—Thank you.

**Senator CARR**—Could you detail to the committee the discussions that Charles Sturt University has had with the minister or with DETYA concerning the inequities and the reduction in the number of higher degree places?

**Prof. Pratley**—We actually had a visit from the minister about two months ago. I cannot remember the date exactly, but he was there for two to three hours. We did raise all these issues with him, so he is aware of it. I can say that the university has been regularly on the phone to DETYA to get clarification of the funding base for postgraduate completions, and that is the information given not only to me but to the pro vice-chancellor for research by DETYA officers. I spend a lot of my time writing to anybody I think can help. I have written to the minister, I have written to Senator Tierney, I have written to Mr Beazley, I have written to Mr Fischer, I have written to Senator Heffernan and I have written to our local member, Mrs Hull. The only response that I have got back is the one through Mrs Hull.

**Senator CARR**—What is the explanation being given by the government as to this funding distribution?

**Prof. Pratley**—It all comes back to the index that is created—the weighted EFTSU magic number. That is always quoted to us as, ‘You are getting funded according to your weighting.’ The point I am making is that the weighting is flawed.

**Senator CARR**—That is 9,500 places. Is that right?

**Prof. Pratley**—Sorry, what are we talking about now?

**Senator CARR**—Commonwealth fully funded places. The EFTSU at Charles Sturt is 9,500 places.

**Prof. Pratley**—No, it is more than that. We have about 18,000 EFTSU. We are only being funded for 132 postgraduate places and we have had to reduce our intake to 18.

**Senator CARR**—I am just reading from the higher education training report on page 107. We have listed you as 9,500 places.

**Prof. Pratley**—I do not have that document.

**Senator CARR**—The report might not be accurate. Is that what you are saying?

**Prof. Pratley**—I do not know. It needs to be interpreted. Two-thirds of our students are distance education.

**Senator CARR**—The point is that, if you are funded on full EFTSU student places, it may only be 9,500. It may be 18,000 total student numbers.

**Prof. Pratley**—What year is that?

**Senator CARR**—That is 2001.

**Prof. Pratley**—No, that has to be wrong. We have over 30,000 students on our books, and the stuff that came out through AVCC from DETYA on student-staff ratios lists us as 18,000 in the year 2000.

**Senator CARR**—So a lot of them are funded at the marginal rate, are they?

**Prof. Pratley**—70 per cent of them are funded at the old CAE rate.

**Senator CARR**—Could I ask you then about a statement I saw in the *Campus Review* recently which said that the newly appointed pro vice-chancellor of research had been quoted as accusing DETYA of using draconian measures to improve attrition rates amongst research students. What measures was he referring to?

**Prof. Pratley**—We have traditionally taken in 60 to 70 postgraduate students a year. These are higher degree research students. The cut in the number of funded places across the sector has reduced our intake to 18. So that is a 70 per cent reduction in funded intake. That is the draconian measure. The sector is four per cent, and we are 73 per cent.

**Senator CARR**—What action has been taken in regard to the allocation of new student places which were announced in the recent budget?

**Prof. Pratley**—We have applied for them, but we do not know the outcome of those because they have not been announced yet.

**Senator CARR**—Have you had any discussions about the method of allocation?

**Prof. Pratley**—We talked in some detail with the minister when he visited, and we put in submissions for allocations under the science and under the—

**Senator CARR**—How does the allocation work, in your judgment?

**Prof. Pratley**—I have no idea. My guess is that it will probably be allocated roughly evenly across the regional universities.

**Senator CARR**—You do not think it has anything to do with whether or not you are in a marginal seat?

**Prof. Pratley**—I do not know. We are in two coalition seats and an Independent seat at the moment. Being a multicampus institution, theoretically, we could—

**Senator CARR**—So you think there is some advantage in being in a marginal seat?

**Prof. Pratley**—Yes, I think so; probably. I would like to think there is advantage in being in a rural electorate at the moment too, but that remains to be seen.

**Senator CARR**—Have you seen any evidence of that?

**Prof. Pratley**—No.

**Senator CARR**—Thank you very much.

**Senator TIERNEY**—You referred to the way in which the university was initially set up, Professor, in 1990. Of course, this was in response to the last Labor government's Dawkins reforms. I was wondering if you could explain a little further—because I had not heard this point before anywhere—the original formula where there was no transfer of funds between the old sector and the new sector. I know it is a long time ago in history when this was established and it is a bit difficult to unscramble eggs, but do you have any understanding of the rationale of why that was set up that way?

**Prof. Pratley**—It was actually quite a public issue at the time. It was in the newspapers, so there is no specialised understanding of this. When the decision was made to create the new universities, the old universities were concerned that there would be a reshuffling of the funds because the CAE sector was funded at a lower rate than the universities. If you were in the older university sector, you could immediately see if the cake was not increased in size there would be a transfer of funds. So the minister at the time agreed that there would be no transfer of funds from the old sector to the new sector. There was a review, but it was done within each of the sectors, not between them.

**Senator TIERNEY**—So we went from 17 universities to 37 universities without any increase in funding?

**Prof. Pratley**—That is my understanding.

**Senator TIERNEY**—Wouldn't this be one of the root causes of problems that universities, particularly Charles Sturt, are facing to this day? When the Labor Dawkins reforms went through in 1990, they decided to create 20 new universities on the cheap. It is quite audacious when you think about it, isn't it? We now have 20 extra universities without a cracker extra going into the system.

**Prof. Pratley**—Yes, that is right. The other point to make is that, when the previous group of newer universities—Newcastle, Macquarie and others—were brought into the fold, there was significant investment in research infrastructure to help them on their way. In 1990 there was zilch allocated to the upgrade of facilities to transfer from a CAE to a real university.

**Senator TIERNEY**—My understanding is universities like Ballarat, which was suddenly created as a university out of a CAE institute structure, received zero funding for their establishment. Was that also the case with Charles Sturt?

**Prof. Pratley**—Yes. Charles Sturt was perhaps a little bit different in the sense that it was a combination of two CAEs. There was a grant, as I recall, to establish the multicampus nature of the university. That was a relatively small amount of money. There was no other hand-out to change it from a CAE to a university.

**Senator TIERNEY**—So back in 1990 the then Labor government expected suddenly a massive change in role of the institution—to move from being a teaching institution to being a teaching plus research institution—without giving a cracker extra in money.

**Prof. Pratley**—Yes, that is pretty right.

**Senator TIERNEY**—Wouldn't you say that, if universities are having major problems still today, the root cause of it would have been that original decision?

**Prof. Pratley**—Certainly that has been a big part of it. But I have to say that every time we take one per cent or a percentage off our budget, it takes it off our discretionary funding. Therefore, if you are funded at a lower base, it has a bigger impact.

**Senator TIERNEY**—There is one thing that I am curious about. You made a comparison with the University of Western Sydney. They were in a similar situation—they were all CAE that somehow became a university. You are saying that they are better off than you are, presumably because they have grown faster and therefore they have new student load in there.

**Prof. Pratley**—Yes, which is funded at the higher rate.

**Senator TIERNEY**—Given that you have got 10,000 overseas students and you are now two-thirds external—that is the situation in 2001—I assume you were not anywhere near that point in 1990. I am just curious about relative growth. I would have thought that you would have had fairly significant growth from 1990 to 2001, particularly including overseas students.

**Prof. Pratley**—Sure. Our overseas student load in 1990 was relatively small compared to what it is today. We had medical laboratory science in Hong Kong and we had library science in Hong Kong, but they were probably less than 100 students. These days we have about 10,000 students offshore.

**Senator TIERNEY**—There has got to be significant growth, though.

**Prof. Pratley**—Yes, but that is not funded by government, so it does not come into the funding formula.

**Senator TIERNEY**—So when you are comparing with the University of Western Sydney, you are comparing government funding, not total funding. Is that correct?

**Prof. Pratley**—Yes, that is right.

**Senator TIERNEY**—How does it then stack up when you compare total funding compared with the University of Western Sydney?

**Prof. Pratley**—I am not sure of your question.

**Senator TIERNEY**—Could you just take that on notice?

**Prof. Pratley**—The only way we can compare ourselves with the University of Western Sydney is on government funded places.

**Senator TIERNEY**—That is one measure. You could compare on total revenue.

**Prof. Pratley**—We do not get any money from government for overseas students.

**Senator TIERNEY**—No, but you get the money from the overseas students.

**Prof. Pratley**—Yes, but if we transfer them to the University of Western Sydney, that part of it makes no difference.

**Senator TIERNEY**—I think a fairly simple comparison could be made on change in total budget from all sources, from Western Sydney compared with Charles Sturt.

**Prof. Pratley**—I do not know how many overseas students there are.

**Senator TIERNEY**—It gets more complicated, so we might pursue that one separately. Given that historical imbalance created in 1990, and that you are carrying this historic load of old funding formula, how do you think governments should address that question? In part, it will wash out in growth over time, and it is doing that already, but it is still creating a lag effect—a significant one in your case. How could that be addressed, do you think?

**Prof. Pratley**—It is a significant lag effect. The multiplier of that lower funding base into the regions is enormous.

**Senator TIERNEY**—The question is: how do we correct that? You would not do it in one hit, but how could it, over time, be corrected?

**Prof. Pratley**—I think there ought to be a review of the relative funding model as was proposed in 1999 until the old sector lobbied against it. There has to be some equity in the system. We are not looking for special deals; we are only looking to catch up. At the moment our institution, which covers probably half of NSW, is getting the rough end of the pineapple.

**Senator TIERNEY**—Could I just turn to the presence of the university in western New South Wales? You have a significant campus at Wagga and Bathurst, a minor one at Albury and Dubbo. Beyond those centres, what presence do you have physically on the ground in any other centre in western NSW?

**Prof. Pratley**—We have a study centre at Broken Hill. We are the university for the Goulburn Police Academy, and we also have programs at the Senior Police Management Training College at Manly. We are under enormous pressure to put study centres in anywhere from Cooma to Lithgow to Deniliquin to Griffith. The pressures are coming on the university,

because of its empathy with regional Australia, to increase the capacity to service local communities.

**Senator TIERNEY**—Do you run anything else out of Goulburn, apart from the police academy?

**Prof. Pratley**—No, I do not think so.

**Senator TIERNEY**—It is a significant set-up. There would have to be a demand for other CSU courses there, wouldn't there?

**Prof. Pratley**—Yes. There used to be a CAE there.

**Senator TIERNEY**—Did that become the police academy?

**Prof. Pratley**—That became the police academy.

**Senator TIERNEY**—Have you set up a study centre like the ones in Broken Hill and Goulburn?

**Prof. Pratley**—No. The academy is close to Canberra and it is not far from Sydney, so that region is reasonably well serviced.

**Senator TIERNEY**—Has Charles Sturt ever looked at the Queensland model? As we discovered last week, there are study centres all over Queensland, and they are run by the state government—it is really a regional development initiative—and all the universities use them. Consider the cost of setting them up. In western New South Wales, the University of New England or other universities might set them up. You can get duplication. Queensland seems to have a good model in the sense that the state government provides funding for the centres and all the universities use them, so people in minor centres can have access. That has been going for 11 years. Have any of the regional universities in other states looked at that model or applied pressure to create what has been done in Queensland?

**Prof. Pratley**—I am not sure about that exact model. It was the model in Dubbo. The UNE, CSU and, I think, another institution were involved, but that model fell apart and CSU took it over, and that is how the campus has developed at Dubbo.

**Senator TIERNEY**—Was it on the view that a university should perhaps own the campus? Was that the reason?

**Prof. Pratley**—That was the view. We are having a fair bit of discussion with a range of centres about trying to create a study centre that links into the university. I do not know whether they are talking to other universities, but certainly they are talking to us and we are saying, 'That's fine, but it will need to come from community resources or whatever you can get out of governments at either state or federal level, because we just do not have the funds to support that development.'

**Senator TIERNEY**—If I were a student of the University of New England living in Dubbo, could I access the University of New England through the Charles Sturt Centre in Dubbo? Could I log onto the computer, for example?

**Prof. Pratley**—Yes. We have quid pro quo arrangements with a range of universities. I would not think that it would be a particular problem unless they needed special videoconference links. I am not sure how that would work.

**Senator TIERNEY**—Do you carry the cost of that, or is there a cost-sharing arrangement or a clearing house arrangement between the universities on using each other's facilities?

**Prof. Pratley**—It varies depending on the size of the project. For the odd student here and there we turn a blind eye, but if it becomes a significant cohort of students where there are significant costs then we talk.

**Senator TIERNEY**—Universities in regional areas—it certainly was the case with the old teachers' college—given their scale and their more extensive involvement in research and development, are drivers of regional economies. Obviously, a university, having X number of students and staff in a town and sourcing supplies from that town, is a driver of the regional economy. We can take that for granted. But beyond that, in what other ways does Charles Sturt University involve itself in regional economies and help to drive those economies? Can you give that information in a nutshell? You might want to provide more detail in writing later.

**Prof. Pratley**—As you would know, we run some commercial operations—for example, a commercial cheese factory, a commercial winery and so on—and that brings an industry focus and credibility on the university. We certainly participate in a lot of economic type committees—for example, regional development boards, economic resource units or whatever is going. We do a lot of work not only with, say, the Wagga Wagga community, but also with the Junee, Coolamon and Griffith communities. We try to do whatever we can to support the development of those economies.

**Senator TIERNEY**—Are you a major driver of the Griffith economy, for example, through your involvement with the wine industry?

**Prof. Pratley**—Yes.

**Senator TIERNEY**—Is that a significant source of funding for the university in terms of the commercial involvement of your expertise, plus a link with business?

**Prof. Pratley**—I would have to say no, up till now, but increasingly the community is becoming aware that there is no such thing as a free lunch anymore. We need to be funded for anything that we do and increasingly we are getting involved in SPIRT grants and those sorts of things, in association with local industries.

**Senator TIERNEY**—Two-thirds of your students are external.

**Prof. Pratley**—Yes.

**Senator TIERNEY**—Back in the old days, stuff used to be sent out through the mail, and assignments would come back in and be marked. I assume the university has gone more online.

**Prof. Pratley**—Yes, I would say we are probably leading the online scene in terms of student support. We still use mail packages, because students actually do not like receiving their information online. And we still have an equity issue, because a proportion of our students do not have access to the Internet. So we have to still retain the mail package scene for those students that do not have access to the Internet.

**Senator TIERNEY**—What is your view on an online university—a separate university with 100,000 students all operating in a virtual campus, online? Do you think that this is a feasible or even a desirable way to go?

**Prof. Pratley**—It is certainly feasible, because we do it with students in Canada, for example, doing our IT courses. That is all done online. But I would not like to see the establishment of yet another university to do the online stuff, because the capability already exists within the current university sector, of which we would be a significant player.

**Senator TIERNEY**—Instead of doing that, do you think that it would perhaps be better to provide that IT money to universities for expanding their existing online or perhaps move it into extra areas?

**Prof. Pratley**—Yes, I do, because a lot of the infrastructure is already there and the expertise is already there. The reason perhaps that it has not expanded to that point already is just a function of funds.

**Senator TIERNEY**—You seem to be indicating some resistance to online usage. Could you just comment on the division here perhaps between undergraduate and postgraduate? We seem to be picking up that it seems to work a lot better postgrad than undergrad. Is that your experience? Particularly if it is a total online experience, with no classes.

**Prof. Pratley**—The reason I said that is that we have actually done a bit of a trial with information technology students, whom you would think would be the people most receptive to total online. A large class was split into two and we taught totally online to one half and traditionally to the other, and the students said they wanted to go back to a more traditional approach. We still use the IT very strongly for sending out information, for forums, for emailing the staff member for electronic transfer of assignments and all of that sort of thing. So the online support is almost universal across our courses, but the students still like to have the hard copy to read in bed or—

**Senator TIERNEY**—It is a very interesting experiment, because you have got a totally switched-on group and you would not think they would have any trouble with the handling of the technology. They are obviously having other problems with learning that way. Did the study identify why a group that is probably on the Internet a fair bit more than anyone else has difficulty with their total learning experience being designed that way? What did the study show there?

**Prof. Pratley**—I do not think it is practical to see a student sitting in front of a computer doing their study, if you like, because that is pretty hard on the eyes. There is a concern that, if we go totally that way, that forces more of the cost onto the student, because they will download that and so they are up for the cost of printing of all their materials. So we have transferred that cost to them. We have talked about it internally as a way of defraying costs, but we have decided that that is probably not the way to go. But certainly the students just need the hard copy to do the study and play around with. They are quite happy to interact and do all that stuff via the Internet.

**Senator TIERNEY**—Some people were initially attracted to this approach because they thought that it was cheaper. Evidence that we have received, particularly from Southern Cross University—and when I say ‘we’, I mean ‘I’, because I had a private briefing from them—and I think from a number of people in evidence, suggested that it can be a lot more expensive, because of its call on human resources.

**Prof. Pratley**—Yes, absolutely.

**Senator TIERNEY**—You send out a package of material by mail and a month later it comes back; you send it out online and comments come back an hour later.

**Prof. Pratley**—It is an hour later and an hour later and an hour later.

**Senator TIERNEY**—Exactly, the pace of interaction increases enormously.

**Prof. Pratley**—We have had one staff member go off on stress leave because she could not handle the 100-plus emails she was getting daily.

**Senator TIERNEY**—How would that all work with 100,000 students at an online university?

**Prof. Pratley**—They would have to have substantial human resources to answer their students’ inquiries. Because the technology is there, the students are much more demanding. If you are writing to me then I wait for two or three days or a week to get your letter and you then wait for the reply. If I send you an email then ‘I would like the answer today, please.’ The extra stress on people is quite significant.

**Senator TIERNEY**—Would an online university be a much more expensive operation than a traditional university?

**Prof. Pratley**—It is certainly not going to be cheaper.

**Senator TIERNEY**—Thank you.

**Senator FERRIS**—Could you clarify how many students you have on campus? Is it 20,000 or 10,000?

**Prof. Pratley**—We have 18,000 or 19,000 EFTSU, effective full-time students, and of that about two-thirds are distance education students. So in terms of student heads we have about 30,000.

**Senator FERRIS**—But how many are actually on the campus?

**Prof. Pratley**—One-third of those are on campuses—because we are a multi-campus—so about 10,000 to 12,000.

**Senator FERRIS**—That is what I thought. You have got a very well-known and well-recognised wine course, haven't you?

**Prof. Pratley**—Yes.

**Senator FERRIS**—Do you get any assistance at all from the wine industry for that course?

**Prof. Pratley**—Yes. We are also part of the CRC for viticulture. We have our own commercial winery and vineyard.

**Senator FERRIS**—I have enjoyed your wine.

**Prof. Pratley**—I am glad you have enjoyed it, and I hope you will have some more. The wine industry provides some support to the director of that centre.

**Senator FERRIS**—Financial support?

**Prof. Pratley**—Financial support in the order of \$20,000, but that about pulls it up. Our own winery supports the teaching program much more significantly than that.

**Senator FERRIS**—Do you have any difficulties with that in an ethical sense? Multinational wine companies could easily be—

**Prof. Pratley**—No, it is owned by the university, so—

**Senator FERRIS**—No, I am talking about the money that comes in—the \$10,000 or \$20,000 you just talked about.

**Prof. Pratley**—It is split across about 10 wineries, so they put in about \$2,000 each.

**Senator FERRIS**—But many of those are not multinationals, are they?

**Prof. Pratley**—I do not have a problem with multinationals per se, providing what we do with the money is ethical, and we have high standards.

**Senator FERRIS**—What about the journalism school? You have a quite well recognised journalism school as well. Do you get off campus income from anyone for that?

**Prof. Pratley**—No, not that I am aware of. That is in the Faculty of Arts at Bathurst. My understanding is that there is no industry involvement in that. Having said that, we do have people come in and give lectures and so on, so that is in-kind support.

**Senator FERRIS**—But actually not funding. In your position as dean have you ever approached any agribusiness companies in Australia to assist with funding? You talked about a number of letters that you had written to politicians; I am just wondering if you had written any to some of the big agribusiness companies, which are generally pretty generous in supporting rural and regional Australia in a sponsorship sort of way. Have you tried to do that?

**Prof. Pratley**—Yes, we certainly do that on a regular basis—to anyone we think might help us.

**Senator FERRIS**—Successfully?

**Prof. Pratley**—No, not particularly, although it tends to be in research collaboration type issues rather than just a funded chair. We do have a funded chair from the irrigation industry, and we are increasingly looking at ways in which we can get more of those, because the only way we can try to bring down the student-staff ratios is by getting extra money.

**Senator FERRIS**—Sure. And really it would be entirely acceptable, given that many of those industries benefit from your graduates quite substantially, both as farmers who are distance learners from your courses, and also the students. There was just one other issue I wanted to raise associated with that: you actually put in the submission yourself. You have said that. Is the view that you have expressed to us here a view that other deans of Charles Sturt faculties would share?

**Prof. Pratley**—Yes. There is no doubt about that. We spend a lot of our time talking about how we are going to make up the shortfall, and I have talked to other deans and pro vice-chancellors and vice-chancellors about the submission and whether they have any concerns about it.

**Senator FERRIS**—If they all share that view and the vice chancellor shared it, why didn't Charles Sturt itself put in a submission, and why didn't the vice-chancellor come down?

**Prof. Pratley**—That is a very good question that I do not know the answer to, because we have asked that internally. I have to say, though, that our vice-chancellor retired on 3 July and the new vice-chancellor took up duty on 4 July, and I think there was probably a circumstance there that confounded the issue.

**Senator FERRIS**—Yes, although these submissions came in a long time ago.

**Prof. Pratley**—Yes, sure.

[10.06 a.m.]

**LEVENTHAL, Mr Andrew, President, Sydney Division, Institution of Engineers Australia**

**PARR, Dr Peter James, Director, Education and Assessment, Institution of Engineers Australia**

**PHILLIPS, Mr Richard John, Executive Director, Sydney Division, Institution of Engineers Australia**

**REIZES, Professor John, Member, Division Committee, Institution of Engineers Australia**

**CHAIR**—I welcome new witnesses from the Institution of Engineers Australia. The committee has before it your submission No. 252. Are there any changes you wish to make to it?

**Mr Leventhal**—No.

**CHAIR**—I now invite you to make a brief opening statement before we move to questions.

**Mr Leventhal**—Thank you for the opportunity to address this committee and talk to our submission, which was prepared by the Institution of Engineers Australia. The Institution of Engineers is the peak professional body representing engineers throughout Australia. I am the president of the Sydney division of the institution. The Sydney division covers most of New South Wales, with the exception of the north-east corner of the state and the local area around Canberra. Of the 62,000 engineers Australia-wide, we represent 16,000 engineers throughout New South Wales. We have a federal structure, with a national president and a national council. Beneath that, the next level is made up of division presidents and their division committees. That is the voluntary side of the organisation, and that is supported by a parallel structure that involves staff. In this table, you will see that we have office-bearers in the middle here, with staff on either side.

We are here today to demonstrate our interest in this Senate committee. As director of education and assessments, Dr Peter Parr is involved in the matters covered by the submission. Richard Phillips, as executive director of the Sydney division, is here representing this division as well. Professor John Reizes is a member of the engineering college of the board of mechanical engineers. He is also the mechanical engineering college representative on the Sydney division, and he is a member of the subcommittee of education and training within the Sydney division structure.

John will lead our summary of the paper submitted by the institution. This was prepared jointly by the national public policy unit of the institution and the Sydney division subcommittee of which John is a member. If I could just reinforce that John is an adjunct professor at the University of Technology Sydney. He is a visiting professor at the University of New South Wales and also at Curtin.

**Prof. Reizes**—I would like to emphasise that the Institution of Engineers is a learned society which is primarily concerned with promoting the excellence of the work of professional engineers. Because of the concern with excellence we are concerned with educational standards so that our members can perform their tasks reliably whether it be in providing infrastructure or new developments. For example, I am involved in the development of an implant device for pumping blood and assisting the heart. This is being evolved by an Australian company and I do not believe it could have been done by undereducated engineers.

As part of its charter the institution accredits universities. Our membership of the Washington Accord allows an Australian engineering degree to be transportable around the world. Because of our accreditation and because of this transportability we are open to very rigorous international scrutiny. Unless we meet the highest international benchmarks, our export and engineering works and services will suffer.

Because of our accreditation work we are acutely aware of the problems generated in engineering faculties in Australia by inadequate funding and the resultant difficulties which this might cause to our graduates who need to compete in a global arena. This lack of funding manifests itself in engineering courses in three ways. The first is inadequate and outmoded engineering laboratories. It should be noted that laboratories in places such as Hong Kong are much better equipped than most of our laboratories are. The funding reductions have led to reduction in staff, which means that there is often inadequate or inappropriate project work—another important facet of engineering education. The final is that small group teaching, which is required in design in particular, can no longer be carried out in the appropriate way.

There seems to be a frenzied activity which staff are required to perform in order to stay where they are. There is no time for essential professional engagement. The result, it seems to us, is that research gets done on the run. This frenzied activity includes a growing requirement to survive by obtaining overseas places, a growing involvement of staff in these activities and also recruiting local students. Because of inadequate pay and deteriorating working conditions the present difficulties of recruitment and retention of staff are likely to multiply, endangering educational standards in engineering. This will have, I believe, dire consequences for industry, particularly export industry, as well as undermine export funds which we obtain from overseas students.

It has been suggested that industry does not do enough to help in education. This cannot be said altogether of the engineering industry which provides paid places for work experience and which contributes significantly to the formation of engineers in the earlier years of their career as a sort of intern process. As an institution we acknowledge that we live in a fiercely competitive world and, therefore, we do need to do more with less. However, how long can our universities compete with more lavishly funded universities overseas and how long can we rely on our previously hard-won, well-established and well-deserved reputation?

**Senator CARR**—We have had submissions from a range of sources on the sorry plight of engineering in Australia. The deans of the engineering faculty spoke to us in Perth and went through similar sorts of questions that you are raising today. Are you familiar with their material?

**Prof. Reizes**—Yes, I have it here.

**Senator CARR**—As I read it, they are basically telling us that there has been a decline in the quality of engineering teaching in Australia since 1996 as a result of funding cuts, larger class sizes, poorer laboratories and increased class sizes. Do you concur with that? Has there been a decrease in the quality of engineering teaching in Australia?

**Dr Parr**—I would have to say yes. I think the quality is in decline, but how far it has got is perhaps more difficult to quantify. There is certainly a trend, and we are accumulating problems for the future at a rate that causes me some alarm.

**Senator CARR**—If I recall rightly, the engineering program of the University of Tasmania was derecognised or deregistered in Singapore and, I think, in Malaysia as well. Is that correct?

**Dr Parr**—I know the allusion but I do not know the details of the situation. My understanding is that it was not derecognised on grounds of merit but on grounds of failure to provide some information. That was subsequently rectified.

**Senator CARR**—The problem arises nonetheless that our international reputation is declining. Would you concur with that proposition?

**Dr Parr**—I think it is certainly under threat.

**Mr Leventhal**—I think our international standing is, in fact, very high. But our international standing is based on our experienced engineers. So we are talking about engineers who are now leading major projects. In this context, you could think of, for example, the My Thuan Bridge which is being built in Vietnam and the Friendship Bridge. They are major projects and lift the contribution of Australian engineers significantly. But they are senior engineers who are doing that work. We are concerned about the people who are feeding in as graduates at the moment.

**Senator CARR**—So the existing engineers, the ones who are actually qualified, if you like, under the old regime, are the ones who have made our international reputation. But the question emerges as to what happens in the future given the present decline in the quality of education in our engineering faculties. It has been put to us that some practical projects, which I would have thought were absolutely critical to the question of developing skilled engineers, have actually been withdrawn and that students are required in some faculties to undertake their practicum by way of video. Is this true?

**Prof. Reizes**—Because laboratories are extremely expensive to run, there has been enormous pressure to reduce the laboratory content of engineering courses by, for example, using videos but, more commonly, by using models on computers. This leads to an unfortunate process, in my view, where students begin to believe their models. Reality is quite different: a model is a model. It is very important in the view of all educators in engineering that there must be hands-on laboratory experience to demonstrate the fallibility, if nothing else, of the models.

**Senator CARR**—Professor, I am particularly concerned, like all our citizens. The people whom you educate effectively design tunnels and all these public infrastructures.

**Prof. Reizes**—Electricity.

**Senator CARR**—Yes, electricity—and I could go on and on. The question of public safety troubles me. Do you think there is a question here about a failure to provide an adequate educational base, which may well have implications for public safety in the longer term?

**Dr Parr**—In my view, and in my recent observations on accreditation visits, we are absolutely on the brink. I would not say that there has yet been a decline in quality that poses a direct threat to public safety, but I think we are right on the brink.

**Senator CARR**—At what point you think we could say that there is actually a threat to public safety?

**Dr Parr**—It seems to me that the matters we are dealing with are part of a trend that has been developing over a number of years. It is a difficult thing to put your finger on a trend line and say, ‘Here is the point that represents catastrophe.’

**Senator CARR**—So do we have to wait for a bridge to come down?

**Dr Parr**—One of the best measures of that is, indeed, international benchmarking, and we are right up against that at this moment. Over the next 18 months or so, we will have an observation of our accreditation process by at least three other countries. They will look very closely at what we are doing and they will tell us very bluntly whether or not we are still conforming to what they see as adequate international standards.

**Senator CARR**—When will we see the outcomes of those observations?

**Dr Parr**—If I could just hark back to your question a moment ago about Singapore, we the Institution of Engineers are presently pressing the Singapore Professional Engineers Board for a mutual recognition agreement under the Australia Singapore free trade agreement. To date, they have taken a very restricted attitude to recognising Australian qualifications. We are pressing them for a formal agreement. They say to us, ‘We read in our daily press advertisements by cash-strapped Australian universities hawking cut-price programs in the language of used car sales. We don’t believe that you are still able to maintain a standard of quality that we can recognise, and we are coming to see.’ And they are coming next month.

**Senator CARR**—And that is the first one?

**Dr Parr**—That is the first one. Under the Washington Accord, which John mentioned a few moments ago—I should perhaps explain that the Washington Accord is an agreement between the bodies that accredit engineering degree courses in, presently, nine countries, which recognises the equivalence of standards and processes between those countries. Part of the protocol is that each member is subject periodically to a general review by all of the other members, and Australia is scheduled for that review in 2002. We will be visited by a team representing the other eight signatories, and I can expand on the processes that they will undertake.

**Senator CARR**—This is critical. We are talking here about the possibility of the loss of life so I would ask you to expand on that question.

**Dr Parr**—It may sound like dodging the issue, and I do not mean to, but there is never such a thing as 100 per cent guaranteed safety. There is the best that it is possible to do in terms of educating young professionals through the medium of the first degree. That is followed by a period of professional formation in industry. The aggregate of all of that formative experience develops somebody who should be able to pass an assessment as an experienced professional practitioner. We also administer that, and we do so with great rigour. But, despite all of that care and expertise that is brought to bear on that process, you can never say that there is 100 per cent guaranteed safety.

**Senator CARR**—I accept that. That is the second test we are facing. What is the third?

**Dr Parr**—The third test is the proof of the pudding.

**Senator CARR**—You said that there were three international benchmarks that we had to meet.

**Dr Parr**—I beg your pardon. We will also be visited later this year by the Hong Kong Institution of Engineers which will observe accreditation visits to two of our universities in October.

**Senator CARR**—Why have they decided to come?

**Dr Parr**—That is part of the normal interaction under the Washington Accord agreement.

**Senator CARR**—So am I being alarmist to suggest that we have to wait for the first bridge to come down before we get a test of the quality?

**Dr Parr**—One might say that the first bridge has already come down on many occasions through history. I have to confess that I find that difficult to answer. In any educational and professional system, one constantly applies the best efforts to achieve the highest attainable standard of quality and service to the community, and that is the best that can be done.

**Prof. Reizes**—I might add that the Institution of Engineers is extremely strong in applying a code of ethics. The code of ethics makes the community its first and most important consideration. Any engineer who is working and designing bridges or anything that might cause harm should, as his or her first action, make sure that that does not happen. The code of ethics also says that you should not go beyond your expertise.

**Senator CARR**—You are saying that our universities are producing engineers who do not have adequate and effective educational experience in the practical application of their knowledge.

**Prof. Reizes**—I did not quite say that. I said that we are going towards that. As Dr Parr has said, we are on the brink.

**Dr Parr**—In many faculties they are now receiving less practical experience than I would consider desirable and which has traditionally been considered desirable. It would not matter

how much experience you gave them or however ideal the world, it would never be enough. It is awfully difficult to put your finger on it and say that this point on the continuum represents catastrophe.

**Senator CARR**—You observe that there has been a tenfold increase in the number of overseas international students enrolling in our engineering faculties while the number of overall enrolments has only doubled. There has been a significant shift in the distribution of our students' profile. The deans point out that that has had a quite dramatic impact on class sizes. That has been the major impact. It is not necessarily producing any extra money, it is substituting for losses in other areas. Do you believe that the cost of these places and the preference for income generating or fee-paying students has been a contributing factor in the decline in quality?

**Prof. Reizes**—I do not really believe that. Without these foreign overseas students, we would have been in a much worse situation. The increase in class sizes has been dramatic and very marked. As the deans said, you can teach mathematics to 300 people without much problem, but you require much smaller groups when teaching in laboratories. The laboratories are just coping in the places of which I am aware and with which I am associated. However, they are outmoded. They cannot replace equipment with modern equipment. Without overseas students, we would have been in a worse position.

**Senator CARR**—Thank you.

**Senator FERRIS**—I am not sure who to direct these questions to. Perhaps I will put them on the table and Dr Parr or one of his colleagues can pick them up. I am interested in pursuing the sponsorship in universities by the large minerals companies in Australia. I am thinking in particular of the sponsorship by Santos of the research institute in the engineering faculty of Adelaide University, and the Mount Isa Mines sponsorship at the University of Queensland. As an institution, do you foster that sort of sponsorship? Do you have a policy position in relation to it? Is it the institution's role to facilitate that sort of private investment within the engineering faculties of Australian universities?

**Dr Parr**—I do not know if an office-bearer would be a more appropriate respondent than a staff member, but I will have a go.

**Senator FERRIS**—Perhaps you could respond in a policy sense and your colleagues may like to respond in a philosophical sense.

**Dr Parr**—I am not aware that we have an explicit policy on that matter. I think, as an institution, we would certainly encourage sponsorship by the professional engineering world of the educational arm that supports it. I am not familiar in detail with the arrangements that UQ have to offer. I have had some contact with Adelaide University recently and have heard something about the Santos sponsorship. My understanding is that Santos has been scrupulous in leaving the design of the educational programs entirely to the university, and that is a condition that one would wish to insist upon. With that proviso, I think it is something to be encouraged.

**Senator FERRIS**—Do your colleagues have any comment to make on that? You were talking about the need for professional interaction and for reality checks, if you like, on some of this theoretical material that the students are now working with. I would have thought that sort of interaction between, perhaps, private investment and an engineering faculty and the movement of the students backwards and forwards would be quite an appropriate way of dealing with the issue that you raised. How do you feel about that?

**Mr Leventhal**—I certainly agree with Peter that there is no specific policy within the institution in regard to the involvement, but certainly we would support and encourage it. There are a number of steps that a young engineer goes through as part of his or her development program. The very first step is the gaining of a degree—and that is a very first step. There are a number of requirements that an individual engineer goes through to move on to the more senior steps. They are an involvement of continuing professional development, at the very least, and demonstrating competencies in various levels. That is obviously gained by interaction with employers and the tasks that they are involved in.

The involvement with universities by industry is a difficult challenge. The junior engineer, as a fresh graduate, is someone who has learnt a number of things at university but predominantly, I would hope, at the end of the university training the engineer has learnt how to approach challenges. He may not necessarily have all the tools, but he has learnt a method of analysis and inquiry. He then goes through another program of learning, starting from scratch, at the beginning of his involvement with industry. As a result, there is a fair amount of involvement of industry in the training of a young engineer. It becomes a very cost ineffective way of running a business, but it is something that has to be—

**Senator FERRIS**—Did you say ‘cost ineffective’?

**Mr Leventhal**—Yes, it is cost ineffective; it costs money to do that. It involves setting up training within the individual companies and—

**Senator FERRIS**—Is that cost ineffective to the university or to the company?

**Mr Leventhal**—That is probably an unfortunate group of words: it is costly to do.

**Senator FERRIS**—I would have thought it was cost effective by the company—

**CHAIR**—Cost effective for the nation.

**Senator FERRIS**—Very cost effective for the nation, Chair, but also cost effective for the company. It is an opportunity cost, isn't it?

**Mr Leventhal**—It is a costly exercise in that the company must get involved with training and recognising that that is a cost to the company in the operation of its business. It will take several years for a fresh graduate to become someone who can work and operate without supervision as closely as is required initially. Cost ineffective may be an unfortunate choice of words, but it is a costly exercise. As a result, when you go back one level and you are involving students who have not even achieved a degree of competence that the graduate achieves, it is just that much more difficult to involve them in a workplace. To involve those people out of the

university with industry is difficult just because of their level of experience, though it is encouraged.

**Prof. Reizes**—It is compulsory.

**Mr Leventhal**—Yes. In Sydney University, for instance, which I am aware of, it is part of one of the courses to be involved with industrial training. It is, unfortunately, a difficult thing to organise, and it is not always successful. That may be why the reference was made to some level of involvement in another context. It is a difficult thing to arrange with industry because of that.

**Senator FERRIS**—But it is not something that the institution opposes in a philosophical sense.

**Mr Leventhal**—The institution definitely would encourage the gaining of experience.

**Prof. Reizes**—I do not want to take up too much of the committee's time, but I would like to add that it is a compulsory requirement of the institution that students spend time in industry. They have to write a report and it has to be judged, and they have to pass a subject which is that sort of thing. Industry does put a lot of money into those students indirectly, and I alluded to that in my opening remarks.

**Senator FERRIS**—If my memory serves me correctly, it was students who discovered Olympic Dam, was it not?

**Mr Leventhal**—No, I do not think so.

**Senator FERRIS**—It was engineering and geology students who made those first drills at Olympic Dam.

**Mr Leventhal**—I am not 100 per cent sure of the details. I know it was played around with, with a geological model and a map of Australia, and the first borehole was one of the luckiest first boreholes.

**Senator FERRIS**—Indeed.

**CHAIR**—Gentlemen, I would like to take you back to some evidence we had previously in relation to engineering. It is a bit earlier than the steps that you were mentioning for young engineers, and that is the entry requirements. It has been put to us that, at least in some states, physics is no longer an entry requirement for engineering schools. Would you care to respond to that?

**Mr Phillips**—That is certainly the case here in New South Wales—and also mathematics.

**CHAIR**—Mathematics as well?

**Mr Leventhal**—Yes. They are not required for entry into the engineering course.

**Mr Phillips**—Universities now, in this state, select their students on the basis of their UAI. There are no compulsory subjects. But if they have not studied mathematics to a certain level at high school, they need to undertake bridging courses to bring themselves up to speed. The question there is: are the courses effective? I think the evidence might show that these students really start behind the eight ball and that creates problems at the outset of their engineering degree.

**CHAIR**—So they do a bridging course in mathematics during their first year of engineering?

**Mr Phillips**—That is correct, yes.

**CHAIR**—What about physics?

**Mr Phillips**—There is no bridging course in physics. They are expected to complete their physics from a much lower start point—some of them, particularly those who have not undertaken physics in the HSC.

**CHAIR**—It was put to us previously that, in terms of overall quality of engineering graduates, the emphasis was placed within the schools to try to remedy that deficit. You have mentioned bridging programs in mathematics—

**Mr Phillips**—Yes.

**CHAIR**—There is nothing in Sydney in relation to physics?

**Mr Phillips**—Not that I am aware of. I have spoken to universities and the deans have mentioned that they need to step up in maths and that that course is provided through bridging in year one.

**CHAIR**—Your submission talks about quality concerns associated with a lack of practical experience. Would those be supplemented by concerns about the basic theoretical knowledge that some engineering students currently have?

**Prof. Reizes**—If I may answer that, at least in part: for many years we have not required chemistry at the entrance level, and the students have had to take chemistry, or some form of chemistry. We have coped with that, and I do not believe that students have been hurt—presumably not in chemical engineering. I do not like the idea of not having physics or mathematics, but I do not believe that we would actually graduate students who are any less qualified at the end, and certainly the accreditation system would catch it.

**Dr Parr**—If I could perhaps attempt a sector-wide answer: many universities now do offer supplementary programs alongside first year in mathematics and/or physics and/or chemistry. That is, of course, an additional teaching requirement and an additional study requirement on the students.

**CHAIR**—And you say that there has been no identified strain at the accreditation level through this lack of entry requirements?

**Dr Parr**—We certainly look, in the accreditation process, at the entry requirements for students, but the accreditation process tries to focus principally on outcomes and to satisfy itself that the right outcomes are attained. To supplement that, it looks in depth at how those outcomes are attained and it requires the university to explain that. But the principal focus is on outcome.

**CHAIR**—Yes, but if you have got a three- or four-year degree program and your students are at a particular base point, that being that they have done two years of advanced mathematics and physics and perhaps chemistry as well, you can achieve a lot more with those students in a three- or four-year period than if they have to go back and acquire that previous two years of study.

**Prof. Reizes**—Very often these students take a lot longer than four years. In other words, the first year is often catching up. So, whilst the program is a four-year program, they take 4½ or five years.

**Mr Leventhal**—There are a number of things here that we are concerned about. We are concerned about the level of science teaching in high schools and the concentration of that, which is obviously important—as we have just discussed here—to lead into degrees such as engineering. We are concerned about that in terms of its interaction at high school and we are even concerned about it going down into primary level, and the institution has means of encouraging people into the sciences and we are approaching that.

Our concern at the moment, though, in terms of the interaction with the tertiary level is that there must therefore be pressure on the universities to lower standards to allow people, in the first instance, to have a UAI that is progressively dropping, to allow them into the faculty of engineering and to undertake the studies in the first instance, and that the pressure then also must be on to maintain people that are graduating. Those are our concerns, and those pressures that have been felt on the universities at the moment.

**CHAIR**—This dropping of the UAI is because of the limited demand for engineering?

**Mr Leventhal**—I guess what we are saying is that the tail that still allows people to enter into the university is getting progressively lower. The UAI level is getting progressively lower to fill the places within the faculties.

**CHAIR**—If you could reinstate the compulsory requirement for physics and mathematics, would you do so?

**Mr Phillips**—I do not think we could do it immediately, because there has been a trend in the secondary schools over the long term that has swung students away from physics, chemistry and mathematics. You can plot it over 10 years and see that it is a definite trend. So, if we introduced such a shift immediately, it would cause short-term problems in attracting adequate numbers of students into today's engineering courses.

**Mr Leventhal**—But to answer your question philosophically, yes.

**Mr Phillips**—If we could do it, yes, but we know that that would lead to another problem.

**Mr Leventhal**—We are concerned that, for Australia to be a leader in information technology and similar areas, we do need a science based emphasis, particularly in high schools, and then feeding into the appropriate sciences and engineering courses.

**Senator CROSSIN**—In your submission, particularly on the last page, you talk about a ‘brain regain’ occurring in respect of engineers who graduate, but then are attracted to positions overseas. Yesterday there were figures about this very issue. I think the headline said that there was in fact no brain drain from Australia. Close analysis of those figures showed, though, that we are actually importing skills at a far lesser level than we are losing them. It would seem to me from your submission that engineering is one of those areas in which we are losing far more educated, although perhaps not experienced people, because your submission goes to the graduates, who can command a salary of \$95,000 in the US compared with \$35,000 here. Has that been a significant trend over the last several years?

**Prof. Reizes**—If I may, I will attempt to answer this on an anecdotal basis rather than a sheer statistical basis. Of all the brightest students I have ever had, about 50 per cent are overseas and cannot return because they say they cannot afford to return. The salaries are simply too low, the working conditions are simply not adequate. Some of them have actually tried very hard to come back. They miss Australia and they would like to be here, particularly those with young children. I cannot answer the question on a statistical basis.

**Dr Parr**—I am not aware of hard fact in support, but my strong impression would support John’s, that many of our best people do go overseas and only a small proportion come back. The numbers of people who come in as skilled migrants are predominantly at a lower level. I have some basis for that comment in that the Institution of Engineers assesses the engineering qualifications of skilled migrants, so we do have a picture of those folk, and that runs at the rate of about 3,000 a year. I noted in yesterday’s press a figure, I believe, of 4,500 engineers coming in annually. I do not know exactly what the term ‘engineers’ signifies, but the inference would be that at least half of those come in not under the skilled immigration program but on some other basis.

**Senator CROSSIN**—What do we do in terms of policy directions that assist to reverse this trend, particularly in respect of industry and valuing skills that graduate engineers have?

**Prof. Reizes**—I am not sure that I can give an answer to that question. Certainly I believe that the policy directive should be directed towards presenting an image of Australia not as a digger and hewer but as a nation which is capable of producing the very best at the very highest levels—which I think we are. I believe that the low Australian dollar—which I do not understand, it is beyond my capacity—does not help at all in this process.

**Senator CARR**—It helps your international students program, though.

**Prof. Reizes**—It does really. It makes us very cheap relative to other people, so it helps our competitive position there.

**Senator CROSSIN**—So you would put to us that a well-funded public institution—being the university—would contribute in some way to a reversal of this situation?

**Prof. Reizes**—Yes, but I am not sure whether that is the whole answer.

**Dr Parr**—I will comment also, and Andrew may wish to add a comment. As an institution we have expressed concern many times at something of a lack of visibility of engineering in Australian public policy. Some countries have quite overtly identified engineering capability as a national asset that should be developed and promoted. We have not done that and that may well, of course, be partly our fault as a profession. The fact is that in Australia society at large does not see engineering as something of vital importance to the country's economy. If it were more visible, it might be expected to have an effect on salaries and on retaining our best and brightest.

**Mr Leventhal**—One of the things that was touched on earlier was whether we should be waiting for a failure. Perhaps the value at the moment is that there have not been any major significant engineering failures. There have always been failures but there has not been the failure that you are waiting for, Senator, with the bridge whilst you are crossing—

**Senator CARR**—I am not waiting for failure; I am anxious to avoid it, and that is why I express concern.

**Mr Leventhal**—I totally support that concern. The level of engineering to date has not led to failures of that magnitude, and that has isolated the presence of engineering and its value to the community. We cover a wide area. As you will see in our submission, 40-odd areas of competence are covered within the broader field of engineering. It ranges from civil engineering—for example, the building that we are sitting in—to the electronics that allow us to talk conveniently, to biomedical, chemical and IT engineering. Engineering covers many areas, and they all need to be addressed. The value-adding side is not covered by this committee, but it is a fundamental issue in a broader philosophical sense. The first issue is the funding of the courses and the teaching of engineers, and that is where we would seek assistance from the committee.

**Proceedings suspended from 10.51 a.m. to 11.06 a.m.**

**BROWNE, Emeritus Professor Mairead (Private capacity)**

**CHAIR**—Welcome. The committee has before it your submission, which we have numbered 257. Are there any changes you wish to make to that submission?

**Prof. Browne**—No; there are no changes of substance. There are a couple of typos, of course, but nothing major.

**CHAIR**—I now invite you to make a brief opening statement, and we will move to questions beyond that.

**Prof. Browne**—I thank the committee for the opportunity of meeting with you this morning. I hope that I can add some useful information to the deliberations of the committee. As you will see, my submission is very narrowly focused. I chose to do that because I was aware that many others would range more broadly. This was a particular issue close to my heart. Given that I had, as a dean of graduate studies, lived through the consequences of the early introduction of some major changes to the management of research training or research education in Australia through some new government policies, I focused on term of reference (f), which is about the capacity of public universities to contribute to economic growth.

I fully support the notion that universities can contribute to economic growth. In fact, I would say that economic growth without the universities is simply not possible. I will not go into that part of my submission where I suggest that this follows logically, but I would like to say that, in comparison with other countries, Australia is lagging behind and has taken a really retrograde step in the last couple of years in introducing cuts to the number of research students within the university system. While in every other nation that I am aware of, including those nations that are making great strides with the new economy, there are enormous efforts to increase the number of research students, here in Australia, for some reason which I cannot fathom, we have made a decision to cut the number of research students from 25,000 to 21,500, and that is in the face of very evident and real demand from students and potential students.

I believe that, if we are to be in the race as a nation that makes its future on its intellectual capacity, on its intellectual resources, we have to move very quickly to restore the numbers. Indeed, I have argued for restoration of the numbers, but I would also go so far as to say that we actually need to grow those numbers beyond the original 25,000. My argument is not about turning the clock back and restoring the system as it was. I think the system as it was certainly needed some changes to it to make it more effective. I have outlined in my submission a possible strategy for doing that reversal which I believe would produce a more effective mix of research students to fuel the economy.

I am suggesting that we retain what is currently called the RTS scheme but that we distribute those places according to a rather more subtle approach than is currently used. The current process by which numbers of research student places are allocated to institutions is inevitably going to favour some universities. It will favour others, specifically those universities that are doing what we have said we need, which is innovation, new approaches to research education and new approaches to research.

Secondly, I believe that, in restoring and growing the numbers, we need to introduce a category that I have called industry linked. You will notice that I have not called it industry funded places but industry linked places. Those places would be used not on an individual basis—that is, the RTS places are allocated on an individual student basis—but they would be allocated to institutions, community groups, industries and so on on the basis of some broad national goals. Those goals might be in relation to a desire to build up certain subject areas, they might be in relation to equity or aspirations and so on.

Finally, I have argued that the HECS-liable places that were previously used to take care of or to accommodate research students should be restored. I can see no earthly reason why those places have been taken away. I am basically arguing that we need to restore the numbers, grow the numbers, but to grow them in a slightly different mix. That is really the nub of my submission. I will be glad to answer any questions on that or on related matters.

**CHAIR**—Can I just ask you to extend your view about these industry linked research places. Who would you envisage managing these national goals, or plans, making decisions about which industries to direct research in and about the mix of funding—those sorts of issues?

**Prof. Browne**—There is no simple answer, because the initiative could rest with the universities, with industry or with the community. The idea of a broad national plan with priorities marked out is a meritorious one, but I do not think that it is really quite reasonable to expect that every priority or aspiration could be mapped out by, let us say, a government department. The initiative and the need is often something that develops at a more local level. Institutions themselves have a pretty good handle on what is necessary and what is needed. For example, in terms of equity, an institution will be able to identify pretty quickly what groups are falling through the net when it comes to opportunities to do research degrees. Institutions are also very well placed to identify the kinds of courses that actually have not been provided hitherto. For example, in the UK significant funding has been directed towards developing courses and mounting innovation in research education around not so much the topic of the research, or even the target group, but around the particular kind of education—research management being one of the examples I could give. Likewise, an individual industry might decide that it had a shortfall—the health services industry, the scientific industry or whatever—and needed a particular kind of cohort to go through. I suppose what I am saying is that, rather than doing these on an individual basis, there should be an opportunity for government, community and industry to identify needs and to make a case for funding cohorts of students, types of courses and so on.

**CHAIR**—But what I am asking is: who do they make that case to?

**Prof. Browne**—I would say that they make that case to government. If they can offer resources in kind or in cash then that case is all the stronger.

**CHAIR**—But directly to government?

**Prof. Browne**—Directly to government.

**Senator CARR**—Professor, you have indicated that the current initiatives in higher education research are characterised by policy failure. What description would you apply to the Commonwealth higher education policy as a whole since 1994?

**Prof. Browne**—I can speak most competently and confidently about research education. In the case of research education, there has been a lack of consistency through the policy. I think there has been some wonderful rhetoric through the green paper, through the white paper and through the Backing Australia's Ability, but unfortunately there are major problems of inconsistency in the implementation and, indeed, there are cases of implementation strategies operating precisely against the very goals that have been set out in the statements on policy.

**Senator CARR**—Can you explain to the committee what you understand to be the reasons that have been advanced for the reduction in the number of postgraduate research student places?

**Prof. Browne**—I can only guess. There are two possible explanations. One is a desire to deal with a perceived problem of quality in some institutions. It seems to me—and I am simply trying to second-guess here—that there was an assumption made by government agencies that quality issues arise in situations where there is 'not a critical mass of students'. In other words, in order to get an effective research education, a student would need to be in a laboratory-type setting with a group of at least half a dozen other students and a team of researchers. That model, I think, has been used to draw an erroneous conclusion that, where you do not have that team, where you do not have that laboratory setting, there is not good research education or training going on. There is no evidence of that whatsoever—in fact, quite the contrary. The UK evidence in the literature quite squarely contradicts that. It was an assumption that was made some years ago in the Dearing report, which drove a lot of the UK developments, of which you would be aware.

The second reason that I think there is this drive to push down the numbers is something to do with a desire to open up full-fee places for research students. Until a year ago there has been a situation, as you know, where it was assumed that a research student would have a HECS exempt status and occupy a HECS exempt place or occupy a HECS liable place. If you knock out the HECS liable places, it so happens that those are in the institutions which by and large have the highest demand. If you have institutions with high demand, then the institutions will inevitably—given that the legislation allows them to do this—open up those opportunities on a fee based basis. So I think it could be another way of introducing full-fee places for research degree students, extending the scope of full-fee postgraduate fees. That is my take on it, and of course I do not know.

**Senator CARR**—Have you seen any articulation of these views? I am trying to recall a position explained to me in those terms by government officials.

**Prof. Browne**—I have never seen them articulated in the way that I have articulated them, except to say that among my fellow deans, when I was a dean of graduate studies, it was one of the possible explanations for the actions which, in the face of international trends, is otherwise inexplicable.

**Senator CARR**—Given that you are arguing the implementation scheme has been fatally flawed, what discussions have you had, or you are aware have been had with other deans, about the question of implementation either with the minister or with DETYA?

**Prof. Browne**—There was a fairly significant process which involved the issuing of draft implementation guidelines for the knowledge and innovation policy. I am scratching to recall exactly the dates now but there was a procedure whereby draft implementation guidelines were issued by DETYA: comment was invited; some changes were made; a further version went out; comment was invited, and some changes were made. But fundamentally there was no change in the drive which was to eliminate the HECS liable places. There was a process of ‘consultation’, but I have to say that the submissions that I was involved in drafting did not seem to have much of an impact.

**Senator CARR**—In recent times has there been any further discussion after that consultative process?

**Prof. Browne**—The finalised guidelines came out and that was the end of discussion. As far as I am aware there has been no further discussion.

**Senator CARR**—There is no talk of remedial action being taken within government circles?

**Prof. Browne**—I am unaware of any.

**Senator CARR**—It is all quite disappointing, isn’t it?

**Prof. Browne**—Yes.

**Senator CARR**—Thank you very much.

**Senator BRANDIS**—Professor Browne, you referred to the wonderful rhetoric in *Backing Australia’s Ability*, but there were also a lot of wonderful dollars there, too, weren’t there?

**Prof. Browne**—There are some dollars there.

**Senator BRANDIS**—In fact, isn’t it the case that it is the largest single investment in Australian research that any Australian government has announced in dollar terms ever?

**Prof. Browne**—I am unable to say in relative terms whether it is or it is not.

**Senator BRANDIS**—I am telling you that it is.

**Senator CARR**—That would be highly charged and highly arguable—

**CHAIR**—Order, Senator Carr!

**Prof. Browne**—Let me come back to the nub of my comment, which is that *Backing Australia’s Ability* failed to address the issue of the numbers of research students in Australia. It

has aspirations to lift the game in terms of our international comparability and our performance but there is no mention anywhere of how we are actually going to achieve that. The warm bodies are simply not there.

**Senator BRANDIS**—What about in terms of the investment that Backing Australia's Ability commits—\$1.9 billion? It was not previously appropriated for that and now it is—

**Senator CARR**—It cut \$5 billion out of the system—

**CHAIR**—Senator Carr, you have had your chance.

**Senator BRANDIS**—What do you say about that?

**Prof. Browne**—I am not a politician, Senator. All I am saying is that my—

**Senator BRANDIS**—But you are making a political point, Professor Browne. You are, in effect, saying that as a matter of public record this document was purely rhetorical, and it was not. If I may say so, that is on the verge of being almost intellectually dishonest.

**CHAIR**—Senator Brandis, can you let the witness finish, please?

**Prof. Browne**—The point of my comment about the rhetoric is that the rhetoric is grand but it does not actually deal with the issue that I have addressed in my submission, which is the total number of research students in Australia. It is my belief that the policy document has not dealt with that and it will not succeed unless there are the people to drive it.

**Senator BRANDIS**—But what about the commitment of funding which was not there before and now is? Why are we dealing with the rhetoric, as it were, the presentation of the document, rather than what it actually does which is appropriate all this additional funding—I maintain the biggest single commitment in one policy announcement that has ever been made in Commonwealth history—to research? Why don't we talk about what it does rather than the way it is packaged?

**Prof. Browne**—What would you like me to say, Senator: that I applaud it? I do.

**Senator BRANDIS**—You do applaud it?

**Prof. Browne**—Last January when I opened the newspapers—or I did not even need to open the newspapers—I saw that there was a commitment to doing something about our research. But believe me, when I turned to the detail I was very disappointed.

**Senator BRANDIS**—Are you saying it did not go far enough?

**Prof. Browne**—Correct.

**Senator BRANDIS**—I understand that and may I say, Professor Browne, that most people who have come before this inquiry—and, indeed, I daresay most people who come before any

Senate hearing into the allocation of Commonwealth funds who are stakeholders—would say, ‘We are not getting enough.’ But it is one thing to say the document is just rhetorical; it is another thing to say you applaud it but you wish it went further. Is that your position?

**Prof. Browne**—Could I just make a correction. I did not say it was ‘just rhetorical’; I said there was a lot of rhetoric in those policy statements. I think ‘just rhetorical’ is a dismissive statement which I did not make.

**Senator BRANDIS**—No doubt there is a lot of rhetoric in all government policy documents, and no doubt there is a lot of rhetoric in the Knowledge Nation document. That is just the way things are presented to the public. But when you get into the detail, that document announces a lot of specific policy proposals, which—as I understand from your evidence—you applaud, but you say, as one would expect you to as a stakeholder, that you wish it went further. Is that the position?

**Prof. Browne**—Absolutely. It is more than a wish. I am saying that, if it is to succeed as a policy initiative, it needs the power to drive it. It needs the intellectual capacity, which can be contributed to by students who go through research and higher degrees.

**Senator BRANDIS**—I understand that; thank you. Can I ask you about the part of your submission where you deal with industry linked research places. You said in your verbal submission that you were saying ‘industry linked’ not ‘industry funded’. I would like to explore with you and invite you to elaborate on the extent to which you see opportunities which are not presently being appreciated or realised to get more industry money into research places—to deal with the question of how much further we can explore and go down the road of industry or private funding of research. Would you like to elaborate on that?

**Prof. Browne**—I wish I had the answer. Let me just give you an anecdote to highlight what I see as the fundamental problem. This argument that I am making will not be new. I have just come back from a month visiting Ireland, my home country, and basically renewing old friendships but also visiting a number of the universities on behalf of my former employer, the University of Technology Sydney. To say that I was struck by the differences in the environment—both at university level and business level—was really to put it very mildly. The culture in Ireland, which has pulled itself out of a pretty dismal economic situation, is so different. The attitude of government currently and the attitude of business to the universities is 180 degrees different to the Australian attitude.

**Senator BRANDIS**—Please go on—how?

**Prof. Browne**—The willingness to acknowledge the importance of intellectual resources for economic development has been translated into real support for the universities.

**Senator BRANDIS**—I am sorry to interrupt. You mean by that real support from business?

**Prof. Browne**—Real support from business, yes. For example, the Dublin City University, which is in many ways a twin to the University of Technology Sydney, is a new university. I know that campus very well. I drove past it because I thought it was a site with a residential area being developed. There was so much building going on that I just did not assume this was the

university campus. I came on campus to discover a massive privately funded, jointly funded building program in progress. I had a conversation with the president, who told us that one of the greatest problems at the moment is basically keeping business at bay. There are so many businesses who want a piece of the action that they are having to develop real hard-nosed decision tools in order to sort out one from the other, because they are frightened of business eating up the university.

They are losing their students. The moment they get somebody talented on board to do a PhD, they are gone, with offers not only to work locally but also to go internationally. Basically the attitude of business is one where business acknowledges and recognises that universities are intellectual powerhouses. They are not the only place where intellectual work goes on—I am not suggesting that for one minute. I think our government has to work with business to turn that culture around. I think that all the phone calls, strategies and work that all of us in the universities have done over the years have certainly borne fruit—but very small fruit.

**Senator BRANDIS**—Professor Browne, I warmly endorse everything you have said—indeed, it is music to my ears. Could you tell us, if you know, the policy decisions of the Irish government or policy decisions within Irish universities which contributed to that change of culture?

**Prof. Browne**—I am on thin ice, but I will give you my impression of why that economy turned around. I do know that in the 1970s—literally in 1972; I remember it very well—there was a government report called *Investment in education*. It was literally that. It was an OECD sponsored report, which said that, if Ireland is to go anywhere, there has to be an investment in education. So investment continued to be made, even though people like me and many of my friends knew and the government knew that at the end of our university education we would be on what was always referred to as the emigrant's ship. I left Ireland in 1974; I had opportunities to stay there but I chose to go elsewhere. I believe anecdotally you would be aware of that.

The government continued to invest consistently into the 1980s. There was a population explosion in the 1980s and, relative to the other countries of Europe and the European Community, there was a huge mass of young, well-educated people. This attracted industry internationally and then kick-started that whole business. There was never, as I understand it, a point at which the government said, 'We have got unemployed PhDs; we have unemployed graduates. Basically, Ireland just kept educating them.'

**Senator BRANDIS**—Can you point to any particular drivers in changing the culture to encourage businesses to invest and put in private capital into the universities?

**Prof. Browne**—I am sorry I cannot be specific, Senator. I do not know enough about the situation. I do know—and again this is anecdotal and is based on my having kept contact with Ireland during the 1980s and 1990s—that there were extraordinarily generous tax concessions, to the point where there was quite a bit of resentment of the amount of tax concession that businesses were getting, particularly multinationals. They were coming into Ireland, getting wonderful tax concessions and then when the tax concession ran out they were out of there. That seems to have been part of the regime.

**Senator BRANDIS**—I take it that you would agree with me that one of the most important things this committee can achieve in our report is to contribute to a similar change in the culture in Australia so that business is more heavily investing and contributing private capital to universities. That is perhaps one of the most important things that we could do.

**Prof. Browne**—Absolutely.

**CHAIR**—Can I just clarify one point, because my understanding of the issue might differ from that of Senator Brandis. In relation to the innovation statement, it was not so much the level of funding that was concerning you but rather how it is targeted or how it is directed; is that the case? Your principal point is that it is not directed towards increasing the number of student places, and that is a fundamental problem in your view.

**Prof. Browne**—I have no problem at all with the statement; quite the contrary. I am saying that, in order to make that happen, if that is to happen, if that sort of implementation is to occur, we need people to drive it and we do not have the people to drive it. On the contrary, we are cutting back the numbers. We are actually reducing the opportunities to build that intellectual capital.

**CHAIR**—So, despite the additional investment, that will not lead to additional places?

**Prof. Browne**—That is correct.

**CHAIR**—Thank you.

**Senator CARR**—Professor Browne, a further qualification here: is it not the case that the Backing Australia's Ability forward projections on investment are over three parliaments, the overwhelming bulk of which is tail-ended for subsequent governments to have to deal with, and it is considerably less than the amounts of money that have actually been taken out of the education and research centres?

**Prof. Browne**—That is a statement of fact that I cannot comment on. I have heard that said, but I do not know how true or otherwise it is.

**CHAIR**—That concludes the questions. Thank you very much for your appearance before us.

[11.36 a.m.]

**TAYLOR, Mr James Alan, 2000-01 President, Sydney University Postgraduate Representative Association**

**BAILLIE, Ms Harriet Jane, Member and Immediate Past Convenor, Postgraduate Board, University of New South Wales**

**MOLONEY, Ms Michelle Anne, Past Member, Postgraduate Board, University of New South Wales**

**HEATH, Mr Ryan, President, University of Technology of Sydney Students Association**

**LAMBERT, Mr Anthony, Postgraduate Representative, University of Technology of Sydney Students Association**

**MURPHY, Ms Catherine Majella, Postgraduate Research Organiser, University of Technology of Sydney Students Association**

**CHAIR**—Welcome. The committee has before it submissions numbered 313, 222 and 301. Are there any changes to the written submissions?

**Mr Taylor**—I have a correction to page 14 of the SUPRA submission. One of the graphs, ‘Satisfaction rates of local and international students’, did not print out. It is on the electronic version. I have supplied copies to the committee.

**Ms Moloney**—On page 7 of the Postgraduate Board submission, the graphs in figures 3 and 4 need to be swapped. The legends are correct; it is just the graphs that need to be changed. On page 14, to clarify the subject of discussion, please add the phrase ‘For postgraduate coursework degrees’ before the first sentence of the section entitled ‘The affordability and accessibility of higher education’.

**CHAIR**—I invite you to make opening statements.

**Mr Taylor**—I would like to bring the committee’s attention to a couple of aspects of our submission. The first is the proposed reductions in the length of the PhD at Sydney University. As we heard yesterday from Professor Gavin Brown, Sydney University is doing exceptionally well in its research performance. Of course postgraduates, being the work force of the university, are quite pleased to hear that. However, because of the introduction of DETYA’s Research Training Scheme the maximum of the PhD was reduced from five to four years, in August last year.

More concerning, however, have been recent suggestions at the university—and this has been under consideration—that the minimum of the PhD be reduced from three to two years and the maximum word count be reduced from 100,000 words to 80,000 words. To SUPRA, this is quite alarming, because it basically says that the university does not think it has the resources under the Research Training Scheme to continue the quality of the PhD that we have been able

to have in previous years. For one of the premier research institutions of Australia, this is extremely alarming. We would like to bring the committee's attention to that.

There is another document that SUPRA has tabled today. This is a page from the agenda of the graduate studies committee of the university for 18 June 2001. I would like to bring the committee's attention to the graph on that page, which is basically a graph of the university's own student course experience questionnaire for postgraduate coursework at the university. We find this quite alarming because, even though there is quite a large amount of satisfaction with the quality of this degree, in terms of student administration, computer access centres, faculty departmental computer centres and quality of student support and administration centres there is less than 50 per cent satisfaction in all those categories. SUPRA interprets this as another example of the university only seeing postgraduate coursework as a means of raising revenue to make up for some of the shortfalls from federal government funding. It shows that, even though the academic quality is quite good, the resources simply are not there to resource the students properly. This is, once again, a major concern.

**Ms Baillie**—The Postgraduate Board are representatives of more than 12,800 postgraduates at the University of New South Wales. In our submission to the committee we have outlined trends at UNSW that we feel exemplify the concerns already raised by many people to the committee about the reduction in government funding to the Australian universities and the effect that this is having on their capacity to provide quality education. Across Australia over the past six years postgraduate students have become the putty filling the hole left by the reduction in the federal government's investment in higher education. At UNSW this is no different, and over the last decade the university has been forced to rely on fee paying students to an extent that is not sustainable.

I would like to specifically refer to three statistics. First, the number of fee paying postgraduate courses offered at UNSW has increased from six in 1991 to 153 in 1996, when full deregulation of postgraduate coursework was implemented, to 195 coursework degrees offered this year. Second, and as a result of the first, in 2000 almost three-quarters of our postgraduates were full fee paying postgraduates. When we look at only coursework students, who themselves make up about 75 per cent of postgraduates at UNSW, we see a reduction in those funded by the government through HECS from 31 per cent in 1997 down to 16 per cent last year—a halving in only three years of the percentage of students funded through HECS. Third, the increase in fee income from students, both undergraduate and postgraduate, domestic and local, as a proportion of the overall UNSW income, has been dramatic, with a rise from 10.9 per cent of all income being supplied by student fees in 1991 to 22 per cent in 1998. That is, more than one dollar in every five is contributed by students. These figures all point to an increasing reliance on fees from students to maintain university education resources and services which has come at the same time as a real reduction in government funding to the university. These fee paying students are what Professor Jan Reid termed yesterday as 'income replacement'.

The proposed PELS scheme, which I know the committee has also been looking at, perpetuates this reliance on fee income from postgraduate students. The Postgraduate Board believes that reliance on funding from individuals to prop up the higher education system is inappropriate for a number of reasons, least of all as it fails to recognise the broader benefits that society reaps by having a more educated population.

**Ms Moloney**—I would like to draw attention to the change in participation in coursework masters and postgraduate certificates and diplomas over the past five years at the University of New South Wales. If you refer to figures 9a and 9b on page 16 of our submission, you will notice two specific trends. Firstly, we have seen an increase in the number of international students enrolling in coursework masters degrees whilst the local student enrolment remains constant. Secondly, the opposite is true for postgraduate certificates and diplomas, where there has been an increase in local student enrolments yet no significant change in the international student enrolments. This reflects one specific trend. In the School of History at the University of New South Wales we have actually now done away with the Master of History, which was a fee incurring coursework masters. This was abolished due to low course participation. However, the same subjects have now been offered in the form of a postgraduate certificate and a postgraduate diploma, and participation has reached a level where these courses have been able to continue. So there has been an increase in local student enrolments in postgraduate certificates and diplomas. These degrees have a lower total cost for local students because there is a smaller case load and also students in these degree programs can apply for government financial assistance such as Austudy. In contrast, students enrolled in masters programs are not eligible for government financial assistance such as Austudy or APA scholarships, and additionally they must pay either up-front fees or HECS. This, in real terms, represents a decrease in the local student enrolment in higher level, fee incurring degree programs, which we see as a clear demonstration of the deterrent nature of course fees.

**Ms Baillie**—We would like particularly to emphasise the dire situation for Aboriginal and Torres Strait Islander people in postgraduate studies. Participation of indigenous people in higher education has already been raised with the committee, but we would like to focus on the opportunities for postgraduate study. At UNSW there is a particularly low rate of participation of indigenous students at postgraduate level, with only 13 students last year enrolled in any postgraduate course. This equates to 0.11 per cent of the total postgraduate population. While we recognise that UNSW is an extreme case, the national rate of participation is still only 0.55 per cent compared with a 0.8 per cent representation at undergraduate level and a 2.1 per cent representation in the broader community.

We argue there must be urgent and concerted efforts by the government to redress this situation. We recommend the introduction of an indigenous postgraduate scholarship scheme applicable for both research and coursework degrees. These open scholarships are important, as they would enable indigenous students to move into not only areas such as health, law and humanities but also science and engineering where currently there are very few indigenous students. In summary, we support the call that the Australian Vice-Chancellors Committee made yesterday to increase the level of public investment into the higher education system because, as we have seen, the holes in the higher education system are getting bigger, and the putty will no longer hold it together.

**Mr Lambert**—I would like to address briefly the issue of fees for postgraduate research students, which were introduced by UTS for the first time this year, and a concern addressed at some length in the UTS Students Association written submission to this inquiry. The funding formula that backgrounds that decision, its rather complex implementation and the grim figures about what that may ultimately mean to some UTS postgrad researchers—that is fees of up to \$13,000 a year—are all documented there. I thought it might be useful if I fleshed out that raw data with some personal experience.

As I enrolled before 2001, the fees do not apply to me while I finish my current degree. However, I can tell you that, if they did and I was facing the prospect of fees of \$10,000 a year, I would not be studying today. My first degree dates back over 20 years, a time which I have mostly spent working in private enterprise building a career, until I decided to commence postgraduate research study in 1998. It was a particular area of public policy I wanted to examine, policy which I had dealt with almost on a daily basis over 10 years of my working life. Because of that experience, I felt I was in a position to bring some valuable and real industry knowledge and insight to my research. Time will tell if that is the case, I guess, but even to attempt this undertaking I have had to work part time. Consequently, I have placed my career on hold and had to take a significant drop in salary. I actually do not mind making those sacrifices because I think my research is worth while; I do not think those sacrifices are unusual for many, if not most, postgraduate researchers.

However, when five-figure annual fees are so glibly dropped into the equation, it makes me wonder if governments and university administrators have forgotten what many postgraduate researchers have already had to forgo. Fees are a huge disincentive to people such as me trying to bring real world industry experience to academia after a period away from study. They also, I imagine, all but rule out the prospect of postgraduate research to people such as single parents or others who may be financially disadvantaged and want to recommence study after a period away. In short, fees restrict the scope of postgraduate research by severely limiting the access to study to all but a few. In doing so, they cause an academic failure—a failure to exploit the depth and diversity of available experience in the community. It is a failure that we can ill afford. I urge the inquiry to recommend that funding for postgraduate research places be increased to a level where universities do not have to resort to fees to maintain and increase their research cohorts. Thank you.

**Ms Murphy**—Following Tony's submission, I would like to reiterate that the UTS Students Association does not believe in the notion of students subsidising other students through fee paying as this is a residual welfare approach and it is far less preferable to a progressive taxation system. Coming from the submission that we put to the inquiry, I would like to mention a couple of things. One is about inequities in scholarships at UTS and who gets those scholarships. It has been shown that equity students miss out. In a recent review of the APA and UTS PhD and RTS places, it found there was a wide series of equity students who miss out on scholarship places due to a structural inequality of measurement devices. It was found that students gain more points if they belong to professional employment bodies and have had long and strong industrial professional experience. The consequences of that was that isolated people, those returning to study late and those students who have not had a professional background missed out.

Another thing that has been happening at UTS is that it was mooted that there be a two-tiered system of reward and payment for academics, and this is termed performance based funding. In the draft policy document on UTS research which was called *Leadership in collaborative research and education: research and development key strategic plan 2001-2003* it was mooted that there be a change in the way faculties are funded to recognise research strengths and possible changes to remuneration packages for staff designated as research leaders. The way that this was intended to work was that those staff who were deemed as research active—that is, those who bring in corporate funding, which is currently considered to be 15 per cent—would be rewarded. So those who brought in research funding would be rewarded greater than those

who were teaching staff would. The NTU and the students association found this very problematic, and currently the university has decided to knock this on the head. We consider this proposal to set up a class system amongst academics to be most inappropriate.

Just a couple of statistics that have happened: between 1996 and 1999 staff-student ratios have gone from 15.3 to 18.8, with over 30 per cent of teaching staff being casual in 1999. Of 30 new positions that have been created at UTS in 2001, 27 of those are contract or casual and not permanent positions. Fifty-one courses have been cut during the academic profiling exercise at UTS and a further 53 are being monitored, which demonstrates a significant downsizing at UTS. Currently, government funding of UTS is 61 per cent public funding compared with 71 per cent in 1996, which means that we now rely on 40 per cent private funding. Thank you.

**Senator CARR**—I will begin by asking the representatives from the student groups from both of the universities whether or not they believe that the administration of the universities that they have participated in have been willing accomplices in pursuit of the government's objective of transforming universities into corporations untrammelled by educational principles.

**Mr Taylor**—If I can answer that: maybe not willing accomplices but basically what DETYA says they have to abide by, so they are trying to minimise any harm that DETYA policies have. For example, in the case of the Sydney PhD, they are trying to pre-empt policy that is coming through. So they are not exactly resisting it. I think they would like to resist it—I think they agree with it—but they are certainly trying to minimise it. That is the perspective we have at SUPRA on that issue.

**Ms Baillie**—As with the Sydney University, the University of New South Wales has been forced to begin to rely more heavily on corporate investment into the university. There are different views about that within the university. But from my experience at the university it has been as a result and has been happening at the same time as the reduction in government funding. I do not think those two trends can be delineated.

**Mr Heath**—From my experience of three years of working within government structures at UTS, initially there was a big reluctance amongst the university to completely fold like a pack of cards around the issue of the way it made decisions and who it accepted money from in order to implement them. But, having made the decision to actually not fight or to reduce its fight for more funding from the government, which is something that UTS desperately needs, you find there is a culture of fear amongst academics at UTS. There is unwillingness from the administration to listen to anything that the ordinary members of the university community on the ground have to say. There is a dramatic shift to an emphasis on marketing and on the physical and aesthetic structure of the university rather than on the teaching and learning that takes place in it.

I can use as an example the education faculty at UTS, which last year was facing a deficit of around \$1.5 million. This example also demonstrates the flow-on effects of problems in universities to the rest of society. That faculty was one where there was an initial proposal of 26 staff cuts within a six-week period out of a total staff of 70 within the university and the transfer of a lot of the money that went to that staff into a marketing program to attempt to attract more students to a faculty that no longer had people to run it or to teach within it. Adult education at UTS is recognised as one of the leading faculties in the world in that field of research and in

teaching. It is one that provides a lot of teaching to the very private providers that the current government I think places a lot of emphasis on and the vocational training that the current government also seems to support sometimes above and beyond traditional university structures. That is one example of where that faculty has been completely decimated. It was deliberately picked because there were a lot of part-time, mature age students and a lot of staff who were by no means new staff. That means that faculty was torn apart with a deliberate strategy to then implement that program of reform through a wider academic profiling process around other faculties that would be more resistant to those changes.

**Senator CARR**—All of the submissions point to increasing class sizes and a decline in the quality of infrastructure available. You point to declines in the quality of postgraduate assessment processes in terms of the reduction in PhD standards, for instance. You point to a range of issues that suggest to me a significant decline in the quality of education. The vice-chancellors seem to have had a bit of a sea change in recent times and are now acknowledging that that has occurred. They have moved away from the position about us facing a crisis in the future to a point where they say it is now.

The issue of the decline in standards is one that is still considerably more controversial and in particular I am talking about the issue of soft marking. We have seen a committee established at the University of New South Wales to examine this issue and it produced a report that cleared the university of any allegations of soft marking. We have seen at the University of Sydney an ombudsman's report into what I call the Fraser affair, which in my mind is a damning indictment of the process. I ask all the groups here: what is your evaluation of the internal processes dealing with complaints concerning questions of standards? How adequate are they? How effective are they in allowing whistle blowers to come forward and feel secure in the process of doing so?

**Mr Taylor**—Certainly from Sydney University and the ombudsman's report, I agree that is quite damning of what happens. There certainly is a culture in that it is quite difficult to come forward with complaints of that nature. For example, if an academic knows that the soft marking has gone on, the only recourse is to actually go to the registrar, which is described in our misconduct by-laws. Faculties do not have the power to fail students in courses. So the only recourse of appeal is to the registrar, and basically academics do not do it—partly because of fear but more because they know nothing is going to happen with the situation. That is a major flaw at Sydney.

Certainly, I think that was an unusual set of circumstances outlined in the ombudsman's report but it does highlight the poor record keeping at Sydney University. That is now apparently being addressed with the new policy on record keeping where every single email that one send to one's supervisor is kept supposedly on a central record, which we also have issues with, but certainly these issues need to be looked into. New South Wales university has had an inquiry into this. I do not know how effective that was. Sydney has had a series of academic forum discussions around the issue—not actually on the issue but around the issue. So in fact it has not really been addressed at the university satisfactorily to our view.

**Ms Baillie**—If I can speak from the University of New South Wales's point of view: the investigation that occurred around the soft marking inquiry was actually led by students, and all along students were involved in the process. Of the people who came forward to the committee

that was set up, a high proportion of those were students. Although there were no specific examples of soft marking identified in that investigation, there were a number of examples of racist behaviour and also specific grievances that came up in that investigation and which are being dealt with. The inquiry itself identified problems concerning the communication of appropriate assessment and grading procedures at the university and they are being reviewed at the moment. I think that will definitely benefit the whole process. There were also some minor improvements suggested to the actual policies regarding grading and assessment.

One very strong recommendation that came out of report was that the committee recommended that government and the broader community be communicated to. It indicated the difficulty of providing a quality education in an environment with the reduced public funding in higher education, and that is obviously of concern to the academics who are involved at the university. I feel the inquiry did do quite well in trying to address the situation in an open and transparent manner. However, we do have evidence that one very serious case did not come forward during that investigation. I think that is an example of perhaps what James was just indicating that there is a sense of fear amongst academics and that if there are serious allegations they cannot form forward with concerns about their ongoing employment. Although we are hoping this is an isolated incident at UNSW, it concerns us that this incident did not come out during the soft marking investigation.

**Senator CARR**—Are you prepared to detail that incident at this point?

**Ms Baillie**—Unfortunately, no.

**Mr Heath**—I have a couple of incidents I can detail at UTS and I would have to say that the situation is not so much that, when people muster the time, resources and the courage to actually come forward with these issues, they are not dealt with but more that is a cure rather than a prevention. What I worry about from these couple of examples that I am going to highlight is the number of cases that I have not seen in my time at UTS and which the other 2,500 staff at UTS have felt pressured to hide or not bring forward.

The first one is in relation to a campaign where I was personally subjected to an attempt to change the marks of a student at the humanities and social sciences faculty at UTS when I was a member of the assessment appeals committee there, where that student was a fee paying postgraduate student and had expected to be passed and consistently from academics had been failed and remarked and failed again, and so on. I initially voted at a first meeting to continue to fail this student while I was a member of that committee. Then there were further appeals and pressures to have a second meeting. I was not able to attend that second meeting and, in the six or so months since that meeting, I have still not been informed about the result of that meeting. Even though I put on record my wish to have the student continue to be failed, I still have no idea whether that actually took place.

The second incident, which was actually dealt with at the faculty board in what I would consider to be the appropriate manner but only after a lot of pressure and certainly not without resistance from the senior management of the faculty, was an instance in 1998 when UTS was actually advertising in several Asian daily newspapers attempting to get people to come into the private arm of UTS known as Insearch, which is essentially a language training institute that offers a few diplomas and certificates and so on. What was stated directly in those

advertisements was that, simply by attending that private arm of the university, you would gain automatic entry into UTS. So it is not so much soft marking but lying and degradation of the academic criteria for entering a course in the first place and subsequently harming the representation of that course and the people who previously had done it through the correct means. That was a case where students would then use the course where they simply have the academic standing necessary. Their marks were upgraded from credits to distinctions in order to meet the on-paper criteria. Once they had got into the course, through absolutely no fault of their own—I might add they were subject to a few racist attacks and remarks because their English language skills were so poor they were not able to handle the load of the course—it finally went to the faculty board and there was a motion put forward to condemn and retract the advertisements so that they did not continue and to strengthen some of the guidelines for language requirements. I think it is a very tricky situation. It is very easy to lead into racist comments about those situations. But it is certainly one where there has been a lot of flexibility, shall we say.

**Senator CARR**—Do you have a copy of those advertisements?

**Mr Heath**—They would be within the faculty minutes. They have been on file at the students association but I do not have them on me.

**Senator CARR**—Could you take that on notice, if that is possible to provide them.

**Mr Heath**—I will attempt to.

**Senator CARR**—I finally turn to the issue of governance. Allegations have been made—and in fact quite strong claims have been made—about the levels of secrecy, lack of accountability, lack of trust. The postgraduate report talks of the breakdown in trust that is occurring and the failure of the accountability mechanisms within the current government's arrangements. The New South Wales government has undertaken a review of the New South Wales university legislation and financial regulation arrangements. Are you familiar with that review? What impact do you think it will have? What contribution do you think you could make to it? And to what extent do you think that the current government's arrangements do allow for transparency and accountability?

**Ms Baillie**—If I can speak to that: I am aware of the review; I am also a member of the University of New South Wales Council and in that capacity received notification that that review was taking place. However, as a student representative, there has been no communication from the department asking for any input. In inquiries to the department of education regarding that review, I was told that consultation would be first and foremost with the vice-chancellors and they would then determine how the consultation process with the wider community would take place. The review, as far as I understand, is to make the university's legislation come into line with recent changes in the public authorities—the PAFAA Act; I cannot remember the full acronym. There was reference to the fact that there had been a period of grace given to the universities because many of the universities in New South Wales appear to be acting outside the law in regard to their relationship with private entities. In terms of accountability and transparency, that review does not specifically state that that is an area it will be looking at. But I believe that, with the number of various events that have been occurring

around Australia, accountability and transparency in university governance is something that does need to be looked at, and that is around the sector.

**Ms Murphy**—In terms of the UTS Council, which is the top decision making body at UTS, recently the UTS Students Association has been in dispute with the university council. The UTS Students Association believes that council had made decisions in error and had bypassed a number of appropriate arenas—

**Mr Heath**—Its own formal complaints policy.

**Ms Murphy**—including its own formal complaints policy. We actually used the complaints policy to make a complaint to UTS council about their bypassing a number of systems. We received a reply saying that they were not prepared to use the complaints policy as UTS council made decisions that they believed were in the benefit of the university. This is an arbitrary decision by the council. At the most recent council meeting a vote was taken, after a submission was put forward, to remove two terms of reference that were made regarding an inquiry into the UTS Students Association—these were known as F and G terms of reference. The head of the committee, Chancellor Brennan, did a recount. I think it was 5-4 in favour of removing the terms of reference and the chancellor said that he would take a recount, to which case a person who had not voted then voted, and then the chancellor used his casting vote against the students association. The students association believes that was an unfair and illegitimate use of power by the chancellor.

**Senator CARR**—Sydney has been the subject of considerable public debate. Could you give us some advice as to what you think is happening in terms of the question of accountability, transparency in the operations of the council?

**Mr Taylor**—Certainly, Senator Carr. You are quite correct in that the Sydney situation has been in the press, and that has been quite disappointing. SUPRA has not wanted that to happen because it devalues the university and takes away from some of the great achievements we have had over the past time. I guess the main issue is the accountability of the chancellor to the Senate, and that has been discussed publicly. It highlights the flaws in the Senate by-laws that they cannot remove the chancellor. Thankfully, that situation has now been rectified to a degree. SUPRA's opinion on that, as we have stated publicly, is that it is a shame that the chancellor, having lost the confidence of the Senate, did not do what any other democratically elected western leader would do and resign. We see that as an attack on the university.

In terms of other issues, particularly with the vice-chancellor's salary package, yes, there have been extreme issues of the Senate not being reported what the salary package is and being asked to approve it. We think this is disgusting. We think there are other issues that have not been reported properly but hopefully these will come out in a review that is coming forth.

One thing I do want to speak about is that, underneath the university senate, there is the academic board whose job is to advise the senate on issues of academic merit at the university. There is a review of the academic board going on at the university. SUPRA is quite pleased at this, because one of our criticisms of the academic board is that it is not really meant to discuss academic decisions in light of resource implications. So a resource implication decision can be made by management that may have academic consequences, but this is not discussed.

Hopefully this review will fix this problem, but we doubt it will. We think issues of governance are not just with the senate not finding out what is going on with the university, it is also the rank and file academics and the members of the board as well.

**Mr Heath**—If I can make one final point that I neglected to mention earlier: at UTS the council actually became so concerned by its June meeting in 2000 that it moved—what I call a quite extraordinary step—to set up a special committee at the request of Chancellor Gerard Brennan to investigate the way that finances are reported to the university council. In the entire time that I have been at the university, council has never been actually presented with an operating budget for the university to pass. That is something that does not really shock people in the UTS community at Sydney.

**Senator CARR**—It is a pity you did not mention that earlier.

**Senator BRANDIS**—Ms Baillie, if I can direct you to this passage from your submission on page eight:

We believe that the industrial training and education of graduates provides a direct financial benefit to the industrial sector. And hence the industrial sector should be willing to pay for this education at university, although the amount of direct support (in the forms of course fee payment and study leave) given to postgraduates by industry is small.

Before I ask you to elaborate you on that, I wondered if I might ask each of the witnesses at the table whether you agree with that point of view or the point of view expressed in that submission. Mr Lambert, do you go along with that?

**Mr Lambert**—To a point. Basically I believe that higher education should be publicly funded by the government and industry encouraged as and where it is appropriate. It is not always appropriate to attract corporate or industry sponsorship into the academic sphere, as questions of bias sometimes emerge, but, yes, where it is appropriate.

**Senator BRANDIS**—As a general principle you agree with that?

**Mr Lambert**—Yes.

**Senator BRANDIS**—Mr Heath?

**Mr Heath**—I completely support the notion of business and industry contributing to education, but I think that is best mediated through a taxation system, and a progressive one at that. I think that for corporations to be directly contributing any money that is not simply an untied grant into a general pool to a university brings into question the independence and the scope of any research or teaching that takes place with that money.

**Senator BRANDIS**—I gather, from you have said, that you do not agree.

**Mr Heath**—I do not agree.

**Ms Murphy**—As a staff member, I would like to defer to my fellow students.

**Senator BRANDIS**—Mr Taylor?

**Mr Taylor**—I would certainly agree with that statement. I would like to draw the committee's attention to comments in the West review, by David Siddle from the University of Sydney, that postgraduate research students are 60 per cent of the work force of Australian research. It is basically industries getting a worker to do their research for them; so, yes, they should actually put in money for this. In fact, once again, this is why it is important that there is integrity in the research degree, so the student is actually getting something out of this and we are not just creating a slave work force. I totally agree with that statement.

**Senator BRANDIS**—Ms Moloney?

**Ms Moloney**—Yes, I agree with that statement as well.

**Ms Baillie**—If I could expand—

**Senator BRANDIS**—Yes, I was going to invite you to do so. Having served up your words for comment by the others, I invite you to elaborate on that proposition, Ms Baillie.

**Ms Baillie**—What we are referring to here is the fact that many postgraduate students are employed full time and often do studies to supplement and to continue their professional development in the careers that they have. Obviously there is a direct benefit to their employer if they are doing further studies in their area of employment. What we are referring to here is that there is currently a very low percentage of support given by employers to their employees who are engaged in postgraduate studies that will have a direct benefit to the employer. There is no reference in this section to industrial money or corporate money going to other parts of the university. That was in respect to supporting postgraduate students via study leave and via course fee payment.

**Senator BRANDIS**—I accept what you say, and I agree with it, but what you have identified invites consideration of an even broader problem—what is sometimes called, in philosophy, a free rider problem. Industry is, as you say, a direct beneficiary of the work of universities—more so in some faculties than in others. Yet there is not a very great obligation on industry to pay, other than through the general taxation system, for the benefits it receives and turns into a profit. That is a pretty powerful argument for suggesting—as Professor Browne said, and I think you were here when she gave her evidence—that one of the most important things we ought to be doing in configuring Australian universities for the 21<sup>st</sup> century is getting more private capital in through the door so that the private capitalist who benefits from university educated and trained graduates can make a fair and a more direct contribution than through the general taxation system. And we could argue about the terms in which that comes in. I invite you or, indeed, any of the others, to comment on that observation.

**Ms Baillie**—I would like to comment on that observation. I agree with you; however, I refer you back to comments that Professor Ian Chubb made yesterday and to the concepts of impatient and patient capital.

**Senator BRANDIS**—Yes, that is a useful distinction.

**Ms Baillie**—That is right. There is a definite role for industry to be supplying impatient capital, but that does not supplant the government's role in supplying the patient capital. If I could take it a little bit further from Ian Chubb, I think there is also potential for industry to provide patient capital, but that has to be unfettered. As you said, we could have an argument on the terms in which that funding is given, and I think that is a very important argument. I think depending on how that argument goes is depending on whether that money would be beneficial to the university or not.

**Senator BRANDIS**—But, Ms Baillie, it is not a zero sum gain. It is not as if for every dollar of private investment that is one less dollar of public investment. It could be like that, but there is no reason why it need be like that.

**Ms Baillie**—I agree. There is no reason why it need be like that, but I think in recent years in Australian higher education we have seen that.

**Senator BRANDIS**—Would you like to see the sort of cultural change in Australian universities that Professor Browne described when she spoke about the Irish experience?

**Ms Baillie**—I think that would be of great benefit to many people, but I think Professor Browne also outlined the fact that governments recognise the import of the university, and the government's commitment was as vigorous and as energetic as the business's investment into that higher education sector in Ireland.

**Senator BRANDIS**—I think we all agree on this committee from our different philosophical perspectives that we need to get more money into universities, not less. Where there is a difference—I suppose it is a philosophical difference—is the extent to which they ought to be exclusively publicly sourced or more diversely sourced and if it is to be the latter, which I embrace, to explore in a slightly more creative and adventurous way the opportunities for bringing more private capital in through the door. I take it broadly you would go along with that.

**Ms Baillie**—Yes, I would, but under the auspices that that money is not tied and fettered money. It is unfettered money that can be used for the benefit of the university as the university sees fit.

**Senator BRANDIS**—Would others like to comment on that exchange, if you take a slightly different view?

**Mr Heath**—No, I am not necessarily going to have those words put into my mouth.

**Senator BRANDIS**—I am not asking you to. I am saying, 'Would you like to comment?'

**Mr Heath**—Yes, and that is what I am going to do. To take up your statement that industry should be putting in a fair contribution, I think that is actually counterposed to the contribution that you are suggesting and were suggesting yesterday that they should be making. I would not like to see it couched in terms of public versus private, like that might be the label attached to it. What we are really talking about is: is it money that is going into a system that is being used and distributed democratically and for the benefit of society—which is the type of education

system the majority of Australians would like to see—or is it money that private companies, and large ones at that, contribute on the basis of the profit motive and what they can selfishly get? Is that the type of contribution you want to see? Those latter types of contributions are certainly not fair by any stretch of the imagination. They are targeted to benefit particular people in particular ways to the exclusion of a lot of other people in our society, like the equity groups which we have seen mentioned over the past two days who are going to continue to be excluded from the education system if we continue a trend where we simply have private capital directly injected into universities in tied grants.

**Senator BRANDIS**—Are there any other observations arising from this?

**Mr Taylor**—I concur with Ms Baillie's remarks. Basically, industry sponsorship is fine as long as basic research and academic autonomy is protected.

**Senator BRANDIS**—Thank you.

**CHAIR**—That concludes the questions. Thank you for your appearance today.

[12.26 p.m.]

**SCHRODER, Mr Maxwell Charles, Member of the Board of Directors, Australian Council for Private Education and Training**

**SHANNON, Professor Anthony Greville, Member, Australian Council for Private Education and Training**

**VALKENBURG, Dr Claire Patricia, Member, Australian Council for Private Education and Training**

**CHAIR**—I welcome representatives from the Australian Council for Private Education and Training. The committee has before it your submission which we have numbered 177. Are there any corrections or changes you wish to make to it?

**Mr Schroder**—No.

**CHAIR**—I now invite you to make a brief opening statement and we will move to questions beyond that.

**Mr Schroder**—Thank you for the invitation to ACPET to appear before the committee today. I will table a statement, but I can promise you I will not read every word of it to you. I have an eye to the clock and also to the fact that you have been listening to a lot of people this morning. So I will just take some highlights from it.

ACPET, as the largest of the industry associations in this area, represents nearly 400 members who offer annually about 3,000 courses, from certificates to postgraduate degrees, to over 60,000 Australian and overseas students. Our members provide teaching and administrative jobs to approximately 7,000 Australians in urban, regional and country towns across Australia. This sector has a \$300 million gross turnover, and the multiplier effect of our economic activity impacts on a wide range of other service providers. I might add that we enjoy about 70 per cent of the total overseas enrolments in VET.

I am the Executive Director and Principal of the Sydney Institute of Business and Technology, and prior to that I was the International Education Director of the University of New South Wales. My colleagues are Dr Claire Valkenburg and Emeritus Professor Tony Shannon. Dr Valkenburg is the National Director of the Australian College of Natural Medicine, and she has extensive experience in tertiary education and has taught at various Australian universities. Dr Valkenburg now heads up the major provider of natural medicine education in Australia. Professor Shannon has had 35 years experience in public and private institutions in a number of countries. He retired from the position of Dean of the UTS Graduate School in 1997 and is currently the Provost of KvB Institute of Technology, a private provider that offers fully accredited degrees and diplomas in design.

**CHAIR**—What does KvB stand for?

**Mr Schroder**—It is actually the initials of the founder. That was a question I once asked. In our written submission, which I tabled, we expressed concerns and made recommendations about a number of matters where the interests of private providers and public institutions clash. Essentially, these involve the principles of competitive neutrality, transparency and complementarities. Of paramount concern to us is that public universities may be misusing resources that have been provided by the taxpayer for the education of Australian citizens. It is our view that some apply these resources in an unfair manner to the education of overseas students and other private fee paying students, and in addition these resources are applied to general consulting activities.

On any normal commercial pricing, the fees charged by universities from any of these services are simply not able to be validated. In plain terms, they very probably cost more than they are charging and the universities are not able to validly establish the real costs of their operations. Validated costing models are not the basis for determining prices—that is, fees—for courses offered to overseas students.

Private providers, on the other hand, have to take into account and use a thorough going business approach to pricing. Our ability to set realistic fees can be inhibited by artificially low university fees. This subsidising of overseas students has two major effects. Firstly, it diverts resources from their proper use and illegally utilises them perhaps to subsidise foreign students. Secondly, this de facto subsidy creates an artificially low ceiling that threatens to drive commercial operations out of business. We have similar concerns about the setting up of private organisations and companies wholly owned by public universities. It is clear that considerable intellectual property, staff expertise, time and resources from the university are devoted to these organisations but do not appear to be appearing in the public university's accounts. Again, public funds may be diverted to private ends.

We, as private commercial providers, stress to the committee that we do not mind what the public universities do, as long as it is done fairly and is not anticompetitive. We object to the public universities using their market power unfairly and in an oppressive manner. Private providers are not looking for handouts. All we are asking for is fair competition. If we cannot compete, we die. If public universities cannot compete, they can simply draw upon their tax funded resources and proceed as normal. This, we believe, is anticompetitive, unfair and lacks transparency.

At a minimum we believe that the federal parliament, as part of its oversight of the funding that it provides, should require a common accounting standard capable of revealing the true cost of educating foreign students. We thank the Senate for instigating this important inquiry and we look forward to reforms as a result of it. We are happy to answer whatever questions you may have.

**Senator CARR**—It may well be that the concerns you have are shared by the committee so far as issues have arisen in regard to accountability, transparency and in terms of appropriate accounting standards. The Auditor-General in this state has indicated his concern about the way in which the accounts of universities have been presented. Are you aware of those criticisms?

**Mr Schroder**—Not in detail; only generally.

**Senator CARR**—There is in fact a review at the moment into the New South Wales legislation and financial regulation arrangements—are you aware of that review?

**Mr Schroder**—No.

**Senator CARR**—Perhaps I can turn to some matters in regard to the Commonwealth, because there have been some concerns raised by ACPET with me in the past. I have actually taken the trouble of asking questions of the Commonwealth department on these matters. I asked them, for instance, in June:

Are you completely confident that all the activities of the private arms of public universities comply with the government's current interpretation of competition policy?

They have advised me that:

Most universities are established under State/Territory legislation and, ultimately, it is up the States and Territories to determine whether universities in their jurisdiction are complying with the principles of competitive neutrality.

First of all, are you satisfied that the states and territories are supervising the universities in accordance with the law?

**Mr Schroder**—I can only speak on the basis of the accounts that I have seen during my time. These are the public accounts from my time at the University of New South Wales. I do not think an outsider would have gleaned too much from what was appearing in the audited statements. There is of course a great deal of material imbedded behind that that an auditor might be looking at in the process of an audit, but it certainly was not clear to me just exactly what the financial relationship was between the private entity or the company—to be specific, UniSearch—and the University of New South Wales. I can only speak from direct experience. I have not made a study of others.

**Senator CARR**—How long were you with the university?

**Mr Schroder**—I was with the university in various capacities from 1987 to 1996.

**Senator CARR**—During that period, how long were you associated with UniSearch?

**Mr Schroder**—I was associated with UniSearch in different ways throughout that whole time. Initially I was the academic registrar of the university and in fact sat on an advisory committee for one of the teaching programs they were running through UniSearch, a program called Foundation Studies. From 1990 I became full-time the international director and then I was far more intimately involved in that same program—certainly not involved or aware of the other consulting exercises of an R&D nature that UniSearch was conducting.

**Senator CARR**—Should you have been aware?

**Mr Schroder**—No. I was not on the board.

**Senator CARR**—What about reading the accounts? Is it reasonable for the accounts to reveal that sort of information?

**Mr Schroder**—As I have said, I could not determine precisely how all activities related to the bottom line and the amounts that were or were not remitted to the university annually.

**Senator CARR**—The concerns that the Auditor-General has expressed are similar to yours. Is it unreasonable that those matters should be made available publicly?

**Mr Schroder**—‘Reasonableness’ is a difficult term. It would be perfectly reasonable if the accounts were more transparent with regard to the financial relationships between universities and their other entities. During my time at UNSW there were changes that required that the accounting of those entities be brought into line with the accounting for the university. I am saying that I do not know whether that has gone far enough in terms of revealing relationships.

**Senator CARR**—I have asked further questions on this issue and I have been advised that there is no requirement for universities to reveal any cross-subsidisation to their private arms—none whatsoever.

**Mr Schroder**—I cannot comment.

**Senator CARR**—But are you aware of the proposition that DETYA has put? I take it that you have seen the answers to the questions I put. Do you believe that universities are not providing—

**Mr Schroder**—I think that is a legal opinion and I am not qualified to comment.

**Senator CARR**—The other part of the answer to the question that I asked on 7 June concerning the government’s interpretation of competitive policy was:

... the Commonwealth’s position on this issue is that universities should ensure that the prices of services or products that are ... purely commercial ... should cover their full cost. The Commonwealth is not aware of any current complaints against universities under its jurisdiction relating to this issue.

Is that an accurate statement? Have you made any complaint to the Commonwealth?

**Mr Schroder**—No, ACPET has not.

**Dr Valkenburg**—No, we have not complained formally.

**Senator CARR**—Why haven’t you?

**Mr Schroder**—It is very difficult to make a complaint if you cannot base it on evidence. It cuts no ice simply to say, ‘I think there is something smoky going on.’ It can emanate only from those who have sufficient knowledge to be able to make those statements. We do not have available to us the sorts of information that universities have with regard to DETYA funding levels, how they are based, how they are indexed and so on. From my experience, I am aware that the initial minimum fees to be charged were based upon average funding costs to

universities across Australia in 1988-89. The Commonwealth then set a minimum recurrent component and a minimum capital component, and it did so for many years. Whether it still does, I do not know; I have been out of the university since 1996. I am aware that, despite almost two years of effort, a number of very expert professors at the University of New South Wales were unable to come up with a valid costing model for the university. Without a valid costing model it is very difficult to come up with valid pricing. That is the nub of our argument.

**Senator CARR**—In answer to a question that was asked on 7 June we were advised that neither the Australian accounting standards nor the 2000 guidelines in terms of the reporting requirements require disclosure of cross-subsidisation, so why would the Commonwealth necessarily know? Why would it be any better informed than you are?

**Prof. Shannon**—Certainly, they wouldn't.

**Mr Schroder**—Unless they made specific inquiries of the university.

**Senator CARR**—The whole issue from my point of view—I have an entirely different interest from yours—is that you are out there trying to make a quid as private businesses and that you are concerned about unfair competition. I presume that that is the thrust of your submission.

**Mr Schroder**—Yes.

**Senator CARR**—As a politician, I am concerned about the use of public assets that are not returning value for money to the public or to the Commonwealth in the broader sense of the term. Is there a case that universities are using public assets to sustain losses?

**Mr Schroder**—I do not think so. Rather than the conspiracy I think I would go for the stuff-up every time, as the old saying goes. I do not think they know.

**Senator CARR**—I will put it to you in this way: MEI in Melbourne is a university associated entity that runs international colleges. My reading of their accounts does not suggest to me a significant return on average. The business plans do not suggest to me that there would be a significant return on assets for some time.

**Mr Schroder**—I think that is the point that we are making. In the absence of costing models—and we suspect not bringing to bear the cost of the asset—the pricing inevitably becomes unfair when compared with groups like ourselves who must do that.

**Senator CARR**—There is the further question of taxation. Are you aware that the Australian Taxation Office is now taking a much sterner view of the concessions and the tax deductibility status of some education institutions in this country that have claimed exemptions on the basis of their being non-profit, charitable or education institutions? Are you familiar with that?

**Mr Schroder**—I am aware of the circumstance; I am not aware of the inquiry.

**Senator CARR**—And you have not heard any discussion within the industry about the implications of that?

**Mr Schroder**—Certainly there has been discussion in the industry that bodies such as those are essentially treated as charitable institutions, which seems a little odd to me and always did. That, of course, provides them with an unfair advantage over a for-profit company such as my own. How it stands against not-for-profit private providers I would not care to comment.

**Senator CARR**—Are the not-for-profit private providers eligible for taxation concessions?

**Mr Schroder**—Yes.

**Senator CARR**—So they are being treated on the same basis as the universities.

**Mr Schroder**—I would assume so.

**Senator CARR**—Have you got any complaint with that?

**Mr Schroder**—I do not, personally.

**Senator CARR**—You do not have any not-for-profit members, do you? There are those who do not make any profit that are members and they give you a hard time about a whole range of regulatory matters but you only service those in the industry trying to make a profit.

**Mr Schroder**—It would be the majority of our members, but my colleagues might want to comment.

**Prof. Shannon**—We are both for profit.

**Senator CARR**—That is the purpose of your engagement, if you want to put it crudely. I then turn to the question of the regulatory regime. You have made a submission that the universities receive an unfair advantage in terms of visa applications and visa regulations. We have had this discussion and we have been over this ground last year. My interest is with the private companies that universities establish that you think are getting an advantage by being outside the ESOS arrangements.

**Mr Schroder**—Very clearly, they do not have the cost of compliance that we do. But there is also a halo effect of being associated with the university which, I am quite sure, gives a competitive advantage. I guess we cannot complain too much about that. If I had a marketing edge I would use that myself, but it is more the cost of compliance which is the burden that we have that they do not bear.

**Senator CARR**—This is a parliamentary inquiry and I remind you that you are covered by parliamentary privilege. Do you have any evidence that the universities are misusing their status in terms of the use of unregistered agents or unethical practices in the recruitment and assessment of students from international sources?

**Mr Schroder**—I am not aware of any unethical behaviour.

**Dr Valkenburg**—I am not either.

**Senator CARR**—So why should we take the view that the actions of the parliament in terms of exempting a university was inappropriate?

**Mr Schroder**—I think I would turn it on its head and say, ‘What is the argument for doing it rather than the argument for not doing it?’

**Senator CARR**—We did go through this last year and I can tell you I can give you a long discussion about why we ought to have much tougher requirements. I would have thought that most of you would have welcomed the changes that were made last year to get rid of the unfair and unethical competition from the bottom feeders in the industry. The ‘bottom feeders’ is the term that is used, isn’t it?

**Mr Schroder**—‘Visa colleges’ is another one.

**Senator CARR**—That is right—the visa shops, the organised crime and all of those elements within the industry that are a risk to the industry.

**Mr Schroder**—Most certainly.

**Senator CARR**—So isn’t there a case for quite strong public intervention in that environment?

**Mr Schroder**—Certainly our complaint is not with compliance, or the cost of compliance, but only that some of the players do not have to meet that. It is a matter of level playing fields—a cliché.

**Senator CARR**—In terms of the submission itself, I would be interested to hear any further advice that you have for the committee in terms of the abuse of the university’s position regarding tax exemptions or visa regulations as they currently stand? Otherwise, it is difficult to sustain a case that has been put to us. I will argue the position in terms of cross-subsidisation—I think there is a much stronger case to be put there—but we are going to need further advice on those other areas that you have raised in your submission.

**Mr Schroder**—I have one area that I cannot detail but I am certainly aware of. It is instructive to look at where the CRICOS registration lies for courses which are mounted by university owned entities. At the time of the original ESOS act there were certainly a number of universities that took courses out of their entities where they resided with the CRICOS code and brought them within the university, ostensibly as a new course and new CRICOS code, because that avoided a whole lot of difficulties to do with trust accounts, the effect that that has on cash flow and so on. I have always seen that as being a difficulty in the accreditation area—that universities could really just move those courses from the entity to the university, and from the university to the entity, to suit their purposes and that was obviously not a facility open to us.

**Senator CARR**—I would like detail of that, because they are obviously issues we are more than happy to take up with the authorities.

**Mr Schroder**—We would need to sit down and run through the CRICOS listings and find some examples.

**Senator CARR**—Thank you. If you would take that on notice, we would appreciate any further advice on that.

**Senator TIERNEY**—New Zealand has moved to a system of greater competitive neutrality amongst private providers. What is your view of what has happened there, in the way that New Zealand has set up this system?

**Mr Schroder**—I am not familiar with that. Perhaps my colleagues are.

**Dr Valkenburg**—No, I am not familiar with it.

**Prof. Shannon**—I was only familiar with what it was. I understand it is changing again. We would like to see something like an extension of deferred fee payment options for students at private as well as public institutions. If we value diversity and quality in teaching, it would be useful to extend it to all providers if they are registered and accredited. I think the reason so many private providers survive—and even flourish, perhaps, at the moment—is that they are doing things that a lot of people want them to do. But we do not want to become enclaves for the privileged rich. Most of us do provide scholarships in a variety of ways, but at the moment it is difficult to have a deferred fee pay option.

**Senator TIERNEY**—You would not be suggesting that we take up the full New Zealand model, would you? The fee structure, as well as being indexed for inflation, also has an interest component. I believe New Zealanders are fleeing the country and working overseas so that they do not have to pay back this huge mounting debt that has an interest component in it as well. I assume you are not suggesting that we take that part of it up?

**Prof. Shannon**—I would not want to go into the actuarial details, but people can manoeuvre their way out of those sorts of things anyway, can't they?

**Senator TIERNEY**—Yes, they do. They go overseas, which is a bit of a loss to New Zealand, unfortunately.

**Mr Schroder**—The allegation once was that they were fleeing here to go back to New Zealand to avoid HECS, until inter-governmental agreements were developed.

**Senator TIERNEY**—We have never had the interest component, though. What does the US experience of competitive neutrality teach us about university arms as competitors to what you are doing, in terms of the way the US sets up its regime?

**Mr Schroder**—I do not have a lot of detail on how they run their regime. I do not have enough detail to comment.

**Prof. Shannon**—It is hard to answer a question about the US without going into their whole social structure. You move into health and all sorts of other areas where there are not the safety nets that we have here. I would not like to move in that direction.

**Senator TIERNEY**—But there is a lot more private involvement—

**Prof. Shannon**—Sure.

**Senator TIERNEY**—broadly, in the whole post-secondary structure. As you say, it goes back to cultural differences and why we do not have it here. Would you comment on your experience of up front fee paying for courses in Australia in terms of the experience of ACPET in the areas of demand and growth? It is obviously a very uneven picture. People will not pay for some areas of study while they will pay for other areas. Would you comment on that in general, on where you see the growth in study courses, and on overseas demand?

**Mr Schroder**—I am in core business areas. It might be more interesting if Professor Shannon commented.

**Prof. Shannon**—I can comment in respect of my institution. If you want to make money, it is probably easiest to do that in the postgraduate area where we can compete with the public institutions because they are charging fees. At the undergraduate level, our fees are very high so we have to be able to offer a lot of other things in lieu, for example, one and a half to two times the amount of class contact, small classes and good equipment. These are things that public universities are finding very difficult to sustain at the moment.

**Senator TIERNEY**—But in a way you are competing for undergraduates in the overseas markets in respect of fees?

**Prof. Shannon**—Yes, in respect of the overseas market.

**Mr Schroder**—And you do not have the price differential there. My institution has about 30 per cent Australian enrolments. That amounts to about 500 students. Effectively, they are paying double HECS. We seem to have plateaued at a particular number for no reason other than perhaps price sensitivity. We would welcome an opportunity for Australians to be able to attend a private institution rather than a public one with the benefit of HECS as it is at the moment, or through whatever scheme might appear which produces a deferred payment to which Professor Shannon referred.

My college works basically in the area of commerce and IT for which there is a big demand. Students are more inclined to pay because of the added value which has already been referred to—small classes, smaller tutorials, better equipment and better facilities. That is the value added. In addition to that, students can run this through a return on investment model and say, 'I'm going to spend X dollars on my education. I think I can get that back in Y years.' If they started to study history, archaeology or whatever, that does not stand up to scrutiny. You would study those subjects for other reasons. That is why there is exactly the same graph for foreign students and for Australian students. The highest subject is business studies followed by computing. You then get to hospitality. The graphs look exactly the same because both groups are approaching the issue from the perspective of a return on investment.

**Senator TIERNEY**—There is an interesting contrast between Australia and the United States. They basically have an extensive public education system and there is then extensive provision in private education in the university and post-secondary sectors. We have extensive provision in private in the private secondary system, which is up to 30 per cent, but when you get to tertiary there is a huge resistance and an expectation that it is all provided for free. In recent times, have you sensed a change in this attitude? Is your market growing in terms of people being more prepared to pay for post-secondary education?

**Prof. Shannon**—We have not seen much change at our institution. A few years ago we thought that there would be a change, but it has not materialised.

**Mr Schroder**—And as I said, we plateaued. It ran rapidly up to a point. I have not analysed the last intake which came in two weeks ago, but we have drawn from the Catholic systemic system where they are used to paying fees—although admittedly not high fees—and from the private school sector. The number of the Australian students that we get from public high schools tends to be much smaller and they tend to come from more affluent areas.

**Senator TIERNEY**—You mentioned scholarships. Could you explain how the scholarship system works?

**Prof. Shannon**—At our institution we have bursaries and scholarships. Bursaries are to help students who have difficulty paying, irrespective of their academic ability in the areas. Exams for scholarships are set in August—mainly creative exams—and then, on the basis of that, some students are awarded generally half-fee scholarships. That will often bring the fee back to a HECS equivalent.

**Senator TIERNEY**—What percentage of your students would be on those arrangements?

**Prof. Shannon**—Fifteen per cent to 30 per cent from year to year.

**Senator TIERNEY**—That is quite high.

**Prof. Shannon**—It is.

**Senator TIERNEY**—Thank you very much.

**CHAIR**—That concludes the questions.

**Dr Valkenburg**—Can I make a comment please.

**CHAIR**—I am sorry, did you want to add something?

**Dr Valkenburg**—I wanted to go back to what Senator Tierney asked before, and that was in relation to areas of growth and identifying new study courses. That really effects where we are coming from and that is in natural medicine education. We have been in natural medicine education since 1975 and you will find that, more recently, universities have also got into this line of business, if you want to call it that. We believe that we have an established record in it.

What happens to us in relation to accreditation when we want to have our degree in acupuncture, homoeopathy and naturopathy accredited under the Office of Higher Education? The office calls together a panel and the panel then reviews our documentation and goes through that. On that panel they will appoint people from universities. Our documentation is commercial-in-confidence but it is not necessarily treated that way by the university representatives who sit on those panels. It is not surprising for us to find that, where our accreditation process can take up to four years, a university through its own accreditation process can come up—surprise—with a course that we are promoting before we have gone through our accreditation process. We find that non-competitive and very difficult to deal with.

**Senator TIERNEY**—How many universities are competing with you in this area? I believe Southern Cross is in that area. Which other ones?

**Dr Valkenburg**—Southern Cross is. There are a number now—there are Macquarie and the Victorian University of Technology, and the University of Queensland is establishing an area. It has become very trendy and, as people are trying to find popular programs for people and to attract new students, we become more vulnerable. As has been pointed out before, because of the halo effect of a university offering the same thing that we are offering, a number of people will choose a university, regardless of the fact that we believe we have the practitioners. At this stage, anyway, we have people who are more experienced in the practicalities of what we are teaching than the universities have. As part of our accreditation, conditions are put on us. One of them is to upgrade our people, which we do, and then—lo and behold—they are poached to go and work at the universities after we have spent that money developing our personnel. These are real problems for us as well.

**Senator TIERNEY**—A lot of people would say that that is the competitive market.

**Dr Valkenburg**—Yes, it is.

**Senator TIERNEY**—Do you feel that universities have unfair advantages within that competitive market?

**Dr Valkenburg**—Yes, I do. Definitely.

**Senator TIERNEY**—In what way isn't it a level playing field, in your opinion?

**Dr Valkenburg**—It is not a level playing field insofar as our full documentation is taken up by competitors.

**Senator TIERNEY**—You mentioned that point. Apart from that?

**Dr Valkenburg**—The conditions of accreditation are different insofar as—

**Senator TIERNEY**—It is tougher on you than it is on them?

**Dr Valkenburg**—It is much tougher on us. The accreditation may say as a condition that we are to get into bed with a university or have a university oversight what we are doing. We have

no problem with that except that, as soon as we start to do that, the cash register opens and we have to pay for all of that. When paying for that, the payment for that consultancy does not necessarily go to the university. It can go to an individual at the university as well and we have difficulty with that too. But we do not want to squawk too loudly, because we want to move into postgraduate study and to do that with the rigours of the OHE we are going to have to form an alliance with a university, so we have to keep quiet on a lot of things.

**Senator TIERNEY**—An uneasy alliance perhaps?

**Dr Valkenburg**—It is.

**Senator TIERNEY**—Thank you.

**CHAIR**—That concludes the questions. Thank you for your appearance.

**Proceedings suspended from 12.59 p.m. to 2.07 p.m.**

**HEDLEY, Mr Michel Bulmer, National Education Manager, Australian Information Industry Association**

**PRICE, Mr John, Board Director, Australian Information Industry Association**

**CHAIR**—I welcome witnesses from the Australian Information Industry Association. The committee has before it your submission we have numbered 360. Are there any changes you wish to make to that?

**Mr Hedley**—No, there are none.

**CHAIR**—I now invite you to make a brief opening statement and we will move to questions beyond that.

**Mr Price**—Allow me, if I may, to say that, in addition to the role that I have held as a director of the association, I was also the inaugural chair of the Industry Training Advisory Body, which covers the IT&T industry. I have assumed, for the purpose of my comments, that you have had a chance to read the submission. Therefore, I will not dwell on any of that in detail, but I will make three points.

It is our view and the view of the industry that we are really not talking about more skills for the IT industry as such. We have a firm belief that there needs to be a greater supply of graduates coming out of university with IT skills so that those skills can, in effect, create a pull-through of benefit for industry across all industries in Australia. The work we created, called *Breaking the skills barrier: demonstrating the benefits of investment in ICT higher education in Australia* completed by the Centre for International Economics, paints a very clear picture and a very firm case that says, 'If we are a really highly skilled IT country, we will have a very high producing range of industries because they will be able to benefit by pulling through the technologies.'

It is our view that the universities face many challenges. At the moment they either do not have the funding or do not spend enough of that funding in the IT area. They have fundamental problems in terms of having enough good teachers and well-trained teachers to be able to increase the number of students coming through. The industry is very conscious of its role in trying to support that and has a strong belief that we can assist in this regard by creating exchanges of industry people back into university, particularly if we can have some support from government by way of giving some credits in terms of industry development.

I would like to say to you that it is the industry view that we are actually talking about innovation and skills all in one bundle. You cannot separate the question of skills and innovation. Yesterday there was a very interesting article by one of our leading venture capitalists now in the US, Allan Aaran from Technology Venture Partners. He made the point that it would be great if we could just have one Microsoft in this country. What he was really trying to say there was that for Australia to be able to have an industry where we can encourage our skilled people back into the country we need to actually have a lot of innovation. In order to have innovation you need to have a lot of graduates coming out of the universities and those

graduates moving on, at least some of them, into postgraduate work that provides a strong base of research and development.

In the report produced by the Skills Hub there is an indication of some doubling of the number of students required from university to meet the demand of the industry. I am not talking again about the IT industry; I am talking about all industries. Even though on an economic stage we have a downturn currently at the vendor level particularly in the telecommunications market, I saw this in 1991 when we pushed ahead this forum and, three years after that, all industries were crying out for more IT graduates.

I had the privilege of presenting a paper to about 100 CEOs last week, and all of those people indicated that they had a requirement for more skilled graduates. I just counsel that, if you read anything in the press about the downturn and think that that might indicate that this demand question will go away, it will not go away. In two or three years time we will be back exactly where we were.

The key points that I would like to emphasise again are, firstly, that we are not talking about the IT industry; we are talking about all industries. Secondly, it is essential that we have more graduates come through the universities with IT skills so that they can pull through the benefit of IT in any industry that they happen to be in—be it agriculture or plastics or financial services, it does not matter. Thirdly, there is a great need to improve the teacher capability and the number of teachers and lecturers at university. In the same context, in order to bridge the gap, if there is one, between the industry and higher education, we need to put further emphasis on the vocational side of training that takes place at university, as we do within the TAFE sector. Given that you have had a chance to read the other points, I would leave our opening remarks at that.

**Senator CARR**—Could I begin by seeking your views on the question of quality? It is a central issue for us in this inquiry, and you refer to some constraints and the capacity of the sector to produce the required quality as well as the quantity of graduates. You also seek to establish the need for stronger quality assessment systems. I would ask you: what is your assessment of the overall quality of ICT in higher education? Is it increasing? Is it decreasing? What are the main determinants of quality? How important do you think the issue of entry scores is in determining quality, given that entry scores appear to be falling in a number of disciplines? What are the consequences of the lack of quality?

**Mr Price**—If I may, I will perhaps take that question in reverse order. The question of the perception of quality is quite often misunderstood. When industry talk about quality, they are quite often talking about work readiness. They are quite often talking about the capacity of individuals to actually be able to add value as they come out of university and also as time goes on to increase the capacity to add value to the industry. To that extent, I think it is almost without question that, if we were to go to all the companies that employ from university and ask, ‘Which courses’—let alone universities—‘are you most attracted to?’ they would say that it is those courses that have made an attempt to orientate their teaching to what the industry requires. Those universities, such as RMIT, UTS and the University of New South Wales, that have developed courses which have a sandwich component of industry experience tend to be graded very highly. The qualitative perception of quality is often debated because if we have the universities around the table they will have a dichotomy in their mind between training and

education, and industry will very much have a view of how what has happened in universities can be leveraged into industry in the short term and also in the medium term.

**Mr Hedley**—I might just add a couple of comments to that. One of the reference points might be the bachelor of information technology scheme that exists in a number of the universities which focuses on academic excellence as well business excellence. Business excellence is really gained through work placements. What we see out of the academic excellence side of that is that the students actually end up with a very good fundamental knowledge about our technologies, how those technologies relate to business and how they work together. They get a grounding in that which then provides them with a grounding to thereafter learn to adapt their learning to whatever industry they work in, whatever part of our sector they work in or whatever job they work in. I point out that the fundamental laying down of knowledge is very important because the products and services in our industry basically have a half-life of about two years. In other words, by two years half our products have disappeared. When we talk to our CEOs about what sort of graduate they want, that fundamental learning is very important, and they will add in the current knowledge and the current vocational work as much as anything else.

But there are two other aspects to that technical knowledge that we are increasingly looking for. We understand the universities' concern, that they want to concentrate on the technical side as opposed to the other two parts that we are interested in; that is, business skills and business awareness—that sort of general area. That picks up John's point that, when they graduate from university, we actually need them to be up and running pretty quickly; otherwise they will not get hired. The third area, of course, relates to interpersonal skills, the ability to work in teams, the ability to present, to think and to work with customers. Those three components are what our employers are looking for in a university graduate. At the moment we would say that we are reasonably happy with the level of technical excellence and the qualifications that they come out with, but increasingly we are looking at the other two parts as well.

**Senator CARR**—It is an irony that employers come here and argue the case for generic education—that is, general education skills in such things as interpersonal relations and other broad disciplines associated in the past with the tradition of humanities. As technocrats—if I might be so unkind to you—this sounds a little odd. It is certainly in contrast to what we are told by so many sources—that is, that the emphasis has to be on the technical and vocational. So you are saying that you actually think that the education experience should be much broader than that?

**Mr Price**—For very significant organisations such as EDS and Fujitsu—large outsourcing companies—the technical side of the requirement is relatively small overall. There is always a need in organisations for some deep skills technically. If you took 1,000 people in an organisation which was an outsourcing company, you would be down to a few hundred, 100 perhaps, who actually needed some deep technical skills. What is required is strong project management skills. Much of that is in the humanities, as you refer to it, but it is how that is orientated. Rather than it necessarily being applied in a context of a history assignment, if I could use a simple example, it could be applied in terms of a business case.

**Mr Hedley**—I might add two comments. We have been having a look lately at the US-style curriculum, in the sense that it actually gives people quite a broad grounding in their first year

and then they specialise later on. A number of companies in our industry are American based, so we are interested in listening to the Americans that are based here, to hear their reaction to our education system. It is not just a matter of changing the curriculum that gives us the benefits of, say, Massachusetts or the universities around California or the universities in Fairfax. There is more that happens there, but nevertheless we think that there might be something in that approach.

The other point to emphasise is that we are very worried about the quality of our postgraduate students and what is happening in the postgraduate education area. We basically think, in terms of your question about quality there, that it certainly needs lifting today. I guess we base our assessment of that on the fact that we do not fare very well in getting grants from the ARC comparative to other disciplines and maybe that is a recognition that that is happening here.

The issue that we have got there of course is that it is very attractive for our graduates to take a job immediately rather than continuing in research. They can receive very good wages and working conditions and careers, and to spend another two to three years doing postgraduate work is maybe not in their interest. I guess that is one of the areas that we are looking at—for something to happen there that will encourage people to continue on and develop research, which in a sense comes back to our view of Australia and its use of technology. We are very good adopters of IT technologies—very fast at any technologies that are going around. That means we are good users, but we also want Australia to be a good creator of our technologies and our products and services. At the moment we do not believe we have got that.

We are particularly looking at the higher level of the higher education system to start working at that. It is just not just the universities that need to come to the party there, but it is industry and Tax and a number of other factors that need to come into play to make that happen. At the moment we are a great user of technology, but to a certain extent we are not a great creator of technology. We do show the ability to create some very good products and services and there are many placed around the world, but we are really operating below our weight.

**Senator CARR**—I would like to come back to this issue of the quality assessment, the quality assurance systems. You referred to it briefly in your submission. How adequate is the quality assurance regime currently? We have heard a lot of discussion in recent times about matters of falling standards, arguments about soft marking, and suggestions, particularly in terms of the Internet, of plagiarism. There are all sorts of questions coming to the fore now. To what extent do you think there is an effective quality assurance regime operating within our universities and, in that answer, is it possible for you to address the question of whether maintaining or increasing quality is as important as increasing the quantity of graduates?

**Mr Hedley**—To your last point, I think we would answer yes to both. Certainly, we have already indicated that there is a lack of quality of IT graduates to meet our current industry's need, despite the downturn. In terms of the quality aspect, we have followed this debate quite closely. Our assumption is that, at the moment, the quality standards for IT graduates—as the graduates are currently assessed against those standards—are being met.

We have not really come across any complaints from our industry about evidence of soft marking, and we did actually look closely at the recent report. However, we are concerned that the standards have to be maintained and have to be kept. One of the things that we are aware of,

from our graduates moving overseas to overseas jobs, is that Australia's education system for our IT graduates does have a very good reputation, and we think it is essential that that reputation be maintained. So when the issue about soft marking came out we were most concerned that that would be damaging to our reputation.

If we do not maintain quality and benchmark it with quality assurance systems, particularly in the US, then that will end up being the worst scenario for us. It will mean that overseas companies will be reluctant to come to Australia, they will be reluctant to put up R&D plans, they will be reluctant to use Australia as a country to cover the Asia-Pacific region. We would like to see some way of Australia benchmarking its education system against particularly the ones we have regard for in the US as a means of ensuring that we are as good as, if not better than, most.

People are suggesting that our standards are slipping, and that is why we have paid particular attention to this. Self-regulating our own quality assurance is not good enough; it needs to be actually benchmarked against something else. We have not done much work in this area, but we recognise that there are a hell of a lot of problems in making sure you are comparing apples with apples when you are doing international benchmarking.

**Mr Price**—Part of the issue is the availability of qualified and experienced teachers and lecturers in the university system. We are strongly of the view that, together with government, we ought to be collaborating to have an exchange of industry personnel working within universities—on a secondment basis, perhaps—and that somehow this could be encouraged by a form of industry development incentives. The reason for this is that in theory it ought to be a self-regulating operation, because you produce a graduate, the graduate is hired and the hirer looks at how that person performs. In the context of the vocational world they would call that 'competencies'. When you have got a situation where there are not enough graduates coming out, then there is a potential, at least, for lower standards to be accepted. You lift the number of graduates, and you have a greater chance of that self-regulating process taking place.

**Senator CARR**—That is the effect of marketisation, presumably?

**Mr Price**—Yes, and it is not happening now.

**Senator CARR**—I note your concern about the casualisation of staff at universities. Is there not a link between the ability to have thorough and effective quality assurance regimes and the increasing casualisation of staff?

**Mr Price**—When you say 'casualisation', are you talking about the universities taking people on a part-time basis?

**Senator CARR**—Yes, and with limited tenure and on a much more restricted basis, with increasing class sizes and without all of the other provisions that one would expect in terms of ensuring that people can actually do their job.

**Mr Price**—The reality, though, is: do you know what a professor gets paid at university?

**Senator CARR**—I do know, yes.

**Mr Price**—\$80,000 a year, perhaps.

**Senator CARR**—I know what a vice-chancellor gets too.

**Mr Price**—We have not focused on the vice-chancellors, because they are not presenting. But the professors we have had a pretty close look at. And lecturers earn \$40,000, \$50,000 or \$60,000. Unless they are absolutely dedicated to their academic careers, they are tempted away, and the reality of the amount of consulting work they can really do is hard to judge. In the US there is much stronger culture of transfer from industry back into universities. If we think of places like Stanford, where Hewlett-Packard was created, the foundations are created by the organisations that have done well, because the students have gone out, built the company, reinvested back in the university and you have that spiral going around and around. We do not have that in this country.

**Mr Hedley**—We have drawn up a list of pros and cons of the casualisation of the teaching work force, and the pros and cons do not always balance one another out. Certainly, on the pro side, it brings in new people that are more up-to-date with the technology; against that, of course, people are always trying to make sure that they are working for the next research grant—issues like that—and, at the same time, maybe they do not develop the longevity to develop their teaching prowess. I must admit that we are still thinking about whether it is a good or a bad idea and whether there might be opportunities to work out something that fits between both so that we can get the best from both sides.

We would have to agree that the quality of the teaching is really important for our graduates. That is why we have quite a bit of concern about it and why you need assurances that there is a quality assurance system operating that ensures some of these rough points are evened out and that we maintain at least a minimum level of quality.

**Senator CROSSIN**—Mr Price, on the issue of the casualisation of university staff, in your submission I read it to be in the context of recruitment and professional development of those teachers and lecturers inside the university system. Are you alluding to the fact that casualisation in fact discourages professional development? For example, a casual teacher who comes in for three hours on a Thursday night is highly unlikely to undertake the professional development that a full-time academic would. Is that the essence of it?

**Mr Price**—Unless that individual is actually coming out of industry by way of a recognised exchange program whereby a key performance indicator of their success in their company is that they have spent time teaching in a university. As I said before, we are not talking about an industry issue here; we are talking about all industries. So the lack of supply of people does not just impact the IT sector; it affects every industry. If we can get the companies to be encouraged to put their good executives in on casual arrangements, then that is a plus—that is quite a separate issue to the issue of casualisation of existing academic staff.

**Senator TIERNEY**—Can I take up that point as well. Obviously, we have got huge demand for people in the IT sector, which is expanding rapidly, and it is difficult to hold people in university positions. But surely in an area where the technology changes so incredibly rapidly, the sorts of appointments that would be useful are those in which people do perhaps teach part time in university and do actually work in the sector?

**Mr Price**—Yes.

**Senator TIERNEY**—So the thing can feed into each other. I suppose after three years, if you stay totally out of the field, there is a danger that you would become out of date because you are not right at the cutting edge. So that would be one aspect for most of the staff. But even at the professorial level, would there not be an argument for part-time or joint industry and university appointments? How could we change the mechanisms so that that sort of thing is encouraged? Casualisation has been put up as a bad thing; in cases like this, I would say that it is possibly a good thing right up the scale.

**Mr Price**—Colleagues that I have spoken to who are running IT firms that typically bring in a number of graduates every year are very positive about the idea of making a contribution back into the university sector—and, for that matter, TAFE as well—by way of these part-time lecturing or tutorial opportunities. The real issue for them, of course, is that they do not have enough people, either. So how do they balance letting people go from a professional development point of view? I take Fred and I say, ‘Fred, one of your key performance indicators for this next year is going to be that you spend X number of hours teaching at the following universities. We will be monitoring your progress and that is part of where you go in your career.’ But Fred has not got enough time to do it anyway.

On the other hand, those companies are being asked to give industry development contributions every time they bid for government work. So, in order to get their attention, we believe that government and industry should be collaborating and applying some credits in industry development so that they can then justify to their bosses—and, typically in Australia, many of them are overseas—why we would be doing this.

**Senator TIERNEY**—Perhaps the universities should put a higher credence on ongoing industry experience. A lot of academics become academics who beaver away on research projects, and they get promoted on that—going out into industry would distract from their task. Perhaps universities need to put a higher value on that.

**Mr Price**—I think there are a lot of mixed views at universities. You will find some universities that are quite industry savvy in this area. There are others that will be more defensive to the idea of having industry come in and show them up, as it were. That is really not the case but, potentially, that could be the perception.

**Senator TIERNEY**—An interesting example is the University of Limerick in western Ireland. It started out as an institute of technology and became a university. Basically, they recruited as the professors the heads of the R&D sections of Microsoft and all of these other ones. So they have this extraordinary relationship with industry, not only in teaching but also in research and product development, and the whole thing is driving the western Ireland economy. There are sheep and a few other things over there but, if you put a massive IT presence in, it becomes a great driver of the economy.

**Mr Price**—That is a great example.

**Senator TIERNEY**—That is a useful sort of model to follow. But you seem to be saying that, no matter what we do at the moment, there is a lack of supply and that there are just not

enough people. How do we change that? What sorts of incentives do you think we need in the higher education sector to get a much greater supply of people taking up courses?

**Mr Price**—Part of the issue is the way in which funding is provided to universities: it is provided en globo and the universities make their own decisions as to where they allocate them, internally. We believe that there ought to be, even though politically it is challenging, a more directed approach. We believe that it ought to be applied cross-faculty. AIIA does not take the view that this is about the IT industry—in other words, the suppliers of hardware, software and services. We are of the view that it is cross-industry and, therefore, there needs to be more graduates coming out who have components of information technology in their degrees. For example, information systems versus the straight technology end is extremely valuable whether one is a doctor, a politician or in the plastics industry. But it is not something that, if you look across faculties, you see a great deal of, except where it has been perceived that this is very good for a career. So you will see cross-commerce degrees with law and with IT, or commerce degrees with law, with IT and with marketing. They are very valuable. We believe that the case for the IT industry is not strong enough to increase the number of graduates until such time as governments of all persuasions believe that the industries will benefit and that the Australian economy will benefit by having more people skilled in IT graduating from university and going into industry to pull through the benefits of the technology. Until that happens, people will stay with the status quo.

**Senator TIERNEY**—Clearly, we need to make greater investment in education across a number of indicators, such as the number of places and the amount of infrastructure. We have done that in a recent development. We have put 2,000-odd places in this area, if it ever gets through the Senate. We would say that that is a good start.

**Mr Price**—Unfortunately, though, looking at the detail of that, given that it is quite broad and incorporates science broadly, I have spoken with at least four universities that are of the view that jumping through the hoop on that particular one means that they will get a very small increase in real places for IT in their universities.

**Senator TIERNEY**—You are saying you would split it up across the universities and across the combined faculty components?

**Mr Price**—Yes.

**Senator TIERNEY**—Do you think there is a case for, perhaps, scholarships in a specific area such as IT, to direct a little further what goes on at universities in terms of their intakes?

**Mr Price**—These BIT programs, in which students have a four-year degree and one year spent in industry, are typically funded by private industry. The University of New South Wales gets 800 applicants for 25 or 30 spots. At any one time there is a very small number of graduates actually coming out of that now. The reason they have such a high demand is that the students, regardless of their deep perception of the IT industry, see \$10,000 or \$20,000 a year. So they are not stupid, and they say, ‘I’ll find out about it along the way; I’ll get more committed year by year.’ On the other hand, there are those who have already decided that IT is a great career. Industry can do some of that, and we continue to encourage our members to do more. But the government could do some as well, and it would not need to be to that level, and

then some of those 800 who end up going into law, medicine and other faculties would go into the IT sector.

**Senator TIERNEY**—It must be in the interests of your industry to perhaps put more resources into it in this way. It is your raw material, in a sense: it is the supply of what you need to drive your industry. It is all very well to sit back and say, ‘Governments and universities should just supply this work force for us.’

**Mr Price**—No, I am sorry—

**Senator TIERNEY**—You did mention that example of how there is some involvement—

**Mr Price**—No, I am sorry, that is not the case. The industry does very nicely in terms of recruiting people, because it is able to pay more if the profit levels are there and it is typically able to get the best. The people who suffer are the rest of the industries.

**Senator TIERNEY**—So there is a cannibalisation effect to it: grabbing from others.

**Mr Price**—It is the other industries, and it is the other industries that have the capacity of this pull through from an economic point of view. We look at vision and we say, ‘Do we want a country which is an also ran but, you know, we’ll keep going and the status quo will supply, or do we actually want to be a leader in this area?’ And 2,000 places spread over a number of years is, frankly, a drop in the ocean. That combined with industry lifting its socks up as well and making a contribution in the teaching area potentially provides an equation.

**Senator TIERNEY**—Wouldn’t companies like Telstra, and the bigger IT companies, for example, have a vested interest in a role of perhaps putting more into the training side via some joint operation with universities?

**Mr Hedley**—That happens across the country now.

**Senator TIERNEY**—But to move further in that direction?

**Mr Hedley**—Yes, and I think it is going to happen. We are certainly trying to encourage that to happen. There is an incredible number of universities where there is a strong linkage. We can go through the universities and say that Monash is almost a Sun-Microsoft Systems university and Melbourne is a sort of IBM and Telstra university—across the country it is working like that.

**Senator TIERNEY**—And it is still not supplying enough at this point?

**Mr Hedley**—No. We have just done a survey of our companies, of our membership. We have received responses from about a third at this stage. We asked them to give an idea of how much they are giving to universities in terms of goodwill, and we have an aggregated value of about \$140 million per year being given out in scholarships, financing shares, providing computers—the whole works. There is a lot of collaboration going on. One of the problems is at the teacher level, which as an association we are actually trying to do something about—for example, the

University of New South Wales have student places they cannot fill because they have not got teachers to teach the students if they did fill them.

**Senator TIERNEY**—Going back to those universities that you mentioned—you mentioned an IBM university and that sort of thing—doesn't that give you the scope to do these joint appointments and start to get that aspect of it rolling again? You have a significant IT company involved with the university to start with. Shouldn't it perhaps grow from that base to try to develop it further?

**Mr Price**—The way it works in reality is that an individual, an MD of our company, gets passionate about supporting what you are talking about, but it has no sustainability because he or she is gone in three years time and they are no longer working for IBM; they are working for somebody else. So what we need is a program that is sustainable, that is across industry and is not reliant on the very small number of companies with the grunt of an IBM or a Telstra. The SME companies in this country—typically the Australian software providers—can make only a token contribution unless they are also part of an overall industry development program which interlinks skills and gives them benefit when they are applying for government work, which in some states represents 60 per cent of their business.

**Senator TIERNEY**—Regardless of what we do from the university point on, universities largely take as their source the graduates of high school. What should be done back further in the educational chain to increase the supply of eligible people going into the university sector into IT? Do you have any suggestions on what should happen there?

**Mr Hedley**—In actual fact, the situation has changed in the last few years. When we are looking at, say, years 9, 10 and 11, we see that we are now getting quite a strong interest in IT places or study. We are still not getting enough girls interested in the core studies of IT—in computing science and information systems—and that remains a headache. I presume you have had a look at the report that the Victorian government did, called *Reality bytes*.

**Senator TIERNEY**—No, I have not seen that.

**Mr Hedley**—It is an excellent report. We were a bit staggered by it because the report actually indicated that their surveys of young people showed that young people thought that studying IT in science based careers or science studies actually limited their career options. A lot of that was due to their fairly shallow understanding about what a technical career was about. We and a number of other associations and state governments are now working to change those opinions.

**Senator TIERNEY**—Was that across all high school students, or were you talking about girls in particular?

**Mr Hedley**—Yes. It was quite a shock to us, actually.

**Senator TIERNEY**—So it was across all?

**Mr Hedley**—Yes. It is a very good report.

**Senator TIERNEY**—You raise an interesting point, and that is that girls are tending to shy away from those careers. Do you have any suggestions or strategies? Is there anything in this report about how we can get girls more involved in this area?

**Mr Price**—There has been a lot of work done. The AIIA commissioned a study on females in IT&T. In the next couple of weeks the AIIA will have a seminar in Sydney where 50 students from TAFE and schools will be brought in to mix with female executives in the industry, to have an ongoing mentor program to try to change the perception of what a career is. I do not know whether you have daughters in their high school years, but it is more the perception of what the career is versus the technology. To a degree it is an evolution.

**Mr Hedley**—There are a lot of ideas being implemented right at this moment—for example, summer schools, role models, more computer friendly teaching classrooms, less teaching of programming and more teaching of the use of IT in fashion and other industries like that. We are trying to change the role models. We are trying to get parents to understand that, when they are suggesting to their daughters that they should do medicine or accounting or something, they should actually put science and computing careers alongside those careers. The other thing that we are maybe a little bit hopeful of is that the new generation that is coming through—the year 8s and year 9s—are quite Internet savvy and they actually see the Internet web sites and things as forms of communication, team sharing and things like that. So maybe we will not have such a hurdle to convince them of science careers. In a country where sport and anything but science is promoted so overwhelmingly in our media and things like that, it is going to be a problem. For example, with the Victorian government trying to change some of the scripts to include computing people alongside the vets who tend to feature so prominently in the soaps and things like that.

**Mr Price**—In publications that we have put out, there has been a considerable emphasis made of successful young women who have had good careers associated with the industry.

**CHAIR**—I suppose in part the irony might be that the interpersonal skills that you are seeking are more likely to come from the female gender—if you could in fact encourage them into the profession.

**Mr Price**—Absolutely.

**CHAIR**—That is a very sweeping generalisation.

**Mr Price**—One that would be picked up, though, and agreed on.

**CHAIR**—One question in relation to perception—which is anecdotal from my end but which I would like to test with you—is that some young people today feel that the university sector is not that relevant to an IT career. Their view is that, because of the teacher shortages, because of poor infrastructure—I take your earlier point that there are some very good institutions—across perhaps some other institutions, they are better off to pursue another path into the sector. To what extent is that perception as opposed to fact?

**Mr Price**—Could I extend the perception one further level to the question that Senator Carr raised earlier about marks. We did not actually answer it, Senator.

**Senator CARR**—Yes, I did. I made the point that you did not answer it. Perhaps I was too polite!

**Mr Price**—We have a real challenge. We have certain universities where students would have a perception that if they were to apply, for example, to the faculty of computing at the University of New South Wales or QIT or the University of Melbourne—it does not matter—they would have a very slim chance of getting in because the number of spaces are so few that the universities have used marks to cull applications and, therefore, have been able to say to the public, ‘We only accept students of 95 per cent and above; we only had this many apply,’ et cetera. It is a bloody fallacy—excuse my swearing—because there are a lot of students who have enormous capabilities for the industry and who do not need to have marks of 95 per cent to be able to make a real contribution. If that same group of students to whom you were referring, Senator—particularly if they are in a regional location—were to look at a university and say, ‘I do not think I will get in there; I am not too sure about the quality of the teaching or the infrastructure, maybe I will go elsewhere,’ then you have a compounding effect—if I am making sense. We are of the view that the universities unfortunately use their grading system to camouflage in a sense problems they have with lack of staff, lack of facilities, lack of resources.

**Mr Hedley**—There is a perception that you can make it, that you can be another Alex Hartmann, by not going to university, that you can be a successful IT web designer or something like that while you are at school. There are certainly plenty of instances of that around.

**CHAIR**—Can I add one further stage to that: people doing a six-month or 12-month private IT course?

**Mr Hedley**—That is an interesting one. You are talking about the vendor training. In a sense we are a bit concerned about that being sought to be delivered at school level. The vendors themselves are concerned about that becoming a bit of a fashion in Australia and are actually wanting to lift it back up to a post-school, almost a post-education, qualification all over again. We have a real problem there in that people—in particular, young people—think that, if they can get a Microsoft engineering certification, they are ready for a job, when our company is really saying that that is only one of the steps to the job, that you also need other personal qualities and other experience to get the job. So the vendor qualification is an augments, in a sense, of what the person has already got, not the end. So it is the means rather than the end.

**CHAIR**—That then is the final perception I wanted to explore with you from the employer end. Is there a review by employers about the supply problems with respect to graduates from university and perhaps, for other reasons, problems associated with keeping up with technology and quality that is encouraging or pushing them towards in-house education and development of young people other than graduates?

**Mr Price**—I think that is very true. What happens for the SME companies in particular is that they find themselves as second level in terms of being able to attract the graduates. So they are forced to look at another means of getting an intake into their own company.

The mosaic of how individuals enter into this cobweb of careers in the IT sector is quite complex. As an industry we are certainly very positive about the vendor programs and about

any articulation that takes place from a private training program into a TAFE or university—and there are a couple that are doing well. We support that, but if you actually get a group of CEOs around the table and say to them, ‘Where would you prefer to recruit from at a graduate level?’ They would all say, university.

**Mr Hedley**—We are actually finding that universities are now, as part of the final year of study, providing access to vendor training and to an certain extent they are seeing that as augmenting the degree. We know that if students do have that combination their starting salaries are higher by about \$5,000 to \$7,000.

**CHAIR**—What sort of level are we looking at?

**Mr Hedley**—We are looking at fresh computer graduates, basically.

**CHAIR**—What sort of salary?

**Mr Hedley**—Their starting salary would be somewhere between \$45,000 and \$55,000 a year. The other interesting thing is that, if they actually get considerable working experience through that last year as well, that is at least the same amount of money again in terms of starting salary. So employers can work out pretty quickly what the value of those two qualifications are.

I think the other thing is that our industry—just on your point more in general—in particular is really lifelong from the moment you start work. Employees basically either maintain their own qualifications through, say, vendor training or a lot of them go to TAFE to augment their theoretical knowledge with some practical skills. It might be in a particular program or networking, or something like that. They will certainly do the employer’s in-house training and associated things like that. Quite a number of them do postgraduate qualifications or graduate certificates particularly to further their business skills. But we all know in our industry that you have basically got to keep studying for the rest of your career, otherwise you get left behind pretty quickly. People that are ex-mainframe programmers who have not actually kept up their knowledge and have fallen out of the employable ranks always sadden us. They complain to us that this skill shortage is a myth because they cannot get a job. It is quite clear that there is really quite clear evidence that they have not kept up and we have to help those.

I guess the other group that we are concerned about are skilled migrants who come into the country thinking that their IT skills and qualifications will get them work. They trot off and get more IT studies. We are really saying to them that they are doing the wrong course of study; they should be doing business studies to understand how Australian businesses work.

**Mr Price**—That is why the report yesterday that was in the press is unfortunately a little misleading—in the case that there is more of an inflow than there is an outflow in terms of IT. The reality is, of course, that the individuals who are making the assessment at the point of entry of what is the requirement in Australian industry are typically not qualified enough to be able to distil what is actually needed. Therefore people come in with a broad base of qualifications and when they get over here they are not necessarily employable straightaway nor have they necessarily developed the interpersonal skills that will help them once they are in the workplace.

**CHAIR**—Thank you. Unfortunately we do not have further time. Thank you for your appearance today.

[3.01 p.m.]

**BATTIN, Dr Timothy Michael, (Private capacity)**

**CHAIR**—Welcome. The committee has before it your submissions numbered 356 and 356A. Are there any changes or corrections you wish to make to the written submissions?

**Dr Battin**—No.

**CHAIR**—I now invite you to make a brief opening statement, and we will move to questions beyond that.

**Dr Battin**—Thank you. Three weeks ago I made two written submissions to this inquiry which dealt, in part, with academic freedom and university governance. Since that time, I have come to a view that academic freedom within the universities does not exist—at least not at my institution. The overwhelming comment that has been made to me by colleagues is that I have been brave in making a submission. I believe that this comment, that I have somehow been brave in making a submission to a Senate inquiry into the state of higher education, says it all. In a culture of critical analysis and openness, such a comment would be inconceivable. My submission would be seen as very much a matter of course, as almost ho-hum. Perhaps academic freedom, as it is practised within the universities, has never been strong. Perhaps the period of adequate public funding and relatively peaceful industrial relations provided a cover. Whatever the case may be, up until three weeks ago I took the belief in academic freedom seriously. I now feel I have made a mistake.

In principle, universities are meant to be institutions in which open inquiry is not only tolerated but also encouraged. Increasingly, however, the executive authorities in universities have come to abandon even the pretence of open inquiry. Perhaps because of the myth of academic freedom, the structure within universities which might otherwise be relied upon to provide some corrective to an executive's abuse of power—the governing body—has never been systematically developed to cope with such abuse. At the University of New England, the governing body, the Council of UNE, provides, at best, very little break on the lack of wisdom in executive decisions and, at worst, it sometimes exacerbates such unwisdom. Moreover, the council, with some honourable exceptions, tends to share the siege mentality of the management. This siege mentality has intensified with the presence of a highly unstable and authoritarian chancellor and a control freak as vice-chancellor. Some of the problems of governance at UNE could be addressed by removing the chancellor, but most would surely remain.

The fact of the matter is that staff and students are becoming increasingly alienated from the decisions of their university's governing bodies. At UNE, the combined representation of elected staff and students as a proportion of council is 26.3 per cent. The elected academic staff representation is 10.5 per cent. Moreover, the significant committees of UNE's council contain a low percentage of elected personnel. According to the 2000 annual report, the standing committee of eight positions contains one elected person to council. The audit and compliance committee of eight contains two elected people, the buildings and grounds committee of eight

contains one elected person, and the finance committee of eight contains one elected person. I am prepared to discuss and to give other examples of the lack of transparency of UNE's governing body.

I will conclude by returning to the broader context. Most of the problems confronting universities stem from universities' underfunding. We have to restore public funding to at least 1996 levels and then look for ways to increase further that level of funding. But having undernourished the universities—'undernourished' seems too mild a term—we have created another problem. Often the things that flourish in this environment are the weeds. Restoring the prior funding and level of nourishment to universities is a necessary condition to quality university education but, having allowed things to get out of control in the way we have, simply restoring that nourishment will not be a sufficient condition.

The higher education sector needs some mechanism to remove the big and ugly weeds that have grown over the past five or 10 years in positions of management. The good teaching and research occurring in Australia's universities happen in spite of the managerialists who now occupy the majority of executive positions—certainly not because of them. To believe that these people will behave in a more benevolent way to their staff once appropriate university funding is restored is to leave too much to chance. Like weeds, they are a special breed; like weeds, they shall have to be removed if the universities are to achieve their very best.

**Senator CARR**—Thank you very much, Dr Battin. It is a very strongly put submission. You have used some quite powerful language here: 'unstable', 'authoritarian', 'control freak', 'weeds'. What evidence do you have to sustain such strong claims?

**Dr Battin**—Since I made the submission, I have been able to collect a number of documents, and I have brought some documents with me, to substantiate my claims about, for example, the authoritarian manner with which the chancellor chairs council. I can table such documents.

**Senator CARR**—Yes, if you would not mind. I think it would be appropriate for the committee to have a look at them.

**Dr Battin**—One very recent example occurred last Friday. Last Thursday, the chancellor posted a notice on the community email at UNE. You have before you the document, which is a rather intemperate—to say the least—response to an email that had been put out the previous Monday by the two elected academic members of council. I have with me that email as well. The chancellor was responding to notes taken by the two academic members of staff and the two elected academic representatives on council in which they reported the proceedings of council of 18 June.

It is a rather witty—up-beat, if you like—light hearted attempt to report the proceedings of that council. There is nothing in it that I found objectionable, nothing in it that the great majority of staff found objectionable and nothing in it that I am aware any member of staff found objectionable, yet the response we had from the chancellor on Thursday, 12 July is, to say the least, over the top.

**Senator CARR**—There is reference here to 'possible serious legal repercussions'. What is the intent of that expression?

**Dr Battin**—I believe the intent is to intimidate.

**Senator CARR**—Is that how it was interpreted?

**Dr Battin**—Do you mean by the two members of council?

**Senator CARR**—Yes.

**Dr Battin**—One of them certainly interpreted it that way. The other is a little thicker skinned, and he allowed it to roll off his back.

**Senator CARR**—Is that the extent of the evidence that you have?

**Dr Battin**—No. There is another memo that the chancellor sent to council members last December relating to some comments that she had heard a member of staff bring to the attention of the secretary to council. The document I have been referring to, which is a report of council proceedings, is called 'Notes from the Edge'. I mistakenly gave you another document, but you now have before you 'Notes from the Edge', which is the document.

**Senator CARR**—There are basically three documents that you are drawing the committee's attention to. There is an email dated 12 July, an email dated 11 July—

**Senator BRANDIS**—I am sorry to interrupt, Senator Carr and Dr Battin, but the document we have just been handed is the document referred to in the chancellor's email, not the earlier document we were handed. Is that right?

**Dr Battin**—That is right.

**Senator CARR**—There is a further memorandum from December of last year.

**Dr Battin**—That is right.

**Senator CARR**—Do you say this is evidence to sustain your claims about abuse of power?

**Dr Battin**—Here I am, in particular, referring to the way in which the chancellor behaves in an authoritarian fashion.

**Senator CARR**—You made a submission, as you as a citizen and in the terms of reference are entitled to do, and it has been accepted by the committee as a bona fide submission. The normal process for these matters is that if a person is adversely named in a submission then that submission is shown to the person concerned and comment is sought from that person. Chancellor O'Shane has indicated that you have neither attended any university council meetings since 1995 nor been a member of the council. She is suggesting that you are not qualified to comment on these matters. How do you respond to that claim?

**Dr Battin**—In the same way I would respond if I were providing a critique of parliamentary behaviour and the Speaker of the House of Representatives said that I had never visited the gallery to watch parliament in action: I would say that it is irrelevant.

**Senator CARR**—You say you are the vice-president of the union branch at the University of New England?

**Dr Battin**—Yes, that is right.

**Senator CARR**—Have these views been canvassed within the branch of the NTU?

**Dr Battin**—The views that—

**Senator CARR**—You are putting to us now.

**Dr Battin**—Yes, they have.

**Senator CARR**—And are you supported in the views that you are putting here today by other members of the branch?

**Dr Battin**—I believe so.

**Senator CARR**—We have here a further submission from the president of the branch, indicating that there has been some criticism of you putting a submission to the inquiry. What is the basis of that? Can you confirm that there has been some criticism of you for submitting a submission?

**Dr Battin**—Yes. I can confirm that, on 2 July, at a meeting of the academic board of the university, as the last item in her report to the board the vice-chancellor criticised me for the submission that I had made.

**Senator CARR**—But surely it is not unreasonable that, if you have named people and they are subject to adverse criticism, they would want to attack you in response?

**Dr Battin**—I suppose so, but then we are left with the question of whether that is appropriate behaviour in a university. Universities purport to be about openness. They purport to be about tolerance and about academics having the right to make criticism, and it was entirely inappropriate for the vice-chancellor to behave in the way she did at that forum.

**Senator BRANDIS**—Why?

**Dr Battin**—I beg your pardon.

**Senator BRANDIS**—Why was it inappropriate?

**Dr Battin**—The forum, Senator, is a forum of academics to look at degrees and programs. It discusses ways in which teaching can be improved, quality assurance mechanisms can be

approved and so on. It does not really consider issues that go to individual academics and their public comments.

**Senator CARR**—Are you saying you have been discouraged from putting your submission to this inquiry? Has any penalty been made against you or has there been an attempt to inflict one upon you, other than the statements that have been made in regard to the criticisms?

**Dr Battin**—No. There has not been a penalty inflicted upon me that I am aware of. However, I reiterate a remark that I made in my opening remarks: I do feel as though I have made an error in believing that open inquiry was to be taken seriously.

**Senator CARR**—That is the question I want to come to, because I think it will be argued that you are entitled to put a view and it will be argued equally that people are entitled to criticise you for putting a view. The issue arises as to whether or not the example that you are drawing to our attention has broader implications for Australia's university system. One of our terms of reference is the issue of governance and, of course, the question of academic freedom. They are two points you are emphasising strongly in your submission here today. Do you believe that changes in the education policy in recent times have led to a change in the way in which universities are governed and the culture in which universities operate?

**Dr Battin**—Certainly to the second part of your question—that is, the culture in which they operate—yes, it has. There have been changes in university funding that have put a tighter squeeze on public funds, which tends to change the orientation of the managers of our universities.

On the question of governance, it is more difficult to ascertain what the causation has been. I am suggesting that the governance structures were always a little quaint but, in a bygone era where the funding was adequate, no-one really noticed that these structures were inadequate. In today's environment, the inadequate structures of university governance, I believe, are becoming more apparent.

**Senator CARR**—The question of academic freedom is one that I am particularly concerned about. One of the most disturbing and depressing issues that has arisen from this inquiry has been the clear evidence given of the poisonous atmosphere of mistrust, intimidation and other unethical behaviour which is being exhibited in some of our universities. Do you feel that there is a poisonous atmosphere of mistrust, intimidation and unethical behaviour operating within your university?

**Dr Battin**—Yes, I do. I made some allegations on pages 3 and 4 of my original submission of 24 June under some dot points. I have brought with me today an expanded version of those dot points where I give examples of the way in which there has been an abuse of and contempt for staff and so on at the University of New England.

**Senator CARR**—Is that a supplementary submission?

**CHAIR**—At this stage I think we should table these documents, if there is no objection. Similarly, if there is no objection, anything further.

**Senator CARR**—Can we have a look at what you have there?

**Dr Battin**—Yes.

**Senator CARR**—You say that there is this changing atmosphere, but you go further than that. You make the charge of incompetent financial management.

**Dr Battin**—That is right.

**Senator CARR**—What can you tell the committee to sustain that claim?

**Dr Battin**—As you will see in a moment, under that charge I make some notes. The charge is made at two levels. There is the technical level where heads of schools and their assistants regularly uncover mistakes made in the charging of expenses for various expenses incurred by schools and divisions within the university. I am claiming that, at UNE, it is common knowledge that it is every school for itself in terms of watching those accounts. Then there is the other level at which the charge of incompetence could be made, but over which there could be disagreement. It is at the more philosophical level where there may be disagreement about what constitutes incompetence. Here I am referring to the way in which the university argued, over 22 months of enterprise bargaining, that it had a low capacity to pay salary increases. One could take the view that, if an institution does have a low capacity to pay, the person or persons responsible for managing that capacity have shown a lack of competence. In that enterprise bargaining period, we took the view seriously that we had to debate the university management on its own terms about capacity to pay. We therefore sought the expertise of a member of staff, an associate professor of finance, who produced an analysis of the university's accounts. I can table that document, as well.

**CHAIR**—Just a moment, Dr Battin: we have not dealt with this last document that you have tabled. I understand that there is an objection.

**Senator BRANDIS**—I object to the tabling of this document, and I do so in conformity with what I understand is the practice of Senate committees. For the record, I will state my grounds for objection. I have no opinion about the matters to which Dr Battin refers, nor do I have any particular knowledge of them. However, having reviewed this document—and in particular I direct your attention to the first group of dot points on the second unnumbered page of the document—it is plain that the document makes, without reference to any particulars or evidence, generalised allegations of criminality and corruption in relation to individuals. In conformity with what I understand to be the practice of Senate committees, these allegation are, technically, scandalous and therefore would not be received on the public record so as to attract parliamentary privilege, at least unless the committee were to take steps to ensure the individuals who are the subject of the scandalous allegations were given the opportunity of a hearing.

**Senator CARR**—Obviously, we are anxious not to have anyone exposed to action. I think that point has been made substantive. Dr Battin, I note that you have not actually named anybody here. If this were taken as a confidential supplementary submission not able to be published, that would protect those whom we think are adversely affected—who are not named. Would that satisfy your concern?

**Senator BRANDIS**—Yes, I think it would.

**Dr Battin**—I would like to add to that point. I was in somewhat of a quandary about what to do. In my submission of 24 June I had made some allegations. I have received criticism that they are unsubstantiated. Here I have attempted to substantiate them. I take the senator's point—

**Senator BRANDIS**—Dr Battin, in some cases you give some particulars; in other cases you make sweeping assertions of criminality in the loosest language imaginable. I do not wish to constrain your right to bring to the attention of this committee anything that you wish to, but you must understand my point, which is a procedural point—it has nothing to do with the merits of what you say, on which I pass no judgment. We really have got to protect the interests of those who may object to what you say. Chair, do you propose to rule in accordance with Senator Carr's proposal?

**CHAIR**—Firstly, I am seeking to get some consensus on this matter if we can.

**Senator BRANDIS**—I have no difficulty with Senator Carr's suggested course of action.

**Senator CARR**—On this same matter, I think the areas of objection relate to what is on page 2, 'Corrupt and criminal behaviour.' The other matters which go to the unfair dismissals of staff and the like are not in that same category.

**Senator BRANDIS**—I do not wish to be unhelpful, but we have not really had an opportunity to consider the document in full. It is, to a certain degree, self-referential. At least for the time being, and this can be revisited, of course, I submit that the appropriate course is to take the entire document as a document in confidence. Perhaps at a private meeting of the committee, after we have had time to give consideration to the document, the matter can be considered with more care.

**CHAIR**—You have just put the suggestion that I was going to make. There being no objection to that course of action, it is so ordered. Senator Carr, in your further questioning on this matter I ask you to ensure that any particulars in your questioning with respect to this document—

**Senator CARR**—What I asked was: how do you substantiate the charge of incompetent financial management? You have answered in generalities, and that will be in *Hansard*. I think it covers the answer to the question on your claims. We now have an additional document which further substantiates in your mind—because we have not had time to assess it—the claims that you have made. The general question then goes to the matter of the responses to the sorts of criticisms you have made. Other writers and educational analysts have drawn our attention to the fact that academics who criticise universities are treated like:

... mischievous employees who have been disloyal to the firm. They are told that there is no place for public criticism in an environment where universities are competing for funds from government or business or for public esteem.

Do you think that that expression would apply to you in these circumstances?

**Dr Battin**—Yes, it does apply to me. If one criticises the university one is seen as a menace. Management has a view that it is attempting to do all the appropriate things to manage the university well and it regards people who are critical of decisions as somehow outsiders. There is an ‘us’ and ‘them’ kind of mentality that builds up. This is a mentality that has particularly built up over the last five or 10 years in the universities. I have also brought with me today other documents that do not contain material that the committee would regard as scandalous to substantiate that claim.

**Senator CARR**—We are anxious to see evidence of the claim. Your submission is so strong in its claims that you need to sustain them by way of documentary evidence clearly outside the concerns that Senator Brandis and, I think, all of us share. If you have additional documents I think it is appropriate that they be shown to the committee.

**Dr Battin**—I have one copy of a letter addressed to me, which I can read parts of for the benefit of *Hansard*.

**Senator CARR**—We can get a photocopy of the letter.

**Dr Battin**—I would prefer the letter to be confidential because I wish to protect the identity of the academic writing to me.

**CHAIR**—In those circumstances you may want to have it copied without the person’s name on it. There are two levels of confidentiality: it can be confidential within the committee, or you might prefer to keep that name to yourself. What is your preference?

**Dr Battin**—I do not mind if the committee knows the name of the person.

**Senator CARR**—Does the letter adversely name anyone? If it does, we have to show it to them.

**Dr Battin**—It refers to a manager of the university; it does not identify him by name but by position.

**Senator CARR**—In that circumstance, I think you had better indicate to us what you believe to be the relevance of the document rather than make that a confidential submission, because it will be shown to someone else under those circumstances, which is the appropriate course under our standing orders.

**Dr Battin**—It is a letter addressed to me as follows:

Following our discussion concerning the apparent antagonism by UNE management to the NTEU—

the National Tertiary Education Union—

I am outlining the three recent episodes in which my membership of the NTEU’s enterprise bargaining team from August 1999 to July 2000 has been made reference to in fora where this role had no bearing on my presence.

The person writing the letter then names the committee which she chaired. Perhaps I should not name the committee. To continue:

I have attended two meetings of the university's teaching and learning committee. In both these meetings, the chair of the committee, the pro-vice-chancellor academic, made reference to the NTEU's apparent intransigence in agreeing to clauses proposed by management within the enterprise agreement and in doing so drew attention to my role in enterprise bargaining. As I have not been a member of the NTEU's EB team since July 2000, when I resigned as I was away on study leave, and I was not at the teaching and learning committee's meetings in my capacity as an NTEU executive member, these comments were, I believe, meant to highlight the tension between management and the NTEU. By drawing attention to the NTEU and my role within it, a message was clearly being sent about my outsider status. It seems that UNE management are committed to undermining the NTEU by continually setting up a them and us mentality. By implication, if you are an active NTEU member you are not one of us.

The third incident occurred in the open forum held in the Faculty of Economics, Business and Law's review. In this meeting, all members of faculty and general staff were invited to talk openly with the panel about their perceptions of the faculty. One of the staff raised as an issue the demoralising effect on staff that the long and drawn-out enterprise bargaining process had been. The pro-vice-chancellor academic, as the chair of the review panel and chair of the university's EB team, immediately made reference to my role in the NTEU's EB team and how the delay was largely the fault of the NTEU.

Once again, I was at the forum not as an NTEU representative but simply as a member of a faculty, and I had not been in the NTEU's bargaining team for nearly 12 months at that point, but my other status was raised. While these incidents may seem trivial, cumulatively they mount a persuasive case about the dangers of being seen as an active member of the NTEU. Public references to one's activities in the NTEU by those in management positions certainly make one consider one's preparedness to maintain such an outsider position.

**Senator CARR**—Have you taken your complaints to the state ombudsman, to ICAC or to any of the other state authorities outside the university?

**Dr Battin**—No.

**Senator CARR**—Do you think they warrant consideration by these bodies?

**Dr Battin**—I would certainly welcome any advice that I would be given on it.

**Senator CARR**—Do you support a national ombudsman being established with special educational qualifications, or a specialist ombudsman in education?

**Dr Battin**—In order to deal with the issues that arise from universities and other—

**Senator CARR**—To deal with complaints such as yours. Have you been through any complaint processes at the university?

**Dr Battin**—Yes, there are complaint processes. At one point, when they were quite demoralised from enterprise bargaining, staff attempted to take their complaints to the governing body, the council, but our experience was that we were more or less locked out. Petitions were raised to let the council know of the feelings of staff, but we experienced impediments.

**Senator CARR**—So you are not satisfied with internal processes. Would you support a national ombudsman?

**Dr Battin**—Yes, I think a national ombudsman specifically designated to educational institutions would certainly go some of the way towards addressing the problems that staff within universities are experiencing.

**Senator BRANDIS**—Dr Battin, can I take you please to the email message from Associate Professor Beyersdorf of 10 July 2001, that is the four-page document which is the subject of the chancellor's comments dated 12 July 2001. Do you have that there?

**Dr Battin**—I may have given too many copies away.

**Senator BRANDIS**—If Senator Tierney does not mind, I will hand you back his copy for the moment, just to look at. That email, although signed by Associate Professor Beyersdorf, is apparently written on the behalf of Professor Beyersdorf and a gentleman called Howard Brasted. It purports, does it not, to be a commentary—albeit an idiosyncratic one—on a meeting of the council of Monday, 18 June 2001?

**Dr Battin**—That is correct.

**Senator BRANDIS**—A little below halfway down the first page it says that HB and HB—presumably a reference to Beyersdorf and Brasted—are in no way constrained by the 30-year rule, but that lest it be thought that their report is unduly idiosyncratic, a full tape recording of council recordings exists. Do you see that?

**Dr Battin**—I do.

**Senator BRANDIS**—That suggests to me that they are inviting reference to the tape recording by recipients of their email who might wish to verify the accuracy of their report. Do I read that correctly?

**Dr Battin**—I would not have read it that precisely.

**Senator BRANDIS**—Okay. You do not read it that way. Can I cut to the chase: had such a tape recording existed, would you have been one of the persons entitled to have access to it?

**Dr Battin**—Yes.

**Senator BRANDIS**—Have you had access to it?

**Dr Battin**—No.

**Senator BRANDIS**—Other than reading this email, have you taken any steps to inform yourself about what happened at that council meeting?

**Dr Battin**—Yes. I have spoken to both gentlemen involved.

**Senator BRANDIS**—We know what they said because we have their email. Beyond that, have you taken any steps to inform yourself other than on the hearsay of this email as to what happened at that council meeting?

**Dr Battin**—No, but I am wondering where your questions are leading.

**Senator BRANDIS**—You just answer my questions and you will find out where they are leading. Go to the one-page email from the chancellor, Dr O'Shane, dated 12 July 2001. Do you see that?

**Dr Battin**—I do.

**Senator BRANDIS**—Referring to this email, in the first paragraph she says that the comments are a matter of 'extreme concern and great regret'.

**Dr Battin**—I see that, Senator.

**Senator BRANDIS**—She is entitled to express that opinion, isn't she?

**Dr Battin**—She is entitled to express that opinion.

**Senator BRANDIS**—What she says there is less strongly worded than the things you have said about her and the vice-chancellor. So, if you are entitled to criticise a member of the academic community in the language you have chosen to adopt, surely the same applies for other members of the academic community, as well?

**Dr Battin**—Yes, I suppose so. This relativist position then just simply allows me to say that I am entitled to criticise her for this email.

**Senator BRANDIS**—Absolutely. Then in the next paragraph the chancellor appears to be expressly saying that the record of the meeting conveyed in the email is in some respects wrong, and she is disputing the implications in certain respects made by the email. Do you see that?

**Dr Battin**—I do see that.

**Senator BRANDIS**—You told me just a little while ago that you have taken no steps to verify whether or not the email is correct, even though it was open to you to listen to a tape recording of the whole meeting. Yet you have chosen to come here to attack the chancellor, Dr O'Shane, for, among other things, asserting that the report which you have chosen uncritically to adopt was wrong. Before you attacked Dr O'Shane in a public forum and under parliamentary privilege, don't you think at least it would have been fair for you to inform yourself as to the accuracy of the report, so that you would know whether or not it was fair for her to criticise the accuracy of the report?

**Dr Battin**—I think to concentrate on the point about accuracy is to miss the point. She does not dwell on that point herself. She goes on to talk about the conduct of the gentlemen involved.

**Senator BRANDIS**—Dr Battin, just come to my question, please. We have heard your observations, and you have made yourself loud and clear, believe me, but my question is one of fairness. Don't you think, out of fairness to Dr O'Shane, before you came along and attacked her in a public forum under privilege like this that at least you could have taken the trouble to find out for yourself what did happen at that council meeting as, you said, was open for you to do?

**Dr Battin**—She does not even specify where they are wrong in their record of the meeting.

**Senator BRANDIS**—But she does say they are wrong.

**Dr Battin**—She does, but—

**Senator BRANDIS**—But you do not know whether she is right in saying that or not, do you?

**Dr Battin**—That is not what I am interested in. I am interested in—

**Senator BRANDIS**—But I am interested. I think all of us are interested, Dr Battin, in fairness.

**CHAIR**—Senator Brandis, please allow the witness to finish.

**Senator BRANDIS**—Before we get to the substance, so that we can test the credibility of your complaints—and they may very well be very credible complaints—do you not think there is a prior issue of fairness to individuals concerned and the way in which you choose to attack them without verification in a public forum like this?

**Dr Battin**—Well, she has not been very fair to these two people. They have made some, as I said, light-hearted remarks which purport to be a record of the June council meeting—nothing that I would have thought was objectionable—and she has reacted like this. I am saying that that is an inappropriate way to behave. I am not really interested in whether they got every detail correct. Let us concede that there are some details that are not incorrect. I am still saying that this is an inappropriate way to behave.

**Senator BRANDIS**—Having read the email, I do not find it particularly shocking either. But there are two issues. The first is whether or not the matters reported in it are accurate. You are not in a position to know whether they are or not because you have refrained from informing yourself, although it was open to you to inform yourself. At the very least can I suggest to you that you are not in a position to fairly criticise Dr O'Shane for making the point that the email is inaccurate, when you do not know whether or not it is inaccurate, having refrained from informing yourself? Secondly, to the extent to which the email contains criticisms of the style adopted by Beyersdof and Brasted, that is really a subjective matter, is it not? It is certainly no stronger than the style you have adopted in attacking Dr O'Shane.

**Dr Battin**—Again, Senator, I make the point that my concern is not about whether Dr O'Shane has been unfair in claiming that the document called 'Notes from the edge' is inaccurate. The point I am making is that she has overreacted in the extreme to that email.

**Senator BRANDIS**—You do not know that because you do not know what happened at the meeting. All you know is that she says the email is wrong; you do not know whether or not it is right to say it is wrong.

**Dr Battin**—But that is not why she has behaved this way. She has not reacted this way because she believes it to be inaccurate. The more substantive point from her view is the behaviour of the two people involved—whom on two occasions she calls men, for some reason.

**Senator BRANDIS**—They are men.

**CHAIR**—Senator Brandis, I suggest that we cannot extend this session much longer.

**Senator BRANDIS**—I will not go on. I conclude by saying to you, Dr Battin, that surely what is sauce for the goose is sauce for the gander. It strains my confidence in you as a witness to hear you condemn someone for criticising the behaviour of others by choosing, in an unverified way, to adopt language much stronger than the language the use of which you criticise.

**CHAIR**—Dr Battin, before I close this session, I would like to ask that you provide to the committee on notice on further piece of information relating to some of these communications. I must admit to being somewhat bemused by the correspondence from Helen Arthurson to Herman Beyersdof, where she refers to whether an issue is a matter for management or governments, and there is reference there to the code of ethics. I would be curious to see precisely how a university council determines the differential between the two and the extent to which it is relevant. If you could provide the committee with a copy of those documents it would be appreciated.

**Dr Battin**—I will attempt to do so.

**CHAIR**—That concludes this session. Thank you for your appearance.

[3.52 p.m.]

**LOBLE, Ms Leslie, Deputy Director, General Strategic Planning and Regulation, New South Wales Department of Education and Training**

**MICHAELS, Mr David Solomon, Acting Director, Higher Education, New South Wales Department of Education and Training**

**PALSER, Ms Joanna, Chief Executive Officer, New South Wales Teacher Education Review Secretariat, New South Wales Department of Education and Training**

**CHAIR**—The committee has before it your submission, No. 358. If you have no changes or corrections to make to that, I will invite you to make a brief opening statement before we move to questions.

**Ms Loble**—I will be brief because I know you have had a long day. I certainly will not do more than touch upon some of the major themes or points that we tried to draw out in our statement. The first is in relation to public funding cuts to the university sector. I know the committee has had a lot of discussion and many submissions around that point. I would only draw out the following things: the funding decline has affected the financial safety margins at universities, and that particularly impacts upon newer and regional universities, which in our submission we draw out as a critical element of the state's economic and social strategies. These regional universities are important lynchpins in those arenas, and their financial circumstances are being keenly felt.

Another aspect of the funding decline has been a differential impact across different disciplines, particularly in those areas that cannot attract external support, like teaching and nursing. As a state public employer of those two professions, it is of concern to the government that issues around quality and supply are being engaged.

A second major theme going through this submission is the attraction of commercial ventures and the pressure—that is, perhaps, the word to use—on universities to seek alternative revenue sources. That has obviously increased the complexity of the sector as a whole, and many issues have come out, I know, in your own inquiry. From our point of view, it certainly increases the complexity of the regulatory environment around it. We are, like many if not all states and territories, engaged in our review in light of the national agreements around quality. We are right now going through the process of setting up systems and procedures and trying to address in particular the issues around the balancing of freedom for universities with appropriate safeguarding of the public interest.

The third theme that we tried to draw out—and Joanna's presence would be particularly useful should the committee have questions around this—is the focus that this state has on teacher quality and teacher standards. This is driven by not just concern about raising those standards—and we would be in good company, both nationally and internationally, on that—but also its relation to education in schools, which of course relies on quality teaching in, particularly, public education. Those are the three themes that we attempted to draw out. I am happy to take questions.

**Senator CARR**—Thank you. The New South Wales government has made a submission, which not all governments have felt the need to do and, I suspect, not all governments have had the capacity to do, and I mean that as directly as I have said it. How many officers do you have in this state in your department specifically responsible for the management of universities?

**Ms Loble**—I will take that on notice. We do have a directorate of higher education that deals with a wide range of issues across it. My hesitation is only because I do not know whether you would call clerical—

**Senator CARR**—No.

**Ms Loble**—That is why I might have to take it on notice.

**Senator CARR**—The administrative officers that are responsible—would it be five?

**Ms Loble**—It would be probably above five, but not all that much greater.

**Senator CARR**—Can you take it on notice. But it is about five.

**Ms Loble**—That is why I am asking about—

**Senator CARR**—That would be 10, including the clerical.

**Ms Loble**—I am just trying to figure out what you are—

**Senator CARR**—How many private commercial arms are there of the universities in this state?

**Ms Loble**—I do not know that we would actually have a figure on every private commercial arm across every university here. They have certainly latitude to pursue those under the legislation and the principal requirement that universities pursue their objectives and interests. There is a long tradition—

**Senator CARR**—I am sorry, I am going to have to push you a bit, because we are short of time. I do not mean to be rude. There are 11 universities. Are you telling me you do not know how many private arms of universities there are? In the state of Victoria, for instance, there are fewer universities and there are 70 private entities. How many are there in this state?

**Ms Loble**—There are 29 private higher education institutions.

**Senator CARR**—Yes. I am talking about university owned entities or associated entities.

**Mr Michaels**—I do not know the magic number, but the auditor audits the accounts of all universities and all university controlled entities. The individual audit reports are available for each of those commercial entities where they are controlled by the universities.

**Senator CARR**—Could they be provided to us for the last year?

**Mr Michaels**—Yes.

**Senator CARR**—For all of them? That would give us an indication of that.

**Mr Michaels**—Yes.

**Senator CARR**—I am interested to know this, because the question arises in terms of the administrative arrangements. The Commonwealth department has 51 officers in the higher education division dealing with these issues. You have five people perhaps, Victoria has five perhaps, Tasmania has half a person, South Australia has a very tiny number. The question is: do the states have the administrative capacity anymore to effectively supervise their prudential responsibilities and legal responsibilities under the various acts of parliament that have established those 11 universities? How do you respond to that question?

**Mr Michaels**—The administration of the various regulatory provisions have staffing implications across quite a number of state agencies. So the small group that is in the department of education, which has a broad policy planning-coordination function, is supported by Attorney-General's, the Auditor-General and Treasury in terms of financial arrangements and accountabilities; the annual reports act and so on are administered by other agencies.

**Senator CARR**—That is a reasonable response. How adequate do you think your capacity is at the moment with those five senior offices to effect your legal responsibilities in terms of that supervisory role?

**Mr Michaels**—We work very hard and very long hours.

**Senator CARR**—I am not suggesting you do not work very hard. The point I am trying to get to is whether or not the states are able to do the job that is required of them in terms of the current legislative framework. We have this enormous administrative black hole. The Commonwealth hands out very large sums of money, and it is asking universities to account for that money through the profiles process and, as you say, it is about expenditure not outcomes. You as state officials are responsible to the parliament for the supervision of those annual reports and those various activities of the university. I am wondering whether or not this administrative black hole in fact provides the circumstances where really nobody is providing an effective public interest supervision. How do you respond to that?

**Ms Loble**—I do not know about a black hole. Our submission attempted to draw out the complexities that we now see of the funding domain, as you say, not being in the province of the states yet being an important driver of investment and other activity which then the states do have a role in taking a look at. In addition, it is a complex sector because universities do have their own, as you say, statutory environment and have a unique situation different to perhaps other educational institutions. So it certainly is an issue that we are taking a look at quite closely—that is, what are the reporting mechanisms, what is the content of those reporting arrangements and how do we balance the statutory environment that the universities operate in with the government's interests? I do not deny that certainly it is an increasingly complex situation with the dollars not being in the province of the states and us not having access in some cases to data supporting those decisions about funding.

**Senator CARR**—I want to emphasise to you that I do thank you for your submission, and you have canvassed a number of these questions. My point is to take it to the next stage and to establish what the response is. Clearly, the impact on quality and diversity is a matter where you can indicate that, with the decline in Commonwealth funding, there have been these consequences.

I accept the proposition that you have put concerning the question of quality, but the new marketing activities, the new commercial environment, the new enterprise university that is being developed in the context of these Commonwealth funding policies has left this administrative black hole. That is why, I guess, you are looking at this review. Turning to the review, you are saying that the key focus areas and possible outcomes are the functions that the university empowers on the governing bodies. From the way the document is written—and I am referring here, presumably, to a document you have sent out to vice-chancellors, entitled *The review of NSW university legislation and financial regulation arrangements*, in which you have

suggested that you want to ensure that universities have ‘a clear authority to enable a range of commercial investment activities and to be sure that such activities must compliment or be incident to the universities’ core functions’—am I to assume that you are concerned at the moment that the universities are not functioning consistently with that objective?

**Ms Loble**—It would be useful to see it, but it sounds like you are reading from a document that we did indeed send to vice-chancellors. In it is an open question, and we are not indicating that we have drawn a conclusion to it. But, as I have said, for us it is not that universities historically have not been able to engage in this. Since the 1950s New South Wales universities have had commercial ventures. We do, however, see that it is a new environment and that the government has asked us to begin trying to identify the appropriate balance between allowing them to have that autonomy and protecting the public interest. I agree with you that, yes, there are far more issues that we are dealing with now and that we have asked the universities to help us in this process, but I do not think we have drawn a conclusion.

**Senator CARR**—Fair enough. But what about the question of extraterritorial operations? Do I assume that you are asking here that the enabling acts to authorise extraterritorial—is it fair for me to presume that there are universities currently acting outside of the law with regard to the authorisations that they have?

**Ms Loble**—My colleague can comment in specifics but, yes, it is prompted in part by an Auditor-General’s report.

**Mr Michaels**—It is a recommendation from the Auditor-General that the question should be removed. It is ambiguous and not consistently covered in legislation across the whole sector. These acts need some general updating. That is the process and we are taking the opportunity to ensure consistency of authorisation.

**Senator CARR**—The Auditor-General has said that there are ambiguity issues concerning the extent of powers of controlled entities. It would be anomalous for the controlled entity to have powers greater than those of the controlling entity. The current situation is that the Auditor-General does not have the capacity to make a thorough investigation of those controlled entities. Is that the case?

**Mr Michaels**—That is not my understanding. My understanding is that the Auditor-General does in fact audit all controlled entities.

**Senator CARR**—That is the point. I thought he actually asked for greater powers to allow him to do that.

**Mr Michaels**—I thought the point was about removing any ambiguity about the powers of controlled entities and to do that by looking at the issue in the manner of not that a case has been identified where there has been an issue or a problem with exercising powers outside those of the university but to remove the ambiguity in law.

**Senator CARR**—I notice that the Treasurer in this state has required the university vice-chancellors to publish their full salary packages, because I understood that there was some

ambiguity as to whether they had an obligation to cooperate with the Auditor-General. Was that the case?

**Mr Michaels**—I do not know the full details of that, I am sorry.

**Senator CARR**—I am surprised. I thought you were the officers responsible for the supervision of universities.

**Mr Michaels**—We did mention that there are other agencies involved. I am afraid that I am not aware of that matter.

**Senator CARR**—On the question of joint ventures, the universities currently enter joint venture arrangements without ministerial approval under general provisions within their enabling acts. Do you think the universities should get ministerial approval to enter into joint ventures?

**Ms Loble**—That is something we are looking forward to having very much at the centre of what we recommend to the government.

**Senator CARR**—The issue here is the joint venture—

**Ms Loble**—I should make sure that it is not misinterpreted to say that I have drawn that conclusion. I think that issue is at the heart of what we want.

**Senator CARR**—I understand the point you make and I appreciate you need to clarify it in case others do not understand it, but joint ventures have the potential to bring significant levels of public and financial risk by exposing universities to loss or liability. What is the current pattern? Have there been examples where there have been losses and liabilities which have exposed universities to significant risk?

**Ms Loble**—We are certainly not aware of any that have exposed them to significant risk. However, having taken the earlier question about finding out about those on notice, that may lead us to be able to answer your question more precisely.

**Senator CARR**—If you could please do that because it would not surprise me if you come back and tell me that you have discovered that some of these universities do have entities that you were not aware of. There was the case I raised yesterday about a particular entity at the University of New South Wales which is the subject of audit—

**Ms Loble**—An Ombudsman's inquiry.

**Senator CARR**—An auditor's inquiry, an Ombudsman's inquiry and internal audits.

**Ms Loble**—Yes.

**Senator CARR**—What can you tell me about that one?

**Ms Loble**—As the committee knows, that is an arm of the university. Internal management issues have been brought to the attention of the Ombudsman and the Auditor-General.

**Senator CARR**—What are those issues?

**Ms Loble**—Most of them, at least as far as we are aware, relate to the accounting and the fact that it had not been fully audited as a separate entity. The Auditor-General and the Ombudsman are now investigating that. The Auditor-General is conducting a performance audit and the Ombudsman is looking at some of those management issues. We have been advised by them that they are not prepared to comment on that until they have conducted their full investigation.

**Senator CARR**—For how long was this entity not audited?

**Ms Loble**—We would have to go back and ask them about that.

**Senator CARR**—Years?

**Ms Loble**—I do not know. I will have to take that on notice.

**Senator CARR**—Am I right in assuming it is one year or is it five or longer?

**Ms Loble**—I believe the vice-chancellor actually talked about that in his submission.

**Senator CARR**—All he said was that it was a recent internal audit. This is exactly my point: how well do we know what is going on in our universities? We are talking here about a multi-billion dollar industry with no—I put to you—effective prudential or administrative infrastructure that goes across the Commonwealth-state divide? We are not certain to what extent these matters are covered by the ACCC because of these entities now operating in the commercial environment. We are not certain to what extent there are breaches of taxation law. We are not certain of the effective regulatory environment that is operating. This is one state and you are inquiring into 11 universities. I notice here that you are examining the issue of the Public Authorities (Financial Arrangements) Amendment Act exclusion regulations. What is the effect of that? Why have you felt it necessary to link the question of regulation of universities to that particular act?

**Ms Loble**—The issues do come together, as we have said. There is no doubt that there is an acceleration of these activities. The unique characteristics and qualities of universities—in fact, down to their enabling legislation—means that the issues are now perhaps those that have been brought up more sharply than they have in the past: how do you regulate them, are they the same as every other public entity and are there unique characteristics that need to be retained about universities? So that is why we have put those two together.

**Senator CARR**—Okay. You have mentioned the question of financial risk assessment and the question of financial safety margins. Are there any universities in New South Wales that you believe have a negative financial safety margin at the moment?

**Mr Michaels**—Yes, New South Wales has had one or two in recent years. They have not necessarily been the same university. A difficulty in the process is that DETYA compiles and publishes some information on it in the triennial funding report, but it does not always identify universities by name.

**Senator CARR**—Do you have any way of independently assessing these questions?

**Mr Michaels**—For the submission to this inquiry, we went to the annual reports and did to the calculations ourselves. We found two below the line—

**Senator CARR**—This current year?

**Mr Michaels**—No, part of the issue with supervision in this area is that the data on the revenue and expenditure of universities is quite dated. Until recently, the most recent data was for 1998, and that was the year for which the calculations were done. But I do know that in 1999 there has been some shift in that position.

**Senator CARR**—The last triennial report actually goes through to 1999, from memory. You did not rely on that data?

**Mr Michaels**—No, the problem in that is that they do not identify each university with its safety margin.

**Senator CARR**—That is right.

**Mr Michaels**—They just single out a few. So, if you really want to look at the whole picture, you have to calculate them, because that data is not released.

**Senator CARR**—Yes, and that brings us to the point here. I understand that there are two regional New South Wales universities with a negative financial rating. You say here:

While Commonwealth funding policies are a key factor in driving the trend for universities to become more entrepreneurial, State and Territory Governments have the responsibility for regulating universities' financial arrangements to ensure probity and financial health, including appropriate regulation of university subsidiaries and joint ventures.

What are the implications of one of our regional universities going broke?

**Ms Loble**—Obviously, one would be quite disturbed to see one of our regional universities go broke. As you see, it is a major theme in our submission and it is obviously a concern to the government.

**Senator TIERNEY**—Could you provide me with the amount of money that the New South Wales government provides in its budget in relation to university activities in New South Wales?

**Mr Michaels**—In the DETYA finance statistics, about 2½ or three per cent of university operating revenue is derived from the state government.

**Senator TIERNEY**—What is that in figures? It is your budget, is it not?

**Mr Michaels**—No, it is many people's budget. A good deal of that money would come through the department of health, the department of agriculture and a range of other departments in funding research and cooperative development.

**Senator TIERNEY**—Could you take that on notice and provide the committee with those figures?

**Mr Michaels**—Sure. I might just mention that the recurrent funding is part of the picture. New South Wales, like I think most other states, has very substantial property assets which are being used by universities or were transferred to universities for nominal sums. So there are substantial 'public' assets in the use of universities. That gives a substantial financial interest.

**Senator TIERNEY**—Yes. For example, didn't you transfer the St George campus at Oatley to the University of New South Wales for a peppercorn of one dollar and they then tried to flog it off for \$13 million—was that one of the financial transactions?

**Mr Michaels**—Yes. That was an issue of some significance to the New South Wales government at the time.

**Senator TIERNEY**—Could you expand on that?

**Mr Michaels**—It is now history.

**Senator TIERNEY**—I know. But why was it of significance? What do you mean by that? That is what I am asking.

**Senator CARR**—You don't like being ripped off? Is that what you are saying?

**Mr Michaels**—No. Well, it was government policy at the time that land provided for a public educational purpose should be maintained as such.

**Senator TIERNEY**—That is right. Let's come back specifically to the department of education budget. I understand what you are saying about it coming from other sources as well. In terms of the New South Wales department of education budget, how much money is contributed in various ways to the university sector in New South Wales?

**Ms Loble**—The would be a question we would also have to take on notice. Perhaps Dave can give a rough estimate.

**Senator TIERNEY**—Isn't that your budget?

**Mr Michaels**—It is the department's budget.

**Senator TIERNEY**—But aren't you the senior officer in relation to higher education?

**Mr Michaels**—Yes. But the point I was trying to make was that there is significant expenditure in things like cross-sectoral campuses—

**Senator TIERNEY**—I am not talking about cross-sectoral—

**Mr Michaels**—but where there is joint use of facilities. How you would—

**Senator TIERNEY**—I am just talking about a dollar figure in a budget that you would spend on the universities. There must be a dollar figure.

**Ms Loble**—It is not a line that will read ‘money to universities’; it may come in a variety of ways. We are not trying to avoid the question. I can tell you roughly. Again, I would have to perhaps take out some expenditure on clerical. I can tell you what we have in the budget, which is roughly \$80,000 for a directorate. But I do not think that is the question.

**Senator TIERNEY**—No, it is not. It is more in support of the universities.

**Ms Loble**—That is right, and that is all Dave is trying say: that there is probably a variety of ways, including the collegiate strategy of the government, where you would find partnerships and funding going to support the university sector. We would just need some time to identify that and put it together for you.

**Senator TIERNEY**—I would appreciate that. But the department of education has a budget each year and, apart from all those things which you mention, it must be possible to identify the number of dollars that go out the door under this particular heading.

**Ms Loble**—We would certainly endeavour to get that figure for you.

**Senator TIERNEY**—I am surprised that the head of the division does not have that in his head.

**Ms Loble**—It is unlike the Commonwealth: we are not funding the university sector so it is not all coming through a central entity, then being disbursed.

**Senator TIERNEY**—But you do have a directorate. Presumably the directorate does more than just maintain its own directorate, within the budget of the New South Wales education department?

**Ms Loble**—That is true. Perhaps it is an accident of the organisation of the department, but this particular directorate is aimed more at attempting to deal with everything—from St George campus, when that was an issue, through to the issues that we are now consulting around about financial regulation and possible changes that need to be made into the statutory environment. So our mission in this particular arena is not one to administer the higher education sector in its programmatic array of activity. Perhaps that is something that we should consider, but that is not what we do right now. However, it is certainly a very legitimate question to ask what the state is investing in, and I am happy to provide it.

**Senator TIERNEY**—The New South Wales government would have an great interest, obviously, in developing the New South Wales economy in all sorts of ways. If you move out into regional Australia, universities are one of the potential great drivers in regional economies. Does the New South Wales government have any strategies in relation to the assisting the universities in its state to act as drivers of their regional economies? What sorts of programs are there and what sorts of budgets are there, and what is the impact of those on the regions where these universities exist?

**Ms Loble**—I think the regional activities are in fact quite important to us. We do have incubator programs, tax incentives and those sorts of things. That would be something I would add into the calculation. I assume that is what you are interested in also—those activities that our colleagues in other departments may in fact be putting a great deal of resources into.

**Senator TIERNEY**—Maybe they do. Isn't this something that your higher education division of the department would monitor?

**Ms Loble**—Again, our function is not to administer or channel the funds. The government may allocate its budgets in any number of ways—for example, biotechnology, synchrotron, nurse education. All sorts of things can happen across the government and there are very close partnerships or at least either partnerships or investments in the sector but they would not come through—

**Senator TIERNEY**—What I am trying to get at—

**Ms Loble**—We do not submit a proposal to the Treasurer saying: here is what the state should allocate towards higher education.

**Senator TIERNEY**—But as an organisation that has some oversight of the university sector and its legislative base, I am just wondering where strategically this is all drawn together. I draw your attention to examples like the State of North Carolina, where the universities as driver for that economy are the thing that saved that economy, actually. I am just trying to figure out if you have any strategy for doing this in New South Wales and where is the locus of decision making control in that.

**Ms Loble**—The Premier's Department has convened an entity, together with the vice-chancellors, to draw together across the government a strategic focus on many of these issues.

**Senator TIERNEY**—What is the entity called.

**Ms Loble**—The Strategic Initiatives Group. It meets twice a year.

**Senator TIERNEY**—I take it that is a lot broader than just the way universities might be helping drive the economy. That would be strategies across the state generally, wouldn't it?

**Ms Loble**—Yes. It is intended to be whole of government. It has representation from quite a few of the agencies. It is an effort to identify priorities and share information.

**Senator TIERNEY**—Regional economies have been a huge political issue for the last few years. I am just trying to get at how, in New South Wales, the state government is perhaps addressing that. Given universities are a major resource in all sorts of ways and have a capacity to interact with the local economy, and to grow and drive the local economy. Southern Cross on the North Coast, for example, does a very good job of interacting with the local economy. I take it is pretty much an initiative of Southern Cross to do that in the first place. I just wonder how the state government is getting involved in that process.

**Mr Michaels**—I think it is multifaceted. There is a lot driven from the university. The Premier's Department have regional coordinators that work with industry, university and all the stakeholders in a region. They try and drive initiatives where they are found to be worthy and where there is a capacity to support. Very often it involves State and Regional Development here.

**Senator TIERNEY**—I was going to come to that. You do have a department of regional development which has a focus outside of Sydney. Surely they would have an interest in doing this. Do you work with them?

**Mr Michaels**—Yes.

**Senator TIERNEY**—In what way? What specifically have you and Regional Development done, given that they have got regional development responsibility and you have got education responsibility, in terms of putting that together for universities in regional areas? What sorts of initiatives are going on and what sort of budget does the state government put into that?

**Ms Loble**—As you made the request, much of what I was thinking about was that a lot of those activities out of State and Regional Development probably will go into our response back to you on the specifics of the budget. I know that in my brief tenure in this position already there have been discussions around not only many of the local and regional issues but in fact how to join forces and compete for large contracts and large opportunities that would bring revenues and jobs into the region, things like biotechnology and Synchrotron being two that come to mind most immediately.

**Senator TIERNEY**—We look forward to receiving that. Let us turn to another issue. We were in Queensland last week, and in Townsville in particular, and they were explaining to us that the Queensland government in 1989 set up regional study centres right across Queensland. These were funded by the state government and were in smaller centres. The idea was that students who are in those towns—and they might be studying at Central Queensland University or maybe La Trobe or Western Australia—could all access that local centre. Does the New South Wales government have any program similar to the one that Queensland has established?

**Ms Loble**—The New South Wales government certainly has a program of establishing in regional centres the ability, particularly of small businesses and individuals, to have access to quality IT services and access to information through that, and support in business development and those sorts of things. It is not perhaps the same sort of concept that Queensland has, but that and other similar activities aimed at regional development are certainly designed to help those local economies remain vibrant, to help retain the population there and contributing to it and so, certainly, we share with Queensland—

**Senator TIERNEY**—Could we bring it down to specifics? I am a student studying through La Trobe University and I live in Coonabarabran and I want to go into town and access, via the Internet, some sort of facility so I can work online with the university. Can I do that?

**Ms Loble**—I do not know about that particular town.

**Senator TIERNEY**—Okay, pick any town in New South Wales.

**Ms Loble**—Yes, there are, in many local areas—that is, the intention is to build these sorts of resource centres that would be available—

**Senator TIERNEY**—You say ‘the intention’. So you have a strategy and a budget to do that?

**Ms Loble**—It is not ours, but yes, the government does.

**Senator TIERNEY**—Who is doing it?

**Ms Loble**—The Premier’s Department, I believe, is driving that.

**Senator TIERNEY**—The Premier’s Department is very busy. It seems to do a lot of things.

**Ms Loble**—The Premier’s Department is responsible for whole-of-government strategies and so it is appropriately there with the entity—

**Senator TIERNEY**—Hopefully it will get a bit better coordination that way, I suppose. Obviously, these centres sometimes can be used for agriculture and health and all sorts of things.

**Ms Loble**—That is right.

**Senator TIERNEY**—I assume that is the reason. Is there a planned roll-out of those sorts of things?

**Ms Loble**—I can get you that specific.

**Senator TIERNEY**—Could you get that on notice and could we possibly have the budget for that and the timing and the locations of such centres? One of the problems is that federal government comes one way at doing things and state governments come the other. There could be a more rational way of doing it perhaps. Perhaps that is the essence of that.

I will turn to another question, relating to the staffing of schools in New South Wales, and shortages and surpluses of teachers coming out of universities. We have had a system for some time now where it is up to universities to determine what schools of studies they have and what sizes these are. Whether that exactly matches up with the demand is sometimes a problem. As deputy director, how does the department now view the outlook from this point on in terms of shortages and surpluses of teachers coming out of training to meet up with the demand you

have? Do you have any suggestions for the way in which supply and demand could be better balanced in the future?

**Ms Loble**—As a general matter, yes, we have concerns, particularly in the areas of maths, science and technology and also in the array of teachers across primary and secondary. The problems probably become more crucial as we get into the secondary education sector, where students need more specific, higher-level learning. The department is pursuing recruitment strategies and incentives to draw the best high school performers into those courses, and we are looking at our own internal training and development. We are trying, in other words, to do whatever we can with those resources. In terms of the universities, one of the concerns is that financial pressures are there. There is less external support for courses in teaching and nursing, for example. That is a general matter and then, as well, we do not really have the ability to influence very much, because the profile is built on past rather than future. We cannot really influence a huge amount of what teachers will be learning that is perhaps coming down the track.

**Senator TIERNEY**—At the end of the day, you have to actually put bodies in front of classrooms—parents will get very upset if they are not there. There are things you could do, surely, to encourage more people to go into teaching. You could offer scholarships—

**Ms Loble**—Indeed, we do. Those are all the sorts of things that we—

**Senator TIERNEY**—How many scholarships do you offer?

**Ms Loble**—I will get you the specific number on that after consulting with my department specifically. We have public education campaigns and we are attempting, as I said, to attract students into the profession. We are trying to recruit from all sources, we are trying to retrain internally, and those pressures will only increase—particularly probably in science and technology as the economy continues to change and as teaching and learning change.

**Senator TIERNEY**—Is it true that the British government is over here recruiting for Britain?

**Ms Loble**—I only know what I read.

**Senator TIERNEY**—You are not monitoring that in any way?

**Ms Loble**—I think that this is a universal problem and everybody is seeking to provide the best opportunities for teachers. I know that it is a central issue for us as well that we provide an environment that is attractive.

**Senator TIERNEY**—We are running out of time. Could you take on notice the strategies that the New South Wales government plans to use to increase supply, particularly in the area of scholarships, what the budgets of those strategies are, and what the plans are for the future in terms of scholarships.

**Ms Loble**—I would be happy to do that. Of course probably leading our list would be expanding the number of places.

**Senator CARR**—Can I ask you one more question about this review. There has been pressure from some vice-chancellors to remove members of parliament from councils. Can you confirm that?

**Ms Loble**—Some of the vice-chancellors have certainly made an issue of governance—one that they would like the government to examine. That has been more broadly presented to us as an issue of the structure of the councils.

**Senator CARR**—Have there been attempts to remove members of parliament from university councils?

**Ms Loble**—I am not aware of a specific attempt to remove a member of parliament.

**Senator CARR**—Can you assure us that there will not be any moves by the government to withdraw members of parliament from representation on university councils?

**Ms Loble**—I cannot commit to the government's plan on that. I can tell you that—

**Senator CARR**—There are no plans at the moment.

**Ms Loble**—That is right.

**CHAIR**—That concludes this session. Thank you for your appearance.

**Committee adjourned at 4.40 p.m.**