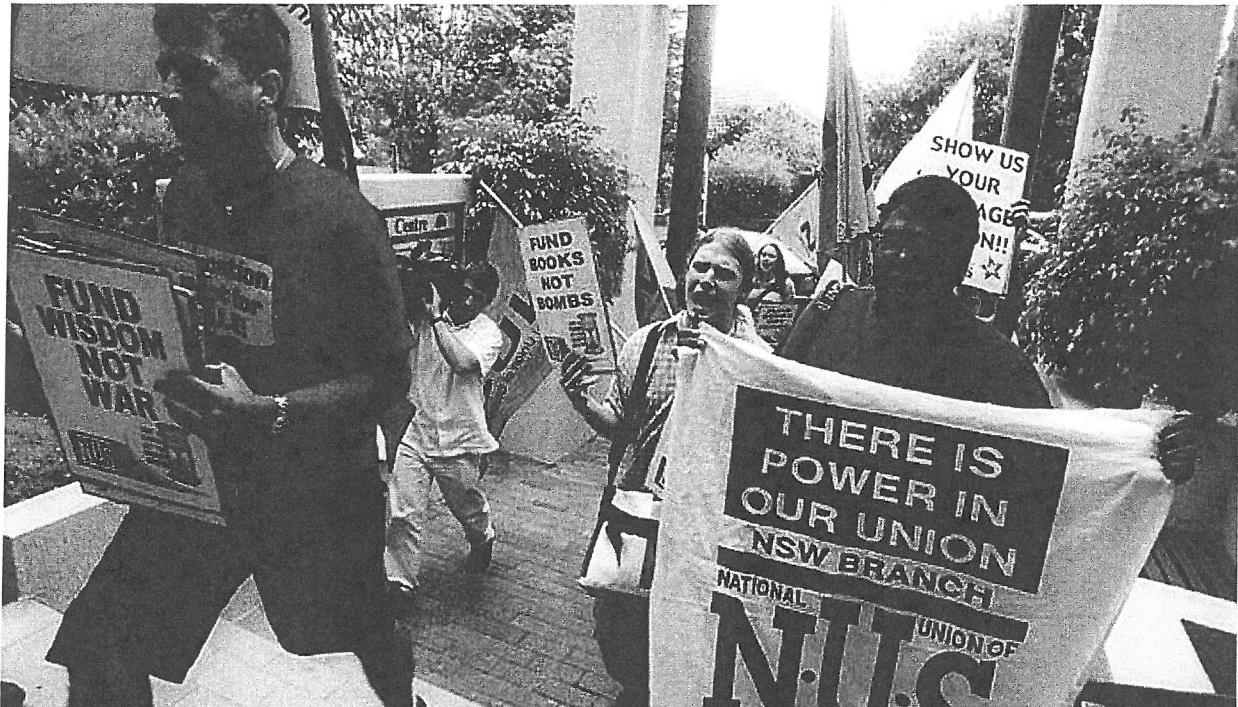


# University sector bound by constraints that kill innovation

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In an ideal world, government would fund universities differently for different types and quality of education. Picture: Samantha Emanuel Source: News Limited

**AS we approach the point where 40 per cent of our young people will hold a degree, we need to start asking some hard questions about whether the present higher education system really serves students and the nation as well as it might.**

The recent Norton-Kemp review of the demand-driven system has sparked some debate, but the argument needs to be taken further.

Every university in the country is funded in exactly the same way for its undergraduate students, regardless of the quality or type of educational experience its students receive. This fixed funding model means little diversity in the type of education offered. It means some disciplines are disappearing as institutions decide they can no longer afford to offer them, it creates a perverse incentive for universities to cram hundreds of students into lecture theatres, and constrains innovation. It badly needs rethinking.

Just at Australian National University alone, there are ample examples of such constraints. We offer research-led undergraduate education, in particular via the bachelor of philosophy (PhB) degree. This exposes gifted young students to research from their very first days; they

work in the laboratories and offices of our most outstanding researchers, and in many cases complete their degrees with internationally recognised research publications to their names.

This is a remarkable one-on-one experience that stretches gifted minds to the limit, and is a major investment in the future of our nation. But this degree is funded exactly as if we put the students in a class of 300 and only occasionally exposed them to a practical session.

We want our undergraduate education to be built around a first-class residential experience. Already 40 per cent of our students live on campus. We want to give them more than just a place to live; we want to expose them to a range of extension activities which could vastly expand and enrich their learning experience. We do some of this now, but not remotely on the scale we would like to. Why? Because the funding system is not built with that in mind. Australian universities only rarely provide education of Harvard or Stanford quality: for us, volume wins over innovation and excellence.

It is time to change our one-size-fits-all funding system and let diversity develop. Changes to the system will be controversial, but real change is required if Australia is to offer its young people a real choice in education and produce graduates to match the best in the world.

In an ideal world, government would fund universities differently for different types and quality of education. But in a challenging economic climate, this is unlikely to happen. An alternative is that government deregulates the amount which universities can charge for the student contribution to education.

In such a system, access and equity becomes a crucial issue. Just like the best US institutions, we propose that any institution that raised the student contribution would also need to offer additional equity scholarships. Such scholarships could address both tuition costs and living expenses, thus addressing one of the real barriers to study suffered by low socio-economic status students. Such scholarships would also act as a magnet for enhanced philanthropic contributions to support outstanding students. The objective must be to enhance, not in any diminish, access to students from disadvantaged backgrounds.

Previous attempts to deregulate student contributions have failed because an arbitrary cap has been placed on the amount that can be charged. Any price competition which might have eventuated beneath that cap evaporated as institutions moved in lock-step to match it.

True price competition at the undergraduate level exists only for overseas students, where institutions compete internationally on both quality and price.

We believe real domestic competition could be achieved with only one cap: limiting the absolute maximum income an institution could receive for a domestic student (commonwealth plus student contribution) to the international fee for the same course.

We strongly support the HECS system. This should continue in a deregulated environment, with no fee of any size required to be paid upfront and all repayments remaining wholly dependent on future earnings.

The bottom line is that if Australia is to develop universities which can truly compete internationally, that can provide an excellent educational experience for students and produce

really outstanding graduates of the kind that are so vital to our nation's future, we have to not only allow, but encourage, diversity by removing the constraints that prevent innovation.

As a nation we have found it difficult to even debate this issue, but a measured and non-partisan public discussion is long overdue.

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