

**Senate Employment, Workplace Relations,
Small Business and Education References
Committee inquiry into**

***The Capacity of Public
Universities to Meet Australia's
Higher Education Needs***

NTEU Submission

May 2001

Executive summary and recommendations

NTEU welcomes this opportunity to participate in the Senate Inquiry into the capacity of Australian public universities to meet Australia's higher education needs.

This Inquiry comes at a crucial moment in Australian higher education. Public universities currently dominate the provision of higher education. However, their capacity to maintain high quality, accessible education and research is being compromised by inadequate resource levels (taking into account both public and private funding) and Government policies which are leading to market-oriented systems of governance and behaviour.

Therefore, a stark choice confronts Government – either deregulate the provision of higher education and allow market forces to determine the quality and nature of future provision; *or* substantially increase investment in public universities, and develop a new policy framework to ensure quality and accountability which takes account the changing needs of Australia in a globalised environment.

NTEU strongly advocates the latter path. We believe that public provision of higher education has reached the limits of deregulation. To deregulate the activities of public universities further – particularly in relation to fee-paying and other forms of corporate activity – would be to destroy their identity as broadly accountable institutions serving the public good, and would reduce access to higher education in an era when an educated population is the key to national prosperity.

While recognising the historical origins of these problems, NTEU's evidence to the Inquiry focuses on the last five years in higher education policy, when the influence of market forces have been the most pronounced. We have chosen to focus on the following arguments:

- Funding for public universities from all sources is inadequate, and this problem can only worsen in the future unless it is addressed immediately
- Enterprise bargaining is the single biggest pressure on universities' resources
- The capacity of public universities to attract, develop and retain staff has reached crisis point
- The push for public universities to compete with private providers of education and research and to generate external income is having a negative impact on the quality, accessibility and accountability of public universities. This in turn will affect public universities' capacity to contribute to regional development, broad economic growth and to our education export industry

- A strong regulatory framework that takes account of the internationalisation of higher education is required to protect the quality of public universities and to ensure that Australians can participate effectively in global education networks.

Our recommendations follow.

THAT the AUQA develop, in consultation with the higher education sector, guidelines for assessing intellectual freedom within universities; with a view to including these within their audits of higher education institutions.

THAT State and Commonwealth governments review auditing requirements for universities controlled entities and commercial arms and develop guidelines to ensure that decisions about the commercialisation of public assets are made in the best interests of the public university.

THAT a protocol governing the rights and responsibilities of members of universities' governing bodies be developed and implemented through amendments to university legislation.

THAT Government increase university funding per EFTSU by 20% to take account of unfunded changes to cost structures over the past five years, and initiate consultation about long-term funding mechanisms to ensure that this situation does not recur.

THAT Government invest in the skills and knowledge of university staff, through the creation of a designated fund to support staff development.

THAT Government bring forward the increases in ARC Competitive Grants announced in *Backing Australia's Ability* so that 30% of the total increase is effective in 2002, 60% in 2003 and 80% in 2004.

THAT Government, as a matter of urgency,

- Institute a single Higher Education Contribution Scheme rate set at \$2644 (the equivalent to 1996 levels)
- Return the initial HECS repayment threshold to the level of Average Male Weekly Earnings, in three equal increases over the next three financial years
- Create 10,000 HECS-exempt scholarships, to be allocated to fields of study deemed from time to time by Government to be areas of national importance or of high labour market demand.

THAT Government make provision for improving and adding value to participation in higher education, including a 1% growth in student load, whereby growth places are allocated to universities on the basis of their performance in enrolling students from Indigenous, low SES backgrounds,

and rural and isolated Australia. These places would be reserved for students who meet equity criteria and would attract a loading to assist the students to meet ancillary costs.

THAT Government work to address the education disadvantage of students from rural and isolated areas through the initiation of a regional disadvantage funds; providing resources to regional universities, TAFE institutes and CRCs involved in projects aimed at increasing participation in education economic development and job creation in regional Australia.

THAT all new universities established in the Australian jurisdiction should continue to have their own Acts of Parliament. Such Acts should articulate both the broad purposes and organizational forms that would give substance to the features of universities stated in the national protocols. This would include commitment to free inquiry, governance structures, as well as courses offered and reference made to accountability for standards through the AUQA or relevant State Acts governing the regulation of higher education.

THAT Government should seek to amend the Higher Education Funding Act to clearly define the social and legal responsibilities of universities in receipt of public funding. Such amendment to reflect the following responsibilities:

1. The provision of high level, high quality scholarship, research and education, in a collegial environment that protects and promotes the fundamental relationship between scholarship, research and teaching.
2. Provision of an active repository of knowledge and expertise for the general betterment of society.
3. The guarantee of the intellectual freedom of all staff and students.
4. Promotion and support of the role of universities as 'critic and conscience' of society.
5. Open and equitable admissions policies based on the ability of potential students to benefit from tertiary education and the facilitation of participation of students from disadvantaged backgrounds.
6. Clear and consistent reporting of financial matters through audited financial statements and budgeting processes that are technically consistent with the audit.
7. Probity, transparency and accountability in the commercial operations and transactions of universities and their controlled entities.

THAT Government ensure that DFAT consults widely with professional bodies, stakeholders within the higher education sector, the AUQA and relevant bodies with formal responsibility for accrediting higher education. Such consultations should focus on the intersection of the maintenance of

standards for accreditation of professional entry with the current approach of DFAT in the working party discussions.

THAT Government refrain from including public universities, the funding of public universities, government subsidies to students of public universities, and TAFE Colleges and Institutes in the Australian schedule of commitments in the current and future rounds of negotiations on GATS. It should also maintain the exclusion of subsidies for research and development.

THAT the AUQA ensure that partnerships between Australia's public universities and overseas private companies come under the purview of the audit process, and that appropriate standards of assessment reflect the national protocols, specifically Part 5: Delivery Arrangements for Higher Education Institutions Involving Other Organisations.

THAT Government establish an independent advisory body to the Minister with a similar brief to the Higher Education Council, but with the following key characteristics:

- Its membership should combine representativeness with expertise, and include representation from students and staff.
- Unlike the Higher Education Council, it should incorporate active links with other portfolios and Commonwealth departments, to facilitate the provision of advice on universities' international activities, and ensure that the cross-portfolio dimensions of lifelong learning are addressed.

Preamble: Meeting Australia's higher education needs

The National Tertiary Education Union represents more than 26,000 staff working in Australian tertiary education institutions. The majority of our members work in public universities.

The NTEU welcomes this opportunity to participate in the Senate Inquiry, which we believe marks a watershed in the debate about higher education policy and the way forward for Australia. It provides an excellent opportunity to evaluate the impact of current policies on the operations of public universities, and identifying areas of strength and weakness as a basis for developing future policy.

Given that this Inquiry is principally concerned with the capacity of Australia's public universities to meet Australia's higher education needs, it is important to summarise what those needs are and, perhaps more importantly, what they will be in the future.

A Report to UNESCO of the International Commission on Education for the Twenty-First Century describes the role of higher education as uniting all the functions associated with the advancement and transmission of knowledge - research, innovation, teaching and training, continuing education and international cooperation – with a view to the development of society as a whole. The Report argued that, in order to fulfil this role, universities must be autonomous centres for research and the creation of knowledge, where the freedom of academics to undertake teaching, scholarship and research without undue interference is protected and promoted.¹

While these traditional functions of higher education retain their significance in the twenty-first century, changing cultural and economic conditions lend them fresh relevance. As the economy moves to a knowledge base, people will need to access post-compulsory education throughout their lives. 'Learning to learn' is a fundamental element of lifelong learning, and it is not confined to school education. Increasingly, we need sophisticated skills and knowledge to participate effectively in democratic processes, and to question and respond to complex issues, such as the use of genetic engineering and emergent public health issues. The education provided in universities, which is informed by research and scholarship, plays a crucial role in the development of these skills, which both support and transcend labour market issues.

Demand for higher education is increasing throughout the world. A recent Australian study estimates that in 2010, four in every ten new jobs created in a 'knowledge economy' will require a university degree or its equivalent. Presently, only 15% of Australians have a university degree². Therefore,

¹ *Learning: the Treasure Within*, Report to UNESCO of the International Commission on Education for the Twenty-First Century, 1995, p. 131.

² ALP, *Workforce 2010: Securing your Future – A guide to the jobs of the future and the skills you will need to get them*, 2000.

higher education institutions must not only provide the quality education and training that people will need for effective labour market participation, they must also be involved in 'outreach' programs to communities which have little or no experience of higher education, and in the provision of bridging or enabling courses. In this context, the future of higher education is increasingly intertwined with the development of post-compulsory education and effective lifelong learning more generally.

There is no doubt that higher education policy is central to a nation's economic growth, social cohesion and cultural development. Government's core responsibility is to ensure that all citizens who can benefit from higher education are able to participate; that the quality of higher education provision in Australia is high; and that there is broad accountability on the part of higher education institutions to the communities they serve. It follows that the public provision of higher education, and in particular the quality and the capacity of public universities to fulfil the functions outlined above, should be a core concern of Government.

Yet the public provision of higher education and indeed, the concept of the public university itself, are under threat in Australia. Fiscal conservatism and an ideological commitment to markets in education have combined to create a culture where higher education and research is positioned as a private rather than a public good, and where universities are increasingly dependent on private funding to maintain their teaching and research activity. With the shift in balance from public to private sources of funding, systems of public accountability are breaking down and quality is increasingly subject to market forces. Government is, in effect, abdicating its responsibility to ensure that the system of public provision in Australia is accessible and of high quality.

NTEU's submission to the Senate Inquiry will argue that declining levels of public investment and increased reliance on market forces have led to a demonstrable deterioration in the quality, diversity, accessibility and accountability of Australian public universities. It will argue that restoring an appropriate balance between public and private funding is essential if Australian public universities are to have the confidence of the community and the capacity to meet the higher education needs of Australia.

Term of Reference (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***

NTEU believes that current funding arrangements are having a negative impact on the operations of public universities, and that this issue informs consideration of all terms of reference for this Inquiry. The core problems created by current funding arrangements can be characterised as follows:

Inadequate levels of funding for public universities as a result of declining public investment and an increased reliance on external income

There is no debate about the fact that public investment in higher education as a proportion of universities' total operating income has declined significantly over the past decade, or that core funding provided by university operating grants has fallen. Figures provided to Senate Estimates hearings show that in constant dollar terms, operating grant funding has declined from \$5.379 billion in 1996 to \$5.325 billion in 2000. Total Commonwealth funding to higher education fell from \$5.84 billion in 1996 to \$5.82 billion in 2000.³

Similarly, it is indisputable that levels of public funding for each publicly-subsidised student have also declined, especially over the past five years. Table 1 below shows that operating grant funding per HECS-liable student has fallen in real terms by around \$250 per head (or just over 2%) since 1996.

Table 1 - Operating Grant \$ per HECS-liable student (\$2001)⁴

	Operating Grant ('000)	Over-enrolment payments ('000)	Total	HECS-liable load (Fully-funded plus overenrolments)	\$/EFTSU
1996	5,143,373		5,143,373	423,324	12,150
1997	5,196,491		5,196,491	429,176	12,108
1998	5,127,909	59,737	5,187,647	431,466	12,023
1999	5,099,550	53,118	5,152,668	433,361	11,890
2000	5,075,535	47,504	5,123,040	430,316	11,905

This data illustrates the fact that, despite significant increases in student HECS fees, this additional revenue is *not* flowing back to universities in terms of increased dollars per student. The current Minister argues that universities have never been better funded, and indeed the most recent Higher Education Funding Report shows that the total quantum of funding available to Australian higher education institutions – which, it should be noted, is not confined to public universities – is higher than ever before⁵. The Report also argues that since the Government came to office in 1996 `it has pursued the goal of expanding opportunity and improving responsiveness by encouraging universities to diversify and grow their sources of income.'⁶ As a result of this

³ Response to Senate Estimates Question E365, 22nd February 2001 EWRSBE Hansard p. 168.

⁴ Source data: DETYA *Higher Education Triennium Reports*, 1996-98, 1997-99, 1998-2000, 1999-2001, 2000-2002, 2001-2003; DETYA Funding Determinations: T30_98 27/04/99; T32_98 31/05/99; T21_99 30/03/00; T22_99 26/04/00; T23_99 20/05/00; T17_2000 13/03/0; T18_2000 23/03/01; T20_2000 26/4/01 NB Overenrolment funding data has not yet been received for ANU and UNE for 2000, accordingly an estimate of \$450,000 has been included in the figure of \$46.5m above to account for any outstanding payments.

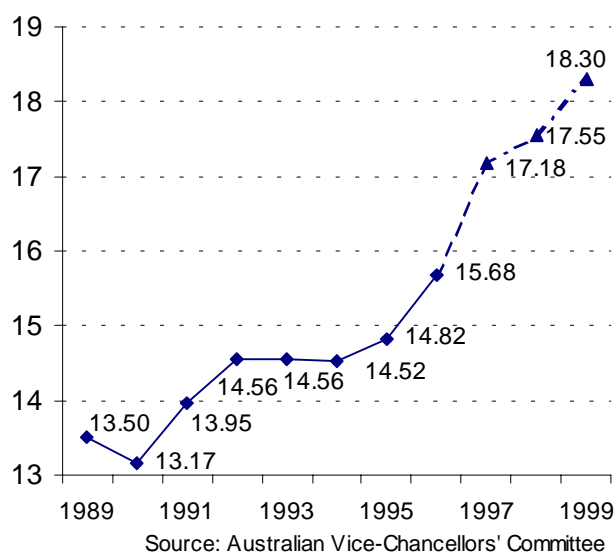
⁵ See, for example, Dr David Kemp MP, media release, 5th April 2001, 'The Howard Government's Higher Education Achievements'.

⁶ Dr David Kemp MP, Minister for Education, Training and Youth Affairs, *Higher Education; Report for the 2001 to 2003 Triennium*, DETYA, March 2001, p. 3.

strategy – which combines reducing public investment with increasing incentives and pressures on universities to seek external funding – public funding has shrunk from 60% of universities' total operating income in 1996 to 50.3% in 1998⁷. This contributes to the fact that the Australian tertiary education system is among the most dependent on private funding within the OECD.

However, this 'diversification' of income sources has not ensured a sufficient increase in dollars per student to meet rising expenditure costs. In his submission to the Senate inquiry, Simon Marginson shows that funding from *all* sources per student has remained relatively static since 1989 and, indeed, fell between 1997 and 1998.⁸ At the same time, student:teaching staff ratios have risen alarmingly, from 14.8:1 in 1996 to 18.3:1 in 1999.

Figure 1: Student to Teaching Staff Ratio, 1989-1999



This reflects an increase in total student load by about 12% between 1996 and 1998 and a decline in staff numbers (on a Full-Time Equivalence basis) of 2.6% during the same period. Despite a small amount of employment growth in 1999 and 2000, total staff numbers are still 665 FTE *below* what they were in 1996. More significantly, 78% of employment growth over the past twelve months has been in the area of casual employment. According to DETYA, the number of casual employees in the sector rose by 18.2% between 1998 and 2000, with casual staff now comprising 15% of the university workforce.⁹ NTEU believes that DETYA figures understate the true level of casual employment, as its formula for 'equivalent full-time staff' incorrectly assumes

⁷ Dr David Kemp MP, Minister for Education, Training and Youth Affairs, *Higher Education: Report for the 1999 to 2001 Triennium*, March 1999, p.204; DETYA, *Higher Education Finance Statistics 1998*, November 1999. In 1981, universities received 89% of their income from the Commonwealth.

⁸ Simon Marginson, Submission No.81, Table 4.

⁹ DETYA, *Higher Education Selected Staff Statistics 2000*, Table 1 and Table 4, DETYA, *Student Statistics 2000*, Table 40.

that a full-time academic teaches for 25 hours per week. Therefore, for example, a casual employee who teaches six hours per week - approximately half of a full-time teaching load - only counts as a 0.25 fraction of full time in DETYA's calculations.

Casual academic work can be a useful and productive way for postgraduate students to obtain teaching experience, and provide undergraduates with access to enthusiastic, cutting-edge researchers. It may also offer flexibility for staff with other employment and/or family responsibilities, and provides opportunities for students to benefit from teachers who are also employed in other settings. However, it does not offer meaningful employment in the long-term, especially as casual staff have inadequate levels of superannuation and have no access to paid leave or professional development.

Excessive use of casualisation is a response to a straitened funding environment, and has a negative impact on university quality. Staff who are paid by the hour cannot be expected to be available for student consultation at all hours, neither can they be expected to have the same level of engagement with the department and the university as those with ongoing contracts of employment. Declining staff numbers overall manifest in larger class sizes (tutorials of 25 to 30 are common), which limit opportunities for dialogue and interaction between students and staff, and diminishes the capacity of individual staff to respond to student needs. The impact of declining staff numbers on quality is also evident in increased workloads and stress among university staff, corresponding with poor morale. These issues are discussed in detail under Term of Reference (e) below.

It is reasonable to question why, if universities receive more money than ever before, staff levels have been cut and reliance on casual labour is increasing. It is not because there was substantial 'fat' to be cut in the university labour force: indeed, a report commissioned in 1997 by the West Review examining Australian higher education concluded that Australian university staff were among the most productive in the world.¹⁰ Rather, the reasons lie in the fact that the impact of declining dollars per EFTSU is magnified by the dramatic increases in higher education cost structures over the past five years. The First Assistant Secretary of the Higher Education Division of DETYA, Michael Gallagher, estimates that the gap between operating grant indexation and actual salary outcomes has risen to around 15% over the last 5 years.¹¹ When the effects of a declining Australian dollar are factored into the cost structure of universities (which spend heavily on foreign-sourced items such as books, journals and laboratory equipment), the unfunded shift in the cost structure of universities is at least 20%.

Inadequate resources have also resulted in course cuts and closures, rationalisation of teaching departments and inadequate infrastructure, with a

¹⁰ Roderick West (Chair), *Learning for life: Review of Higher Education Financing and Policy - a policy discussion paper*, AGPS, 1997, Appendix 11- Global Alliance Limited, p. 27.

¹¹ Michael Gallagher, *The Emergence of Entrepreneurial Public Universities in Australia*, Paper presented at the IMHE General Conference of the OECD, Paris, September 2000.

corresponding impact on the capacity of public universities to deliver quality and diversity. Appendix A contains a select list of examples of such exercises in 'rationalisation' undertaken by universities. In regional universities in particular, where people have fewer educational choices than those living in urban Australia, such rationalisations have the effect of removing some choices altogether: for example, it is no longer possible to study English Literature at the Northern Territory University.

This situation is likely to worsen, as universities cannot sustain their current rate of expenditure relative to income growth. Analysis of the state of universities' finances undertaken for DETYA by the international accounting firm Deloitte Touche Tohmatsu (DTT) and published in the Higher Education Reports for the 2000 to 2002/ 2001 to 2003 Trienniums show a declining trend since 1996. For example, the sector-wide safety margin (which measures the ability of universities to contain expenditure within the constraints of available revenue) has fallen from 6.5% in 1997 to 3.3% in 1999, with two institutions recording negative safety margins in 1998 and 1999. Since 1996, borrowings have increased by \$83m, or 31%. Total revenue growth has slowed over each of the past two years.¹²

These trends suggest that, while public universities may be able to survive in a market-oriented environment in the short- to medium-term, their capacity to exploit external earnings may have peaked.

It should also be noted that the sectoral averages cited by DTT mask significant variations between universities, with some struggling to maintain their financial viability. Therefore, increased pressure on resources also has the capacity to dramatically increase the differentials in quality and diversity between public universities.

The impact of the 6% cut to operating grants between 1997 and 2000 on Australia's 37 public universities differed around the country. Appendix B sets out the actual changes in operating grant funding to Australia's public universities between 1996 and 2001 in constant dollars. As can be seen, universities that had already been allocated growth funding were less badly affected than those where growth funding had already been cut. However, in an environment where public funding is effectively capped, survival depends largely on institutions' relative independence from Commonwealth funds. In 1998, this varied from 40% at the University of Western Australia to 62% at the Australian Maritime College.¹³ This variation in turn reflects the historical asset and investment base of institutions, and their capacity to generate external income.

¹² Dr David Kemp MP, Minister for Education, Training and Youth Affairs, *Higher Education Report for the 2001 to 2003 Triennium*, DETYA, March 2001, p. 55-58.

¹³ DETYA, *Selected Higher Education Finance Statistics 1998*, November 1999. The Australian National University received 67% of its funding from the Commonwealth in 1998, but this is skewed by the inclusion of block funding to the ANU's Institute of Advanced Studies.

Increased vulnerability to market forces is creating a widening gap between the capacity of public universities to fund their operations and infrastructure, with richer, established universities, which are able to trade on their prestige for market advantage, faring better than newer, regional universities. This affects the capacity of universities to attract quality staff, to pay competitive salaries, and to maintain infrastructure. The kind of quality differentials that result are antithetical to a system of strong public universities, which should provide high quality teaching, research and scholarship whatever their history and mission and wherever they are located.

Unfunded enterprise bargaining is exacerbating resource shortfalls and increasing pressure for the privatisation of public universities

This problem is most acute in relation to universities' capacity to support unfunded enterprise bargaining. This is the main driver for universities' push to generate external income.

All universities have been substantially affected by the Government's refusal to provide any substantive funding for the supplementation of staff salaries since 1996. Prior to 1994, salary increases were negotiated centrally and funded by the Federal Government. In 1994, enterprise-based salary bargaining was introduced, which meant that salaries and conditions at all universities were negotiated locally, upon a base of Awards set by the Australian Industrial Relations Commission. Government funding for salary increases was forthcoming in the first round of enterprise bargaining (1994-96), although Government provided only 2.9% for a 4.9% salary increase in this first round. Upon its election, the Coalition made clear that it would not support future funding for salary increases in excess of the Cost Adjustment Factor (CAF) (which determines the annual indexation of operating grants, primarily by reference to the Safety Net Adjustments awarded to the lowest paid). The Government has also made clear its expectation that each university find additional income from other sources to support local salary bargaining.

The sector has now experienced two further rounds of enterprise bargaining, without supplementation beyond the CAF. Since 1995 the average sectoral wages outcome has been just over 4% (approximately \$200m) increase each year. By contrast, CAF has resulted in the indexation of operating grants by an average of 1.65% p/a (around \$80m p/a). The notional proportion allocated to salaries is around \$50m. Therefore, unfunded enterprise bargaining in Australian universities to date has resulted in a \$150m p/a funding shortfall in the costs of salary increases alone.

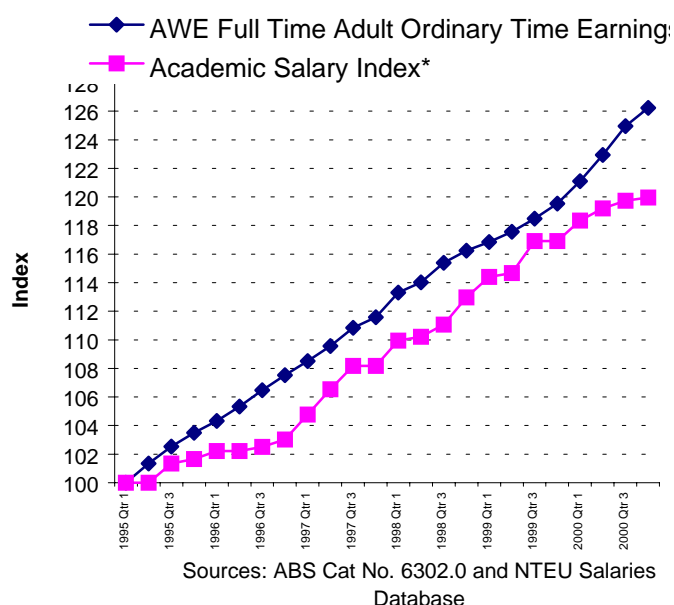
Public universities, which must by definition prioritise the public interest over the specific requirements of those who can purchase its services, are limited in finding alternative income. As staffing remains the single biggest item of expenditure within universities (consuming around 60% of total operating income in 1998), unfunded enterprise bargaining is dangerously compounding the problem created by inadequate resource levels.

It should also be noted that, despite the NTEU's determined industrial strategy and success in concluding enterprise agreements, unfunded enterprise bargaining has not redressed the long-term decline in university staff salaries. Again, this is a result of inadequate resource levels. Table 2 shows movements in university salaries, compared with movements in Average Weekly Earnings between 1995 and 2000. With the current round of enterprise bargaining almost concluded, university salaries are still not keeping pace with movements in Average Weekly Earnings (See Figure 2).

Table 2: Salary movements 1995 to 2000 – Average Weekly Earnings and Senior Lecturer

	1995 Qtr 4	1996 Qtr 4	1997 Qtr 4	1998 Qtr 4	1999 Qtr 4	2000 Qtr 4
Newcastle	102.00	102.00	106.08	109.29	113.66	116.50
Monash	102.00	102.00	108.12	112.44	114.69	116.99
RMIT	102.00	102.00	107.10	109.78	114.17	117.02
ANU	102.00	106.90	110.14	111.57	114.91	117.21
VUT	102.00	102.00	108.12	114.71	114.71	119.30
QUT	100.00	108.12	108.12	113.59	116.43	119.64
UQ	102.00	103.33	109.53	114.53	117.39	120.32
Griffith	100.00	102.00	108.12	113.59	115.86	120.54
UWA	102.00	102.00	107.10	113.62	118.22	120.59
Macquarie	102.00	102.00	107.10	112.24	117.29	120.81
UNSW	102.00	102.00	109.26	115.35	117.66	121.21
Sydney	102.00	102.00	109.26	114.79	117.09	121.77
AWE	103.50	107.53	111.58	116.24	119.53	126.23

Figure 2: Movements in Average Weekly Earnings and Academic Salaries 1995-2000



* The Academic Salary Index is an unweighted average of movements in the Senior Lecturer salary rates (Level C.1) at ANU, Sydney, UNSW, Macquarie, Newcastle, Griffith, QUT, UQ, VUT, RMIT, Monash and UWA.

The Commonwealth Government has acknowledged this problem. In his leaked submission to Federal Cabinet (a copy of which was obtained by the media in October 1999), Minister Kemp stated that, in his view, some salary increases were warranted, and that 'low rewards in academia are driving quality staff to other fields of work or to universities overseas'.¹⁴ However, the Government's solution - to offer \$259m over three years for salary increases, contingent on universities' compliance with the Government's Workplace Reform Agenda - has not addressed the real problem of inadequate resources and, indeed, has exacerbated tensions arising from the enterprise bargaining process. University managers and unions alike have been frustrated by conditions for funding that actually restrict flexibility in the bargaining process, and include conditions that are antithetical to quality; such as the abolition of merit-based promotion.

Because of inadequate resources, enterprise bargaining in universities is often not about ways of achieving genuine improvements in quality or effectiveness, but is rather focused on ways of saving money or, more recently, satisfying the Government's ideological agenda on workplace relations. Universities are caught in a stand-off between employees' legitimate right to maintain the value of their salaries within the labour market, and managers seeking cost savings, usually in the form of job losses. This is not an environment conducive to quality education, scholarship and research; especially as measures to improve and add value to human capital in educational institutions - such as staff development to assist staff in upgrading academic qualifications or improve their capacity to use new technologies - often cost money.

Because it creates the single greatest pressure on university budgets, enterprise bargaining is also the greatest driver for deregulation. Proponents of deregulation argue that if the government will not invest, universities must be given greater freedom to generate their income from elsewhere. This argument threatens the very existence of public universities. If they are to remain accountable to the broad public interest, and capable of offering high quality and accessible higher education that is not contingent on the individual's capacity to pay, then levels of public investment must increase as a matter of urgency.

*Inadequate funding to ensure quality and diversity of university research*¹⁵

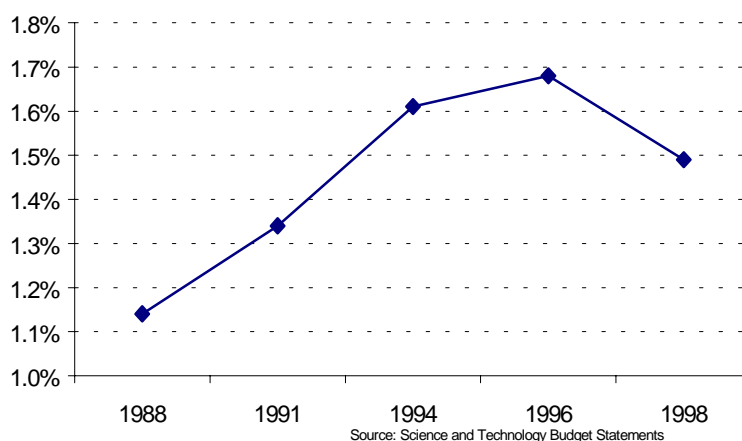
In his recent review of Australia's science capabilities, the Chief Scientist noted that those countries which are leading the development of knowledge-based industries are making investment in a vibrant research base; investment in people and the development of a highly skilled labour force their

¹⁴ Media Transcript, *Proposals for reform in higher education*, Cabinet Submission prepared by office of David Kemp, October 1999.

¹⁵ This section incorporates discussion of Term of Reference *b(iii), the maintenance and extension of Australia's long-term capacity in both basic and applied research, across the diversity of fields of knowledge; and the operations and effect of universities' commercialised research and development structures.*

highest priorities.¹⁶ In Australia, the trend has been reversed: as Figure 3 below illustrates, gross expenditure on research and development as a percentage of GDP has declined significantly since 1996.

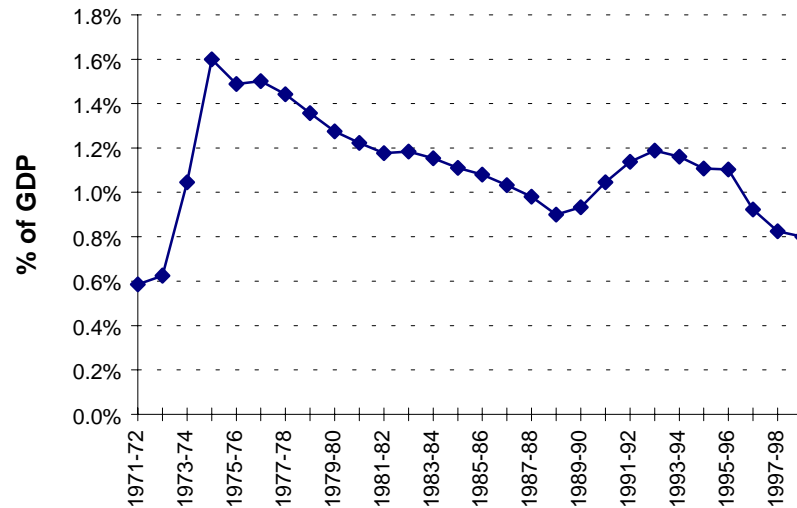
Figure 3: Australian GERD as a percentage of GDP, 1988-1998



Falling public investment is significant in explaining these trends. As Figure 4 below shows, Commonwealth outlays on universities as a percentage of GDP have fallen to their lowest point since the Commonwealth assumed primary responsibility for the funding of universities. Similarly, while much public attention has focused on declining Business Investment on Research and Development (which has fallen by 9% since 1995/96), a substantial decline in Government Investment in R&D has gone relatively unmarked (See Figure 5 below).

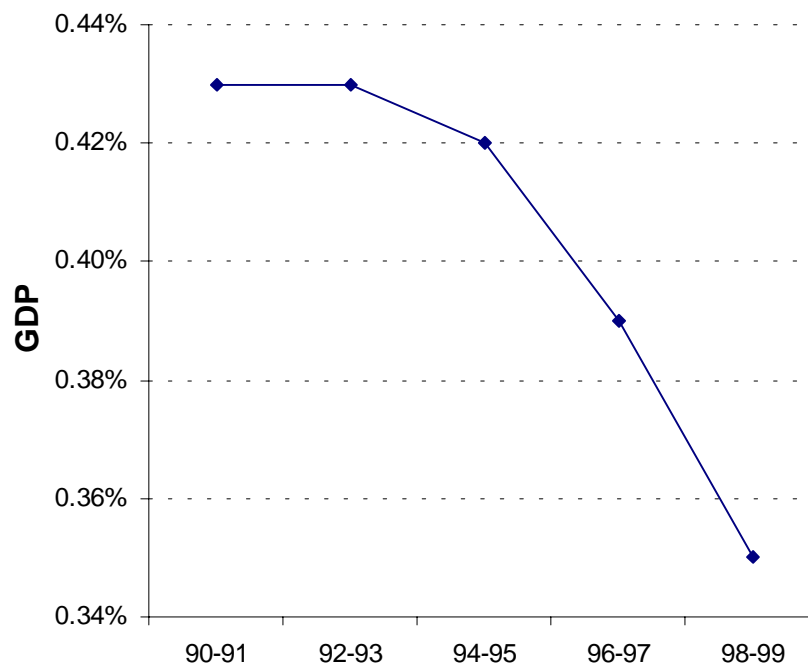
¹⁶ Robin Batterham, *The chance to change*, Discussion Paper, August 2000 p. 20.

Figure 4: Total Commonwealth outlays on universities as a percentage of GDP, 1971-72 to 1998-99



Sources: ABS 5510.0 & 5518.0.48.001

Figure 5: Government expenditure on R&D, 1990-91 to 1998-99



Source: ABS Cat No. 8109.0, pp.5-6

The significance of cuts to university funding in this overall context are illustrated in the Commonwealth's Science and Technology Budget Statements, which show a 5.5% fall in targeted higher education R&D between 1997-98 and 1998-99; and a further 0.7% fall between 1999-2000

and 2000-2001. Investment in other higher education R&D fell by 2.3% and 0.5% over the same periods.¹⁷

It should come as no surprise, therefore, that current funding arrangements for research in public universities are predicated on incentives to increase investment by the private sector. The Government's 1999 White Paper policy statement, *Knowledge and Innovation*, offered no additional Government funding, and indeed resulted in the reduction of funded postgraduate research student load from approximately 25,000 to 21,500. At the same time, the Government changed the formulae for allocation of research resources to reward success in winning external research funding and enrolling additional postgraduates. It also attempted to force public universities into closer competition with private universities and other private sector research organizations by opening up the portion of operating grants tied to research and research education to competition between public and private providers. This initiative was modified by amendments to the *Australian Research Council (Consequential and Transitional Provisions) Bill* in the Senate earlier this year.

The effect of this policy is to compel public universities to more closely adopt the strategies and orientations of private sector research organisations, and undermine the unique role that research in public universities can play in Australia's cultural and economic development. Universities are sites which combine basic, applied and strategic research within the same department and sometimes within the same research teams; therefore allowing valuable synergies to develop. Universities also contribute to innovation through their capacity to undertake basic research, which is essentially curiosity-driven in nature and relies on public investment, in an environment where research and research education are integrated. While only 25% of Gross Expenditure on Research and Development is in the area of basic research, 78% of that research is undertaken in universities.¹⁸ If the only new funding for research is to come from those with a direct stake in its outcomes, then the future of such research, which has no immediate or even obvious commercial application, is compromised. The real danger is that by being forced into competition with private industry, universities will lose their capacity to do what they do well, and what the community, including industry, expects universities to do.

Yet such research is fundamental to innovation. In the US, the National Science Foundation's study of 100,000 US patents found that 73% cited work from academic or other publicly-funded institutions - and, most frequently, *basic* research - as the basis for their innovation. The Report says that the number of US patents based on public research has trebled since 1988. In addition, CHI Research (New Jersey) found that companies giving the highest return on the US stock market are those that cite public science most frequently in their patent applications.¹⁹ Closer to home, Professor Graham

¹⁷ *Commonwealth Science and Technology Budget Statements 1999-2000 and 2000-2001*, Summary Tables.

¹⁸ Issues Paper prepared for the Council of Australian Postgraduate Associations, September 1998, p.8; *New Knowledge, New Opportunities* p.7

¹⁹ Dan Vergano, *New Scientist*, 22 August 1998.

Farquhar of the ANU, who recently was named Australia's leading scientist in terms of citations in international journals, commented in a speech to the Academy of Science that while he enjoyed and benefited from work that linked basic research with applications, it had always been undertaken in cases where there was a natural application of basic research. It extended the work that I wanted to do. I did not have to invent research areas in order to chase money. I worry for my younger colleagues.²⁰

NTEU believes that further increasing the level of universities' commercial activity will inevitably skew their work away from research which contributes to the good of all, and which provides an essential platform for applied research and innovation, towards meeting the specific needs of those who can pay for it. Increasing universities' reliance on commercial activity also risks undermining some of the particular qualities that characterise university-based research, in particular its independence and the fact that it is subject to the rigorous scrutiny of peers. It puts at risk the future of curiosity-driven research that, while it may appear to offer no immediate commercial applications, can be of great economic and social value in future years.

The Commonwealth Government has belatedly recognised the damaging effects of its recent policies, through its announcement in January 2001 (*Backing Australia's Ability*) of more than \$2 billion in funding for research and development – most of it directed at university-based research - over the next 5 years. The increase in funding to university research and university places reflects, in some respects, a retreat from market mechanisms. While not redressing the damage done through its cuts to university operating grants, the Government nonetheless is implicitly acknowledging that business investment will not replace the funding shortfall in relation to university research. More than half of the funding is set to flow in 2004/05 and 2005/06, after one and possibly two federal elections. Therefore, there is understandable scepticism regarding its certainty. The increased funding for university research and infrastructure in 2001/2002 is a relatively modest (although still welcome) \$72.3m.

The market for ideas is global, and recent studies by the Chief Scientist, the AVCC and the Group of Eight have outlined the extent to which Australia is falling behind comparable nations in its investment in research.²¹ Inadequate funding for research and research infrastructure not only diminishes Australia's capacity to 'capture' some of the global market for industry-funded R&D, it also jeopardises our capacity to engage effectively in international networks. For example, the delegation of the European Commission to Australia and New Zealand made a submission to the recent review of Australian Science Capability which referred to the EC/Australia Science and Technology Agreement that allows Australian researchers to participate in the European Community's Framework Programme projects and networks as full partners, and share in the intellectual property rights arising from the

²⁰ Graham Farquhar, Speech to Australian Academy of Science, 26th March 2001 (unpublished).

²¹ AVCC, *Our Universities, Our Future*: Canberra, 10 December, 2000; Group of Eight, *Research & Innovation: Australia's Future*, Canberra 2000.

collaboration. Two studies – one undertaken by the EC and one by the Department of Industry Science and Resources – found substantial benefits in terms of knowledge and skills exchange and the formation of strategic networks. However, according to the submission, these surveys ‘also suggest that the Agreement could have been a greater success, and that the key limiting factor was the issue of funding for Australian participants.’ The submission went on to cite examples of Australian participants pulling out of or reducing their involvement in projects because of lack of funding, and Australian participants being deterred by the lack of dedicated funding for collaboration.²²

The message is clear: rather than starving university research into emulating private sector research agencies, Government should acknowledge and invest in research which allows universities to contribute to the broader innovation spectrum.

Term of Reference (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) production of sufficient numbers of appropriately-qualified graduates to meet industry demand***
- (iii) adequacy of campus infrastructure and resources; the maintenance and extension of Australia’s long-term capacity in both basic and applied research, across the diversity of fields of knowledge; and***
- (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***

Public universities’ reliance on private sources of income is dominated by the need to find and exploit new and existing markets in education.

Unlike the situation in Europe and the US, bequests and donations comprise a very small fraction of the universities’ operating income. The bulk of private income derives from student fees (in the form of HECS and up-front payments) and industry-commissioned research and consultancies. The single fastest-growing area of institutional revenue is up-front student fees and charges, which now constitute more than 16% of total operating revenue.²³

This increasing reliance on ‘user-pays’ is influencing the behaviour of public universities in a number of ways. It has exerted a powerful influence over

²² Submission to Australian Science Capability Review, Delegation of the European Commission to Australia and New Zealand, November 1999, p. 3-4.

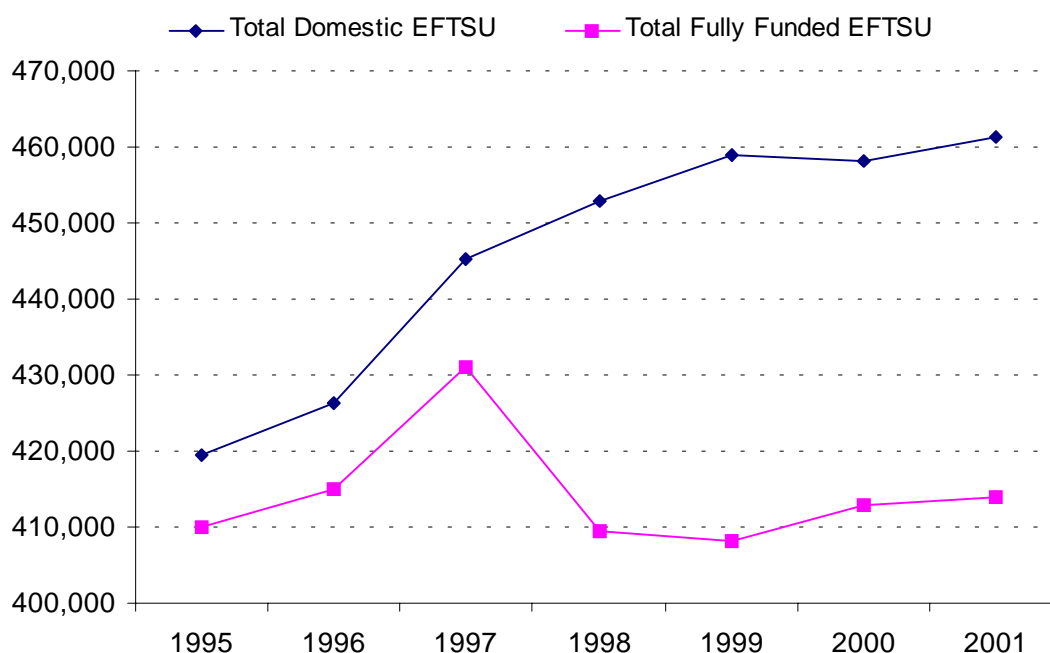
²³ DETYA, *Selected Higher Education Finance Statistics 1998*, p. 6.

systems of governance and management, over universities' expenditure priorities, on the nature of teaching and research and on the work of academic and general staff. Its impact on public universities' capacity to meet Australia's higher education needs, and in particular on aspects of institutional activity raised by the terms of reference, is discussed below.

(i) *the quality and diversity of education, and the production of sufficient numbers of appropriately-qualified graduates to meet industry demand*

Increased reliance on education markets has reduced the number of fully subsidised places for Australian students in public universities by 5,125 between 1996 and 2001.²⁴ The corollary impact has been an increase in the number of domestic fee-paying students

Figure 6: Reduction in fully-subsidised Australian EFTSU, 1995-2001

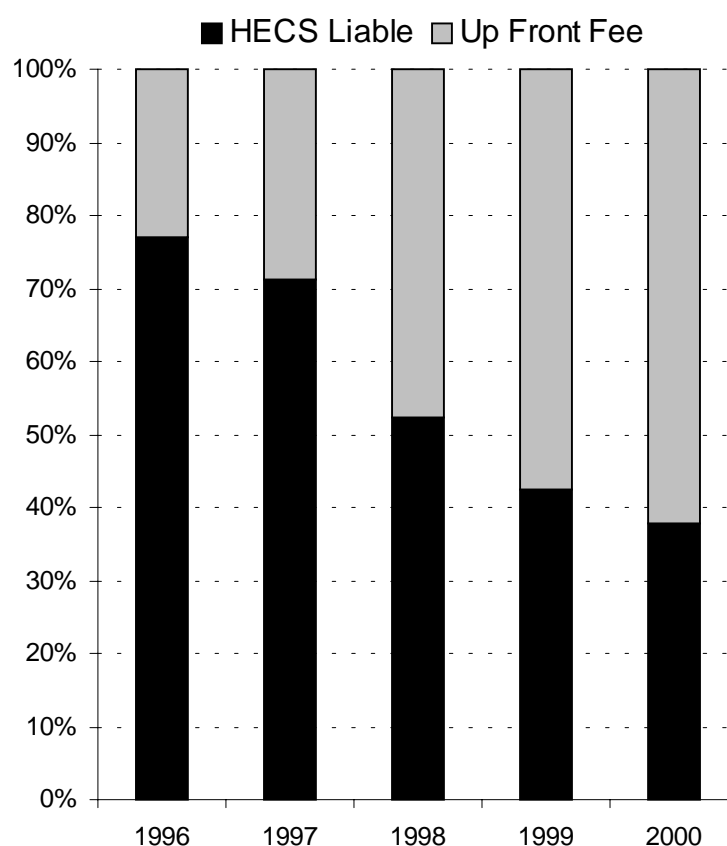


This effect is particularly dramatic in the area of postgraduate coursework, which bore the brunt of reductions in operating grants between 1997 and 2000. After cuts to university operating grants between 1997 and 2001 were announced, Government directed universities to take the resultant reductions in student places in the area of postgraduate coursework, where fee-charging was already largely deregulated, rather than in undergraduate places. As a direct result of this policy, there has been a dramatic shift in the proportion of postgraduate coursework students paying their fees up front (See Figure 7 below). In 1996, 77% of postgraduate coursework students deferred their fees through HECS, but by 2000 this had dropped to just 38%, with the remaining 62% forced to pay up front fees.

²⁴ Response to Senate Estimates DETYA Question E443, 22 February 2001, EWRSBE Hansard, p. 196.

The implications for equality of opportunity to participate in higher education are discussed in more detail in relation to Term of Reference (d). However, this policy has also impeded the capacity of public universities to produce sufficient numbers of qualified students to meet industry needs, insofar as opportunities to undertake postgraduate coursework have reduced. Between 1996 and 2000, there was a drop of over 10,000 EFTSU, or 19%, in total postgraduate coursework enrolments. This has resulted in declines in enrolments in 9 of the 11 broad fields of study.²⁵ This has a direct impact on the production of skilled graduates, particularly in areas of study where graduates are not highly paid and where there is little opportunity for employer support, such as teaching and health sciences. The fall in participation in each of these fields of study (by 25% and 2% respectively between 1996 and 1999) at a time when Australia is experiencing a shortage of both nurses and teachers underlines the seriousness of this problem. It also suggests that, if this policy framework remains unchanged, Australians in the future will have limited access to the lifelong learning which is so important in a 'Knowledge Economy'.

Figure 7: Method of fee payment for postgraduate coursework students, 1996-2000



Source: DETYA, cited in Bradley Smith and Mark Frankland, "Marketisation and the new quality agenda: postgraduate coursework at the crossroads", *Australian Universities' Review*, December 2000, p. 8.

²⁵ Bradley Smith and Mark Frankland, "Marketisation and the new quality agenda: postgraduate coursework at the crossroads", *Australian Universities' Review*, Vol. 43, No. 2, December 2000, pp. 7-16.

The emphasis on 'user-pays' in course provision also has a negative impact on the diversity of higher education offerings. As Appendix A shows, course cuts and closures have tended to be in areas which do not attract a fee-paying market, such as music, philosophy, classics and the basic or enabling sciences. With reduced diversity comes a reduction in the range of educational experiences available to Australian students.

The net impact of the marketisation of Australian higher education on the quality of public universities' education and research activities is difficult to gauge. Certainly, the participation by international students in Australian universities has added both quality and diversity to students' educational experience, and to Australian society more generally. The involvement of industry and community representatives in the development of courses to meet the needs of specific markets has in many cases enriched the curriculum and increased the value of university education and research to specific interests in the community.

However, the stakeholders in public universities are more numerous than those who directly pay for their services. They include taxpayers, employers (including Government, the community sector, business and industry), the media, all organisations exploiting public domain research and the professions which rely on university education for renewal and which are actively involved in accrediting courses.

For the first four months of this year, there has been a sustained public debate about emerging problems of ensuring independence and quality in our universities, with concerns expressed by representatives of all of the groups listed above. The pressure on assessment standards for fee-paying students in Australia is not a new issue. There have been a number of reported cases over the past decade where staff have not had their contracts renewed, or not been given support for promotion, once they have 'blown the whistle' on supervisors who have suggested adjusting pass levels in fee-paying areas. Perhaps more importantly, the introduction of devolved budgeting down to department level has meant that academic units are expected to 'earn income' to cover all departmental expenditure, including their own salaries. Fear of retribution then blends with concern to maintain job security.

What is new, however, is increasing concern about the level of universities' dependence on fee-paying income, and the extent to which the need to maintain market share and maintain 'reputation' may override genuine concerns about quality and accountability. Whereas once external funding was an adjunct to core funding, it is now necessary for survival. As such, anything that risks universities' capacity to generate new income – whether it is through the student fees of 'satisfied customers' or user-funded research and consultancies – is a risk to their survival. This is evident from the reaction of most vice-chancellors to allegations about lowering of standards within their institutions: in general, their first response is to deny rather than to investigate, in the interests of protecting the institution's 'reputation'. While stories

alleging falling standards in Australian universities as a result of reliance on market forces began to gather new momentum in January this year, it was not until mid-February that the AVCC announced its own review of codes and guidelines governing entry and admission standards.²⁶

NTEU argues that where public universities' reliance on markets has been most damaging to institutional culture is in its impact on intellectual freedom and university governance. In keeping with the need to generate commercial income, university managers are embracing modes of operation more appropriate to large corporations than to public higher education institutions. These include investing more income in corporate activity, entering into contracts with external parties that explicitly or implicitly restrict the rights of academics to undertake teaching and research without interference, and seeking to place unreasonable restrictions on staff's behaviour and speech.

Some recent examples include:

- Three academics at Victoria University had their email and internet access withdrawn after one used email to criticise the university's decision to spend \$100,000 on a corporate box at a major sporting facility. Email rights were restored after the NTEU branch threatened a 24 hour strike and a 'Day of Silence' when nobody would use email or internet on campus. When questioned about this incident by the media recently, the University responded with the statement that 'there are, and should be limits to the freedom of academics to comment on the activities of their universities, just as there are limits to the freedom of journalists to comment on the activities of their newspaper proprietors or their radio station proprietors'.²⁷ Not only does this reflect a complete ignorance of the journalists' code of ethics, it also suggests that employers are exempt from criticism, even when such criticism might be in the public interest.
- La Trobe University entered into a research contract that sought to prohibit other university staff – who were not necessarily party to the contract – from undertaking research which might compete or conflict with the research undertaken on behalf of the external funding partner.
- An emeritus professor spoke at a forum on academic freedom organised by NTEU at Monash University. The forum was critical of cuts proposed to the Arts Faculty. Within days, the emeritus professor was told that he no longer had access to facilities at the university. The decision was rescinded after a public outcry.
- A number of universities have put forward draft 'codes of ethics' or 'guidelines for staff behaviour' which seek to limit free speech. Clauses include restrictions on the right of staff to speak publicly on matters which might have a negative impact on their institution,

²⁶ AVCC Media Release, 13th February 2001.

²⁷ Victoria University media release, 7th March 2001.

restrictions on speaking publicly on any area other than those where the individual has 'disciplinary expertise' (however that might be defined) and restrictions on quoting university documents unless authorised to do so.

- The sacking of an academic by Wollongong University earlier this year (in contravention of the University's enterprise agreement and without reference to serious misconduct procedures) on the basis of public comments that were deemed by the University to be untrue and to be damaging to the institution's reputation.
- An academic at the University of New England who had been elected to the position of Acting Head of School by his colleagues was then advised by the Vice-Chancellor that to assume the position would be a 'conflict of interest' because of his role in representing the NTEU in enterprise bargaining at the University (this is currently the subject of legal action against the University).

The precise impact of such restrictions on the intellectual freedom of staff and students may be difficult to quantify, but they are reflected in the low morale of many staff members (discussed at Term of Reference (e) below) and in the concerns raised in the Australia Institute's recent study of academic freedom and the incidents discussed in many submissions to this Inquiry.²⁸ NTEU believes that the erosion of intellectual freedom must have a negative impact on the quality and the accountability of public universities, because it threatens their independence.

The 'public good' entailed by intellectual freedom is described at length in a report of the New Zealand Academic Audit Unit, which described intellectual freedom as central to the university's role as 'critic and conscience' of society, providing a voice which the public could trust for its independence and integrity. The publication set out guidelines for the assessment of academic freedom within universities – guidelines which should be examined and perhaps adopted by the nascent Australian Universities' Quality Agency.²⁹ Maintaining intellectual independence means that the very qualities that attract industry to the university – its integrity and the public confidence attached to its reputation – will be preserved. It will also ensure that future generations of students receive an education that is sufficiently broad in content and pedagogical style to enable them to apply their knowledge and skills across a variety of settings, rather than being tailored to the particular needs of a specific employer.

²⁸ Kayrooz, C., Kinnear, P., and Preston, P., *Academic Freedom and Commercialisation of Australian Universities: Perceptions and experiences of social scientists*, Australia Institute, Discussion Paper No. 37, March 2001.

²⁹ D. Gareth Jones, Kerry Galvin, David Woodhouse, *Universities as Critic and conscience of Society: The role of Academic Freedom*, New Zealand Academic Audit Unit, Te Wahanga Tatari Kaute Tohungetanga o nga Whare Wananga o Aotearoa, AAU Series on Quality: Number 6, March 2000.

The fact that intellectual freedom is widely perceived as central to the independence and quality of public universities is also reflected in UNESCO's statement on the rights of higher education teaching personnel, published in 1997. It avers the necessity for higher education staff to enjoy 'the right, without constriction by prescribed doctrine, to freedom of teaching and discussion, freedom to express freely their opinion about the institution or system in which they work, freedom from institutional censorship and freedom to participate in professional or representative academic bodies'.³⁰ As can be seen from the examples cited above, Australian university staff do not universally enjoy such rights.

Recommendation: That the AUQA develop, in consultation with the higher education sector, guidelines for assessing intellectual freedom within universities; with a view to including these within their audits of higher education institutions.

*The impact of a commercial environment on university governance*³¹

The influence of market forces on the operations of public universities is evident in changes to university governance over the past decade. While there was a strong push to make governing bodies smaller and more responsive to industry and the community following the wave of institutional amalgamations in the early 1990s, university governing bodies have continued to become smaller and more industry-oriented over the past five years. Between 1995 and 2000, 21 universities reduced the size of their governing bodies, and of these 11 involved a significant loss of membership (between seven and twenty members). As a result, the average size of university governing bodies shrank from 24 to 21.

Size is not in itself a reflection of good governance, but the nature of these changes to the composition of governing bodies is revealing in terms of what they reveal about the orientations and accountability of public universities.

Ministerial appointments and members of parliament accounted for the largest reduction, losing 51 positions. The next largest cut was to academic staff, with a net loss of 41, or 29% of all abolished positions, between 1995 and 2000. Also substantially reduced were alumni positions. General staff remain under-represented, averaging 1.35 positions on governing bodies around the country. One category that was *not* cut was external membership, mainly comprising people co-opted by governing bodies.³²

This shift in membership represents the privileging of 'expertise' over representation on the composition of governing bodies; and a lessening of

³⁰ UNESCO, *Rights of Higher Education Teaching Personnel*, 1997.

³¹ This discussion incorporates consideration of Term of Reference (c) *the public liability consequences of private, commercial activities of universities*.

³² Data relating to the composition of university governing bodies is drawn from AVCC, *Constitutions of the Governing Bodies of Australian Universities*, September 1995; and AVCC, *University governance*, November 2000.

direct government engagement in the governance of universities. This is consistent with the trend towards entrepreneurial leadership within universities, where the Vice-Chancellor assumes the functions of the CEO and the governing body those of a Board of Directors. It is also characterised by the concentration of executive power in the hands of small committees or management groups: for example, last year the University of Adelaide endorsed the creation of a senior 'executive committee' to which Council would delegate all of its powers as expressed under the *University of Adelaide Act*.³³ It might allow commercial acumen to inform commercial decision-making, but it also raises a number of issues: firstly, whether 'expertise' and 'representative experience' should be diametrically opposed; and whether the 'expertise' of co-opted members guarantees as strong a stake in the accountability and quality of the institution as might be expected of members of the university community. This is perhaps a philosophical question, but it is a matter of fact that staff and students are becoming increasingly alienated from the deliberations and decisions of their universities' governing bodies. Many staff believe that this is resulting in reduced quality of decision-making in relation to the University's core business – that is, the conduct of teaching and research. For example, senior staff at the University of Adelaide publicly criticized the 'centralised' nature of decision-making within the University, arguing that 'our reputation for teaching and research is under threat as much from internal dysfunction as from external competition' and that University Council was 'secretive and out of touch'.³⁴

There is also evidence that, in the rush to emulate 'corporate' models of behaviour, some University councils no longer believe themselves to represent and be accountable to a broader community. The University of Melbourne, for example, has removed Minutes of its Council meetings from the Website, and holds all of its meetings in camera. Its justification for this lack of transparency is that much of its deliberations are 'commercially sensitive'. This secrecy was evident in the deliberations leading to the float of Melbourne IT in late 1999, in which three members of the University Council and a number of others associated with the University and its commercial operations benefited directly. It later refused the NTEU's request under Freedom of Information for copies of tapes of Council meetings, arguing that disclosure was not in the public interest, could compromise the commercial interests of the university, and may inhibit future discussions on Council. The University's request for exemption was refused in the Victorian Civil and Administrative Claims Tribunal, and a transcript of that decision is attached (Appendix C).

In the light of widespread concerns about the accountability and probity of the float of Melbourne IT, the Victorian Auditor-General undertook an investigation. Key findings of the Auditor-General in relation to the float included the following:³⁵

³³ 'New Chancellor shows his mettle', *Australian*, 2nd August 2000, p. 33.

³⁴ Dr Simon Maddocks, Dr Rod Crewther, quoted in *Adelaide Advertiser*, 19th October 2000, p. 27.

³⁵ All page numbers refer to the report of the Victorian Auditor-General on the float of Melbourne IT, June 2000.

- Because the float of Melbourne IT constituted the privatisation of a public asset, the University should have considered seeking advice from Treasury and Finance on appropriate ways to proceed (p.10).
- Therefore, the failure of Melbourne Enterprises International (the controlled entity of the University which managed the float) to seek an independent valuation was a significant deficiency of the float process (p. 14). So, too, was the failure of MEI to seriously consider alternative mechanisms for commercialising Melbourne IT (p.19).
- The University, despite its efforts to distance itself from the float, was the beneficiary and ultimately responsible for approval of the process. Although Council did not oversee the Due Diligence Process, the Auditor-General noted that it may have been legally liable for the process and the provision of accurate information to the market. Therefore, the legal position of universities in this process needs to be clarified (pp. 11-12).
- Information contained in the Prospectus was deficient, insofar as the Prospectus did not include the information that only 8% of shares would be available to the general public (p. 21).
- The allocations to individuals associated with the float directly contradicted the directions of the Vice-Chancellor to MEI (p. 24). They could be viewed as excessively generous, and consideration should have been given to allocating such generous portions only to those essential to the future of Melbourne IT. In fact, at least 13 individuals associated with the float other than Melbourne IT staff and directors received shares (p.26). The Auditor-General argues the need for a protocol in future to address firstly, the generosity of allocations to individuals involved in the commercialisation of a public asset, and also the extent to which Executive/Directors/Employees of the University should benefit (pp.24-26).

Clearly, episodes such as the float of Melbourne IT raise serious issues about the commercial activities of universities, and the public liability consequences that may flow from them. State and Commonwealth governments have a common interest in ensuring that public universities remain publicly accountable, that commercial activities are undertaken in the best interest of the public institution, and that conflicts of interest are avoided.

Recommendation: That State and Commonwealth governments review auditing requirements for universities' controlled entities and commercial arms and develop guidelines to ensure that decisions about the commercialisation of public assets are made in the best interests of the public university.

Recommendation: That a protocol governing the rights and responsibilities of members of universities' governing bodies be developed and implemented through amendments to university legislation.

(ii) adequacy of campus infrastructure and resources;

The need to generate income from market sources is creating imbalances in the adequacy of campus infrastructure and resources. This is largely because private funding is unable to compensate for reductions in public funding, or to keep pace with expenditure, as outlined under Term of Reference (a).

However, it is also affecting the quality of campus infrastructure and resources in terms of the choices universities are making about expenditure. In a more deregulated environment, universities are choosing to spend a smaller proportion of their total operating income on staffing and teaching and learning activities at the Faculty and Department level. Rather, more money is being channelled into medium to long-term investment strategies management, and marketing. This is a logical re-ordering of priorities in terms of economic survival – in an unstable funding environment, reserving funds at the centre for 'discretionary' purposes allows universities maximum flexibility in deciding expenditure and ensures some reserves to deal with crises. At the same time, public universities have few assets that they can dispose of quickly; hence staff cuts are viewed as one of the few flexible mechanisms for saving money.

The other alternative is to seek collaboration with other institutions in relation to use of infrastructure and resources – a strategy that runs counter to the hyper-competitive culture fostered within and between universities by their exposure to market forces. While some effective collaboration in terms of sharing facilities and rationalising the provision of courses has been achieved, this has not been widespread. Another response by institutions has been to allow some of the 'deep' infrastructure that underpins university teaching and research to run-down. Nowhere is this more evident than in relation to university libraries.

Recent international data shows that the price of the average academic book has gone up by 6.1%, with the greatest increases in the social sciences (31%).³⁶ Taking into account the weak Australian dollar magnifies the impact

³⁶ Library and Statistics Unit, Loughborough University, quoted AUS (NZ) *Tertiary Update*, 7 September 2000.

of cost rises on Australian university libraries. Yet Table* shows that expenditure in Australian university libraries has actually decreased, despite the significant increases in materials and salary costs; and this has to affect the quality and availability of library resources.

Table 3: Expenditure on Libraries, 1996-98 (Nominal dollars)

1996		1997		1998	
Salary	Depreciation and other	Salary	Depreciation and other	Salary	Depreciation and other
\$200,504	\$198,869	\$202,064	\$198,232	\$202,253	\$192,536
Change on previous year		0.78%	-0.32%	0.09%	-2.87%

Source: DETYA Selected Higher Education Finance Statistics 1996, 1997 & 1998, Table 2

As NTEU has argued elsewhere, the only ongoing solution to this resource problem is to increase the base level of university operating grants. Government should also consider the establishment of an additional library infrastructure support scheme to ensure that libraries are able to meet the educational and research needs of every university's community, and to participate in the 'knowledge economies' of their regions. For example, university libraries are well-placed to assist people in the community to use databases and communications technology to access education and information.

Recommendation: That Government increase university funding per EFTSU by 20% to take account of unfunded changes to cost structures over the past five years, and initiate consultation about long-term funding mechanisms to ensure that this situation does not recur.

THAT Government invest in the skills and knowledge of university staff, through the creation of a designated fund to support staff development.

THAT Government bring forward the increases in ARC Competitive Grants announced in *Backing Australia's Ability* so that 30% of the total increase is effective in 2002, 60% in 2003 and 80% in 2004.

Term of Reference (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 HECS and other fees and charges and changes in funding provision on the affordability and accessibility of higher education;***
- (iii) the adequacy of student income support measures; and***
- (iv) the growth rates in participation by level of course and field of study relative to comparable nations***

One of the important functions of public universities is to ensure equality of opportunity to those willing and able to participate in higher education. The market is not concerned with equity: therefore, this is a key area of responsibility for Government.

Representation in higher education among under-represented groups

In addressing this term of reference, NTEU wishes to highlight two key issues: firstly, the fact that access to higher education among under-represented social groups in higher education is static or going backwards, and the Government has no meaningful strategy to address this problem; and secondly changes to HECS and increasing reliance on fees and charges are affecting the quality and accessibility of higher education.

For the purposes of this section of our submission, we have adopted the definitions of equity groups identified by the Commonwealth in 1990, namely:

- people of Aboriginal and Torres Strait Islander descent;
- women (especially in non-traditional areas);
- people with disabilities;
- people from rural and isolated backgrounds;
- people from a non-English speaking background who had arrived in Australia within the previous ten years; and
- people from socio-economically disadvantaged backgrounds.

Participation by the first two groups mentioned above is addressed in detail in the submissions of the NTEU Indigenous Tertiary Education Policy Committee, and the NTEU Women's Action Committee. This section of the submission will therefore concentrate on the participation of the four remaining groups mentioned above.

An examination of the extent to which these groups are represented in higher education needs to take account of the respective share of the population aged between 15 and 64 that these groups comprise (commonly referred to as reference values). This is drawn from national census data, and is set out in table 4 below.

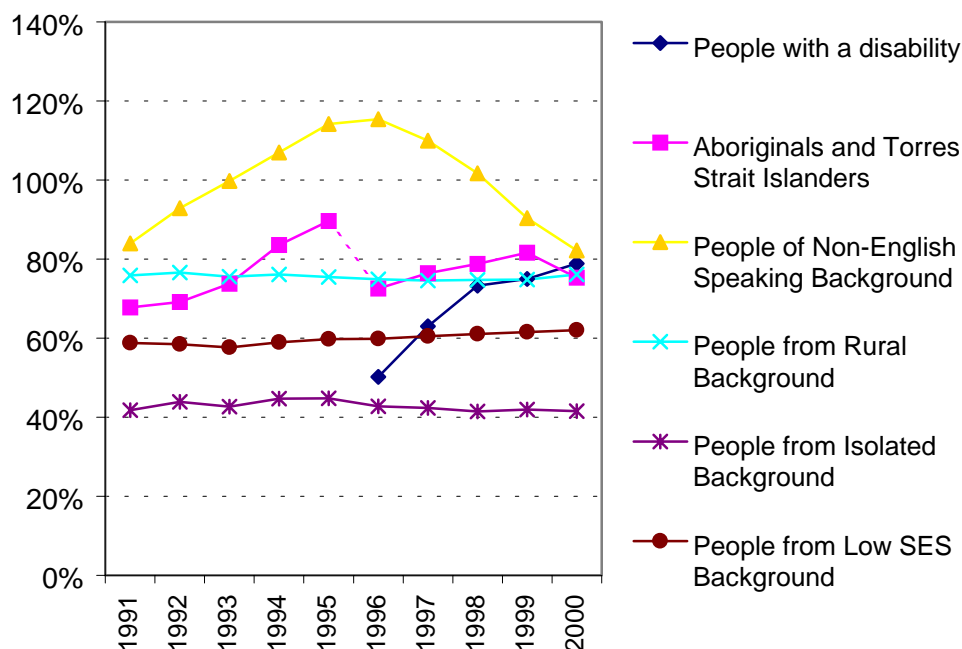
Table 4: Equity Group Reference Values (excludes international students)

Equity Group	Reference values	
	1991	1996
Students from a Non English speaking background	4.90%	4.80%
Students with a disability	n/a	4.00%
Isolated	4.50%	n/a
Indigenous	1.40%	1.70%
Rural	24.30%	n/a
Low Socio-Economic Status	25.00%	n/a

Reference value data in relation to students with a disability was not available prior to 1996, and consequently no reference value is available for 1991. NTEU understands that DETYA has not yet obtained reference values for students from rural, isolated and low SES backgrounds from the 1996 Census data, and continues to rely on 1991 data. Without a meaningful reference value, it is impossible to gauge levels of representation within the higher education sector. The use of out-of-date data gives cause for concern about the effective planning for service delivery to these population groups, not only in relation to education but also across all areas of government activity.

A simple comparison of participation patterns to the reference values shown above suggests that all equity groups are under-represented in higher education. Figure 8 below shows the level of participation for each of the equity groups, expressed as a percentage of the relevant reference value, for years 1991 to 2001.

Figure 8: Participation of Equity Groups Expressed as Percentage of Reference Value



The only group for which adequate representation can be argued to have existed is people of Non-English speaking background. Between 1994 and 1998, this group achieved over 100% participation relevant to their reference value. However, since 1996 this level of representation has declined, to 82.2% of the reference value in 2000. Students belonging to the other categories shown above have always been underrepresented in higher education. In particular, students from regional and isolated areas of Australia are dramatically underrepresented, and their participation rates have not improved at all over the past decade. This is discussed in more detail under Term of Reference (f) below.

Between 1995 and 1996, reference values were re-calculated for people from Non-English speaking background and Aboriginal and Torres Strait Islander peoples to account for the latest Census information. In the case of the former, the re-calculation represented only a 0.1% decrease in the reference value, meaning that the percentage of persons of that background within the community reduced at the same time as participation of persons from this group reduced.

However, the reference value for Aboriginal and Torres Strait Islander peoples increased from 1.1% in the 1991 Census to 1.7% in the 1996 Census. The recalculation of the reference values for Aboriginal and Torres Strait Islander peoples therefore creates the appearance in Figure 8 of a marked decline in participation between 1995 and 1996. While numbers of Indigenous students participating in higher education grew for most of this period, the *percentage*

of the reference group participating dropped. Given that the number of people identifying as Indigenous has steadily increased over the past decade, it is likely that their level of participation relative to reference value for the years 1992 to 1995 is falsely inflated. Therefore, while the sharp decline between 1995 and 1996 is artificial, so, too, may be the reported increases in levels of participation leading up to that point.

In summary, representation among historically under-represented groups has not improved, and in some cases is actually declining. Government has not adequately acknowledged the reasons for this, and for the disadvantage experienced by some other sections of the community. NTEU believes that the introduction and acceleration of 'user-pays' regimes in public universities, and in particular changes to HECS and the ramping up of fees and charges since 1996, are among the factors hindering participation.

*Impact of changes to HECS and fees and charges on quality and equality of opportunity to participate*³⁷

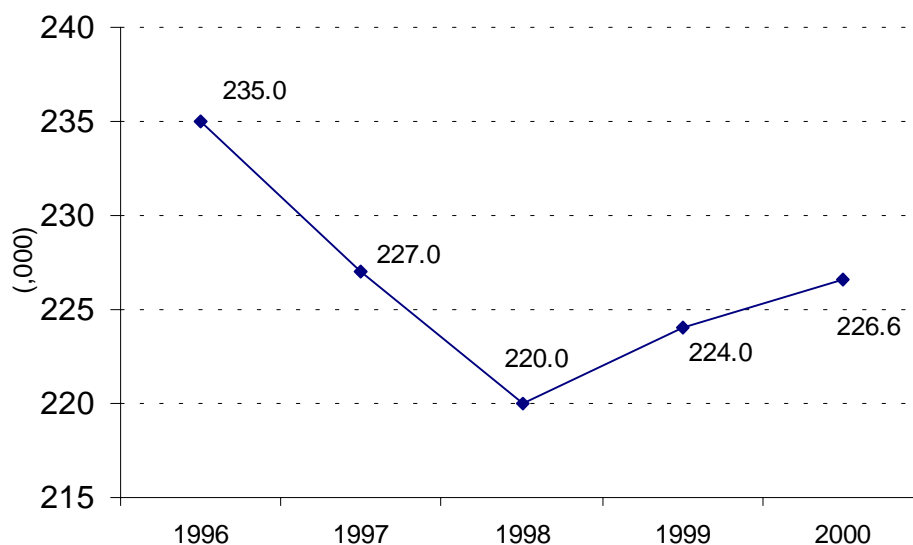
The Higher Education Contribution Scheme (HECS) remains the means by which a significant majority of Australian students pay tuition fees to attend university.

DETYA has not issued any research on the impact of HECS since publication of *The Effect of HECS on Interest in Undertaking Higher Education*, which uses 1997 data. Earlier this year, DETYA informed the Senate Estimates Committee that it was finalising a report updating findings using more recent application data.³⁸

Following the introduction in 1997 of the three tiered HECS system (based on a mixture of the cost of provision and assumed financial returns to graduates) and increases in fees of between 35% and 125% there has been a significant drop in the aspirations of Australians to undertake university education. Figure 9 shows that for the first two years of the current HECS system there were dramatic drops in the application rate of 7,966 and 7,004 respectively (resulting in a combined drop of 6.4% in two years). Although there was a small improvement in these figures for the 1999 and 2000 academic years, applications remained 8,408 below the 1996 base.

³⁷ Matters relating to this Term of Reference are also discussed in the submission of the NTEU women's Action Committee to the Inquiry, and in the submission of the Indigenous Tertiary Education Committee.

³⁸ Education, Training and Youth Affairs, Senate Legislation Committee – Questions on Notice, DETYA, 22nd February 2001.

Figure 9: Applications for undergraduate study, 1996-2000

Source: Senate Estimates DETYA E506 May 2000

Figures released by the Minister for the 2001 academic year show that the slight recovery in the application rate over the previous two years has been reversed. According to Dr Kemp, applications for 2001 dropped by a further 1,737 (or 0.8%) on 2000 levels.³⁹ Although the data sets differ slightly (the figures from Senate Estimates reports 2000 applications at 226,599 while the Minister's statement lists them at 227,449 - a variance of 850, or 0.37%), since the changes were made to the HECS a clear trend of declining aspiration to tertiary study has developed which amounts to 4.3% fewer applications for undergraduate study.

The implications of this decline in aspirations to study at university are concerning in terms of the need to produce a highly skilled and knowledgeable society, however the impact on the composition of the student body is even more concerning. Figure 8 above indicates deteriorating participation rates amongst designated equity groups. This distressing trend is replicated amongst another group recognised by many as disadvantaged in their ability to access a university education. Typically those entering university for the first time as non-school leavers are doing so as a result of having suffered some form of disadvantage at the point of leaving school.

Not surprisingly, the non-school leaver group has been disproportionately deterred from applying for university study in recent years. Most recently, this has resulted in a 1.8% decline between 2000 and 2001, compared to a 0.2% decline amongst school leavers.⁴⁰ The outcome in 2001 reinforces the experience of the first year of operation of the higher HECS charges and lower repayment threshold, when DETYA analysis stated that the number of applications from mature aged students fell by '... 10,000 persons or 10 per

³⁹ Dr David Kemp MP, Media Release K89: *University Offers Rise for 2001*, 23rd April 2001.

⁴⁰ *ibid.*

cent of mature aged applicants due to the changes to HECS announced in 1997.⁴¹ The data available on non-school leaver, or mature aged, applications is less comparable between years than for total applications (partly due to the different definitions used in each state), however the trend in the intervening years has been that whatever the situation for total applications, the situation has been worse among non-school leavers. This is believed to be due largely to the low level of the current repayment threshold, which effectively makes HECS an up front fee for those already in the workforce, including many who work part-time.

In recognising the disincentive effect of HECS it is important to note, not only the problems associated with a repayment threshold which forces students to repay their fees before having demonstrated any financial return from their education, but also the high level of the fee by international standards. For example, universities in the United States of America are often cited as charging among the highest tuition fees in the world. When the current HECS fees are compared to the fees paid by students at public universities in the US it becomes apparent that Australian public universities are more expensive.

In 1999-2000, the average fee paid by a student at a 4 year public university in the US (the largest sector in the US) was \$US3,356.⁴² In measuring the relative cost to domestic students the only meaningful method is a conversion based on the respective purchasing power of the currencies involved. When converted to Australian dollars using the Organisation for Economic Co-operation and Development purchasing power parities (PPPs) the average US fee is \$A4,396. While in Australia in 2000, the average HECS fee was \$A4,454 (based on the 1999 discipline breakdown in which 41.2% of domestic load was in HECS Band 1, 52.5% in HECS Band 2 and 6.4% in HECS Band 3). Thus, fees at Australian public universities are actually 1.3% higher than at comparable institutions in the US.

In contrast, average tuition fees in the highly deregulated four year private institutions were \$US15,380 or \$A20,148. This has produced a well resourced, elite sector which is well out of the reach of average people and serves as a valuable warning against the development of a similarly deregulated sector in Australia.

RECOMMENDATION: That Government, as a matter of urgency:

- **institute a single Higher Education Contribution Scheme rate set at \$2,644 (the equivalent to 1996 levels);**
- **returns the initial HECS repayment threshold to the level of average male earnings, in three equal increases over the next three financial years; and**

⁴¹ Les Andrews, *The Effect of HECS on Interest in Undertaking Higher Education*, DETYA, August 1997.

⁴² *The Chronicle of Higher Education: 2000-2001 Almanac Issue*, September 1, 2000, Vol. XLVII, No. 1, p. 48.

- **create 10,000 HECS exempt scholarships, to be allocated to fields of study deemed from time to time by government to areas of national importance or of high labour market demand.**

RECOMMENDATION: That Government make provision for improving and adding value to participation in higher education, including a 1% growth in student load, whereby growth places are allocated to universities on the basis of their performance in enrolling students from Indigenous, low SES backgrounds and rural and isolated regions. These places would be reserved for students who meet equity criteria and would attract a loading to assist the students to meet ancillary costs.

Term of Reference (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;

Much has been written about a so-called 'brain drain' of talented staff from Australian universities and, indeed from the country. Australia Bureau of Statistics figures in fact show that Australia most recently recorded a net gain in relation to skilled, long-term (12 month or more) people entering and leaving the country. However, the ABS figures also show that during the same period (1998-99), 45% of overseas visitors came to Australia for education, while the most frequent reason for long-term resident departures was employment. This underlies the importance of our education industry, but also points to the fact that while people will come to Australia to study, they leave to get jobs.⁴³ It is essential that our public universities have the capacity to attract and retain the highest quality staff from Australia and overseas if we are to ensure that public universities can meet Australia's higher education needs and maintain the value of the education export 'industry'. Given the global market for university employment, it is important that Australian universities are not only able to provide employment opportunities and support for its best and brightest at home: they also must be able to attract international high-flyers to live and work in Australia.

University staff, both academic and general, are largely motivated by what they perceive to be the intrinsic value of the work they do, and generally report high levels of satisfaction with their work.⁴⁴ Yet Australian public universities are experiencing severe pressures on their capacity to provide a quality working environment, and this is having an effect on their capacity to attract and retain staff. Increased workload and stress, dissatisfaction with management and reward structures, perceptions that salaries are unfair and

⁴³ ABS, *Population: Special Article – Long Term Movement (December 1999)* pp. 1-2.

⁴⁴ See, for example, Craig McInnis, *The Work Roles of Academics in Australian Universities* DETYA EIP 00/5, June 1999, p. 5; McConville and Allport, *Unhealthy places of learning: workloads and stress in Australian Universities*, p.36; Coaldrake, P., and Steadman, L., *Academic Work in the Twenty-first Century: changing roles and policies*, DETYA Occasional Paper Series, 99H, September 1999.

inadequate and the intellectual climate unsupportive are emerging as key issues in studies of staff attitudes and well-being.

The Wills Review of Health and Medical Research (1999) found that 'the difficulty of maintaining a skilled a motivated workforce in the face of low salary levels, job insecurity and uncertainty about the impact of research output' was a major structural issue that jeopardised the strength of Australian research.⁴⁵ These problems are particularly acute in relation to research staff in universities, where the effects of unfunded enterprise bargaining are compounded by the fact that there is no supplementation for salaries funded through research grants. This results in salary schedules for research staff and Fellows set by the National Health and Medical Research Council and the Australian Research Council being on average 10-15% below current salary levels in Australian universities. Universities are forced to find funding to ensure salary parity for these staff from within institutional resources.

However, salaries are only one indicator of what is perceived by many staff and prospective staff as an unsupportive culture. The Australian Society of Medical Research recently published a survey of its members which found that, while Australian workers in biomedical research were earning salaries considerably lower than their counterparts overseas, salary rates were less important than career paths or opportunities to broaden experience as reasons for leaving Australia.⁴⁶ Anecdotal evidence from NTEU members and media reports bear out the impression that lack of adequate infrastructure and support for research and teaching are making careers in Australian universities less attractive.⁴⁷

So, too, are lack of opportunities for meaningful employment and/or career progression. As pointed out in our discussion of Term of Reference (b), funding shortfalls have contributed to a decline in employment opportunities within Australian universities over the past three years, and an increase in the level of casual employment. Young academic staff are frequently locked into a cycle of fixed-term or casual work, without access to appropriate levels of superannuation or professional development and without the prospects of ongoing employment in the future. The Chief Scientist has recently noted the importance of opportunities for postdoctoral research and scholarship in providing early-career staff with a career foothold, but also the fact that the number of postdoctoral fellowships offered in Australia compared poorly with other countries. For example, just one of Canada's three granting research councils alone offered 450 postdoctoral fellowships in 1997-98, compared with the Australian Research Council's 55 in 2000. He also noted a decline in the number of applicants from Australia or overseas for ARC fellowships, suggesting that low success rates coupled with inadequate levels of financial support were leading to a decline in interest. His conclusion was that 'there

⁴⁵ *The Virtuous Cycle: Working together for health and medical research*, Health and Medical Research Strategic Review, 1999, p. iii.

⁴⁶ Australian Society for Medical Research, *Workplace Survey 1999 (ASMR Website)*

⁴⁷ See for example, recent interviews by Peter Pockley with expatriate researchers working at St Jude's Hospital in Memphis Tennessee (*Science Show*, ABC Radio, 19th April 2001).

is currently little to attract bright students to a career in research and innovation'.⁴⁸

Perhaps the most pressing problem for Australian universities in seeking to attract and retain staff arise from dangerous levels of overwork and stress. In 1998, NTEU undertook a study of workload and stress based on over 5,000 academic and general staff. The findings were dramatic, and closely paralleled those of Craig McInnis in a similar study that focused on academic work.⁴⁹

Key findings included:

- a dramatic increase in workloads, with 89% of academics and 53% of general staff working more than a 40 hour week. 32% of all respondents reported working more than 50 hours per week (40% of academics surveyed by McInnis reported working more than 50 hours per week). The NTEU survey found that 83% of academics and 77% of general staff reported increased workloads since 1996. 55% of McInnis's survey group reported a *substantial* increase in workload since 1993.
- workload increases are directly related to factors arising from current funding arrangements and a market-oriented environment, including increased student numbers, increased demand for marketing, client liaison and fund-raising, according to the NTEU survey. Similarly the McInnis survey found that the pressure to seek funds was a major influence on the work of 67% of academics.
- increasing stress levels. The NTEU survey found that more than 50% of staff found their jobs to be regularly stressful, with women reporting higher levels of stress than men. 73% of all staff (82% of academic staff and 67% of general staff) also reported substantial increases in the stress levels involved with their job, citing increased workloads, the pressures of the commercial climate operating within universities, low morale, and a culture of continual change. NTEU is currently participating as an industry partner in an ARC-SPIRT funded project examining stress among university staff. Preliminary findings reveal that an alarmingly high proportion of academic and general staff are experiencing work-related stress at levels that threaten their health.⁵⁰
- Despite relatively high levels of job satisfaction, both studies report significant declines in levels of job satisfaction. The McInnis survey found that satisfaction with salaries had declined from 37% in 1993 to 31% in 1999, and satisfaction with job security from 52% to 43%.

⁴⁸ Robin Batterham, *The Chance to Change: discussion Paper*, August 2000, p. 28.

⁴⁹ McConville and Allport, *op cit*, McInnis, *op cit*.

⁵⁰ Tony Winefield, paper to Australian Higher Education Industrial Association Conference, 2001.

The only areas where both studies reported declines in workload were in the area of research (for academic staff) and professional development for both academic and general staff. As McInnis argues, these findings suggest that other demands are squeezing the time available for core academic activities of scholarship and skills development.⁵¹ In this context, it is also important to note that Commonwealth funding for staff development has more than halved between 1997 and 1999, through the abolition of the Commonwealth Staff Development Fund and the subsequent abolition of the Committee for University Teaching and Staff Development. In an environment where universities continue to face significant changes, there is an urgent need for greater investment in human capital, to assist them to meet the challenges of increased participation and universities' central role in a 'knowledge economy'.

The future for Australian universities?

Many of the issues discussed above are reflected in responses to an email survey of postgraduate research students at four Australian universities. The survey, which elicited 146 responses, was conducted this year by NTEU and CAPA. The survey asked students about their attitudes to working in Australian universities, whether they aspired to do so, and how they rated their chances of success.⁵²

One of the interesting findings in Craig McInnis's study of academic work is that 61% of respondents were negative on the question of whether it was a good time for young people to aspire to an academic career in their discipline, with only 23% positive on the subject.⁵³

The NTEU-CAPA survey found that this perception seems to be shared by many research students. While the majority aspired to work in universities, most were pessimistic about their chances of gaining employment. 48% of respondents rated their chances of success in forging an academic career as poor or very poor, with 29% unsure. Only 24% described their chances as 'good' or 'very good'. The reasons they gave were revealing: they included a perceived lack of jobs in their field, difficulty in 'getting a foot in the door' of academic life and concerns about 'academic politics', and limited opportunities for postdoctoral study and other professional development (such as teacher training).

Those students already employed in universities tended to be more positive about their chances of success, but for some of these, the experience had dampened their enthusiasm. One research student working part-time commented:

⁵¹ McInnis, *op. cit.*, p. 25.

⁵² NTEU/CAPA Survey of postgraduate students (unpublished), April 2001. See Appendix D for a copy of the survey instrument and graphs showing demographics and summary of responses.

⁵³ McInnis, *op. cit.*, p. 9.

Poor management and constantly having to go into crisis control are some of the reasons I find it [university employment] stressful. Other staff members feel the same. They, much more than I do, have to cope with enormous workloads and the students seem to be the ones missing out. In addition, the rewards are fairly limited. I've recently decided to go back to working in the 'real world'.

The reasons students gave for wanting to work in academia reflected the value most attached to the intrinsic value of academic and intellectual life. Opportunities for creative and lateral thinking, the exchange of ideas, opportunities to undertake research and stimulation and satisfaction gained from teaching figured high in these responses. For some, however, these values were seen to be at risk:

Universities are becoming less creative, less independent, less scholarly and this is antithetical to their purpose. Ironically this is occurring at a time when students are paying for their degrees and should be getting a better product.

Most of the students who made such comments referred to funding pressures and the increasingly commercial environment of universities as contributing to such a decline. As for those students who gave reasons as to why they did *not* wish to work in universities, around 20% of those responses were positive, referring to a desire to apply their knowledge in different industries and intellectual settings or to return to an established career. However, the remainder referred to negative aspects of university employment, including poor salaries, poor job security, lack of flexibility or opportunities for career progression and inadequate funding. Many were conscious of their participation in a global labour market, referring to improved employment opportunities, better pay, interaction with eminent scholars in their field and better infrastructure and facilities if they went overseas.

Universities conduct research to solve tomorrow's problems, and they teach so that people can apply that research as soon as possible. Bright young people who can solve complex problems should therefore be encouraged to work in public universities for the common good. But why would anyone want to be an academic in Australia, except for the weather and proximity to one's families? There is little that is explicitly attractive about working in Australian universities compared to, for example, universities in the USA.

While this survey is simply a 'snapshot' of postgraduates' attitudes and opinions, it provides sobering reading. Of course, not all talented research students can or should aspire to work in universities. However, if people engaged in what still serves as an 'academic apprenticeship' are so negative and pessimistic about the future of higher education in Australia, it raises

serious questions about the future capacity of public universities to attract, employ and retain quality staff, and more generally about the processes of renewal in Australian intellectual life.

Term of Reference (f)

the capacity of public universities to contribute to economic growth

- (i) in communities and regions***
- (ii) as an exporting industry***
- (iii) through research and development, both via the immediate economic contribution of universities and through sustaining national research capacity in the longer term***

There are three main ways in which universities contribute directly to regional development. Firstly, universities provide education for students from rural and isolated areas, irrespective of where the university is located. Secondly, the education of local students in areas relevant to local needs is a particularly important contribution to regional economic and social development. Thirdly, universities located in regional areas play a role beyond educating local students: they provide important economic activity, employment, services, facilities and critical knowledge to support the development of the communities in which they are located.

Most regional areas face some form of social and economic disadvantage, and are affected in varying ways by changes in population, employment, industry and economies. Essential to the capacity of any community to respond to change and pursue its development potential is the presence of viable and effective infrastructure. Education is an important part of that infrastructure, and universities are the site of valuable teaching and research infrastructure, entertainment and sporting facilities, and libraries that are utilised by local communities.

The capacity of universities to contribute to growth in regions is related closely to their capability to attract and retain students from regional areas. A recent study highlighted that while 83 per cent of prospective undergraduates were strongly influenced in their choice of university by their wish to do a particular course the university offers, 53 per cent of students are influenced strongly by proximity of the university to home, 46 per cent by employment rates for graduates from the university, and 45 per cent by the opportunities for higher study.⁵⁴ These statistics are significant when examining the declining share of student places taken up by rural and isolated students.

Very few rural students live in close proximity to a university campus, meaning that study related costs need to be taken into account when considering study choices, or whether to continue study at all. The availability or otherwise of student assistance is also critical in these considerations.

⁵⁴ James, R., Baldwin, G., McInnis, C., *Which University? The factors affecting the choices of prospective undergraduate students*. DETYA, 1999.

A University of Melbourne study, '*Rural and Isolated School Students and their Higher Education Choices*', examined the attitudes of students of school leaving age towards higher education. Some of the attitudes held by rural and isolated students which correlate with their under-representation in higher education include the following:

- Rural students, especially those from lower socio-economic backgrounds are significantly less likely than urban students to believe that a university course would offer them the chance of an interesting and rewarding career.
- Rural students are significantly more likely than urban students to believe that:
 - a university qualification is not necessary for the jobs they want;
 - their families cannot afford the costs of supporting them at university;
 - the cost of university fees may stop them attending; and
 - there is no point in their going to university.

The study found that rurality and socio-economic status combine to produce the greatest educational disadvantage. The least advantaged students (lower SES students who live long distances from university campuses) have significantly different attitudes from the most advantaged students (urban, higher SES students). Three examples of this are:

- at least twice the proportion of the least advantaged students believe that the cost of university fees may stop them attending university (43% compared with 21%);
- 31% of the least advantaged students believed that a university qualification was not necessary for the job they want, while 15% of their most advantaged counterparts believed the same;
- 69% of the most advantaged students believed that their parents want them to undertake university study, while 38% of the least advantaged students believed so.

The cost of higher education is identified by the study as a serious inhibitor or barrier for rural students. Rural students were much more likely than urban students to believe that 'universities are really for wealthy people', and for many financially disadvantaged rural families the costs of education are well beyond their income capacity. Cost, however, is not the only inhibiting factor identified by the study.

The study concludes that present imbalances in higher education partly reflect differences in family and community attitudes towards the relevance of education. These social factors have a bearing on student choices before the final years of school, explaining partly why school completion rates are lower in rural areas. The study concludes that many rural students do not actually

reach the point where it is meaningful to consider potential barriers to higher education.

The sense that university is a 'different world' was most often expressed by students in Western Australia who were attending rural schools:

We don't get university lecturers coming up and saying we should come to university and saying it is really wonderful. (Eastern Pilbara region of WA, senior high school)

If we could sit in on a lecture and see the accommodation that would be great. (SW of WA, college)

If you are down there (in Perth) you can figure out what you are doing, where you can go, that sort of thing, whereas if you are up here you are pretty much in the dark, just on what you have heard until you are down there. (Kimberley Region, WA)⁵⁵

These sorts of attitudes point towards the need for policies that address not only the limited access which students from equity groups experience, but also the extent to which their aspirations have been blunted by Government policies: specifically, increasing costs of participation and reducing funding for regional universities. The proportion of students from rural and isolated equity groups has actually declined from 20.58% in 1992, to 20.36% of non-overseas students in 2000 compared to the 1991 Census reference value of 28.8%.⁵⁶

Declining participation in university education within regions impacts directly on labour markets in regional Australia, and also on population flow. A recent DETYA publication, the '*Atlas of Higher Education*', details net flows of students in Australia by postcode. It sets out the top fifty postcode areas which 'export' students, and the top fifty postcode areas which import students. A matter for concern is that a number of areas with net outward flows of students are regional postcodes in proximity to regional university campuses (see Table 5).

⁵⁵ McInnis, C., *Rural and Isolated School Students and their Higher Education Choices*, CSHE, 1999.

⁵⁶ DETYA, *Students 2000, Selected Higher Education Statistics*, DETYA, 2001.

Table 5: Net Outward Flow of Students for Selected Regional Areas

Postcode area	Nearest University Campus	Net student flow
Mackay	Mackay (CQU)	-558
Bundaberg	Bundaberg (CQU)	-479
Tamworth	Armidale (UNE)	-435
Cairns	Cairns (JCU)	-252
Casuarina	Darwin (NTU)	-227
Gladstone	Gladstone (CQU)	-291
Port Macquarie	Port Macquarie (SCU)	-221
Grafton	Grafton (SCU Centre only)	-260

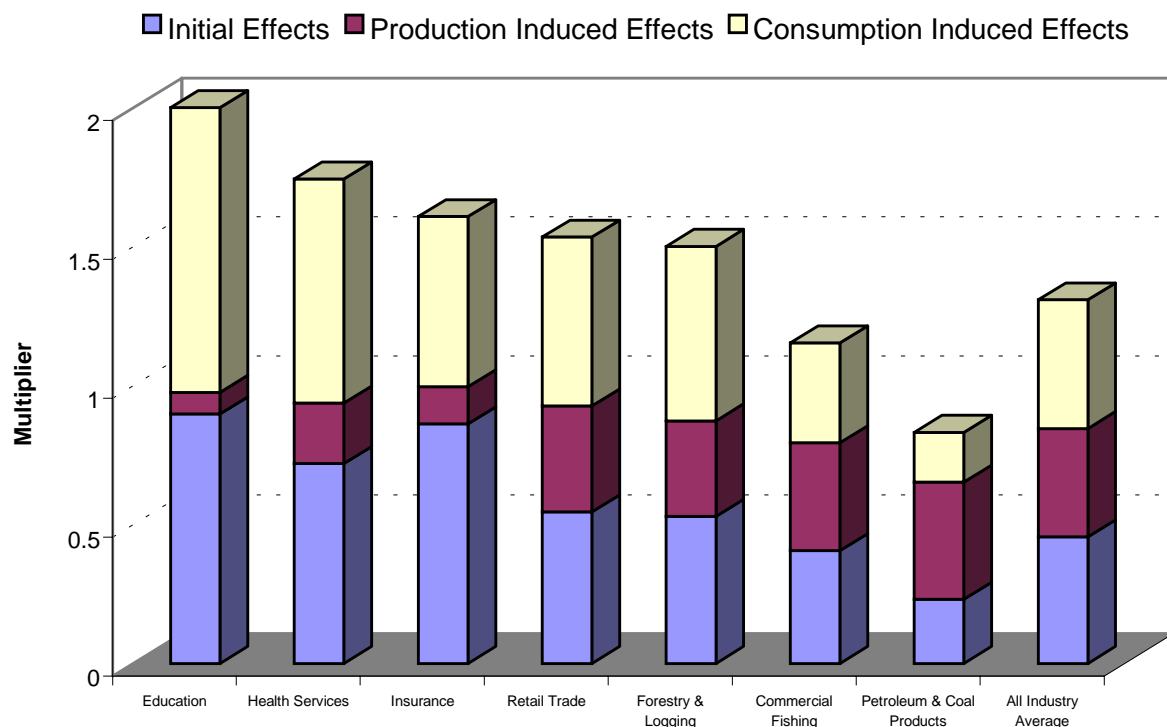
Source: DETYA, *Atlas of Higher Education*, 2001.

Each of the examples shown in the table are postcode areas containing, or adjacent to, a university campus. This highlights the disadvantage of some regional universities in offering education opportunities that are relevant to the aspirations of local students and communities, and their disadvantage in competing with larger metropolitan institutions for the fee-paying dollar. It is the responsibility of any Government concerned with regional renewal to examine the reasons behind these statistics, and develop policies which will 'add value' to the work of regional universities, rather than reinforce their disadvantage.

Education plays a critical role in regional development. It supports the development of industries and enterprises through the provision of essential skills and knowledge; it provides research and analysis of key industrial and environmental factors which impinge on the regions themselves; and it contributes to economic activity and job creation more efficiently than any other industry. Every dollar spent on education will generate a total of around two dollars in value added throughout the Australian economy, while for every million dollars of output in education, 35 jobs will be created.⁵⁷ Figure 10 shows the economic contribution of education relative to a number of selected industries.

⁵⁷ Carman, M., *Multiplying Benefits: The Economic Impact of Public Spending*, Public Sector Research Centre, 1999, pp. 12-14.

Figure 10: Value-added multipliers, Australia, 1993 / 94.



Source: Carman, M., *Multiplying Benefits: The Economic Impact of Public Spending*, Public Sector Research Centre, 1999.

The columns in the Figure above represent:

- *initial effects*, which show the amount of value-adding generated by the industry to meet \$1 worth of demand for their goods and services. Initial effects gives an indication of the 'intensity' of each industry's value-added: the more wages, profits and net indirect taxes required to meet \$1 worth of demand, the more value-adding intensive is the industry;
- *production induced effects*, which show the value-adding generated by all industries in the course of producing output to satisfy the demand for \$1 of output from an industry (excluding initial effect);
- *consumption induced effects*, which show the value-adding generated by workers employed in an industry spending their wages.

The three multipliers shown are added to produce the *total multiplier*, which is the overall amount of value-added created by the initial demand, plus the flow-on requirements from other linked industries, plus the effects on value-added created by workers spending their wages.

Table 6 below applies the total multiplier and the employment multiplier to the funding cuts imposed on selected regional institutions from 1996. It is based

on a comparison of actual 1996 operating grants with 2001 estimates, in constant (2001) dollars.

Table 6: Economic and employment effects of operating grant cuts

Institution	% Change	Constant \$ change (\$,000)	Economic impact on region (\$000)	Employment impact on region (jobs)
University of New England	-7.7%	-7004	-14057	-245
University of Tasmania	-6.5%	-7237	-14525	-253
Deakin University	-6.1%	-9194	-18452	-322
La Trobe University	-5.6%	-9573	-19213	-335
University of Ballarat	-4.7%	-1567	-3145	-55
Northern Territory University	-4.2%	-1474	-2958	-52

Source: DETYA, Higher Education Triennial Reports, 1996 – 2001; & Carman, M., *Multiplying Benefits: the Economic Impact of Public Spending*, PSRC, 1999.

As the table shows, the economic and employment effects of the cuts to operating grants are potentially very significant. These effects on regional economies are even more critical when considered in light of the contributions that universities currently make to industries within their regions. There are over 50 university campuses in regional locations which provide courses of study and research expertise of direct relevance to economic activities which are intensive in their regions. For example the Kalgoorlie campus of Curtin University of Technology, and the Gladstone and Emerald campuses of Central Queensland University which provide critical support to the development of skills and knowledge in the mining industry. Similarly, Marcus Oldham College in Geelong and the Roseworthy campus of the University of Adelaide provide educational support to local agricultural initiatives. A further example is the role of James Cook University in initiatives in environmental and ecological research in North Queensland. JCU's work in Marine Biology is renowned as being critical to the preservation of the Great Barrier Reef, and is therefore of direct relevance to the maintenance of tourist revenue within the region. Each of these institutions are internationally recognised as providing skills, knowledge and experience which are critical to the development of the regions in which they are located.

University involvement in research through Cooperative Research Centres (CRC's) provides additional benefits which are aligned to regional development priorities.

While the Commonwealth Government provides program funding for CRCs, universities and industry are expected to provide ongoing resources to enable them to become self-sufficient. Universities have a particularly large stake in the CRC Program, providing the second largest contribution of resources overall to the centres.

Over fifty CRCs are currently involved in activities ranging from maritime engineering, through photonics, satellite systems, renewable energy, plant science, wool, aquaculture, rice production and cotton production, to tropical

rainforest ecology and sustainable development of tropical savannahs. The CRCs fit within six targeted industry sectors: manufacturing technology, information and communications technology, mining and energy, agricultural and rural based manufacturing, environment and medical science and technology.

The specific research initiatives of CRCs are of obvious benefit to the regions in which they are based, and similar to universities, provide economic and job-creation benefits to the region arising from their expenditure. Most CRCs have multiple nodes, including at regional universities where the research undertaken has direct links to local industry. Examples of these links include the CRC for Tropical Medicine at James Cook University, the CRC for Antarctica and the Southern Ocean in Hobart, and the CRC for Viticulture which has nodes in Adelaide, Wagga Wagga, Loxton, Tatura, and Mildura.

Through involvement in CRCs, the contributions of universities to regional economic development are enhanced by the alignment of research and education activity to industry specific development initiatives. However, their capacity to continue to collaborate effectively with industry and at the same time survive as autonomous higher education institutions will rest in part on the maintenance of base infrastructure.

Recommendation: That Government work to address the education disadvantage of students from rural and isolated areas through the initiation of a regional disadvantage funds; providing resources to regional universities, TAFE institutes and CRCs involved in projects aimed at increasing participation in education economic development and job creation in regional Australia.

Term of Reference (g)

the regulation of the higher education sector in the global environment, including:

- (i) accreditation regimes and quality assurance; and***
- (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***

Quality Assurance – the need to maintain a 'high-bar' approach

The responsibility for accreditation regimes and quality assurance for public universities, and indeed for all institutions offering university level qualifications is shared between the Commonwealth and the States and Territories. Formally speaking, the establishment of any new institution, whether public or private, begins with the accreditation regime within the relevant State or Territory, and once approved courses are then listed in the Australian Qualifications Framework. A new university is given formal

approval through an Act of a State or Territory parliament. Such Acts set out the purposes of the Institution, the Governance arrangements within the institution, and accountability and reporting mechanisms to the State or Territory Government. In Australia, all public and private universities have been established through this parliamentary process. The detail contained in the Acts varies between States and Territories, as does the formal requirements for non-university providers of higher education.

The impact of global providers, and the attraction of utilising the new online environment has significantly changed the environment for accreditation, and led MCEETYA to encourage States and Territories to move to common national protocols for accreditation. This process began in 1995, and was supported by work in 1997 by the Higher Education Taskforce. In these early discussions, commitment to a more common standard was driven by the need for a workable and generally consistent set of processes for mutual recognition. By the end of the decade, with the growing economic importance of universities to both State and national economies and a number of market failures in the non-university ELICOS and business school areas, State Governments began to speak about the importance of setting standards that would protect and promote quality. Universities, as self-accrediting institutions, were also reviewing their own quality assurance standards, through dialogue between universities, the Higher Education Council and DETYA.

The outcome of these discussions was a two-fold process. Through MCEETYA, all States and Territories signed onto new national protocols, and committed to review their regulatory regime, both legislation and administrative processes, by 30 June 2001. The Commonwealth and the States and Territories, then established the Australian University Quality Agency (AUQA) in late 1999. We are yet to see the impact of these changes given that not all States and Territories have completed their review of their higher education legislation, and the AUQA is only in the early days of trial audits within universities, due to commence later this year.

The discussion around national protocols raised a number of significant issues with respect to regulating higher education in a global environment.

1. There was to be tighter legislative control over the use of the term 'university' in business names/associations legislation and in Commonwealth corporations law, as well as establishing consistent criteria and procedures by which an institution/organisation may use the title 'university'. Unfortunately, the Commonwealth Government is still to act on this principle by amending the Corporations Law. It is still possible to avoid the requirements of present Corporations Law by trading under a name that includes 'university', while not registering the name. It is not a difficult process to amend the law to provide protection, as was shown in the speed with which the Commonwealth moved to protect the name of Sir Donald Bradman. Given the commitment expressed within the MCEETYA debate about the

protocols, NTEU is extremely concerned at the inaction on the part of the Commonwealth.

2. Within the regulatory framework, there was a clearer specification of the characteristics of a university. The protocols (2.14) stated that an Australian University would demonstrate the following features:
 - authorisation by law to award higher education qualifications across a range of fields and to set standards for those qualifications which are equivalent to Australian and international standards;
 - teaching and learning that engage with advanced knowledge and inquiry;
 - a culture of sustained scholarship extending from that which informs inquiry and basic teaching and learning, to the creation of new knowledge through research and creative endeavour;
 - commitment of teachers, researchers, course designers and assessors to free inquiry and the systematic advancement of knowledge;
 - governance, procedural rules, organisation, admission policies, financial arrangements and quality assurance processes, which are underpinned by the values and goals outlined above, and which are sufficient to ensure the integrity of the institution's academic programs; and
 - sufficient financial and other resources to enable the institution's program to be developed and sustained into the future.
3. New overseas entrants into the Australian jurisdiction would be assessed both on their meeting relevant overseas accreditation standards, as well as the state or territory regulatory authority being satisfied that such standards were comparable to Australian standards. In addition, appropriate financial guarantees are required in order to ensure successful delivery of a course or courses.
4. The overseas operations of existing self-accrediting universities will be included in audits under the purview of the AUQA. Whether operating under its own name, or through another organisation, all universities established in the Australian jurisdiction are expected to maintain standards at least equivalent to those provided in Australia regardless of any specific requirements of overseas governments. Arrangements with other organisations are also to be scrutinised to ensure not just maintenance of quality standards, but also specifically ensure that teaching staff are qualified to the standards required in the domestic arena, and that there are adequate resources and facilities to ensure both delivery of the course and the welfare of students.

The AUQA is to have the broad responsibility to audit, on a five-year cycle, the implementation of these general standards in both self-accrediting universities and the regulatory regimes of State and Territory Governments for registering non self-accrediting institutions. The standards that underpin the audit process are as yet unclear. There is clear agreement to the principle of external review teams conducting the audits, and some commitment by self-accrediting institutions to investigate national and international benchmarking exercises, but little clarity about the interaction between the principles enunciated in the national protocols and the audit process. There is also little clarity about the role played by present quality regimes in teaching and research. Specifically, the role of professional bodies and associations in accrediting professional courses such as medicine, law, accounting, engineering and architecture; as well as the importance of peer review in research funding and the use of external examiners for postgraduate and honours research degrees.

More importantly, the AUQA has no formal responsibility for investigating complaints about institutions or accrediting agencies, and in fact is specifically debarred from doing so in the Constitution of the AUQA. Responsibility for responding to complaints in universities is left to the institution. The only broad accountability is public reporting by the AUQA, and the possibility of a review of accreditation and funding sanctions upon failure to respond to negative reports arising from the audit process.

At a global level there has been little development of international quality assurance processes, beyond regional mutual recognition arrangements. This latter development is most advanced in the European Union. The first UNESCO World Conference on Higher Education in 1998 took a very general view about quality assurance, speaking only for a holistic focus, independent national bodies, and for the need to establish comparative standards of quality at an international level. There was no mention of a framework for international regulation, merely support for broad internationalisation of higher education. A private initiative, sponsored by Glenn R. Jones, did attempt to deal with quality assurance at a global level through the Global Alliance for Transnational Education, or GATE. Initially GATE attracted the attention of many universities and academics seeking some form of international quality control. The organisation was run by a well known Washington based non-profit group, the Centre for Quality Assurance in International Education and had an international board of accreditors and educators. However GATE soon came under fire from critics arguing that it had become a corporate entity riddled with conflicts of interest, and was no longer viable as a quality agency. Early in 2000 Mr Jones removed many of the internationally recognised accrediting experts from the company, and replaced them with members of other Jones Enterprise companies. It did not take long before those universities that backed the GATE venture moved to disassociate themselves from both Mr Jones and GATE.

While there may emerge some form of international quality regulation in the future, it is more likely to be in the regional mutual recognition arena, rather

than a regulatory regime that has quality assurance management of transnational education. This underlies the critical importance of giving substance to the areas of the protocols that deal with global provision, both by existing self-accrediting Australian universities as well as new global providers seeking accreditation in the Australian jurisdiction. Australia will sustain, and increase, its participation in the education services area of the global economy if it maintains high quality standards, thus protecting its international reputation. Slowness in implementing the protocols, or relying on simple benchmarking between institutions, will mean dependency on institutional decisions to assure quality. Without rigorous complaints or dispute resolution processes, this will not be enough in a commercial environment.

GATS and Domestic Regulation

The regulation of higher education in a global economy will to some degree be governed by developments, either bi-lateral or multi-lateral, in trade in services negotiations or agreements. The most important framework for these developments arises from the activities of the World Trade Organisation (WTO), and in particular the General Agreement on Trade in Services (GATS). The Federal Government has committed to *'pursuing negotiations in the education sector in order to encourage liberalisation commitments from WTO members and gain greater access to key markets.'*⁵⁸

Under the Uruguay Round of negotiations Australia committed to the GATS in secondary education, higher education and English language tuition. It made no commitments on primary or adult education. On secondary education, Australia committed technical and vocational education in private institutions to be included in GATS. Similarly in higher education, Australia only committed the provision of private tertiary education services, including at university level. Australia is now currently involved in a second round of negotiations on educational services to give further effect to WTO principles. The present Federal Government is playing a leading role internationally in committing to trade liberalisation, with the Minister, David Kemp, having given the keynote address at a recent meeting of OECD Ministers of Education. As yet the provision of public education services, including at university level, has not been committed to the GATS, but it is unclear what further commitments will be made. The Department of Foreign Affairs and Trade (DFAT) has indicated that the focus will be on higher education.

Under the auspices of APEC, DETYA has played a central role in managing a project aimed at identifying measures affecting trade and investment in education services in the Asia-Pacific region. The resultant publication⁵⁹ examines the degree to which national regulations across all four modes of supply limits trade in education. Part of this examination goes to the nature of quality assurance and accreditation regimes, as well as other requirements such as foreign ownership restrictions that may restrict commercial presence

⁵⁸ Dr David Kemp MP, Minister for Education, Training and Youth Affairs, *Higher Education; Report for the 2001 to 2003 Triennium*, DETYA, March 2001, p.40.

⁵⁹ APEC, *Measures affecting trade and investment in education services in the Asia-Pacific region: A report to the APEC Group on Services 2000*, Singapore, 2001

of foreign providers in APEC countries. While all education sectors came under the purview of the report, higher education came into particular focus because of its greater degree of internationalisation. The NTEU has been advised by the Commonwealth that the APEC report will inform the development of a Government proposal on educational services for transmission to the Council on Trade in Services, the body that administers the GATS.

The four modes of supply contained in the GATS are as follows:

Cross-border supply. This refers to services flowing between countries transmitted by telecommunications or mail. In higher education, the key measures of concern outlined by the APEC report referred to distance or electronic delivery of courses

Consumption abroad. This refers to the movement of consumers from one country to another. Restrictions highlighted by APEC include visa requirements, quotas on international students, restrictions of employment of international students, and the extent of recognition of educational qualifications.

Commercial presence. This refers to a service supplier establishing a presence in another country. This includes the overseas campuses of Australian universities, as well as any joint ventures between Australian universities and host country organisations. It would also include the establishment of foreign universities in the Australian jurisdiction. Key measures seen to be restricting trade here are limits on foreign equity, requirements on forms of commercial partnership, measures specifying the legal structure of providers, and nationality or residence requirements for permanent staff. While foreign equity requirements were equally reported across secondary and higher education sectors, the specification of the legal structure was particularly prevalent in higher education.

Presence of natural persons. This refers to the movement of people supplying a service to another country – academics working overseas, or foreign academics seeking work in Australia. Measures limiting this mode include quotas on the number of temporary staff, labour market measures or nationality or residence requirements.

At present, there are many who would argue that liberalising trade in services across all modes would enhance the provision of education across all countries, with foreign providers able to fill the shortage of supply in some countries. They also highlight the synergies that would come from the movement of institutions and people into the global economy would aid productivity and generally raise living standards throughout the region. There is however the need to raise an important cautionary note with respect to quality assurance and accreditation. It may well be that in attempting to ensure compliance with the GATS, the new quality assurance regimes and other elements of domestic regulation will be stripped of their ability to ensure

national quality for the price of global openness, with ultimately, only the market as guarantor.

A key obligation defined under GATS is 'national treatment'.

In the sectors inscribed in its schedules, and subject to any conditions and qualifications set out therein, each Member shall accord services and service suppliers of any Member, in respect of all measures affecting the supply of services, treatment no less favourable than that it accords to its own like services and service providers.

Since Australia already provides public funding to Notre Dame and Bond, two private universities, it is open to disputes under current obligations under GATS. The 'national treatment' obligation suggests that where a government provides public money to an existing private Australian university, then any new foreign entrant registered in the Australian jurisdiction would have the right to expect that they too would be eligible for grants of public money. The implications of this are far reaching: flow on claims for funding from other domestic private providers, reduction in grants to public institutions as governments seek to cap expenditure, increased likelihood of recourse to competitive tendering or voucher-based funding to ensure that there is no discrimination by government between public and private or domestic and foreign providers.

In addition, the Department of Foreign Affairs and Trade (DFAT), representing Australia in discussions concerning Article IV of the GATS, has submitted a formal proposal to the WTO on the basis of a new GATS discipline on domestic regulation. This attempts to resolve the tension between national policy objectives and liberalising trade, and covers the development of disciplines relating to qualification requirements and procedures, technical standards and licensing requirements to ensure regulation is the most transparent and least trade restrictive as possible. DFAT has advocated the following position, which privileges trade liberalization:

A measure is not more trade restrictive than required unless there is another measure, reasonably available taking into account technical and economic feasibility, that achieves a legitimate policy objective and is significantly less restrictive to trade.

The recommended Domestic Regulation discipline will also affect higher education under Australia's existing GATS commitments on private tertiary education. The discipline would enable the WTO to consider first, whether accreditation requirements were established to meet 'legitimate objectives' and second, whether any particular legitimate objective could be achieved in a less trade-restrictive fashion than the relevant accreditation requirement established by Australian authorities. At first glance, the section of Australia's National Protocols for Higher Education Approval Processes pertaining to foreign providers is unlikely to fall foul of a Domestic Regulation discipline. But the same cannot be said of the yet to be adopted 'operating guidelines' for the Protocol. An examination of the Greenwich University Review Criteria, as

an example of possible operating guidelines, raises interesting questions about requirements for 'a properly constituted governing body (such as a university council)' and for such a body to be 'sufficiently independent of the administration and ownership to ensure public credibility'.

The Commonwealth proposal is still just that, but other OECD countries have shown considerable interest in achieving a Domestic Regulation discipline and this objective is part of the Council for Trade in Services Negotiating Guidelines and procedures for the current round of negotiations. The potential problems of such a discipline would be magnified if a revised GATS enables aggrieved investors and erstwhile investors, not just governments, to activate the WTO disputes resolution procedures.

In addition, once a service or sub-sector of a service has been offered without limitation under the GATS, member states must also ensure that:

- No restriction is imposed on the number of service providers, either through a quota or an economic means test.
- No restriction can apply as to the type of legal entity for a provider to operate.
- No limit can be imposed upon the percentage of foreign ownership.
- Qualification requirements and procedures, technical standards and licensing requirements may not be 'more burdensome than necessary to ensure quality of service', and in the case of licensing requirements, 'not in themselves a restriction on supply'.
- Arguably, no restriction on intakes in order to avoid an oversupply problem eg limiting the number of students enrolled in medicine.

Under GATS countries can list 'exemptions', or qualifications, unbinding them from GATS. In education, there are none distinctly listed, except for subsidies for research and development. There are no limitations on market access or on national treatment except for the general ones listed for all services. This includes exemptions under the commercial presence and presence of natural persons modes, and refers to foreign investment restrictions under current law, future and current measures according preference and rights to Indigenous persons and organizations, and immigration restrictions generally consistent with current practice.

These obligations bring into sharp relief the difficulties posed in implementing the new national protocols, and using the quality assurance process to maintain standards. Any member country can take a dispute to the WTO, and the WTO can order a country to change its measures, such as quality assurance or accreditation, to ensure that it does not act to restrict trade. In the APEC Report⁶⁰, there was general consensus that the quality assurance issue was essentially a higher education one, although many reported that foreign providers were subjected to the same processes and criteria as

⁶⁰ APEC, *Measures affecting trade and investment in education services in the Asia-Pacific region: A report to the APEC Group on Services 2000*, Singapore, 2001, p.25.

domestic providers. Nonetheless the report still suggested that it was difficult to establish whether there were differences in their treatment.

The effect of the recommended test would be to enable a WTO disputes panel to override an Australian licensing requirement, qualifications requirement or procedure or technical standard in any service area listed under Australia's schedule in the GATS. This raises two critical issues – in the current environment where national protocols have not yet been given full effect in legislation, the availability of weaker regulatory regimes in one State will make full implementation of the protocols difficult in another state should a prospective provider make use of the disputes procedure under GATS. Further, Minister David Kemp, has stated that DFAT will be consulting within the higher education sector on these matters, but preliminary inquiries to relevant State and Territory bodies, as well as the AUQA, have indicated that they have not yet been consulted and know little of these developments.

The second issue pertains to the qualifications and entry standards set by professional bodies for professions such as architecture, engineering, law, medicine and so on. DFAT has already submitted proposals to the WTO in respect of engineering, architectural, legal and construction services. These too will come under the purview of GATS and should their regulatory regime become a dispute under WTO, then the Australian Government would be obliged to ensure that a new regulatory regime less restrictive to trade is enacted. It is also unclear whether professional bodies associated with the accrediting entrants to the professions have been consulted. Again preliminary advice suggests not.

It is absolutely critical that, if Australia is to develop external mechanisms to undertake ongoing review of the capacity of the sector to meet Australia's education, training, research, social and economic needs within a global environment, it is not unduly constrained from developing functional national agendas within a generally liberal trade environment. The current policy of the Australian Government has not been one that has used the exemptions process under GATS to categorically protect the funding of Australia's public institutions, nor to ensure quality standards underpinning national protocols. Furthermore Australia is playing a pro-active role in suggesting that regulatory regimes of all types within higher education, including entry into the professions, be constructed against the primary test of trade liberalization.

In order to ensure that Australia makes the most of its comparative advantages in trade in educational services, it is important to 'protect' its 'brand name'. The Government seems driven by the need to open up the educational services markets of its trading partners, without assessing the impact such trade liberalisation might have on future trade in educational services from and to Australia.

University Governance and Global provision – the case of U21

Higher education has long been internationalised – faculty links across the globe, often on a discipline basis, have nurtured intellectual work, fostered the

broad public interest in research and sponsored staff and student exchanges. More recently institutions have joined together to offer students across the world an opportunity to study on-line, choosing courses from among the many offered by a variety of consortia. Partnerships are formed with private IT companies to provide the necessary platform to deliver courses to students. From this perspective, such developments may have many positive advantages.

However not all such partnerships are in the public interest – rather the motive for some ventures seems to be to maximise profits, for both the universities involved and the private companies. While it is difficult to be precise about the final nature of global delivery of courses through partnership arrangements, there is one example where governance structures have been articulated, and where they differ substantially from standards expected of Australia's public universities – Universitas 21. It is included here as an example of the difficulties that arise in regulating higher education in a global world. It also raises more generally questions around partnerships between Australia's public universities and international private companies – including the vexed issue of control over curriculum development, teaching and learning and assessment. These should be the core work of universities, the work they have a public responsibility to assure.

Universitas 21 (U21) began as a consortium of 18 universities which sought partnerships with News Limited and Microsoft, and is currently finalising a deal with North American media giant Thomson Corporation. The universities originally involved in the venture included:

- McGill University
- University of British Columbia
- University of Toronto
- University of Michigan

- National University of Singapore
- University of Hong Kong
- University of Peking
- Fudan University

- University of Birmingham
- University of Edinburgh
- University of Glasgow
- University of Nottingham
- Albert Ludwigs University Freiburg

- University of Melbourne
- University of New South Wales
- University of Queensland
- University of Auckland

Three additional US universities – New York University, Georgia Tech University and the University of Virginia - were invited to a recent meeting,

and are considering joining U21. The U21 venture raises important issues about the new models of global delivery, and brings into focus the sharp end of the corporatisation of higher education. Under the proposed deal Thomson Corporation will be responsible for course design, content development, testing and assessment and student database management and translation. The universities will licence their 'brand names', receiving money for allowing the crests of their institutions to be used by the new international institution. The universities are not selling their courses; rather it is their reputation that seems up for sale. As part of establishing U21, 'brand name' valuations were commissioned to measure the universities' respective contribution to any joint venture, and university leaders at one prominent U21 site speak about their work as 'brand equity managers'.

A Thomson spokesperson stated that U21's structure 'enabled it to take a powerful international brand, credible quality assurance and multi-jurisdictional certification, and add Thomson Learning's expansive content and course development experience'⁶¹. It predicts a market of 97m students by 2010. Thomson has been shifting its resources from its newspaper holdings to education, purchasing recently Prometric, an IT assessment company for \$US4.2b, Petersons, a student admissions company for \$US2b, and acquiring the higher education area of Harcourt Publishing for another \$US2b.

Initially little information was available – most of what we knew came through the mass media, or via press release. There was little discussion at the participating institutions – conversations about such an important venture seemed to be taking place only in the inner sanctum of university Vice-Chancellors and Presidents.

The Vice-Chancellor at the University of Melbourne took the lead in this consortium, and it is this university that has underwritten the costs of negotiating the deal. Having already experienced the corporate dreams of this Vice-Chancellor, it was not surprising that it was our own organisation, along with student groups, that first began to express concern as to the nature of this venture. Along with our colleagues from The Association of University Staff in New Zealand, we began to investigate the nature of this new global venture. Together we formed email networks with other staff and student organisations in many of the U21 institutions, finally having a strategy discussion at a recent international meeting in Europe. At this early stage, staff and students were extremely concerned at the failure of the university to discuss the proposed venture openly at the governing board, and more broadly with staff and students. Using staff and student representatives on such boards, we developed a common set of questions to assist network participants to question their own institutions in the public interest. The relative dearth of information at this early stage suggested that university governance structures are seen as an impediment to the kind of commercial venture envisaged by the U21/Thomson proposal.

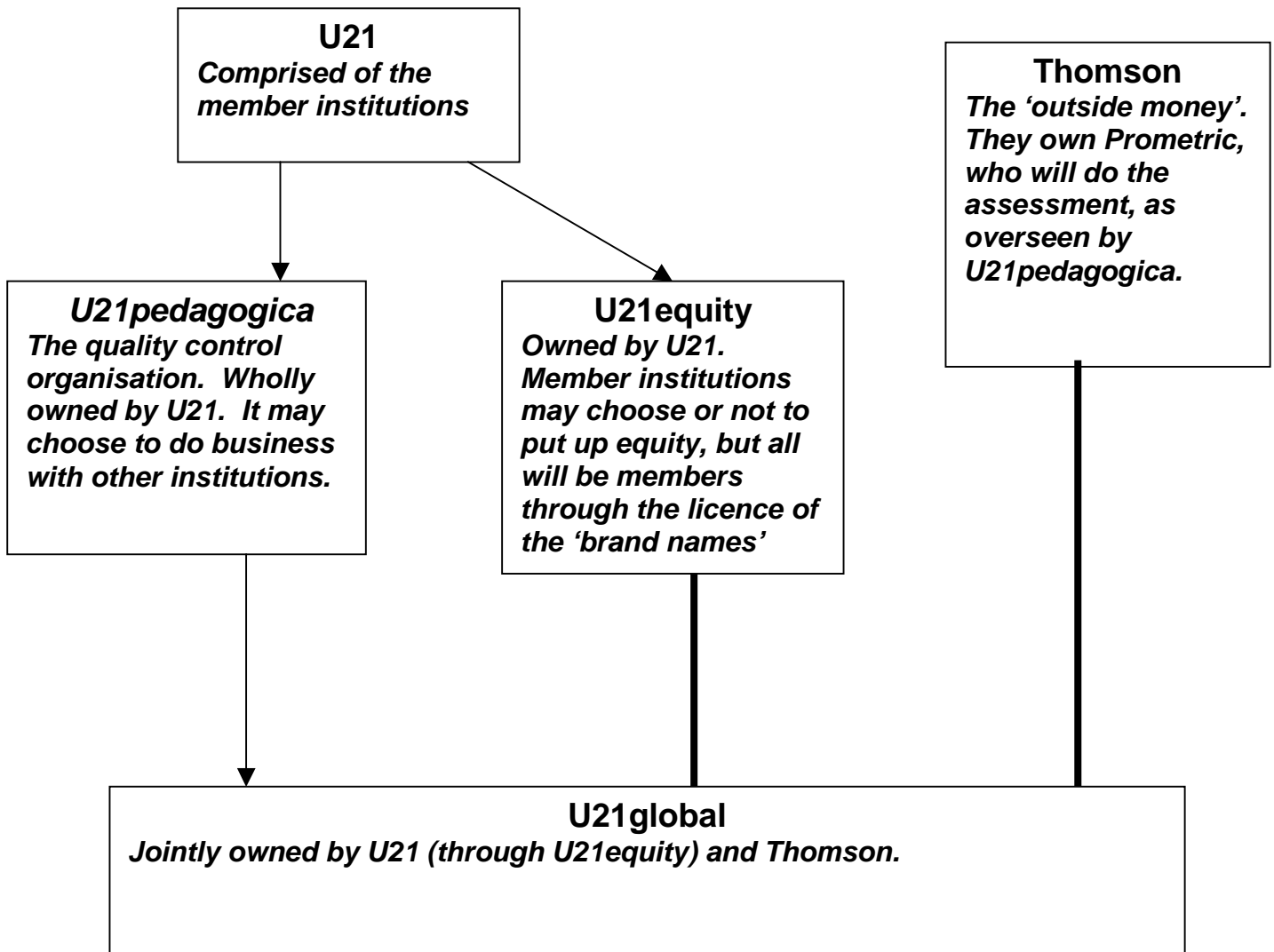
⁶¹ Universitas21 Business Plan, 2000.

In an environment where we are seeing a shift in universities' assets from the public institution into commercial ventures, the questions being asked go to corporate and financial arrangements including methods for staff appointments and under which jurisdiction those employment arrangements are made. Financial due diligence is an important feature of the transfer from public to private identity, and full disclosure under such processes is essential. Staff and student representatives on governing boards are also being asked to raise issues associated with academic due diligence and governance. These questions then became the basis of a joint letter to the U21 Secretariat from faculty unions from Australia, New Zealand, UK, Europe and North America. Our letter was written from the perspective of public responsibility – as university unions and staff associations we held it to be important to protect the interests of our members and defend the integrity and reputation of our institutions, and the educational programs offered through partnership arrangements with other institutions.

Utilising the UNESCO Recommendation on the Status of Higher Education Teaching Personnel, signed by our national governments, the signatories of the letter drew attention to the key issues of accountability of universities, duties and responsibility of teaching personnel, intellectual property, quality assurance, academic freedom, governance, representation and employment protection established under the normative instrument. We also informed U21 that we would forward to the consortium a log of claims in respect of the Thomson Learning arrangement, and Universitas21 activities more generally.

We now have quite a clear picture of the way U21 is to operate. Like Melbourne University Private, the venture uses a complicated companies structure to insulate the various activities of U21.

COMPANY STRUCTURE OF UNIVERSITAS 21



The key operating company will be U21 Global – jointly owned by U21 (through U21 Equity) and Thomson. It will appoint staff and operate the business. Academics are to be renamed as course developers, instructors and assessors and will be contracted by U21 Global through a tender process. U21 Global will be registered in Singapore where activities of trade unions are highly circumscribed.

Profits will be shared according to capital raised, although it has been reported that Thomson would contribute more capital than the U21 participating institutions, at least initially. Control will be vested in a board – 3 U21 Presidents, 3 Thomson Learning, the CEO of U21 Global and an independent chair. Another associated company U21 Pedagogica, owned by U21 institutions, will manage quality assurance. As a separate company, Pedagogica may also do business with other institutions, particularly in benchmarking. Courses on offer in the early stages are postgraduate programs in e-commerce, business administration and information systems. There has been an acceptance of the need for student representation within the U21 governance structures. There are no plans to include staff in any of the governance structures of the new global university.

Little is known of the way intellectual property will be protected, nor can we be guaranteed that information as to the activities of U21 Global will be reported back to the university communities that are subsidising this for-profit venture.

The participating institutions derive money from the sale of their brand name and any profits that accrue as an equity partner, while faculty will experience an unbundling of their work – separating course design and curriculum development from the learning and assessment processes creates educational difficulties, as well as encouraging increases in casual and contingent labour, and there are no guarantees that those employed will be from the participating institutions.

Some of the universities involved in the venture have been cautious about their participation. One of the original partners, the University of Michigan, is now involved with another private sector partner, and will not be participating. The University of Toronto has now withdrawn from the venture. In a letter sent to all Deans and Principals at the University, the University senior management stated

‘...we are now proceeding to withdraw from U21 altogether. There are three primary reasons: our desire to wholly protect the use of our University of Toronto name and related interests from the U21 consortium (right to use logos and crests for the provision of certificates and degrees) for the e-learning venture, financial obligations for the e-learning venture, and the ongoing effort to determine our own interests and objectives with respect to technology assisted education.’

The University of Melbourne has stated that it wants to invest \$US8m over the next few years, while other institutions, such as UNSW and the University of Queensland are committed to smaller amounts. Given the acknowledged difficulties associated with Melbourne University Private and the float of Melbourne IT, there is a clear case of public interest to be protected.

The growing importance of education in a global world makes it imperative that a new independent body be established to undertake, or commission, reviews of the capacity of the sector to meet Australia's education, training, research, social and economic needs. Such an independent body should have a broader role than the previous Higher Education Council, and it needs to have the capacity to work across Government departments and authorities, including the Australian Bureau of Statistics; the Departments of Foreign Affairs and Trade; Industry, Science and Resources; Education and Training; and Communications and the Arts. It should also aim to work productively with MCEETYA and the AUQA.

RECOMMENDATIONS

All new universities established in the Australian jurisdiction should continue to have their own Acts of Parliament. Such Acts should articulate both the broad purposes and organizational forms that would give substance to the features of universities stated in the national protocols. This would include commitment to free inquiry, governance structures, as well as courses offered and reference made to accountability for standards through the AUQA or relevant State Acts governing the regulation of higher education.

The Government should seek to amend the Higher Education Funding Act to clearly define the social and legal responsibilities of universities in receipt of public funding. Such amendment to reflect the following responsibilities:

- 1. The provision of high level, high quality scholarship, research and education, in a collegial environment that protects and promotes the fundamental relationship between scholarship, research and teaching.**
- 2. Provision of an active repository of knowledge and expertise for the general betterment of society.**
- 3. The guarantee of the intellectual freedom of all staff and students.**
- 4. Promotion and support of the role of universities as 'critic and conscience' of society.**
- 5. Open and equitable admissions policies based on the ability of potential students to benefit from tertiary education and the facilitation of participation of students from disadvantaged backgrounds.**

6. **Clear and consistent reporting of financial matters through audited financial statements and budgeting processes that are technically consistent with the audit.**
7. **Probity, transparency and accountability in the commercial operations and transactions of universities and their controlled entities.**

The Government should ensure that DFAT consults widely with professional bodies, stakeholders within the higher education sector, the AUQA and relevant bodies with formal responsibility for accrediting higher education. Such consultations should focus on the intersection of the maintenance of standards for accreditation of professional entry with the current approach of DFAT in the working party discussions.

Government should refrain from including public universities, the funding of public universities, government subsidies to students of public universities, and TAFE Colleges and Institutes in the Australian schedule of commitments in the current and future rounds of negotiations on GATS. It should also maintain the exclusion of subsidies for research and development.

The AUQA should ensure that partnerships between Australia's public universities and overseas private companies come under the purview of the audit process, and that appropriate standards of assessment should reflect the national protocols, specifically Part 5: Delivery Arrangements for Higher Education Institutions Involving Other Organisations.

Term of Reference (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

The operations of public universities are the primary responsibility of the Commonwealth Government. In developing and implementing policy, Government should be able to draw upon advice from a wide range of sources, including, of course, that of relevant Government departments.

NTEU believes there are two strong arguments for the establishment of a source of independent, cross-portfolio advice to Government on higher education and related matters: firstly, that independent advice is not currently available from other sources, and secondly that the nature of this advice has the capacity to improve the quality and accountability of higher education.

The absence of independent advice since the abolition of the National Board of employment, Education and Training (and, in particular, the Higher Education Council) means that the only source of published information is

DETYA and the Minister's Office. DETYA has suffered significant losses of resources and staff and hence corporate memory. The Minister's office, not surprisingly, releases information when and as he chooses, and always with an eye to political advantage.

The result is a gap in information available to the Government and to the sector about its capacity to meet Australia's higher education needs. For example, while the brief of the Higher Education Council was very broad, it was charged specifically with monitoring and reporting on section 14 of the Higher Education Funding Act (the role of educational profiles), and the effects of the operations of HECS on access to higher education and the level and quality of postgraduate research. Since its demise, the public has had only limited research on the operations of HECS, and in particular the impact of changes to HECS levels and repayment thresholds. As discussed in relation to Term of Reference (d) the most recent analysis from DETYA relies on 1997 data.⁶²

Because of the importance of higher education in contributing to Australia's economic, social and cultural well-being, it is also important that there be significant cross-portfolio interaction in the provision of independent advice to Government on higher education policy. This is discussed in more detail under Term of Reference g.

Recommendation: NTEU advocates the establishment of an independent advisory body to the Minister with a similar brief to the Higher Education Council, but with the following key characteristics:

Its membership should combine representativeness with expertise, and include representation from students and staff.

Unlike the Higher Education Council, it should incorporate active links with other portfolios and Commonwealth departments, to facilitate the provision of advice on universities' international activities and ensure that the cross-portfolio dimensions of lifelong learning are addressed.
